



ANNEXURE D

MANAGEMENT DISCUSSION AND ANALYSIS

❖ INDIAN INDUSTRY AND DEVELOPMENTS

India has emerged as the fastest growing major economy in the world as per the Central Statistics Organisation (CSO) and International Monetary Fund (IMF). The Government of India has forecasted that the Indian economy will grow by 5.8 per cent in FY 2019-2020. The improvement in India's economic fundamentals has accelerated in the year 2015 with the combined impact of strong government reforms, Reserve Bank of India's (RBI) inflation focus supported by benign global commodity prices.

Agriculture plays a vital role in India's economy. Over 58 per cent of the rural households depend on agriculture as their principal means of livelihood. Agriculture, along with fisheries and forestry, is one of the largest contributors to the Gross Domestic Product (GDP). As per the advised estimates by the Central Statistics Office (CSO), the share of agriculture and allied sectors (including agriculture, livestock, forestry and fishery) is expected to be 15.87 per cent of the Gross Value Added (GVA) during 2019-2020.

India is the largest producer, consumer and exporter of spices and spice products. India's fruit production has grown faster than vegetables, making it the second largest fruit producer in the world. India's horticulture output, is estimated to be 314.67 million tonnes (MT) in 2019-2020 after the first advance estimate. It ranks second in farm and agriculture outputs. Agricultural export constitutes 16.45 per cent of the country's exports and is the fourth-largest exported principal commodity. The agro industry in India is divided into several sub segments such as canned, dairy, processed, frozen food to fisheries, meat, poultry, and food grains.

❖ INDUSTRY OVERVIEW1. **Iron and Steel Industry**✚ Global Scenario

Global economic output grew by 3.6% in 2020, as estimated by IMF in its April, 2019, World Economic Outlook update. The growth momentum increased in 2018, with growth in advanced economies (estimated 3.3% growth in 2019) as well as in emerging market



and developing economies (estimated 3.6% growth in 2018). The strong growth momentum is expected to continue in 2019 and 2020, driven mainly by growth in advanced economies, expectation of favourable financial conditions and acceleration in demand. Growth in emerging market and developing economies is also expected to strengthen further. Global economic activity is forecast to grow by 3.6% in 2020.

Domestic Scenario

According to World Steel Association, India produced 9.4 MT of Crude Steel during year 2019, down by 1.0% over 2018. As per Joint Plant Committee (JPC), production of Crude Steel during Financial Year 2017-18 stood at 102.3 MT, at a growth of 4.5% over same period last year. Finished steel production (non alloy+alloy/stainless) also registered a down by 9.73% consisting of 102.8 MT during Financial Year 2018-19, compared to same period last year. Exports of total finished steel fell by 34% to 6.36 MT during Financial Year 2018-19 over last year, while imports increased by 4.7% to 7.84 MT.

Analysts are upbeat over the expected above normal monsoon and higher GDP growth. The slow pace of public and private sector projects is expected to improve with the Government of India's thrust on infrastructure projects. Further, 'Make in India' initiative has got a boost by a slew of measures aimed at improving the ease of doing business in the Country. Small and medium industry- a major employment generator for the economy- has been liberated to participate in the Nation's development in accordance with its potential. Bold measures by the Government such as improved targeting of subsidy, broadening of the tax base and expected buoyancy in tax revenue are all aimed at achieving the fiscal consolidation which had been an area of concern in the recent past.

2. Textile Industry

Domestic Scenario

The Retail market in India has undergone a major transformation and has witnessed tremendous growth in the last 10 years. The Retail market is set to cross the \$ 1 tn mark by 2020. India's e-commerce market is also set to grow at a CAGR of 30% for gross merchandise value to be worth \$ 200 bn by 2026.

India ranks among the best countries to invest in Retail space. Factors that make India so attractive include the second largest population in the world, a middle class of 600 million people, increasing urbanisation, rising household incomes, connected rural consumers and increasing consumer spending.



Retail is India's largest industry, currently accounting for over 10% of the country's GDP and 8% of total employment.

Recent policy changes allow 100% FDI under the automatic route for single-brand retail trading.

3. Pulses Segment

Global scenario

Agriculture is the primary source of livelihood for about 61.5 per cent of India's population. Gross Value Added by agriculture, forestry and fishing is estimated at Rs 18.53 trillion (US\$ 271 billion) in FY18

The Indian food industry is poised for huge growth, increasing its contribution to world food trade every year due to its immense potential for value addition, particularly within the food processing industry. The Indian food and grocery market is the world's sixth largest, with retail contributing 70 per cent of the sales. The Indian food processing industry accounts for 32 per cent of the country's total food market, one of the largest industries in India and is ranked fifth in terms of production, consumption, export and expected growth. It contributes around 8.80 and 8.39 per cent of Gross Value Added (GVA) in Manufacturing and Agriculture respectively, 13 per cent of India's exports and six per cent of total industrial investment.

Domestic Scenario

During 2018-19 crop year, food grain production is estimated at 281.37 million tonnes, as compared to 277.49 million tonnes in 2017-18, while rice and wheat production in the country is estimated at 112 Million MT and 100 Million MT in the year 2019-20, respectively in the same period. Milk production was estimated at 176.3 million tonnes during FY18 and in 2018-19 India's milk production is expected to surpass the 180 million tonne mark, while meat production was 6.3 million tonnes. Total area in India, sown with rabi crops reached 64.29 million hectares in February 2019.

India is the second largest fruit producer in the world. Production of horticulture crops is estimated at record 314.67 million tonnes (mt) in 2018-19 as per second advance estimates.

Total agricultural exports from India grew at a CAGR of 16.45 per cent over FY10-18 to reach US\$ 38.21 billion in FY18. Between Apr 2018-Feb 2019 agriculture exports were US\$



34.31 billion. India is the largest producer, consumer and exporter of spices and spice products. Spice exports from India reached Rs. 2703.01 crores in 2018-19. Tea exports from India reached 240 million kgs in 2018-19 while coffee exports reached record 230,000 tonnes in 2018-19.

Food & Grocery retail market in India was worth US\$ 380 billion in 2017. The F&G market is reportedly growing at 15 per cent per annum and is projected to double by 2020.

India is expected to achieve the ambitious goal of doubling farm income by 2022. The agriculture sector in India is expected to generate better momentum in the next few years due to increased investments in agricultural infrastructure such as irrigation facilities, warehousing and cold storage. Furthermore, the growing use of genetically modified crops will likely improve the yield for Indian farmers. India is expected to be self-sufficient in pulses in the coming few years due to concerted efforts of scientists to get early-maturing varieties of pulses and the increase in minimum support price. The government of India targets to increase the average income of a farmer household at current prices to Rs 219,724 (US\$ 3,420.21) by 2022-23 from Rs 96,703 (US\$ 1,505.27) in 2015-16.

❖ COMPANY OPERATIONS

The Company initially was engaged in the business of imports and exports since 1991 for a period of 19 years but due to the change in management in the Year 2010 it discontinued the import export business and thereafter commenced business of trading in commodities. The Company again underwent a further Change in Management in the Year 2013 after which the company continued the business of trading of commodities but also undertook trading in all types of natural resources, precious metals, textiles and agricultural products on spot basis and from financial year 2014-15 it also entered into Trading of Rice and Pulses.

❖ OUR COMPETITIVE STRENGTHS

Experienced management team and a motivated and efficient work force

Our Company is managed by a team of experienced and professional personnel having knowledge of all aspects of marketing, finance and broking. The faith of the management is in the staff and their performance has enabled us to build up capabilities to expand our business.



SWOT Analysis

Strengths

- Experienced Promoters and management team
- Domain knowledge in dealing in pulses
- Low cost of processing orders and procurement

Weaknesses

- Dependence upon Specific Commodities.
- Dependence upon few suppliers and customers for business

Opportunities

- Potential to introduce new commodities and concentrate on higher value addition
- Exiting a particular segment and entering a new segment easier.
- Venturing into Fruits segment

Threats

- Commodities are prone to risk changes in natural environment.
- Industry is prone to change in government policies
- There are no entry barriers in our industry which puts us to the threat of competition from new entrants

Company's Products and Platforms:

The company can carry on the business of buying, selling and trading in all kind of commodities.

Company has expertise in Trading in specific commodities such as bullion (gold, silver), energy (crude oil, natural gas), metals, food grains (rice, maize), spices, oil and oil seeds and others.

The Subsidiary of the Company offers broking facilities for dealing through the Commodity Exchange of MCX through its membership in MCX.

The Company has entered into the Futures Trading in Commodities since it has opened up spectacular growth opportunities and advantages not only for large cross section of market participants like: producers, processors, traders, corporate, trading centres, importers, exporters, co-operatives, industry associations but for investors community too.

The Company affords us a very dynamic field for diversified investment & trading opportunities in addition to equity markets to the investors.

The Company is in a position to offer comprehensive and prompt service of advising from its expertise and deal in the commodities market through its subsidiary M/s. ADVANTAGE



COMMODITIES PRIVATE LIMITED, Mumbai which is a TCM (Trading cum Clearing member) of MCX under the Company is entitled to trade on its own accounts as well as on account of its clients.

The company can carry on the business of buying, selling and trading in all kind of commodities.

The Company has a diversified client base that includes HNIs, retail customers, corporate clients and other

• **FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE**

The total operating income of the company for the year under review is Rs. **10.40 lakhs/-** as compared to previous year's operating income of Rs. **211.40 lakhs /-** signifying a drop of 95.08% in the Turnover. The chief reason for this is the drop-in margin on Steel Products and Fabrics due to which Your Company stopped Trading on these commodities. Your Company further continued its trading on Rice and Pulses.

The gross profit margin marginally went down to 2.35% from current year to 2.35% in the previous year. The company's profit after tax in value terms went down to Rs.-75.81/-during the year as compared to Rs. **3.88 lakhs /-**during previous financial year. In terms Net Profit Margin after Tax the Margin for the current year stood at -728.94% as compared to 1.84% in the Previous Year.

The financial performance of the company is as follows: (in lakhs)

Particulars	As on March 31, 2020	As on March 31, 2019
Revenue from Operation	10.40	211.41
Purchases	-	206.44
GP Ratio	-	2.35%
Other Income	77.68	87.37
Finance Cost	10.25	9.03
Employee benefit expenses	35.91	55.76
Net profit before tax	-75.80	8.67
		4.10%
Net profit after tax	-75.80	3.88
		1.84%



Financial Position

Particulars	Standalone		Consolidated	
	31st March 2020	31st March 2019	31st March 2020	31st March 2019
Equity share capital	1139.00	1139.00	1139.00	1139.00
Reserves and surplus	101.22	177.04	79.94	157.34
Gross block (property, plant and equipment including intangible assets)	26.82	26.82	48.80	48.80
Total investments	721.49	732.08	738.70	745.44
Net current assets	570.59	1270.77	590.87	1298.74
Earnings per share in ` EPS:				
Basic earnings (loss) per share from continuing and discontinued operations:	--	0.03	--	---
Diluted earnings (loss) per share from continuing and discontinued operations:	--	0.03	--	---

The Profitability of the different commodities and other income year-wise are as follows:



2019-2020						
	Garment	Pulses	Rice	S S Pipes	Others	Total
Income	0					
Expense	0					
Net	0					
%	0					
Other Exp	0					
Net Profit Before Tax and Exceptional Items	0					
	0%					
2018-19						
	Garment	Pulses	Rice	S S Pipes	Others	Total
Income	0	1,00,72,216	1,10,68,554	0	87,37,269	2,98,78,039
Expense	0	98,32,688	1,08,11,567	0	9,03,218	2,15,47,473
Net	0	2,39,528	2,56,987	0	78,34,051	83,30,566
%	0%	2.38%	2.32%	0%	89.66%	%
Other Exp	0	50,000	50,000	0	78,42,985	79,42,985
Net Profit Before Tax and Exceptional Items	0	1,89,528	2,06,987	0	-8934	3,87,581
	0 %	1.88%	1.87%	0%	0	1.30%

The above table reveals the performance of different commodities during the current and the previous year. The Profitability of the commodities have gone up to % in the current year from 1.88% in the previous year.

As far as the Other income by way of Interest Income is concerned the Company has earned an amount of Rs. 77.68 Lakhs in the current year as compared to Rs. 87.37 Lakhs in the previous year showing decrease of 11.09% of the previous year.

❖ ADEQUACY OF INTERNAL CONTROL SYSTEM

The Company has adequate internal control systems for the business processes in respect of all operations, financial reporting, compliance with laws and regulations etc. Internal



Control Systems have been designed to provide reasonable assurance that assets are safeguarded and, transactions are executed in accordance's with management's authorization and properly recorded and accounting records are adequate for preparation of financial statements and other financial information. Regular internal audits ensure that responsibilities are executed effectively. The Audit Committee reviews the adequacy of internal controls on regular basis. Internal check is conducted on a periodical basis to ascertain the adequacy and effectiveness of internal control systems. It has aligned its current systems of internal financial control with the requirement of Companies Act 2013. It is intended to increase transparency and accountability in an organization's process of designing and implementing a system of internal control.

Its internal control commensurate with its size and the nature of its operations. These have been designed to provide reasonable assurance with regard to recording and providing reliable financial and operational information, complying with applicable statutes, safeguarding assets from unauthorized use, executing transactions with proper authorisation and ensuring compliance of corporate policies.

The company has a well-defined delegation of power with authority limits for approving revenue as well as expenditure. Processes for formulating and reviewing annual and long term business plans have been laid down.

Our management assessed the effectiveness of the Company's internal control over financial reporting (as defined in Clause 17 of SEBI Regulations 2015) as of March 31, 2020.

V. R. BHABHRA & Co., the statutory auditors of Agrimony Commodities Limited has audited the financial statements included in this annual report and has issued an attestation report on our internal control over financial reporting (as defined in section 143 of Companies Act 2013).

Based on its evaluation (as defined in section 177 of Companies Act 2013 and Clause 18 of SEBI Regulations 2015), our audit committee has concluded that, as of March 31, 2020, our internal financial controls were adequate and operating effectively.

❖ **RISK MANAGEMENT**

The Board of Directors has identified various elements of risks which in its opinion may threaten the existence of the Company and have formulated measures to contain and mitigate risks. The Company has adequate internal control systems and procedures to combat identified risks. The audit committee periodically reviews the risks which may



potentially affect the company's operations or performance.

Listed below are our key risks with its anticipated impact on the company and mitigation plans.

Key Risks	Impact on the Company	Mitigation
Business model changes	Rapidly evolving technologies are changing technology consumption patterns, creating new classes of buyers within the enterprise, giving rise to entirely new business models and therefore new kinds of competitors. This is resulting in increased demands on the Company's agility to keep pace with the changing customer expectations. Failure to cope may result may result in loss of market share and impact business growth.	<ul style="list-style-type: none"> • Focus on Research and Innovation efforts leveraging in house expertise, alliance partnerships, and strong connections in the academic start-up ecosystem, and launching multiple newservices • Strong customer-centricity which results in organization structures (and reorganizations) that are always aligned to customer needs
Litigation risks	Given the scale and geographic spread of the company's operations, litigation risks can arise from commercial disputes and employment related matters. Our rising profile and scale also makes us a target to litigations without any legal merit. In addition to incurring legal costs and distracting management, litigations garner negative media attention and pose reputation risk. Adverse rulings can result in substantive damages.	<ul style="list-style-type: none"> • Internal processes and controls adequately ensure compliance with contractual obligations and also that potential disputes are promptly brought to the attention of management and dealt with appropriately • The company has at aim of in-house counsels in all major geographies it operates in. There is a robust mechanism to track and respond to notices as well as defend the Company's position in all claims and litigation
Currency volatility	Volatility in currency exchange movements results in transaction and translation exposure. It's functional currency is the Indian Rupee. Appreciation of the Rupee against any major currency could impact the reported revenue in Rupee terms, the profitability and also result in collection losses.	<ul style="list-style-type: none"> • It follows a currency hedging policy that is aligned with market best practices, to limit impact of exchange volatility on receivables and earnings • Hedging strategy is monitored by the Risk Management Committee on a regular basis



<p>Cyber Attacks</p>	<p>Risks of cyber attacks are forever a threat on account of the fast evolving nature of the threat. In addition to impact on business operations, a security breach could result in reputational damage, penalties and legal and financial liabilities</p>	<ul style="list-style-type: none"> • Investments in automated prevention and detection solutions • Continued reinforcement of stringent security policies & procedures • Collaboration with Computer Emergency Response Team (CERT) and other private Cyber Intelligence agencies, and enhanced awareness of emerging cyber threats • Enterprise-wide training and awareness programs on Information Security • Periodic rigorous testing to validate effectiveness of controls through Vulnerability Assessment and Penetration Testing • Internal and external audits
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❖ **HUMAN RESOURCE DEVELOPMENT**

The Employee Relations with the Management continued to be cordial. The Company regards its employees as a great asset and accords high priority to training and development of its employees. The Company recognizes that its human resource is its strength in realizing its goals and objectives.

❖ **CAUTIONARY STATEMENT**

This report contains forward-looking statements extracted from reports of Government Authorities / Bodies, Industry Associations etc. available on the public domain which may involve risks and uncertainties including, but not limited to, economic conditions, government policies, dependence on certain businesses and other factors. Actual results, performance or achievements could differ materially from those expressed or implied in such forward-looking statements. This report should be read in conjunction with the financial statements included herein and the notes thereto. The Company does not undertake to update these statements.

**By Order of the Board of Directors
For Agrimony Commodities Limited**



Agrimony Commodities Limited

Sd/-

AnandraoGole

Chairman & Managing Director

DIN :06668955

Place: Mumbai

Date: December 08, 2020

