



RALLIS

A **TATA** Enterprise

57th Annual Report
2004-2005



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Fifty-seventh annual report 2004-2005

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Board of Directors

R. Gopalakrishnan

Chairman

F. A. Mehta

Ram S. Tarneja

V. N. Nadkarni

Russi Jal Taraporevala

Homi R. Khusrorkhan

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

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

IDBI Bank Limited

UTI Bank Limited

UCO Bank

United Western Bank Limited

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Rallis India Limited**CHAIRMAN'S STATEMENT**

Dear Shareholders,

I began the practice of addressing a short letter to you from FY 2002-2003 when I assumed chairmanship of your Company in April 2003. In that year, the Company had posted very poor financial results. I am continuing this practice with the hope that such a letter is helpful to shareholders. This year we are able to send the Annual Report much earlier than previous years and also to hold the shareholders' meeting early on the AGM season. This is a response to the requests by shareholders.

Agricultural Growth

Although it is widely recognized that agriculture is at the heart of the Indian economy, it is increasingly difficult for policy makers to implement what they readily recognize is required to be done. This is a governance issue that the country faces in other crucial areas as well, but it hurts a lot more in agriculture because of the very vast numbers who depend on the rural economy for their livelihood and well being.

The FY 2004-2005 has not been particularly noteworthy for agriculture. About one-third of the meteorological subdivisions had deficient or scanty rainfall during the kharif period. Agricultural growth was at best marginal. The vagaries and volatilities of the agricultural economy continue as they have for decades, perhaps centuries.

Specific to the pesticide industry, the general level of pest infestation was low. However, in the case of a key crop for the agrochemicals industry, cotton, acreage and output prices were both positive for farmers.

The Pesticide Industry

The pesticide industry was faced with an unprecedented level of input cost escalations during this financial year. It was not possible to pass on these escalations in product pricing. So a large productivity improvement drive was essential for companies to succeed. Further, this industry was just about emerging from a very difficult business cycle. The years from 1999 to 2003 witnessed erratic weather conditions for agriculture, virtually no volume growth and, worse, falling prices for agrochemical products. This resulted in an industry wide scramble to fill up distributor pipelines, throwing credit disciplines to the wind. Fortunately, good sense has returned with manufacturing getting rationalized, streamlining of distribution and credit disciplines, and, above all, the introduction of new products by marketers. As the second largest pesticide company in the country with a market share of 13%, Rallis too has undergone similar experiences.

With the IPR regime in the country getting aligned with international norms progressively, the earlier concerns of research based companies are waning. The traditional mode of reverse engineering of molecules by local manufacturers resulted in antagonistic competition between MNCs and Indian companies. In the future, this can be replaced with win-win strategic co-operation, if there is some statesmanship and responsibility displayed by the leadership of all sectors of the industry. Further, such a climate throws up new opportunities for growth in this industry and your Company seeks to aggressively seize those opportunities.

Company Plans

Two years ago, in my letter, I had indicated that there would be some rough times ahead for Rallis. I had pleaded with shareholders to give the professional managers of the Company a chance "to perform to their utmost capacity and competence." I think the employees have redeemed themselves well in restructuring the business and returning to profitable operations. On behalf of the employees, I would like to acknowledge the unstinted support of shareholders. I trust that your patience has been rewarded, albeit in a token sense, by a return of your Company to dividend paying status. The future challenge is to have sustained and superior performance, even though the volatilities of agriculture will continue.



In particular, it is gratifying that pesticide sale revenues have increased by 27%, well ahead of the industry average of 13%. The Company's profits from operations as well as the Profit after Tax, both count among the highest in the last decade. The EBIT to Sales ratios from the pesticide business compare very well with the best in the industry. And all this has happened despite the apparent shrinking of the portfolio, or more appropriately, focusing it, for example, by exiting pharmaceutical products marketing and gelatin manufacturing. The adage *Less is More* seems to be supported by the Company actions in the last two years.

It is important to acknowledge the support of shareholding Tata Companies in the Company's troubled times. The injection of significant preference capital by them was done at a time when the Company had an unsustainable level of borrowing and the highest loss in its history. It is gratifying and wholly appropriate that the operations have allowed the Company to start paying the preference dividend somewhat ahead of what had been envisaged earlier. I should thank these Tata Companies for this timely support.

It is too early to declare victory; the Company must perform for some more time before we can be sure that we are set on a sound course. The results of 2004-05 suggest that the management is probably on the right course. Rallis must act as an innovative and growing company, in line with its status as the Number Two player in the industry. That will be the endeavor of your management, so ably led by Managing Director Dr VS Sohoni.

I should close with a reference to the proposed transfer of the Knowledge Services Business, which includes the Research & Development Centre at Bangalore. The papers for a postal ballot have already been dispatched and we hope shareholders will approve of this significant move.

Acknowledgement

I wish to place my sincere appreciation for the support of shareholders, suppliers, commercial partners and employees during this year. It was most valuable in a difficult period.

Chairman

Mumbai
20th May, 2005

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Rallis India Limited**RALLIS INDIA LIMITED****NOTICE OF MEETING**

NOTICE is hereby given that the 57th Annual General Meeting of the Company will be held at Bombay House Auditorium, Bombay House, Homi Mody Street, Mumbai 400 001, on Thursday, the 30th June, 2005 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, 2005 and the Balance Sheet as at that date together with the Report of the Directors and that of the Auditors thereon.
2. To declare a dividend on the 7.5% Cumulative Redeemable Preference Shares.
3. To declare a dividend on Equity Shares.
4. To appoint a Director in place of Dr. F. A. Mehta who retires by rotation and is eligible for re-appointment. He has offered himself for re-election till the end of the current Financial Year.
5. To appoint a Director in place of Dr. Ram S. Tarneja who retires by rotation and is eligible for re-appointment. He has offered himself for re-election till the end of the Financial Year 2006-07.
6. To appoint a Director in place of Mr. V. N. Nadkarni who retires by rotation and is eligible for re-appointment. He has offered himself for re-election till the end of the current Financial Year.
7. To appoint Auditors and to fix their remuneration.
8. **Revision in the terms of remuneration of Dr. Venkatrao S. Sohoni.**

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, 310, 311 and other applicable provisions, if any, of the Companies Act, 1956, and subject to the approval of the Central Government, if applicable, and in partial modification of Resolution No.8 passed at the Annual General Meeting of the Company held on 18th September, 2003, the Company hereby approves the revised terms of remuneration of Dr. Venkatrao S. Sohoni, Managing Director, with effect from 1st July, 2005 for the remainder of the tenure of his contract i.e. upto 10th August, 2006, as set out below and in the draft Supplemental Agreement submitted to this Meeting and initialled by the Chairman for the purpose of identification, which Supplemental 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.

"Salary:

In the scale of Rs.50,000 – Rs.4,00,000 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."

Notes:

1. The Explanatory Statement, pursuant to Section 173 of the Companies Act, 1956 in respect of the business under Item No.8 above is annexed hereto. The relevant details of Directors seeking re-appointment under Item Nos. 4 to 6 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, 17th June, 2005 to Thursday, 30th June, 2005 (both days inclusive).



3. If dividend on preference shares and equity shares, as recommended by the Directors, is passed at the Meeting, the payment of such dividend will be made on or after 1st July, 2005 to the shareholders whose names are on the Company's Register of Members on 17th June, 2005. The dividend in respect of shares held in electronic form will be payable to the beneficial owners of the shares as on beginning of 17th June, 2005, as per details furnished by the Depositories for this purpose. In respect of preference shares, dividend will be paid to the beneficial owners of the shares as on 30th June, 2005 (record date), as per details furnished by the Depositories for this purpose.
4. 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.
5. 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, 1998 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, 1998 is due for transfer to the Fund on 5th October, 2005.

6. 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.
7. **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: 13th May, 2005

Registered Office:

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

RALLIS**Fifty-seventh annual report 2004-2005****Rallis India Limited****EXPLANATORY STATEMENT PURSUANT TO
SECTION 173 OF THE COMPANIES ACT, 1956**

Pursuant to Section 173 of the Companies Act, 1956 the following Explanatory Statement sets out all material facts relating to the business mentioned under Item No. 8 of the accompanying Notice dated 13th May, 2005:

Item No.8:

At the Annual General Meeting of the Company held on 18th September, 2003, the Members had approved of the appointment of Dr. Venkatrao S. Sohoni as Managing Director of the Company for a period of three years with effect from 11th August, 2003 on the terms and conditions as contained in the Resolution as well as the Explanatory Statement forming part of the Notice of the said Annual General Meeting.

The Remuneration Committee and the Board of Directors of the Company, at their meetings held on 13th May, 2005, have approved of the revision in the upper limit of the present salary scale of Dr. Sohoni from Rs.2,00,000/- per month to Rs.4,00,000/- per month.

The other terms and conditions of Dr. Sohoni's appointment as Managing Director, as enumerated in the Resolution No. 8 passed at the Annual General Meeting of the Company held on 18th September, 2003, and the Explanatory Statement thereto, remain the same.

Pursuant to the provisions of Sections 198, 269, 309, 310 and 311 and Schedule XIII to the Companies Act, 1956, the approval of the members in the General Meeting is required to be obtained for the above revision in the terms of remuneration of Dr. Sohoni, as set out in Item No.8 of the Notice.

The draft Supplemental Agreement to be entered into between the Company and Dr. Sohoni is available for inspection by the Members of the Company on any working day of the Company between 10.00 a.m. and 12.00 noon at the Registered Office of the Company.

Dr. Sohoni is concerned or interested in the Resolution mentioned at Item No.8 of the Notice.

This may also be treated as an abstract of the draft Supplemental Agreement between the Company and Dr. Sohoni pursuant to Section 302 of the Companies Act, 1956.

The Directors commend the Resolution at Item No.8 for acceptance by the Members.

Additional information relevant for the approval of the remuneration payable to Dr. Venkatrao S. Sohoni, as per Notification dated 16th January, 2002 issued by the Department of Company Affairs.

I. General Information:

- (i) Nature of Industry: The Company is a manufacturer, trader and exporter of pesticides, plant growth nutrients and seeds.
- (ii) Date or expected date of commencement of commercial production: The Company was incorporated on 23rd August, 1948.
- (iii) In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus: Not Applicable
- (iv) Financial performance based on given indicators as per Audited Financial Results for the year ended 31st March, 2005 and for the year ended 31st March, 2004.

Particulars	For the year ended 31.03.05 (Rs. in Crores)	For the year ended 31.03.04 (Rs. in Crores)
Turnover and other income	593.78	528.25
Net profit/ (loss) as per Profit & Loss A/c	33.50	25.55
Excess of expenditure over income in so far as such excess has not been deducted	147.02	108.70
Loss as computed under Section 309(5) read with Section 198 of the Companies Act, 1956	108.72	147.02



(v) Export performance:

- a) Foreign exchange earned for the financial year ended 31st March, 2005: Rs.134.78 Crores
- b) Foreign exchange earned for the financial year ended 31st March, 2004: Rs.110.67 Crores

(vi) Foreign investments or collaborations, if any: Not Applicable

II. Information about the appointee:

- (i) Background details: Dr. Sohoni is a B. Tech. (Hons.) from IIT Kharagpur and has a Ph.D in Information Systems from IIT Mumbai. He has over 40 years' of diverse experience in the Corporate Sector.

Dr. Sohoni has considerable experience in driving growth, building successful teams and increasing profits.

- (ii) Past remuneration drawn (during 2004-05): Rs.28.03 lakhs.

- (iii) Recognition and Awards/ Achievements: Dr. Sohoni has been recognised as Market Company President of the year, Asia Pacific Region, 2001 by Pharmacia India Pvt. Ltd.

- (iv) Job Profile and Suitability: Dr. Sohoni exercises substantial powers of management, subject to the superintendence, control and directions of the Board of Directors/ Chairman of the Company. He is responsible for the operations and affairs of all the Divisions of the Company. Taking into consideration his qualifications and expertise, Dr. Sohoni is best suited for the responsibilities assigned to him by the Board of Directors.

(v) Remuneration proposed:

Salary	In the scale of Rs.50,000/- to Rs.4,00,000/- per month. Annual increments are merit based and effective 1st April each year. Salary: Rs.1,80,000/- per month with effect from 1st April, 2005.
Commission	At the discretion of the Board, based on certain performance criteria, within the stipulated limits under the Act.
Perquisites & Allowances	Upto 125% of salary.
Incentive Remuneration	An end-of-service incentive of upto Rs.50 lakhs will be payable to Dr. Sohoni at the end of his three years' term, if the Board judges that Dr. Sohoni has achieved a successful turnaround of profits.
Minimum Remuneration in case of inadequacy of profits during any financial year.	Salary, perquisites and allowances as mentioned above, but excluding commission

- (vi) Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person (in case of expatriates the relevant details would be with respect to the country of his origin): The remuneration proposed is commensurate with the remuneration packages paid to similar Senior level appointees in other companies.

- (vii) Pecuniary relationship directly or indirectly with the Company or relationship with the managerial personnel, if any: Besides the remuneration proposed, the Managing Director does not have any other pecuniary relationship with the Company and its managerial personnel.

III. Other Information:

- (i) Reasons for loss or inadequate profits:

The Company had incurred substantial operational losses for the past three years, mainly due to (a) the crippling drought and low pest infestation in the Country in 2002, resulting in the worst year for the domestic pesticide industry in over two decades.

(b) the provisions which the Company had to make on account of supplemental payments on retirement, advances to subsidiaries and other provisions.

(c) the Company also had to absorb the losses of the subsidiaries, on their merger with the Company, which also contributed to the losses.

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Rallis India Limited**(ii) Steps taken or proposed to be taken for improvement:**

The Company has taken the following steps for improvement in performance during the past two years:

- a) Sharper focus on Big Scale Cost Reduction
- b) Improved market servicing and customer interaction
- c) Dealer rationalisation and emphasis on collections
- d) Emphasis on cash management and restructuring the balance sheet
- e) Energising all employees in the Turnaround Plan of the Company

(iii) Expected increase in productivity and profits in measurable terms: The above steps taken by the Company have resulted in an improvement in the financial performance of the Company during the year 2004-05, resulting in a profit from operations of Rs.38.15 Crores and a net profit of Rs.33.50 Crores. The improvement is expected to continue in the current year and beyond.

By Order of the Board of Directors

P.S. MEHERHOMJI
Company Secretary

Dated: 13th May, 2005

Registered Office:

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