



ASTEC



**Astec LifeSciences Limited**

18<sup>th</sup> Annual Report 2011-2012



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## Corporate Information

### Board of Directors

**Ashok V. Hiremath**

Chairman & Managing Director

**Janak J. Rawal**

Whole Time Director

(Appointed w.e.f. 20.01.2012)

**Dr. P. L. Tiwari**

Non Executive - Non Independent Director

**Laxmikant Kabra**

Non Executive - Non Independent Director

**Prof. Vinod Malshe**

Non Executive - Independent Director

**Sitendu Sharma**

Non Executive - Independent Director

**Mohammed Zakir**

Non Executive - Independent Director

**Mandar K. Patil**

Non Executive - Independent Director

(Appointed w.e.f. 28.05.2012)

### Bankers

AXIS Bank Limited

State Bank of Hyderabad

IDBI Bank Limited

### Company Secretary & Compliance Officer

Vikas R. Chomal

### Registrar & Share Transfer Agents

Bigshare Services Private Limited

Saki Vihar Road, Saki Naka,

Andheri (E), Mumbai - 400072, Maharashtra

### Registered & Corporate Office

Elite Square, 7th Floor, 274,

Perin Nariman Street, Fort,

Mumbai- 400001, Maharashtra

### Auditors

M/s. P. M. Kathariya & Co.

Chartered Accountants

Firm Reg. No.104922W

Mumbai, Maharashtra

### Plant Locations

- B-17, B-18 & B-21, MIDC Mahad, Birwadi Industrial Area, Mahad, Dist. Raigad - 413341, Maharashtra
- B-16, MIDC Mahad, Birwadi Industrial Area, Local Unit, Mahad, Dist. Raigad., Maharashtra
- Additional MIDC, Plot No: K-2/1/1, Mahad, Dist. Raigad, Maharashtra

### R&D Center & Pilot Plant

F-39, MIDC-Phase II,

Dombivali (East) 421204

Dist. Thane, Maharashtra

### Website

[www.astecsl.com](http://www.astecsl.com)

## Financial Highlights

Rs. in lacs

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Turnover (Gross)	3,438	6,046	8,933	11,638	11,525	11,737
EBDIT	652	1,586	2,166	2,638	1,697	1,726
PAT	370	807	1,072	1,384	508	242
Gross Fixed Assets	2,443	3,791	4,064	5,533	9,004	10,207

Notice is hereby given that the Eighteenth Annual General Meeting of the Members of Astec LifeSciences Limited will be held on Tuesday, 25th September, 2012 at 3.30 P.M. at Kilachand Conference Room, 2nd Floor, IMC Building, IMC Marg, Churchgate, Mumbai - 400020, Maharashtra to transact the following business:

**ORDINARY BUSINESS:**

1. To receive, consider and adopt the audited Balance Sheet as at March, 31, 2012, Profit and Loss Account for the year ended on that date and reports of the Board of Directors and Auditors thereon.
2. To declare a dividend on equity shares.
3. To appoint a Director in place of Prof. Vinod Malishe, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Dr. P. L. Tiwari, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors and to fix their remuneration and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution.

"RESOLVED THAT M/s. P. M. Kathariya & Co., Chartered Accountants be and are hereby appointed as Auditors of the Company, to hold office from the conclusion of this annual general meeting of the Company until the conclusion of next annual general meeting of the Company on such remuneration as shall be fixed by the Board of Directors."

**Notes:**

1. A member entitled to attend and vote at the Annual General Meeting (the "meeting") is entitled to appoint a proxy and vote on a poll instead of himself and a proxy need not be a member of the Company. The instrument appointing proxy should, however be deposited at the registered office of the Company not less than forty-eight hours before the commencement of the meeting.
2. Corporate members intending to send their authorized representatives to attend the meeting are requested to send to the Company a certified copy of the Board Resolution authorizing their representatives to attend and vote on their behalf at the meeting.
3. Members are requested to bring their attendance slip along with their copy of annual report to the meeting.
4. In case of joint holders attending meeting, only such joint holder who is higher in the order of names will be entitled to vote.
5. Relevant documents referred to in the accompanying Notice are open for inspection by the members at the Registered Office of the Company on all working days, except Saturdays, after 1.00 p.m. up to the date of the Meeting.
6. The Register of Members and Share Transfer Books of the Company will remain closed from Monday, 17th September, 2012 to Tuesday, 25th September, 2012, both days inclusive.
7. The dividend on Equity Shares, if declared at the Meeting, will be credited between 26th September, 2012 to 3rd October, 2012 to those members whose names shall appear on the Company's Register of Members on 17th September, 2012; in respect of the shares held in dematerialized form, the dividend will be paid to members whose names are furnished by National Securities Depository Limited and Central Depository Services (India) Limited as beneficial owners as on that date.
8. Members holding shares in electronic form may note that bank particulars registered against their respective depository accounts will be used by the Company for payment of dividend. The Company or its Registrars and Transfer Agents cannot act on any request received directly from the members holding shares in electronic form for any change of bank particulars or bank mandates. Such changes are to be advised only to the Depository Participant of the members.
9. Members holding shares in electronic form are requested to intimate immediately any change in their address or bank mandates to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form are requested to advise any change of address immediately to the Company/Registrars and Transfer Agents, M/s. Big Share Services Private Limited.
10. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit the PAN to their Depository Participants with

whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to the Company / Registrars and Transfer Agents, M/s. Big Share Services Private Limited.

11. Non-Resident Indian Members are requested to inform Big Share Services Private Limited., immediately of :
  - a. Change in their residential status on return to India for permanent settlement.
  - b. Particulars of their bank account maintained in India with complete name, branch, account type, account number and address of the bank with pin code number, if not furnished earlier.
12. Members desirous of obtaining any information concerning the accounts and operations of the Company are requested to address their questions in writing to the Company secretary at least seven days before the date of meeting, so that the information required may be made available at the meeting.
13. Details of Directors seeking appointment/re-appointment at the forthcoming Annual General Meeting (pursuant to clause 49 of the listing agreement entered into with the Stock Exchanges).

Name of Director	Prof. Vinod Malshe	Dr. P. L. Tiwari
Date of Birth	28.02.1947	01.07.1945
Relationship with other Directors inter se	None	None
Date of Appointment	28/03/2008	25/01/1994
Expertise in specific Functional Area	Prof. Vinod Malshe, has a Bachelor of Science (Chemical Technology) degree from Kanpur University and a Master of Science (Technology) degree from University of Mumbai. He has also been awarded a PhD in Technology. He brings with him 43 years' experience in the chemical industry. He retired from the position of Professor of Paint Technology and Head of the Department of Surface Coatings Technology, University of Mumbai, and Institute of Chemical Technology. He has written two books and published nearly 50 research papers. He was a member of ISI (now BIS) committees and was also one of the interview panelists for promotion, project evaluation, and examiner of PhD thesis of various universities.	Dr. P. L. Tiwari has an MBBS and MD (Medicine) degree from Banaras Hindu University. He is a Member of the Royal College of Physicians of the United Kingdom (MRCP) and Fellow of Royal College of Physicians, Edinburgh (FRCP). He is a practicing cardiologist in Mumbai. He was awarded the UP Ratna award in January, 1996 by the Chief Minister of Maharashtra. He was also awarded the L U Kirpalani Memorial Award for Life Time Achievement- 2005 by 'A' ward Medical Association, Mumbai.
Qualification	Master of Science (Technology)	MBBS and MD
No. of Equity Shares held in the company	Nil	16,50,000
Directorship in other Indian Public Companies	Anuvi Chemicals Limited Resins & Plastics Limited	Wanbury Limited
Chairmanship/Membership of Committees in other Indian Public Limited Companies	Astec LifeSciences Limited	-

## Management Discussion & Analysis

*(Statements in this Report, particularly those which relate to the Company's objectives, projections, estimates and expectations may constitute forward looking statements within the meaning of applicable laws and regulations. Actual results might differ materially from those either expressed or implied.)*

### Global economy review

In 2011, the global economy grew 3.8% (5.2% in 2010), emerging economies grew 6.2% (7.3% in 2010) and advanced economies grew 1.6% (3.2% in 2010). This indicates that emerging economies continued to catalyse global growth.

### Indian economy review

The growth of the Indian economy is estimated at 6.9% in 2011-12 compared with 8.4% in the preceding two years, the lower growth attributed to a weakening global economy, lower industrial growth and reforms slowdown. World Bank has projected India's GDP growth at 7-7.5% in 2012-13. India's agricultural sector grew 2.5% compared with 7% in 2010-11.

### Business Environment and Overview

#### Global Agrochemical Industry

The Agrochemical Industry is interdependent with the performance of the agricultural sector. It is known that monsoons play a significant role in the performance of the agricultural eco system, and in good seasons, there is a demand upsurge for agrochemical products as well. Worldwide, agrochemicals are finding increasing acceptance, thanks to the dawning awareness of how beneficial their role could be in maximizing returns by way of crop protection and enhancement of yields. The potential for growth sees a large number of existing players operating in keen competition with each other not only in their respective domestic markets, but in the global context as well. On the one hand, one has to strive and develop new customers and markets; on the other hand, for achieving organic growth and bigger share of the pie, the way to go is to develop new products through research and innovation. It is, indeed, an R&D driven industry, calling for deployment of the best of technical expertise and know how. Recent years have seen good rainfalls in Asian regions, as well as across Latin America and Europe. This has acted as spur in demand for the agrochemical products with the farming community willing to invest in their wider usage in order to maximize their returns from higher yields and better margins from volumes. Thus, riding on good rainfall and strong crop prices, 2011 turned out to be a good year for the global agrochemical market; counting the crop and the non crop segments together, its size has grown to US \$ 51,520 million in 2011 up from US \$ 44195 million in 2010 – an increase of 16.6%. The crop protection market alone has grown by about 18% to US \$ 45210 million from US\$ 38315 million in 2010. Sales also got a boost as an offshoot of wide spread incidence of pests and diseases in major markets viz., Europe, Asia and Latin America. The global agrochemical market is being projected to grow around 2-3 % in real terms in the next 3-5 year time span.

In Crop Protection Chemicals, fungicides usage continues to outpace that of insecticides and herbicides as farmers, wanting to take advantage of favorable strong commodity prices, are known to invest in their usage for higher yields. An ever rising demand worldwide for high-quality food is perhaps the most compelling factor driving Crop protection Chemicals usage.

Chinese Agrochemicals Industry is in the process of consolidation and it is being anticipated that there would be as much as 30% reduction in the number of Chinese companies operating in the agrochemical space in the next 3 to 5 years. This is likely to impact the global supply and pricing of all generics from China to markets like India, South America and Africa.

#### Key drivers of agricultural demand

- Increasing population
- Declining arable land per person
- Income growth in developing countries
- Changing diets
- Increasing demands for higher quality foods
- Bio-fuel potential

#### Indian Agrochemical Industry

The Indian agriculture Industry accounts for 12.9% of the nearly \$ 2 trillion Indian economy. India is the second biggest producer in the world of rice, wheat, sugar and cotton; India also happens to be among the top consumers of their produce, given the size of its population. It is also a reality of the Indian agriculture

that it is heavily reliant on the monsoon. The spread and reach of the monsoon and its onset timing have a crucial bearing on the fortunes of the agricultural sector, and of those associated with it like the agrochemical industry. 2011 has been a year of erratic rainfalls. To begin with, the onset of rains were delayed, though satisfactory overall. Despite the late onset of monsoon, the country witnessed strong sowing of cotton crop. In the latter half of the year, rainfall was quite deficient in the South, thereby affecting the sowings in the Kharif season in that part of the country. The consumption of agrochemicals thereby suffered in critical States of Andhra, Karnataka and Maharashtra. The overall performance of the agrochemical industry during the year 2011-12 has been satisfactory.

#### **Company's Performance**

The Company has product offerings mainly in the segments of the crop protection industry i.e., Fungicides. The Company's strategy is to consolidate its presence through a few key products and access customers across the globe with a view to ensure stable performance quarter on quarter in an otherwise seasonal industry. Export volumes complement domestic sales and insulate us against vagaries and shifts in market behavior, which is not so uncommon an experience in the agrochemical business.

2011-12 was a challenging year for ASTEC as we were affected by continued destocking of inventory by our consumers. The Gross turnover of the company was at Rs. 117.37 Crores as against Rs. 115.25 Crores in the previous year, resulting in increase of 1.84%. Exports for the year were at Rs. 39.56 Crores as against Rs. 25.10 crores in 2011 representing a growth of 58%.

The company has increased capacities of its plants. It has also implemented many cost reduction measures. In addition to this it has introduced new measures to improve its EHS performance. The company has obtained many new registrations in various parts of the world. Many more registrations are expected to come through.

Raw material costs rose sharply as a result of the increase in labour and power costs in China pushing raw material prices upwards in the global markets. Higher interest rates caused increased finance costs and the devaluation of the rupee led to forex losses. With the operating costs going up substantially, the margins were eaten up and EBITDA for the year under review was consequently of a much lower order in comparison with the previous year.

In domestic formulation business, the planned scale up did not materialize for a variety of reasons; for one, the availability of products was restricted; an indifferent monsoon in addressable markets was also a dampener, pulling down the sales. The Company continued to focus on registration activity and received many registrations during the year across various countries. The ever increasing registrations are in the nature of being an enabler, ultimately leading to volume growth and better value realisation with the current customer base as well as help the Company access and reach out to new markets across its product range. The Company has taken various steps as under to bring about sustained improvement in the operations of the Company:

Investment already made in waste water treatment facilities would make it possible to undertake treatment of higher volumes of production and reduce effluent treatment costs.

#### **Future Outlook**

The global agrochemical industry is looking for consolidation to upscale the level of operations and improve margins. The overall market size itself keeps on growing, year on year as the linkage of the Industry with the agriculture and food economy will continue to open new channels and markets. The growing income levels all over the world are driving consumption and demand for better quality food. The pressure to produce more and pushing for higher yields from limited arable land in countries like China, India, Australia, America, Brazil and Argentina, translates into growing opportunities for the crop protection industry in the coming years. For Astec, the past year has been sort of an aberration, in terms of overall results owing to factors and circumstances over which the Company had little control. Be as it may, the past year is behind us. The Company has since taken requisite corrective measures at considerable investment, the results of which are already visible. Further plans are in motion for capacity expansion.

#### **Contract manufacturing opportunity**

Your company has identified contract manufacturing as a platform for future growth. India is well positioned to capitalize on this opportunity as multinationals are moving manufacturing from high cost western economies to India and China. India has a strong pool of scientific manpower and a well-developed eco-system for the production of fine chemicals.

Your company is pleased to inform you that Company had signed two long term mutually exclusive confidential MANUFACTURING AND SUPPLY AGREEMENT with multinational majors to supply crop



protection products. Recently your company commenced commercial production of at its new state of the art facility at its new site at MIDC Mahad, Maharashtra. The said facility incorporates the proprietary process technology developed by our multinational major customer. We are pleased to inform you that work of the second project is also progressing as per the schedule.

The commencement of these new projects will have a substantial positive impact on the Company's agrochemical business in coming years.

#### **Research and Development**

Astec is able to provide its customers value addition due its strong R&D capabilities. The company has made substantial investments to bring its EHS standards to international levels. We are therefore optimistic of making substantial strides in developing this business segment and developing of new products.

#### **Subsidiary Operations**

During the year, company's 100% subsidiary namely Astec Crop Care Pvt. Ltd. started the business of trading in agrochemicals and pesticides formulations to sell products in its own brand names.

#### **Risks and concerns**

The potential for over capacity can put pressure on margins. In order to safeguard against this, the company has a strong focus on R&D that enables it to remain competitive. The weakening of the rupee is another cause of concern.

#### **Internal Control & Systems**

The company has proper and adequate system of internal controls which ensures that all the assets are safeguarded against loss from unauthorized use or disposition and that all transactions are authorized recorded and reported correctly. The company has successfully organized the program on Total Productive Maintenance (TPM) at the factory which has helped the company to achieve reduction in downtime, rejections and wastages and improvement in delivery schedule. The company has assigned internal audit functional to professional firm of chartered Accountants. The company in process to implement the SAP module for better internal control system. All major findings and suggestions arising out in internal audit are reported to and reviewed by the audit committee. A strong internal audit system and an effective Audit Committee of the Board have led to the further strengthening of the internal controls within the organization.

#### **Dividend**

The Board of Directors have recommended a dividend for the year 2011-12 of 5% on Equity shares (Rs. 0.50 per share of Rs. 10/- each).

#### **Health, Safety & Environment**

The company has continued to invest in Health, Safety & Environment and continues to be compliant with all statutory permissions and approvals. The company lays considerable emphasis on achieving high standards of EHS practices. It has modernized its plants and have obtained ISO14001 and OSHA 18001 certification.

The company is regularly conducting safety awareness programs among the employees. Safety and ecological protection are prime concerns of the company and it is committed to uphold them.

#### **Human Resources**

The company ensures that it has adequate human skills commensurate with its requirements. The company continuously strives to upgrade skills and competence of its human resources. Measures for safety, training, welfare and development of the employees receive top priority.

#### **Cautionary Statement**

*Statement in this report on Management Discussion and Analysis relating to the Company's objectives, Projections, estimates, expectations or prediction may be forward looking within the meaning of applicable securities laws and regulation. These statements are based on certain assumptions and expectations of future events. Actual results might differ materially from those expressed or implied depending upon factors such as climatic conditions, global and domestic demand-supply conditions, finished goods prices, raw material cost and availability, foreign exchange market movements, changes in Government regulations and tax structure, economic and political developments within India and the countries which the Company has business and other factors such as litigation and industrial relations.*

*The Company assumes no responsibility in respect of forward looking statements herein which may undergo changes in future on the basis of subsequent developments, information or events.*

## Report on Corporate Governance

### Company's philosophy on Code of Corporate Governance

The Securities and Exchange Board of India (SEBI) has introduced a code of corporate governance for listed companies which are implemented through the Listing Agreements with the Stock Exchanges with which the company is listed. The company has complied with the corporate governance requirements set out in Clause 49 of the Listing Agreement.

The company believes that good corporate governance leads to corporate growth and long term gain in shareholder's value. The company is committed to maintaining the highest standards of corporate governance in its conduct towards shareholders, employees, customers, suppliers and other stakeholders.

### Board of Directors

The Chairman of the Board of Directors is an Executive Director. The composition of Board of Directors is consisted of total Eight Directors of which one is Chairman & Managing Director, One Whole Time Director and Six Non-Executive Directors. Three out of Eight Directors are Independent Directors. Composition and category of Directors as of March 31, 2012 was as follows:

#### Composition and category of Directors as of March 31, 2012 was as follows:

Ashok V. Hiremath	Chairman & Managing Director
Janak J. Rawal	Whole Time Director
Dr. P. L. Tiwari	Non Executive, Non Independent Director
Laxmikant Kabra	Non Executive, Non Independent Director
Sitendu Sharma	Non Executive, Independent Director
Prof. Vinod Malahe	Non Executive, Independent Director
Mohammed Zakir	Non Executive, Independent Director
Mandar K. Patil*	Non Executive, Independent Director

\*Appointed as Non-Executive, Independent Director with effect from 28th May, 2012.

Six Board meetings were held during the year from April 01, 2011 to March 31, 2012. The dates on which the meetings were held were 27th May, 2011, 10th August, 2011, 12th November, 2011, 4th January, 2012, 14th February, 2012 and on 29th February, 2012. The attendance of each Director at the Board meetings, last Annual General Meeting and Number of other Directorship and Chairmanship / Membership of Committee of each Director in various Companies are as under:

Name of Director	Attendance		Directorships (excluding Directorship in Private Companies)*	Committee Members#	Committee Chairmanships
	Board Meeting	Last AGM			
Ashok V. Hiremath Chairman & Managing Director	6	Present	3	Nil	Nil
Janak J. Rawal** Whole Time Director	1	-	Nil	Nil	Nil
Dr. P. L. Tiwari Non Executive & Non Independent Director	5	Present	1	Nil	Nil
Laxmikant Kabra Non Executive & Non Independent Director	6	Present	4	3	1
Sitendu Sharma Non Executive & Independent Director	5	Present	1	2	1
Prof. Vinod Malahe Non Executive & Independent Director	6	Present	2	1	Nil
Mohammed Zakir Non Executive & Independent Director	6	Present	Nil	3	1
Mandar K. Patil*** Non Executive & Independent Director	Nil	-	Nil	Nil	Nil

\*excludes directorship in our own company / # includes Membership/Chairmanship in own company

\*\*appointed w.e.f 20.01.2012 / \*\*\* appointed w.e.f 28.05.2012