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RALLIS INDIA LIMITED

BOARD OF DIRECTORS

D. S. Seth	<i>Chairman Emeritus</i>
F. A. Mehta	<i>Chairman</i>
Ram S. Tarneja	
V. N. Nadkarni	
J. K. Setna	
Russi Jal Taraporevala	
R. K. Krishna Kumar	
M. K. Vadgama	
K. T. Ramaswamy	<i>Nominee Director</i>
V. Rai	<i>Managing Director</i>

MANAGEMENT TEAM

V. Rai	<i>Managing Director</i>
S. V. Balsara	<i>Director—Legal & Company Secretary</i>
S. W. Sawant	<i>Director—Agrochemicals</i>
A. K. Jain	<i>Executive Vice President—Technical</i>
U. M. Lad	<i>Executive Vice President—Finance</i>
B. S. Uberoi	<i>Executive Vice President— Personnel & Administration</i>
J. J. Aga	<i>Vice President—Finance</i>
K. Dorairaj	<i>Vice President—Fertilisers</i>
S. K. Mandrekar	<i>Vice President—Pharma</i>
M. S. Mithyantha	<i>Vice President—R&D</i>
R. Venugopal	<i>Vice President—Pesticides</i>

REGISTERED OFFICE

Ralli House,
21, Damodardas Sukhadvala Marg,
Mumbai 400 001.

SOLICITORS & ADVOCATES

Crawford Bayley & Company
Orr, Dignam & Company

AUDITORS

Lovelock & Lewes

BANKERS

State Bank of India
Deutsche Bank
Citibank N.A.
State Bank of Bikaner & Jaipur
State Bank of Indore
Banque Indosuez
Corporation Bank
Banque Nationale de Paris
American Express Bank Limited
HDFC Bank Limited

SHARE REGISTRARS AND TRANSFER AGENTS

(TRANSFER OF SECURITIES)

Tata Share Registry Limited
Army & Navy Building
148, M. G. Road
Mumbai 400 021.

(CORRESPONDENCE)

Tata Share Registry Limited
Shalaka, 1st Floor, Plot No. 9
Maharshi Karve Road,
Near Cooperage Telephone Exchange,
Mumbai 400 021.

RALLIS INDIA LIMITED

NOTICE OF MEETING

NOTICE is hereby given that the 49th Annual General Meeting of the Company will be held at Bombay House Auditorium, Horni Mody Street, Mumbai 400 023, on Wednesday, the 27th August, 1997 at 4.00 p.m. to transact the following business :

1. To consider the Profit and Loss Account for the year ended 31st March, 1997, and the Balance Sheet as at that date and the Reports of the Directors and Auditors.
2. To declare a dividend.
3. To appoint a Director in place of Mr. D. S. Seth who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Mr. R. K. Krishna Kumar who retires by rotation and is eligible for re-appointment.
5. To appoint a Director in place of Mr. M. K. Vadgama who retires by rotation and is eligible for re-appointment.
6. To appoint Auditors and to fix their remuneration.

AS SPECIAL BUSINESS

To consider, and if thought fit, to pass the following Resolution with or without modifications :

AS AN ORDINARY RESOLUTION :

7. **"RESOLVED THAT** in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956, the consent of the Company be and is hereby accorded to the Board of Directors of the Company to create such first charge/mortgage/hypothecation, in addition to the existing charges, mortgages and hypothecations created by the Company on all or any part of the immovable and movable properties of the Company, wherever situate, both present and future, and the whole or part of the undertaking of the Company upon such terms and conditions and at such time or times as the Board of Directors may deem fit and in such form and such manner as the Board of Directors may determine together with power to take over the management of the Company in certain events, to or in favour of the Agents and/or Trustees for the holders of the Privately Placed Non-Convertible Debentures to be issued by the Company of the aggregate nominal value of Rs. 20,00,00,000/- or such revised value as may be decided by the Board of Directors to secure the repayment of the aforesaid Debentures together with interest, costs, charges and all other expenses or monies, due or payable by the Company in respect of the said Debentures, under any Agreements/arrangements entered into/to be entered into by the Company, such charge to rank *pari passu* with the existing charge in favour of the Lenders and the Debenture Trustees of the Company.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to finalise with the aforesaid parties or any of them, the documents for creating the mortgages/charges/hypothecations and accepting or making any alterations, changes, variations to or in the terms and conditions, to do all such acts, deeds, matters and things and to execute all such documents and writings as it may consider necessary, for the purposes of giving effect to this Resolution."

Notes :

1. The Register of Members and the Share Transfer Books of the Company will be closed from Friday, 1st August, 1997 to Tuesday, 12th August, 1997 (both days inclusive). Dividend Warrants in respect of the Dividend that may be declared at this Meeting will be posted on or after 28th August, 1997.
2. Notice of change of address and mandates must reach the Company's Share Registrars and Transfer Agents, Tata Share Registry Ltd., 'Shalaka', First Floor, Maharshi Karve Road. Near Cooperage Telephone Exchange, Mumbai 400 021 on or before 4th August, 1997.
3. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the business under Item No. 7 is annexed hereto.
4. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE IN HIS STEAD AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY.

By Order of the Board of Directors

SHIRIN V. BALSARA

Director - Legal & Company Secretary

Registered Office :

Ralli House,
21, Damodardas Sukhadvala Marg,
Mumbai 400 001.

Dated : 25th June, 1997.

**EXPLANATORY STATEMENT PURSUANT TO
SECTION 173(2) OF THE COMPANIES ACT, 1956**

Pursuant to Section 173(2) of the Companies Act, 1956 and in explanation of Item No. 7 of the business set out in the attached Notice of the Annual General Meeting, the following facts are stated:

Item No. 7:

The Company is proposing to raise finance through Private Placement of Non-Convertible Debentures with Financial Institutions of approximately Rs. 20,00,00,000/- for the purpose of meeting the working capital requirements of the Company, consequent upon the increase in the activities of the Company.

The Debentures will be secured by an appropriate first charge/mortgage/hypothecation on such of the Company's immovable and movable assets as may be agreed to between the Company and the Trustees for the Debentureholders. The said charge shall rank *pari passu* with the existing charge in favour of the Lenders and Debenture Trustees of the Company.

As the documents to be executed between the Company and the Lenders/Trustees for the Debentures may contain the power to take over the management of the Company in certain events, it is necessary for the shareholders in the General Meeting to pass a Resolution under Section 293(1)(a) of the Companies Act, 1956, before the creation of the mortgage/charge/hypothecation.

The Board of Directors commend the acceptance of the said Resolution.

None of the Directors are concerned or interested in the passing of the Resolution.

Report



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By Order of the Board of Directors
SHIRIN V. BALSARA
Director – Legal & Company Secretary

Registered Office :

Ralli House,
21, Damodardas Sukhadvala Marg,
Mumbai 400 001.

Dated : 25th June, 1997.

RALLIS INDIA LIMITED

DIRECTORS' REPORT TO THE MEMBERS OF RALLIS INDIA LIMITED

The Company maintained the growth trend in sales and profit. The performance for the year 1996-97 is summarised below:

FINANCIAL RESULTS

	1996-97 Rs. lacs	1995-96 Rs. lacs
Sales	116258.88	96984.57
Other Income	833.37	826.55
INCOME	<u>117092.25</u>	<u>97811.12</u>
Operating Profit for the year before charging interest, VRS and depreciation	8505.21	6636.54
Interest	<u>4449.31</u>	<u>2736.58</u>
	4055.90	3899.96
VRS Charges	710.27	847.03
Depreciation	<u>847.67</u>	<u>596.20</u>
Operating Profit before tax	2497.96	2456.73
Provision for tax	<u>217.96</u>	<u>230.00</u>
Profit after tax	2280.00	2226.73
Prior year's adjustment	—	(80.00)
Profit brought forward from previous year	<u>712.10</u>	<u>573.37</u>
	<u>2992.10</u>	<u>2720.10</u>

Shareholders will note that this performance has been achieved in the face of extremely adverse business conditions, and in the later part of the year, also under markedly adverse agroclimatic conditions. Interest burden again rose sharply last year, making a severe dent in the profitability (the operating profit rose by Rs. 19 crores but interest charges by Rs. 17 crores, making a dent of 89%). In spite of this upsurge in interest costs we were determined that our growth, both in sales and in asset-creation should not be retarded. Thus, our sales rose by nearly 20% and our net block by 40%. But while the claims of growth cannot be ignored, Management recognises that it must exert every effort to reduce interest costs, not only by financial re-arrangements, but more meaningfully, by reduction in operational costs.

DIVIDEND

The Directors are pleased to recommend a dividend of 45% (same as last year).

With approval obtained from the Shareholders at the Extraordinary General Meeting held on 23rd January, 1997 the Company had allotted 2,15,00,000 and 1,35,00,000 14% Cumulative Redeemable Preference Shares of Rs. 10/- each on 1st March, 1997 and 31st March, 1997 respectively. A *pro rata* Interim Dividend was paid to the Preference Shareholders. No final dividend is payable to them.

OPERATIONS

Agrochemicals:

All the three activities of the Agrochemicals Division, namely Seeds, Fertilizers and Pesticides registered substantial growth over the previous year. This was despite an erratic monsoon and three cyclones in the latter part of the agri-season which completely disrupted business in the South Eastern States.

In the domestic Pesticides market, the Company registered a growth of 20% over the previous year, whereas the industry grew by 9%. Exports grew even faster because of the wider acceptance of our products in the international markets.

The Division successfully distributed the Urea production of Tata Chemicals, besides marketing substantial quantities of other fertilisers.

Seeds business grew through introduction of new varieties in additional crops. This activity is poised for substantial growth in the years to come.

Pharmaceuticals:

The Pharmaceutical Division registered an impressive performance. New products were introduced during the year which contributed to the growth. There was an overall improvement in operational efficiency with drastic reduction in working capital and production costs.

Fine Chemicals:

The Division achieved record production and sales. Despite a substantial increase in bone prices, which were caused by higher exports to Europe, the profitability was maintained. The range of Leather Chemicals that the Division distributes was increased during the year including two new manufactured products.

Exports:

There was exceptional growth in the exports of Agrochemicals, Fine Chemicals and Pharmaceuticals. New markets for Gelatine and Dextran were established abroad. The Company maintained its position in the Garments business and reduced its presence in the Marine products business.

Finance:

The high rates of interest adversely affected the profitability of the Company. The adverse debt equity ratio also contributed to higher charges. As already mentioned, the Company took measures to correct the situation by the issue of Preference Shares. The Company also reached agreements to discontinue low yielding distribution business which employed borrowed capital.

In continuation of the policy to reduce high cost labour, the Voluntary Retirement Scheme remained open during the year. The response was encouraging. Around 200 staff availed of the facility. This led to a one time expenditure of Rs. 7.1 crores.

During the year, Rs. 2 crores was paid out as the third instalment of the 14% Non-convertible Debentures (1995-99) which came up for redemption. The Company has issued during the year 20,00,000, 19% (2002-04) Secured Non-Convertible Debentures of Rs. 100/- each to Financial Institutions and 5,00,000, 17.5% Unsecured Non-Convertible Debentures of Rs. 100/- each to a Mutual Fund.

A sum of Rs. 2.3 crores has been transferred to General Reserve, leaving a balance of Rs. 8 crores carried forward in the Profit & Loss Account.

In regard to Note No. 5 of the Auditors' Report, on amounts overdue and outstanding from Mr. M. P. Poddar and his nominees, on account of the sale of the erstwhile Engineering Division, the Directors must report, that a sum of Rs. 3.29 crores has become overdue on 31st March, 1997 from them. However, to settle the claims and counter claims, both parties have resolved to refer the matter to arbitration to secure a speedy and impartial conclusion.

As regards Note No. 6 of the Auditors' Report relating to the short provision of gratuity liability, the Directors draw the attention to Note No. 5 of Schedule 19, which is self-explanatory.

Research and Development:

With a view to prepare the Company for the era of open competition, the Research and Development activity was considerably expanded during the year. Bio-technology research facilities were added at Bangalore, and two new pilot plants were commissioned. The Company now has over 10% of its employees in research working on various projects and spent last year a sum equal to 25% of its profit before tax (Rs. 6.3 crores) on this activity.

Industrial Relations:

Harmonious Industrial Relations prevailed in most of the centres across the country. However, operations were disrupted at the factory on Thane Belapur Road. The dispute has since been resolved and normal operations have resumed.

SUBSIDIARY COMPANIES:

As reported last year, the assets of the Agrochemical Plants of Indokem Limited (Formerly known as Khatau Junker Limited) were acquired through the Company's subsidiary, Rallis Industrial Chemicals Limited (RICL). RICL's factory at Ankleshwar began production only in January 1997. Because of the delay it incurred a loss, which has been explained in the Directors' Report of RICL. The unit is now operating at full capacity.

SAFETY MEASURES

The Company has taken adequate steps to ensure that all necessary safety measures are strictly observed in all areas of operations.

COMMUNITY DEVELOPMENT

The Company is conscious of its responsibility to the community. It has designed a special 'Social Outreach Programme' to benefit children in rural areas. There is an emphasis on scientific education of children and their physical welfare through promotion of sports. The Company also has special programmes to assist the aged and the handicapped in towns and cities especially where its factories are located.

DIRECTORS

In accordance with Article 112(2) of the Articles of Association of the Company, Mr. D. S. Seth, Mr. R. K. Krishna Kumar and Mr. M. K. Vadgama retire and are eligible for re-appointment.

Mr. D. Sivasubramanian, Nominee Director of the General Insurance Corporation of India resigned from the Board with effect from 27th January, 1997. The Board recorded its deep appreciation of the valuable services rendered by Mr. Sivasubramanian during his tenure as a Director of your Company.

In accordance with Article 113B of the Articles of Association of the Company, General Insurance Corporation of India proposed the nomination of Mr. K. T. Ramaswamy as a Nominee Director and he was appointed a non-rotational Director effective 20th March, 1997 in the vacancy caused by the resignation of Mr. D. Sivasubramanian.

AUDITORS

At the Annual General Meeting, members will be required to appoint Auditors for the current year and fix their remuneration. M/s. Lovelock & Lewes, the existing Auditors have furnished a certificate regarding their eligibility for re-appointment. The Directors recommend that they be re-appointed as Auditors of the Company for the current year.

COST AUDITORS

Pursuant to the Directives of the Central Government under the provisions of Section 233B of the Companies Act, 1956 qualified Cost Auditors have been appointed to conduct Cost Audits relating to several products of the Company.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

As required under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Directors) Rules, 1988 the information relating to conservation of energy, technology absorption and foreign exchange earnings and outgo is annexed.

PARTICULARS OF EMPLOYEES

In accordance with the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended, the statement giving the required information of the employees covered by this Section of the Act, is given in Annexure forming part of this Report.

PERSONNEL

The Board wishes to place on record its appreciation to all the employees in the Company for their sustained efforts and immense contribution to the high level of performance and growth of the business during the year.

On behalf of the Board of Directors

F. A. MEHTA
Chairman

Mumbai, 25th June, 1997.

ANNEXURE TO THE DIRECTORS' REPORT

(Under Section 217(1)(e) of the Companies Act, 1956)

Disclosures

A. CONSERVATION OF ENERGY

(a) Energy Conservation Measures Taken:

Various energy conservation measures were implemented in different factories of the Company, which included improved process techniques for better yields, modernisation and replacement of old equipment with new energy efficient equipments.

(b) Additional Investments and Proposals, if any, being implemented for reduction of Energy Consumption:

Modernisation of plants, primarily through automation and on-line control systems was implemented at the Company's old plants which were refurbished. This will help improve yields and lower energy consumption. A phased programme to upgrade all old plants is being undertaken and should be completed by the end of next year.

(c) Impact of the measures at (a) and (b) for reduction of Energy Consumption and consequent impact on the Cost of Production:

The measures stated above have shown improvement in energy consumption and have effectively contributed in reducing the cost of production.

(d) Total energy consumption and energy consumption per unit of production as per Form A:

FORM 'A'

DISCLOSURE OF PARTICULARS WITH REGARD TO CONSERVATION OF ENERGY

A. Power & Fuel Consumption

		1996-97			1995-96		
		Agro-Chemicals	Fine Chemicals	Pharmaceuticals	Agro-Chemicals	Fine Chemicals	Pharmaceuticals
1. Electricity							
(a) Purchased							
Unit	in lacs of Kwh	141	88	5.4	144	66	15
Total amount	Rs. lacs	473	261	21.4	383	191	53
Rate/Unit	Rs.	3.90	2.97	4.0	2.65	2.89	3.50
(b) Own Generation							
Through diesel generator							
Unit	in lacs of Kwh	49.56	2	—	18	—	0.07
Unit per litre of diesel oil	Kwh	2.52	2.5	—	2.65	—	2.00
Cost/Unit	Rs.	3.95	3.0	—	2.9	—	3.50
2. Coal/Fire Wood		—	1128	—	—	1236	—
Quantity	MT	—	12	—	—	12	—
Total Cost	Rs. lacs	—	1063	—	—	931	—
3. Furnace Oil							
Quantity	Kl	3930	3858	68	4162	2770	490
Total Amount	Rs. lacs	288.46	268	5.3	253.88	146	27.98
Av. rate/litre	Rs.	7.33	6.95	7.83	6.1	5.25	5.71

		Agro-Chemicals	1996-97 Fine Chemicals	Pharmaceuticals	Agro-Chemicals	1995-96 Fine Chemicals	Pharmaceuticals
4. Others/Internal Generation							
(Light Diesel Oil)							
Quantity	Kl	—	540	—	—	400	490
Total Cost	Rs. lacs	—	48	—	—	27	27.98
Rate/Unit	Rs.	—	8.88	—	—	6.92	5.71

B. Consumption per unit of production

AGROCHEMICALS The manufacture of Agrochemicals is a multi-product, multi-cycle type of operation. Consumption per unit of production, therefore cannot be meaningfully determined.

FINE CHEMICALS	Standards (if any)	1996-97	1995-96
Electricity			
Kwh per MT	4500	4244	4100
Furnace Oil			
Ltr. per tonne	2400	2326	1725

PHARMACEUTICALS The operations of the Pharmaceutical Division being of a multi-product, multi-cycle type, consumption per unit for each product cannot be meaningfully determined.

B. TECHNOLOGY ABSORPTION

FORM 'B'

Research and Development (R & D)

1. Specific areas in which R & D is carried out by the Company:

- Chemical synthesis and process development of technical pesticides, bulk drugs and intermediates. Specific emphasis is also given to improvements in the process for the manufacture of existing products and value added by-products.
- Development of formulations to increase the efficacy of various products marketed by the Company and to develop new eco-friendly formulations.

2. Benefits derived as a result of above R & D:

- The improvements in the process of existing products resulted in cost savings.
- Commercialisation of new performance chemicals and formulations will add to the product range and contribute to the improved profitability of the Company.