Management Discussion and Analysis

Global economic overview

Experts suggest that the world economy will grow at a consistent pace of 3 per cent in 2019 and 2020. Within the developing economies, the East and South Asian regions are on the course of sustainable growth, while numerous commodity-exporting countries are experiencing a slow yet steady recovery. There is a rise in the number of short-term risks, with the possibility of severely disrupting the economic activity and cause serious long-term damage. These factors include rising trade disputes, undercurrent of cross-country tensions and economic stress and volatility.

However, economic growth was fast-paced in more than half the world's countries in 2017 and 2018. The developed countries grew at a rate of 2.2 per cent in both years, and the growth rates in many countries came close to their potential. The unemployment rates dropped in several economies too, which presents a positive economic atmosphere. This recovery is also noticeable in commodity exporting countries, especially fuel exporters, although the issue of volatile prices is still a challenge for them. The result of a sharp drop in the commodity markets during 2014-15 also remains to be tackled to maintain fiscal and external balances. As a result, such countries have been left with large levels of debt.

Since the beginning of 2018, the increase in the global industrial production and merchandise trade has been seen a hit. This is quite apparent in intermediate goods sectors and trade-intensive capital. Throughout 2018, there were trade tensions between the world's largest economies, with a rise in the number of disputes which were raised under the dispute settlement mechanism of the World Trade Organization. Decisions by the United States, which included increasing import tariffs, have given rise to retaliations an its counter-measures. As a result, the global trade has lost its momentum, although measures are being taken and subsidies are being granted to avoid direct negative impacts on United States and China.

The extreme weather events have led to climate risks, which are getting increasingly terrifying with each passing year. In the last six years, more than half of the extreme weather events have been credited to climate change. The impact is severe on developed and developing countries, as there the risk of long-term damage is very high. In numerous emerging economies, the financial market conditions took a hit as investors were losing confidence.

(Source: World Economic Situation and Prospects 2019, United Nations)

Nations like Brazil, India, and the Russian Federation had to experience a slump in equity markets and the fall of domestic currencies. What drove the majority of portfolio investment trends in these regions was the reversal of foreign portfolio flows.

The trade tensions deeply influenced business confidence over the world. As a result, the financial market worsened and the conditions have become uptight for the emerging markets. Due to global demand, even advanced economies had to bear the brunt of the escalated trade tensions. After the signalling of a better monetary policy by the US Federal Reserve, the global condition is much better in 2019.

As a result, the worldwide growth is expected to slow down to 3.3 percent in 2019, from 3.6 percent in 2018. However, the same for 2020 is anticipated to be 3.3 percent. In many regions, especially Africa, Latin America, South Asia, and the Caribbean, around the world, private consumption is still the largest contributor to growth. The global inflation is still moderate, but there is a slight improvement in many countries. The oil-importing countries had to face inflationary pressures due to the increase in oil prices. On the other hand, the currency depreciation against the US dollar had put pressure on the imported prices of many countries.

Indian economic overview

The Indian economy is one of the fastest growing economy is the world. Experts project the development of the country to accelerate over the years. However, the pace appeared to be slow in 2018-19. The reasons behind this slump are said to be tepid increase in fixed investment, a decline in the growth of private consumption, and muted exports. On the supply side, the challenge is boosting the growth of agricultural sector and sustaining the growth of the industry.

The GDP of India is said to have increased at 7.2 per cent in the year 2017-18, and by 7 per cent in 2018-19. The host of improvement in the economic scenario has brought numerous investments in various sectors of the economy. The M&A activity in the country is said to be USD 129.4 billion in 2018, while both venture capital (VC) and private equity (PE) have reached USD 20.5 billion.

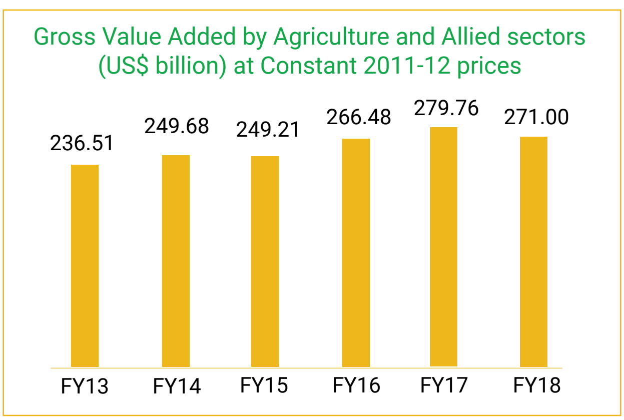
(Source: https://www.ibef.org)

The Foreign Direct Investment (FDI) equity inflows stand at USD 44.35 billion for FY 2018-19. The total expenditure for the upcoming financial year 2019-20 is expected to be 2,784,200 crore INR (USD 391.53 billion).

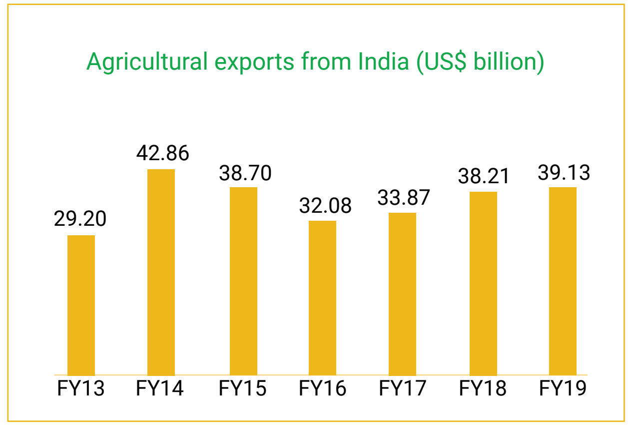
The government aims to focus on faster implementation of its policies, and thanks to important economic policies on the line the infrastructure development will be worth appreciation. India's recent budget has shown the government's vision to balance growth and fiscal prudence. The budget has been aimed at supporting needy farmers, financially challenged workers in the unorganised sector, salaried employees, and to keep pushing for improving the social and physical infrastructure.

Agricultural sector

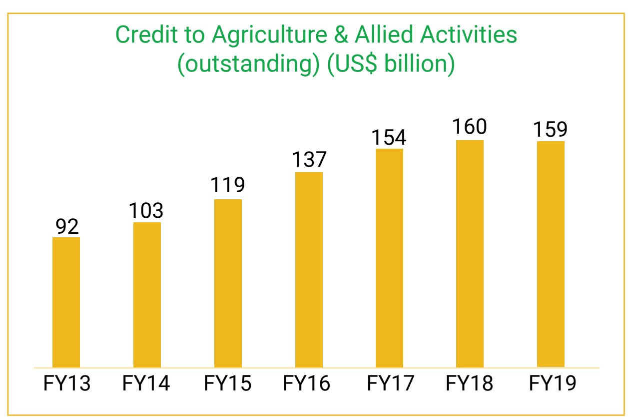
Agriculture is the main source of livelihood for around 58 per cent of the Indian population. Consequently, the country ranks second in the worldwide production of fruits and vegetables, and is one of the leading exporters of bananas and mangoes. This sector is the backbone of the Indian economy, as it employs more than half of the nation's population and contributes 15 per cent to the national GDP.



In 2017, India was the ninth largest agricultural explorer. The Government of India approved The Agriculture Export Policy, 2018 in December 2018. The policy is aimed at increasing the country agricultural exports to USD 60 billion by 2022 and USD 100 billion in the following years with the help of a stable trade policy regime. According to the Union Budget 2019-20, Rs 140,763.97 crore (USD 1.95 trillion) was allocated to the Ministry of Agriculture. The government is also looking to increase the earning of farmers by two times by the year 2022.



The agriculture sector has been provided institutional credit of Rs 11.11 trillion (US$ 159 billion) for 2018-19, whereas credit disbursal target of Rs 10 trillion (155.16 billion) was met for 2017-18. The government has also planned to improve the average income of a farmer from Rs 96,703 (USD 1,505) in 2015-16 to Rs 219,724 (USD 3,420) by 2022-23.

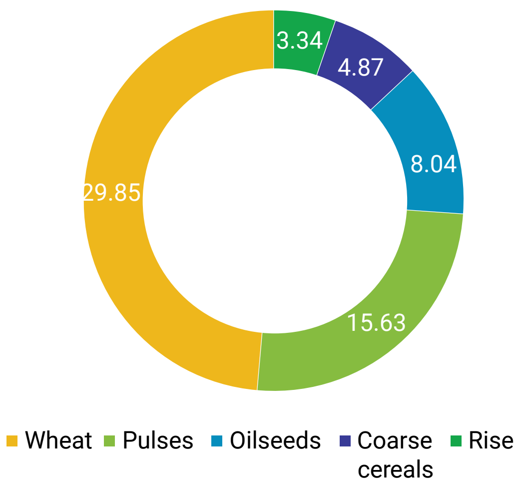


(Source: https://www.ibef.org)

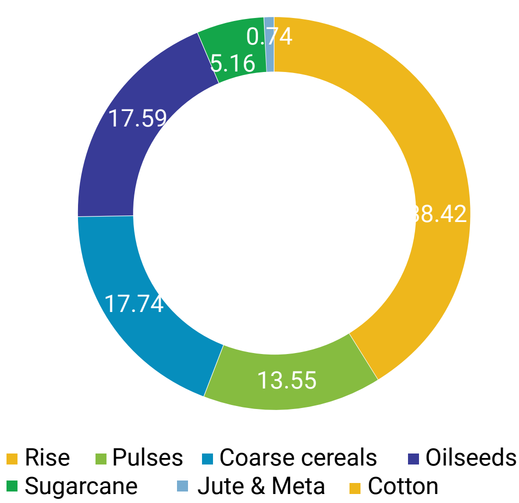
For farming equipment, India is known to be one of the largest manufacturers. Nearly one-third of the global tractor production is done in India. Also, the country has the largest agricultural area with 11 per cent share of the total arable land. The arable land resources in the country are the 10th largest in the world, and the nation has 46 of the 60 known soil types.

India has the 10th largest land that is suitable for growing crops with 20 agri-climate regions and all 15 major type of climates of the world. The country also possesses 46 to 60 soil types. The Government of India has announced a many projects in the agricultural sector like Pradhanmantri Gram Sinchai Yojna with the aim of optimum utilisation of water to achieve the goal "Per Drop More Crop".

Rabi Area Sown in 2018-19 (million hectares)
(as on Feb 15, 2019)

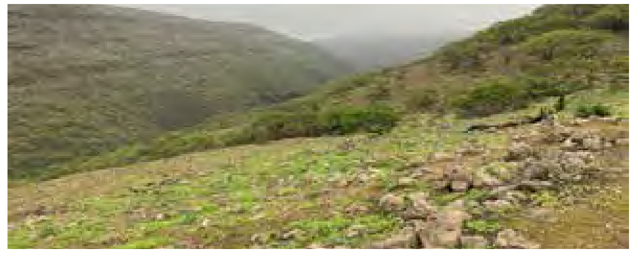


Kharif Area Sown in 2018-19 (million hectares)
(as on Oct 10, 2018)



(Source: www.ibef.org, www.careratings.com)

Two major agricultural seasons in India: Kharif and Rabi, Kharif season is from April to September whereas Rabi season is from October to March.



Indian Agrochemicals Industry

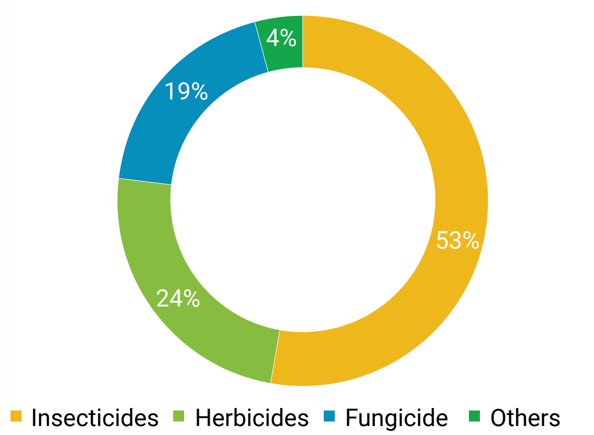
Being the world's 4th largest producer of agrochemicals after United States, Japan, and China, India is also the 13th largest exporter of pesticides. Following is the segmentation of the Indian Agrochemical Market:

Insecticides: Controls insects and pests, which are known to reduce crop yield and quality.

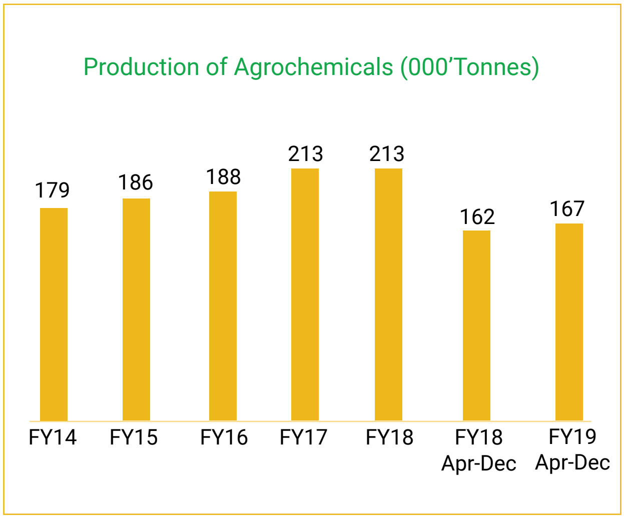
Fungicides: Prevents and cures fungal plant diseases.

Herbicides: Prevents and reduces weeds, which are known to hamper crop growth and harvest.

Domestic Marget Segmentation by type of pesticides

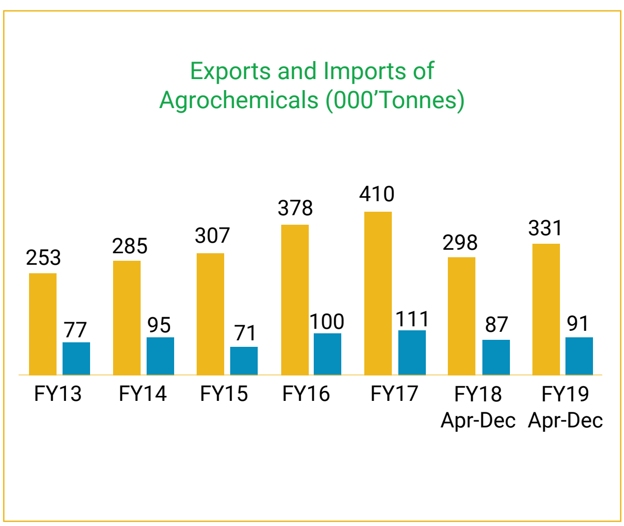


In India, the production capacity of agrochemical companies is around 292 (000' MT). The production of agrochemicals has grown during FY14-18 at a CAGR of 4.3%. in the FY-18-19, the production has increased by 2.9%. As the population of India increases, there has been a rise in the production of crops. Food grain production has increased at a CAGR of 1.8% and the production of horticulture has been at a CAGR of 3% during FY14-18. Apparently, the country's agrochemical consumption is one of the lowest in the world.



Trade data

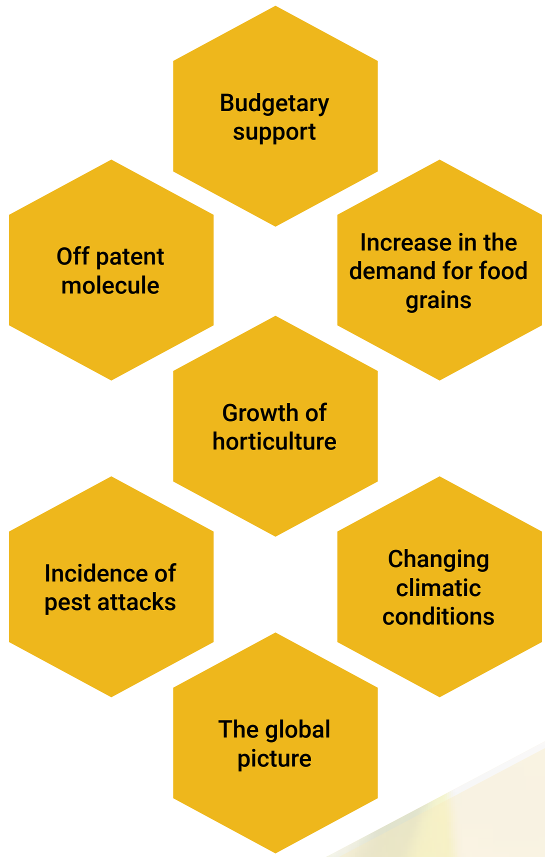
India is the 13th largest exporter of disinfectants and pesticides in the world, and a net exporter of agrochemicals. The agrochemical exports have improved, thanks to the country's low manufacturing cost, availability of technically trained manpower, overcapacity, better price realization on a global level, seasonal domestic demand, and strong presence in generic pesticide manufacturing. India imports agrochemicals largely from China (55%), USA (11%), Germany (6%), and Israel (5%). China also provides most of the raw materials required for manufacturing agrochemicals.



The top three producers of agrochemicals in the world are United States, Japan and China. Also, China is the largest agrochemical raw material producer in the world, as it provides nearly 90% of the global technical raw material. In the last few years, numerous agrochemical companies in the global market have merged or acquired businesses so as to counter the fluctuations in currencies, smoothen their operations, and crop prices which had serious impact on the sales and profit margins.

(Source:www.careratings.com)

The variables which play a crucial role in driving growth in this sector are as follows:



The macro environment for the agrochemical industry will continue to be positive and will be spearheaded by strong fundamental growth, better export opportunities, rising domestic demand, product launches, better partnerships with other countries, and deals with innovators around the world for the production of new products to explore products which are going off-patent.

Company Overview

Super Crop Safe Limited is one of the most popular companies in the agrochemical industry. It is present in more than eight states and has more than 2000 distributors. Started with a vision of crop protection around the world, the company began foraying into the manufacturing of various agrochemicals, like pesticides and insecticides. Today, the organization manufactures technical grade pesticides and many formulations of fungicides, insecticides, and weedicides for the protection of crops, biological, and herbal products.

The company markets its products through a distribution network in many states including Rajasthan, Gujarat, Haryana, Punjab, Maharashtra, Madhya Pradesh, and Chhattisgarh. Incorporated in 1987 and based in Ahmedabad, the company also export through merchant exporters. The company has valid CIB registrations for 10 Technical Grade Pesticides, and more than 111 variations of weedicides, insecticides, fungicides, and bio products, for domestic sales and exports.

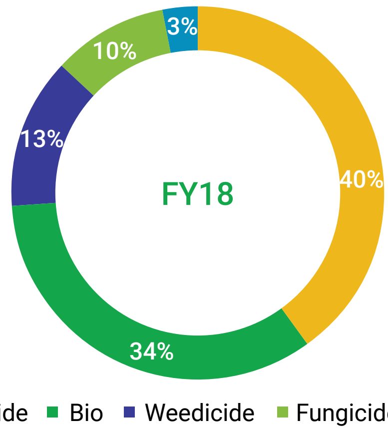
The aim for the future is to shift focus from the manufacturing of various formulations to the production of innovative pesticides and bio-fertilizers with the help of a professional team and effective research and development. This will pave the path for sustainable success, and maintaining a balance between environmental protection and economic growth.

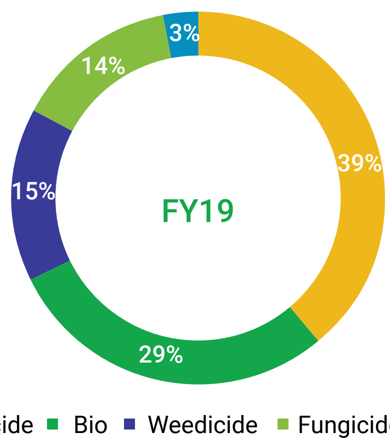
Research and Development

SUCROSA is slowly paving the ways of its unique USP based strategy to categorise the best among the similar niche by adding value through its in-house research and development. Soil health and Plant health is the guiding principle of good crop produce. We have focused our research on Plant Insect Interaction by applying algorithms for research analysis and further experimental R & D in this arena. We have isolated microbes from soil for the solubilisation of potash, zinc, manganese and iron; purified it and now mass producing to strengthen the capacity of mycorrhizal formulation Super Gold one of its kind. A special formulation of Super Gold for Tea plantation is in progress.

We are exploring to diversify and entered to produce Nutraceuticals. Our team have experimented on evaluation of growth on different types of stress during the growth phase of Spirulina culture in raceway pond. A cost effective downward processing is being developed. Various formulation of energy drink is under standardization

Business Division performance





In FY 19 Bio-Fertilizer division contributed around 29% in the overall revenue in comparison to 34% last year. On the similar lines Insecticide, weedicide, Fungicide have contributed around 39%, 15% and 14% respectively.

Particulars	FY19	FY18
Gujarat	75.44%	76.35%
Maharashtra	7.61%	8.43%
Haryana	0.99%	6.95%
Madhya Pradesh	4.48%	3.21%
Punjab	1.48%	2.80%
Rajasthan	7.97%	1.74%
Chhattisgarh	-	0.36%
Uttar Pradesh	2.04%	0.15%
Uttarakhand		

The Company again generated highest revenue in FY 19 from Gujarat state which is approx. 76% of the total revenue. Apart from Gujarat in the list of top contributors, Maharashtra, Haryana, Madhya Pradesh, Punjab and Rajasthan shared the rest of the part in revenue respectively.

Financial Analysis

Particulars	FY19	FY18	Y-o-Y (%)
Revenue from Operations	6441.99	7010.82	-8.11%
Expenses	5835.97	6454.59	-9.58%
Profit from Operations before Other Income, Finance Costs and Exceptional Item	744.66	678.68	9.72%
Other Income	32.83	3.67	794.55%
Profit from ordinary activities before Finance Costs and Exceptional Item	777.49	682.35	13.94%
Finance costs	138.64	122.45	13.22%
Profit from ordinary activities before exceptional item and tax	638.85	559.90	14.10%
Exceptional item	0.00	0.00	
Profit from ordinary activities before tax	638.85	559.59	14.10%
Tax	94.26	66.22	42.34%
Net Profit for the period	544.59	493.68	10.31%

Revenue from Operations:

Your Company's revenue from operations on consolidated basis decreased to Rs. 6441.99 Lakh in FY19 from Rs.7010.82 Lakh in FY18, a growth rate of (- 8.11%).

Financial Costs:

Financial costs increased to around Rs 138.64 Lakh in FY19 from Rs.122.45 Lakh in FY18, an increase of 13.22%.

Profit :

Consolidated EBIDTA (Earnings before interest, depreciation, tax and amortization including other income) during FY19 was Rs 861.29 Lakh as compared to Rs.757.99 Lakh during FY18. Profit before exceptional item and tax stood at Rs. 638.85 Lakh during FY19 as against Rs. 559.90 Lakh in the previous year. Profit after tax stood at Rs. 544.59 Lakh during FY19 as compared to Rs. 493.68 Lakh during the FY18.

Other Income:

Other income for FY19 is Rs. 32.83 Lakh as compared to Rs. 3.67 Lakh in FY18

Depreciation & Amortization:

Depreciation & Amortization charge for the FY19 higher by 10.79% at Rs. 83.80 Lakh as compared to Rs. 75.64 Lakh in the previous year. Increase in depreciation and amortization supported by Tangible assets (Plant and machinery) as well as Intangible assets.

Net Worth, Capital employed and Returns

The Net Worth of the shareholders stood at Rs. 3469.67 Lakh as at March 31, 2019. Return on Capital Employed (ROCE) for the year 2018-19 is 22.08 % as compared to 24.83% in the previous year.

Cash Equivalents:

Cash and Equivalents in FY19 stood at Rs. 31.66 Lakh against 37.12 Lakh in FY18.