

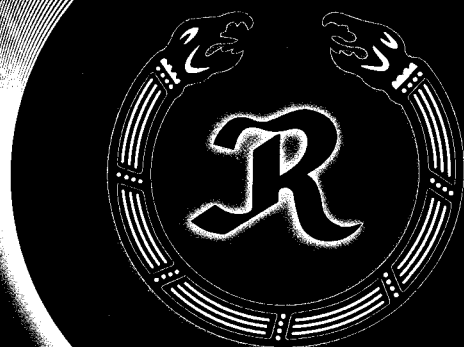


RALLIS

A **TATA** Enterprises

58th Annual Report
2005-06

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RALLIS

A TATA Enterprise

Fifty-eighth annual report 2005-2006

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**Annual General Meeting on
Wednesday, 31st May, 2006 at 4.00
p.m. at Bombay House Auditorium,
Bombay House, Homi Mody Street,
Mumbai 400 001**

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Rallis India Limited





Board of Directors

R. Gopalakrishnan *(Chairman)*
Ram S. Tarneja
Russi Jal Taraporevala
Homi R. Khusrokhhan
Prasad R. Menon
B. D. Banerjee
E. A. Kshirsagar
Venkatrao S. Sohoni *(Managing Director)*

Management Team

Venkatrao S. Sohoni *Managing Director*
V. Shankar *Chief Operating Officer*
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*
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. 6665 2700
 Fax No. 6665 2842
 E-mail address: investor_relations@rallis.co.in
 Website: www.rallis.co.in

Share Registrars and Transfer Agents

TSR Darashaw Ltd.
(Formerly Tata Share Registry Limited)
 Army & Navy Building
 148, Mahatma Gandhi Road
 Mumbai 400 001.
 Tel. No. 6656 8484
 Fax No. 6656 8494
 E-mail address : csg-unit@tsrdarashaw.com
 Website : www.tsrdarashaw.com

Company Secretary

P. S. Meherhomji

Auditors

S.B. Billimoria & Co.

Solicitors & Advocates

Crawford Bayley & Company

Bankers

State Bank of India
 Union Bank of India
 Citibank N.A.
 Corporation Bank
 BNP Paribas
 Industrial Development Bank of India Limited
 UTI Bank Limited
 UCO Bank
 United Western Bank Limited

RALLIS**Fifty-eighth annual report 2005-2006****Rallis India Limited****CHAIRMAN'S STATEMENT**

Dear Shareholders,

At past shareholders' meetings, you have requested the Board to advance the publication of the annual accounts as well as the timing of the AGM. In 2003, the AGM was held in the month of September, the next year in August, and then June for the year 2005. Your Board is pleased to hold the AGM this year in the month of May itself. This has been possible due to major improvements to the processes within the Company and to the very co-ordinated implementation of an ERP system. The role of the Finance and Information Technology departments are worthy of mention in this context.

Agriculture

The country is faced with a complex situation with respect to agriculture. The national GDP has been growing handsomely and consistently during recent years. However, agricultural growth has been laggard as well as inconsistent. Its share in the GDP pie of the country has been shrinking sharply.

Viewed in an international context, this seems to be a recognizable, normal and almost desirable trend. Indeed this would have been good news if the population and labour force dependent on agriculture were also reducing sharply. Alas that is not the case.

In 1891, the percentage of population dependent on agriculture was estimated to be 63%. After thirty years of industrialization, in 1921, the percentage actually increased to 73%. This happened most likely due to the displacement of traditional village service jobs like the *luhaar* (ironsmith) and *chamaar* (cobbler) by the emerging industrializing jobs. Nowadays, it is estimated that 58% of our population is dependent on agriculture.

The staggering point is that this percentage is not far from what it was 115 years ago. With the increase of population during these 115 years, the actual numbers have quadrupled from 150 million in 1891 to about 600 million today. This is most unusual.

It is clear that while for most rural households, agriculture remains the main source of income, there is emerging a Rural Non Farm Sector (RNFS) which is developing as a source of income and employment. According to a World Bank survey of sixteen Indian States (*Re-energizing the Agricultural Sector : July 2004*), this RNFS sector accounted for one-third of rural household incomes.

Storage, transportation and processing of agricultural produce, the related trade and financial services are all promising beacons of hope for the future. Your Company is deeply involved in the distribution of crop protection chemicals and agricultural input materials like plant growth nutrients and seeds. The Rallis field demonstration and extension services work counts among the best compared to peer companies and is a bedrock of strength for your Company.

As mentioned in the Directors' Report, contrary to a general perception that India had a "good" monsoon during the Kharif of 2005 and rabi of 2006, the reality is that it was a temperamental and volatile monsoon. This caused agricultural growth during FY 05-06 to be half the target level. The crop protection industry also faced some unusual challenges.

The Pesticides Industry

The Kharif season initially progressed quite impressively. The industry witnessed a continuation of the growth trend of the previous year. The rabi season turned out to be quite a poor season.

There was an unfavourable distribution of rainfall in key agricultural states like A.P., Karnataka and Punjab, coupled with huge excess rains thereafter. These events affected the degree of pest infestation, and damaged crops like paddy and chili. The industry was faced with excess stocks in some pockets and witnessed severe price competition during the rabi season.

Rallis continued to exercise controls on credit and stocks through diligent field operations. That is why Rallis has shown an increase in domestic sales. However, second half margins were severely impacted. This is the reason for the profits being skewed to the first half of the financial year.



The Company's Priorities

With a second year of turnaround in the business and improved profits in the face of adverse market conditions, your management feels more confident and self-assured. The core strength of the Company lies in its deep understanding of the chemistry of crop chemicals and in its width, depth and effectiveness of field contact with farmers. Having regained its key position in the domestic formulations market, the Company management is now looking for growth in two directions.

First, **seeds business** : this provides a growing future and your Company's marketing reach is a valuable asset for success.

Second, **international business** : the Indian industry has international opportunities. Though the Company's export performance this year has seen a growth of 24%, your management believes there is scope for more growth. Both seeds and international business will receive special attention as growth drivers for the future.

Acknowledgement

I wish to acknowledge the support received from shareholders, suppliers, commercial partners and employees during this last year. Our independent Director, Sri V N Nadkarni, stepped down from the Board in March 2006 after almost two decades of distinguished service to the Board and Company. We are most grateful to him for his wise counsel and also welcome Director E. A. Kshirsagar to our Board.



Chairman

Mumbai
02 May 2006

RALLIS

Fifty-eighth annual report 2005-2006

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

NOTICE is hereby given that the 58th Annual General Meeting of the Company will be held at Bombay House Auditorium, Bombay House, Homi Mody Street, Mumbai 400 001, on Wednesday, the 31st May, 2006 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, 2006 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 Mr. Homi R. Khusrookhan who retires by rotation and is eligible for re-appointment.
5. To appoint a Director in place of Mr. Prasad R. Menon who retires by rotation and is eligible for re-appointment.
6. To appoint Auditors and to fix their remuneration.

7. **Appointment of Mr. E. A. Kshirsagar as a Director**

To appoint a Director in the place of Mr. E. A. Kshirsagar who was appointed an Additional Director of the Company by the Board of Directors with effect from 24th February, 2006 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. **Re-appointment of Dr. V. 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, 310, 311 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 ('the Act') and subject to the approval of the Central Government, if applicable, the Company hereby approves of the re-appointment and terms of remuneration of Dr. Venkatrao S. Sohoni as the Managing Director of the Company with effect from 11th August, 2006 to 31st May, 2007 upon the terms and conditions as set out below and in the Explanatory Statement annexed to the Notice convening this meeting, with liberty to the Board of Directors (hereinafter referred to as 'the Board' which term shall be deemed to include any Committee of the Board constituted to exercise its powers, including the powers conferred by this Resolution), to alter and vary the terms and conditions of the said appointment, 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.4,00,000 per month, with authority to the Board to fix the salary within the scale from time to time. The annual increment which will be effective 1st April 2007, 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 Act. 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) Benefits, Perquisites and Allowances:

- (i) In addition to the salary, incentive remuneration, if any, and commission payable, the Managing Director shall also be entitled to perquisites and allowances like accommodation (furnished or otherwise) or house rent and maintenance allowances, in lieu thereof; together with reimbursement of expenses or allowances for utilities such as gas, electricity, water, furnishings, repairs, servants' salaries; medical reimbursement; club fees and leave travel concession/ allowance for himself and his family; medical/ accident insurance and such other perquisites and allowances in accordance with the Rules of the Company or as may be agreed to by the Board and Dr. Sohoni; such perquisites and allowances will be subject to such overall ceiling as may be fixed by the Board from time to time.
- (ii) Company maintained car with driver for official and personal use.
- (iii) Telecommunication facilities at residence.
- (iv) Leave and encashment of unavailed leave as per the Rules of the Company.
- (v) Dr. Sohoni shall not be a member of the Provident Fund, Superannuation and Gratuity Fund during his tenure.

d) Incentive Remuneration:

At the end of his tenure, 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.62.50 lacs will be payable.

ii. Minimum Remuneration:

Notwithstanding anything to the contrary herein contained, where in any financial year during the currency of the tenure of Dr. Sohoni, the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of salary, perquisites and allowances and incentive remuneration as specified above.

RESOLVED FURTHER THAT the Board be and is hereby authorised to take all such steps as may be necessary, proper and expedient to give effect to this Resolution.

Notes:

1. The Explanatory Statement, pursuant to Section 173 of the Companies Act, 1956 in respect of the business under Item Nos.7 and 8 above is annexed hereto. The relevant details of Directors seeking re-appointment/ appointment under Item Nos.4, 5, 7 and 8 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, 16th May, 2006 to Wednesday, 31st May, 2006 (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 June, 2006 to the shareholders whose

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names are on the Company's Register of Members on 16th May, 2006. The dividend in respect of shares held in electronic form will be payable to the beneficial owners of the shares as on beginning of 16th May, 2006, 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 31st May, 2006 (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, 1999 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, 1999 is due for transfer to the Fund on 1st October, 2006.

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: 17th April, 2006

Registered Office:

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



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

Pursuant to Section 173 of the Companies Act, 1956 ('the Act'), the following Explanatory Statement sets out all material facts relating to the business mentioned under Item Nos. 7 and 8 of the accompanying Notice dated 17th April, 2006.

Item No.7:

Mr. E. A. Kshirsagar was appointed Additional Director of the Company with effect from 24th February, 2006 pursuant to Section 260 of the Act and Article 116 of the Articles of Association of the Company. As such, Mr. Kshirsagar holds office as Director upto the date of this Annual General Meeting and is eligible for appointment. Notice under Section 257 of the Act has been received from a Member indicating her intention to propose Mr. Kshirsagar for the office of Director at the forthcoming Annual General Meeting.

Mr. E. A. Kshirsagar is a Fellow Member of the Institute of Chartered Accountants, India and of the Institute of Chartered Accountants, England and Wales. He was with the Management Consultancy Division of A. F. Ferguson from 1973 and was its Director-in-Charge from 1988 to 2004. His areas of specialization are Corporate Strategy & Structure, Valuation, Feasibility Studies, Disinvestments and Mergers & Acquisitions, and he has conducted several assignments in the above areas with Indian companies and multinationals and also for various Government bodies.

The Board considers it desirable to continue to receive the benefit of Mr. Kshirsagar's advice and guidance and, therefore, commends his appointment.

Mr. E. A. Kshirsagar is interested and concerned in the Resolution mentioned at Item No.7.

Item No.8:

Dr. Venkatrao S. Sohoni's (Dr. Sohoni) term as Managing Director of the Company expires on 10th August, 2006. The Board of Directors has, at its Meeting held on 17th April, 2006, re-appointed Dr. Sohoni as the Managing Director of the Company with effect from 11th August, 2006 upto 31st May, 2007, subject to the approval of the shareholders and the Central Government, if required.

The re-appointment of Dr. Sohoni as the Managing Director is pursuant to the provisions of Article 135 of the Company's Articles of Association and Sections 198, 269, 309, 310, 311 read with Schedule XIII and other applicable provisions, if any, of the Act. Dr. Sohoni shall not, while he continues to be the Managing Director, be subject to retirement by rotation pursuant to the provisions of Section 255 of the Act.

The shareholders had, while approving the appointment of Dr. Sohoni at the Annual General Meeting held on 18th September, 2003, approved an end-of-service incentive remuneration of upto Rs.50 lakhs, payable at the end of his three year term. Since Dr. Sohoni's term is being extended upto 31st May, 2007, no incentive remuneration will be paid at the end of the current term, which expires on 10th August, 2006. However, end-of-service incentive remuneration not exceeding Rs.62.50 lakhs will be paid at the end of his tenure, i.e. 31st May, 2007, if the Board judges that Dr. Sohoni has achieved a successful turnaround of profits, debtors and other parameters, as defined by the Remuneration Committee.

Besides the terms and conditions for payment of managerial remuneration as contained in the Resolution at Item No.8, the other main terms and conditions relating to the re-appointment of Dr. Sohoni as Managing Director are given below:

1. The terms and conditions of the said appointment may be altered and varied from time to time by the Board as it may, in its discretion, deem fit, within the maximum amount payable to managing and whole-time directors in accordance with Schedule XIII to the Act or any amendments made hereafter in this regard.
2. Dr. Sohoni shall, subject to the supervision and control of the Board of Directors, carry out such duties as may be entrusted to him.
3. The Agreement may be terminated by either party giving the other party six months' notice or the Company paying six months' remuneration in lieu thereof.
4. If at any time Dr. Sohoni ceases to be a Director of the Company for any cause whatsoever, he shall cease to be the Managing Director. If at any time Dr. Sohoni ceases to be in the employment of the Company for any cause whatsoever, he shall cease to be a Director of the Company. If at any time Dr. Sohoni ceases to be the Managing Director of the Company for any cause whatsoever, he shall cease to be a Director of the Company.
5. Dr. Sohoni is appointed by virtue of his employment in the Company and his appointment is subject to the provisions of Section 283(1)(l) of the Act.