

MONSANTO



REPORT JUNCTION

Monsanto India Limited

(Formerly Monsanto Chemicals of India Limited)

A N N U A L R E P O R T 2 0 0 1 - 2 0 0 2

Contents

BOARD OF DIRECTORS

Mr. Brett D. Begemann, Chairman
 Mr. Sekhar Natarajan, Managing Director
 Dr. S.P. Adarkar
 Mr. H.C. Asher
 Mr. R.C. Khanna
 Mr. Wan Wah Chung
 Mr. C.Y. Wong

COUNSEL (Legal & Taxation) & COMPANY SECRETARY

Mr. Ajai Jain

AUDITORS

Deloitte Haskins & Sells, Mumbai

BANKERS

Citibank N.A.
 Canara Bank

REGISTRAR AND SHARE TRANSFER AGENTS

Intime Spectrum Registry Limited
 260, Shanti Industrial Estate
 Sarojini Naidu Road
 Mulund (W), Mumbai-400 080
 Tel: 022 - 564 7731/ 568 4590

REGISTERED OFFICE

Ahura Centre, 5th Floor
 96, Mahakali Caves Road
 Andheri (E), Mumbai-400 093
 Tel: 022 - 824 6450/ 690 2100

FACTORIES

- 1) 1, 4 & 5, Madhuban Industrial Estate
 Madhuban Dam Road, Rakholi, Silvassa-396 240
 Union Territory of Dadra & Nagar Haveli
- 2) Moka Road, Srivara Village
 Bellary-583 103, Karnataka
- 3) Bapirajagudem Village
 Pedavegi Mandal, Vijaya Rai Post
 West Godavari Dist.-534 475, Andhra Pradesh

TABLE OF CONTENTS

From the Chairman	1
An Overview	2 - 7
Financial Highlights	8
Financial Summary for Ten Years	9
Notice for AGM	10 - 12
Directors' Report	13 - 16
Corporate Governance Report	17 - 21
Management Discussion and Analysis Report	22 - 23
Auditors' Report	24 - 25
Annual Accounts	26 - 41

52nd ANNUAL GENERAL MEETING

Date : 23rd July, 2002

Time : 10.30 a.m.

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



- From the Chairman

It gives me great pleasure to present this Annual Report for the year 2001-2002, my first as Chairman of your Company.

The year gone by has been momentous in several respects. We have taken steps to deliver on promises, to sustain strong performance and to lay the groundwork for long-term growth.

Financially, it has been a good year for our seeds and herbicides business. Revenue from sales increased by 23% to Rs. 33032 Lacs while profit after tax improved substantially -- by 62% to Rs. 3110 Lacs, from Rs. 1924 Lacs in the previous year.

Our exports during the year more than doubled and our herbicides and seeds portfolio performed exceptionally well.

A significant milestone for the Indian agriculture sector has also been achieved. On March 26, 2002 the final approval for the commercialization of the country's first biotech crop, insect-protected Bt cotton, was received by our seed partner Mahyco. Coming at the very end of the financial year, this was a most welcome development because it embedded the third cornerstone of our business in India. *Bollgard*, as Bt cotton is branded, is being launched through our JV with Mahyco and distributed by both Monsanto and Mahyco.

Several countries approved planting of new biotechnology crops during the year. This includes approvals for farmers to plant insect-protected cotton in Indonesia, *Roundup Ready* soyabeans in South Africa and *Roundup Ready* cotton in Argentina. Lower input costs, greater convenience, environmental benefits and higher yields make biotechnology a very attractive alternative for farmers.

The future of our growth is driven by the increasing need for food and fibre to keep up with an expanding population, more nutritious diets and increased disposable incomes. Monsanto is uniquely positioned to take advantage of these opportunities. We are at the forefront in developing products and technologies that will help our farmers enhance yields and practice more sustainable farming. We are also well positioned to bring these products and technologies to market. We have developed a unique business model, such as the *Humsafar*

project that offers integrated solutions to the farmer. The model integrates seeds, biotechnology traits and herbicides.

India is largely an agrarian economy and its well being therefore depends to a great extent on the performance of its agriculture sector. Owing to the continuing increase in population, the land available for cultivation is shrinking and this demands high yields from less land, water and other resources. Towards this objective, we have made significant investments in market development activities and manufacturing infrastructure.

The readiness of Indian farmers to adopt modern farming technologies, and the availability of hybrid seeds locally, is a positive indication for the growth of the agriculture industry. Use of hybrid seeds is still very low in India but awareness of the high yield and good quality of produce from hybrid seeds is attracting farmers to switch over to hybrids. Higher yields can also be assured by reducing the loss of crops from weeds, pests and insects. Government policies are encouraging exports of agro-based products through incentives to the food processing industry, which demands high quality of agro produce. We see ourselves as uniquely positioned to play a major role in all of this.



This Annual Report includes a Report on Corporate Governance along with a certificate from the Auditors of the Company regarding compliance with the conditions of Corporate Governance, as well as a Management Discussion & Analysis Report pursuant to Clause 49 of the Listing Agreement.

Monsanto India Limited is a subsidiary of Monsanto Company, USA and is committed to adopting the best global practices of Corporate Governance. This envisages the commitment of the Company towards the attainment of high levels of transparency, accountability and business propriety with the ultimate objective of increasing long term shareholder value, keeping in view the needs and interests of all other stakeholders.

Brett D. Begemann



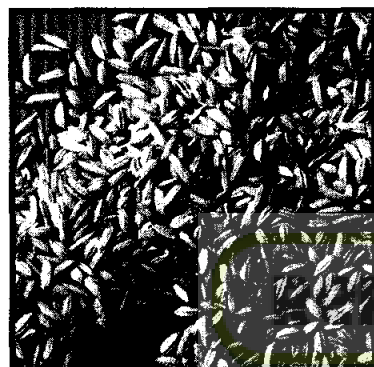
An Overview



TAKING OWNERSHIP OF OUR COMPANY'S SUCCESS

We are pleased to report yet another year of successful financial results for Monsanto India Limited.

The performance of your Company during the year was commendable despite lacklustre agro-climatic and market



conditions. We capitalised on the good spread of monsoon in 2001, and gained from the consolidation of our operations that we began in 2000. Along with knowledge-based innovative marketing strategies and a strong export performance, we exceeded our best

expectations and achieved a quantum jump in our financial performance for the year 2001-02.

Our Sales Revenue increased by 23% to Rs. 33032 Lacs. The Profit After Tax (PAT) also increased substantially to Rs. 3110 Lacs from Rs. 1924 Lacs.

Overall, our improved performance can be attributed to a combination of factors: successful penetration of the Indian market for agro inputs (herbicides & seeds), increased export volumes and a continuous focus on better cost management during the year.

Higher Productivity and Better Cost Management

Our growth is especially noteworthy because it has been achieved

Successful penetration of the market for agro inputs, increased export volumes and focus on cost cutting improved our performance

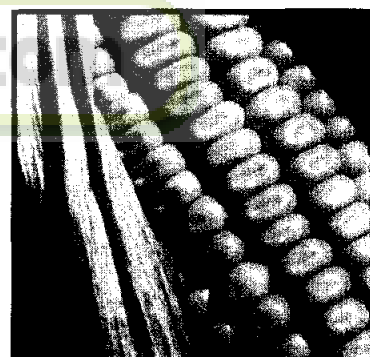
with increased productivity. While sales rose by 23% and net profit shot up by 62%, the expenditure grew by only 17%. Moreover, the operational expenses also included those incurred in taking over distribution of seeds from Rallis.

Another highlight of the year is that cash balances increased nearly 229% over the previous year and we added Rs. 1645 Lacs to the cash balances. While we reduced receivables, we were strict on credit policies. Incentives for sales employees were linked with collection and we set aggressive targets for these.

We also set up a special credit cell like a credit department in a bank, where limits were set for each customer. If any customer wanted credit beyond the pre-determined limit, an approval became necessary. All these steps worked well and a combination of these actions resulted in a positive cash flow situation.

Increased Exports

We did very well in exports last year. Your Company more than doubled its export volumes to Rs. 4943 Lacs, during the year under review, from Rs. 2461 Lacs, during the previous year. Due to the focus on exports, nearly 15% of the company's sales revenue comes from exports.



Seeds, especially maize, are a big export growth area because our quality has improved dramatically and productivity from seeds is high. Our exports of maize seeds to South-East Asia (Indonesia, the Philippines and Thailand) took off well because we have delivered excellent quality at reasonable prices. We earned Rs. 4210 Lacs in foreign exchange through seed exports and we expect to recover the investment in the plant at Eluru, Andhra Pradesh, in record time.



OUR FOCUS - HERBICIDES, SEEDS, TRAITS

Two years ago, we integrated all our agricultural businesses in India in the Company, thereby making your Company a comprehensive agricultural inputs provider in India. This came as a reaffirmation of our commitment to Indian agriculture: to provide unique solutions and products that will help farmers enhance agricultural yields and improve environment quality in a sustainable way, resulting in the growth of our revenues and incomes.

We remain focused on our areas of strength, our three core businesses of **Herbicides, Seeds and Traits** as we concentrate on four key crops - rice, wheat, cotton and maize. Our results show that the integration strategy initiated two years ago is bearing fruit. Today, we are looking at innovative marketing strategies and bundling of products to provide unique solutions, by sourcing products from third parties, wherever necessary.

Herbicides

Our herbicides business is a mature industry and is growing well. Our prime goal is to replace manual weeding with cost-effective and efficient weed control, improve quality and yield while reducing production costs for the farmer and increasing his income.

We are focused on Herbicides, Seeds and Traits as we concentrate on four key crops - rice, wheat, cotton and maize

Our strategy is to build on our existing diversified herbicide business as a strong platform for growth. This will help us leverage our distribution strengths and add value to both our customers and our shareholders.

The Conservation Tillage (CT) practised in the wheat project of Punjab and Haryana has now come to the aid of maize farmers in Bihar where fields are waterlogged through September and, sometimes, even October. This means delayed sowing for the winter crop. However by using CT, farmers have found they can sow as early as mid-September, regardless of the monsoon floods, and that unseasonal rain in October can actually help the crop if they use CT. Farmers report a gain of a tonne per hectare, which translates into Rs. 6,000 more per hectare against the Rs. 1,500 they spend on CT and the *Roundup* herbicide.

Traits

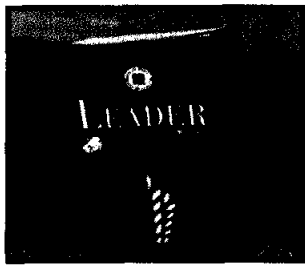
Your Company has secured the rights to distribute *Bollgard* cotton seeds in parallel with Mahyco from the licensee Mahyco Monsanto Biotech Limited. Accordingly, the recent Bt cotton approval will impact your Company in terms of sales growth immediately, because of our role as an early distributor of the new technology. As farmers see the success of the new technology in controlling bollworms, the Bt cotton hybrid area is expected to increase significantly over the next five years. We will also begin work on biotech maize this year.

Seeds

It is the Seeds business that we see as our growth platform during the next 3 to 5 years. We have now established *Dekalb* and *Asgrow* hybrid maize and sunflower seeds in the Indian market. In fact, our maize seed business outperformed the industry and contributed significantly to our revenues and income.



Our seeds have helped farmers improve productivity greatly despite the unfavourable weather conditions that resulted in uneven distribution of rain over large parts of the country. Our biggest success was in Bihar where, while the winter hybrid maize market grew by a mere 10%, we recorded a much higher growth rate, resulting in a significant increase in share of the seed market. The productivity of Bihar farmers growing maize is now as good as that of farmers in the US. Your Company is also planning to launch sorghum (jowar) hybrids soon and test marketing is on this year.



Demonstration of the benefits of Leader wheat herbicide was led by intense contacts with small groups of farmers and opinion leaders in the villages.

We also saw great success with sunflower seeds in Andhra Pradesh, Maharashtra and Karnataka where we achieved a substantial increase in our market share.

In fact, 2001 was one of our best years in the seeds business. We have already done the spadework here for growing sunflower and maize seeds, for which we expect results from 2003.

The growth in your Company's seeds business in 2001 was well supported by capital expenditure to the tune of Rs. 1200 Lacs. Eluru got a new Wet Ear Gas Drying Seed Facility and adequate money was spent on enhancing capacity in Bellary. This has resulted in Monsanto India being recognised throughout South-East Asia as a reliable source of high quality seed.

We also set up a Seed Production Research Centre at Eluru to identify hybrids which give higher yields to growers and can be produced at lower cost to the Company.

Market Development - the Leader Shows the Way

A strong desire to work closely with the farmer lies at the core of our philosophy. Monsanto has therefore always led the industry in its emphasis on market development. In the year under review, we took this emphasis to a new level when we set up a specific organisation focused solely on market development.

This enabled us to connect very well with the farmer and work jointly with him round the year in enhancing his productivity. This focused market development work also helped us effectively communicate the value-enhancing propositions of our products to the farmer and strengthened our market leadership. Constant contact with these farmers, especially opinion leaders, on a regular basis, is the most important part of the market development model. This enabled us to learn about the needs of our customers and earn their trust.

For example, the propagation and demonstration of the benefits of *Leader* wheat herbicide was led by intense contacts with small groups of farmers and opinion leaders in the villages of North India. In hybrid corn markets, on the other hand, our market development efforts focused on extensive demonstrations on farmer plots. These demonstrations were a comprehensive programme, wherein we supplied the seed, helped the farmer sow

them on his plot, and stayed in touch with him through to harvest. We thus helped the farmer see the benefits of our hybrids in terms of yield and quality of output, ultimately leading to better returns per acre. Similarly, for *Roundup* herbicide, the tea plantations market development team in the North Eastern states worked closely with the technical teams of important plantations, jointly running year-long pilot programmes to demonstrate the cost and time benefits given by the appropriate use of *Roundup*.

The above examples, by no means exhaustive, amply demonstrate the commitment and excellent execution of our company's market development focus, which enabled it to consolidate its position of market leadership in all the segments in which it is present.

From Molecules to Farmers' Needs

We were again driven by strong customer insight to drive sales of *Fast Mix*, a new environment-friendly Butachlor formulation for rice in Punjab and Haryana, where a shortage of water and electricity indicated we needed a herbicide that could do with less water. *Fast Mix* spreads better in low water collection and reaches faster into the soil to right where the weeds are.

This is another example of moving away from a chemical or molecule-focused approach to associating a product with a farmer's need. *Fast Mix* focused on the action -- how this water-based herbicide spreads deeper in less water.

The result: farmers began asking for the "Kum Paniwalla *Fast Mix*" (less water *Fast Mix*), their primary need!



...and Novel Marketing Tie-ups

We used another novel strategy to co-promote our hybrids along with a leading tractor company. We used a "lucky card" in maize packs that offered farmers the chance of winning a tractor. The result: a whopping 35% response rate that gave us a good database of large farm holders and won a lucky farmer a tractor.



The Humsafar Small Holder Initiative

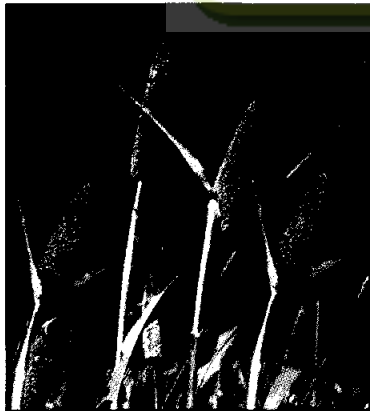
Millions of our farmers meet our needs for food and feed on plots that are less than two hectares. To Monsanto, these farmers are as important as the big landholder. Often these small holders have no access to information about sustainable agricultural practices. We met that need through the *Humsafar* small holder initiative.

Take the case of Onkar Singh, 53, a maize small farmer in Arned village of Chittorgarh district of Rajasthan. Like his forefathers, he has been growing the local *desi* variety of maize for decades, with average yields of 30 quintals per hectare. His fortunes changed when our Company included his village among the 14 chosen for the *Humsafar* maize project.

Humsafar's goal: to provide small holders like Onkar a one-stop Total Solutions package, increase crop value in terms of yield, better prices for his produce, education on better agronomic practices and better farm management practices--and thereby increase profitability.

Monsanto acted as a catalyst, and took the lead role of input partner. We roped in an output partner who could assure Onkar of a market for his produce, experts from agricultural universities and the government, and NGOs who could set up income-generating projects not based on agriculture, to bring about a qualitative change in Onkar's approach to farming and to life itself.

Your Company partnered with a leading poultry feed manufacturer, which offered Onkar a net price of Rs. 415 per



quintal, Rs. 30 above the then prevailing market price. *Humsafar* helped Onkar with *Dekalb, Hishell & Allrounder* maize seeds. The *Humsafar* Project Officer, Mahender Singh, an agriculture graduate, guided Onkar in new ways of maize production, from preparing the land to harvesting the crop.

Scientists from the local agricultural university participated with information, answers to questions and doubts about seeds, fertiliser, pests and plant disease.

To Monsanto, small farmers are as important as big farmers.

That is why the Humsafar Small Holder Initiative



Onkar Singh (left) with Mahender Singh who helped him treble his maize yield

Though Onkar and his friends were initially sceptical, they were won over by Mahender who stayed in the village, was available for guidance round the clock and made regular visits to the fields of all adopted farmers. The farmers were convinced that Mahender was serious when a *Humsafar Kisan Seva Kendra* was set up in the village to provide the latest in farm information and agricultural tools and equipment on hire for spraying, etc. They also received valuable information at a *Humsafar Kharif Crop Seminar*, the first in their village.

Mahender also brought in Lead Farmers under the Farmers Train Farmers concept. Your Company roped in an NGO, which set up non-agriculture income-generating programmes like soap making, stitching and formed self-help groups to induce farmers to save.

A *Humsafar* Technology Farm was set up in nearby Vana village, besides several demonstration plots on farms where Monsanto's *Dekalb, Hishell & Allrounder* maize was grown. Onkar meticulously followed the practices recommended by *Humsafar* including the right seed rate, correct spacing and optimum fertilisation. In November, he was in for the surprise of his life -- he reaped a bountiful yield of 80 quintals per ha against the 30 quintals per ha that he normally gets.

Says a jubilant Onkar, "I cannot recall any instance in my 53 years when anyone in my village or district ever got this kind of yield."



CREATING A GREAT PLACETOWORK

In a far-flung organisation, where people are on the move in remote regions most of the time and linked only electronically, human resource management is crucial to high motivation and performance levels. Our people are the single most important element of our success and the basis of our confidence in our future. Hence, we pay a great deal of attention to motivation, training and development of every member of our staff. No one remains static at Monsanto, constant growth for self-fulfilment, is an ongoing process with us.

Responding to feedback from the global Employee Satisfaction Survey (ESS) last year, your Company has taken a number of measures, one being the creation of the Rapid Recognition Award (RRA), to immediately commend outstanding performance outside of that recognised by institutionalised awards. Unlike the functional Monsanto Excellence Awards, the RRA could be from peer to peer, supervisor to subordinate or subordinate to supervisor. The award consists of a handwritten "I appreciate" note and a memento.

Our approach towards training is being constantly re-vitalised. Training programmes are now being customised to become more employee need-based. Two major organisation-wide programmes in the pipeline are "Product Refresher Programme" and "Finance for Non-Finance".

We have also instituted the "National Training Resource Unit" with 15 representatives nominated by Regional Business Managers, across the country. The members of the NTRU have been entrusted with the task of identifying training needs among field staff, collating them and helping to organise and deliver these training programmes.

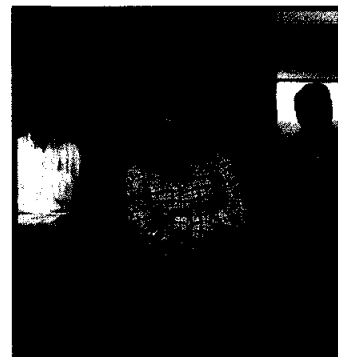
Career Self-Reliance

Challenges are constantly thrown up in an organisation like ours. Ours being a flat organisation, there is a need for Career Self Reliance -- to increase one's awareness of personal goals, values and interests, and strengthen the ability to create an alignment between personal interests and business needs.



This calls for increasing the ability to communicate one's value effectively and to enhance integration of the company's performance/development goals with personal career satisfaction.

So far, 17 workshops have been held to keep our people engaged and involved, and to provide challenging opportunities across the organisation through lateral and upward movement, including to the Asia-Pacific and other regions. The challenge is even greater because we are in the developmental phase, with a rich pipeline of new products and technology.



A major challenge for your Company during 2001 was to ensure optimal utilisation of resources, and also bring about developmental opportunities for people through growth from within, to fill up vacancies. This meant revisiting our structures and reorganising ourselves to see how existing employees could individually and collectively capitalise on available strengths, keep the head count down and manage costs better without compromising on efficiency or quality.

Our people are the single most important element of our success and the basis of our confidence in our future.

Refresher and training programmes are routine at Monsanto. But the permission for commercialisation of *Bollgard* cotton, meant new programmes on a war footing to prepare Monsanto and Mahyco staff with pre-launch training, to provide knowledge and understanding on the agronomy and commercial aspects of *Bollgard*. There were also programmes to meet new needs for the Market Development Focus and the identification of territories enabled us to put resources where required.

In a bold move aligned with our Market Development Focus, 25 Territory Managers (one fourth of the 100 comprising the entire Sales force) were pulled out from conventional sales and reassigned to develop new markets through grassroots contact with farmers. This helped kick-start the Market Development initiative and made us a much more farmer-focused, streamlined and operationally-efficient organisation, with sound fundamentals and resources directed to priorities.

GOOD CORPORATE CITIZENSHIP

Environment, Safety and Health

Monsanto recognises the importance of safety, health and environmental sustainability not only at the work place, but also at home and wherever Monsanto employees are on the move. Your Company took several steps during the year under review to make safety a personal ownership issue for all employees in addition to this being a key focus area for the Company.

We believe in working towards zero risk. So, we set up the Behaviour Base Safety Programme to identify the 'at risk' behaviour of employees and correct it. Since many of our employees are on the road much of the time, we have instituted a Defensive Driving Programme to identify and anticipate risks from other drivers. Spouses are closely involved in this because nothing works like the pressure of loved ones. We believe safety concerns everyone, particularly the family: so spouses use a checklist to monitor safety not just at home for their families, but also as regards their partner's driving and other tasks.

The Monsanto Research Centre, Bangalore, as well as the Mumbai corporate office of Monsanto have won the Global Safety & Health Award from Monsanto Company during the year under review. This is a major win for your company since only ten of the 150 company sites have won this award. The Mumbai corporate office is also the first corporate office in India to be awarded the Occupational Health Safety Assessment System (OHSAS-18001) certification by SGS International Certification Services, Singapore.

The Occupational Health Safety Assessment System (BS-8800 / OHSAS-18001) and Environmental Management Systems (ISO-14001) are voluntary standards used by industries to quantitatively measure their safety performance. Obtaining the certification represents the highest level of recognition for safety in Monsanto and demonstrates our commitment to providing a healthy and safe workplace for our employees, contractors and visitors, and to having a neutral or positive environmental impact from our operations.

Technology Sharing - Monsanto Supports Drought Tolerance Research

The productivity of crops in drought-prone areas of the country is crucial for food security and the economic and social well being of large areas of the country. Monsanto Fund has this year committed \$40,000 for research in India aimed at identifying genes capable of making crops drought tolerant.

Dr. Gerard Barry, Director of Research for Product and Technology Cooperation, Monsanto Company, USA, presented

the first instalment of \$24,000 to Dr. A.M. Krishnappa, Vice-Chancellor of the University of Agricultural Sciences in Bangalore for the two-year project.

Community Outreach

In Rajasthan, your Company has been helping farmers reclaim abandoned land and bringing it under the plough to increase the farmer's income.

In Andhra Pradesh, we got into partnership with 100 DWCRA (Development of Women and Children in Rural Areas) groups in two districts (Vizianagaram and Ranga Reddy) to empower women. *Monsanto Meekosam* (Monsanto For You) came in as a technology partner, offering farmer education and skills training in the latest agricultural technologies, including integrated crop management, in hybrid rice, cotton and maize through the DWCRA self-help groups.

This included the setting up of *Monsanto Meekosam Farmer Service Centres* in villages to provide information, inputs and equipment. The 100 DWCRA self-help groups in 13 villages are so successful that we plan to extend the programme to Warangal and Rajahmundry districts too.



Bridging the Digital Divide in Hyderabad Schools

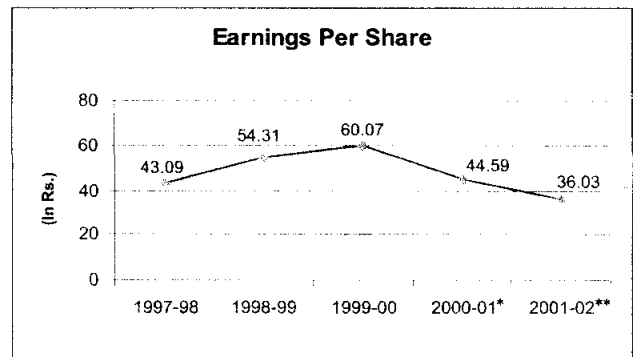
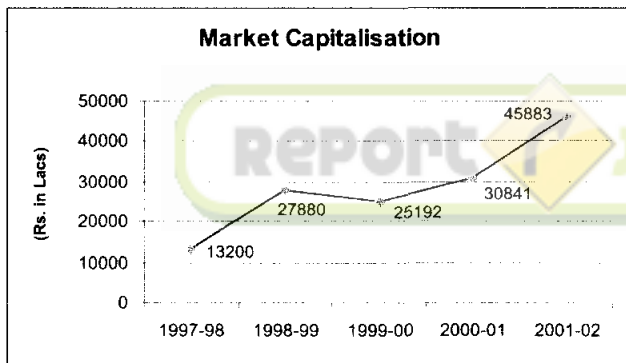
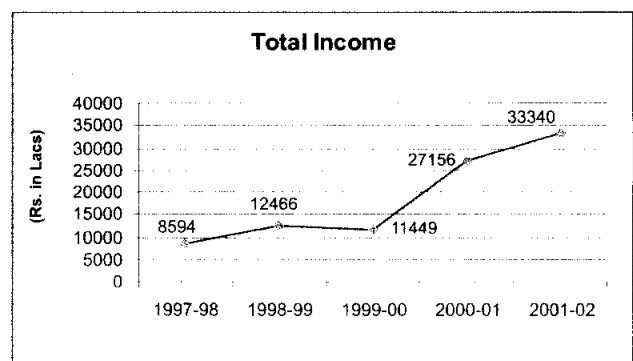
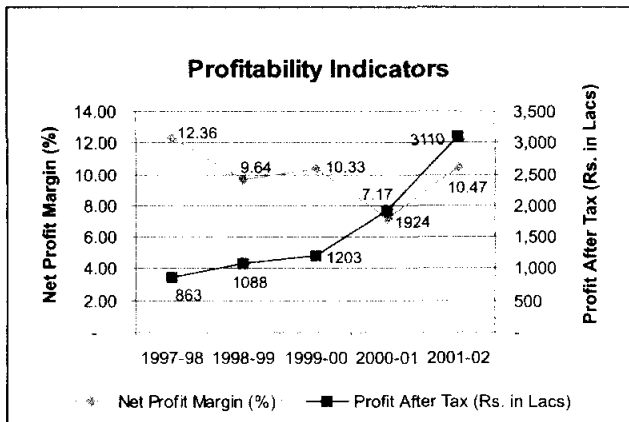
The Monsanto Fund has provided a grant of \$50,000 to help bridge the digital divide in 15 under-resourced schools in Hyderabad. The Fund has taken up the project along with ICICI and Schoolnet.

Schoolnet aims at providing access to quality education using technology as a tool across the socio-economic spectrum, including less-empowered regional language schools. It believes that technology acts as a catalyst for fundamental change in the way students learn and revolutionises the methods teachers use.

The Monsanto funding will take care of the programme fee in 10 schools for one year and hardware requirements for 15 schools. All this is in addition to Monsanto Vidyarthi Programme in Andhra Pradesh where we provided 40,000 school books and 8,000 school bags last year, scholarships to 450 students and seven scholarships to those pursuing higher education.



Financial Highlights



* Share Capital increased from Rs. 200 Lacs to Rs. 431 Lacs by issue of shares on preferential basis for integration of agriculture business

** Share Capital increased from Rs. 431 Lacs to Rs. 863 Lacs by issue of bonus shares in the ratio of 1:1