

# Management Discussion & Analysis

## An overview of the global economy

Despite 2017 being a tumultuous year marked by natural disasters, geopolitical tensions and deep political divisions in many countries, on the economic front, it ended on a high note with the GDP continuing to accelerate over much of the world in what is being termed by the International Monetary Fund (IMF) as the “broadest cyclical upswing since the start of the decade”.

Global growth strengthened to 3.8 percent in 2017 which is slightly higher as compared to 2016, but has been the strongest since the year 2011. This notable rebound has been driven by growth in global trade, investment recovery in advanced economies, a continued strong growth in emerging Asia and a notable upswing in emerging Europe. An additional factor has also been attributed to some of the larger emerging market economies such as Argentina, Brazil and Russia exiting their recessions.

As per the IMF, global growth is expected to pick up to 3.9 percent in both 2018 and 2019, primarily aided by a sustained momentum, favourable market sentiments and accommodative financial conditions. However, to achieve this upward growth of 3.9 percent, it is essential to achieve the twin goals of eliminating extreme poverty and boosting shared prosperity. The global food system plays a pivotal role towards the realization of these two goals. Poverty eradication can only be achieved by raising the incomes of the rural poor, which account for 78% of poor people worldwide while sustainable global agriculture provides the answer to meet the challenge of food security.

## Indian economy

Despite suffering from global tailwinds in the first half of the year, 2017 has seen some of the key structural initiatives across macro-economic parameters that would fuel sustainable growth in the future. Currently, the Indian economy seems to be on the path to recovery, with key indicators like Industrial Production, Sales, Exports and the bourses showing consistent uptick.

As we progress through 2018, the key challenges facing the Indian economy is how does it maintain its recovery phase in light of increasing inflationary pressures, coupled with higher fiscal deficit as well as an increasing debt burden. The key to this challenge lies in the revival of consumer demand and increasing private investments. Some of the recent policy measures like the Goods and Services Tax (GST), the Insolvency and Bankruptcy Code (IBC), the Jan Dhan Yojana and Aadhar have been received well. These legislations coupled with progressive regulations introduced in the past continue to strengthen the country's fundamentals.

Normal rainfall in most parts of the country has boosted the performance of agricultural and allied sectors. This is expected to sustain rural demand and further economic growth.

The Central Statistics Organization (CSO) and the International Monetary Fund (IMF) have stated that India has emerged as the fastest growing major economy globally and is expected to be one of the top three economic powers in the next decade. The nation's GDP is estimated to have increased 6.6 percent in 2017-18 and is expected to grow 7.3 percent in 2018-19.

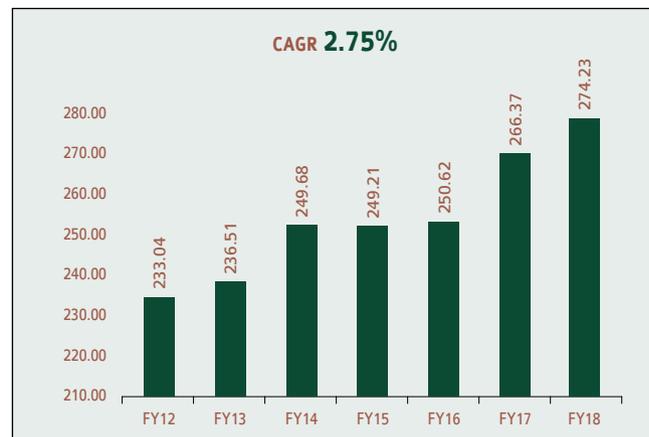
The Union Government's reform agenda has been much appreciated globally. The World Bank has lauded these efforts and this has been aptly reflected in the country's sovereign credit rating being upgraded by Moody's Investors Service for the first time since 2004. This is testimony to the confidence global players have in the Indian economy.

## Overview of Indian agricultural sector

India has the 10<sup>th</sup> largest arable land resources in the world and the country possesses ~ 45 of the 60 soil types across the globe. The country is the largest producer of spices, pulses, milk, tea, while it ranks second in the production of wheat, rice, fruits and vegetables.

India's agriculture sector is considered to be the backbone of the nation's economy. Providing livelihood to over 58 percent of households in the rural areas, the agriculture sector, along with fisheries and forestry, is also one of the largest contributors to the Gross Domestic Product (GDP).

## Gross Value Added by Agriculture and Allied sectors (US\$ billion) at Constant 2011-12 prices



As per the second estimates of CSO, the share of agriculture and allied sectors including agriculture, livestock, forestry and fishery is estimated to be 20.4 percent of the Gross Value Added (GVA). While the GVA of agriculture and allied sectors has grown by 2.75 percent between FY 12 – 18, in FY 18 it is estimated to have grown by 3 percent.

There are two major agricultural seasons in India:

| Cropping Season | Period of Year             | Major Crops Grown   |
|-----------------|----------------------------|---|
| Kharif season   | April - September (Summer) | Rice (paddy), Maize, Sorghum, Pearl Millet/ Bajra, Finger Millet/ Ragi (cereals), Arhar (pulses), Soyabean, Groundnut (oilseeds) and Cotton |
| Rabi season     | October-March (Winter)     | Wheat, Maize, Barley, Oats (cereals), Chickpea/ gram (pulses), linseed, Mustard (oilseeds)  |

Agricultural growth in India is a key to the country's economic progress and therefore farmers' success becomes a major factor to the country's development. Hence, it is all the more important to provide the farmer the right policy framework and access to technologies thereby enabling increased productivity and growth.

With the country's population growing and the amount of arable land being limited, it is important that we provide our farmers with all the tools to grow more and feed the nation. The Government's clear intent to increase agricultural productivity and help the farmer get reasonable prices for agricultural production are a welcome move. The focus on rural welfare and the creation of rural infrastructure – both social and agricultural too is encouraging. Financial support to enhance irrigation, especially micro-irrigation schemes and soil health for higher agriculture productivity, will go a long way in giving farmers access to key facilities that will help them enhance productivity.

With India's rising population and increasing demand, agriculture will need to witness a revolution and this will only be possible with support from the government. By creating the necessary framework, the Government of India will not only help our farmers improve their socio-economic conditions, they will also enable Indian agriculture prosper eventually resulting in an inclusive development.

## Production

The Ministry of Agriculture (MoA) forecasts India's food grain production to grow to a record level in the crop year ending June 2018 aided by a normal monsoon and wider planting in the Rabi season. As per the second advance estimates by the Dept. of Agriculture, food grain output is expected to increase by 0.9 percent to reach 277.49 M tonnes, exceeding the previous record of 275.11 M tonnes achieved in 2016-17.

Estimated production of major crops (In Million tonnes)

| Crop           | 2017-18 (2 <sup>nd</sup> Advance Estimates) | 2016-17 (Final) |
|----------------|---|-----------------|
| Rice           | 111.01                                      | 109.70          |
| Wheat          | 97.11                                       | 98.51           |
| Coarse Cereals | 45.42                                       | 43.77           |
| Maize          | 27.14                                       | 25.90           |
| Pulses         | 23.95                                       | 23.13           |
| Oilseeds       | 29.88                                       | 31.28           |
| Sugarcane      | 353.23                                      | 306.07          |
| Cotton *       | 33.92                                       | 32.58           |

\* Million bales of 170 kg each

Source: Ministry of Agriculture

While increase in agricultural yields due to a near normal monsoon is a welcome relief for farmers and for the nation's food security, the need of the hour is to make the agriculture sector less vulnerable to vagaries of the weather. Declining yields due to reduced or no rains reduce incomes which in turn has an impact on overall consumption thus slowing down economic growth.

With growing consumer demand, limited natural resources and a changing climate, farmers need to increase food, fiber and energy production while protecting the environment. Meeting the challenges facing the nation, agriculture and farmers will take innovative products, practices, and partnerships.

## Post - Harvest

The government is focused on providing the country's farmers with the right policies and infrastructure that improves the lives of farmers.

Today, one of the bigger challenges facing India's farmers is the lack of access to credit. This diminishes the capacity of farmers to invest in quality agricultural inputs and often adds to the

financial strain on farmers. Providing farmers adequate support by way of quality credit will give them more financial resources and also increase their confidence to take risks.

One of the big initiatives taken by the government is the creation of a National Agriculture Market. This we believe will help resolve demand-supply gaps, and provide for better farm-consumer linkages.

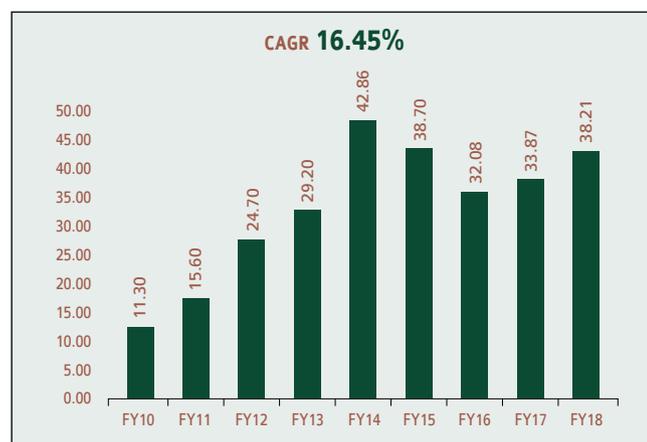
## Exports

India continues to feature in the list of 15 leading exporters of agriculture products globally. The total agriculture exports from India grew at a Compounded Annual Growth Rate (CAGR) of 16.45 percent from 2010 to 2018 to reach USD 32.08 billion in FY16. In line with its draft agriculture policy, the Government of India continues to work towards achieving its export target of USD 60 B by 2022.

During this period, exports of cereals accounted for 43.6 percent of the total exports, followed by livestock products (25 per cent), other processed foods (15.94 per cent), fresh fruits and vegetables (8.20 per cent), processed fruits and vegetables (6.27 per cent) and floriculture and seeds (0.99 per cent). Indian agricultural and processed foods are exported to more than 100 countries/regions, chief among them are the Middle East, Southeast Asia, SAARC countries, the EU and the US.

In 2017, Indian exports reset quite a few benchmarks. In CY 2017, India exported 240.68 M kg tea – a 36 year high while Indian exports of Basmati rice grew to USD 6.19 M in FY18 as compared to USD 3.25 M in the corresponding period.

## Agricultural exports from India (US\$ billion)



## Foreign Investments

Data sourced from the Department of Industrial Policy and Promotion (DIPP) state that the Indian agricultural services and agricultural machinery sectors have cumulatively attracted Foreign Direct Investment (FDI) equity inflow of about USD 2.02 B and USD 466.31 M, respectively, during the period April 2000 to December 2017. In the same period, the food processing sector attracted FDI of USD 8.37B.

## Season-wise Review of Agriculture in 2017-18

### Kharif Season 2017

As per first advance estimates, the total coverage area under Kharif food grains reduced to 703.53 lakh hectares in 2017-18 from 724.19 lakh hectares in 2016-17 primarily due to lower rainfall. Monsoons were 5 percent lower than LPA in 2017 as compared to 3 percent below LPA in 2016. The second advance estimates read better with the Kharif food grains production estimated to be at 138.46 MT in 2017-18, surpassing the last year record production of 138.33 MT.

The Kharif food grain production has witnessed sustained growth in 2017-18, due to major contributing crops like rice and cereals. In the Kharif season, rice reached a record production of 111.01 MT in 2017-18 surpassing its previous best of 109.7 MT 2016-17. Similarly, cereal production in the Kharif season reached 129.63 MT in 2017-18 as compared to 128.74 MT in 2016-17. Maize production during the Kharif season was the highest in the country with numbers touching 19.51 MT in 2017-18 as compared to 18.92 MT in 2016-17.

### Kharif Crop Production

(In Million tonnes)

| Crop           | 2017-18 (2 <sup>nd</sup> advance estimates) | 2016-17 (Final) |
|----------------|---|-----------------|
| Rice           | 96.48                                       | 96.30           |
| Maize          | 19.51                                       | 18.92           |
| Jowar          | 2.01  | 1.96            |
| Coarse Cereals | 33.15                                       | 32.44           |
| Pulses         | 8.83  | 9.58            |
| Sugarcane      | 353.26                                      | 306.07          |

Source: Ministry of Agriculture

### Rabi Season 2017

Good four-month monsoons ending in September 2017 resulted in sufficient water in reservoirs and in the ground water levels, which in turn improved the prospects of sowing Rabi or winter crops. The main crop during the Rabi season is wheat, whose production stood at 97.11 MT in 2017-18.

Overall, Rabi food grain production grew by 1.64 percent to 139.02 MT as compared to 136.78 MT in 2016-17.

### Rabi Crop Production

(In Million tonnes)

| Crop   | 2017-18 (2 <sup>nd</sup> advance estimates) | 2016-17 (Final) |
|--------|---|-----------------|
| Wheat  | 97.11                                       | 98.51           |
| Maize  | 7.63  | 6.98            |
| Pulses | 15.11                                       | 13.55           |

Source: Ministry of Agriculture

### Challenges in the Indian agricultural sector addressed by MIL

Although India is a global agricultural powerhouse, the country's productivity per unit of land and yield are relatively poor as compared to other countries. In the case of maize crops, the difference in yields between India and world is as high as 130 percent.

Maize crop in India is in general grown in the Kharif (June to October) season which coincides with rainy season. It is susceptible to both less and access water and results in lower production in the country.

Cultivation of maize in the Rabi (winter) season started in the mid 1960s in pockets of Bihar and South India. Over the last five decades, it has been seen that the yields obtained during the Rabi season have been invariably higher than the Kharif season due to long duration of growth and least infestation of pests and diseases.

In recent years, significant changes have occurred in maize production and utilization due to increasing commercial orientation of this crop and rising demand for diversified end users, especially for feed and industrial uses. This increase has been largely associated with significant genetic enhancement from the area of open pollinated varieties, composites breeding to double and three way hybrids and development in single cross hybrids.

However, with dramatic increase of maize demand in developing world, including India the current trend appears unable to keep pace. The major reasons for this yield gap are:

- Fragmentation of land
- Poor technical knowledge
- Poor economic conditions
- Low availability of quality seeds / organic manure / fertilizers
- Declining soil fertility and water table.

Across the globe, hybrid seeds are increasingly used to improve yield and productivity as they are known to have better resistance than traditional seeds and thereby having better yields. The government continues to promote use of hybrid seeds, as has been evident from various campaigns and subsidies provided.

Through its constant efforts and investments in technology and Research & Development (R&D), Monsanto India Limited (MIL) has been providing improved maize seeds which cater to the requirements of Indian farmers thereby resulting in enhanced crop yields.

### Crop Losses

Weeds are a perennial annoyance to farmers as they steal nutrients from crops thereby causing huge losses to productivity. It is therefore imperative for farmers that weeds are adequately managed in the fields.

The vast majority of farmers in India need to employ labour to clear their fields of weeds. It is a common misconception that in recent years this labour is abundant and cheap. Farm labour accounts for about 50 per cent of the total input cost of cultivation. Undertaking weeding at the right time is hence essential to optimize crop productivity.

Herbicides offer options of better control of weeds at an affordable cost with reduced requirement of labour. The use of herbicides in India although low from a global context has seen a steady increase over the years.

Developed after extensive research, MIL's high quality glyphosate has proven its effectiveness to control unwanted weeds in farms thus enhancing yields and bringing greater economic prosperity to the country's farmers.

**Illiteracy and Skilled Labour:** A significant portion of India's rural population continues to remain illiterate. The low literacy rate coupled with poor economic conditions have resulted in non-adoption of improved production practices.

MIL through its farmer outreach programmes educates farmers with relevant crop management advisories where farmers are provided information about soil and weather conditions, prices, etc.

### Other Agricultural inputs

Agriculture is an important sector to fuel economic growth and it needs to be made more attractive. With India's rising population and increasing demand, agriculture will need to witness a revolution and this will only be possible with support from the government. By creating the necessary framework, the Government of India will not only help our farmers improve their socio-economic conditions, they will also enable Indian agriculture prosper eventually resulting in an inclusive development.

India's population is growing and the amount of land we have is limited. With limited natural resources, clearly, India needs to produce more sustainably.

Farmers continue to yearn for technologies. Wider choices and increased innovation benefit farmers the most. In any farming system, farmers will need nutrients for plant growth and solutions to control pest attacks, manage weeds, manage crops in drought-like or flood conditions. Farmers will choose those that create value on their farm, and in their lives.

Rebooting our agricultural policy will surely help create a favourable ecosystem for a secure future for Indian agriculture.

## Operational Review

### DEKALB® hybrid maize seeds

DEKALB® is Monsanto's globally renowned brand of high yielding hybrid maize seeds. It is known for its rich and diverse maize germplasm pool and breeding excellence and the brand enjoys the supreme trust and confidence of the farming community across the country. DEKALB® hybrids enable farmers to achieve higher productivity and better quality of maize crops while using less natural resources and agricultural inputs.

During the year, the Company continued to develop and offer innovative maize hybrids that adapt effectively to different soil and weather conditions and meet the needs of farmers. Higher yields along with improved quality from DEKALB® hybrids have enhanced farmer incomes while addressing the issue of environmental sustainability.

Despite a challenging market environment, the Company's DEKALB® portfolio achieved impressive performance across the 2017-18 crop season. While Kharif and Rabi season saw steady sales growth, the Spring season performance was outstanding. The Company grew its Spring season market share by 12% even when overall market demand for maize seeds during the season declined by 25%. The Company's creditable performance for the year can be attributed to the following factors:

- Developing new hybrids that meet evolving requirements.
- Capitalising on the success of hybrids launched in the previous years
- Enhancing portfolio transition to hybrids in the launch and growth phase of the product cycle
- Making available quality hybrids at various price points

Apart from providing hybrid seeds, the Company also focuses on developing relationships and connecting with farmers through its Dr. DEKALB programme. Dr. DEKALB offers relevant information to farmers across the entire agricultural cycle – from the time

of buying seeds, pre-sowing, crop management and harvesting. Farmers can simply call the designated number and once they are registered on this mobile platform, agronomic advisory are available to them 365 days a year.

The Company launched an umbrella brand campaign "Seed Your Success" across all crop seasons. This campaign struck an emotional chord with our customers and helped enhance DEKALB®'s brand equity.

The DEKALB® Margdarshak Programme is a strategic initiative that aims to guide and train farmers on the right farm products and practices and leverages the leadership trait of the most progressive farmers using DEKALB® hybrids into Monsanto Margdarshaks. These farmers who serve as brand ambassadors for the DEKALB® brand are provided regular agronomic trainings, weather and market information, access to agriculture innovation and knowledge of DEKALB® hybrids.

The Company continues to invest significantly in Research & Development. In the last couple of years, Monsanto's corn breeding team has transformed the way breeding delivers the products and pipeline. The constant effort is to develop products with better adaptation to local environment with higher yields, disease resistance, tolerance to other biotic and abiotic stresses and better quality.

### Roundup®

Roundup® is an environmentally sustainable glyphosate herbicide that provides efficient post-emergent weed control. It offers powerful and consistent weed control resulting in significant cost and resources (labour, time, fertilizer and water) savings. It is primarily used in agriculture and places like roadsides, public spaces, alongside railway tracks and garden among others. It has shown proven effectiveness over 300 variants of weeds across 125+ countries.

In FY 2017-18, the Company's Roundup® business continued to maintain its leadership position despite a tough external environment. Irregular rainfall pattern during the year and prolonged drought conditions in specific states impacted the demand for weed management solutions. Adding to the challenge were low-cost herbicides and decline in glyphosate prices from China.

However, Roundup's strong brand equity and robust promotional activities enabled the Company to meet these challenges effectively.

### Financial review

The net sales of the Company registered a growth of 4% from ₹ 640.91 crores in 2016-17 to ₹ 667.44 crores in 2017-18.

In the seeds business, the total corn sales increased 14 percent from ₹ 421.12 crores in 2016-17 to ₹ 481.78 crores in 2017-18.

Roundup® sales decreased 16 percent from ₹ 219.79 crores in 2016 -17 to ₹ 185.66 crores in 2017-18.

The operating expenses (including depreciation) for the year was higher than the budgeted estimate. In 2017-18, the operating expenses increased by 6 percent from ₹ 208.03 crores in 2016-17 to ₹ 221.31 crores in 2017-18 owing to increase in variable cost driven by higher sales. Profit after Tax increased by 9 percent from ₹ 151.44 crores in 2016-17 to ₹ 164.56 crores in 2017-18.

## Outlook and opportunities

Indian economy is projected to grow at 7.4 percent in 2018 and at 7.8 percent in 2019 mainly due to strong consumption as well as the fading transitory effects of demonetization and implementation of GST.

In the medium term, growth is expected to gradually rise with continued implementation of structural reforms that raise productivity and incentivize private investment. Favourable indicators such as moderate levels of inflation, anticipated growth of the industrial sector, and the expectation of greater stability in GST could lead to accelerated pace of growth. The expectations of the global community from India's economy to deliver on its potential continued to remain high as the country retained the tag of the "Fastest Growing Economy" in the world.

The government's impetus on structural reforms like "Make in India", investments in infrastructure & Smart Cities, favourable demographics and lower inflation contributed to this growth. Another factor that is expected to boost growth is the rise in Foreign Direct Investment (FDI) which is primarily due to ongoing improvements in the domestic business conditions and regulatory amendments that encourage higher foreign investor participation.

In April 2018, the India Meteorological Department (IMD) predicted normal monsoons and a low probability of a drought in 2018. This is the third consecutive year when the country's national weather forecaster has predicted normal monsoons. Normal rainfall boosts farm production, resulting in increase in rural demand and support to the overall economy.

In addition to the macro economic factors, the agriculture sector is bound to grow due to following reasons:

- In March 2018, the Government of India extended the urea subsidy to farmers till 2020 with the primary aim of ensuring supply of urea at statutory controlled prices. Urea

subsidy for 2018-19 is estimated at ₹ 45,000 crore (USD 6.95 billion).

- As of March 2018, the Government is working on a plan to provide air cargo support to promote agriculture exports from India.
- The implementation of Pradhan Mantri Fasal Bima Yojana (PMFBY) will be made faster and the government is aiming to increase the coverage under the scheme to 50 percent of gross cropped area in 2018-19.
- The Government of India plans to provide ₹ 2,000 crore (USD 306.29 million) for computerization of Primary Agricultural Credit Society (PACS) to ensure cooperatives are benefitted through digital technology.
- Around 100 million Soil Health Cards (SHCs) have been distributed in the country during 2015-17 and a soil health mobile app has been launched to help Indian farmers.
- With an aim to boost innovation and entrepreneurship in agriculture, the Government of India is introducing a new AGRI-UDAAN programme to mentor start-ups and enable them connect with potential investors.
- The Government of India has launched the Pradhan Mantri Krishi Sinchai Yojana (PMKSY) with an investment of ₹ 50,000 crore (USD 7.7 billion) aimed at development of irrigation sources and providing a permanent solution from drought.
- The Government of India plans to triple the capacity of the food processing sector in India from the current 10 percent of agricultural produce and has also committed ₹ 6,000 crore (USD 936.38 billion) as investments for mega food parks in the country, as a part of the Scheme for Agro-Marine Processing and Development of Agro-Processing Clusters (SAMPADA).
- The Government of India has allowed 100 percent FDI in marketing of food products and in food product e-commerce under the automatic route.
- A new platform for selling agricultural produce named e-RaKam has been launched by the Government of India and will operate as a joint initiative of Metal Scrap Trade Corporation Limited and Central Railside Warehouse Company Limited (CRWC).

## Competitive Advantage

India has an advantage due to its favourable demographics, varied climate, large agriculture and livestock base, long coast line and inland water resources. In addition, the country has the benefit of low production cost as compared to other Asian and developed countries.

**Rising Incomes:** India is witnessing brisk pace of growth in its per-capita income. In the period of 2015-2019, the country's per capita income is expected to expand at a CAGR of 8.09%. This growth is resulting in higher consumption, leading to further impetus for agriculture and allied products.

**Improving storage facilities:** Agriculture storage facilities were a major bottleneck in the growth of the sector. Due to continued focus of government and private participation in the sector, agriculture storage capacity in India has grown at a CAGR of 4% between 2014-17 to reach 131.8 million metric tonnes.

**Increase in usage of hybrid seeds and other inputs:** The government has a greater thrust on promoting usage of hybrid seeds in Indian agriculture sector. To encourage private sector investment in the sector, government provided 25% of the capital cost subject to a maximum limit of USD 50,000 per unit.

**Contract Farming:** To achieve the objective of reducing the gap between corporates and primary producers, contract farming mechanism plays an important role. In an effort to protect the farmers against price fluctuations, Niti Aayog has devised a law on contract farming. The law today plays a pivotal role in the sector's growth, as it would induce competition and fair market prices of horticulture produce to farmers through advance agreements.

## OPPORTUNITIES SPECIFIC TO MAIZE

**Widespread cultivation:** In India, maize is the third most grown cereal crop. 15 million farmers are engaged in maize cultivation and it generates employment for more than 650 million person days across the crop's ecosystem.

**Diverse applications:** Maize is used as food, poultry and livestock feed and also used commercially in the production of starch and ethanol. It is a source for more than 3,500 products including specialized maize like QPM (Quality Protein Maize).

The feed industry is growing at a CAGR of 6 – 7 percent globally and in India at CAGR of 9 percent. Growing usage of maize in feed and industrial purposes, particularly poultry feed and starch, has fueled the demand for maize.

With a growing population, India would require approximately 45 Million Metric Tonnes of maize by the year 2022.

**Cultivation friendly:** Maize can be grown in different seasons and requires moderate climate. It consumes less water as compared to other crops such as rice and wheat and it has a higher yield per hectare.

Monsanto India Limited remains committed to creating value for our farmer customers through constant innovation and passionate execution.

## RISKS, CONCERNS AND THREATS

Risk and opportunities is an inherent feature of any business. MIL's dedicated risk management team has developed a set of systems and processes to create awareness of potential risks and consequently limit and manage them, while safeguarding business opportunities and strengthening profitability. It believes that risks that are well managed can create opportunities, whereas risks that are not managed or incorrectly managed can disrupt operations and impact growth prospects. This section highlights the principal risks and uncertainties that affect the Company, together with the key mitigating activities in place to manage those risks.

**Weather risks:** The agriculture business is vulnerable to weather conditions. Droughts, natural calamities or excess rainfall can have negative impact on crop production which in turn can impact the demand for MIL's products. In India, this risk is compounded with only 45 percent of the net sown areas having access to irrigation.

While this risk can never be eliminated, its impact can be minimized through pro-active and prompt responses.

MIL has invested substantial resources in R&D for developing a wide range of high-yielding hybrid portfolio for different seasons and conditions. This ensures that its products are in demand throughout the year. Also, through its advisory services, farmers obtain helpful insights on better and higher crop cultivation. Toll-free number and customized mobile messages are some of the other services extended by the Company to the farming community to enable them to tackle the vagaries of nature effectively.

**Macroeconomic risks:** Apart from being dependent on natural factors, agriculture is also controlled by macro-economic factors such as global demand and supply, credit policies, commodity prices, interest rates, inflation, wholesale prices etc. These in turn impact the demand and supply for agricultural produce and products.

With over four decades of industry leading experience and trusted relationships with the farming community, your Company is confident of meeting macro-economic challenges effectively. Moreover, the outlook of increased maize production in the coming years to meet the rising requirements from feed industry and industrial applications mitigates the risk of lower demand for your Company products considerably.

**Production risk:** Production risks are caused by adverse weather, pests, disease, higher raw material prices, human error, regulatory changes, market dynamics and misuse of new technologies. Sale of seeds and agrochemicals, both of which are your Company's products, are directly impacted by production risks.

Proactive measures by MIL, such as exploring new production locations, mechanized operations and improvement of seed process have helped in countering these risks to a considerable extent. In addition, through constant engagement with farmers, the Company educates them on better agronomic practices for harnessing higher yields.

**Competition risk:** Changes in the competitive landscape, availability of better quality seeds and increase in supply of product options at lower costs may result in loss of market share for the Company.

In India, MIL has set up three state-of-the-art breeding stations to conduct research activities and develop best quality seeds that are resistant to the challenges of adverse weather, difficult soil conditions and crop diseases. Because of its focused efforts, in the last five years the Company could bring to the market numerous successful hybrids.

This commitment to quality inputs at competitive prices has enabled it to manage risks effectively. In addition, over the years, the Company has deepened its connection with farmers by offering them complimentary valuable advice on enhancing productivity and profitability. This has gone a long way in strengthening brand loyalty and thwarting the risk of losing out to competition. Further, the favourable maize landscape in the coming years should protect your Company's business.

**Institutional risk:** Changes in laws, regulations, policies and other governmental actions relating to agriculture, such as price support, food quality regulations, subsidies, could affect the MIL's operations. With the Company's key business related to manufacture and marketing of hybrid seeds, any negative government policy and decision in this area is bound to impact the Company's performance.

Market data indicates that the hybrid seed market is well poised for growth in the coming years. Moreover, recognizing the imperative to increase agricultural productivity as cultivable land is limited vis-à-vis a growing population, the government is encouraging the use of hybrid seeds in crop cultivation and also providing special incentives to private companies for its research and development. Also, in the face of global climate change, hybrid seeds are emerging as the ideal solution to enhance productivity as they are considered the best quality seeds compatible with local environment.

**Human and personal risk:** Agriculture business can take a physical and emotional toll on the well-being of employees and farmers as they have to work outdoors under extreme weather conditions. Farmers often travel long distances on tough rural terrain to sell their produce, making them vulnerable to road accidents. Employees too have to make such difficult journeys to educate farmers and spread awareness on Company products.

To mitigate this risk, MIL equips the employees with modern amenities and better information to protect them from such risks. The farming community is extended access to healthcare and education facilities so as to improve their quality of life. Moreover, by embedding international safety practices in its operations, the Company ensures that the employees and farmers can deal with such risks effectively.

**Realization risk:** The basic raw material glyphosate used in the manufacture of herbicide is imported from China. Over the past few years, the import price of glyphosate has declined considerably. At the same time, the industry has attracted many new entrants who are importing low cost glyphosate and selling the final product of herbicide at low prices in the domestic markets. This stiff competition is exerting a downward pressure on the margins of the Company for its Roundup® brand.

To offset this risk, MIL undertakes significant branding and marketing activities for Roundup® so as to ensure that the brand enjoys a premium positioning in the industry. This enables it to avoid the commodity trap and command a price and competitive advantage.

**Foreign currency risk:** The Company is exposed to foreign currency risk as the key raw material glyphosate used in the manufacture of the Roundup® is imported. Sharp depreciation in the Indian rupee against major currencies can impact margins.

This risk has been negated to a considerable extent as in recent times with strong economic fundamentals and overall optimism in the growth story of India; the rupee has been performing well and the exchange rate well-maintained.

**ADEQUACY OF INTERNAL CONTROL SYSTEMS:** MIL follows best in the industry Internal Quality Control Systems which are governed by detailed SOP's covering all business aspects and ensuring that every single transaction is duly authorized, recorded and reported. The Company strictly adheres to all rules, policy, statutes and laws ensuring that all statutory compliances are thoroughly followed. The Company's Audit Committee reviews and takes suitable actions for any deviation, observation or recommendation suggested by the Internal Auditor, who is an independent auditor mandated to conduct internal audit. The

Company also strictly adheres to environment protection laws. The employees of the Company rigorously follow the Code of Conduct devised for conducting the business of the Company.

**HUMAN RESOURCES:** The Company is driven by the belief that people are the most valuable asset and the driver of present and future growth. With the Company's products being used in the agricultural sector, the employees need special skills to engage with farming communities located in the rural areas. These skills need to be upgraded on a regular basis to keep pace with evolving technology and, simultaneously, the employees also need to demonstrate commercial orientation.

The HR Department ensures that the employees are given the best-in-class training to attain the business objectives. The Company's culture is reflected in its larger purpose, which is to improve the lives of all the people connected with it – employees, farmers and the local communities. Aligned to this philosophy of empowering and enriching lives, it puts strong emphasis on personal skill development of its employees and the farmers.

## CAUTIONARY STATEMENT

This report contains statements that may be "forward looking" including, but without limitation, statements relating to the implementation of strategic initiatives, and other statements relating to Company's future business developments and economic performance. While these "forward-looking" statements indicate our assessment and future expectations concerning the development of our business, a number of risks, uncertainties and other unknown factors could cause actual developments and results to differ materially from our expectations. These factors include, but are not limited to, general market, macroeconomic, governmental and regulatory trends, movements in currency exchange and interest rates, competitive pressures, technological developments, changes in the financial conditions of third parties dealing with us, legislative developments, and other key factors that could affect our business and financial performance. The Company undertakes no obligation to publicly revise any "forward-looking" statements to reflect future/ likely events or circumstances.