

MONSANTO



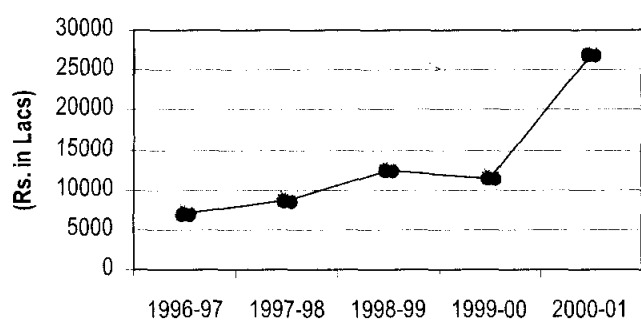
reportjunction
Monsanto India Limited

(Formerly Monsanto Chemicals of India Limited)

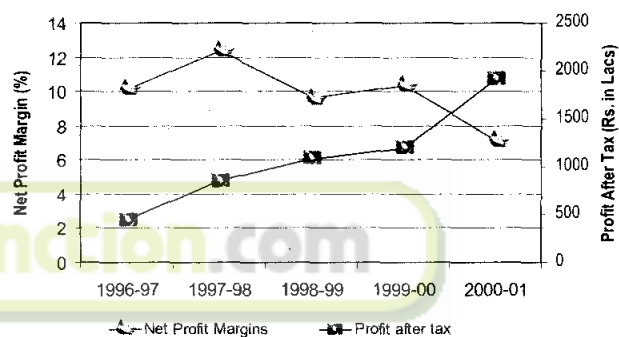
ANNUAL REPORT 2000-2001

FINANCIAL HIGHLIGHTS

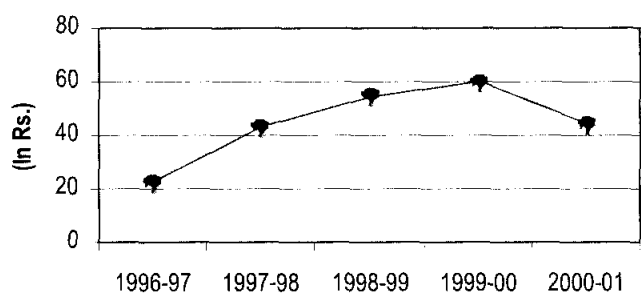
Turnover (Total Income)



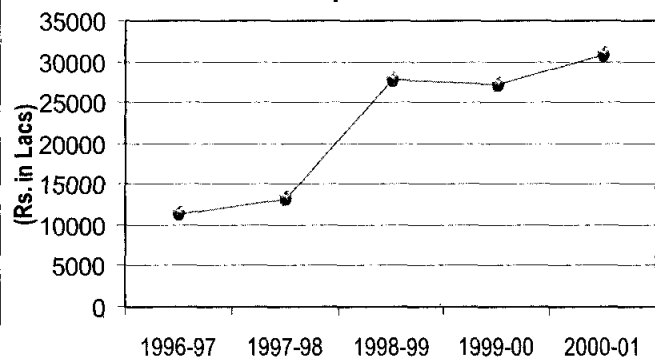
Profitability Indicators



Earnings Per Share



Market Capitalisation





CONTENTS

BOARD OF DIRECTORS

Mr. B. K. Chiu, Chairman

Mr. Sekhar Natarajan, Managing Director

Dr. S.P. Adarkar

Mr. H.C. Asher

Mr. R.C. Khanna

Mr. Wan Wah Chung

**COUNSEL (Legal & Taxation) &
COMPANY SECRETARY**

Mr. Ajai Jain

AUDITORS

Ford, Rhodes, Parks & Co., Mumbai

BANKERS

Citibank N.A.

State Bank of India

REGISTRAR AND SHARE TRANSFER AGENTS

Intime Spectrum Registry Pvt. Ltd.

260, Shanti Industrial Estate

Sarojini Naidu Road

Mulund (W), Mumbai 400 080.

Tel: 022 - 564 7731 / 568 4590

REGISTERED OFFICE

Wakefield House, 11, Sprott Road

Ballard Estate, Mumbai 400 038.

ADMINISTRATIVE OFFICE

Ahura Centre, 5th Floor

96, Mahakali Caves Road

Andheri (East), Mumbai 400 093.

Tel: 022 - 824 6450 / 690 2100

FACTORIES

- 1) 4&5 Madhuban Industrial Estate
Village Rakholi, Silvassa 396 240
Union Territory of Dadra & Nagar Haveli.
- 2) 50/51, Lonavala Industrial Estate
Nagargaon, Lonavala 410 401, Maharashtra.
- 3) Moka Road, Srivara Village
Bellary 583 103, Karnataka.

51st ANNUAL GENERAL MEETING

Date : 25th July, 2001

Time : 3.00 p.m.

Venue : M.C. Ghia Hall, Bhogilal Hargovindas Building
2nd Floor, 18/20, Kaikhushru Dubash Marg
Mumbai 400 001.

TABLE OF CONTENTS

To Our Shareholders	2 - 3
An Overview	4 - 8
Financial Summary for Ten Years	9
Notice for AGM	10 - 14
General Shareholder Information	15
Directors' Report	16 - 19
Auditors' Report	20 - 21
Annual Accounts	22 - 35



TO OUR SHAREHOLDERS



Initial Public Offering of 15 percent of its holding to enable the listing of Monsanto as a stand-alone company, focussed entirely on agriculture. This happened as Monsanto prepared to celebrate its centenary as a business enterprise in 2001, making it a "Century Old, Brand New" company.

These developments have come at a most appropriate time for Monsanto - in India as well as internationally. The advent of the

The year gone by has been both eventful and historic for Monsanto. In India, we completed the process, begun in March 2000, of integrating our agricultural businesses into our listed company, thereby making it a comprehensive agricultural inputs provider in India. This reaffirmation of our commitment to India and all our stakeholders, including shareowners and farmers, came through the strategic acquisition of Monsanto's seeds capabilities and its strategic marketing and distribution platforms, giving us instant access to new products to enhance our ability to compete and grow in an evolving market.

Around the same time, Monsanto merged with Pharmacia & Upjohn globally, in 55 countries, to form Pharmacia Corporation. In October 2000, Pharmacia Corporation made a partial

Green Revolution in the 1960s provided the Indian farmer with an opportunity to access new technologies. The readiness and the speed with which he accepted, adopted and adapted to new technologies ever since, and made India self-sufficient in food, has won him the admiration of agriculture scientists around the world.

India now faces new challenges. Our population crossed the one billion mark during the year and is expected to touch 1.3 billion by 2025. Speaker after speaker at the Indian Science Congress in Delhi in January this year emphasised India's need to increase foodgrain production by over 100 million tonnes by 2025 - an increase of 50 percent over current production levels - to feed this growing population and alleviate the pressure this



would exert on land, soil and water resources. The Government wants farmers to become more market-oriented, internally and externally, through changes in the foodgrain procurement and distribution system and a closer look at export markets.

The Government is also exploring the removal of restrictions on inter-state movement and stocking of agriculture produce, which has prevented farmers from getting the best prices for their produce. Farmers are being encouraged to adopt crop diversification and look at value addition and yield per unit, rather than volume productivity, in a bid to become cost-efficient, world-class producers. Our farmers are gearing up for a new competitive environment as a result of these developments.

As a leading provider of agricultural products, Monsanto is uniquely positioned to partner with the Indian farmer and contribute effectively in a changing environment. Monsanto has a growing portfolio of products and technologies covering agrochemicals, seeds and seed enhancements that are available to us from our global company and through our partners in India. We can offer farmers integrated

solutions that have the potential to improve farm productivity in a sustainable manner.

This is in line with Monsanto's renewed "Focussed Forward" approach, which is driven by its vision of "Abundant Food and a Healthy Environment". Our Mission is to deliver products and solutions that meet our food and fibre needs, while conserving natural resources and improving the environment.

As stewards of Monsanto's success, accountable to all stakeholders, we are committed to **Taking Ownership of our**

Company's Success, Building Strong Relationships in the environment we operate in, **Delivering Highest Quality Products and Technologies** and **Creating a Great Place to Work.**

We are confident of living up to the confidence that our shareholders have placed in us. I look forward to the years ahead.

BK Chiu
Chairman



AN OVERVIEW



We are pleased to report yet another year of successful financial results for Monsanto India. During the last decade, we have achieved a compounded annual growth rate of 39% and 46% for sales and profit after tax (PAT), respectively. The continued growth in revenues and net income during the current year is an affirmation of the fact that the consolidation and integration of our agricultural businesses in India last year is paying dividends. Despite the adverse market situation in the agricultural sector, the company managed to successfully escape an adverse impact on its financial performance. This only strengthens our confidence that the strategies we have adopted will help us retain our leadership position and continue to increase shareholder value.

TAKING OWNERSHIP OF OUR COMPANY'S SUCCESS

Continued profitability is critical to our success. By steadily improving profit margins and cash flow, we generate resources for further growth and strengthen our ability to deliver superior shareholder value over time. Our expectations are high, but they are grounded in reality -- the reality of recognising that we live in a world with growing food and fibre needs. Agriculture offers immense opportunities for growth in the years ahead. Monsanto, with its focus on continued creativity and technological innovation is well placed to help meet the needs of our farmers and stakeholders. We are in a strong position as we look ahead, acknowledged as a global leader in each area of our powerful product portfolio - agrochemicals, seeds and seed enhancement through biotechnology. More importantly, we are uniquely positioned to meet our customers' needs by integrating these product platforms and thereby providing our customers with unique solutions to their problems.

To capitalise on the opportunities ahead, we will focus on three priorities:

- Maximising existing businesses
- Improving operational efficiencies
- Introducing new products and technologies

Market Development

As a technology-driven company, Monsanto has always strived to provide innovative, cost-effective and environment-friendly solutions to our customers. Our success depends on our ability to defend and grow our market share in the key markets. More importantly, our sustained long-term growth depends on our ability to develop new markets for our products and technologies. Market development, therefore, is a key focus area for our company.

While opportunities for growth in the herbicides and seeds area are huge, the challenges too are many and unique. Like his counterparts in the world, the Indian farmer also likes to see new products and technologies demonstrated in the field before he accepts and adopts them. This requires dedicated resources to communicate and demonstrate our products and technologies to millions of small farmers with fragmented landholdings across difficult terrain.

Our organisation has realigned itself to focus on market development as a key responsibility in every territory. Our goal is to aggressively support this activity and *make market development a way of life in Monsanto.*

Seeds of Growth

The total market for seeds in India has been growing at a healthy pace. Over the years, we have observed a steady shift in farmer preference towards seeds from private companies. This has been largely due to significant quantities of seeds with improved yield, duration and disease-resistant characteristics being available from private companies, all of which translate into higher profits for the farmer. We see this trend as significant, especially as this supports our growing seeds portfolio.

Improving Operational Efficiencies

We find ourselves in a changing and challenging business environment today. World over, the traditional crop-protection industry is maturing and shrinking, as farmers move to alternative solutions to solve their agricultural problems. This is forcing the industry to scramble for alternatives, manage their assets more tightly and even combine efforts through mergers and buyouts. This is a trend that cannot be ignored, especially because the agrochemicals business contributes a large portion of the total turnover of our company. As we look ahead, even locally, we will encounter increased competition and challenging market conditions which will put pressures on our profit margins. Our focus and efforts are therefore geared to build on our efficiencies and rationalise our costs.

Integrated Pest Management

We believe that the consolidated approach of Integrated Pest Management (IPM) will strengthen the company's forward push. As defined by the UN Food & Agriculture Organisation (FAO), IPM emphasises the use of all suitable techniques of pest management, including chemical, biological, cultural and varietal methods of pest control, in order to produce safe, affordable food while protecting the user, consumer and the environment. IPM allows farmers to control disease, insects, weeds and other pests in a cost-effective, environmentally and socially acceptable way.



Many IPM alternatives are preventive or indirect crop protection measures. These include time-honoured agronomic treatments like breeding, crop rotation, irrigation management and effective crop husbandry. They also include practices that maintain adequate populations of beneficial insects. Other IPM alternatives are classified as intervention or direct. These include chemical control, bio-control using an insect predator to control a pest and cultural and sanitation methods that remove alternative host plants and destroy pest habitats.

New technologies like crop biotechnology are an important part of the IPM strategy. Also included are legal parameters like crop export quarantines that ensure crops bound for markets are pest-free and healthy to eat. But the successful implementation of IPM ultimately rests with the farmers. Farmers will only adopt it if they see it as practical and adding value.

We in Monsanto strongly support IPM and believe that our products and technologies fit well into this integrated approach that could help us become a unique solution provider to our farmers.

Pioneering Role

The market has rewarded our innovation and technological leadership and we have demonstrated our ability to grow our current business and take on a pioneering role in new areas.

Through our understanding of emerging customer needs, we continue to move in new directions and expand our defined markets and core capabilities. Your company has strong financial resources, the best people, outstanding products and services, a compelling vision and enduring values that provide it with a winning edge in a highly competitive environment.

Among our greatest challenges -- and key to our success -- is the way we think about the business and our relationship to it. Each Monsanto employee understands and embraces a new role -- that of a **steward** of our company. Each one of us is responsible for growing the business, accountable for achieving results and for the way those results are achieved. As owners, we understand that our constant focus is our customers and our daily priority that of solving our customers' problems. Also, as stewards of the products we make and sell, we are accountable to our customers, the world and the environment we live in -- and to future generations.

BUILDING STRONG RELATIONSHIPS

At Monsanto, our efforts are ongoing to build effective, enduring and rewarding relationships with our customers, the trade and our alliance partners.

In a tough and competitive environment, our people are trained and equipped with the right knowledge and the right attitude of responsiveness to understand and address customer needs and build effective long-term relationships. Doing all these will help us build customer loyalty.

Our relationships with the trade are strong and our efforts are directed towards building better trust and fostering unique partnerships. In addition to involving them in the development of our strategy, we devise new schemes and incentives that will ensure their loyalty towards our products. The "Golden Harvest" loyalty programme for our distributors was initiated on a small scale in Punjab. This programme is the first of its kind in the industry.

Business Alliances and Partnerships

Monsanto India has multiple strategic partnerships -- another first in the industry. Our goal of providing a complete solution to farmers is what drives these alliances. Our partnerships help us reach many parts of the country faster and add frontline products to our portfolio. Bundling complementary products from competitors and extending the distribution network through alliances, is the successful route our company has taken. Our success can be gauged from the fact that partnerships contribute almost 30 percent to the turnover of the company.

We also collaborate with our partners in special village adoption projects that help educate and communicate the value of our technologies faster to small farmers.

Small Holder Initiative

Millions of farmers around the world, grow food on plots of land of less than two hectares. These Small Holders contribute greatly to local food production, despite the fact that the average yields for crops such as corn, wheat and rice are less than a third of those in more developed countries. Small Holders often have no access to information about sustainable agricultural practices -- and credit, which agribusiness depends on, is not commonly extended to Small Holders. The ability to plan ahead, even within a limited range of means, is beyond the scope of most small farmers.

MONSANTO



Monsanto is now working through its own people and through partnerships with NGOs and government extension agencies to deliver sustainable technology to this group. The support provided includes technical help, actual crop inputs along with recommendations on how to use them appropriately and advice on how to monitor cropping practices. The demonstration plots let farmers see conservation tillage – helping preserve watersheds from erosion, rebuilding marginal soils and making water utilisation more efficient.

Two such projects for cotton and rice growers, undertaken with Rallis India Ltd., involved 900 hectares and 1,844 farmers in 1999. This grew to 16,000 hectares in 2000. Yield increases on all hectareage that the Small Holder Teams supported have averaged 10 percent while operational costs have decreased by at least 5 percent. A new Small Holder project was initiated in partnership with Nagarjuna Fertilisers in 2000, involving 9,250 hectares of soyabeans in Madhya Pradesh. This project has once again demonstrated the value of partnerships across the value chain that help farmers access technology, credit and markets.

Farmers involved in these projects have begun to see increased economic benefits and these gains have helped improve the socio-economic situation in villages. One incidental benefit is that villages where the Small Holder group has established new farming practices have also seen a reduction in the number of school dropouts, especially where project members and officers are staff members of the schools.

DELIVERING HIGHEST QUALITY PRODUCTS AND TECHNOLOGIES

Monsanto in India was built on superior products and that tradition continues today. Our line of herbicides and seeds extends from the family of Roundup and other crop protection products to the Asgrow and Dekalb seed brands. Our current product line-up is the strongest in our history. We are proud of having established our portfolio of world-class brands -- **Roundup, Leader, Machete, Lasso, Avadex, Asgrow, Dekalb** -- as undisputed leaders in the market, thanks to the bonding we have built with our customers through our team of knowledge workers, who are among the best in the country.

Brands are usually associated with fast moving consumer goods (FMCG) companies and not with those working in the field of agriculture. Monsanto India is the exception. FMCG companies use mass media advertisements to popularise their products. However, for Monsanto the solution lies in continuously using innovative and creative ideas tailored specifically for each focussed geographical and demographic audience.

All our products and services benefit from their association with our strong global family of brands. With the addition of two more Dekalb sub-brands last year, we now have a diverse and distinct collection of brands. The focussed branding of each of our products and their wide acceptability with our dealers and customers, is the key feature of our success story. Our brands help us build strong, lasting relationships and grow our business.

Novel campaigns, coupled with effective ground-level implementation have made Roundup, Leader, Machete, Lasso, Avadex, Asgrow and the Dekalb family of brands top-of mind products among our farmers now. The 40-day long *Leader Kanak Rath* was one such initiative. A branded mobile wheat Helpline, this chariot helped establish direct contact with a large number of farmers. Six branded vehicles criss-crossed Punjab and Haryana and an agronomist travelling with the *Rath* provided value-added information. An advisory service about the benefits of Leader through a mobile phone also received tremendous response during the *rabi* season.

Not to be left behind, **Roundup** launched *Jiski Roundup Uski Bhains*, a very popular scratch-and-win contest where the prizes were buffaloes. *Makka Sujhav Kendra*, a **Asgrow/Dekalb** campaign which ran for more than three months, involved suggestion boxes at retail outlets where farmers could drop queries or suggestions about maize cultivation. Other promotions included claim schemes with caps of **Machete** containers and card-in-seed bags, which were run in Andhra Pradesh and Karnataka in collaboration with a tractor manufacturer.

For the first time, we have started branding seeds by specific functionality-related names and not numbers, which is the standard in the industry. This kind of sub-branding clearly segments the market and will help us communicate the benefits. Last year we launched Dekalb Hishell and Dekalb Allrounder. Hishell has a high shelling percentage compared to other sub-brands while Allrounder is well adapted and drought-tolerant with good yields.

These successful strategies have evolved from very diligent research work. Gaining insights into farmer behaviour is very critical. We have studied their habits through focus groups and developed campaigns based on our findings. We are placing great emphasis on research in this area, apart from developing a unique competency whereby the marketing and production teams work closely in order to plan and implement winning ideas.

All these efforts have had a dual advantage. On the one hand, they put us directly in touch with our customers and on the other, bring great benefit to the brands

MONSANTO



through the massive word-of-mouth publicity that is generated around these unusual ideas -- ideas which help us stay many steps ahead of our competitors, enhance our value and increase mind and market shares.

While our products continue to make an impact in the marketplace, we are making a conscious effort to learn more about our customers and to know them better. More employees spent time last year meeting individually with farmers, to listen to them and talk about their work. Many immersed themselves for several days in the lifestyles of various demographic groups or spent time working as volunteers in the community. We are all learning, in an intense and very personal way, to view our business from a customer's perspective.

CREATING A GREAT PLACE TO WORK

Our continued success can be attributed to the energy, enthusiasm and creativity of our employees, a truly talented and highly committed workforce. Outstanding people who overcome difficult challenges are a tradition at Monsanto India. People are motivated, trained and developed every day, everywhere. Together they are responsible for our growth and profit goals, year after year. They are the single most important element of our past success and the reason why we are so confident about our future.

We take great pride in saying that our company has one of the best teams in the industry. In a survey conducted by Business Today and Hewitt Associates LLC, our company ranked among the top 30 corporates in the country. The purpose of the "Best Employers in India" study was to rank the best companies in the country.

The Employee Satisfaction Survey covered 1,000 companies and assessed the satisfaction level of employees across seven factors which included culture and purpose of the company, work environment, fairness, relationships with people in the company, nature of work, rewards and recognition, work-life balance, growth and development opportunities and the extent to which employees feel connected with the leadership. As per Hewitt research, these factors directly relate to employee "engagement" or commitment to the company.

Monsanto employees gave the company an "engagement" score of 73% against the average of 80% for the top 10 companies and rated the company 93% on the physical working conditions (top 10 average 83%), 85% for training and development opportunities (top 10 average 68%) and 81% on people/co-workers (top 10 average 88%).

Our employees have to be equipped and prepared to face the challenge of changing the way farming is done in our country. This requires a great deal of zeal, commitment and person-to-person contact. Our people have to identify with farmers because they are building long-term relationships that involve a high level of trust, respect and integrity. The Human Resources Team has capably handled the daunting task of developing such a team not only by recruiting the best but also by continuously training and motivating them through a unique Performance Management System that encompasses development, performance and rewards.

This integrated development system creates an environment that provides opportunities for our people to grow on a personal level and meet the business objectives in line with the vision of Monsanto. The success factor can be gauged from the Employee Satisfaction Survey mentioned earlier. The survey has helped identify areas where we have to work harder towards enhancing employee satisfaction and the entire programme is driven by the management team, demonstrating their commitment to employee growth.

STEWARDSHIP CORPORATE RESPONSIBILITY

Safety First

ESH (Environment, Safety & Health) has always been accorded top priority at Monsanto not just at the office or factory but also as a way of life. Our company has set industry standards for both safety and environment management. The Occupational Health and Safety Management System (BS-8800) and Environmental Management Systems (ISO-14001) are voluntary standards used by industries to quantitatively measure their safety performance. In Monsanto India, these standards were used as a tool to develop the Environment, Safety & Health systems at our Silvassa and Bellary factories and get our manufacturing facilities certified through an extensive certification audit conducted by an external auditing agency.

This certification represents the highest level of recognition for safety results in Monsanto. While the Bellary plant is certified for BS-8800, the Silvassa plant has been certified for both ISO-14001 and BS-8800. These certification audits were conducted by Societe Generale de Surveillance (SGS) Singapore for BS-8800 and Bureau of Indian Standards for ISO-14001.

7



Community Relief Activities

The earthquake that hit Gujarat on January 26 this year caused unprecedented havoc in the state. Monsanto employees in South Asia, Monsanto's worldwide businesses and the Monsanto Fund were quick to respond to the needs of the hapless victims.

Our Managing Director handed over a cheque for Rs. 52.3 lakhs to the Prime Minister, Mr A.B. Vajpayee, on February 22. Monsanto Fund contributed another Rs. 47 lakhs to the International Red Cross Society in the US. This gift supports the collaborative disaster relief effort in Gujarat of the American Red Cross, the International Committee of the Red Cross and the India Red Cross Society. A further Rs. 10 lakhs was handed over to the South Indian Education Society, which has joined hands with the Spastics Society of India to help construct a school at Bachau in the Rann of Kutch. This money has come from Monsanto employees in South Asia, the South Asia business (which matched employee contributions) and savings from austerity measures adopted at our Annual Sales Conference in Agra this year. We made a conscious effort to select the most credible organisations for funding, to ensure speedy relief to the victims. We feel happy and proud that we rallied together as an organisation so quickly, raised Rs. 1.10 crores and grouped our resources to generously support the most worthy relief efforts that are underway.

To help rehabilitate the flood victims of West Bengal last year, we donated Rs. 10 lakhs to the West Bengal Chief Minister's Relief Fund.

Community Outreach

Enlightened corporations understand that companies can only be as successful as the environment in which they operate. This has always been our belief at Monsanto India. Our role as a contributor to the communities in which we work is a source of pride to us and a factor in our success as a company. We plan to play an even greater role in helping to address many of the challenges of development.

Vanarai - Last year, Monsanto funded Vanarai, a Pune-based NGO engaged in rural upliftment, through the Monsanto Fund. Vanarai adopts villages and educates the villagers on ways and means of improving their livelihood through self-help. This includes training on diverse subjects such as water-management, vermiculture and even personal hygiene. Since these training sessions were held under makeshift shelters, Monsanto is helping Vanarai build five training centres in Maharashtra.

Monsanto Vidyarthi - Monsanto India has established Monsanto Vidyarthi, a community outreach programme which provides educational scholarships to primary, secondary and university students in most of the regions where we grow our seed products. Monsanto Vidyarthi is an endeavour by Monsanto's family of employees to give something back to the communities in which we live and work. Of greater value than the money and resources expended, is the personal commitment of time and energy invested in the programme by each of our team members.

Our employees take responsibility for visiting schools, meeting with teachers and students, assessing needs, then following up by managing student enrolments and distributing equipment and supplies.

To date, over 2000 students have benefitted from the Monsanto Vidyarthi programme at the secondary level through various scholarship schemes. As part of the programme, students from select villages in Karnataka and Andhra Pradesh have been equipped with study material in the form of schoolbooks and schoolbags.

Technology Sharing

Monsanto strives to bring appropriate technologies to boost yields and nutritional value in keeping with the principles of sustainable development. For this reason, we have publicly pledged to share globally our knowledge in agricultural research and to facilitate the use of our technologies for the common good, improving food security and protecting the environment. In fact, Monsanto has created a dedicated team to facilitate technology sharing and agricultural collaborations with public institutions, non-profit groups and local industry around the world.

We have already taken steps to share with researchers around the world, free of cost, our knowledge of the rice genome sequence which helped speed up the mapping of the rice genome announced in January 2001. We are also sharing coat protein technology with the most important papaya growers in five South-East Asian countries, to incorporate resistance to the Papaya Ring Spot Virus (PRSV). We were the first to provide royalty-free licences for all of our technologies that can help further development of Vitamin A-enhanced Golden Rice and enable our technology to be used for the development of Vitamin A-enhanced Golden Mustard oil. These steps are consistent with the new Monsanto Pledge to **Share**.