



Bhagiradha Chemicals & Industries Limited



Right Chemistry for Growth

26th Annual Report 2018-19



Sri Singavarapu Koteswara Rao

(07.09.1945 - 04.07.2010)

Our Founder- Our Visionary

Our founder had a vision, shared his vision and inspired us to create our own vision – a true visionary

His journey from a humble origin of being the son of a farmer to being a successful industrialist and benefactor of hundreds of families, will be a great source of inspiration for generations to come. An alumni of the Indian Institute of Technology, Chennai, Sri Koteswara Rao, pursued excellence as his only mission. His righteous path is the way forward for us at Bhagiradha.



Right Chemistry for Growth

At Bhagiradha Chemicals & Industries Limited the growth is an outcome of having the right people, management processes and products in place. This has enabled the company to identify right opportunities and markets for growth. In FY19 the company achieved a record growth in revenue and margins. Increased capacity utilization, bettering exports and successful backward integration assisted this exceptional performance.

KEY HIGHLIGHTS

FY19 Total Revenue

₹ **384.58** Crores

+ 109% YoY

FY19 Export Revenue

₹ **196** Crores

+ 51.4 % YoY

FY19 Profit After Tax

₹ **18.29** Crores

As against the loss of ₹ 1.30 Cr. in FY18

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Disclaimer

Statements in this report that describe the Company's objectives, projections, estimates, expectations or predictions of the future may be 'forward-looking statements' within the meaning of the applicable securities laws and regulations. The Company cautions that such statements involve risks and uncertainty and that actual results could differ materially from those expressed or implied. Important factors that could cause differences include raw materials' cost or availability, cyclical demand and pricing in the Company's principal markets, changes in government regulations, economic developments within the countries in which the Company conducts business, and other factors relating to the Company's operations, such as litigation, labour negotiations and fiscal regimes. Some of the images used in this report are purely for illustrative purposes only and hence they are not the photos/images of our facilities, products or of any such nature/kind.



Bhagiradha is distinguished globally as an R&D driven agrochemical Company. Through its strengths in innovation and agile development practices, the Company has adapted itself in meeting the expectations of its customers amidst changing regulatory requirements



Bhagiradha at a glance

Bhagiradha is distinguished globally as an R&D driven agrochemical Company. Through its strengths in innovation and agile development practices, the Company has adapted itself in meeting the expectations of its customers amidst changing regulatory requirements. Evolutionary development, adaptive planning, continual improvements and perseverance form the core around which Bhagiradha has modelled its R&D. In doing so, it has succeeded in being recognized as a credible global agrochemicals player. A robust product portfolio, elite customer base and a diverse revenue mix reflect our strengths. This undeniably was the vision of the founder Mr. Singavarapu Koteswara Rao. Bhagiradha had strived over the preceding 26 years to provide finest quality and value added products to its customers across the globe.

Incorporated in 1993, we, at Bhagiradha, focus on complex chemistry solutions in the field of Agri-Sciences. We are proud to be one of the few R&D driven agrochemical manufacturing companies in India. Our strong R&D team coupled with state of the art facilities has been the backbone of the company. Bhagiradha maintains a strong research

presence through its R&D facility at Ongole (Andhra Pradesh), which deploys a dedicated team of scientists. The facility includes advanced research and development labs, kilo plants and pilot plants. Over the years, we have successfully leveraged our capabilities to deliver tangible results to our customers through an enduring partnership. We are geared up to deliver accelerated performance by matching our well-integrated capabilities with attractive global opportunities.



Manufacturing facilities

- Located at Ongole (Andhra Pradesh), 95 miles from the state capital of Andhra Pradesh, the manufacturing facilities are spread across a vast area of 25.40 hectares.
- Annual Production capacity of around 3200 tons, across 3 production blocks designed to meet FAO/WHO standards.

Board of Directors



Mr. K S Raju
Non-Executive Chairman



Mr. S. Chandra Sekhar
Managing Director



Mr. D. Sadasivudu
Director



Mr. Sudhakar Kudva
Independent Director



Mr. G.S.V. Krishna Rao
Independent Director



Mr. Ketan Chamanlal Budh
Whole Time Director



Mrs. S. Lalitha Sree
Director



Mrs. A. Lakshmi Sowjanya
Independent Director

- Audit Committee
- Stakeholder's Relationship Committee

M : Member of the Committee

- Nomination & Remuneration Committee
- CSR Committee

C : Chairman of the Committee



Chairman's letter

Dear Shareholders,

It's heart-warming to share that your company has clocked the finest performance during the financial year 2018-19.

It was possible by enduring the challenges faced in the preceding year and a sheer perseverance to unlock your company's momentous potential. A quick revival and scaling up of the accident affected production block was a catalyst for this distinguished performance. Also, we have added new clients in the export markets and also been able to retain our existing customers by adding significant repeat business during the year.

Your Company achieved the highest ever operating income of ₹ 383.98 crores during the year, achieving an impressive growth of 109 % in revenues over the previous year. The total revenue during the year rose to ₹ 384.58 Crs from ₹ 184.08 Crs of the previous year buoyed by strong performance in exports as well as in the domestic markets. Exports grew by 251.92 % while domestic sales improved by 46.97%. For the year ended, the profit after tax stood at ₹ 18.29 Crs as against loss of ₹ 1.30 Crs in the previous year.

Your Board of directors recommended a dividend of ₹ 2/- per share to reward the shareholders for their trust. Your Company will strive to improve the bottom-line by enhancing operational efficiency and by choice of appropriate product mix to increase the revenues.

Your company incurred a capital expenditure of ₹ 34.42 crores during the year to facilitate backward

integration of some key intermediates and also towards the complete reinstatement of Production Block-3. Besides this investment, keeping in view the future capacity expansion requirements, your Company acquired 23.14 acres of land abutting the factory at Ongole.

Your company is constantly making efforts to improve upon its R&D capabilities and manufacturing processes and thereby remain as a manufacturer of choice for technical grade pesticides with highest quality standards. Your Company has successfully backward integrated the production of certain key intermediates in the manufacture of its bestseller fungicide, Azoxystrobin and capex plans are afoot for large scale production of its insecticide, Fipronil by 2020. The realization for the range of products of BCIL having stabilized, coupled with the likely addition of capacity, the outlook appears promising.

On behalf of the Board, I would like to thank our Customers, Suppliers, Bankers, Business Partners, and Government for their support to the Company. I also convey my sincere appreciation to the employees and staff of the company for their teamwork. Finally, I thank our shareholders for the trust and confidence they reposed in us.

Sincerely,

K Satyanarayana Raju
Chairman

Review by Managing Director

Dear Shareholders,

On the 7th July 2018, your Company completed 25 years of incorporation. With a sense of veneration, I recall how our illustrious founder Sri Singavarapu Koteswara Rao, laid the foundations and nurtured this organization. It has stood the test of time and with humility I would say that your Company has begun taking those much needed big leaps in terms of growth and footprints across countries to remain competitive and relevant.

In FY 19, our Company posted highest sales turnover ₹ 381.27 Crs and profit after tax of ₹ 18.29 Crs.

Focus on higher margin yielding product mix and effective management of inventory resulted in increase of EBITDA margin to ₹ 41.89 Crs from ₹ 12.36 Crs of the previous year profit before exceptional items, while the PAT rose to ₹ 18.29 Crs from a Loss of ₹ 1.30 Crs of the previous year. The CASH EPS jumped to ₹ 41.82 from a negative ₹ 4.55.

But for the unstinted participation of the employees of BCIL at all the levels, these achievements would not have been made possible. I am proud of my BCIL colleagues for delivering on the commitments they made and the resulting financial turnaround.

We are geared up to unlock the next wave of growth and are working in a phased manner on certain key segments. We have added a few overseas customers who operate in Europe and we are hopeful of a lasting and mutually beneficial association with them. Our R&D is working on certain off patent products with encouraging results that have vast potential to propel our business volumes when we expand and commercialize them.

Besides, we have also signed an agreement with IICT Hyderabad in the current year for collaborating on development of process technology for certain other products.

Also, we are actively working on registration of certain products in the domestic and overseas markets. These measures should give us tangible outcomes in the near term.

We have a robust order book on hand and I am confident that your Company would continue to do well in FY20.

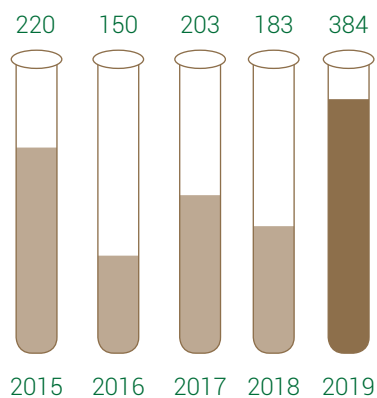
Warm Regards,

S. Chandra Sekhar
Managing Director

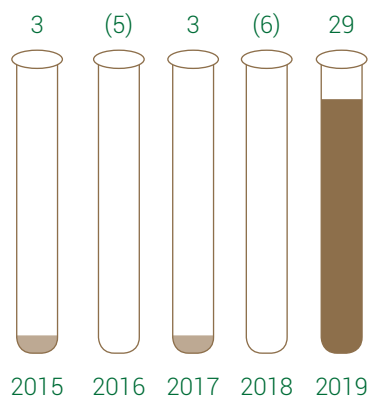


Key Performance Indicators (₹ in Crores)

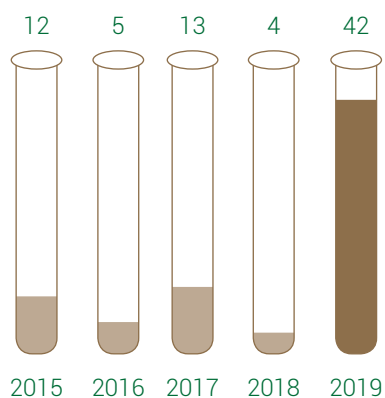
REVENUE FROM OPERATIONS



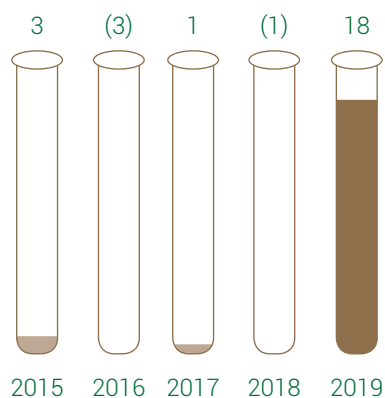
PROFITABILITY



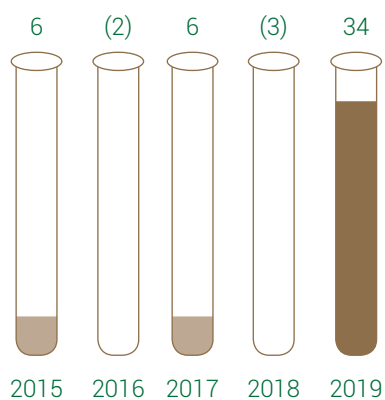
EBIDTA



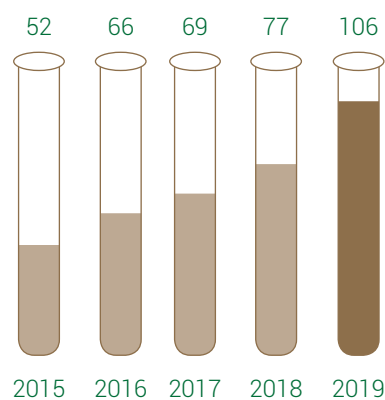
PAT



CASH PROFIT



NET FIXED ASSETS



Management Discussion and Analysis

GLOBAL ECONOMY

Economic growth accelerated in more than half the world's economies in both 2017 and 2018. Developed economies expanded at a steady pace of 2.2 per cent in both years, and growth rates in many countries have risen close to their potential, while unemployment rates in several developed economies have dropped to historical lows. Among the developing economies, the regions of East and South Asia remain on a relatively strong growth trajectory, expanding by 5.8 per cent and 5.6 per cent, respectively in 2018. Many commodity-exporting countries, notably fuel exporters, are continuing a gradual recovery, although they remain exposed to volatile prices.

Global economic growth remained steady at 3.1 per cent in 2018, as a fiscally induced acceleration in the United States of America offset slower growth in some other large economies. Economic activity at the global level is expected to expand at a solid pace of 3 per cent in 2019, but there are increasing signs that growth may have peaked. The growth in global industrial production and merchandise trade volumes has been tapering since the beginning of 2018, especially in trade-intensive capital and intermediate goods sectors.

Leading indicators point to some softening in economic momentum in many countries in 2019, amid escalating trade disputes, risks of financial stress and volatility, and an undercurrent of geopolitical tensions. At the same time, several developed economies are facing capacity constraints, which may weigh on growth in the short term.

Over the course of 2018, there was a significant rise in trade tensions among the world's largest economies, with a steep rise in the number of disputes raised under the dispute settlement mechanism of the World Trade Organization. A prolonged episode of heightened tensions and spiral of additional tariffs among the world's largest economies poses considerable risk to the global trade outlook. The impact on the world economy could be significant: a slowdown in investment, higher consumer prices and a decline in business confidence. This would create severe disruptions to global value chains, particularly for exporters in East Asian economies that are deeply embedded into the supply chains of trade between China and the United States. Slower growth in China and/or the United States could also reduce demand for commodities, affecting commodity-exporters from Africa and Latin America. There is a risk that the trade disputes could aggravate financial fragilities, especially in some emerging economies. Rising import prices, coupled with tighter financial conditions and

high debt-servicing costs, could squeeze profits and cause debt distress in certain industries over the medium term.

INDIAN ECONOMY

India's economy is projected to grow at 7.1 per cent in fiscal year 2020 on the back of strong domestic consumption and investment according to a report by the United Nations "The World Economic Situation and Prospects (WESP) 2019".

Despite 2018 being filled with external vulnerabilities arising out of rising oil prices, trade wars between major global trading partners and US monetary tightening, India outshone as the world's fastest growing major economy. The Indian economy, which generates two-thirds of the regional output in South Asia, expanded by 7.2 per cent in 2018. Strong domestic consumption and investment will continue to support growth, which is projected at 7.0 per cent in 2019 and 7.1 per cent in 2020. Better demand conditions, settled GST implementation, capacity expansion from growing investments in infrastructure, continuing positive effects of reform policies and improved credit offtake especially in the services sector at 24 percent will sustain the robust GDP growth in the range of 7.5 percent in 2019

GLOBAL AGROCHEMICAL INDUSTRY

A preliminary analysis by Agribusiness intelligence, of country market and company performances in 2018, estimates that the global market for agrochemicals, used in both crop and non-crop situations, has increased by 4.1% to \$64,038 million at the ex-manufacturer level.

Global Agrochemical Market Value (\$m.)

Based on this analysis, the global crop protection market is estimated to have increased by 4.2% to a total value of \$56,500 million during calendar year 2018. The main factor which has led to this growth is the recovery in the Brazilian market, the largest in the world, after its significant decline in 2016 and 2017. The excessive crop protection inventories which resulted in the 2017 decline have been addressed and are no longer such an issue. Other positive drivers include the generally high level of crop protection prices, resulting partly from supply shortages. In particular the prices of products originating from China have been high as a result of the environmental pressures and consolidation in the Chinese industry. This has been exacerbated by the tariffs imposed by the US on some Chinese chemical imports; Albaugh, for example, has announced that it had to increase its prices partly as a result of these; so has FMC.