

The Company's product might be out priced in the competitive marketplace resulting in losing out to competitors

Mitigation strategy: UPL has strategically capitalised on the cost-effective availability of labour and its sizeable production capacity that provides UPL with economies-of-scale.

Currency value fluctuations might impact the earnings of the Company

Mitigation strategy: The Company has businesses across the globe. Its crop protection chemicals are marketed in 130 countries. It also imports intermediates from different countries. Thus it is exposed to fluctuations in exchange rates of multiple currencies. The Company mitigates this risk by remaining hedged. Wherever possible, exports act as natural hedge against imports. In all other cases, the Company uses forward covers to hedge against volatility.

Droughts and reduced pest attacks can lower demand for crop protection chemicals

Mitigation strategy: The demand for UPL's products depends on weather patterns and pest attacks. Demand for crop protection chemicals is adversely impacted by drought and fewer pest attacks, resulting in inventory buildup. To mitigate this risk, UPL has strengthened its supply chain and product portfolio, and has diversified across geographies. Its product portfolio has expanded year after year, ensuring regular supply of products for diverse applications.

Resistance development reduces life of product and might result in product obsolescence

Mitigation strategy: The effective life of crop protection chemicals gets reduced over time, as the targeted pests develop resistance against them. Constant innovation and regular introduction of differentiated formulations is essential for effectively addressing pest attacks. To mitigate this risk, UPL has set up a capable R&D team, comprising chemists, chemical engineers and other experts to work constantly on developing new products and processes. The Company protects its innovative products by getting them patented promptly.

Inability to procure adequate raw material at the right cost could impact viability.

Mitigation strategy: ~39% of UPL's production is backed by captive raw material access to phosphorus, chloralkali and power. A dedicated procurement team evaluates raw material costs from existing and alternative vendors.

Internal control systems and their adequacy

The Company has adequate internal controls in place across various business units and functions. Internal controls improve the efficiency, management effectiveness and safeguards assets of the organisation. At UPL, internal control is implemented through the following initiatives:

- Accurate and timely recording of transactions with multi-layered system of checks and balances

- Implementation of ERP enabling real time data access
- Implementation of accounting policies in line with prescribed standards
- Periodic reviews of long-term plans and annual budgets
- Implementation of business intelligence to measure consumer preference
- Constant monitoring of processes and routine audits

Best HR practices

UPL's strong HR practices helped reinforce our market leadership and cross-functional coordination across 40+ countries. We employ professionals from 36 countries around the world. We invest in formal and informal training as well as on the-job learning. We transferred key executives across geographies to enrich our international leadership pool. We reinforced engagements with employees across levels by providing an enriched workplace, challenging job profile and ongoing dialogue. The result: we enjoyed one of the highest employee retention rates in the industry.

Cautionary statement

The statements in the management discussion and analysis section with regard to projections, estimates and expectations have been made in good faith. The achievement of results is subject to risks, uncertainties and even less than accurate assumptions. Market data and information are gathered from various published and unpublished reports. Their accuracy, reliability and completeness cannot be assured.