

RALLIS

A **TATA** Enterprise



55th Annual Report 2002-2003



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Fifty-fifth annual report 2002-2003

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Board of Directors

R. Gopalakrishnan

Chairman

F. A. Mehta

Ram S. Tarneja

V. N. Nadkarni

Russi Jal Taraporevala

B. D. Banerjee

Nominee Director

Homi R. Khusrokhhan

Prasad R. Menon

Venkatrao S. Sohoni

Managing Director

(w.e.f. 11.08.2003)

Management Team

Venkatrao S. Sohoni

Shirin V. Balsara

B. S. Uberoi

H. C. Ahuja

V. G. Gadre

Anil Mehta

M. S. Mithyantha

Soumen Mitra

Brig. J. S. Oberoi

K. N. Pardiwalla

A. K. Shetty

Aruna Bhinge

Rajesh Dahiya

Managing Director (w.e.f. 11.08.2003)

Director - Legal & Company Secretary

Executive Vice President - FCM & Corp. Affairs

Vice President - Supply Chain & Manufacturing

Chief Information Officer

Vice President - International Business

Vice President - Research & Development

Chief Financial Officer

Vice President - Agri Business

Chief Internal Auditor

Vice President - Sales & Marketing

General Manager - Strategic Planning

Head - Human Resources

Registered Office

Ralli House

21 D S Marg

Mumbai 400 001

Tel. No. 2207 8221

Fax No.2200 4753

E-mail address:legal.ho@rallis.co.in

Website: www.rallis.co.in

Auditors

S.B. Billimoria & Co.

Solicitors & Advocates

Crawford Bayley & Company

Share Registrars and Transfer Agents

Tata Share Registry Ltd.

Army & Navy Building

148, M. G. Road

Mumbai 400 001.

Tel. No.: 56568484

Fax No.: 56568494/96

E-mail address:

csg-unit@tatashare.com

website:www.tatashare.com

Bankers

State Bank of India

Union Bank of India

Deutsche Bank

Citibank N.A.

Credit Agricole Indosuez

Corporation Bank

BNP Paribas

HDFC Bank Limited

RALLIS**Fifty-fifth annual report 2002-2003****Rallis India Limited****CHAIRMAN'S STATEMENT**

Dear Shareholders,

It has not been the practice in the past to include a Chairman's Statement to shareholders with the Annual Report. I feel that in the circumstances in which your Company is placed, it is necessary for me to include a Chairman's Statement this time. This is partly because of the disappointing financial performance of the Company during the financial year 2002-03, and partly because I have assumed Chairmanship recently from April 2003.

Agricultural Growth

Despite a declining contribution to India's GDP, agriculture continues to be of pivotal importance. For several years to come, the strategic role of agriculture in our economy cannot be over emphasised. Improved agricultural productivity will, therefore, be a strong theme for several years for our nation. Effective and meaningful reform in this sector will positively touch the lives of more Indians far more intimately than any other reform measure thus far undertaken. Not doing so will have the converse effect. Your Company, operating in the mainstream of Agricultural activity, is thus assured of a beneficial business environment over the coming years. The relatively poor performance of the agricultural sector during the last few years is a cause for serious concern. The financial year 2002-03 has been among the worst for agriculture for over a decade, and its deleterious effects have been visible in the agricultural inputs industry.

Shaping a Future

Shareholders need to know the reasons for the Company's poor performance in the year under review. Admittedly, market conditions were one factor. Legacy issues were a second factor. During the late 90s, when pesticide demand grew very handsomely, the industry built huge capacity. Indeed, your own Company, anticipating larger demand, installed modern capacities for the future, which, however, could not be utilised fully. The growing market also led to overstocking in the trade and a proliferation of dealers. With the leveling off of the market from 1999, some of these actions became constraints to profitable growth. This has happened to many companies in many sectors. The legacy issues faced by the Company from 1999 were not entirely unique to Rallis, but part of a larger pattern in the economy. It is precisely to neutralise the deleterious effects of this overhang that during the last three financial years, your Company has made large-scale provisions in the accounts. These may be classified broadly under three categories: Old Stocks/ Debtors, Diminution in Asset Value, Expensing of Deferred Revenue charges in the Balance Sheet. These actions of the Company were also prompted by the need to further implement the emerging accounting standards and regulations. Such provisioning was referred to in his AGM speech by the former Chairman, Dr. F. A. Mehta, who also explained that disposal of surplus assets and realisations of extra-ordinary income helped to neutralise these provisions to a large extent.

It would be unfair to attribute Rallis' poor results only to external factors and legacy issues. Those have indeed been factors, but it is the responsibility of management to cope with such issues through positive leadership and actions. That is why your Board has constantly directed the senior team to implement much sharper cost control, cash collection, debt reduction and old stocks. While actions had indeed been initiated, the results demonstrate the lack of depth and sustainability as anticipated and expected by the Board. The unfortunate consequence is the huge loss registered in financial year 2002-03.

Some Rough Times Ahead – But a Positive Future Also

Your Company identified the right strategies. As reported to you last year, these include:

- Sharpening of business and product portfolios
- Improving cash management
- Introduction of new products
- Reducing costs throughout the value chain
- Strengthening controls and business processes



These continue to be substantively valid strategies. The challenge before your Management is to execute the strategies with far greater urgency and efficiency. The people in Rallis have great strengths, and intimate links with the Indian farmer and agricultural trade. However, the cost and comfort of operating as the Organisation did in the past have both become unsustainable. I have no doubt that the urgency of action and the commitment to achieve agreed targets will both engage the attention of Rallis' employees at all levels. Such changes do not happen overnight, hence there will be some rough times ahead. However, with some understanding from our Shareholders, the employees are determined to show off their best professionalism in the Restructured Business Plan being implemented. This plan is reassuring in that the Traditional Rallis Businesses (Pesticides and Fine Chemicals) are capable of delivering creditable performances with no great highs, nor any disasters. We believe Rallis can be a valuable agri inputs business with good returns to investors and lenders. With a renewed sense of urgency among all Rallis' employees, and the favour of a good monsoon so far, I am hopeful that Rallis will live up to its long standing image as "The Friend of the Indian Farmer." All our stakeholders and especially the shareholders can draw comfort from the resolve of Rallis' employees to perform to their utmost capacity and competence.

Chairman

Mumbai,
14th August, 2003

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RALLIS INDIA LIMITED

NOTICE OF MEETING

NOTICE is hereby given that the 55th Annual General Meeting of the Company will be held at Bombay House Auditorium, Homi Mody Street, Mumbai 400 023, on Thursday, the 18th September, 2003 at 4.00 p.m. to transact the following business:

1. To receive, consider and adopt the audited Profit and Loss Account for the year ended 31st March, 2003 and the Balance Sheet as at that date together with the Report of the Directors and that of the Auditors thereon.
2. To appoint a Director in place of Dr. F. A. Mehta who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in place of Dr. Ram S. Tarneja who retires by rotation and is eligible for re-appointment.
4. To appoint Auditors and to fix their remuneration.

5. **Appointment of Mr. Homi R. Khusrokhana as a Director**

To appoint a Director in the place of Mr. Homi R. Khusrokhana who was appointed an Additional Director of the Company by the Board of Directors with effect from 24th March, 2003 and who holds office upto the date of this Annual General Meeting under Section 260 of the Companies Act, 1956 ('the Act') and Article 116 of the Articles of Association of the Company, but who is eligible for appointment and in respect of whom the Company has received a notice in writing under Section 257 of the Act from a shareholder proposing his candidature for the office of Director.

6. **Appointment of Mr. Prasad R. Menon as a Director**

To appoint a Director in the place of Mr. Prasad R. Menon who was appointed an Additional Director of the Company by the Board of Directors with effect from 24th March, 2003 and who holds office upto the date of this Annual General Meeting under Section 260 of the Companies Act, 1956 ('the Act') and Article 116 of the Articles of Association of the Company, but who is eligible for appointment and in respect of whom the Company has received a notice in writing under Section 257 of the Act from a shareholder proposing his candidature for the office of Director.

7. **Appointment of Dr. Venkatrao S. Sohoni as a Director**

To appoint a Director in the place of Dr. Venkatrao S. Sohoni who was appointed an Additional Director of the Company by the Board of Directors with effect from 24th March, 2003 and who holds office upto the date of this Annual General Meeting under Section 260 of the Companies Act, 1956 ('the Act') and Article 116 of the Articles of Association of the Company, but who is eligible for appointment and in respect of whom the Company has received a notice in writing under Section 257 of the Act from a shareholder proposing his candidature for the office of Director.

8. **Appointment of Dr. Venkatrao S. Sohoni as Managing Director**

To consider and, if thought fit, to pass with or without modification, the following Resolution as a Special Resolution:

"RESOLVED THAT pursuant to Sections 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956, and subject to the approval of the Central Government, if applicable, the Company hereby approves of the appointment and terms of remuneration of Dr. Venkatrao S. Sohoni as the Managing Director of the Company with effect from 11th August, 2003 to 10th August, 2006 upon the terms and conditions as set out below and in the draft Agreement submitted to this Meeting and initialled by the Chairman for the purpose of identification, which Agreement is hereby specifically sanctioned with liberty to the Board of Directors or a Committee thereof, to alter and vary the terms and conditions of the said appointment and/or Agreement in such manner as may be agreed to between the Directors and Dr. Sohoni.

i **Remuneration:**

a) **Salary:**

In the scale of Rs.50,000 – Rs.2,00,000 per month, with authority to the Board (which expression shall include a Committee thereof) to fix the salary within the scale from time to time. The annual increments which will be effective 1st April each year, will be merit-based and take into account the Company's performance.

b) **Commission:**

Such remuneration by way of commission, in addition to the salary and perquisites and allowances payable, calculated with reference to the net profits of the Company in a particular financial year, as may be determined by



the Board of Directors of the Company at the end of each financial year, subject to the overall ceilings stipulated in Sections 198 and 309 of the Companies Act, 1956. The specific amount payable to the Managing Director will be based on certain performance criteria to be laid down by the Board and will be payable annually after the Annual Accounts have been approved by the Board of Directors and adopted by the Members.

c) **Perquisites and Allowances:**

- (i) In addition to the salary and commission payable, the Managing Director shall also be entitled to perquisites and allowances like accommodation (furnished or otherwise) or house rent and house maintenance allowance in lieu thereof; reimbursement of expenses or allowances for utilities such as gas, electricity, water, furnishings, repairs, servants' salaries; medical reimbursement for self and dependants, membership of the Fort Medical Society, premium on personal accident insurance; leave travel concession for himself and his family; club fees and such other perquisites and allowances in accordance with the Rules of the Company or as may be agreed to by the Board of Directors and Dr. Sohoni; such perquisites and allowances will be subject to a maximum of 125% of his annual salary.

- (ii) For the purposes of calculating the above ceiling, perquisites and allowances shall be evaluated as per Income-tax Rules, wherever applicable. In the absence of any such Rules, perquisites and allowances shall be evaluated at actual cost.

Provision for use of the Company's car for official duties and telephone at residence shall not be included in the computation of perquisites and allowances for the purpose of calculating the said ceiling.

- (iii) Dr. Sohoni shall not be a member of the Provident Fund, Superannuation and Gratuity during his three year contract.

- d) At the end of the three years' term, if the Board judges that Dr. Sohoni has achieved a successful turnaround of profits, debtors and other parameters to be defined by the Remuneration Committee, then an end-of-service incentive remuneration of upto Rs. 50 lakhs will be payable.

ii. **Minimum Remuneration:**

Notwithstanding anything to the contrary herein contained, where in any financial year the profits are inadequate, the Company will pay remuneration by way of salary, perquisites and allowances as specified above."

9. **Payment of Commission to Directors**

To consider and, if thought fit, to pass with or without modification, the following Resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 309 and other applicable provisions, if any, of the Companies Act, 1956, such sum by way of commission, not exceeding one percent per annum of the net profits of the Company computed in the manner referred to in Sections 198, 349 and 350 of the said Act for each of the five financial years of the Company commencing from 1st April, 2003 be paid to and distributed amongst such Directors of the Company (other than the Managing Director and/ or Wholtime Director(s), if any), in such amounts or proportions and in such manner and in all respects as may be directed by the Board from time to time."

10. **Increase in the Authorised Share Capital of the Company**

To consider and, if thought fit, to pass with or without modification, the following Resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Section 94 and other applicable provisions, if any, of the Companies Act, 1956, read with Article 4 of the Articles of Association of the Company, the present Authorised Share Capital of the Company of Rs. 70 crores divided into 1,50,00,000 Equity Shares of Rs. 10/- each and 5,50,00,000 Preference Shares of Rs. 10/- each be and is hereby increased to Rs. 200 crores divided into 5,00,00,000 Equity Shares of Rs. 10/- each and 15,00,00,000 Preference Shares of Rs. 10/- each by the creation of 3,50,00,000 Equity Shares of Rs. 10/- each and 9,50,00,000 Preference Shares of Rs. 10/- each and that Clause 5 of the Memorandum of Association of the Company be altered accordingly."

11. **Alteration of the Articles of Association of the Company.**

To consider and , if thought fit, to pass with or without modification, the following Resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 31 and other applicable provisions, if any, of the Companies

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Act, 1956, the Articles of Association of the Company be altered as under:

Article 3 of the Articles of Association of the Company be substituted by the following Article:

"The Authorised Share Capital of the Company is Rs. 200 crores divided into 5,00,00,000 Equity Shares of Rs. 10/- each and 15,00,00,000 Preference Shares of Rs. 10/- each."

"5A The figure 5,50,00,000 appearing in the third line be deleted and substituted by the figure 15,00,00,000."

"5B The figure 5,50,00,000 appearing in the second line be deleted and substituted by the figure 15,00,00,000."

12. Raising of additional long term resources.

To consider and, if thought fit, to pass with or without modification, the following Resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 80, 81 and other applicable provisions, if any, of the companies Act, 1956 and subject to such consents and other approvals as may be necessary and subject to such conditions and modifications as may be considered necessary by the Board of Directors (hereinafter referred to as "the Board", which term shall be deemed to include any Committee thereof for the time being exercising the powers conferred on the Board by this Resolution) or as may be prescribed or made in granting such consents and approvals and which may be agreed to by the Board, the consent of the Company be and is hereby accorded to the Board to offer, issue and allot in one or more tranches, to Domestic/Foreign Institutions, Non-Resident Indians, Indian Public Companies, Corporate Bodies, Mutual Funds, Banks, Insurance Companies, individuals or otherwise, whether shareholders of the Company or not, through a public/rights issue and/or on a private placement basis, or by way of conversion of existing loans for refinancing borrowings, debentures whether partly/fully convertible and/or Equity Shares and/or Preference Shares whether convertible into Equity Shares or not and/or securities linked to Equity Shares and/or bonds with Share Warrants attached (hereinafter collectively referred to as "Securities"), secured or unsecured, so however that the total amount raised through the aforesaid Securities should not exceed Rs. 188 crores.

RESOLVED FURTHER THAT the consent of the Company be and is hereby granted in terms of section 293 (1) (a) and other applicable provisions, if any, of the Act and subject to all necessary approvals, to the Board to secure, if necessary, all or any of the above mentioned Securities to be issued, by the creation of a mortgage and/or charge on all or any of the Company's immovable and/or movable assets, both present and future, in such form and manner and on such terms as may be deemed fit and appropriate by the Board.

RESOLVED FURTHER THAT for the purpose of giving effect to the above, the Board be and is hereby authorised to determine as to when the Securities are to be issued, the form and terms of the Issue(s), including the class of investors to whom the Securities are to be allotted, number of Securities to be allotted in each tranche, issue price, face value, premium amount on issue/conversion of Securities/exercise of warrants/redemption of Securities, rate of interest/dividend (in case of Preference Shares), the terms for cumulating or otherwise of dividends, redemption period, put/call options, listing on one or more Stock Exchanges as the Board may in its absolute discretion deem fit and to make and accept any modifications in the proposal as may be required by the authorities involved in such issues and to settle any questions or difficulties that may arise in regard to the Issue(s)."

13. Voluntary delisting of the Company's Securities from the Stock Exchanges at Kolkata and Chennai

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

"RESOLVED THAT in modification of the Special Resolution passed by the Members at the Annual General Meeting of the Company held on 20th August, 1999 and subject to the provisions of the Companies Act, 1956, (including any statutory modification(s) or re-enactment thereof for the time being in force and as may be enacted hereinafter), the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003 and subject to such approvals, permissions and sanctions, as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, which may be agreed to, by the Board of Directors of the Company (hereinafter referred to as "the Board", which term shall be deemed to include any Committee thereof for the time being exercising the powers conferred on the Board by this Resolution), consent of the Company be and is hereby accorded to the Board to delist its Equity Shares from The Calcutta Stock Exchange Association Limited and The Madras Stock Exchange Limited."



Notes:

1. The Explanatory Statement, pursuant to Section 173 of the Companies Act, 1956 in respect of the business under Item Nos. 5 to 13 above is annexed hereto. The relevant details of Directors seeking appointment/reappointment under Item Nos. 2, 3 and 5 to 7 above, pursuant to Clause 49 of the Listing Agreements entered into with the Stock Exchanges are also annexed.
2. The Register of Members and the Share Transfer Books of the Company will be closed from Tuesday, 26th August, 2003 to Thursday, 18th September, 2003 (both days inclusive).
3. As per the provisions of the Companies Act, 1956 facility for making nomination is available for the shareholders in respect of the shares held by them. Nomination forms can be obtained from the Company's Registrars and Transfer Agents.
4. Pursuant to Section 205A of the Companies Act, 1956, all unclaimed/unpaid dividends upto the financial year ended 31st March, 1995 have been transferred to the General Revenue Account of the Central Government. Shareholders who have not yet encashed the dividend warrants for the said period are requested to forward their claims in prescribed Form No. II under The Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules, 1978 to -

Office of the Registrar of Companies,

CGO Complex,

A Wing, 2nd Floor,

Next to Reserve Bank of India,

CBD, BELAPUR 400 614.

(Tel. No. 27576802)

Shareholders are hereby informed that after the amendment of the Companies Act, 1956, w.e.f 31st October, 1998, the Company is obliged to transfer any money lying in the Unpaid Dividend Account, which remains unpaid or unclaimed for a period of seven years from the date of such transfer to the Unpaid Dividend Account, to the credit of Investor Education and Protection Fund ("the Fund") established by the Central Government. In accordance with Section 205C of the Companies Act, 1956, no claim shall lie against the Company or Fund in respect of the amounts transferred to the Fund.

Members who have not yet encashed their dividend warrant(s) for the financial year ended 31st March, 1996 and subsequent years, are requested to make their claims to the Company, without any delay. It may be noted that unpaid dividend for the financial year ended 31st March, 1996 is due for transfer to the fund on 5th November, 2003.

5. As an austerity measure, copies of the Annual Report will not be distributed at the Annual General Meeting. Members are requested to bring their copies to the meeting.
6. **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 D S Marg

Mumbai 400 001

Dated: 7th August, 2003.