

AIMCO PESTICIDES

AIMCO

AIMCO PESTICIDES LTD.

AIMCO Pesticides Limited
Annual Report 2020

A Green Ethos A Golden Harvest

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FY2020 Highlights

₹185.24 Crores

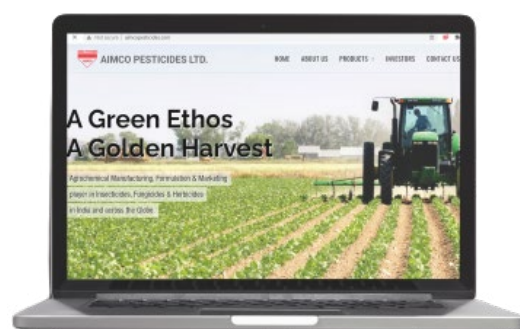
Revenue from Operations

₹13.89 Crores

EBITDA

₹6.65 Crores

PAT



For more information, visit our website

<http://aimcopesticides.com/>

Forward Looking Statement

In this Annual Report, we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements - written and oral - that we periodically make, contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.


Introduction to AIMCO

Incorporated in 1987, AIMCO Pesticides Limited is an integrated agrochemical company engaged in manufacturing, marketing, and exporting various agrochemical products. The company is into manufacturing technical grade chemical and formulations of several Insecticides, Fungicides, and Herbicides. AIMCO is a 3-Star Government recognized Export House, with operations in more than 42 countries globally, including developed markets such as the USA and Australia.

In its vast history spanning over four decades, the company has been credited with introducing and commercializing many agrochemicals. For instance, AIMCO was the first Indian company to manufacture Chlorpyrifos and Triclopyr technicals in India, along with being the second manufacturer of Imidacloprid.

AIMCO’s Factsheet

4 Decade Long Track-record

 ~370 Team Strength

3000 Tonnes

Annual Technical’s Capacity

3★★★★ Government Recognized Export House

Product Portfolio:

11 Technical Grade Chemicals

80 Formulations



Sales Presence in 42+ Countries

Corporate Ethos

Mission

To the serve the farmer at the very grass root level, by enhancing farm yields using our understanding and respect for the natural ecological processes.

Vision

To be peerless among the stalwarts of the agrochemical industry, by offering the very best of agro-inputs to the farmer, through constant innovation and tailor-made solutions that provide the highest levels of customer satisfaction sustainably.

Environmentally Conscious

The company has recently pledged to attain ZERO LIQUID EFFLUENT discharge status in next 5 years.

AIMCO is recognized for its acumen and competence in the manufacturing of Technical grade agrochemicals.

AIMCO’s History & Evolution

Early History

- The organization was founded more than 75 years ago as a partnership firm - All India Medical Corporation (AIMCO) and was later incorporated in the form of a company in 1987.
- During its early years, the company was principally engaged in the manufacturing of formulations.
- In 1993, the company ventured into the production of Technical grade Pesticides (Chlorpyrifos) by setting up a unit in Lote Parshuram and got listed on the Bombay Stock Exchange.
- Soon AIMCO ventured into export markets in 1995 and set up an R&D center recognized by the Department of Science & Technology, GoI in 1996.
- In 2001, AIMCO became the first company to manufacture and commercialize Triclopyr technical in India.

Hardships

- With the entry of excessive unhealthy competition in its core product portfolio, especially Chlorpyrifos, the company witnessed a depletion in RoCE in its existing investments. At one point in time, more than a dozen manufacturing plants were producing Chlorpyrifos, some at a much larger scale than AIMCO.
- AIMCO’s domestic formulations business also witnessed severe stress due to droughts in India between 1998-2000; this led to multiple write-offs and inventory losses for the company.

Operational Turnaround & Debt-Restructuring

- Over time, these adversities snowballed into subdued profitability and inability to service debt. Debt accumulated due to unapplied interest and was converted into term loans.
- Between 2010-14 the company undertook significant business restructuring.
- In 2014, the company offered a One Time Settlement to its lenders, completed debt-restructuring and turned debt-free.

Building a Foundation

- Post restructuring in 2014, the first objective for the company was to turn and stay profitable at all levels.
- To that end, the company remained agile to utilize all available business opportunities to stay profitable and rebuild its reserves.
- Secondly, in between 2016-20, the company undertook major maintenance & up-gradation and invested heavily in its existing manufacturing facility.
- Parallely, the company focused on R&D efforts, data-generation, product registration globally, and commercialisations to expand its core competence i.e. manufacturing technical grade agro chemicals.

Business Verticals

1

Technicals

Our core competence lies in manufacturing technical grade agrochemicals in Herbicides, Fungicides, and Insecticides category. Additionally, the company plans to soon commercialize products in the Plant Growth Regulator (PGR), Bio nutrients and Bio Stimulants category.

AIMCO manufactures technical grade pesticides for its own captive formulation production and for third-party sales to formulators in India and abroad.

The company has a portfolio of 11 products in this category. Key products include Chlorpyrifos (Ethyl & Methyl), Triclopyr Acid and its Ester, and Bifenthrin.

Other products include - Temephos, Cypermethrin, Alphacypermethrin, Permethrin, Hexaconazole and Fluroxypyr.

2

Formulations

B2B

Aimco manufactures all kinds of formulations i.e. EC, SC, SL, SG, WDG, WP, DP, and GR. The company has a product portfolio of more than 80 formulations, out of which 45 are manufactured actively.

The company is engaged in formulating Technical's manufactured in-house as well as procured externally.

Formulations are sold in large, bulk, and retail packaging to agrochemical marketers abroad.

Branded

The company has a long-standing domestic branded formulations business, with key brands as old as two decades. AIMCO has more than 200 SKU's in its branded formulations portfolio.

The company is working towards adding newer molecules and innovative formulations to its portfolio. Additionally, the company is also focusing on expanding its geographical presence, adding depots & branch offices to enlarge its reach.

The company is undertaking very responsible and cautious growth in this segment, with a strict focus of receivables and inclination towards cash & carry sales model.

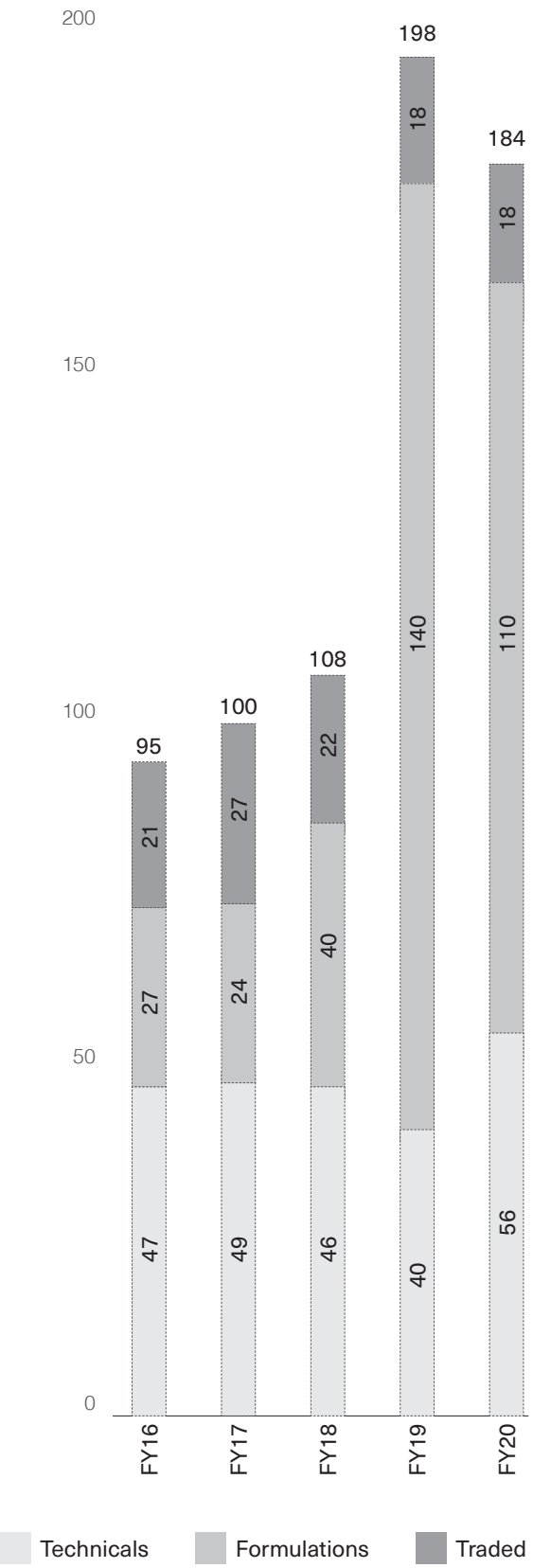
3

Trading

AIMCO is engaged in limited opportunity-based trading business in its product categories.

Business Verticals Revenue Mix

(₹ in Crores)



Branded Formulations



BYKILL
(Bifenthrin 2 EC, 2 G, 10 EC)



Anaconda 505
(Chlorpyrifos 50%, Cypermethrin 5 EC)



PYRIBAN
(Chlorpyrifos 20%)



PROFENOTOX
(Profenofos 50% EC)



AIMCO STAR
(Thiamethoxam 25%, WG)



CONZA
(Hexaconazole 5% EC)



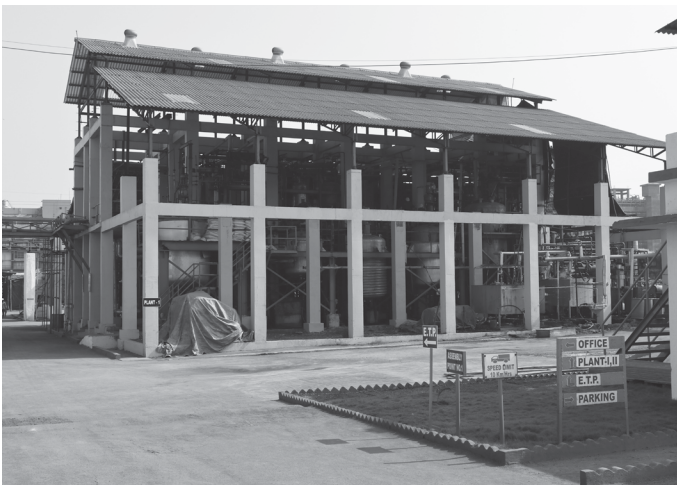
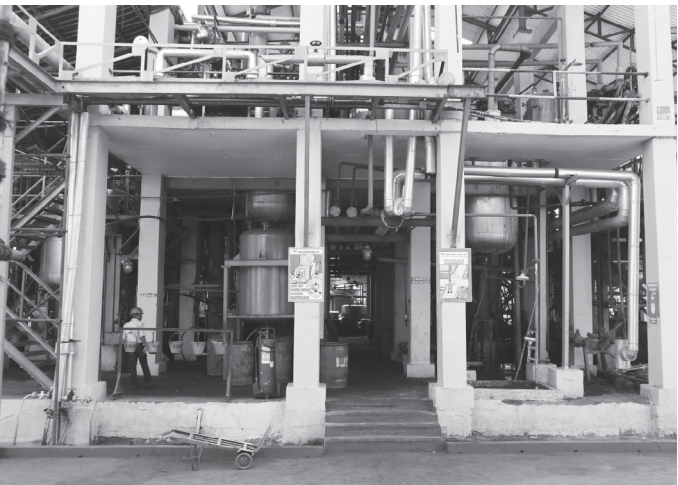
AIMCOTOP
(Thiophanate Methyl 70% WP)

Manufacturing Facility

Before the setup of the Lote Parshuram manufacturing facility in 1993, the company had four formulations plants across the country. With this facility, the company entered into the manufacturing of Technical products.

Salient Features

- This facility is located on a plot admeasuring ~23,000 Sq. Mt., with ~50% of the land available for further expansion and development.
- Full-equipped manufacturing facility along with Pilot Plant facility.
- Manufacturing both Technical & Formulations products.
- Employing about 250 people at the facility.
- Largest Triclopyr manufacturing capacity in India, and third-largest globally.



Manufacturing Capacity

Product Category	Manufacturing Capacity
Technicals	3000 Tonnes Annually
Liquid Formulations	20 kl Daily
Granules Formulations	20 Tonnes Daily

Global Footprint

Global

45+ Exporting to 45+ countries, both developed and developing markets.

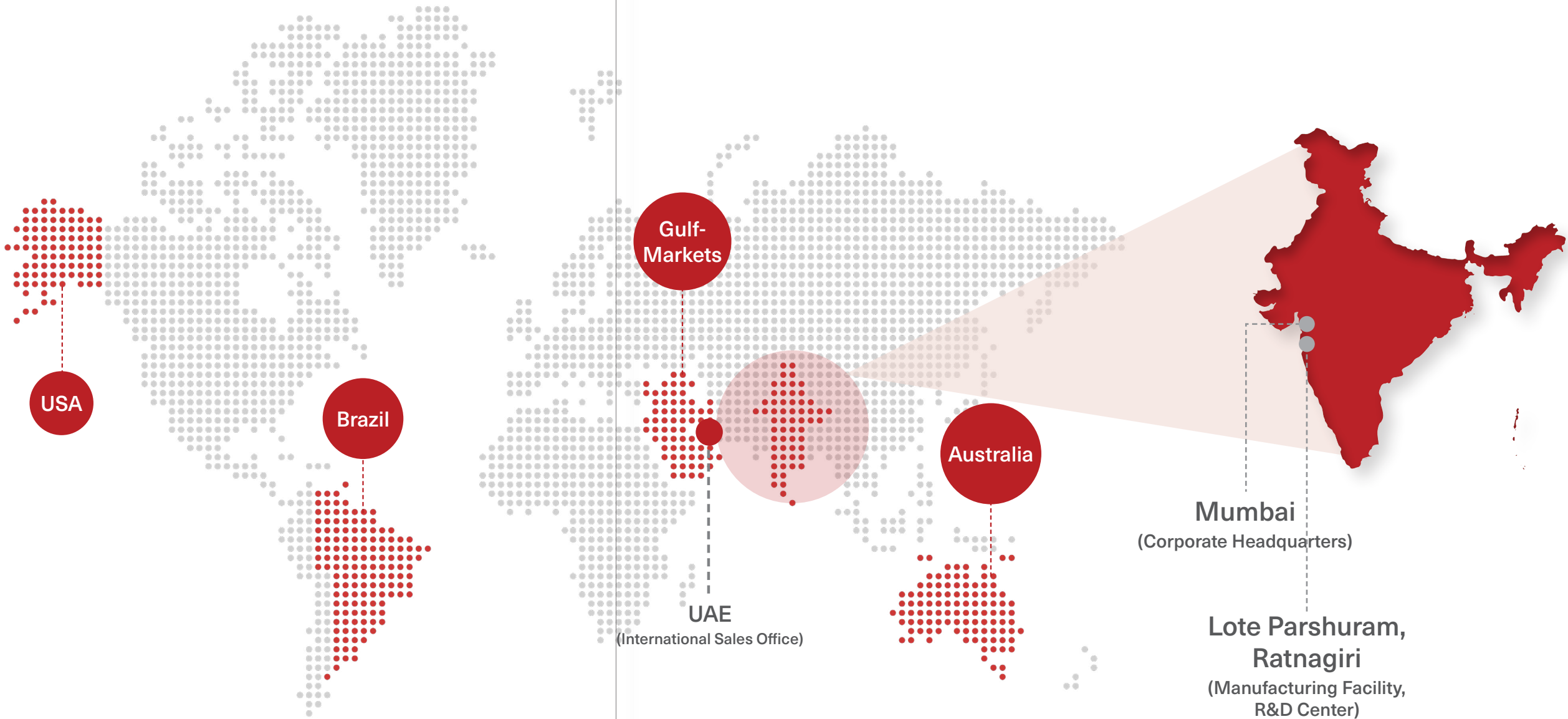
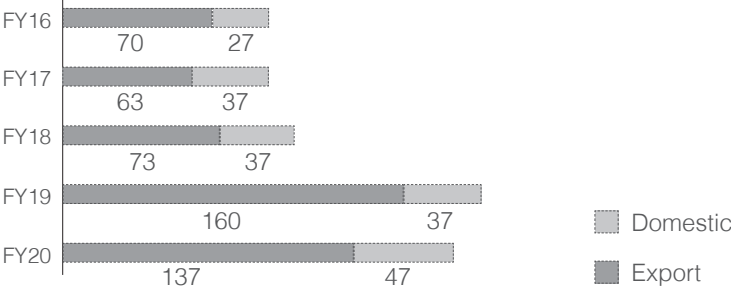
1 International Sales Office

Domestic

285 Active Distributors (Domestic & Abroad)

5 Domestic Branch Offices

Geographical Revenue Mix (₹ in crores)



Focus on Research & Development

AIMCO has been a Research & Development oriented organization since its inception. Our R&D Center located at the Lote Parshuram site has been recognized by the Department of Science since 1995. The company has recruited and maintained a well-knit team of qualified Scientists, Chemists, and Engineers for:

- **Process Development**
- **Developing Technology to Manufacture Off-Patented Products**
- **Process-Efficiency, Productivity and Cost Reductions**
- **Customized Formulations & Product Development**

The company has also deployed a Pilot Plant to test the techno-commercial viability of various agrochemicals under development. AIMCO has developed its core competence in commercializing Technical's and has always aimed to be among the early introducers of said products. As a matter of fact, each one of AIMCO's commercial products is commercialized using an in-house process developed by the R&D Department.

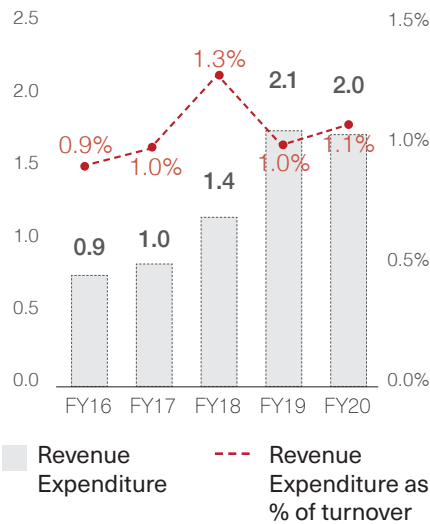


15
R&D Team of
15 Personnel -
Scientists, Chemists,
and Support-Staff

Actively working towards
adding molecules and
expanding AIMCO's
Technical's Portfolio



R&D Expenditure



AIMCO's Product Commercialisation Process

- ### 1. Product & Process Identification

 - To begin with, the company looks for near expiry Patented Pesticides products that fall under its area of competence and where the company possesses expertise in the given chemistry, mainly environmentally benign and non-hazardous processes.
 - All future product additions (technical grade chemicals) considered for commercialisation should be able to generate at least 30%-40% gross profitability sustainably. The second preference is assigned to the total market, opportunity-size of the product, along with the acceptability & demand of the given product in our current strongholds globally.
 - If the above-mentioned preliminary criterias are fulfilled, the product is shortlisted for further research and development.
- ### 2. Pilot Manufacturing & Data Generation

 - Lote Parshuram site is equipped with a Department of Science and Technology, GoI, approved Pilot Plant facility to assess the techno-commercial viability of potential products.
 - The company undertakes Data Generation, if need be GLP data, as per the requirements of the country in which the product is to be registered.
- ### 3. Product Registration

 - After the techno-commercial viability of the product is assessed and data generation necessary to support overseas registration is complete, the company registers the technical, formulation or both depending upon the market's requirement.
 - Product registrations have different gestation periods and may take anywhere between 6 months to 5 years for product registration approval depending upon the country.
- ### 4. Setting-up Manufacturing Infrastructure

 - Setting-up additional manufacturing facilities may take anywhere between 12 to 24 months, depending upon the product's complexity. Some of the products may be manufactured in existing multi-purpose plants (?).
- ### 5. Manufacturing

 - The company has necessary infrastructure to manufacture a) Technical and b) Formulations of all kinds - EC, SG, SL, SC, WDG, WP, DP, and GR.
- ### 6. Marketing & Distribution

 - Technical's are sold to formulators in India & across the globe. Key global markets include Australia, and the United States of America.
 - Formulations are sold in bulk to marketers globally and also marked directly by the company under its own brand portfolio. Some of the key brands are Anaconda, Pyriban, and Bykill.

Letter from Management Team

Dear Shareholders,

It gives us immense pleasure to present to you the 33rd Annual Report of Aimco Pesticides Limited. This year, we are expanding the purpose of this report and taking this opportunity to communicate our goals, business, and strategies more comprehensively.

Before we share our thoughts and give you a review of the year gone by, we would like to take you through the journey of this organization. Our roots date back to almost 75 years when this organization was incorporated in the form of a partnership firm - All India Medical Corporation (AIMCO). We started as a formulator with four plants across the country. In efforts to streamline our operations, later on in 1993, we set up a centralized manufacturing unit in Lote Parshuram, which also marked our entry into the manufacturing of Chlorpyrifos Technical. The company shifted its focus to exports and R&D. While we faced turbulent times & hardships in our journey, especially during the debt-restructuring, we are here, navigating our way back to our former glory.

Performance Review

To begin with a quick performance review, Consolidated revenue from operations at Rs. 185.24 crore reflects 6.08% year-on-year (YoY) decline over the previous year. EBITDA grew by 3.65% to reach Rs. 13.89 crore, and PAT at Rs. 6.65 crore recorded 13.86% YoY degrowth over the previous year. The fall in revenue from operations is on account of our Bulk Formulations operations, which echoes a hostile external environment and competitive trade from Chinese incumbents in our export markets. Bulk Formulations - a structurally low margin business coupled with the unhealthy competition generated prices that were not profitable for us, and thus, we stayed away from this business for the better part of the financial year 2020. Our core area of focus - Technical's business did well in the year under review.

Impact of COVID-19

The entire world was caught by surprise with rapid spread of the infectious Novel Coronavirus pandemic that has disrupted economic operations, global supply-chains, and human lifestyles worldwide. To combat the spread of this virus, the Home Ministry introduced a series of lockdowns and curfews beginning 24th March 2020, while Agrochemicals was quickly declared as an essential commodity and allowed

to function in the lockdowns, there were a lot of challenges at the ground level. The company fared relatively well through this pandemic, our supplies were procured in advance in anticipation of the crisis, and production break & challenges were limited to April. While the company management does not foresee any material challenges in its supply chain, there may be an impact on demand in its export markets for the coming season.

The company has taken actions to ensure the safety, health, and well-being of the Aimco family. We have been in complete compliance with the guidelines issued by the authorities at our offices and manufacturing facility. We effectively adopted the 'Work from Home' culture in the interim and have now resumed normal office operations to the extent possible. Manufacturing operations have completely normalized since June.

Strategy

While completing our debt restructuring & operational turnaround in 2014, we didn't have the luxury to select and flexibility to focus on the most ideal business verticals or the most profitable product segments; at the time idea was to turn profitable at the earliest and limit our focus to the immediate future. That is not the case today, in the past few years, **our focus has transgressed immediate opportunities onto sustainability**. To that end, we have been concentrating on expanding our operations in our core competence i.e. manufacturing Technical grade agrochemicals. The company has focused its energies and capital to commercialize new molecules and file product registration to cater to the export markets. We are confident of commercializing remunerative products in this segment soon.

Going Forward

The COVID-19 pandemic may have an extended impact on business, but as communicated earlier, our outlook for the coming year remains untethered due to this pandemic. The Board of Directors and the Management team will guide the company in navigating through this crisis and recalibrating its strategy to address the new realities.

Before we conclude, we wish to thank all our Board Members, team, regulatory authorities, and investors for their faith, guidance, and support.

Warm Regards

Long Term Strategies

Focusing on Technical's Vertical

AIMCO's growing focus is on expanding its Technical's vertical, by way of a) expanding operations of current products, export registration in new markets, expanding capacities, and b) developing, commercializing and registering new generic molecules in export markets. Technical grade chemicals are the forte of AIMCO Pesticides, that is where our edge lies, and this will be the company's growth driver in the years to come. The company is continuously evaluating different strategies to expand this business vertical.

Enlarging Product Portfolio

The company's principal focus lies on expanding its product portfolio in its technical grade chemicals by adding new, remunerative and profitability assertive molecules. The company has few products under development in categories such as Herbicides, Plant Growth Regulators (PGR), Bio nutrients, Bio Stimulants and Insecticides, at least one of these products is expected to commercialize by FY 2021-22.

The company is focusing on product development in areas where:

- a) Chemicals which would prove to be profitability margin assertive.
- b) Have an opportunity size bigger than our current products.

Investing in Product Development and Registration

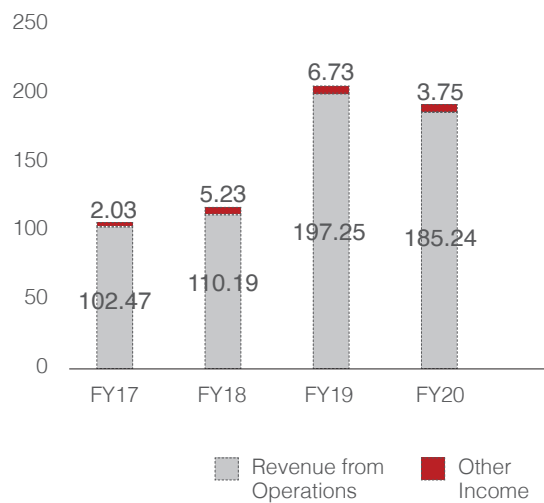
In the last few years, the company has been investing in R&D efforts, Pesticides Registration data generation, after initial development phase and export product registrations in various countries worldwide. The results of this process are back-loaded since export product registration is a time and capital intensive process.



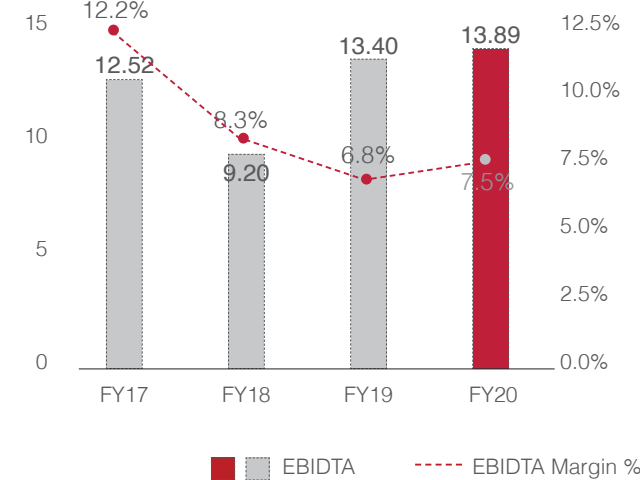
A deep dive into our financial performance

(Consolidated)

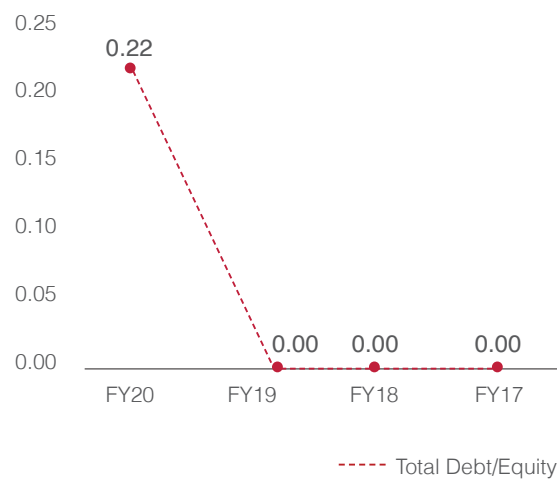
Revenue from Operations



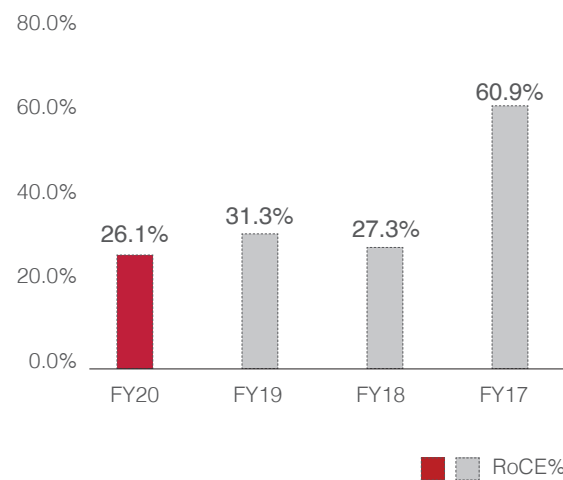
EBIDTA & EBIDTA Margin %



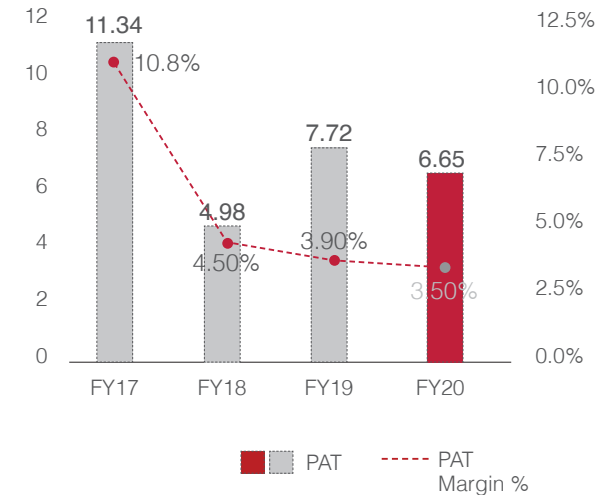
Total Debt/Equity



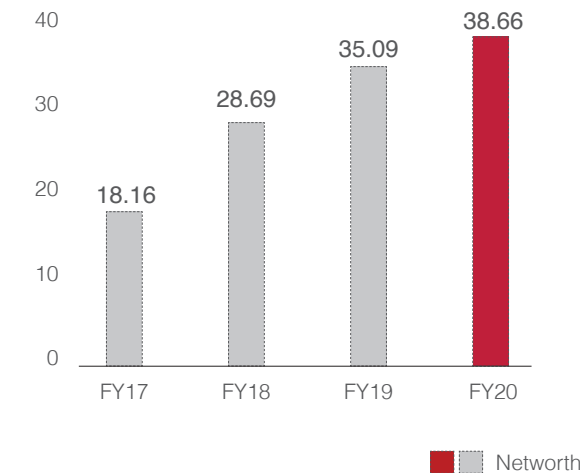
RoCE %



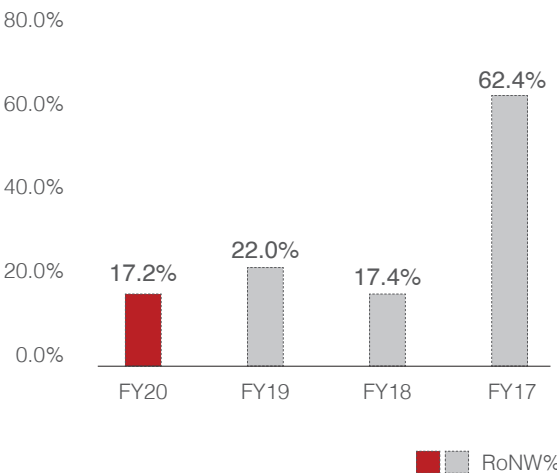
PAT & PAT Margin%



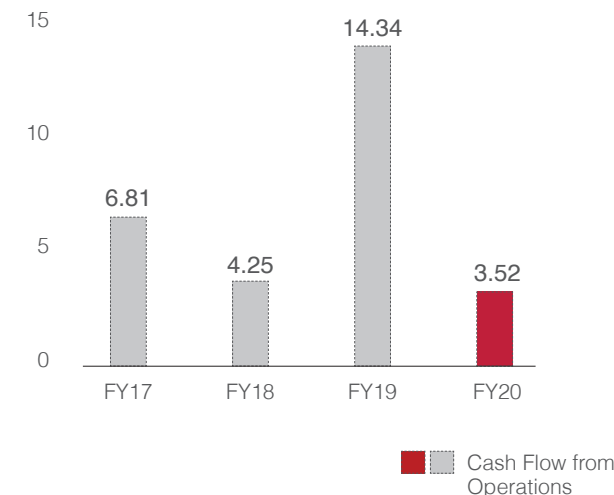
Networth



RoNW%



Cash Flow from Operations



(₹ in Crores)

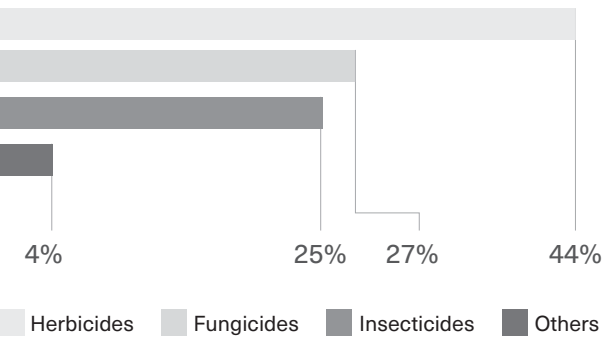
Management Discussion and Analysis

Global Crop Protection Industry

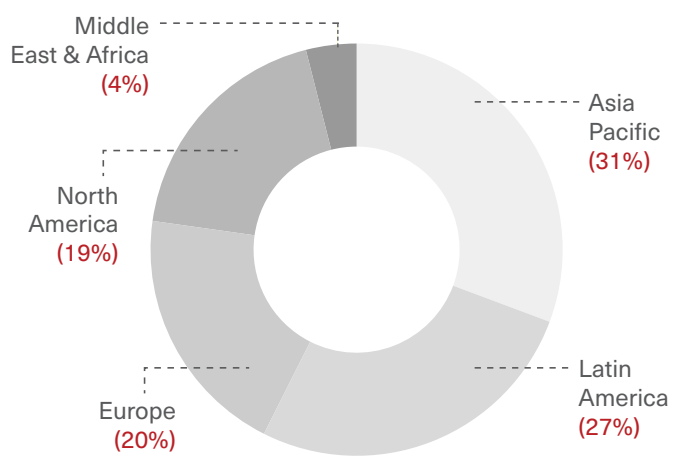
Crop protection chemicals play a crucial role in mitigating diseases, pest attacks, and weeds, in turn enhancing the agricultural output and maximizing production per hectare crop yields. The Global Crop Protection market was estimated to be a USD 59.82 Billion market in 2019 compared to USD 60.30 Billion in 2018. Key drivers for the Global Agrochemicals

market include a high population, subsequently increase in demand for food grains, soil degradation, finite agricultural land, and increasing awareness of the farmers regarding the benefits of agrochemicals. Off late, the agrochemicals industry is promoting safe and environment-friendly molecules, products and chemistries coupled with sustainable agriculture practices. Brazil and Argentina have been the biggest markets for crop protection worldwide.

Product Segmentation: Global Crop Protection Market (Domestic, 2019)



Geographical Segmentation: Global Crop Protection Market (2019)



Regional Segmentation

Asia Pacific region leads the pack with a market of USD 18.3 Billion and a market share in excess of 30%, followed by Latin America, Europe, and North America. Middle Eastern and African regions contribute a minuscule share in the global crop protection market. Apart from Latin America, all markets have declined in FY2019 with North America faring the worst in the lot.

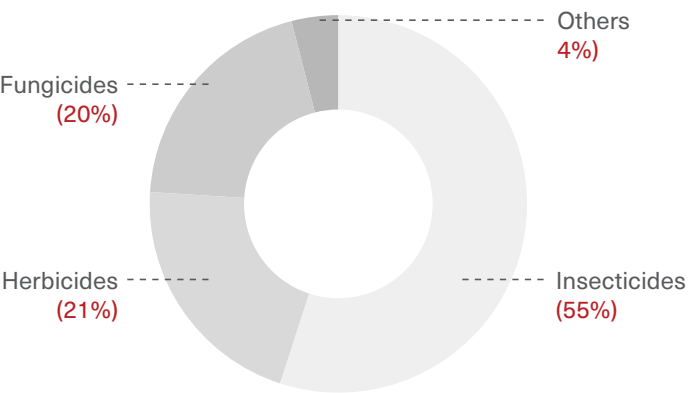
Indian Crop Protection and Agrochemicals Industry

India stands as number 4th in terms of the market size of agrochemicals globally, right after the USA, Japan, and China. With a growth in India's population, there is a rise in the production of crops, thus enhancing demand for agrochemicals. Indian Crop Protection and Agrochemical is estimated to be a USD 6.7 Billion market (approximately 47,500 Crores) annually; this roughly spread between the domestic market and exports in the ratio of 45%:55%, respectively. India is a net-exporter of agrochemicals. Indian agrochemicals exports are expected to reach USD 4.60 by FY2023 from the current USD 3.66 in FY2020, projecting an annualized growth of 7.92% for FY2020-23.

India holds a crucial place in the Global Crop Protection Industry, India has established itself as a cost-competitive, quality generics manufacturer possessing ability to handle hazardous & toxic wastes, with a decent availability of a skilled workforce and a strong presence across the value chain. Key export markets for Indian agrochemical players remain - Brazil, the USA, Vietnam, Bangladesh, Iran, France, Indonesia, among others, for the year FY2020.

Crop protection products are broadly classified as insecticides, herbicides, fungicides and bio-pesticides.

Product Segmentation: Indian Crop Protection Market (Domestic, 2019)



Insecticides dominate the Indian agrochemicals market with almost 55% of the market share for domestic markets, while Herbicides remain as number two but growing at a faster pace than insecticides. Domestic consumption of pesticides

For the year under review (FY2020), the industry witnessed a decline in terms of all three i.e. Production, Exports and Imports in terms of volumes. Indian agrochemicals trade faced headwinds in the FY2020 on account of global trade-tensions, weak commodity prices, adverse weather conditions & droughts (South Africa, Southeast Asia, and Eastern Australia) and reduction in exports of key crops.

