



RALLIS

A **TATA** Enterprise

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**56th Annual Report
2003-2004**



RALLIS

A TATA Enterprise

Fifty-sixth annual report 2003-2004

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Rallis India Limited



Board of Directors

R. Gopalakrishnan

Chairman

F. A. Mehta

Ram S. Tarneja

V. N. Nadkarni

Russi Jal Taraporevala

Homi R. Khusrokhhan

Prasad R. Menon

B. D. Banerjee

Venkatrao S. Sohoni

Managing Director

Management Team

Venkatrao S. Sohoni

Managing Director

B. S. Uberoi

Executive Vice President - Corporate Affairs

V. G. Gadre

Chief Information Officer

D. C. Mansharamani

Chief - Manufacturing

Anil Mehta

Head - International Business Division

M. S. Mithyantha

Chief Technology Officer

Soumen Mitra

Chief Financial Officer

K. N. Pardiwalla

Chief Internal Auditor

A. K. Shetty

Chief - Sales & Marketing

Aruna Bhinge

Head - Strategic Planning

Rajesh Dahiya

Head - Human Resources

Registered Office

Apeejay House 7th Floor

3 Dinshaw Vachha Road

Churchgate Mumbai 400 020

Tel. No. 5665 2700

Fax No. 5665 2842

E-mail address: investor_relations@rallis.co.in

Website: www.rallis.co.in

Company Secretary

P. S. Meherhomji

Auditors

S.B. Billimoria & Co.

Share Registrars and Transfer Agents

Tata Share Registry Ltd.

Army & Navy Building

148, M. G. Road

Mumbai 400 001.

Tel. No.: 5656 8484

Fax No.: 5656 8494

E-mail address:

csg-unit@tatashare.com

website: www.tatashare.com

Solicitors & Advocates

Crawford Bayley & Company

Bankers

State Bank of India

Union Bank of India

Citibank N.A.

Corporation Bank

BNP Paribas

HDFC Bank Limited

IDBI Bank Limited

UTI Bank Limited

UCO Bank

United Western Bank Limited

Rallis India Limited**CHAIRMAN'S STATEMENT**

Dear Shareholders,

Agriculture

Agriculture holds a strategic position in our economy. Now that the issue has become critical, increasing agricultural production and marketing are recognised to be central to economic thinking, and agriculture features prominently in the policy statement of the new government. Indeed, the recent Union Budget has a sharp focus on agriculture and rural India.

It is a positive feature for the industry in which we are operating to be at the centre of policy planning. It promises a favourable business environment over the coming years. Conversely, it increases expectations from successful players.

Fortunately, last year, India received the second highest amount of rainfall in the last ten years resulting in raising water levels in major reservoirs across the country and ensuring a good agricultural output. Good rains lead to an improvement in the usage of pesticides, fast offtakes, and timely payments throughout the supply chain. Of course, there are many other variables such as commodity prices within and outside the country (particularly in cotton, wheat and soya), availability of credit for input purchase which also influence input usage. However, with a good monsoon, the farmer's sentiment becomes positive and he makes a greater effort to improve his produce.

The Pesticide Industry

Thanks to a good monsoon in 2003, the pesticide market has grown by about 19% after a major downturn in the year before when the monsoon was poor. Over the next few years this industry may see a reasonably attractive rate of growth. However, the huge R&D investments required are barriers to the development of radical, new molecules. The ushering in of IPR and WTO will have its own set of consequences.

The Pesticide industry is in the process of transformation. The chemistry is similar to Pharmaceuticals and in India, both markets have a preponderance of generics, spending on R&D is large, biotechnology is having a major impact and India with its wide base of scientists and chemists can play an important role on the global canvas. Although the Pesticides industry is much smaller than the Pharma industry and tends to be more volatile, a pesticide company is in the business of providing solutions to the farmer, therefore a lot of value can be added with this direct contact.

The estimate of crops destroyed each year due to pest infestation varies from Rs. 30,000 – Rs. 50,000 crores per year. Whichever it is, it suggests a good future for players who do the right things in the right way.

The Company Priorities

Having divested non-related businesses over the last two years, your Company is now wholly focused on manufacture and sales of pesticides (both technical materials and formulations). Consumption of the Company's pesticides in the field in recent months has been encouraging. During the year, the Company undertook a series of initiatives to improve its financial position. The results achieved include a significant reduction of debtors and inventory, lower borrowings (Rs. 120 crores) and lower stocks in the pipeline. The issuance of preference shares (Rs. 88 crores) has resulted in a better debt: equity ratio, compared to the past.

In the year 2003-04 initiatives that were taken to strengthen the Company included a drive to reduce interest costs, the merger of subsidiaries and a major reduction in operating costs. In fact a focussed effort was undertaken to reduce corporate overheads, sales and distribution costs and manufacturing overheads. The positive results from the above were enhanced by the favourable monsoon in 2003. This enabled the liquidation of stocks from the distribution network as well as increased sales during the year. Installing SAP has also become a prime driver of change for your Company. Thus the Company's operations have become more competitive as considerable progress has been achieved in the restructuring of the Company's balance sheet, product portfolio and organisation.



Last year we introduced a new insecticide under the brand name Manik produced at our Patancheru plant and launched a new wheat herbicide branded Fateh. Several steps are underway to improve the range of products supplied by us to the market and to bring more relevant products to the Indian farmer.

The Future

With a focus on providing solutions for farmers and by pursuing and sustaining appropriate alliances, Rallis can use its strengths to deliver superior value to the farmer, and reinforce our long-standing image as "The Friend of the Indian Farmer".

Our future plans include:

- A focus on distinctive products for use on Paddy, Cotton, Vegetables, Fruits and Wheat;
- Growth in low-pesticide consumption areas. To achieve this, special focus will be given to States such as UP, Bihar, Orissa and Chattisgarh;
- Development of several pesticide molecules relevant to crop protection in India and likely to be off-patent beyond 2006-07. R&D work is under way to develop and register these products, which will drive growth in the Pesticides business beyond 2006-07;
- Continue to pursue alliances with important international companies for exports and domestic markets. To bolster export growth, Registrations for various products are being processed in several countries.

Acknowledgement

I want to place on record my sincere appreciation for the support that all shareholders, suppliers, commercial partners and employees have given the Organisation during the past year and look forward to continuing encouragement in the year ahead.

Chairman

Mumbai,
12th July, 2004

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Rallis India Limited

RALLIS INDIA LIMITED

NOTICE OF MEETING

NOTICE is hereby given that the 56th Annual General Meeting of the Company will be held at Bombay House Auditorium, Bombay House, Homi Mody Street, Mumbai 400 023, on Thursday, the 26th August, 2004 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, 2004 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 Mr. R. Gopalakrishnan who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in place of Mr. Russi Jal Taraporevala who retires by rotation and is eligible for re-appointment.
4. To appoint Auditors and to fix their remuneration.
5. **Appointment of Mr. B. D. Banerjee as a Director**

To appoint a Director in the place of Mr. B. D. Banerjee who was appointed an Additional Director of the Company by the Board of Directors with effect from 15th June, 2004 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. **Alteration of the Articles of Association of the Company**

To consider and, if thought fit, to pass with or without modifications, 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 Act, 1956, the Articles of Association of the Company be altered as under:

Article 117 of the Articles of Association of the Company be substituted by the following Article:

"The fee payable to the Directors for attending a meeting of the Board or a Committee thereof shall be such sum as may be determined by the Board within the maximum limit, as shall be prescribed by law or by the Central Government from time to time. The Company may allow and pay to any Director such reasonable expenditure as may have been incurred by him or such sum as may be considered fair and reasonable for attending such meetings."

Notes:

1. The Explanatory Statement, pursuant to Section 173 of the Companies Act, 1956 in respect of the business under Item Nos.5 and 6 above is annexed hereto. The relevant details of Directors seeking re-appointment/ appointment under Item Nos.2, 3 and 5 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 Friday, 13th August, 2004 to Thursday, 26th August, 2004 (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.



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, 1997 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, 1997 is due for transfer to the Fund on 8th October, 2004.

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

P.S. MEHERHOMJI

Company Secretary

Dated: 15th June, 2004

Registered Office:

Apeejay House 7th Floor
3 Dinshaw Vachha Road
Churchgate
Mumbai 400 020



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Rallis India Limited

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956

Pursuant to Section 173 of the Companies Act, 1956 and in explanation of Item Nos.5 and 6 of the business set out in the attached Notice of the Annual General Meeting, the following facts are stated:

Item No.5:

Mr. B. D. Banerjee was appointed Additional Director of the Company with effect from 15th June, 2004 pursuant to Section 260 of the Companies Act, 1956 and Article 116 of the Articles of Association of the Company. As such, Mr. Banerjee holds office as Director upto the date of this Annual General Meeting and is eligible for appointment. Notice under Section 257 of the Companies Act, 1956 has been received from a Member indicating her intention to propose Mr. Banerjee for the office of Director at the forthcoming Annual General Meeting.

Mr. B. D. Banerjee is a Post Graduate with Honours in Philosophy from Presidency College, Calcutta University and is an Associate of the Insurance Institute of India. In a career spanning over 37 years in the Insurance Industry, Mr. Banerjee played an important role in the establishment, growth and consolidation of the non-life Insurance sector in India. He has served as the Chairman-cum-Managing Director of Oriental Insurance Co. Ltd. and the National Insurance Co. Ltd. and as the Managing Director of General Insurance Corporation of India. He was also the Administrator of the Pune Stock Exchange and is currently appointed as an Insurance Ombudsman for Maharashtra and Goa.

Mr. Banerjee was a Nominee Director of the Financial Institutions (in their capacity as Debenture holders of the Company) on the Board of the Company from 28th October, 1999. Consequent to the Company redeeming all its Debentures, Mr. Banerjee stepped down as Nominee Director on 30th January, 2004.

The Board considers it desirable to continue to receive the benefit of Mr. Banerjee's advice and guidance and has, therefore, appointed him as Additional Director from 15th June, 2004. The Board commends his appointment.

Mr. B. D. Banerjee is interested and concerned in the Resolution mentioned at Item No.5.

Item No.6:

The present Article 117 of the Articles of Association of the Company provides that the fee payable to the Directors for attending a meeting of the Board or a Committee thereof shall be the maximum sum as shall be prescribed by law or by the Central Government from time to time. It is proposed to amend the Article to provide flexibility to the Board to determine the amount to be paid to the non-wholetime directors as Directors' fee, which shall be within the maximum sum as prescribed by law or Central Government from time to time.

A copy of the Articles of Association of the Company together with the proposed alteration is open for inspection by the Members at the Registered Office of the Company between 10.00 a.m. and 12.00 noon on any working day of the Company.

All the Directors of the Company, except the Managing Director, are concerned or interested in the Resolution at Item No. 6 of the accompanying notice, to the extent of the sitting fees that may be received by them for Board or Committee Meetings attended by them.

By Order of the Board of Directors
P. S. MEHERHOMJI
Company Secretary

Dated: 15th June, 2004

Registered Office:

Apeejay House 7th Floor
3 Dinshaw Vachha Road
Churchgate
Mumbai 400 020



Details of Directors seeking appointment/re-appointment in forthcoming Annual General Meeting

(Pursuant to Clause 49 of the Listing Agreement)

Name of Director	Mr. R. Gopalakrishnan	Mr. Russi Jal Taraporevala	Mr. B. D. Banerjee
Date of Birth	25.12.1945	08.09.1932	14.10.1941
Date of Appointment	28.06.1999	22.09.1988	15.06.2004
Expertise in specific functional areas	Mr. Gopalakrishnan was appointed as Executive Director – Exports, in Hindustan Lever, after 20 years experience with the Company. In 1991, he became Chairman, Unilever Arabia, based in Jeddah. He was later appointed as Managing Director of Brooke Bond Lipton and after its merger with Hindustan Lever, he was appointed Vice Chairman of Hindustan Lever Ltd. He joined Tata Sons in August 1998 and is an Executive Director of Tata Sons Ltd. He is also a Director on Board of several Tata Group Companies.	Renowned Economist and is an authority on Industrial Economics, Business Management, Finance and Taxation	In a career spanning over 37 years in the Insurance Industry, Mr. Banerjee played an important role in the establishment, growth and consolidation of the non-life Insurance sector in India. He has served as the Chairman-cum-Managing Director of Oriental Insurance Co. Ltd. and the National Insurance Co. Ltd. and as the Managing Director of General Insurance Corporation of India. He was also the Administrator of the Pune Stock Exchange and is currently appointed as an Insurance Ombudsman for Maharashtra and Goa.
Qualifications	<ul style="list-style-type: none"> - BSc in Physics from Calcutta University. - Engineering from IIT, Kharagpur. - Advanced Management Programme, Harvard Business School. 	B.Com. (Bombay), M.Sc.(Economics) (London) and M.B.A. (Berkeley – California)	Post Graduate with Honours in Philosophy from Presidency College, Calcutta University and Associate of the Insurance Institute of India.
List of the Companies in which Directorship held	PUBLIC COMPANIES <ol style="list-style-type: none"> 1. Tata Honeywell Ltd.(Chairman). 2. Rallis India Ltd. (Chairman). 3. Tata Chemicals Ltd. (Vice Chairman) 4. Tata Sons Ltd. 5. Tata Motors Ltd. 6. Tata Power Co. Ltd. 7. Tata Teleservices Ltd. 8. Tata Teleservices (Maharashtra) Ltd. 9. Tata AutoComp Systems Ltd. 10. Tata Technologies Ltd. 11. Idea Cellular Ltd. 12. ICI India Ltd. 13. Castrol India Ltd. 14. Sheba Properties Ltd. PRIVATE COMPANIES <ol style="list-style-type: none"> 1. ABP Pvt. Ltd. 	PUBLIC COMPANIES <ol style="list-style-type: none"> 1. Rallis India Ltd. 2. Standard Industries Ltd. 3. Gabriel India Ltd. 4. Stanrose Mafatlal Investments & Finance Ltd. PRIVATE COMPANIES <ol style="list-style-type: none"> 1. Vista Travels Pvt. Ltd. 2. D. B. Taraporevala Sons & Co. Pvt. Ltd. 	PUBLIC COMPANIES Rallis India Ltd.
Chairman/ Member of the Mandatory Committees of the Board of the Companies on which he is a Director	<ol style="list-style-type: none"> 1. Castrol India Ltd. - Remuneration Committee (Chairman). - Audit Committee. 2. Tata Chemicals Ltd. - Audit Committee. - Remuneration Committee. 3. Tata Power Co. Ltd. - Remuneration Committee. 4. Tata Teleservices Ltd. - Remuneration Committee. 5. Tata Motors Ltd. - Investor Grievance Committee. 6. ICI India Ltd. - Audit Committee. - Remuneration Committee. 7. Rallis India Ltd. - Remuneration Committee. 	<ol style="list-style-type: none"> 1. Standard Industries Ltd. - Audit Committee (Chairman) -Remuneration Committee (Chairman) -Shareholders/ Investors Grievance Committee 2. Stanrose Mafatlal Investments & Finance Ltd. -Investors Grievance Committee (Chairman) 3. Rallis India Ltd. -Remuneration Committee (Chairman) -Audit Committee 4. Gabriel India Ltd. -Investors/ Shareholders Grievance Committee 	NIL

RALLIS**Fifty-sixth annual report 2003-2004****Rallis India Limited****DIRECTORS' REPORT****TO THE MEMBERS OF
RALLIS INDIA LIMITED**

The Directors hereby present their Fifty-sixth Annual Report on the business and operations of the Company and the financial accounts for the year ended 31st March, 2004.

FINANCIAL RESULTS

		2003-04	Rs. crores	2002-03#
Sales		489.19		845.89
Other Income:				
Excise, Duty drawback,				
Commission and Service charges	14.27		22.44	
Others	17.98	32.25	16.22	38.66
		<u>521.44</u>		<u>884.54</u>
Profit/ (-) Loss before Interest,				
Depreciation, Tax and Exceptional				
Items		3.11		-0.12
Interest		-39.56		-41.52
Depreciation		-17.03		-15.22
Profit/ (-) Loss before Exceptional Items		-53.48		-56.86
Exceptional Items		79.67		-23.83
Profits/ (-) Loss before Tax		26.19		-80.69
Provision for Tax		-0.64		-
Deferred Tax		-		-
Tax Provision written back		-		3.42
Profit/ (-) Loss after Tax		25.55		-77.27
Balance of Profit brought forward from Previous year		-37.92		39.35
Adjustments in respect of subsidiaries				
on account of merger from 1st April, 2002				
Balance loss of subsidiaries upto 31st March, 2002				
brought forward on merger	-55.81			
Losses of subsidiaries for the year ended				
31st March, 2003 on merger	-40.72			
Provision for diminution in value of investments				
in subsidiaries made in 2002-03 no longer required	1.80			
Provision for Loans and advances to subsidiaries				
made upto 2002-03 no longer required	32.05			
Stock reserve in respect of stock out of				
inter-company sales	-0.53	-63.21		
Balance Profit/(-) Loss carried forward to Balance Sheet*		<u>-75.58</u>		<u>-37.92</u>

* As the carried forward balance is negative, there are no appropriations.

#Previous year's figures have been regrouped wherever necessary. However, previous year's figures represent the operations of Rallis alone, while current year's figures represent the operations of the combined entity of Rallis and its six subsidiaries. Hence the figures are not strictly comparable.