



COMMITTED TO DELIVER

MONSANTO INDIA LIMITED

Annual Report 2005-06

MONSANTO
imagine®



BOARD OF DIRECTORS

Ms. Nicole M. Ringenberg, Chairperson
Mr. Felipe Osorio, Managing Director
Mr. R.C. Khanna
Mr. H. C. Asher
Mr. Pradeep Poddar
Mr. Mark J. Deadwyler

COUNSEL (LEGAL & TAXATION) & COMPANY SECRETARY

Mr. Ajai Jain

AUDITORS

Deloitte Haskins & Sells, Mumbai

BANKER

Citibank N.A.

REGISTRAR AND SHARE TRANSFER AGENTS

Intime Spectrum Registry Limited
C-13, Pannalal Silk Mills Compound
L. B. S. Marg, Bhandup (W), Mumbai 400 078
Tel: 022 - 2596 3838 Fax: 022 - 2596 2691

REGISTERED OFFICE

Ahura Centre, 5th Floor
96, Mahakali Caves Road
Andheri (E), Mumbai 400 093
Tel: 022 - 6702 9851, 2824 6450
Fax: 022 - 6702 3361, 2824 4707
Website: www.monsantoindia.com

FACTORIES

1, 4 & 5, Madhuban Industrial Estate
Madhuban Dam Road
Rakholi, Silvassa 396 240
Union Territory of Dadra & Nagar Haveli

Moka Road, Srivara Village
Bellary 583 103, Karnataka

Bapiraiagudem Village
Pedavegi Mandal, Vijaya Rai Post
West Godavari Dist. 534 475
Eluru, Andhra Pradesh

56th ANNUAL GENERAL MEETING

Date: Monday, September 18, 2006

Time: 10.30 a.m.

Venue: M.C. Ghia Hall

Bhogilal Hargovindas Building, 2nd Floor
18/20, Kaikhushru Dubash Marg
Mumbai 400 001

CONTENTS

01	Committed to Deliver
02	From The Chairperson
04	From Managing Directors' Desk
06	Corn
10	Herbicides
12	Human Capital
16	Manufacturing Units
17	Financial Summary for Ten Years
18	Notice for AGM
21	Directors' Report
24	Corporate Governance Report
30	General Shareholders' Information
33	Management Discussion and Analysis Report
35	Auditors' Report
38	Annual Accounts and ECS/Nomination Form Proxy/Attendance Slip

MONSANTO
im ine.

COMMITTED TO DELIVER

Report  junction.com

Monsanto India Limited is committed to investing in products that our farmer customers tell us makes a difference on their farms. We deliver these superior products through *technology, innovation, quality*, and through our *people*. We invest in technologies to bring quality products to our farmers. We provide our farmers with innovative products and services that deliver better returns on their investments. Our highly efficient manufacturing plants are geared towards bringing quality products for our customers. We are committed to creating a learning and winning environment amongst our people. We recognise Monsanto's business is successful only when our farmers are successful.

FROM THE CHAIRPERSON

MONSANTO
im ine®



India has a dynamic and evolving agricultural environment. Indian farmers are keen to progress towards a modern agricultural industry and all drivers affecting this industry, including technology, government policies and farmers, are in a positive state of transition. Monsanto is committed to being a catalyst for improving farmer productivity in India, thereby paving the way for India's prosperity.

The agriculture sector, which at one point of time was the major contributor of the country's GDP, has today, fallen to 23%. Further it is losing ground due to ineffective infrastructure and low yielding seeds. The Honourable Prime Minister of India, Dr. Manmohan Singh, while commenting on the fact that there is immense scope for private enterprise in agriculture, has stressed the need to broaden the knowledge base of farmers, enabling them to optimise their utilisation of new technologies. He has also stressed the need for farmers to have information about agriculture as a business; farming practices; policy initiatives; best practices of other farmers and market intelligence. Dr. Singh has also emphasised that agricultural sciences will have to look at providing crop, region, resource and farm specific solutions.

Keeping in line with the Government's commitment, this year we saw the "Bharat Nirman" project being implemented. Here, Rs. 944.18 crores was released as a grant under Accelerated Irrigation Benefits Program (AIBP), targeting 600,000 hectares of irrigation potential to be created this year. Also, under the Accelerated Rural Water Supply

Project (ARWSP), against a target of 56,270 habitations, 47,546 habitations were covered this year. I see this to be a positive step towards reducing the farmers' dependence on the monsoons and in tackling the water problem prevalent in some areas.

At Monsanto India Limited, we strongly believe in supporting the dreams of farmers. I am proud of our consistent track record over the decades, in leading farmers forward through our innovative product line of seeds and herbicides. Our commitment to farmers is to provide them with unique solutions and products that enhance their agricultural yields with sustained environmental improvements. Today, we not only offer them agricultural products but also guide them in related areas, which have lead to a positive impact in the growth of their incomes and improvement in the quality of their lives. The simple reality is, we succeed when farmers succeed.

Last year was a turning point for Monsanto. We recognised the need to shift our focus to new products, which bring higher value to our customers and our business, such as innovative corn products. The herbicide business, in which we have been market leaders across our product categories, is becoming increasingly generic and no longer the high value business it once was. In such dynamic times, our profit declined only marginally during this financial year. It is very encouraging to see this strategy paying off, keeping us on the path of sustained growth.

I am pleased to inform our shareholders that despite increased competition and declining margins in the herbicide business, we achieved commendable financial results. While our net sales decreased by 12.18%, our Profit after Tax (PAT) decreased marginally by 5.22%. The Company paid an Interim Dividend of Rs. 120/- per share, including a 'One Time Special Dividend' of Rs. 110/- per share in November 2005 and declared a final dividend of Rs. 10/- per share for the year 2005-06, totaling to Rs. 130/- per share. This was the highest ever dividend declared in the Company's history.

Our strategy, globally, is to continue investing in new technologies in the fields of germplasm and breeding. Our primary focus is to provide farmers with seeds, which are high yielding and best suited for the climatic and soil conditions. Our principal aim is to help a farmer succeed in his ambition to build a better business.

At Monsanto India Limited, we are consistently innovating on our existing products to bring out new, high-value products. In line with this strategy, our corn breeding initiatives also continued its progress in tune with our corn seed business. I am excited to see our progress in corn and am enthusiastic about our future prospects in this segment. In our growing economy, the demand for corn is on the rise, primarily due to the poultry and cattle feed sectors.

Our product profile witnessed a shift with the launch of Pinnacle, Supreme and 900M Gold. To increase our capacity, we have invested in setting

Our commitment to Indian agricultural industry is to provide it with unique solutions and products that enhance agricultural yields with sustained environmental improvements.

Nicole M. Ringenberg

up a corn drying plant in Hyderabad, which is scheduled to be commissioned by the first quarter of 2007. At the same time we continue to upgrade the quality standards of our existing manufacturing units. In summary, this year saw us further strengthening our transition from a herbicide only business to a strong integrated agricultural solutions business that encompasses both seed and herbicide product offerings. This transition will not only allow us to grow in the long run, but will also enable us to carry our leadership into the next generation of products.

I am gratified to see Monsanto's India business grow to a leadership position in our field over the past few years. I sense a teeming pride amongst our people in all that we have achieved. This has been possible due to the effort and contribution of each individual in our Monsanto family. The journey ahead looks very exciting and promising, compelling us to structure our current organisation to meet these exciting business challenges. I expect our evolving team to produce ample growth opportunities for our people, an endeavour towards which we are committed.

Going forward, I believe that we are well prepared for meeting future challenges. I would like to thank all our shareholders for sharing our beliefs and trusting us over the years. We are also grateful to our customers, dealers, business partners and employees for giving it their all to help us realise our business goals.

Nicole M. Ringenberg

Nicole M. Ringenberg



FROM MANAGING DIRECTORS' DESK

I see a steady and conservative growth over the next few years. Today, our focus is to try and build offerings for farmers, which goes beyond providing them with our products.

Felipe Osorio



Agricultural sector, providing livelihood to around 110 million of the country's workforce, has shown a consistent growth of 1.5 - 2 % during the last decade. Although the sector continues to influence the overall economic growth, its share in India's GDP has fallen from 59% to around 23%. With the rising development of non-agricultural sectors it is expected that by 2020, agriculture's share will fall below 15%. India can positively aspire to achieve a sustained 7% plus growth, provided agriculture also grows by at least 4%. This sector is now under sharp focus and has received much needed attention by the Honourable Prime Minister of India, who has emphasised the need to revitalise this sector. The government has now embarked to double the food production by 2012 and has recognised the need of innovative technologies to achieve this goal.

Monsanto India Limited (MIL) is a technology-based integrated agriculture solutions company. For more than five decades, Indian farmers have considered us to be their trusted partner with quality products.

The most important task for us is to enhance the efficiency of this sector by enlarging the use and scope of quality products. Our technology creates value for Indian farmers and brings positive results for the Company. In short, our mission is to make sure that our farmers are successful. This can be achieved through three steps:

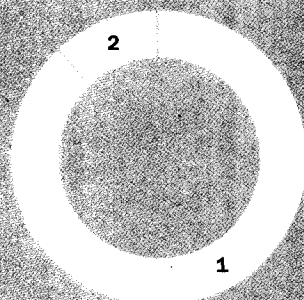
1. To educate farmers that high quality seed and herbicides gives higher yield
2. To support farmers in making optimum use of technology, and
3. To help farmers move up the value chain through innovation.

Our key efforts during the year were to meet these challenges and accomplish our mission. We invested in technology and innovation to produce high value-added products to demonstrate to farmers how quality seeds and herbicides give better results. We also structured our organisation to bring about an improved focus in our operations. Since all advanced agricultural economies are knowledge-based, we gave our business a renewed focus and shared our knowledge about technology, farming practices and market intelligence with our farmer customers, helping them towards a brighter future.

MONSANTO'S TRANSITION FROM CHEMISTRY TO SEEDS

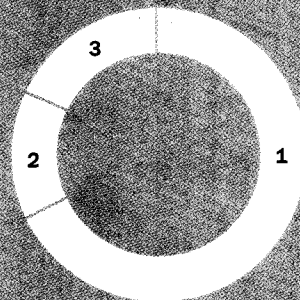
(Gross Sales)

1995 - 1996
(\$12.28 million/Rs. 5,525 lacs)



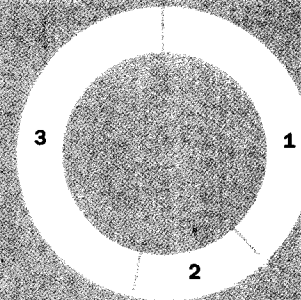
1 Selective Herbicides	88%
2 Roundup	12%
3 Seeds	0%

2000 - 2001
(\$59.93 million/Rs. 26,968 lacs)



1 Selective Herbicides	65%
2 Roundup	14%
3 Seeds	21%

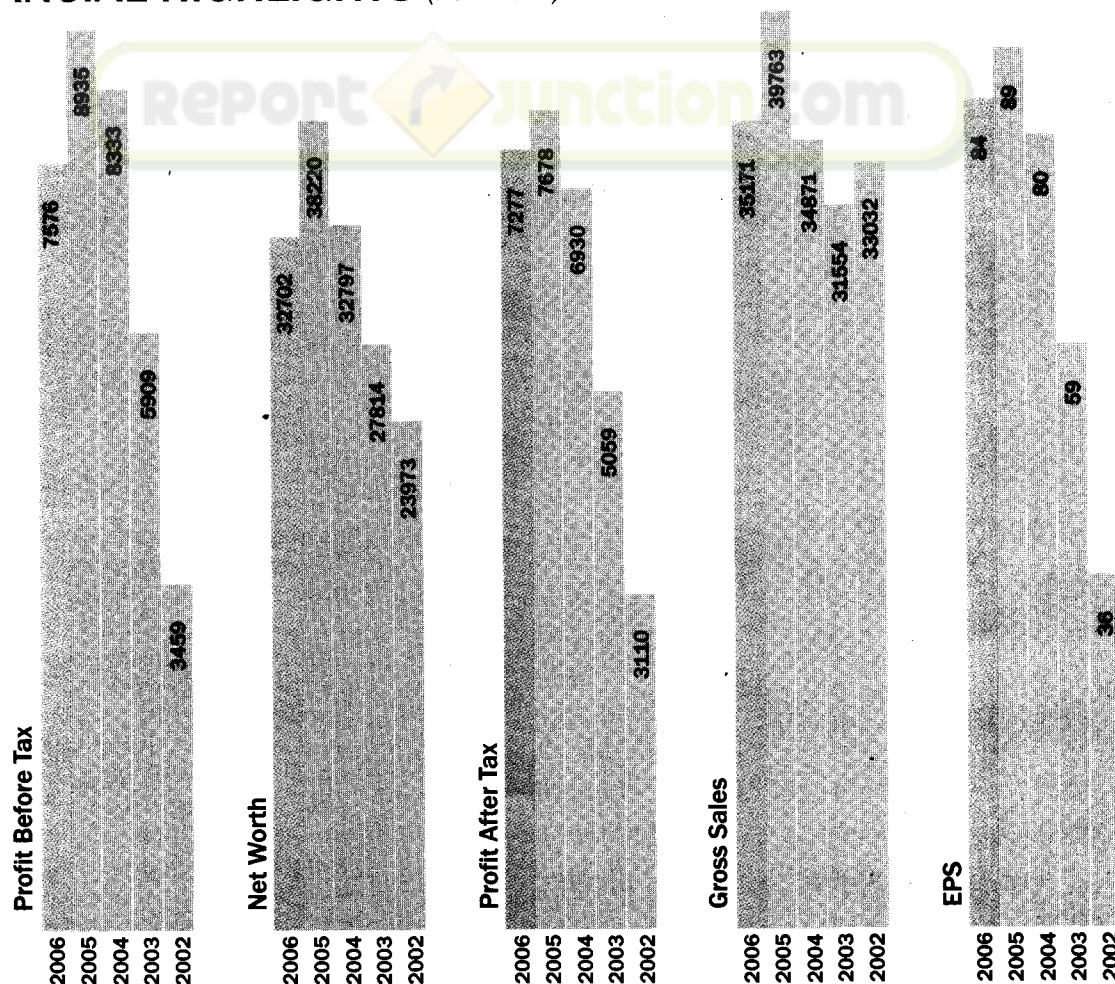
2005 - 2006
(\$75.36 million/Rs. 35,171 lacs)



1 Selective Herbicides	31%
2 Roundup	16%
3 Seeds	53%

(Exchange rate: 1\$=Rs. 45)

FINANCIAL HIGHLIGHTS (Rs. In lacs)



CORN

...through technology

The evolution of the seed industry in India can be traced back to the early 1960s. During the early years, public sector organisations such as National Seed Corporation and State Seed Corporations met the initial seed requirements. In the mid 1960s, high yielding varieties in rice and wheat were developed and till date they are the biggest cereal crops in India. The private sector entered the fray at a very early stage when the demand-supply gap still existed. Its main research activities were directed towards developing seeds of low volume, high value cross-pollinated crops. As it stands today, the Indian seed industry is polarised, where the demand for high volume self-pollinated crops is met by the public sector and high value seeds are provided by the private sector. India is an unique example where the public and private sector seed companies coexist.

Worldwide, corn or maize, as it is called in India, is the most important cereal. It ranks first in terms of production among cereals, just ahead of wheat and significantly ahead of rice. India is amongst the top ten producers of corn in the world, ranking 7th in terms of production and 5th in terms of acreage (around 6.5 million hectares). However, despite this position, India only produces about 2% of the world's corn even though it accounts for nearly 5% of the world's area under corn.

Low productivity level in corn is an issue of major concern in the country. One of the reasons for low yields in the country is the use of traditional variety seeds and low yield potential genetic mix. This situation has, more or less, remained stagnant during the last two decades. Private sector research and extension activities and corn grain demand from feed and starch industries had driven the use of hybrid corn seed in Southern states, where now hybridisation is almost 100%. But the states of Uttar Pradesh, Rajasthan and Madhya Pradesh, which account for 50% of corn acreage in country, still has more than 70% of corn acreage under traditional varieties.

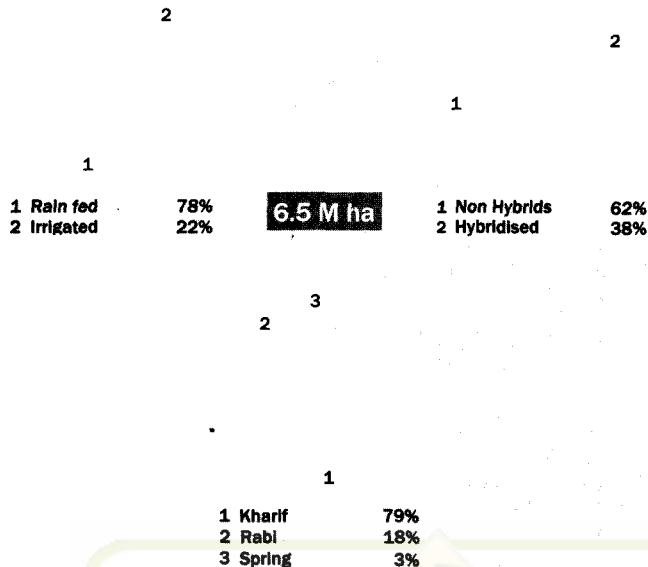
Our key to success is our strength in R&D, manufacturing, marketing and sales and our wide channel presence.



Dekalb logo



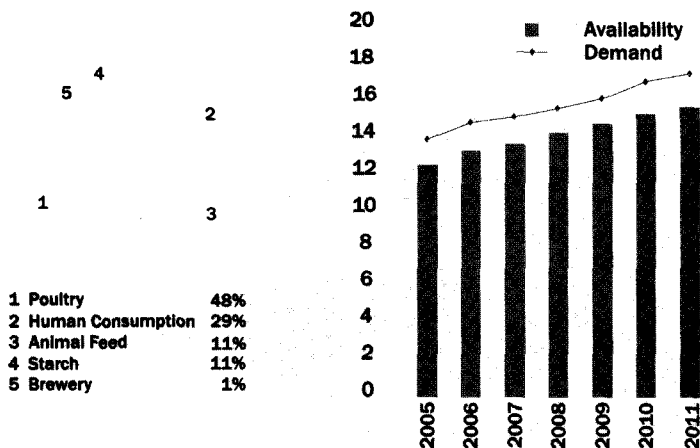
INDIAN CORN: CURRENT SCENARIO



Corn is the primary focus of growth for Monsanto's organisations worldwide. At Monsanto India Limited, we are working actively towards filling the gap in the shortfall of corn in the country (about 1-2 million metric tonnes). To achieve this we are doing three things:

1. We are converting low yielding, open pollinated seed varieties into hybrids
2. Our corn breeding and research program is developing highly improved, superior hybrids that will allow Indian corn farmers to increase per unit productivity, and
3. We are educating farmers on improved agronomic and crop management practices to achieve maximum yield potential from these high yielding hybrids.

CORN CONSUMPTION: DEMAND AND AVAILABILITY



Source: Blue Cross Consultants

A decade ago, corn was not a major economic crop in India. Today, with the economy growing, the demand for corn is also growing, primarily in the poultry and cattle feed sectors. In the near future, corn is expected to be a major contributor to the agricultural share in the GDP. There are several opportunities for value addition in corn as there are about 3,500 by-products (fibre, bio-degradable plastic, and so on). The returns for serious corn farmers are getting more attractive, elevating corn to the 3rd largest cereal crop after wheat and rice.

We have segmented the Indian corn market into developed and developing markets. The developing markets consist of Uttar Pradesh, Madhya Pradesh, Gujarat, Rajasthan and Himachal Pradesh, covering 55% of the corn acreage in the country. With hybridisation as low as less than 30% in these states, our focus is to increase the adoption of hybrids in these states. The developed states include states such as Bihar, Maharashtra, Karnataka, Andhra Pradesh and Tamil Nadu where we have a good market presence. Here our primary focus is on further upgrading farmers to high yielding hybrids and education on improved agronomic practices.

DEKALB BRAND

In India, corn is being promoted under the umbrella brand of **Dekalb**, which is a 109 year old seed brand owned by Monsanto Co., USA. Under 'The DEKALB Promise', we pledge to offer "hybrids that are researched, tested, proven and guaranteed to deliver excellent results and bring about that transformation in the farmer's life." Our commitment is represented in our Dekalb logo where the cob represents state-of-the-art processes for a rich crop, while the



blue arc represents life, vitality and change.

For any new agricultural input or technology adoption, the early progressive farmers are the major influencers (60% plus) on the decision making process of fellow farmers. Time and again, this fact has been validated in the findings of number of market research studies commissioned by us. Building on this precept, we conceptualised the **Dekalb Advocacy Program (DAP)**. This program is aimed at building long-term customer relationship and empowering farmers with knowledge and information to advance its farming practices.

Under the DAP, Dekalb farmer clubs have been formed in major corn growing districts. Each club has representatives from major corn growing villages, including areas where farmers are growing low value hybrids or variety seed, as well as from villages where Dekalb hybrids have strong presence. These farmers are networked through common activities like training programs, visits to agro fairs and exposure to latest technological advances in agriculture research and farming practices. Pursuant to finding solutions, they discuss their cropping practices and crop issues. The final aim is to link these farmers with the end user industry.

Our key to success is our strength in Research and Development (R&D), manufacturing, marketing and sales and our wide channel presence. We are now beginning to see the returns on our investments. With particular focus on our R&D activities and using the best available technology, we have launched three new hybrids this year Pinnacle, Supreme and 900M

Gold. Justifying our belief, new generation corn hybrid, Pinnacle has delivered an average yield of 12 MT/Hectare, which is amongst the best in the world.

During the period under review, our focus has been on creating a strong presence in the field. We have increased our sales force to 35 with a dedicated team of territory salesmen and marketing development people. Leveraging our competitive advantage of channel presence, we now have a separate and focused team for the corn business, which has gained a unique position across all the major corn markets in India. We plan to increase this figure every year, to reach the so far unexplored markets.

We have given emphasis on competency building and education amongst our territory sales managers and contract workers who work with farmers. Regular farmer meetings are held and during the course of these meetings, farmers are educated on how to choose the best seeds, how to plant them, on pest management & harvesting and on post harvest handling.

We are focused in building our base in corn for volume as well as value. Over the last five years, we have tripled the volume of our corn production. This has largely been the result of the market development activities undertaken by us. Our farmer centric approach and segment focused marketing strategy in the Indian market has helped us to leverage local advantages. Although the key states continue to be Bihar, Maharashtra, Andhra Pradesh and Karnataka, there is phenomenal scope for growth in Northern and Western states.

BREEDING

Quality seeds are the most critical and basic input for a healthy and efficient agricultural output, accounting for 25-30% of yield increase. We are now, a leading hybrid seeds producing company and are set to bring in many new breakthrough technologies in the near future.

Our farmer centric approach and focused marketing strategy in the Indian market has helped us to leverage local advantages.

