

Opportunities for Internal Audit - for CA's



Agriculture Sector

Favourable Govt Schemes and Policies

Considered as priority sector

Boost to irrigation through PMKSY

Boost to productivity through PKVY

National Unified Agriculture Market

Target of doubling farm income by 2020

Increase allocation for Agri. Credit

Subsidised interest rate

Power Subsidy

Importance of Agri Sector



2nd largest agricultural land in the world – 160mn hectares

Contributes 14-15% of **India's GDP**

Primary source of livelihood for > **55 %** of India's population

Agricultural product - **4th largest** exported principal commodity with a share of 10 % of total

Consumer Base

Key metrics

Indian Population > 1.25 Billion

More than 60% in working age

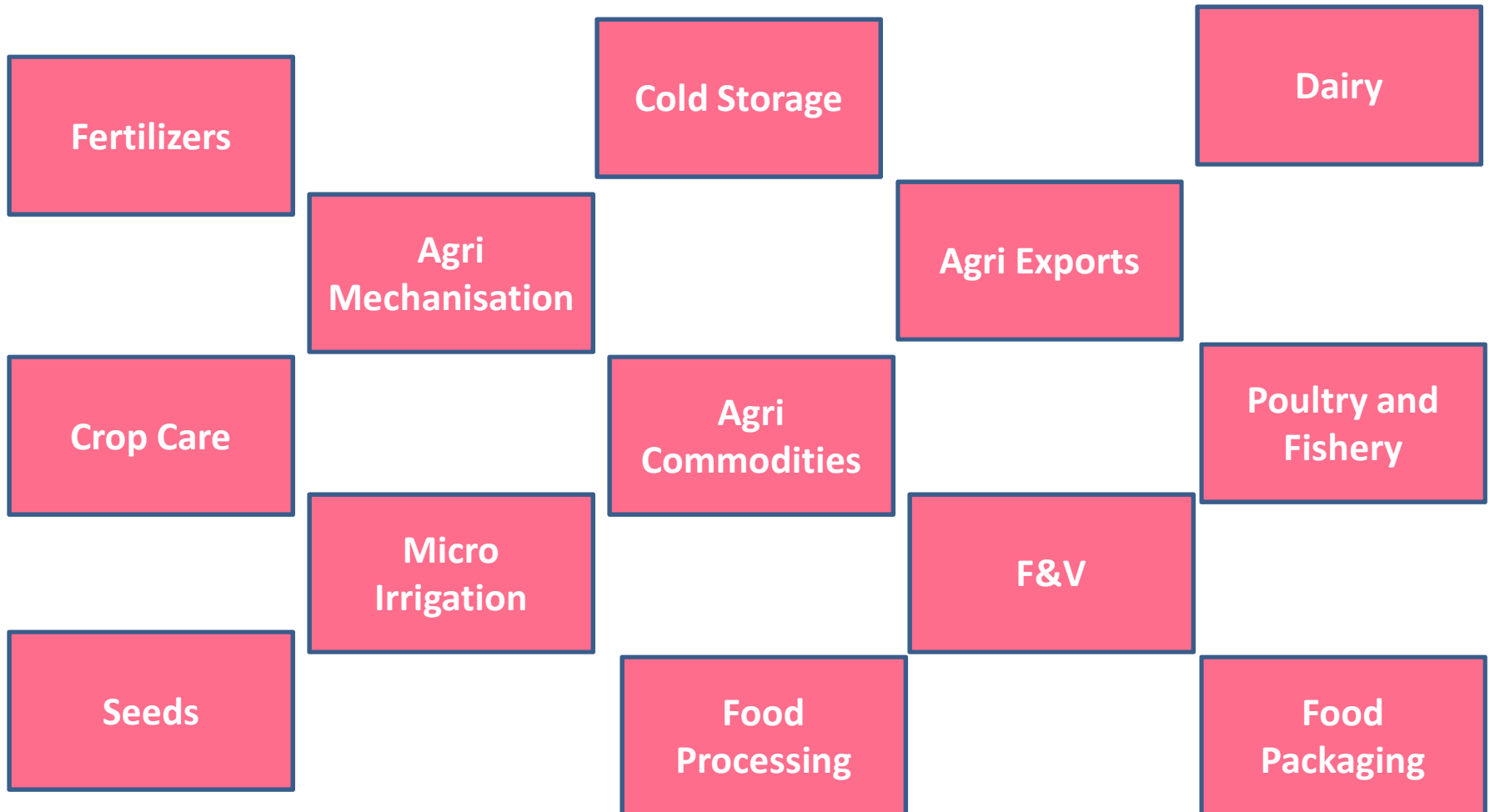
Multiple Culture and beliefs

Ever growing per capita income From USD 1100 in F08 to est of USD 1800 in F17

Investment in Agri Research is on rise

People moving towards health and hygiene – focus on organic and sanitation

Agri Sector Landscape



Corporate players in Agri Sector

Product	Industry Appx revenue (Rs. Crs.)	Large Corporate	Others
Agro Chemicals	30000	Rallis, Bayer, Syngenta, Godrej, Dupont	Gharda, Bhagiradha
Fertilisers	200,000	NFL, Rashtriya Chemicals, Coromandel	Deepak Fertilisers, Chambal
Dairy	400,000	Amul, Mother Dairy, Nestle,	Parag, Prakash, Heritage,
Edible Oil	100,000	Marico, Adani Wilmar	Agro Tech, Mother Dairy
Micro Irrigation	3,000 – 3,500	Jain Irrigation, Netafim	M&M – EPC Industry, Finolex
Crop Care	20,000	Bayer, UPL, Syngenta	BASF, Dhanuka, PI
Agri Mechanisation	20,000	M&M, TAFE, Escorts	Sonalika

Organised Sector

Large
Corporates

Public
Sector

Mid Caps

MSME

Exports

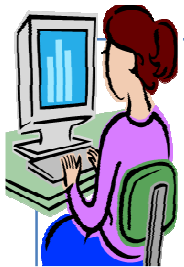
Unorganised Sector



Constitutes 2/3rd of market size



Single Family and Small farm holding



Limited scope for Audit as of now



Sector moving to organised space

With GST implementation the scenario is expected to change for better and may result in great opportunities for the profession.

Challenges

Business Model

- Initial stage as compared to developed nations
- Low level of entrepreneurial expertise
- Holding company – Subsidiary company set up
- Outsourcing of certain processes

Financial discipline

- Revenue recognition and Receivable management
- Inventory management
- Low credit availability

Low R&D

- Lack of Research attitude and investment
- Lack of technology
- Low productivity resulting in lower profitability

Challenges

Laws

- Marketing regulations
- Stock holding regulations
- Pricing regulations

Other factors

- Monsoon uncertainty and other risks
- Labour shortage
- Lack of managerial skills
- Lack of reliable data / information

All these leads to increase level of complexities and hence need for checks and balance

Internal Audit - Definition

Internal audit is an **independent management function**, which involves a **continuous and critical appraisal** of the functioning of an entity with a view to **suggest improvements** thereto and add value to and **strengthen the overall governance** mechanism of the entity, including the entity's **strategic risk management** and internal control system.

IA – Key Aspects

Independent Function

Management Tool for critical and continuous appraisal of processes

Ensuring adherence to guidelines and policies

Emphasis also on operational controls

Value addition is part of deliverables

Capable of providing inputs for ERM and CG

IA – Opportunities



Systems & Processes – Designing & Documenting



Accounting Practices & Compliances



Enterprise Risk Management



Corporate Governance

IA – Potential



Benchmarking & Best Practices



Performance Improvements & KRAs



Financial Reporting & Investor Relations ?



Forensic Audit

Sub-Sector Specific Issues

Micro Irrigation

- Largely subsidy based
- State wise different documentation
- Low value per installation
- Far fetched areas to be covered
- Entire value chain needs deep vigilance

Dairy & Dairy Products

- Milk collection from & payment to farmers
- Quality across the value chain
- Cold chain logistics
- Highly Perishable Inputs
- Commodity fluctuations

Crop Care

- Manufacturing under specific permissions
- Product – Self Life
- Multiple product lines – Many SKUs
- Large network of small dealers
- Recover based on farm output
- Sourcing – Make vs Buy

THANK YOU