



Management Discussion and Analysis Report

Overview of Indian Agriculture

Indian agriculture has played a key role in the country's growth story. India is the second-largest agricultural land holder in the world, with 157.35 Million hectares under cultivation at present. The country exhibits all 15 major climatic conditions observed worldwide and has 20 different agro-climatic regions, enabling farmers to cultivate a large variety of crops. Agriculture and allied industries continue to be a source of livelihood for about 58% of India's population, making its growth imperative for the inclusive economic growth of the country.

Foodgrain production in India has had an upward graph over the past few years. It is among the world's top producers of crops such as wheat, rice, pulses, sugarcane, fruits, vegetables, and cotton. India has also emerged as a major agricultural exporter with ₹ 2,700 Billion of agri-exports in 2019-20¹.

As per the Economic Survey 2019-20, despite the increasing crop production and its share in the country's exports, the share of agriculture in total GVA has declined from 18.2% in 2014-15 to 16.5% in 2019-20². This has been driven by rising urbanisation and shrinking arable land, limited or degraded natural resources, unfavourable impact of climate change on rainfall, fragmented land holdings owing to the majority of farmers being smallholders, and lack of access to latest technologies and awareness on good agricultural practices.

Government Initiatives

Taking note of the challenges faced by the Indian farmers and recognizing the role of agriculture in the holistic economic growth of the country, the Government of India has announced several pro-farmer policies over the past few years. It has set an ambitious goal to double farmers' income by 2022 and has undertaken reformative initiatives such as:

- **Pradhan Mantri Kisan Samman Nidhi (PM-KISAN):** The scheme provides cash benefits, transferred directly into a bank account of beneficiary farmer families. It has covered more than 81.2 Million families, with a total of ₹ 489.37 Billion released

- **Pradhan Mantri Kisan Maan Dhan Yojana (PM-KMY):** The Government launched a voluntary and contributory pension scheme to support eligible small and marginal farmers beyond the age of 60 with a minimum pension guarantee
- **Increasing Minimum Support Price (MSP):** The Government announced an increase in MSP for both Kharif and Rabi crops for 2019-20 and 2020-21 seasons to assure enhanced income for farmers
- **e-NAM Portal 'One Nation One Market':** The Government, in a bid to promote real-time price discovery, established a pan-India electronic trading portal, e-NAM. It networks the existing APMC-run (Agricultural Produce Market Committee) markets to create a unified national market for agricultural commodities and removes information asymmetry between buyers and sellers
- **Other initiatives:** The Government's other initiatives during 2019-20 included sanctioning of 25 Seed-Hub centers for increasing quality seeds availability, distributing soil health cards under Model Village Project, and machinery under Farm Mechanisation

These initiatives will significantly enhance farmers' income and encourage wider adoption of high-quality seeds, judicious crop protection applications, and effective fertilizer use. In the Union Budget for 2020-21, the Central Government increased the allocation for the agriculture ministry by 27%, earmarking ₹ 1,400 Billion in 2020-21, up from ₹ 1,100 Billion in 2019-20³. These schemes and the budgetary support will push the transformation of Indian agriculture and make it globally competitive.

Foodgrain Production in 2019-20

India witnessed a favorable monsoon in 2019, with annual rainfall registering 109% of average rainfall from 1961-2010. This resulted in most crops registering

1 <https://economictimes.indiatimes.com/news/economy/agriculture/economic-survey-suggests-to-boost-agri-exports/articleshow/73800027.cms?from=mdr>

2 <https://www.prsindia.org/report-summaries/economic-survey-2019-20>

3 <https://economictimes.indiatimes.com/news/economy/policy/govt-provides-30-per-cent-higher-budget-allocation-for-agriculture/articleshow/73875092.cms?from=mdr>

higher production in 2019 than a year before. According to the 2nd Advance Estimates for 2019-20⁴, total foodgrain production in India was estimated at record 291.95 million tonnes which is higher by 6.74 million tonnes than the production of foodgrain of 285.21 million tonnes achieved during 2018-19. However, the production during 2019-20 is higher by 26.20 million tonnes than the previous five years' (2013-14 to 2017-18) average production of foodgrain.

Industry Overview

During 2019-20, India registered the overall seasonal (June-September) rainfall of 109% of its long period average (LPA) with Northwest, Central, South Peninsula, and Northeast India recording 98%, 129%, 116%, and 88% of respective LPA. The country experienced uneven rainfall distribution during the year, with 54% of the total area receiving normal rainfall, 30% receiving excess to large excess, and the remaining 15% receiving deficient rainfall⁵. Monsoon was also delayed and extended during the year, prompting farmers to adjust their crop calendar.

Crop Protection

In 2018, the crop protection industry in India was valued at US\$ 4.1 Billion and is expected to grow at 8.3% compounded growth rate to reach US\$ 8.1 Billion by 2025⁶. India ranks 4th among the largest agrochemical producers in the world, but the agrochemical consumption per hectare in India is quite low compared to other big agricultural markets such as the United States, Brazil and Argentina. In 2018, India's per hectare pesticide usage stood at 0.6kg as compared to China's 17kg, Japan's 12.5kg, and the UK's 2.8kg.

The lower utilisation is due to factors such as lack of adequate irrigation, depleting groundwater, fragmentation in land holdings resulting in low economies of scale, traditional farming, lack of knowledge about good agricultural practices and the available modern technologies. This has resulted in India's lower crop yield per hectare as compared to the global averages. The Government of India, in a bid to bring the country's yield at par with the global averages, is pushing for higher utilisation of agrochemicals. It is providing higher MSPs and better credit facilities to meet this objective. Besides this, low product penetration, higher farm incomes, and

rising awareness about the benefits of agrochemicals would augur well for the crop protection industry, going ahead.

Consumption of crop protection products during the year was affected due to the irregular monsoon that in turn affected crop calendars, and higher raw material prices during the year. The coronavirus outbreak of December 2019 practically took over the world by March 2020, and the ensuing lockdown halted all regular business activities and exports, disrupted global agricultural and food supply chains, and logistics within the country. This further hindered agrochemicals offtake in the fourth quarter of 2019-20.

Seeds

The Indian seed market has experienced good growth in the past decade, owing to conducive policy reforms, government support, and active participation of both public and private sectors promoting higher use of hybrid seeds. The industry is likely to continue along a healthy growth trajectory, thanks to the following factors:

- Increasing penetration of high-quality hybrid seeds, available at competitive rates and adapted to suit varying agro-climatic conditions
- Capacity-building initiatives by major seed players, demonstrating the additional yield and income opportunities for smallholder farmers
- Advances in superior plant breeding technologies, farm mechanisation and digitisation
- Higher demand for good quality vegetables, fruits, and nutritional food products due to increased consumer awareness and higher disposable incomes
- Better purchasing capacity of farmers owing to the government's pro-farmer policies, increased subsidies and thrust on the use of high-yielding seed varieties
- Greater awareness among farmer communities about the benefits of using high-quality hybrid seeds

The Indian seed market, valued at US\$ 4.1 Billion⁷ in 2018, is estimated to become a US\$ 9.1 Billion industry by 2024, indicating a healthy compounded growth rate of 14.2%.

4 <https://pib.gov.in/newsite/PrintRelease.aspx?relid=199401>

5 https://mausam.imd.gov.in/imd_latest/contents/season_report.php

6 <http://ficci.in/spdocument/23002/Knowledge%20Paper%20Agrochemicals%202018.pdf>

7 <https://www.seedworld.in/pdf/SeedWorld2019-Report.pdf>



Environmental Science

The Environmental Science unit of Bayer CropScience Limited focusses on improving public health, and it currently operates in two business areas in India: Vector Control and Professional Pest Management (PPM), both of which showed a good growth trend in 2019-20. Vector-borne diseases such as dengue, malaria, Zika, and Chikungunya continued to affect communities across India, and there is an extensive need for products that can control the vector carriers.

The public health market in India is driven by the practice of larviciding, indoor residual sprays, and space-spraying (fogging). The Government and health authorities procure chemicals through tenders, which is a lengthy process that is slowly being modernised, with tender submissions moving online and the introduction of the Government e-Marketplace (GeM) initiative.

Globally, Bayer is a signatory to the ZERO-by-40 declaration to eliminate malaria from the planet by 2040, in partnership with the Innovative Vector Control Consortium and the Bill and Melinda Gates Foundation. The Company expects that public-private partnerships will be important also in the context of India's efforts to eliminate malaria and control dengue and other vector-borne diseases.

In the PPM segment, termite control, which is one of the fastest growing segments, saw an uptick with the slow increase in pre-construction activity. In the long term, the PPM business has good potential for growth in both commercial and residential pest control segments.

Company Overview

Bayer CropScience Limited is a key player in the Indian agriculture industry. The Company's operations include: Crop Protection, Seeds & Traits, Environmental Science and Digital Farming.

- **Crop Protection:** The Company's Crop Protection portfolio comprises a wide range of innovative chemical and biological pest management solutions. It also provides extensive customer service for modern and sustainable agriculture. Within this vertical, the Company focusses on Insecticides, Fungicides, Herbicides, and Seed Growth
- **Seeds & Traits:** Through traditional and advanced breeding techniques, as well as research in biotechnology, the Company develops seeds and traits that provide farmers with new solutions.

The Company's hybrid seeds make use of the natural genetic diversity within each crop family and can withstand environmental challenges like pests, disease, and drought while providing more choice for farmers. The Company's product portfolio consists of hybrid seeds for crops like rice, corn, cotton, oilseeds (mustard) and millet

- **Environmental Science:** The Environmental Science business focusses on non-agricultural applications and aims to safeguard public health by protecting the spaces where people live, work, and play. It operates in the segments of Professional Pest Management and Vector Control. PPM is a service rendered by pest control operators at household and commercial premises, with a range of solutions for general insect control, termiticides, rodenticides, and stored grain pests. Under Vector Control, the Company offers insecticide solutions for indoor residual spraying, space spraying (e.g. fogging), and larviciding for the purpose of limiting or eliminating vector-borne diseases
- **Digital Farming:** This comprises software tools that integrate data from farm equipment, satellites, field sensors, irrigation systems, drones, and other input sources, and then analyse that data to empower farmers to make better decisions through data science and predictive analytics. With detailed, real-time assessments of growing conditions and crop health, Bayer's digital tools such as FarmRise support a sustainable, abundant harvest

Transformative Initiatives for Indian Farmers

The Company has distinguished itself by leveraging its proven capabilities in innovation-driven solutions, sophisticated processes and technologies, world-class services, and superior business models. It continues to work closely with Indian farmers to help them surmount agricultural challenges. Several transformative initiatives have been undertaken by the Company to support Indian farmers. They include:

Food Chain Partnership

Food Chain Partnership is an innovative business model developed by Bayer to serve the needs of the food industry. The concept was introduced globally in 2005 and in India in 2007. Globally, there are 524 such partnerships across 44 countries in 76 different crops. Bayer's Food Chain Partnerships focus on collaboration between farmers, processors, traders, and retailers to meet consumer demand for sustainable production of healthy, high-quality and affordable food.

With its Food Chain Partnerships in India, BCSL provides farmers with innovative crop protection products, seeds and services, as well as advice on the optimal use of products and application technologies. It also helps farmers get certified and gain relevant knowledge and skills to successfully market their produce in local, regional and international markets.

Project beneficiaries

- 73 Food Chain Partnerships across 16 crops, benefiting 89,000 farmers in India
- 29 BayG.A.P. training programmes organised in 2019-20 for 1,031 Indian farmers, to help them learn good agricultural practices required for certification programmes

Better Life Farming Alliance

In April 2018, Bayer, the global development finance institution IFC, the irrigation technology firm Netafim, and the insurance company Swiss Re Corporate Solutions officially launched the 'Better Life Farming' (BLF) alliance, to provide holistic and innovative solutions for smallholder farmers in developing economies.

In India, the alliance works with additional local partners: Yara Fertilisers, DeHaat, AgriBazaar, and Big Basket. Bayer is providing seeds and crop protection inputs along with advisory on integrated crop management practices. IFC is imparting financial literacy and helping family farms run their operations as a commercial business and increase their income. Netafim is creating awareness about precision irrigation and other advanced farming practices that can reduce vulnerability to weather changes. Yara Fertilisers is educating farmers about balanced crop nutrition and maintaining soil health. DeHaat, AgriBazaar, and Big Basket are working as offtakers to ensure that smallholder farmers get the right price and market access for their produce.

In July 2018, the BLF alliance started working in India in the states of Uttar Pradesh and Jharkhand. These states were chosen as pilots after conducting a baseline study to identify regions where local crop yields were significantly lower compared to India's average national yield.

With the interventions of the BLF alliance, farmers in the pilot states have been able to double their crop yields and triple their farm incomes. The alliance plans to expand its presence in India to include Bihar, Chhattisgarh, Odisha, West Bengal, Maharashtra and Madhya Pradesh.

Agri-entrepreneurship through BLF Centers

In 2019-20, the Better Life Farming alliance introduced an agri-entrepreneurship model for smallholder farmers in the form of 'Better Life Farming centers'. At these centers, agri-entrepreneurs enable transfer of technology to other smallholders on seeds, crop protection, crop nutrition, drip irrigation, mulching etc. They also deliver services such as market linkages, access to inputs and crop advisory. Each center covers a group of 500 farmers from five to six nearby villages.

At present, 78 of these BLF centers are operational in India. By 2025, the alliance aims to set up 5,000 BLF centers and serve 2.5 Million farmers across India. In states like Jharkhand, the BLF alliance has adopted a gender-smart approach by promoting women agri-entrepreneurs to serve women smallholder farmers.

Capacity Building for Smallholder Rice Farmers

Rice farmers in the eastern belt of India largely practice subsistence farming and suffer from drastically low yields. Affordability and lack of knowledge hinders them from cultivating hybrid seeds. In the Kharif season of 2019, the Company undertook a three-week capacity-building initiative in the states of Jharkhand, Chhattisgarh, and Odisha, which are an integral part of India's rice-growing belt.

The initiative introduced smallholder rice farmers to advanced agricultural technologies in the areas of seeds, crop protection, crop nutrition, soil management, drip irrigation, post-harvest management, and financial literacy. Since seed is the first step in any crop cycle and is a critical enabler for farmers to improve their crop productivity, BCSL distributed 2kg packs of hybrid rice seeds (free of cost) per smallholder farmer in Jharkhand. This was aimed at enabling them to experience the yield advantage from cultivating hybrid seeds. In Chhattisgarh and Odisha, rice smallholder farmers received free packs of 6kg each. The initiative was implemented by Bayer Prayas Association, a Section 8 Company under the provisions of the Companies Act, 2013 and the non-profit arm of Bayer in India that undertakes Corporate Societal Engagement activities.

Project beneficiaries

- 16 local NGOs partnered with the Company for the capacity-building exercise
- ~300 metric tonnes of hybrid rice seeds distributed to 100,000+ smallholders
- 1,700+ villages covered across 3 states



Besides seed distribution, the smallholder rice farmers were provided with routine agronomic advisory and support to cultivate hybrid rice in subsequent seasons. They also received demonstrations on how hybrid rice cultivation can help conserve water and provide in-built disease tolerance. A total of 10,000 fields were selected and maintained for carrying out product differentiation activities and showcasing the benefits of cultivating hybrid rice. The Company plans to ramp up capacity building for smallholder farmers and help them increase their crop yields and farm incomes.

Product Stewardship

Product Stewardship has always been the cornerstone of BCSL's business operations. It has played an integral role in facilitating trade, maximizing product potential, promoting environmental sustainability, and minimizing risks to human and animal health. The Company conducts safety awareness and training programmes to enhance farmers' knowledge of authentic seeds and crop protection products. The trainings also improve knowledge on safe and optimal use of agrochemical products and Personal Protective Equipment (PPE) while spraying pesticides.

In 2019-20, the Company covered more than 500,000 farmers, farm workers, agriculture students, agri-input dealers, and agri-retailers under its product safety training programmes. All agri-input stores stocking BCSL products were also equipped with a prominent mannequin display of full-body PPE gear at the retail counter, reminding farmers about the need for operator safety while using crop protection products.

Bayer Safe Use Ambassador

To educate students of agriculture on the safe use of agrochemicals, the Company conducts the 'Bayer Safe Use Ambassador' programme. For this, it collaborates with State Agricultural Universities that offer courses in RAW (Rural Agriculture Work Experience). The programme is meant to benefit students in the seventh semester of their graduation degree in Agriculture. The students on-boarded are then encouraged to transfer their knowledge into practical use by farmers on the field. The collaboration has helped BCSL customers to understand safe and responsible use, including application technology, while handling crop protection products.

2019 marked the third consecutive year of the Bayer Safe Use Ambassador program, with the participation of 1,085 students from 7 institutions. The students then contacted 9,350 farmers at their village homes and informed them and their families about responsible use. This farmer engagement at the village level has become part of the RAW curriculum taught at Agriculture colleges of State Agricultural Universities.

Financial and Operational Performance

Financial Performance

In 2019-20, BCSL registered Revenue from Operations of ₹ 36,094 Million, compared to ₹ 31,673 Million in the previous year. Profit Before Exceptional Items and Tax stood at ₹ 7,133 Million, compared to ₹ 4,800 Million in the previous year. The results for the financial year ended March 31, 2019, include results of erstwhile Monsanto India Limited from June 7, 2018 (the date on which Monsanto Company, USA, was acquired by Bayer AG), and are therefore not comparable.

Integration of Monsanto India Limited with Bayer CropScience Limited

On September 13, 2019, the National Company Law Tribunal approved the merger of Monsanto India Limited into Bayer CropScience Limited. After the merger, Monsanto products are now a part of BCSL's product portfolio and continue to be marketed under their earlier brand names.

The integration brings together two highly complementary businesses, creating an innovation engine for Indian agriculture. Indian farmers can benefit from BCSL's innovative crop protection products and Monsanto's expertise in seeds and traits and digital farming applications. It has also brought together a vast talent pool of experienced employees from both organisations who are working closely with farmers to enhance crop yields, increase farm incomes, and drive sustainable agriculture.

The Company's long-term goal is to unlock the growth potential of Indian agriculture as a global producer and exporter of food, feed, and fibre. Besides business operations, the Company also aims to strengthen its Corporate Societal Engagement activities in India and is committed to deepening its dialogue with society and key stakeholders.

Ratio Analysis

Ratio	Formula	April 2019 - March 2020	April 2018 - March 2019	Deviation
Debtors Turnover Ratio (in days)	$[(\text{Trade Receivables} \times \text{No. of Days}) / \text{Revenue from Operations}]$	73	81	-10%
Inventories Turnover Ratio (in days)	$[(\text{Inventories} \times \text{No. of days}) / \text{COGS}]$	185	254	-27%*
Interest Coverage Ratio	$[\text{EBIT} / \text{Finance Cost}]$	53	47	12%
Current Ratio	$[\text{Current Assets} / \text{Current Liabilities}]$	2.65	2.34	13%
Debt Equity Ratio	$[\text{Debt} / \text{Shareholders Equity}]$	0%	0%	0%
Operating Profit Margin Ratio	$[\text{EBIT} / \text{Revenue from Operations}]$	20%	15%	30%*
Net Profit Margin Ratio	$[\text{Profit Before Tax} / \text{Revenue from Operations}]$	20%	15%	30%*
Return on Net Worth	$[\text{Profit for the year} / \text{Net Worth}]$	18%	15%	23%*

*The major reason for the above deviations is on account of the fact that the statement of profit and loss for the year ended March 31, 2020 include profit of erstwhile Monsanto India Limited (MIL) for the year whereas the statement of profit and loss for the year ended March 31, 2019, include results of erstwhile Monsanto India Limited from June 7, 2018, (the date on which Monsanto Company, USA was acquired by Bayer AG) and are therefore not comparable.

Operational Performance

Crop Protection: Operationally, we executed against our commitment to place products closer to market need, focussing on liquidation to manage channel inventory and better correlate sell-in to sell-out. This helped both to more tightly manage the situation when monsoon rains were delayed by not placing too many products in channel and subsequently having to take returns; therewith allowing us to more proactively participate in the upswing of demand witnessed during extended Kharif season and good Rabi.

Subsequently, we were able to both benefit in the market upswing while carrying significantly less overhang inventory than in previous years, resulting in significantly reduced sales returns and better quality channel inventories. A strong focus on farmer profitability and advice on cropping systems led to more stronger farmer relations with Bayer being perceived as adding significant value. Further increased focus on Value Chain Partnerships have helped farmers to market their crops better. A new organisational setup reflecting our expanded crop footprint as a consequence of the integration supported farmer proximity significantly.

In 2019-20, the Company successfully launched one new product in Crop Protection. The new addition, Momiji, is a selective, pre-emergence herbicide for weed management in wheat. Momiji belongs to a new class of chemistry with a different mode of action, has outstanding residual activity, providing season-long weed control and can even work on resistant Phalaris (grass).

Seeds & Traits: Our seeds & traits business benefited out of a stronger sales force successfully placing more Dekalb corn seeds already in the first joint months of operating as one company. This, together with generally better weather conditions during Rabi, led to successful placements and significantly improved sell-out, leading to low levels of returns.

In 2019-20, the Company successfully launched four new products in hybrid seeds.

- **Arize AZ 6741:** The Company's first extra-long slender (ELS), fine grain Arize hybrid in short duration segment catering to fine segment markets of western Uttar Pradesh and Haryana
- **ArizeAZ6411:** A mid-early duration hybrid suitable for mid-uplands in the rain-fed geographies of Jharkhand, Chhattisgarh, Madhya Pradesh, and Odisha
- **Proagro PA 9180:** A dual-purpose millet hybrid suitable for the Kharif season which matures in 78 days and has the potential to give high grain yield and excellent fodder. It is also tolerant to downy mildew, rust and blast crop diseases. As a non-lodging hybrid, it has compact ear heads and its green quality and good commercial appeal make it suitable for farmers in Rajasthan, Haryana, Uttar Pradesh, and Madhya Pradesh
- **Proagro PA 9285:** Another millet hybrid seed with higher yields and excellent fodder. It has good resistance against downy mildew and is tolerant



to blast disease and lodging. It is greyish green in colour and has bold grains. Its high compact heads provide the perfect farming experience to millet farmers in Maharashtra

Environmental Science: In 2019-20, the ES unit maintained its position as the market leader in the areas of Vector Control and PPM. The ES business increased sales by 11.9% in comparison with the previous year and recorded the highest revenue for the ES business in 13 years. All segments showed strong growth due to clear operational focus on individual business areas. The Company successfully registered a label extension for Temprid to treat bedbugs in addition to cockroaches.

ES continued to sponsor major symposia and seminars to promote general awareness, product knowledge, safety measures, and share best practices in PPM and vector-borne disease management. In June 2019, the ES business hosted the 6th Vector Control Expert Meeting at Delhi. This was the first time an event like this was organised in India, bringing together 60 experts from 30 organisations across 14 countries, including several from South Asia. In August 2019, the Company also announced a partnership with the service listing website UrbanClap (now Urban Company) to supply PPM products as they started a new pest control service offering to residential customers.

Opportunities and Outlook

India's agricultural yield stands far lower as compared to global averages. The annual availability of food grains per capita in 2018 stood at 180.3kg, marginally higher than 169.8kg in 2015. The yield per hectare needs to increase significantly, considering the rising population and declining arable land in India. Apart from the unfavorable impact of extreme weather events, the lower yield is a result of the low penetration of high-yielding hybrid seeds and inefficient use of agrochemicals. This under-penetration of the market presents a significant opportunity for the Company's Crop Protection and Hybrid Seeds business.

Innovation in seeds and crop protection can go a long way in addressing the productivity problems affecting Indian agriculture. It will also help farmers get good commodity prices, encouraging them to spend on qualitative inputs for achieving higher yields. BCSL with its product offerings, distribution reach and strong network of more than 4,500 field officers is well-positioned to support Indian farmers.

Even though India ranks 5th in the global seed market, the country's adoption of high-quality hybrid seeds continues to be extremely low at 6%. Hybrid seeds can adapt to low rainfall and poor soil conditions, and still result in significantly higher farm yield. The government's efforts to promote higher use of high-quality seeds and raise farmers' income will bode well for the industry's growth.

Strengthening supply and logistics infrastructure

The absence of a proper storage and processing infrastructure has prevented Indian farmers from getting the best prices for their produce. There is an urgent need to establish efficient farm-to-fork supply chains through public-private partnerships. Apart from that, deploying data analytics to forecast global production trends accurately will enable farmers to hedge their risk by diversifying crop production. These measures would ensure steady and sufficient supply of diverse crops and would protect both consumers and farmers from price fluctuations.

Increasing focus on water conservation

India's water consumption per unit of crop yield stands drastically higher at 2 to 4 times compared to other emerging nations such as China and Brazil. The Government of India, in a bid to improve water consumption efficiency, is promoting higher adoption of better irrigation technologies such as sprinkler and drip and other micro-irrigation techniques.

While several modern agricultural technologies already exist and there are many innovations being researched, BCSL is working on capacity building for smallholder farmers on existing technologies. A good example of an existing technology that can significantly contribute to water conservation is hybrid seeds. But first, smallholder farmers need access to hybrid seeds. Under traditional farming, a kilo of rice requires 3,000 to 5,000 litres of water. In comparison, short duration rice hybrids can provide high yields using less water. Hybrid seeds also come with pest, disease and drought tolerance.

To save water, crop cultivation should be decided based on local ecological situations. For example, rice farming in India is more suited to states that are rain-fed and have better water availability, compared to states that depend heavily on irrigation and end up depleting groundwater.

Another way to improve the efficiency of water usage is practising crop rotation with water-efficient crops such as corn, millet, pulses, fruits and vegetables. Here, state government-led incentive schemes along with training and technical support can provide a push towards crop diversification.

Risks and Concerns

The Company has developed a comprehensive framework of robust mechanisms and processes to identify risks that may negatively impact its operations and profitability. It endeavors to identify new and emerging threats and formulates mitigating measures to curtail them within set timeframes. It has well-placed risk monitoring systems for swift response to safeguard itself from the permanent loss of capital and ensure sustenance of operational performance.

Impact of COVID-19

With the COVID-19 situation, the external business environment remains uncertain in the short term. Being in an essential services industry that supports agriculture, farmers and food production, it is the Company's priority to ensure food security. Bayer CropScience Limited will continue to support Indian farmers through access to seeds and crop protection inputs, product innovation and crop advisory. In 2019-20, the Company forged several partnerships along the agricultural value chain to expand the reach of its agri-solutions and promote sustainable farming that supports high crop yields and farm incomes. Going forward, the Company will continue to focus on digitalization, new business models, and ecosystem-based collaborations, to make Indian agriculture globally competitive.

On the Environmental Sciences front, the Company expects a sizeable impact on this business due to COVID-19. During the extended lockdown announced in India starting on March 24, most pest control operators and distributors were closed for business. Those that continued to operate during the lockdown

switched primarily to meeting demand for disinfection services. Supply chain disruptions affected production and delivery. Regulatory delays also affected anticipated new product approvals.

Post-lockdown, the Company expects to see a significant drop in pest control revenue for specific segments. Pre-construction anti-termite treatment requirements may go down due to work stoppage at construction sites during the lockdown and a shortened construction season before the monsoons. Reduced demand is also foreseen from the hospitality segment, which may seek to trim expenses due to the economic impact of COVID-19. Vector control services will continue to see demand by municipalities both during and after the lockdown, thus mitigating risks for the Company's Public Health business.

Internal Control Systems

The Company has appropriate internal control systems for business processes with regards to its operations, financial reporting and compliance with applicable laws and regulations. The Audit Committee approves the internal audit plan and internal audits are conducted at regular intervals across various locations and processes in line with the approved plan. Audit observations and follow-up actions are discussed by the Internal Audit team with the management of the Company as well as the Audit Committee.

Cautionary Statement

The statements in the Management Discussion & Analysis, describing the Company's objectives, expectations and forecasts may be forward-looking within the meaning of applicable securities laws and regulations. The actual results may differ from those expressed or implied, depending upon the economic and climatic conditions, government policies and other incidental factors.

For and on behalf of the Board of Directors

Pankaj Patel

Chairman

(DIN: 00131852)

Ahmedabad, May 22, 2020