



## MANAGEMENT DISCUSSION & ANALYSIS REPORT

### A. CAUTIONARY STATEMENT:

The statements in the "Management Discussion and Analysis Report" describe your Company's objectives, projections, expectations, estimates or forecasts within the meaning of the applicable laws and regulations. Actual results may differ substantially or materially from those expressed or implied herein due to risks and uncertainties. Important factors that could influence the Company's operations, inter alia, input availability and prices, changes in government regulations, tax laws, economic, political developments within the country and other factors such as litigations and industrial relations.

### B. OVERVIEW:

Global growth for 2018-19 is projected to remain steady, but its pace is less vigorous than projected in April and it has become less balanced. Downside risks to global growth have risen in the past six months and the potential for upside surprises has receded. Global growth is projected at 3.7 percent for 2018-19-0.2 percentage point lower for both years than forecast in April. The downward revision reflects surprises that suppressed activity in early 2018 in some major advanced economies, the negative effects of the trade measures implemented or approved between April and mid-September, as well as a weaker outlook for some key emerging market and developing economies arising from country-specific factors, tighter financial conditions, geopolitical tensions, and higher oil import bills. India continues to be one of the fastest growing major economies in the world in FY 2018-19, driven by strong household. Despite external vulnerabilities in the form of high oil prices, trade tensions between major global trading partners and the US monetary tightening, the Indian economy remained resilient. The World Bank estimated the Indian economy to grow by 7.2% in FY 2018-19.

The Indian economy, retaining its tag of fastest growing major economy in the world for the second time in a row, registered a growth rate of 6.8% during the 2018-19. The stress laid on fiscal consolidation through expenditure rationalisation, revenue raising efforts, tactical administrative measures for cooperative financial governance and containing inflation have contributed significantly to macroeconomic stability.

### C. INDUSTRY STRUCTURE AND DEVELOPMENT:

The Budget 2019 has identified Agriculture Sector as one of the key drivers of the economy. Under the budget Agricultural Marketing Infrastructure (AMI) scheme 40 lakh MT of storage capacity & 400 other marketing Infrastructure projects are targeted by 2019-20.

The Government of India has introduced several projects to assist the agriculture sector. They are Pradhanmantri Gram Sinchai Yojana: The scheme aims to irrigate the field of every farmer and improving water use efficiency to achieve the motto 'Per Drop More Crop'. Overall the scheme ensures improved access to irrigation. Around 285 new irrigation projects will be undertaken in 2018 to provide irrigation for 18.8 million hectares of land. As per Union Budget 2019-20 the scheme has been allocated US\$ 565.16 million.

### D. OUTLOOK:

The size, diversity and the overall steady growth of the Seed industry in India offer great potential for the company to proactively adopt strategies to sustain leadership position in the Industry. Also, the company is focused on strengthening the front end and back end business activities with a view to have better visibility of end products in the market place across the spectrum and sustainable sourcing and origination capabilities to capture the value chain. The focus is also targeted towards achieving continuous improvement in products, processes and service offerings to serve our customers. The company is in the processing of adding businesses with diversification to support growth strategy, leverage upstream and downstream strengths and sustain presence in agriculture segments, within the overall product portfolio in agriculture sector.



Traditionally, India has been an agrarian economy with livelihood of over 58% of the population still dependent on agriculture despite having just about 20% share in total gross value added (GVA) in FY17 (at current prices). Due to rising contribution from the food processing segment, the Indian food industry is expected to grow at a faster clip with enormous potential through value addition. Indian food processing segment accounts for over 32% of the total food market enjoying higher growth rate. Globally, India ranks sixth in domestic food and grocery market which is dominated by retail.

#### E. FINANCIAL REVIEW:

During the financial year, your Company posted a net profit of ₹ 24.98 Lakhs. The Company is taking steps to improve the Company's performance and increase the profitability in the future. The key highlights of the Standalone and Consolidated Financials for the Financial Year ended 31st March, 2019 are as under:

(₹ in Lakhs)

Particulars	Standalone		Consolidated	
	2018-19	2017-18	2018-19	2017-18
Revenue from operations	380.20	9.08	10,629.23	1,090.94
Other income	15.01	62.80	31.09	89.39
<b>Profit/ (Loss) before Finance cost, Depreciation and Tax</b>	<b>177.08</b>	<b>6.26</b>	<b>877.84</b>	<b>(204.62)</b>
Finance costs	126.87	46.79	356.79	131.04
Depreciation and amortization expense	1.67	2.71	34.28	13.73
<b>Profit before exceptional and extraordinary items and tax</b>	<b>48.55</b>	<b>(43.23)</b>	<b>486.77</b>	<b>(349.39)</b>
Exceptional items	-	-	27.45	-
Extraordinary items	-	-	-	-
<b>Profit before tax</b>	<b>48.55</b>	<b>(43.23)</b>	<b>459.32</b>	<b>(349.39)</b>
Tax expense:				
(1) Current tax	8.82	-	102.53	4.30
(2) Prior Year Income Tax expenditure	0.60	-	0.60	-
(3) Deferred tax	19.58	(11.12)	4.05	(23.48)
(4) MAT Credit Entitlement	(5.43)	-	-18.69	(4.30)
<b>Profit (Loss) for the year</b>	<b>24.98</b>	<b>(32.10)</b>	<b>370.82</b>	<b>(325.90)</b>

**Key Financial Ratios (Consolidated)**

In accordance with SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2018, the details of significant changes (change of 25% or more as compared to the immediately previous financial year) are given below:

S. No.	Financial Ratios	2018-19	2017-18	Reason for change of 25% or more as compared to the immediately previous financial year
1.	Operating Profit Margin (%)	7.96	(17.34)	Increase in Operating Profit Margin is majorly on account of increase in revenue of the Company.
2.	Net Profit Margin (%)	3.47	(27.61)	Increase in Net Profit Margin is majorly on account of increase in revenue of the Company.
3.	Interest Coverage Ratio	2.38	(1.56)	Increase in EBITDA due to increase in revenue during the current year resulted into increase in interest coverage ratio.
4.	Current Ratio	0.96	0.64	Increase in current ratio is majorly on account of increase in the Trade receivables.
5.	Debt Equity Ratio	2.39	5.58	Debt Equity Ratio changed mainly due to preferential allotment of 67,00,000 Equity Shares of ₹ 40 each (including premium of ₹ 30 each) aggregating to ₹ 26.80 Crores and issue of 30,00,000 Equity Shares of ₹ 20 each (including premium of ₹ 10 each) pursuant to conversion of 6% 6,00,000 Compulsorily Convertible Debentures.
6.	Debtors Turnover	6.43	5.56	Increase in debtors turnover ratio is majorly on account of higher revenue recognised during the current year as compared to previous year.
7.	Inventory Turnover	2.46	0.87	Increase in inventory turnover ratio is majorly on account of higher revenue recognised during the current year as compared to previous year.
8.	Return on Net Worth	8.24	(0.51)	Return on Net Worth is decreased due to decrease in Net profit for the year and preferential allotment of 67,00,000 Equity Shares of ₹ 40 each (including premium of ₹ 30 each) aggregating to ₹ 26.80 Crores and issue of 30,00,000 Equity Shares of ₹ 20 each (including premium of ₹ 10 each) pursuant to conversion of 6% 6,00,000 Compulsorily Convertible Debentures.

**F. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY:**

The Company has in place adequate and appropriate systems of internal controls commensurate with its size and the nature of its operations and these have broadly withstood the test of time. The systems 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 authorizations and ensuring compliance of corporate policies.

The Internal Audit team is reviewed by the Audit Committee of the Board which monitors its performance on a periodic basis through review of audit plans, audit findings and speed of issue resolution through follow-ups. Through at least four meetings every year, the audit committee reviews internal audit findings assurance and advisory function, which is responsible for evaluating and improving the overall effectiveness of risk management, control and government processes. This entire process helps enhance and protect organizational value by providing risk-based objective assurance, advice and insight.



## G. OPPORTUNITIES AND THREATS:

Your Company has acquired 47.53% of share capital of Tierra Seed Science Private Limited (TSSPL) which is established in year 2012 as a technology focus agriculture company. Your Company's emphasis on R&D has been critical to its success and a differentiating factor from competitors. Dedicated R&D is undertaken in existing products primarily with a focus to improve yields and process efficiencies. Your Company also focuses on R&D efforts in areas where there is a significant growth potential. Acquisition of TSSPL provided your Company access to strong R&D capabilities. Investment is also being made in developing innovative technologies to further grow through product portfolio across businesses.

The wholly owned subsidiary of your company i.e. Tierra Agrotech Private Limited is one of the germplasm enriched company in the country, particularly in cotton after acquisition of Monsanto's India cotton business and Dupont Pioneers' Cotton company Xylem. Your Company will continue to focus on improving the market share present products as well as in launching new products. Your Company's ability to increase sales will be strengthened by continued focus on offering a wide range of innovative products which will help in gaining market share.

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 performance of the seed industry is heavily dependent on monsoons, pest and disease incidences on crops. Major fluctuations in total rainfall and its distribution affect the crop acreages and overall productivity and have a direct correlation with sales. Over the period industry has become more fragmented which may Affect Company's profitability. Strong support produce prices and better availability of credit will ease the pressure on the farming community. Tightening regulations can be looked upon as an opportunity by committed enterprises.

Water scarcity has also become a growing issue as water is utilized for potable use and less water is available for farming. Water stress is and will be driven by degeneration of water table caused by usage, shifts in demand for water, and variation in availability of water resources due to climatic changes. During past few years the rate of expansion of area under irrigation is slowing down and it will be imperative to increase area under irrigation to reduce the usage of water by optimally utilizing the natural resource.

## H. HUMAN RESOURCES:

People are the key assets that are instrumental in driving the company's performance year on year. Their passion, commitment, sense of ownership and team work has enabled the Company to grow even in unpredictable and uncertain environment. The Company strives to offer a positive, supportive, open and high performance work culture where innovation and risk taking is encouraged.

Further, your Company would like to sincerely appreciate the valuable contribution and support of employees towards the performance and growth of the Company.