

# 16th Annual Report

January-December 2009



## Advanta India Limited





Dear Shareholder

I am very pleased to present this third annual report of our company since we went public in 2007. 2009 was a very challenging year for the industry. Weather played truant in many parts of the world. We saw unprecedented drought in Australia and Argentina. We saw a drought followed by floods in India. The commodity prices came down after the high of 2008 but still remained at a higher level than the levels prior to 2008. So it was a happy situation for the farmer.

For Advanta the year turned out to be an average one. The top line growth is 11% which is much below the organic growth we have been clocking in the last three years. The impact of the drought in Australia on our business was extremely high in the last quarter of the year.

I am very happy to inform you that we are now the largest Sorghum seed company in the world. The Sorghum market is a very interesting one in which we see some good opportunity for growth. We have decided to invest more in this crop and try to add more value to the market through both GM and non-GM traits. You will read more about this in the following pages.

As a company we continue to invest in research. Our investment in research during this year was at 12% including the Nutrisun expenditure. This is a major investment we are making in our future.

We signed two very important global exclusive licenses for GM traits during the year. The license signed with Arcadia Biosciences, USA is for Nitrogen Use Efficiency (NUE), Drought tolerance and Salt tolerance traits in Sorghum.

With Bioceres, Argentina we signed a license for the drought trait in Sorghum, Rice, Cotton and Mustard. Both these licenses are very important for the future as water will become more and more scarce in the world.

We had some prominent successes during this year. Some of them are:

- Our progress with corn in Thailand is very impressive during this year. We have very high quality products coming out of our breeding programme in Thailand. You will read more about this in the next few pages.
- Our progress with the integration of the front end with UPL in India has been satisfactory. We have completed one year with the integrated structure and we believe that the new structure will give us good results in the very near future. You will read about this in the next few pages.
- We have grown our sunflower business by more than 50% during this year. We made significant progress in Africa and South America. We have some very good products coming out of our Argentinian breeding programme.
- We opened new subsidiaries in Brazil and Indonesia, the two markets where we are expecting good growth in the future with corn.
- Our US business has shown an outstanding growth during this year. As you know we acquired this business in 2008 and it has given us excellent results in 2009.
- The first commercial sale of Nutrisun oil has happened during this year. This has been a great occasion for us to celebrate as this decade old project comes of age.
- We have developed some new areas of production in the world and they are helping us to reduce costs.
- The biotech center in Hyderabad started functioning.

However we faced more hurdles this year than opportunities as can be seen from the business results.

- The cost of goods were on the higher side due to high commodity prices.
- Acute drought in Australia and Argentina and drought followed by flood in India made it very difficult for us to recover the business losses in these countries.
- We had to write off a significant amount of seed due to reasons like low quality, phasing out of products, seed from some of the acquired businesses deteriorating in quality quickly, etc.
- The unfavourable exchange rates in some of the countries like Australia.

These factors have impacted our results negatively during this year.

Overall it has been a challenging year. But at the end of the year we feel confident that we have built a platform for growth in the near term as well as in the long term. The tide is turning and we are looking at 2010 with a lot of positive energy and expectations.

We look forward to receiving your continued support.

Sincerely,

V.R. Kaundinya  
Managing Director & CEO



## ADVANTA SORGHUM

Sorghum is the fifth most important cereal crop in the world, grown in about 20m ha of the temperate and semi-arid tropical areas of both developed and developing countries. Sorghum is widely recognised as a drought tolerant crop although the sorghum crop responds well to high levels of input (management, irrigation, fertilizer etc.). With increasing shortage of water in the world sorghum is expected to play a key role in the future. The current global sorghum seed market is estimated to be around 250 M USD.

Three types of sorghum crops are grown in the world: grain sorghum, forage sorghum and sweet sorghum. While forage and sweet sorghum have been traditionally used for feeding the animals, sweet sorghum is nowadays being used for bioethanol production. Grain sorghum is used in animal feed in most of the countries except in India and Africa where it is also used for human consumption. From 2011 onwards, sweet sorghum for bioenergy is expected to gain momentum and from 2014/15, technology to economically and reliably produce cellulosic bioethanol production is expected to be released and this will encourage further growth of sorghum.







## Advanta Sorghum Business

Advanta is in the business of product development, seed production and marketing of elite grain, sweet, forage, and bioenergy sorghum for current and future global markets. Globally, Advanta has the most diverse sorghum breeding programme with three separate research units (Argentina, Australia, and USA) and has a concentrated effort to exchange germplasm to fully exploit the heterosis available. Advanta is the only company to have breeding and marketing programmes for sorghum in all of the major hybrid sorghum growing areas. Advanta also has the most advanced forage breeding programme and the new types of products that are emerging are readily catching the eye of customers globally.

The Advanta sorghum germplasm base is the most diverse. Until recently, the three main programmes have been working quite autonomously with little interchange of germplasm. All three programmes are highly successful in their own right with the products of the programmes attracting significant market share in 2009 in the countries represented (Australia >75%, Argentina >30%, NAFTA >20%). Now interchange of germplasm is occurring to exploit the heterosis available and newer and exotic sources of germplasm are also being sought and licensed. Advanta US also has current arrangements in place to allow exclusive licensing of select elite third party hybrids for utilization within US market.

Advanta has a very sound base to develop dominance in the global sorghum business and to also drive the sorghum industry towards a more competitive and attractive crop for farmers and consumers. Sorghum is in the fledgling stages of biotech research into trait transformation and if sorghum and Advanta is to take this crop to a higher plain, a concerted effort and resource to extend the research base is paramount.

In February 2010 Advanta acquired the assets of Crosbyton Seed Company, Crosbyton, Texas, USA. The CSC acquisition makes the second investment in US sorghum seed by Advanta following the 2008 acquisition of the business of Garrison & Townsend Seed Company ("GT") of Hereford, Texas. This move further increases Advanta's global sorghum business footprint. The new combination of Crosbyton, GT, Advanta's international sorghum seed businesses, and a number of important technology alliances creates a global platform that clearly establishes Advanta as a worldwide leader in the research, production and sales of sorghum.

## Sorghum Industry Drivers

The major global drivers for sorghum include:

- Increased yield
- Higher global grain and biomass requirement
- Climate change and lack of consistent rainfall
- Alternative crops
- Rising input costs
- Ethanol and technology
- Competitive trait requirements – grain quality; forage feed quality; yield; nitrogen use efficiency (NUE); water use efficiency (WUE); salt tolerance; herbicide tolerance; insect resistance; cold tolerance and biomass enhancement.

## Forage Sorghum

The forage sorghum business includes both sweet and forage sorghums and recently introduced BMR. The global market for hybrid forage sorghum seed is approximately 46,500 mt with a sales value of \$51M. Globally, there is an increasing awareness of increasing quality of nutrition of livestock as well as a conscious concern of rising costs. The Brown Midrib 6 (BMR 6) Trait in sorghum achieves this and research and grower testimonials will confirm that the nutritional value of BMR 6 sorghums is equal to or better than corn silage resulting in improved cattle weight gain and increased milk production. This is due to the stalk and leaves having lower lignin content resulting in much higher digestibility and increased palatability. The Advanta BMR 6 trait is available in: forage sorghums, Sudan grass, Sorghum-Sudan grass, brachytic dwarf, and photoperiod sensitive.

## BioEnergy

The major involvement that sorghum has towards ethanol production is fermentation of grain sorghum and this is mainly in the US. In 2007, almost 13M mt of grain sorghum was produced and as more ethanol production facilities are brought on line, it has been estimated that over 6M mt of sorghum will be required for ethanol production. There is a lot of development towards the use of sweet sorghum, bmr and forage sorghum for biomass for cellulosic ethanol production. The current estimate for commercial cellulosic ethanol production is still five years away and there are a number of companies working towards this goal.

For Advanta, the development of the bioenergy business is aimed at developing new business. The long term view is not to depend entirely on seed sales but to exploit the benefits from our own breeding programme as well as introductions and technology developments from other research projects. Advanta has research and development projects in many countries to develop sorghum as a complimentary feedstock source for bioenergy production.

## Technology

There are no transgenic sorghum hybrids on the market at present but transformation systems are currently being developed so that agronomic traits such as water use efficiency (WUE), nitrogen use efficiency (NUE), salt tolerance, yield enhancement (both biomass and grain production), in planta cellulase to assist with bioenergy conversion efficiency, increased protein and stem sugars, and herbicide tolerance can be achieved in future hybrids. Other non- transgenic traits that are currently being developed include ALS and ACCase herbicide tolerance, cold tolerance, insect resistance and animal and human nutritional enhancements. Advanta has research projects and associations in all of these areas.

## Conclusion

Advanta plays the most significant role globally in the development of sorghum. Yield is the most important factor in the development and competitive placement of this crop and Advanta research and product development is actively working on the many factors that make up yield. Along with yield comes quality – both in terms of the seed supplied to the customer and the value of the product that the seed grows into. Advanta is continuing to enhance its products and developing improved traits to enhance the value to the farmer.





## SUCCESS STORY OF PACIFIC SEEDS FIELD CORN IN THAI MARKET IN 2009:

Development of PAC 313, PAC 339 and PAC 999 Super:  
A set of winning hybrids for successful Advanta field corn business in Thailand

### Background:

Launch of outstanding hybrid is one of key objectives to gain shares along with effective marketing tools. Pacific Seeds Thailand was working hard to improve shares in past 10 years from launching only average quality products. Breeding team has put a lot of efforts to develop elite germplasm which is distinct to common material grown in Thailand. This is a way to diversify our products character to other public and competitors for better recognition. High yield and good stability with traits of super high shelling percentage and uniform cylinder ears are identity of Pacific Seeds field corn hybrids being known in market places recently. Set of superior hybrids have been chosen and tested in wide areas representing key corn regions and coverage of different climatic and adverse weather conditions. Testing efforts have been done to generate reliable data for decision making. This is to ensure that once selected hybrids have launched with results are at expectation of which trials data being indicated.

### Market Orientation:

Competition of field corn in Thailand is very high and market size has reached saturated level(18,000 to 20,000 tons). Key players like Monsanto, CP, Syngenta and Pioneer have established research programs and reached maturing stage after 30 years of inception. Our market share in 2009 is climbing up at around 15 %. Pacific Seeds Thailand is targeted to improve market shares through the launch of competitive hybrids being developed in the current research pipeline. The successful application of dihaploid technology have made Pacific Seeds Thailand standing in good position to grow field corn market shares through winning hybrids being developed and to launch in full scale in 2010 onwards.

### Product Development:

It's decided to choose hybrids from testing system and fast tract superior hybrids for testing in advanced and pre-commercial levels in 2007 continued to 2008 and 2009 in order to speed up the release superior hybrid in to commercial pipeline (PAC 999 and PAC 224 as key commercial hybrids). The concept of testing at pre - commercial level is to simulate the testing condition as similar to actual field condition where farmers planted corn crop. This means result will be no surprise of deficit in performance to be shown when hybrids grown in commercial level.

PAC 313 has chosen from normal testing system while PAC 339 and PAC 999 Super have selected from fast tract purposes to speed up the release process of superior hybrids.

Strip trials (non- rep) have been conducted in very uniform plots and representing key regions in 2009. All data generated from planting conditions where farmer have applied. In house trial result is confirmed by feedback from free seed program and also confirmed with performance in public trial data.

PAC 313 is top yielded in 2009 cooperative trial tested in 10 locations being organized by Kasetsart University. PAC 313 and PAC 339 are top yielded in standard trial conducted by Department of Agriculture (DA) combined from 4 DA research stations. PAC 999 Super is top yielded in trial conducted in Chiangmai by Chaingmai University.

Along with trial data being generated, result of market survey from group of 460 farmers who had grown Pacific Seeds field corn hybrids which representing 7 key field corn provinces across country indicated how superior of PAC 313, PAC 339 and PAC 999 Super. This is to confirm the superiority of our hybrids to competitors in all trials tested in 2009.

The key success of product development is to speed up testing process in identifying superior products in short term to launching outstanding hybrids on time under pressure of high competition condition.

It's a breeder's competence to fast track real superior hybrids for commercial purposes with high chance of success. This is to balance the hybrids in testing list from standard testing and fast track systems to be screened in final stage for commercial purposes.

The trials result in 2009 have shown the success of the above concept. PAC 339 and PAC 999 Super have created very high perception in industry being followed by competitors who try to access hybrids for breeding material. The performance in model farm and give away program have proved the outstanding of both hybrids as same as trial results.

### Key Team members:

1. Mr.Montree Kongdang-Research & Development Manager/Global Corn breeder
2. Mr. Worrachak Wongpila - Corn Breeder
3. Mr.Suradech Fungsuk-Product Development Head
4. Mr.Sayan Ramun Udom-Senior Product Development
5. Mr. Keng Sangkaew -Senior Product Development
6. Mr. Varakorn Thepkaew -Product Development



## OUR PEOPLE, OUR STRENGTH

We being one of the leading edge seed companies striving to achieve full customer satisfaction by working through our people. Our fundamental goal is to create a company with latest technology by preserving the traditional values built over 100 years that is excellent in every sense and better than the competition. We have committed people with proven experience working to achieve the company's Vision - 'Driving Sustained Growth through World-Class Plant Genetics & Innovative Technology. Company provides challenging work environment to innovate and achieve success to provide productive crop solutions to improve the profitability of farmers.

Organization culture is Entrepreneurial with enough flexibility & freedom to operate. People are encouraged to take up newer challenges with opportunity for independent decision making and managing risks. Structures in the organization are informal, less bureaucratic and facilitate quicker decisions. People are encouraged to learn and try new things thereby providing enough opportunities for career growth across functions & geographies through personal development. Challenging atmosphere offers competitive compensation & benefits, performance based rewards that foster higher sense of ownership and retention.

Ultimately it is the people who are responsible for making the Advanta vision a reality. Advanta today is an Indian Multinational with global presence faced with ever increasing competition and environmental changes. Leadership has the challenge to focus on continuously improving the operational efficiencies to get the competitive advantage. Team members help the leadership by team work and installing & improving reliable processes and methods in operations. While the leadership strategize on the steps to meet current and future challenges managers lead teams in developing and improving critical operations and business processes.

Our people have the drive & motivation to do extraordinary things working together in the pursuit of the company's vision & strategy by strongly valuing team

work. Organization culture facilitates everyone to make bigger, faster contribution by continuously improving the work processes and achieve success through means that are sensitive to and respectful of, people and their capacity to learn & change. Processes are developed in ways that value respect to the team members, customer and the society.

Advanta is proud to have trained and committed team laying greater importance on all round development of its members to attain a sustainable and unique culture. The company believes in the philosophy that quality is not incidental but a continuous journey and a way of life. It has embarked on the journey towards continuous improvement in all spheres of activity from R & D to marketing to deliver the best quality products to the customer by adopting a total assurance concept and willing to be a learning organization.

A positive bent of mind exists with Advanta members. Teams are committed to create an environment of trust and mutual understanding. The company empowers the individuals for every work for which they are accountable. Team involvement in decision making, sharing knowledge and experience, transparency and openness in the transaction are ways of life at Advanta, last but not the

least respect for the individual lies truly with each of us.

We always focus on work life balance by providing the team members flexibility to address personal commitments,

without compromising the needs of the business, which makes the difference between a good working environment and a great one. This has enabled the company to retain people for longer tenures and will find many people serving the organization for decades in spite of changes in the control /ownership.

Globally the company has been able to attract talent into the organization be it from the universities, business schools or the large corporations in the seed industry. This is possible only because of the work environment and strong advocacy from within. There being significant gap in what our education system prepares, people do, what we as organization and ultimately customers expect, Advanta has talent development initiatives like







management trainee programs for freshers and learning & development initiatives for the existing people. Advanta aims to be an employer of choice! People get opportunities to work on live projects which are multifunctional, multicultural and global. Crop teams which developed successful business strategies recently is a good example.

Another recent example has been the success of the integrated business model adopted in India with synergies

themselves for leadership positions. In many instances people are given an opportunity to manage crises & other challenging situations locally as well as globally to get exposure.

Emotional connection and the feelings of team members towards the organization have influenced to contribute on the job effectively. Significant time and effort is focused in understanding the members better, their needs, expectations, frustrations which has resulted in better engagement contributing to create sustainable competitive advantage. Mentally stimulating nature of work, support by the organization, managers, peers & team members, value driven, recognition, have resulted in better engagement, performance, loyalty & advocacy. Investment in recruitment, people development, career growth and technology which supports performance, rewards & recognition has helped to drive engagement. Focus on culture, vision & values, effective communication, reinforcement of people focused policies, meaningful metrics for performance measurements leads to high levels of trust, provide satisfaction, success & believe it or not fun. High level of engagement has contributed to the performance of the people and the organization in the areas of retention, turnover, productivity, customer service and loyalty to achieve business success.

The learning environment with attributes to stimulate



between agrochemical, field crop and vegetable seed businesses to deliver the complete crop solutions to the customer with a better reach. It was evident that the values which Advanta has instilled in every member of the team was the connect between the members to deliver the project outcome. Advanta being in the growth phase people get enough opportunity to work on developmental assignments to build the talent pool within the organization. We have many examples within the organization in this area. Succession planning initiative in the company has provided opportunities to consistent performers to take up higher challenges to prepare

curiosity in people, facilitate learning in assignments, promoting leaders who act as facilitators of learning, bridging gap between current skills of individual and skills required for assignments is contributing to the business growth the company has been achieving in the last three consecutive years. Immediate challenge would be to design an infrastructure which would support transfer of learning, aligning learning initiatives to organization strategy, business needs and integrating it with other processes like workforce planning, performance management, competency development, leadership development, succession planning, career management and total rewards.



## INTEGRATED BUSINESS: INDIA 2009

"Project Punch" 2008 finally culminated into 'Integrated Business-India' platform after merger of United Phosphorus Ltd. (UPL) - Agro Formulation, Advanta India – Field Crops, Golden & Unicorn Seeds – Vegetable Seeds

This is a unique achievement where our team repositioned Agchem & Seed Businesses for emerging Agriculture landscape to leverage on our mutual strength.

New and innovative business model started working under unified leadership team from 1st Jan 2009.

Following key initiatives were taken to make new model deliver desirable results:-

### Organizational Design

Following 3 key objectives were kept in mind while preparing organization designs:-

1. To offer Complete Crop Solutions to farmer under one umbrella
2. To capture Synergy through increased Productivity of people and leverage Channel Capabilities resulting in increased market share and revenue
3. To optimize Operating cost.

The challenge was to make team focused on end customer "FARMER"

UPL – AF strength of Channel Management and Advanta – Golden & Unicorn strength of Customer Proximity has to be meaningfully aligned to gain maximum synergy. In order to achieve this balance, we decided to create following core teams for all zones and Head office

### a) Zonal Marketing Management – 21

One ZMM for each domain to make sure domain expertise is available for zonal sales team & focus is maintained on given domain.

### b) Strategic Marketing Group (SMG) at Head Office

SMG constitutes team of General Managers responsible for each domain and is leading a team of Crop / Product Managers who are responsible to craft the Crop Strategy in consultation with R&D, PD, Zonal Sales & Marketing teams.

SMG is charged with responsibility to develop mid-term business plan, develop pipeline of products, technology tie-ups, branding, synergy etc.

### c) Product Development Teams

At present we have 3 teams of Product Development – One each for AF, FC, VC who are working relentlessly to develop new products, development of complete crop solutions, training of sales force, liaising with State Agricultural Universities to make sure that right product are launched in right markets in most scientific way.

### d) Customer Service Executives

With integration we have now more than 4500+ active distributors. It is important that they are serviced very well and we continue to enjoy their high satisfaction with our services. A team of 14 customer service executive was created right at Zonal offices having proximity to markets.

### Training & Development

Pre-Integration period, each team member was responsible and focused on making of given products – Agro Chemicals or Field Crops or Vegetable Crops.

Focus was "Product".

New Integrated Business philosophy required team to focus on end customer "farmers".

This is the biggest paradigm shift and needed massive HR interaction in the form of intensive training program on:-

- Crop packages
- Product features of cross domains
- Skill set development
- Team working (HBDI)

To achieve this goal a mix of internal and external experts were deployed throughout the year.

Our "Model Demonstration Plots" An initiative where all crop / packages were demonstrated at 52 locations throughout the year became a reality of "school of learning" for our teams, farmers and trade partners.

Use of IT Solution "Business-ware Intelligence warehouse" "Information" and "activity load" tripled at every level. Availability of timely online, accurate information was the need of an hour. Our ever-ready competent SAP / IT team came to our rescue with BW tool. They helped us deploy BW software on more than 65 Marketing Managers laptops and trained them on the spot. We established a help-line to do hand holding for initial period.

Through this initiative we could empower our key Marketing Managers who can view online performers at each Customer / Crops / Products / Sales Team etc.

### Results Delivered

2009 experienced one of the worst monsoons in last 30 years. Rainfall deficit led to reduced area under different Kharif crops. Under such trying circumstances while integrating team could deliver following results:-

(HBDI Training Program, Mumbai)





('Unimart' opening at Manchar, Pune)

## I. Sales

	Annual Budget Ach %	GR %
AF	111	11
FC	72	(18)
VC	90	11
Total	98	6

## II. Head Count Harmonisation

The overall Head Count among the 3 businesses (AF, FC and VC) was harmonised and restructured to achieve the best market coverage results and enhancement of productivity.

III. Advertising & Promotional expenses synergy – Advertising & Promotional expenses were down by 2%. The integrated working resulted into better utilization of manpower round the year.

## IV. Cross Selling

UPL – AF business significantly grew in vegetable markets due to strong base of seed companies. Similarly seed companies benefitted from well entrenched UPL – AF channel network in wide areas.

## Challenges:-

During the exciting journey everything was not going as per plan. We encountered many challenges like initial apprehensions of trade partners in our ability to manage seamless supplies on SAP platform. This we tried to address through multiple communication campaigns, meetings etc. Cultural issues were another area – we had to manage with due sensitivity. Past habits, behavior, business languages used many a times lead to serious crisis and / or hilarious moments.

We felt a strong need to develop a unique set of vision, mission and values for this new IB – India team. This would help move our team away from the past and anchored into a 'FUTURE' we want to create.

Given below is a brief outline of our Integrated Business India's Vision, Mission and Values

## Vision

To help farmers significantly to improve his living standard through massive improvement in income per acre of crop products.

## Mission

To double our revenue and profitability through integrated products and services in the next 3 years time.

## Values

- Team work
- Result oriented work culture
- Learning Attitude
- Customer Centricity

We consider 2009 as the year of "Technical Integration" where teams have gone through a slew of changes in environment, policies, processes, cultures etc. It was a year of fast paced developments – there were some team mates who could not cope with the fast paced dynamic environment despite helping hand from team leaders and decided to part ways.

Remaining team members are eagerly waiting to deliver impressive results in coming years with lots of excitement and energy to prove that here is a team which will define the landscape of Indian Agril Input Industry by becoming the pioneer in the creation of innovative New Age Business model.

There is a proverb which says –

"You can't do Tomorrow's business with Yesterday's business model"

Integrated Business – India team has taken a lead to create a new business model to get the future ready to handle bio-technologically impacted Indian Agriculture to create maximum benefit for farmers and take care of interest of our stakeholder's value.

At this juncture, we wish to thank all our customers, employers and facilitating cross functional teams for constant encouragement and hard work during the year of "Great Transition"

We look forward to year the 2010 with lots of hope and enthusiasm to deliver much better results.

('Coral Masters Meet' at Behror, Rajasthan)

