

Management Discussion & Analysis

Economic Overview

Global Economy

In 2020, the world experienced a crisis like no other and it is expected to continue in 2021. Governments took bold steps to save lives and the economy with nearly USD 12 trillion in fiscal and about USD 7.5 trillion monetary action. The World Bank estimated 4.3% contraction of the global economy in 2020. The pandemic has caused heavy toll on life and livelihood and pushed millions into poverty. This may impact economic activities and the income level for some time. Assuming success of the vaccine rollout, the World Bank indicated that the global economy will expand by 4% in 2021. However, the latest surge of Covid-19 infection in the leading economies may dent the expansion to some extent.

Indian Economy

The pandemic hit the economy when the growth was declining. The Government action on managing the pandemic as well as the economy helped to arrest the de-growth to 9.6% for the financial year ('FY') 2020-21. This is a significant improvement considering 23.9% shrinkage recorded in GDP for April-June quarter. Considering positive sentiments of the last two quarters of FY 2020-21, the World Bank estimates that the Indian economy will recover by 5.4% in FY 2021-22. However, the surge in Covid-19 positive cases and the death toll starting April 2021 may slow down the economy to some extent and may adversely impact the forecast growth.

The Economic Survey 2021 states the following on Agriculture and Allied Industries, a clear reflection of the importance of this sector in Indian economy:

"India's Agricultural and Allied Activities sector has shown its resilience amid the adversities of Covid-19 induced lockdowns which is reflected in the sector's FY 2020-21 growth estimate of 2.3% compared to 4.3% in FY 2019-20. Agriculture remained the silver lining while contact-based services, manufacturing, construction were hit hardest and recovered steadily. Exports of agriculture and allied products recorded expansion. The share of the sector in Gross Value Added ('GVA') of the country at current prices is 17.8% for FY 2019-20."

The actual agricultural credit flow was ₹ 13,92,470 crore against the target of ₹ 13,50,000 crore in FY 2019-20. The target for FY 2020-21 was ₹ 15,00,000 crore and a sum of ₹ 9,73,518 crore was disbursed till November 2020.

The Pradhan Mantri Fasal Bima Yojana covers over 5.5 crore farmer applications year-on-year. Claims worth ₹ 90,000 crore

were paid as on January 12, 2021 through Direct Benefit Transfer (DBT) into the farmers' Aadhaar linked accounts.

An amount of ₹ 18,000 crore has been deposited directly in the bank accounts of 9 crore farmer families of the country in December 2020 in the 7th installment of financial benefit under the PM Kisan Yojana.

In the Union Budget 2021-22, the Ministry of Agriculture, Cooperation and Farmers Welfare has been allocated ₹ 1,31,531 crore, an increase of 6% over revised estimate of previous year. Growth in budget allocation as well as the three important farm reforms enacted is a clear reflection of the Government's high priority on agriculture.

Agriculture and Input Industry

A World Bank research study estimated the impact of Covid-19 on Agriculture as (3.04)% and (1.5)% on Crop Protection [deviation from benchmark output measured in USD in %]. The report also estimates a modest growth of the crop protection market compared to previous year led by Asia and North America. The report also reflects the strong fiscal support to farmers by Governments led by the USA and followed by the European Union, China and India.

In the past, the agriculture productivity enhancement happened mostly with intensive use of the land already under cropping aided by improved farming practices, irrigation, improved varieties, modern inputs, etc. These trends are expected to continue to ensure that supplies match the increasing demand for agricultural produce in the near future.

On one hand there is high expectation from agriculture and its various stakeholders which includes regulators, consumers, food processors, retailers, etc. and on the other hand the farmer is facing increasing challenges such as climate change, soil health, evolving pest and disease incidences and ever increasing pressure on resources such as land, water, labour, capital, etc. Volatility induced by geopolitical challenges and other environmental factors is further increasing the complexity of agriculture activities globally.

Agriculture inputs industry is continuously innovating to support the farmers to address these challenges to serve its stakeholders better. It can also be observed that the increasing role of digital not only brings efficiency to the operations of agriculture input players but also helps farmers to make informed decisions supported by big data and analytics.

Industry is pursuing favourable environmental and toxicology profiles in their products by adopting specialised chemistry and innovative formulation technologies. An increasing adoption by the farmer community and the evolving regulations has promoted significant investment from many global players in developing biological crop protection solutions keeping in mind the future growth prospects of the segment which is currently estimated around USD 1 billion.



Crop Care and Seeds products have played an important role in this journey and will continue to play an even more important role in shaping the future of agriculture.

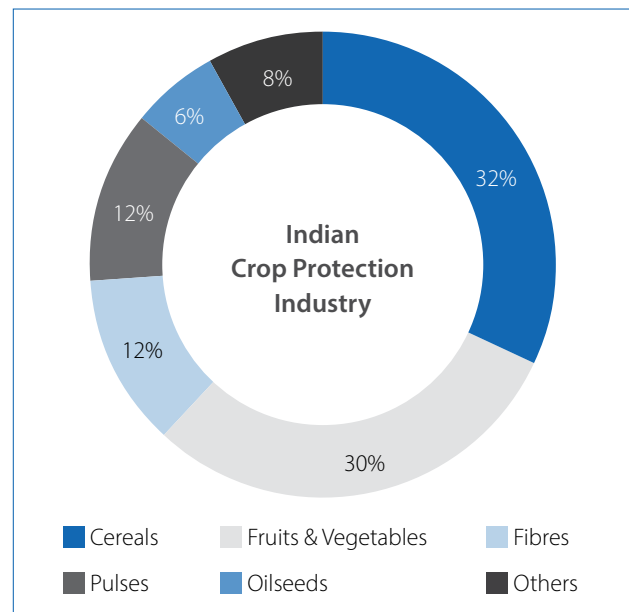
Crop Care

After major consolidation, the industry players are realigning their portfolio and one can observe increasing presence of Asian entrepreneurship in the global crop protection space. Though stringent regulations and climate change impact on agriculture are major challenges for the industry, it also provides opportunities in developing innovative solutions for sustainable agriculture. Industry is pursuing favourable environmental and toxicology profiles in their products by adopting specialised chemistry and innovative formulation technologies. An increasing adoption by the farmer community and the evolving regulations has promoted significant investment from many global players in developing biological crop protection solutions keeping in mind the future growth prospects of the segment which is currently estimated around USD 1 billion.

Global crop protection industry which is currently around USD 60 billion estimated to have recorded a Compounded Annual Growth Rate ('CAGR') of (0.9)% during FY 2015-19, an indication that industry is going through the recovery cycle after hitting the peak in 2014. Global Industry view is that the real positive growth achieved in the recent past will continue and can expect a CAGR of 2% to 2.25% for the period 2019-2024 led by developing economies of Asia supported by other major markets of North and South America. Globally, herbicide represents a larger share of crop protection as major agriculture economies like the USA, Canada, Brazil, Australia, Argentina, etc. have adopted herbicide tolerant seed traits in Soybean, Maize, Canola, Cotton, etc. prompting higher use of non-selective herbicides. The benefit of technology adoption is also reflected in the higher level of productivity recorded against these crops in mentioned geographies. Herbicide is followed by fungicide and insecticide.

Indian crop protection business is estimated around USD 6 billion with exports having a higher growth rate slightly

ahead of domestic business. In the past five years, it was estimated that the exports recorded 10% CAGR compared to the domestic market of 8%. Supported by the positive business environment in domestic as well as on international front, industry is hoping to sustain this growth momentum. As per industry estimate in the domestic market, insecticide is the major segment which is almost equal to combined share of fungicide and herbicide, which have almost equal share. Cereals and Fruits & Vegetables contribute to a significant share of crop protection usage in the domestic market.



Speciality fertilisers segment consisting of organic fertilisers, bio stimulants, bio fertiliser, water soluble fertilisers, secondary and micronutrients is gaining popularity in India mainly on account of the need to balance the distorted soil nutrient ratio and the greater focus on quality of agri produce. The current market size is around ₹ 10,000 crore and it is getting more and more organised with standardised and customised products. With evolving regulations, globally bio stimulants are gaining popularity among industry players as well as farmers. Current estimated market size is around USD 2 billion led by Europe followed by Asia-Pacific.

Seeds

Most of the leading players of crop care also have a major share in seeds business. Genetically Modified ('GM') seed and conventional seed has almost an equal share in the global seed market which is estimated around USD 40 billion. Maize is the significant crop followed by Soy and Vegetables and it is estimated that the three put together contribute nearly 75% of the global seed market. Seed industry is R&D intensive and is at par with pharmaceutical in terms of R&D spend, which is estimated at 15% of the sales revenue. The high-end research is also making seed an important contributor in agriculture productivity which is estimated to be equal to the combined contribution of crop care and fertiliser. There is rapid advancement in technology adoption with CRISPR, MAB & RNAi being the latest trend in this space. Maize, Soy, Canola and Cotton are the four main GM crops and a significant share of this comes from North and South America.

In India, share of the organised seed play is estimated to be around USD 2.5 billion. Cotton supported by BG II traits is the biggest crop, followed by Hybrid Maize and Hybrid Paddy. Multiple vegetable crops contribute approximately USD 0.5 billion of the total domestic seed market. Cotton segment is dominated by domestic players whereas global majors have significant share in crops like Hybrid Maize, Hybrid Paddy, Hybrid Millet, Hybrid Mustard and Vegetables. R&D investment is relatively low in India as only few companies undertake biotechnology supported research activities considering regulatory uncertainty as well as limited addressable market compared to global majors having presence across global markets.

There are significant developments which are expected to drive the growth of crop care as well as seed business in India:

1. Efforts from industry and Government of India in developing an appropriate ecosystem in tapping opportunities emerging out of supply chain diversification strategy of the global players
2. Agriculture industry is getting more organised and is further supported by the recent farm reforms
3. Increasing the MSP of cotton seed to address the concerns of cotton seed players

Though the Industry is working together with the Government on making India an agriculture power house, but they have expressed its strong reservation on certain Government actions such as proposal to ban large number of crop care products with a short notice and also the latest move of not allowing field trials of GM crops without considering the recommendation of states and union territories.

Company Overview

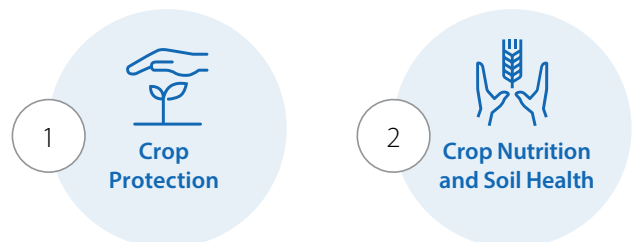
Rallis India Limited ('Rallis' or 'the Company') is a leading agrochemical company with presence across the agri input value chain and a strong and healthy pipeline of sustainable products. The Company, a Tata Enterprise since 1964, is a pioneer in the agricultural inputs industry. With its extensive R&D capabilities and innovative products, Rallis has created a distinct identity for itself. It has been serving and positively impacting the lives of millions of Indian farmers for several decades.

Rallis has set up a well-entrenched connection with Indian farmers, with a nationwide footprint powered by its brand, diversified portfolio and supported by a strong channel network of more than 6,700 dealers and 79,000 retailers. By way of its international business, it has partnered with global innovators through strong R&D and executional capabilities. Its proven capabilities make it a preferred partner of choice for these innovators.

Business Overview

OUR BUSINESS OPERATIONS

Crop Care



With a key focus on increasing the agricultural yield and farm income, Rallis manufactures products for each step of the farming cycle to facilitate an integrated crop management system. While Domestic Formulation covers a range of insecticides, fungicides and pesticides, the international business markets branded formulations and technical-grade crop protection chemicals.

Under Crop Protection, Rallis provides contract manufacturing to leading global players owing to its technical knowledge in process chemistry and advantage of low-cost manufacturing. The Crop Nutrition business consists of bio fertilisers, bio stimulants, secondary and micronutrients, water soluble fertilisers and organic fertilisers. These solutions provide the necessary growth nutrients to plants and assist farmers in enhancing crop quality and yield.

Use of digital technologies leads to efficiencies of communication with the dealer network and increases



effectiveness of the frontline sales force. This will lead to enhanced customer satisfaction and engagement and provide business benefits.

(For more information on Crop Care, refer page 6 of this Report)

Seeds

The Seeds division of Rallis, the erstwhile Metahelix Life Sciences Limited ('Metahelix') is making steady progress towards building a comprehensive product portfolio by strengthening the Rabi segment and having a well-established supply chain. The Company promotes Dhaanya branded seeds through three distinct activities to engage with farmers.

(For more information on Seeds, refer page 8 of this Report)

Engaging with Farmers and Generating Demand



Pre-Season Activities

- Village-level meetings and mega events to increase awareness on crop pests and diseases preventive measures
- Farmer education on benefits of high-quality seeds



Product Differentiation Activities

- Live demonstrations on harvesting, weighing and high-density planting
- Enabling farmers to make informed decisions



Off-Season Activities

- Discussing latest development in farming practices and important learnings

The Company works in newer areas through special marketing activities to build farmer confidence on Dhaanya brand and value proposition to the farmers. The market development team engages with progressive and large acre farmers through a specialised initiative – Dhaanya Progressive Farmers. This helps the Company understand farmer requirements and impart knowledge on new technologies and products in agriculture. 'Seeds of Consistency' is a promise to farmers to provide a quality-centric production system at the grower field, a NABL certified quality lab, better understanding of customers through focus group discussion and market research.

CAPACITY EXPANSION

Total cash flow on account of capital expenditure during the year was approximately ₹ 168 crore towards expansion of manufacturing capacity and the development of a new formulation plant in Dahej. The overall capex implementation has been impacted and delayed by 6 months due to Covid-19 and monsoons. Accordingly, the formulation plant at Dahej CZ is expected to be completed during early FY 2021-22. The desired formulation capacity will help the Company address the requirements of larger number of products, seasonal demand variation and timely availability.

Expansion of Metribuzin, Hexaconazole and Kresoxim Methyl was completed during the year. The Multi Purpose Plant ('MPP') at Dahej CZ is progressing and the pilot plant expansion is projected to be completed by August 2021. Of the ₹ 800 crore capex to be done over a period of 3-5 years, a line of approximately ₹ 525 crore has been committed, which also includes setting up an R&D centre in Bengaluru. This will assist the Company in expanding its manufacturing capacity for the growing demand and provide capacity for new Active Ingredients ('AIs') currently under development at the R&D centre in Bengaluru.

BUSINESS PERFORMANCE

Rallis achieved a revenue of ₹ 2,429 crore during FY 2020-21, a growth of 7.9% from ₹ 2,252 crore in the previous fiscal year. Volume growth across domestic and international business was satisfactory.

Crop Care

Crop Care division registered an increase of 7.9% in revenues at ₹ 2,028 crore. While the outbreak of Covid-19 posed challenges, it led to customers having better faith in the ability of established brands to meet the requirements. This led to growth in several of our products.

Crop Protection

Crop protection segment posted 8.1% growth in domestic formulation and international business. Recurring lockdown across states led to disruption in transportation, manufacturing (labour) and packing material availability. While engagement with business partners and farmers was taken up through video conferencing, restriction in personal field level visits hindered growth of newer products.

Key highlights:

Domestic business

- a. Insecticides: Insecticides segment registered a 4% revenue growth during the year, primarily driven by the good performance of products such as Tata Mida, Takumi and Summit.

Rallis has taken initial steps in the Biological space with the launch of 2 botanical biopesticides through strategic partnerships. The Company plans to launch new products during FY 2021-22. This initiative on biopesticides reflects the Company's strong commitment to sustainable agriculture through integrated pest management.



- b. Fungicides: Fungicides segment performed well at 24% revenue growth during the year owing to good traction in the new launch - Krizan as well as the scale-up in existing products - Sarthak, Taqat, Contaf Plus, Ergon and Pulito.
- c. Herbicides: Herbicides segment registered a growth of 24% in FY 2020-21. It exhibited a good performance with higher offtake in sugarcane, soybean and wheat on account of the good monsoon and timely rainfall. The buoyant Rabi season boosted sales of paddy herbicides in South India.
- d. New product launch: The Company introduced 3 in-house products – Krizan, Eevee and Trot and 1 co-marketing product – Enzip during the year, contributing well to the segment's growth in FY 2020-21.
- e. Distribution: The Company is constantly refreshing and realigning its distribution channels by adding new distributors, revitalising channel policies to improve working capital efficiency and improving the relationship between the Company and existing distributors to grow the domestic business.

International business

The international business grew marginally by 3% during the year from ₹ 722 crore in FY 2019-20 to ₹ 741 crore in FY 2020-21, with significant growth recorded in North America, Europe and Latin America, particularly US and Brazil. While there was good volume growth for most of our products, revenues were impacted due to sharp price changes. The Company received 9 new registrations in strategic overseas markets. Partnership models with strategic customers helped the Company in its growth journey. The segment focussed on developmental activities in the key geographies of Latin America, South East Asia, Europe and Africa.

Performance in contract manufacturing under agri-inputs was steady. Polymer sales was subdued on account of challenges in the global aviation industry impacted by the outbreak of

Covid-19. Rallis remains committed to expanding its product and customer portfolio in off-patent and contract manufacturing. To achieve this, it is strengthening its R&D, process scale-up and manufacturing capabilities and also expanding its synthesis capacity at the R&D centre in Bengaluru, with the addition of laboratory facilities for synthesis work and analysis, trained manpower and new chemistry platforms. It is upgrading its pilot plants to strengthen its process scale-up capabilities. The Company is adding 2 new manufacturing plants at Dahej – for formulations and for a multi-purpose plant for AIs and intermediates, to strengthen its capabilities across multiple business segments, including contract manufacturing.

Crop Nutrition

Crop Nutrition business which is a focussed growth area of the Company, delivered a strong performance with a growth of 22% during the year led by GeoGreen and specialty nutrients portfolio. During the year, 4 new products and 3 new SKUs were launched in the segment. It identified gaps for category, segment and product portfolio to build a robust pipeline for further development and commercialisation and signed agreements with 3 new strategic partners. During FY 2021-22, the Company has plans to launch new products.

Overall crop nutrition segment which is identified as one of the key growth drivers continued its growth momentum and paving the path for sustained growth going forward. GeoGreen, the popular soil conditioner product recorded significant growth in line with initiatives undertaken in the supply chain activities and strong performance in the Plant Growth Nutrients segment was driven by initiatives on the sales and marketing front.

The Company has taken initial steps in the Biological space with the launch of 2 botanical biopesticides through strategic partnerships. This initiative on biopesticides reflects the Company's strong commitment to sustainable agriculture through integrated pest management.



Operational highlights:

New product launch

- Strong performance of flagship brands Blitox, Contaf, Takumi, Master, Panida and Tata Metri
- New products launched in crop protection: Krیمان, Eevee, Trot and Enzip
- New products launched in Crop nutrition: AquaFert Foliar, AquaFert Fertigation, Flobor and GroSmart
- Entered the biopesticide segment with launch of 2 new products – Ralli-Neem and Ralli-Neem+

Seeds

Seeds division recorded a growth of 10% despite decline in cotton business. Satisfactory volume growth and better price realisation was registered in maize, millet and vegetables. The Company maintained its gross margins in this segment despite a rise in prices of seed procurement owing to an increase in the minimum support price for paddy, maize, millet and cotton. New hybrids in the medium duration segment in paddy helped volume growth. It is well positioned to deliver healthy volume-led growth across these segments aided with a focus on positioning products and making them deliver consistent performance, widening distribution reach and depth. It is also leveraging its new retailer loyalty programme combined with a hybrid demand generation model.

Highlights of FY 2020-21

- **Maize:** Focussed on Rajasthan, Madhya Pradesh and Tamil Nadu to grow volumes building on hybrid's drought tolerance superiority
- **Millet:** Focussed on Rajasthan, Haryana, Western Uttar Pradesh and Maharashtra
- **Vegetables:** Strengthened portfolio to enter key segments of cauliflower, cabbage, tomato and gourds

Key priorities

- Developing portfolio into high-growth segments across categories to provide platform to new genetics
- Continuing to strengthen channel engagement and enhancing presence in emerging channels
- Accelerating Cotton and Maize in South India by sharpening focus in segments with new and successful products

Demand generation activities in Seeds division

- Adopted virtual models to engage with 1.7 million farmers/growers digitally for production and to reach out to potential customers
- For Product Differentiation Activities for Kharif crop, conducted field days, harvest days and retail crop tours to successfully reach 7 lakh farmers; targeted to reach 8 lakh farmers for off-season activities
- Created a YouTube channel to showcase and broadcast harvest day activities using drones. The link to access the YouTube channel is <https://www.youtube.com/c/RallisIndiaLtdCropCare>

Farmer Engagement

Rallis Samrudh Krishi

1. Highlights of Rallis Samrudh Krishi ('RSK') Initiatives in FY 2020-21

The basis of Rallis Samrudh Krishi, our farmer outreach programme is to connect with customers through a solution-based approach. The Company refreshed its approach to RSK by adding more touchpoints (digital), redefining an integrated approach to marketing and seeking regular feedback through Net Promoter Score. The farmers were categorised into Rallis Margapradarshak Farmers (RMF) and Rallis Pragatisheel Farmers (RPF). Given the Covid-19 limitations, telephonic contact was maintained through the crop cycle to suggest probable solutions, besides Crop Advisor based tele-calling and Advisory through voice blasts and text messages.

2. Augmenting digital integration

- **Rallis Krishi Samadhan:** The Company launched a mobile app to establish direct engagement with its end-consumer, the farmer. The app is primarily used to communicate pre-harvest and post-harvest related information including product listing, customised package of practice, weather information, market information and query resolution. During the year, it resolved more than 600 queries. The service is currently available in 10 regional languages which increases the reach.
- **Sampark:** This is a mobile app launched to support on-field crop advisors of the Company for better engagement with farmers. The app assists the Company in gathering crucial on-ground data to make accurate insights enabling it to provide superior crop advisory services to the farmers.

Samrudh Krishi

The Company started Samrudh Krishi initiative in FY 2011-12 at Nashik, Maharashtra, as a unique agro-advisory programme to support grape growers. It is aimed at developing and nurturing long-term relationships with farmers by providing end-to-end solutions for their crops. During FY 2020-21, advisory services were provided to grape growers for quality production. Modifications were carried out on the app regarding weather-based advisory in collaboration with National Research Centre for Grapes ('NRCG'), Pune and adding water and nutrition guidelines from NRCG Scientist.

Drishti

During the year, Rallis deepened the deployment of Drishti, our remote sensing application, for its Seeds division to enhance productivity of seed production. During Kharif 2020, entire paddy plots were under the surveillance of Drishti. In the current Rabi 2020, 100% of paddy parent seed production and 32% of hybrid seed production plots are being monitored. During FY 2020-21, the Company provided Drishti based advisory to 450 and 1,100 paddy seed growers in the Kharif and Rabi seasons respectively. The newly developed app helps expedite farm registration and geo-fencing with better accuracy.

Covid-19 Impact

The Company continued upstocking raw material to avert production disruption due to potential supply chain issues. Despite higher inventory, working capital remained at a similar level as the previous year due to strong collections. Despite Covid-19, capex programme and new product introduction remained largely on course.

The sales of the International Business were impacted during the year due to logistical constraints faced on account of the outbreak.

The Indian agrochemical industry largely depends on the key imported intermediates, particularly from China. Uncertainty of raw material supplies, logistical constraints, price fluctuations and the lockdown impacted the Company's operations in the earlier part of the year and higher prices towards the latter part of the year exerted pressure on the margins.

Proactive initiative for smooth product availability resulted in substantial growth during Covid-19 pandemic. Since the Company has a number of brands in the market which are suitable to address multiple crop-pest segments, farmers during Covid-19 restrictions preferred Rallis brands.

Technology

The Company is continuously enhancing its existing applications and systems and incorporating new-age technologies to further drive customer-centricity across the organisation and align to new ways of working. During the year, the Company introduced several digital technologies in areas such as Sales Force Automation, MIS & Reporting, Analytics, Lab Automation, Data Security, Employee Collaboration, E-Learning and Customer Connect. During the outbreak of Covid-19, these technologies were leveraged to connect, collaborate and make available information and insights remotely with customers, consumers, partners and the employees. These digital platforms helped improve process cycle time, employee engagement and productivity, IT security and availability of data across the organisation.

(For more information on Digital Initiatives, refer page 24 of this Report)

Financial Overview

Standalone performance for the year ended March 31, 2021

Analysis of the Standalone Profit and Loss Statement

Particulars	FY 2020-21	FY 2019-20	Change (in %)
	₹ in crore	₹ in crore	
Revenue from operations (Net)	2,429	2,252	7.9
Other income	40	34	17.8
Cost of materials consumed	1,475	1,389	6.2
Power and fuel	56	59	(5.4)
Freight, handling and packing	86	78	10.0
Employee benefits expenses	216	199	8.3
Depreciation and amortisation expenses	64	62	4.2
Finance costs	5	6	(14.7)
EBITDA	323	261	23.7
Profit after tax	229	185	23.3

Note: Figures are rounded off to the nearest crore

During the outbreak of Covid-19, several digital technologies were leveraged to connect, collaborate and make available information and insights remotely with customers, consumers, partners and the employees. The technologies helped improve process cycle time, employee engagement and productivity, IT security and availability of data across the organisation.





Income

The total income of the Company increased by 8.1% from ₹ 2,286 crore in FY 2019-20 to ₹ 2,470 crore in FY 2020-21. This comprises revenue from operations and other income.

Revenue from operations increased by 7.9% from ₹ 2,252 crore in FY 2019-20 to ₹ 2,429 crore in FY 2020-21, primarily led by strong volume growth in both the domestic and international business. Other income increased by 17.8% from ₹ 34 crore in FY 2019-20 to ₹ 40 crore in FY 2020-21. The increase was largely contributed by Dividend & Fair Valuation income from its current investments and insurance claim, where expenses related to claims are reflected in cost of material consumed and other expenses.

Expenses

The Company's total expenses increased by 5.7% from ₹ 2,058 crore in FY 2019-20 to ₹ 2,176 crore in FY 2020-21. Major expense items comprise the cost of materials consumed, purchase of stock-in-trade, power and fuel, freight, handling and packing, employee benefits, depreciation and amortisation expenses and finance costs.

Cost of materials consumed increased by 6.2% from ₹ 1,389 crore in FY 2019-20 to ₹ 1,475 crore in FY 2020-21, as against a 7.9% increase in sales, resulting in higher gross margin by 96 basis points.

Power and fuel expenses decreased by 5.4% from ₹ 59 crore in FY 2019-20 to ₹ 56 crore in FY 2020-21, mainly due to the lower production of certain products which consume higher utility, coupled with a decrease in the price of utilities.

Freight, handling and packaging expenses increased by 10% from ₹ 78 crore in FY 2019-20 to ₹ 86 crore in FY 2020-21. Due to Covid-19 and lower availability of transport facilities during lockdown, there has been an increase in freight and handling expenses.

Employee benefit expenses increased by 8.3% from ₹ 199 crore in FY 2019-20 to ₹ 216 crore in FY 2020-21. The increase is on account of new recruitments which is in line with the Company's business strategy growth plan.

Depreciation and amortisation expenses increased by 4.2% from ₹ 62 crore in FY 2019-20 to ₹ 64 crore in FY 2020-21.

Profitability

EBITDA margins increased by 170 basis points during the year under review from 11.6% in FY 2019-20 to 13.3% in FY 2020-21. Increase in EBITDA margins was on account of increased gross margins and reduction in other expenses. Better product mix fetched higher margins while the reduction in other expenses is mainly due to lower cost on travelling.

PAT increased by 23.3% during the year from ₹ 185 crore in FY 2019-20 to ₹ 229 crore in FY 2020-21. This includes Exceptional Items, comprising profit on the sale of assets.

Analysis of the Standalone Balance Sheet

Non-Current Assets

Particulars	FY 2020-21	FY 2019-20	Change
	₹ in crore	₹ in crore	(in %)
Property, plant and equipment	392	361	8.8
Right-of-use asset	32	26	20.0
Capital work-in-progress	106	29	267.6
Investment property	0*	0*	-
Goodwill on amalgamation	196	196	-
Other intangible assets	11	10	12.1
Intangible assets under development	59	47	25.2
Financial assets			
I. Investments	3	4	(16.3)
II. Loans	10	9	11.1
III. Other financial assets	1	1	-
Income tax assets (net)	88	110	(20.0)
Other non-current assets	36	42	(15.2)
Total non-current assets	933	834	11.9

Note: Figures are rounded off to the nearest crore

*Value is less than ₹ 1 crore

Non-current assets of the Company increased by 11.9% from ₹ 834 crore as on March 31, 2020 to ₹ 933 crore as on March 31, 2021.

Increase in Capital Work-in-Progress is on account of capital expenditure incurred towards the setting up of new formulation plant at Dahej CZ in Gujarat.

Working Capital

Particulars	FY 2020-21	FY 2019-20	Change (in %)
	₹ in crore	₹ in crore	
Current assets			
Inventories	763	699	9.2
Financial assets			
I. Investments	280	299	(6.2)
II. Trade receivables	406	450	(9.7)
III. Cash and cash equivalents	9	46	(80.3)
IV. Bank balances other than (iii) above	45	2	2,006.1
V. Other financial assets	8	6	15.9
Other current assets	139	106	30.5
Assets classified as held for sale	4	4	-
Total current assets	1,654	1,613	2.6
Current liabilities			
Financial liabilities			
I. Borrowings	30	50	(39.4)
II. Trade payables	596	637	(6.5)
III. Other financial liabilities	145	96	51.2
IV. Lease liabilities	12	14	(10.6)
Provisions	14	17	(16.4)
Income tax liabilities (net)	4	24	(82.6)
Other current liabilities	113	120	(6.1)
Total current liabilities	914	957	(4.5)
Working capital	740	656	12.8

Note: Figures are rounded off to the nearest crore

Working capital (net current assets) of the Company increased by 12.8% from ₹ 656 crore as on March 31, 2020 to ₹ 740 crore as on March 31, 2021. Despite the macro-economic and industry-specific challenges, the Company efficiently managed its cash flows to ensure tighter control over working capital. The working capital cycle stood at 111 days as against 106 days in the previous year. The current ratio was at a comfortable level of 1.80.

The key elements of current assets comprise investment, inventory, trade receivables, cash and cash equivalents and bank balances. Current Investments were at ₹ 280 crore as on March 31, 2021 compared to ₹ 299 crore as on March 31, 2020.

Inventory

Inventory increased by 9.2% from ₹ 699 crore as on March 31, 2020 to ₹ 763 crore as on March 31, 2021. Inventory cycle was at 115 days as on March 31, 2021 compared to 113 days as on March 31, 2020. Higher inventory levels were mainly on account of an increase in Metribuzin and Cotton seeds and build-up of some raw materials to meet the next season's demands.

Trade receivables

Trade receivables decreased by 9.7% compared to the previous year, despite an increase in sales by 7.9%. Debtor turnover improved from 73 days as on March 31, 2020 to 61 days as on March 31, 2021.

Creditors decreased by 6.5% during the year due to availing of the benefit of early payments. Creditor turnover ratio decreased from 103 days to 90 days.

Net cash flows

The Company generated net cash flows of ₹ (13) crore as on March 31, 2021 compared to ₹ 18 crore as on March 31, 2020. Net cash flows from operating activities as on March 31, 2021 were ₹ 216 crore as against ₹ 338 crore in the previous year.

Capital Employed

Particulars	FY 2020-21	FY 2019-20	Change (in %)
	₹ in crore	₹ in crore	
Equity			
Equity share capital	19	19	-
Other equity	1,572	1,391	13.0
Total equity	1,591	1,410	12.9
Liabilities			
Non-current liabilities			
Financial liabilities			
I. Borrowings	8	12	(37.1)
II. Lease liabilities	22	14	49.8
III. Provisions	27	26	4.8
IV. Deferred tax liabilities (net)	25	27	(7.7)
V. Other non-current liabilities	0*	0*	-
Total non-current liabilities	82	80	2.1
Total	1,673	1,490	12.3

* Value is less than ₹ 1 crore

Note: Figures are rounded off to the nearest crore

Capital employed increased by 12.3% to ₹ 1,673 crore as on March 31, 2021. The Company's Return on Capital Employed ('ROCE') stood at 18.5% as on March 31, 2021 as against 16.3% as on March 31, 2020. Capital employed comprises net worth and non-current liabilities.

The net worth of the Company increased by 12.9% from ₹ 1,410 crore as on March 31, 2020 to ₹ 1,591 crore as on March 31, 2021. It comprises equity share capital divided into 19,44,68,890 equity shares of ₹ 1 each and reserves and surplus of ₹ 1,572 crore. The Company's return on net worth as on March 31, 2021 improved to 14.4% from 13.2% recorded as on March 31, 2020.



The Company's non-current liabilities increased by 2.1% as on March 31, 2021. It includes non-current borrowings, provisions and deferred tax liabilities (net). Borrowings comprise ₹ 6 crore term-loan availed from the bank for its solar power plant at Dahej, Gujarat.

The Company's debt to equity ratio as on March 31, 2021 stood at 0.05 compared to 0.07 as on March 31, 2020, indicating its low leverage.

Consolidated performance for the year ended March 31, 2021

Analysis of the Consolidated Profit and Loss Statement

Particulars	FY 2020-21	FY 2019-20	Change (in %)
	₹ in crore	₹ in crore	
Revenue from operations			
Rallis India Limited			
- Consolidated	2,429	2,252	7.9
- Standalone	2,429	2,252	7.9
Rallis Chemistry Exports Ltd.	-	-	-
PT Metahelix Lifesciences Indonesia	0*	0*	-
EBITDA			
Rallis India Limited			
- Consolidated	323	259	24.5
- Standalone	323	261	23.7
Rallis Chemistry Exports Ltd.	-	-	-
PT Metahelix Lifesciences Indonesia	0*	(2)	94.6
PAT			
Rallis India Limited			
- Consolidated	229	184	24.4
- Standalone	229	185	23.3
Rallis Chemistry Exports Ltd.	-	-	-
PT Metahelix Lifesciences Indonesia	0*	(2)	95.7

* Value is less than ₹ 1 crore

Note: Figures are rounded off to the nearest crore

During the year, PT Metahelix Lifesciences Indonesia, a subsidiary of the Company, received an approval for the cancellation of its Company Registration Number and revocation of its business license with effect from March 19, 2021. Further, an application for cancellation of its Tax Identification Number has been made and the approval for the same is awaited.

Key Financial Ratios



Standalone

1. Interest Coverage Ratio was at 57 compared to 38 for the previous year. The Company continues to have a high interest coverage ratio, indicating stronger financial health and capability of meeting interest obligations.
2. Debt to Equity ratio stood at 0.05 as on March 31, 2021 as against 0.07 as on March 31, 2020. The Company's very low debt to equity ratio indicates a strong financial position to repay its debt obligations.
3. Return on Net Worth ('RONW') increased from 13% to 14% over the previous year due to an increase in profit after tax from ₹ 185 crore in FY 2019-20 to ₹ 229 crore in FY 2020-21. The Company achieved higher RONW despite the higher net worth on account of the increase in reserves and surplus by ₹ 181 crore.



Consolidated

1. Debt to Equity ratio stood at 0.05 as on March 31, 2021 as against 0.07 as on March 31, 2020. The Company's very low debt to equity ratio indicates a strong financial position to repay its debt obligations.
2. RONW increased from 13% to 14% over the previous year due to an increase in profit after tax from ₹ 184 crore to ₹ 229 crore. This was despite an increase in net worth due to the increase in reserves and surplus by ₹ 181 crore.

Opportunities and Outlook

The industry is closely working with the Government for necessary policy support and on making agriculture activities even more organised. The transformative agriculture reforms enacted will lead to faster adoption of necessary technologies across the agriculture value chain and improve the quantity and quality of the agriculture produce providing growth opportunities to seeds, crop protection and crop nutrition.

India is projected to be a key beneficiary of the global move towards 'China plus one' sourcing strategy of companies, which is expected to provide further momentum to India's crop protection sector. Industry is collaborating with the Government in building an enabling ecosystem to make India an agrochemical powerhouse.

As a part of our strategy 'Repositioning Rallis for Leadership', the Company is focussing on investment in research and development, flexible manufacturing capacities, digital initiatives to enhance internal efficiencies and further leveraging our branding power. These initiatives will help us in attracting partnerships across the value chain, including contract manufacturing.

(For more information on Opportunities and Outlook, refer pages 7, 9, 22-23 of this Report)

Risks & Concerns

There exists a robust risk management policy and framework operating across crop care and seeds division. The major risks and concerns are periodically reviewed and mitigation plans are formulated. A collective view of all the inputs is further used to develop a corporate risk matrix, which is reviewed and monitored at an entity level by the Risk Management Committee.

As part of the assessment, the risk slate is periodically revisited through a top-down and bottom-up approach where select employees/risk owners identify key probable risks through an online mechanism. Based on feedback received, risk prioritisation is done, key risks are shortlisted and assigned to the risk owners to help them define mitigation plans, along with key elements for monitoring, including relevant measures and milestones. The identified mitigation plans are monitored at periodic intervals to assess progress and measure if residual risks are within the organisation's risk appetite.

(For more information on Risk Management, refer page 18 of this Report)

Research & Development

Based in Bengaluru, Rallis Innovation Chemistry Hub ('RICH') is the R&D facility of Rallis for organic synthesis and formulation development and contributes to the Crop Care business. With a burgeoning research team and expanded capabilities across chemistry and formulation, RICH is helping the Company expand its product basket. RICH focusses on novel combinations of active ingredients across the insecticide, fungicide and herbicide classes. A strong pipeline has been conceived and diligent progress has been made in R&D using the Stage-Gate process with a healthy number of projects at each stage.

The formulation department focusses on novel formulations to differentiate between new combinations. Besides formulating crop protection products, the team is now working on crop nutrition solutions to create value and differentiation for the business. The chemical synthesis team is working out the route of synthesis for various molecules. Its knowledge in process chemistry is being leveraged in backward integration projects to drive cost competitiveness, increase revenues and improve efficiency in the production process.

New Research & Development Areas

New areas of R&D focus have been that of synthetic chemistry and crop nutrition. For synthetic chemistry, a key initiative has been undertaken to establish capabilities in flow chemistry, which has the potential to offer the unique advantage of developing efficient reactions and more sustainable manufacturing practices.

Domestic formulation

Under domestic formulations, the four key functions of RICH are Process Chemistry, Formulation Development, Product Development and Regulatory Affairs. The two new inhouse Crop Protection products launched during the year are – Kriman (a fungicidal combination formulation for grapes and tomato) and Eevee (an insecticide and fungicide combination formulation for rice and tomato). Four new crop nutrition products launched during the year are AquaFert Foliar and AquaFert Fertigation (water soluble fertilisers), Boron ethanalamine (micro-nutrient) and GroSmart (a plant growth regulator). Two biopesticides were also launched during the year.

Process chemistry

Process chemistry supports contract manufacturing, domestic formulations and international business. The process development and technology transfer departments have the expertise in handling complex chemical reactions and hazardous/toxic raw materials at laboratory and commercial scale. Its capability in handling several cutting-edge technologies at lab scale is expected to lead to reverse engineering of off-patented molecules to add to our portfolio of active ingredients.

New research centre

Rallis is working on building a world-class research centre to expand and integrate its R&D activities in the space of agri-inputs including seeds, crop protection and crop nutrients. This centre is expected to have upgraded infrastructure with additional human resources to accommodate multiple projects, compared to the earlier year.



Key highlights

- Developed and commercially launched 6 new inhouse products – 2 in crop protection and 4 in crop nutrition
- 4 provisional patent applications filed
- Total 13 products registrations obtained in India under various categories
- Technology of 4 formulations transferred to manufacturing units for commercialisation in domestic and international market

Strengthened R&D manpower at Bengaluru is enabling the Company to widen its scope of research with a healthy pipeline of products and molecules. In the past five years, it has invested over ₹ 175 crore in R&D to tap the incremental opportunity across off patent molecules, formulation development and intermediates synthesis.

The R&D unit of our Seeds business is also based in Bengaluru and undertakes cutting-edge technology development in agri-biotech. A new initiative has been undertaken in the area of molecular breeding with the new methods of forward breeding, genomic prediction and trait markers.

With its state-of-the-art manufacturing and R&D capabilities, Rallis has expanded into being a diversified player with presence across the agricultural value chain.

(For more information on R&D and Innovation, refer page 26 of this Report)

Safety, Health & Environment

The leadership team is committed to ensuring the safety of all stakeholders who handle the Company's products regularly. It achieves this objective by continuously developing and meeting higher benchmarks of using safer chemistry and processes to produce environment-friendly formulations. Its key focus continues to be to reduce the environmental impact by minimising the generation of hazardous waste and effluents. The Company is also focussed on reducing water consumption across all the manufacturing facilities. This helped the Company get re-certified for 'Responsible Care' by the Indian Chemicals Council.

Safety of farmers

Rallis places importance on the well-being and safety of farmers and acknowledges the hazardous nature of crop protection products. It actively participates in farm level events on safe use of crop protection chemicals. It educates farmers on best practices, appropriate use and safe handling of products through its 'You are Safe' campaign. However, during the year, the campaigns could not be conducted in the manner it was carried out in earlier years.

(For more information on Safety, refer page 28 of this Report)

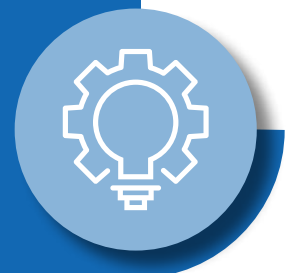
Human Resources

The Company has established a robust Human Resources ('HR') system that nurtures a high performing, conducive and inclusive work culture. It emphasises on the freedom to express views, competitive pay structure, performance-based reward system and growth opportunities and internal job opportunities, critical assignments within the organisation for career options for the employees. It has well-documented and disseminated employee-friendly policies to enhance transparency, create a sense of teamwork and trust among employees and align employee interests with organisational strategic goals. These appropriate policies assist in a holistic workplace environment and play a key role in right talent on-boarding, talent retention and leadership development.

As part of the Tata Group, the Company has developed well-designed and documented policies such as Whistleblower policy and Prevention of Sexual Harassment policy in order to prevent discrimination and harassment and discourage any wrong practices. The Company ensures equal access to opportunities in the areas of recruitment, learning & development, career progression and advancement, regardless of gender, age, racial/ethnic background, religion or social status. The Company adheres to the Tata Code of Conduct to strengthen core Tata values of doing business ethically.

The Company conducts several functional capability building training programmes to upgrade employee knowledge and ensure their holistic growth. In FY 2020-21, around 90% of the Company's employees have undergone these learning &

Strengthened R&D manpower at Bengaluru is enabling the Company to widen its scope of research with a healthy pipeline of products and molecules. In the past five years, it has invested over ₹ 175 crore in R&D to tap the incremental opportunity across off patent molecules, formulation development and intermediates synthesis.



development programmes. These programmes are conducted in the areas of operations, sales and marketing, functional skills, professional skills, big data, planning and logistics, procurement and digital productivity tools. Skill-based behavioural training is given to various teams. The flagship 'Arjun Training programme' has been revamped to assist the Company's frontline sales employees to excel in selling and commercial skills. The virtual/online mode of training helped not only engage the employees but also to enhance the knowledge and skills during pandemic times.

The Company has undertaken appropriate steps to ensure synergy with the recently merged Seeds division (erstwhile Metahelix - subsidiary of the Company) by integrating all HR policies, processes and employee work levels. It has extended the HRMS module to the Seeds division to meet this objective with special emphasis on digitising workforce management and achieving alignment across all the divisions.

Rallis has been certified with 'Great Place to Work' by the Great Place to Work Institute which is a testimony to its high engagement and inclusive culture. The Employee Engagement Survey 2021 score is comparable with Global Top Quartile Companies.

Total employees on the rolls of the Company for the year ended March 31, 2021 were 1,700.

(For more information on Human Resources, refer page 30 of this Report)

Corporate Social Responsibility and Affirmative Action

The Company is committed to making a difference to the society by creating economic opportunities, enhancing the sustainability of its operations, strengthening the local communities and helping the socially and economically backward groups. The Company believes their betterment will lead to a brighter future for it as an organisation and build a sustainable life for the weaker and under-privileged sections of the society.

Jal Dhan

Through Jal Dhan, the water harvesting intervention, about 3.08 million cubic meters of rain water was collected. This benefitted 2.21 lakh villagers across 70 villages from 20 Tehsils and 8 districts in Maharashtra. 5 new villages were added during the year, covering 21,382 beneficiaries. In these new villages deepening of Nalas and de-silting activities were implemented. Approximately 6.27 kilometres of Nalas and 1.12 hectares of ponds were deepened and de-silted.

The Company gives equal attention to the Affirmative Action ('AA') programme to empower socially disadvantaged and

marginalised sections of society (Scheduled Castes and Scheduled Tribes) through initiatives that promote education, employability, entrepreneurship, etc.

RUBY

RUBY ('Rallis Ujjwal Bhavishya Yojana') is the educational initiative of Rallis. It provides scholarships to needy students in partnership with Vidyasaarathi for continuing the education. It has till date impacted 6,990 students, 50% of which belong to AA community. During the year, it supported 19 teachers from special schools, junior college and educational initiative in tribal village. During the year, 24 students from Industrial Training Institute ('ITI'), Junior College and postgraduate studies were covered under scholarship. It provides infrastructure support such as software for smart boards, classroom construction, setting up IT lab, desktops, green board, water cooler, projector and screen. On National Science Day, it organised a Virtual Science exhibition of students from Gujarat and Maharashtra.

Model Tribal Village

During the year, Rallis set up a virtual help desk for Covid-19 with its NGO Partner, All India Institute of Local Self Government ('AIIILSG'). An innovative tool was developed on 'Community Self-Assessment & Planning for Awareness Generation & Prevention of Covid-19 among Disadvantaged Community'. In addition to this, following interventions were also done during the year:

- For preventive health care, kitchen garden kits were distributed among families
- For inculcating professional agri habits among young generation, BAL-TARFAH was launched on Kisan Day
- Shikshan Ranjan Kendra activities were targeted to prevent learning gaps, with schools being closed
- Tailoring training was imparted to women to empower them and provide livelihood opportunities, in partnership with Tata Industries Limited. The programme provided 42 tailoring machines and 3 oil mills covering 4 tribal villages from Karjat region
- National players were invited for Sports Camp in tribal villages and emphasis was given on collective sports such as Kabbadi, Kho-Kho and running.

Prithvi Mitra

Through this greening initiative, saplings were planted in schools, farm bunds of identified farmers and gardens to ensure better survival rate of saplings. During the year, over 8,200 saplings were planted, with cumulative saplings having crossed more than 1 lakh.



TaRa

TaRa ('Tata Rallis') is the skilling initiative of Rallis focussing on women empowerment. In partnership with LOLT ('Light of Life Trust'), it initiated the skill training centre in Dhasai near Mumbai, where 346 youth and women were trained in various courses such as tailoring, beautician, computer training, goat rearing, poultry and other short-term courses. Even during the pandemic, the initiative resulted in gainful engagement of 38% of pass-out students and starter kits were distributed to initiate home-based businesses. During the year, Rallis conducted need assessment at Akola to understand the opportunity for initiating skill training centres. It also supported girls from Akola ITI with scholarship and starter kits.

Internal Control Systems and Adequacy

The Company has established adequate internal financial control systems to ensure reliable financial reporting and compliance in accordance with the laws and regulations. All resources are put to optimal use and adequately protected against any loss. All transactions are authorised, recorded and reported correctly. Policies and procedures are well documented and are being adhered to and improvements in processes are being carried out on an ongoing basis. Principles of risk avoidance such as segregation of duties and approval-based authorisation matrix along with adherence to relevant policies and focus on IT enablement of key processes form the core of these systems.

The efficiency and effectiveness of these systems over financial reporting is performed through evaluation, documentation, testing and reporting of the relevant processes and controls. Internal audits are conducted regularly and their summary as well as recommendations are placed before the Audit Committee of the Company. The Audit Committee reviews the internal financial control systems annually. The Audit Committee regularly reviews significant internal audit findings and closure of all agreed actions and progress of audit plan. The Committee monitors the adequacy and reliability of financial reporting, internal control and risk management systems.

Business Excellence

The Company endeavours to strengthen its operational efficiency and effectiveness by pursuing a culture of continuous improvement and excellence. It has consistently followed the journey of excellence under TBEM ('Tata Business Excellence Model'). The TBEM assesses the Company on its processes and results parameters to identify its level of maturity and improvement. It is a journey from 'pockets of excellence' to 'excellence everywhere'. Rallis has regularly moved up the maturity and excellence scale.

The Company periodically conducts an intensive internal assessment, encompassing all locations and functions to

boost its excellence journey. A group of business excellence assessors/evangelists, developed within the Company, looks at functions and locations and suggests scope for improvements. The feedback is shared across departments and high-scoring functions and locations are recognised. Over time, the Company has developed around 20 external and 50 internal assessors. The Company has been a part of the parent company, Tata Chemicals Limited's integrated assessment process, which is carried out every two years and the next assessment falls due this year in 2021. In recent years, the continuous improvement efforts got a new dimension through a capability building programme related to Lean Six Sigma and participation of Senior Leaders in Subject Matter Expert Assessors' programme.

Innovation is central to the level of excellence achieved by the Company over the 70 years of its existence. It continues its journey to accomplish further innovations across its business model, products, processes and people. It regularly participates in the Group Innovation forum 'Tata Innovista'.

The Company is geared up to move to the next level of excellence by leveraging the Drishti platform. Drishti, one of the key digital enablers of the Rallis Samrudh Krishi programme, empowers farmers with data and information and assists them in taking prompt and informed agricultural decisions. Drishti has now been extended to the seed production farms.

The Company has an online digital platform and knowledge management portal on its intranet platform for empowering employees to communicate innovative ideas and share knowledge. The Company has moved ahead in terms of customer-centricity with the adoption of Salesforce automation application, 'e-sparsh', and charted new ground with channel partners with 'e-bandhan'. To strengthen manufacturing and process control, it implemented 'Daily Work Management', a visual management concept based on Statistical Quality Control, in all areas of importance and got encouraging results. Customer-oriented business strategies, operational efficiencies and operational sustainability support the Rallis business excellence journey.

Cautionary Statement

Statements in the Management Discussion and Analysis describing the Company's objectives, projections, estimates and expectations may be 'forward-looking statements' within the meaning of applicable laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include among others, climatic conditions, economic conditions affecting demand-supply and price conditions in the domestic and overseas markets in which the Company operates, changes in the Government regulations, tax laws and other statutes and other incidental factors.