

# Annual Report

## 2018-19





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## **Board of Directors**

**Bharat Hari Singhania**  
Chairman

**Dr. Raghupati Singhania**

**Sanjay Kumar Khaitan**

**Sanjeev Kumar Jhunjunwala**

**Swati Singhania**

**Abhimanyu Jhaver**

**Ajay Srivastava**

**Amar Singh Mehta**

**Vikrampati Singhania**  
Managing Director

**Dr. Gyanendra Shukla**  
President & Director

### **Processing Plant**

Survey No. 509/2  
Village: Gundlapochampally  
Distt. Ranga Reddy-501 401  
Telangana

### **Administrative Office**

1-10-177, 4th Floor,  
Varun Towers, Begumpet,  
Hyderabad-500 016  
Telangana

### **Registered Office**

7, Council House Street,  
Kolkata-700 001  
West Bengal

### **Auditors**

BGJC & Associates LLP  
Chartered Accountants

### **Bankers**

Axis Bank Limited  
IDFC Bank Limited  
Yes Bank Limited

### **Chief Financial Officer**

Appala Raju Narava

### **Company Secretary**

Anoop Singh Gusain

**Website:** [www.jkagri.com](http://www.jkagri.com)

**CIN:** L01400WB2000PLC091286

**E-MAIL ID:** [jkagls shareholder@jkmail.com](mailto:jkagls shareholder@jkmail.com)

## DIRECTORS' REPORT AND MANAGEMENT DISCUSSION & ANALYSIS

### TO THE MEMBERS

Your Directors have pleasure in presenting the Annual Report together with the Audited Financial Statements of the Company for the Financial Year ended 31<sup>st</sup> March 2019.

### FINANCIAL RESULTS

	(₹ in Crore)
Sales & Other Income	191.55
Profit before Finance Cost & Depreciation (PBIDT)	17.60
Profit after Tax	4.98
Surplus brought forward	<u>42.92</u>
Surplus carried to Balance Sheet	<u>46.16</u>

### DIVIDEND

Your Directors are pleased to recommend a dividend of ₹ 1.50 per Equity Share of ₹10/- each (15%) for the Financial Year ended 31<sup>st</sup> March 2019. The Dividend outgo subject to approval at the ensuing Annual General Meeting will be ₹65.17 Lacs (inclusive of Dividend Distribution Tax of ₹11.11 Lacs).

### OPERATIONS:

During the year, the Company recorded a mixed performance where the field crop business continued to grow on the strength of its new launches in Paddy & Bajra Seeds which continue to get traction in the market in all the key areas. The Company is on track to launch new hybrids in Maize and Paddy which will be catering to segments where its presence was not significant. The Company has also been able to improve the realisations and deepen distribution reach in important markets. The field crop business has also seen the emergence of fodder portfolio where the Company has significantly grown the business and launched many new crops to broaden the portfolio. Exports of field crops have also started ramping up and the Company is very hopeful that it will be able to increase its share of exports.

The cotton business has been a mixed bag where the domestic business faced headwinds, but the export business continued to look up. Now, there are 3 countries where the Company's 'X' gene Bt. Cotton technology is commercialised. The cotton seeds scenario in the Country continues to face multiple challenges like poor sentiments, continuous droughts leading to poor yields. Factors like Pink bollworm

which is spreading unabated is increasing the cost of cultivation for the farmer. Un-authorised technologies like herbicide tolerant cotton is also spreading even though the rate of expansion has come down owing to the crack down by the Government. Government has increased the MSP of Cotton, but for a major part of the procurement season, the open market prices were below MSP. There has been a steep decline in the cotton production in the country in the year 2018-19 and this should lead to reduction in the inventory overhang and the prices may see an upsurge.

An uptick in prices and a good monsoon would help revive the industry and rekindle the interest of the farmer. The pricing of the GM Cotton hybrid seeds continues to suffer as Government continues to reduce prices year on year, putting pressure on the margins of the cotton seed business.

The headwinds continue to challenge the vegetable seeds industry. The poor realisation at the farm gate have roiled the farmers no end. The aggregators in the supply chain have suffered huge losses and as a result the Company is no longer willing to invest capital leading to the shrinkage in the overall market size of vegetable seeds as farmer moves to relatively safer crops like cereals. The Company is hoping that resumption of the border trade with neighbours and some necessary steps like imposition of anti-dumping duty on imports of tomato paste will help revive the sentiments which are at an all time low. The Company has launched two new hybrids in Okra which will strengthen its strong standing in the Okra Seed market. Exports of Vegetable Seeds continue to grow and the Company is optimistic about the future growth opportunities in the promising field.

The Company is hopeful that the oncoming season of 2019-20 should see a revival which will also help the company launch its new hybrids in a more conducive environment.

### RESEARCH AND DEVELOPMENT

R&D continues to be the driving force of the Company. While the primary focus of the teams have been the domestic market, however, the teams have also started working on hybrids suitable for similar agro climatic conditions beyond the Indian borders. The R&D has sharpened the focus on developing hybrids with tolerance to biotic stress. The teams continue

to focus on tomato, okra & chilli in vegetables crops and hybrid rice, bajra and cotton in field crops. To improve the probability of outcome in the shortest possible time, the Scientists have been using marker assisted breeding techniques across crops. The teams also work on production research to improve the cost effectiveness of multiplication. Before commercialisation of any crops, field trials are done across 11 multi-location trial centres for vegetable crops and 30 multi-location trial centres for field crop. This increases the probability of getting it right before commercial launch.

## INDUSTRY OVERVIEW

Indian agriculture has been a key contributor to India's growth story but has it really changed for the farmers of today? While agriculture's contribution to the country's GDP has come down over the years to only 14 per cent now, it continues to be one of biggest

employers. India may be the fastest growing large economy in the world, but there is a clear dichotomy of India's growth story. India produced a record food grain output of 285 Million tons, while horticulture production at 314.67 mt, has outstripped food grains production for the sixth straight year. However agriculture continues to be in the slow lane even when the rest of the economy is moving ahead at a much quicker pace. The difference is even more stark when prices are considered in tandem with output. The country's farm sector output may have grown by just 2.7 per cent year-on-year in October-December 2018, the lowest in 11 quarters. But what is more worrying is that growth in real terms (at constant prices, adjusted for inflation) is more than the growth in nominal terms (at current prices). In other words, farmers received lower market prices for agricultural commodities than prices paid for the purchase of inputs.

The sharp hike in minimum support prices (MSPs) last year was expected to lift rural income and revive the agriculture sector. However, the sector has remained in duress. The effectiveness of MSPs and government's price support schemes (PM-AASHA)

hinges on procurement, which unfortunately remains low. As a result, market prices are 10-20% lower than MSPs.

Despite the government's support mechanisms, whether it is greater impetus on irrigation, soil health cards, or Kisan call centres to help farmers with more information, agriculture activity continues to be influenced by weather conditions and farm produce realizations. Deficient northeast monsoon rains and dry conditions have led to reduction in cultivation this rabi season by 4%. This comes on the back of an already subdued performance in FY19, when deficient rains, weak demand and input cost pressures adversely impacted agri firms' earnings.

India's 263 million farmers wait for monsoon rains to plant crops such as rice, cane, corn, cotton and soybean because nearly half of the country's farmland lacks irrigation. Although monsoon rains in India are expected to be normal in 2019, there is a probability of El Nino this year, which could lead to delayed onset of monsoons and affect distribution.

Unless farm produce prices rise and realizations improve, the expected rural recovery is likely to remain elusive. A case in point is the MSP hike in the last crop (kharif) season. For all the positive impact, the MSP hike has brought limited relief. Procurement constraints, weak exports and lacklustre global agri-commodity prices rendered the MSP hike ineffective, which in turn affected our agri export, as prices are not competitive.

Attack of a new Pest "Fall Army Worm" on Maize has worsened the situation. Maize is one of the three crops of the minimum support price (MSP) regime that thousands of farmers have embraced. Now the vulnerability of maize has also been exposed with the FAW attack upsetting the precarious economy of small and marginal farmers.

It is also important to understand the demand-side dynamics by involving the end-user industries in planning agricultural production, crop portfolio and supportive policies. Moreover, innovation and technology can help support farmers to improve their crop yields and secure higher income levels, while helping them navigate worsening climate-related risks.

But Govt.'s policy stance dominated by food security further aggravates the situation even after we have become a net exporter of food grains. Higher production

### FARM SECTOR GROWTH (% YEAR-ON-YEAR)

QUARTER	2011-12 PRICES	CURRENT PRICES
Jan-Mar 2016	1.07	7.94
Apr-Jun 2016	4.6	14
Jul-Sep 2016	6.04	14.03
Oct-Dec 2016	6.82	10.1
Jan-Mar 2017	7.45	11.84
Apr-Jun 2017	4.16	2.78
Jul-Sep 2017	4.48	7.3
Oct-Dec 2017	4.58	9.12
Jan-Mar 2018	6.53	7.74
Apr-Jun 2018	5.07	6.83
Jul-Sep 2018	4.15	3.37
Oct-Dec 2018	2.67	2.04

*Note: Farm sector includes agriculture, forestry & fishing  
Source: Central Statistics Office*



could mean farmers continue to get hit by low crop prices, a major cause for concern in rural India in the past two years. It is high time that farmers' income become the central policy theme, as rightly taken up by the government. The income support scheme under PM-KISAN is a good beginning. Although it was introduced in the interim budget, already 50% of the amount earmarked for this year has been distributed. So this policy, either in this form or some other will most probably continue. This will help to achieve agri-GDP growth at 4-5% on a sustainable basis. At the same time, it is also essential to push exports more aggressively to avoid a supply glut in the domestic market.

## **OPPORTUNITIES, THREATS, RISK AND CONCERNS**

### **Opportunities**

Emergence of contract farming led by organised retail, and also helped by the proliferation of a large number of start-ups is improving the supply chain network between the farmers and retailers, and has the potential to significantly impact India's agriculture in the medium to long term. The constant increase in MSP will enable the farmer gets assured remunerative price for his produce, encouraging him to increase planting and production.

Improvement in the health of the general economy and increased income levels are also changing the food preferences leading to growth of consumption of agricultural produce. Increasing affluence has a positive impact on the consumption of vegetables. The government's push for value addition in agriculture by giving incentives to promote down-stream food processing has also positively contributed to the consumption of agricultural output.

We are very hopeful that the above mentioned factors will help in the growth of seed Industry.

### **Threats, Risk and Concerns**

Vagaries of monsoon including lower precipitation, uneven distribution continue to have impact on the Agriculture.

With the rainfall faltering year on year the government has realised the importance of irrigation projects and some large development under the Accelerated Irrigated Benefits Programme (AIBP) have taken place. In fact there has been significant progress in expediting completion of unfinished projects in the last 2-3 years, with coverage area on an annual basis more

than doubling. But still the unpredictability of monsoon will remain, especially so because of prevailing El Nino conditions this year. In 3 out of the past 10 years, monsoon has been lower by 12-20% in the El Nino years.

The government's emphasis on increasing the MSPs will also have an impact on the procurement of the seeds, by way of increasing the procurement costs.

Emergence of new diseases and pests can potentially harm the farming community. An example may be Fall Army Worm which is on its way to becoming a menace in some crops. It is times like this when the lack of new technologies is felt the most.

All the above factors pose a challenge to the sustainable and healthy growth of the industry.

## **HUMAN RESOURCE DEVELOPMENT**

The role of HR has changed over the years. More than ever it operates in partnership with senior management across all functions. It has a key role in strategic development of the goals of the Company and helps its teams to build capabilities to deliver. The success of HR Strategy will depend on our ability to retain, motivate, develop and continue to attract employees with the skills and experience to help the Company master challenges and make the most of opportunities. Investing in employees remains of paramount importance.

The Company has been working with internal and external faculty including exposing people across segments to training programmes at leading institutions like Indian Institutes of Management (IIMs) at Lucknow, Kozhikode, Bengaluru, etc. The team also closely works with internal mentors and has been participating in quality initiatives.

Various performance parameters like TNS survey, Great Place to Work have always helped to add value and identify scope of improvement.

Increase in the TNS survey score from 81 to 89 with 98% of employee participation has proven that the Employee Engagement levels have increased continuously.

Great Place to Work survey Trust Index scores had indicated a positive move from 69 to 75 showcasing an increase in the employee satisfaction levels.

With an objective to motivate employees, improve the Performance levels and help the Organization to

achieve and exceed the budgeted financial and Non – financial parameters, Agri Business Performance Incentive Plan (ABPIP) had been introduced for all the employees across all departments and levels.

UDAAN (An Inter-Company Competition) has showcased high spirit & involvement of the employees in the conceptualization and implementation of the new innovative initiatives for the improvement of the business operations & processes.

Various teams have also been involved in CSR activities undertaken by the Company like farmer education, creating livelihood opportunities and promoting girl child education in Rural India.

The HR team aims at building capabilities across the organisation to achieve a sustainable growth agenda. The Company continues to work towards providing an encouraging work culture where performance and innovation are encouraged and recognised.

#### KEY CHANGES IN FINANCIAL INDICATORS

No.	Particular	Units	As at 31.03.2019	As at 31.03.2018
1	Debtors Turnover	Times	1.98	2.04
2	Inventory Turnover	Times	1.53	1.37
3	Interest Coverage Ratio	Times	1.85	3.38
4	Current Ratio	Times	1.36	1.21
5	Debt Equity Ratio	Times	0.62	0.54
6	Operating Profit Margin	%	9.35%	13.63%
7	Net Profit Margin	%	2.91%	8.15%
8	Return on Network	%	5.56%	13.88%

#### INTERNAL CONTROL SYSTEMS

The Company has in place Internal Control Systems commensurate with the nature of its business, size and complexity of its operations. These systems are regularly tested for their effectiveness by Statutory as well as Internal Auditor. The Internal Auditor reviews on regular basis to check its adequacy and also to verify all statutory compliances. Based on the Internal Audit Programme approved by the Audit Committee of the Board, the Internal Auditor carry out regular internal audits covering all offices, factory and key areas of business. Reports of the Internal Auditor are placed before the Audit Committee on quarterly basis for review. There are adequate checks & balances in

place, wherein deviation from the systems laid-out are clearly identified and corrective actions are taken in the respective areas, wherever required.

#### INTERNAL FINANCIAL CONTROLS

The Company has laid down Internal Financial Controls Systems, Policies and Procedures with reference to Financial Statements. The systems, policies and procedures are reviewed from time to time and are updated. These are designed to ensure adherence to the Company's policies, safeguarding of its assets & interests, prevention & detection of frauds & errors, accuracy & completeness of financial records and proper conduct of business of the Company. The Company also has a robust management Information System which not only facilitates speedy business decisions but also helps in timely preparation and sharing of reliable financial information across various levels in the Company. No material reportable weakness was observed in the system during the previous financial year.

#### EXTRACT OF ANNUAL RETURN

The extract of the Annual Return as on 31<sup>st</sup> March 2019 in the prescribed Form MGT-9 is attached as **Annexure - 1** to this report and forms part of it.

#### PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

The particulars of loans given, guarantees or securities provided and investments made as required under the provisions of Section 186 of the Companies Act, 2013 are given in the Notes to Financial Statements.

#### RELATED PARTY TRANSACTIONS

During the Financial Year ended 31<sup>st</sup> March 2019, all the contracts or arrangements or transactions entered into by the Company with the Related Parties were in the ordinary course of business and on arm's length basis and were in compliance with the applicable provisions of the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Further, the Company has not entered into any contract or arrangement or transaction with the related parties which could be considered material in accordance with the policy of the Company on materiality of Related Party Transactions. In view of the above, disclosure in Form AOC-2 is not applicable. The Related Party Transaction Policy as approved by the Board is available on the website of the Company.



## **COST RECORDS**

Maintenance of cost records, as specified by the Central Government under sub-section (1) of section 148 of the Companies Act 2013, is not required by the Company.

## **DIRECTORS AND KEY MANAGERIAL PERSONNEL**

Dr. Raghupati Singhania, Director of the Company retires by rotation and being eligible offers himself for re-appointment at the ensuing Annual General Meeting (AGM). The Board recommend his re-appointment.

The first term of office of Shri Sanjay Kumar Khaitan and Shri Sanjeev Kumar Jhunjunwala as Independent Directors of the Company shall determine on 5<sup>th</sup> September 2019. Similarly, the first term of office of Shri Abhimanyu Jhaver as Independent Director of the Company shall determine on 24<sup>th</sup> March 2020. They are eligible for re-appointment as Independent Directors of the Company for a second term of upto five consecutive years. The Board of Directors have recommended for the approval of the Members through Special Resolution at the ensuing AGM re-appointments of Shri Sanjay Kumar Khaitan, Shri Sanjeev Kumar Jhunjunwala and Shri Abhimanyu Jhaver as Independent Directors of the Company for a second term as mentioned in the Notice of ensuing AGM.

All Independent Directors of the Company have given declarations that they meet the criteria of independence as provided in Section 149(6) of the Companies Act, 2013 and Regulation 16 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

During the year, Shri Amit Agarwal ceased to be Chief Financial Officer (Key Managerial Personnel) of the Company w.e.f. 3<sup>rd</sup> January 2019. The Board of Directors at its meeting held on 30<sup>th</sup> January 2019 appointed Shri Appala Raju Narava, General Manager (Finance and Accounts) of the Company as Chief Financial Officer (KMP) of the Company w.e.f. 30<sup>th</sup> January 2019.

Shri S.K. Gupta, President & Director has resigned from the Board w.e.f. 22<sup>nd</sup> May 2019. Shri Gupta was also member of Corporate Social Responsibility Committee and Audit Committee of Directors.

Further, the Board of Directors of the Company on recommendation of the Nomination and Remuneration Committee appointed Dr. Gyanendra Shukla as Additional Director of the Company w.e.f. 23<sup>rd</sup> May

2019 pursuant to Section 161 of the Companies Act, 2013 (Act), and he shall hold office as Director up to the date of the ensuing AGM. The Board also appointed him as Whole-time Director of the Company with the designation 'President & Director' for a term of three years commencing 23<sup>rd</sup> May 2019, subject to requisite approval of Members of the Company at the ensuing AGM. The Company has received requisite Notice under Section 160 of the Act from a Member proposing his name for appointment as Director at the ensuing AGM. The Board recommends his appointment.

There were no other changes in the Directors/ Key Managerial Personnel of the Company, during the period under review.

## **CONSERVATION OF ENERGY, ETC.**

The details as required under Section 134(3)(m) read with the Companies (Accounts) Rules, 2014 are annexed to this Report as **Annexure – 2** and forms part of it.

## **DEPOSITS**

The Company has neither invited nor accepted any deposits from the public.

## **AUDITORS**

### **(a) Statutory Auditors and their Report**

M/s BGJC & Associates LLP, Chartered Accountants (ICAI Firm Registration Number- 003304N), were appointed as Statutory Auditors of the Company for a term of two consecutive years to hold office from conclusion of the 17<sup>th</sup> AGM till the conclusion of the 19<sup>th</sup> AGM to be held in the year 2019. Accordingly, the term of office of said Auditors shall expire at the conclusion of the ensuing AGM. The Board of Directors of the Company have recommended re-appointment of M/s BGJC & Associates LLP, Chartered Accountants as the Statutory Auditors of the Company for second term of five consecutive years, commencing from the conclusion of 19<sup>th</sup> AGM till the conclusion of 24<sup>th</sup> AGM. Requisite Resolution regarding their re-appointment is included in the Notice of ensuing AGM for approval by the Members.

The observations of the Auditors in their Report on Accounts and the Financial Statements, read with relevant notes are self-explanatory

### **(b) Secretarial Auditor and Secretarial Audit Report**

Pursuant to the provisions of Section 204 of the Companies Act, 2013, the Board of Directors appointed Shri Namo Narain Agarwal, Company Secretary in

Practice as Secretarial Auditor to carry out Secretarial Audit of the Company for the Financial Year 2018-19.

The Report given by him for the said Financial Year in the prescribed format is annexed to this Report as **Annexure-3**. The Secretarial Audit Report does not contain any qualifications, reservations or adverse remarks.

### **PARTICULARS OF REMUNERATION**

Disclosure of the ratio of the remuneration of each director to the median employee's remuneration and other requisite details pursuant to Section 197(12) of the Companies Act, 2013 (Act) read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, is annexed to this Report as **Annexure - 4**. Further, Particulars of Employees pursuant to Rule 5(2) & (3) of the above Rules forms part of this Report. However, in terms of provisions of Section 136 of the Act, the Report and Accounts are being sent to all the Members of the Company and others entitled thereto, excluding the said Particulars of Employees. The said information is available for inspection at the Registered Office of the Company during business hours on working days of the Company up to the ensuing AGM. Any member interested in obtaining such particulars may write to the Company Secretary.

### **CORPORATE SOCIAL RESPONSIBILITY**

Your Company believes in the process of giving back to the society and aims to contribute to sustainable growth of the society at large. Besides undertaking projects for overall development and welfare of the society, your Company has been working closely with the farming community in areas of imparting agricultural knowledge, promoting preventive healthcare, skill development and livelihood enhancement projects.

The Company has requisite Corporate Social Responsibility (CSR) Policy in accordance with the provisions of the Companies Act, 2013 and rules made thereunder. The contents of the CSR Policy are disclosed on the website of the Company at [www.jkagri.com](http://www.jkagri.com)

The Annual Report on the CSR activities undertaken by the Company during the financial year under review, in the prescribed format is annexed to this Report as **Annexure – 5**

### **CHANGE IN THE NATURE OF BUSINESS**

During the Financial Year under review, there was no change in the nature of business

### **SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS OR TRIBUNALS**

During the Financial Year under review, there were no significant and material orders passed by the regulators or Courts or Tribunals which could impact the going concern status of the Company and its future operations.

### **COMPLIANCE OF SECRETARIAL STANDARDS**

Based on the Secretarial Audit Report of the Secretarial Auditors, the Company has duly complied with the applicable Secretarial Standards on Meetings of Board of Directors and General Meetings issued by the Institute of Company Secretaries of India.

### **CORPORATE GOVERNANCE**

Your Company reaffirms its commitment to best corporate governance practices. Pursuant to Regulation 34 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, a Management Discussion and Analysis, Corporate Governance Report and Auditors' Certificate regarding compliance of conditions of Corporate Governance are made a part of this Report. The Corporate Governance Report also covers the following:

- (a) Particulars of the four Board Meetings held during the financial year under review.
- (b) Salient features of the Nomination and Remuneration Policy, including changes therein.
- (c) The manner in which formal annual evaluation of the performance of the Board of Directors, of its Committees and of individual Directors has been made.
- (d) The details with respect to Composition of Audit Committee and establishment of Vigil Mechanism.
- (e) Details regarding Risk Management.
- (f) Disclosures in relation to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

### **DIRECTORS' RESPONSIBILITY STATEMENT**

As required under Section 134(3)(c) of the Companies Act, 2013, your Directors state that:-

- (a) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (b) the accounting policies have been selected and