



RALLIS

A **TATA** Enterprise

59th Annual Report | 2006-07



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RALLIS

A TATA Enterprise

Fifty-ninth annual report 2006-2007

Contents

**Annual General Meeting on Friday,
25th May, 2007 at 4.00 p.m. at
Bombay House Auditorium,
Bombay House, Homi Mody Street,
Mumbai 400 001**

Board of Directors	2
Chairman's Statement	3-4
Notice of Meeting	5-7
Explanatory Statement	8-13
Directors' Report	14-20
Management Discussion and Analysis	21-25
Report on Corporate Governance	26-37
Auditors' Report	38-41
Balance Sheet	42
Profit and Loss Account	43
Cash Flow Statement	44-45
Schedules 1 to 21	46-75
Balance Sheet Abstract	76
Statement under Section 217 (2A)	77
Financial Statistics	78

Rallis India Limited

Rallis India Limited

Board of Directors

R. Gopalakrishnan *(Chairman)*
Prasad R. Menon
Homi R. Khusrokhhan
B. D. Banerjee
E. A. Kshirsagar
S. Ramanathan
Prakash Rastogi
Bharat Vasani
Venkatrao S. Sohoni *(Managing Director)*
V. Shankar *(Executive Director)*

Management Team

Venkatrao S. Sohoni *Managing Director*
V. Shankar *Executive Director*
Shashi Kapoor *Chief Internal Auditor*
Ulhas Khandeparkar *Head – Manufacturing*
D. C. Mansharamani *Chief - Business Development*
Soumen Mitra *Chief Financial Officer*
A. K. Shetty *Chief - Sales & Marketing*
Parijat Suman *Head – Human Resources & Business Excellence*
B. S. Uberoi *Executive Vice President - Corporate Affairs*
K. N. Venkatadri *Head – International Business*

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.
 6-10 Haji Moosa Patrawala Industrial Estate,
 20 Dr. E. Moses Road,
 Mahalaxmi,
 Mumbai 400 011.
 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
 Citibank N.A.
 Corporation Bank
 BNP Paribas
 Industrial Development Bank of India Limited
 UTI Bank Limited
 ICICI Bank Limited
 Oriental Bank of Commerce



CHAIRMAN'S STATEMENT

Dear Shareholders,

Agriculture awaits return to centre-stage

India's economic liberalization has largely been an urban phenomenon, leaving rural India somewhat separate. Therefore, reform has not yet reached the agricultural sector. In fact, the relationship between our urban and rural areas is characterized by economic dualism. This reality confirms that our liberalization agenda has left un-ignited the factors in rural India that promoted growth in urban India.

For several decades, there has been national consciousness about the key role of agriculture in our economic affairs. Somehow, the action on the ground has been far less than our leadership and planners would have hoped for. Apart from agriculture, such signs are visible also in those areas which are on the concurrent and state subjects. Liberalization has largely come to areas which fall within the purview of the central sector.

After a long time, today, there is a revival of opinion amongst policy makers and interested stake-holders that economic growth cannot continue without agriculture joining the mainstream. The Finance Minister, in this year's budget speech, has acknowledged that a country with a population as high as ours, needs to be self-sufficient in food items to prevent supply constraints upsetting growth prospects. The Prime Minister has called upon the scientific community to work towards bringing about a second green revolution. Noted agricultural scientist M S Swaminathan, in his report "National Policy for Farmers" has called for introducing and developing social security system and support services for farmers and for measures that can attract and retain youth in farming.

Therefore, it is with some cautious optimism that I look forward to rapid implementation of progressive policies with respect to agriculture.

The reality today is that India has no choice, but to increase agricultural production. But with water being scarce and land holdings getting progressively smaller, the only available route is by increasing farm productivity. The crop protection industry is vital for such a journey.

Company Performance and Plans

The Company retained its focus on the core business of agricultural inputs and was, therefore, subject to the variables affecting agricultural production in India. Inconsistent rainfall and low pest infestation adversely affected the sale of some products and the Pesticides market in India was static. Fortunately, the Company's portfolio of products is such that we were able to achieve an increase in market share even in these circumstances.

A major step was the launch of a new product for the control of the Brown Plant Hopper – which is a destructive pest of rice and has become resistant to most pesticides. This new product – Applaud – is an insect growth regulator and your Company has established a strong position in this segment with a very successful launch.

Our factory at Lote received the National Safety Award from the Ministry of Labour & Employment and a Special Commendation Certificate for Environment Management from the Institute of Directors, whereas the

Rallis India Limited

Ankleshwar factory received a merit certificate from the Gujarat Safety Council. Akola and Lote units also received certificates from the Maharashtra Chapter of National Safety Council.

Safety standards practiced at three of our locations, viz. Turbhe, Ankleshwar and Lote were audited by the British Safety Council and all three units have achieved 5 star rating, which is a matter of satisfaction.

The Company paid off the Rs.75 Crores medium term loan and now does not have any long or medium term borrowings. The letters of comfort issued by Tata Companies for this purpose have now been returned. Rallis is extremely grateful for the support given by Tata Sons, Tata Chemicals and Tata Tea during the difficult days when the Company's financial condition was precarious.

The results for the year 2006-07 reflect the Company's continued vigilance and control over working capital and operation expenses. While substantial benefit was derived from the sale of surplus real estate, the profit from operations has also shown a satisfactory growth.

Your Company is preparing to be a part of this journey. A two pronged strategy is being adopted. The first and most important focus area for your Company is to strengthen the existing businesses. This is being targeted through 3 strategic thrust areas: a) deriving better value from the cost base b) exploiting the India opportunity c) Using the balance sheet to explore inorganic and organic growth areas. The second part of the two pronged strategy is aimed at exploring adjacent business opportunities, arising out of the core strength of organic chemistry and sales and distribution.

I am confident that your Company, with the help of its very competent team of professional managers, will be able to achieve commendable progress in these areas during the next financial year.

Board of Directors

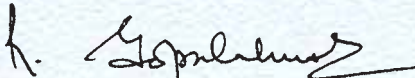
Dr. Ram Tarneja and Mr. Russi Taraporevala stepped down from the Board after decades of valuable contributions. Mr. Prasad Menon will step down at the end of this AGM. I am sure the shareholders will join the Board in recording our deep appreciation for the valuable services rendered to the Company by all three of them.

Dr. S. Ramanathan and Mr. Prakash Rastogi joined the Board in March 2007 as independent, non-executive Directors and Mr. Bharat Vasani joined as a non-independent, non-executive Director. The experience and capabilities for which these persons are well recognized will strengthen the Board very considerably.

Mr. V. Shankar was appointed Executive Director in March 2007 and after this AGM, with your consent, will take over as Chief Executive Officer as well.

Acknowledgement

I wish to place my sincere appreciation for the continued support of the Tata Group, shareholders, suppliers, commercial partners and employees during this year.


Chairman

Mumbai
25 April 2007



RALLIS INDIA LIMITED

NOTICE OF MEETING

NOTICE is hereby given that the 59th Annual General Meeting of Rallis India Limited will be held at Bombay House Auditorium, Bombay House, Horni Mody Street, Mumbai 400 001, on Friday, the 25th May, 2007 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, 2007 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. R. Gopalakrishnan who retires by rotation and is eligible for re-appointment.
5. To appoint a Director in place of Mr. B. D. Banerjee who retires by rotation and is eligible for re-appointment.
6. **Appointment of Auditors**

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

RESOLVED THAT subject to the provisions of Sections 224, 225 and other applicable provisions, if any, of the Companies Act, 1956, Messrs Deloitte Haskins & Sells, Chartered Accountants, be and are hereby appointed as Auditors of the Company to hold office from the conclusion of this Annual General Meeting upto the conclusion of the next Annual General Meeting of the Company, in place of the retiring auditors Messrs S. B. Billimoria & Co., Chartered Accountants, to examine and audit the accounts of the Company for the financial year 2007-08, at such remuneration as may be mutually agreed upon between the Board of Directors of the Company and the Auditors, plus reimbursement of out-of-pocket expenses and applicable taxes.

7. **Appointment of Dr. S. Ramanathan as a Director**

To appoint a Director in the place of Dr. S. Ramanathan who was appointed an Additional Director of the Company by the Board of Directors with effect from 13th March, 2007 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 Mr. Prakash Rastogi as a Director**

To appoint a Director in the place of Mr. Prakash Rastogi who was appointed an Additional Director of the Company by the Board of Directors with effect from 13th March, 2007 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.

9. **Appointment of Mr. Bharat Vasani as a Director**

To appoint a Director in the place of Mr. Bharat Vasani who was appointed an Additional Director of the Company by the Board of Directors with effect from 13th March, 2007 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.

Rallis India Limited**10. Appointment of Mr. V. Shankar as a Director**

To appoint a Director in the place of Mr. V. Shankar who was appointed an Additional Director of the Company by the Board of Directors with effect from 13th March, 2007 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.

11. Appointment of Mr. V. Shankar as Executive Director

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 198, 269, 309, 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 appointment and terms of remuneration of Mr. V. Shankar as the Executive Director of the Company for a period of five years with effect from 13th March, 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 Mr. Shankar.

A. Remuneration:

Salary upto a maximum of Rs.4,00,000 per month, with annual increments effective 1st April every year, as may be decided by the Board, based on merit and taking into account the Company's performance; benefits, perquisites and allowances as determined by the Board from time to time; and incentive remuneration, if any, and/ or commission based on certain performance criteria to be prescribed by the Board.

B. Minimum Remuneration:

Notwithstanding anything to the contrary herein contained, where in any financial year, the Company has no profits or its profits are inadequate, the Company will pay remuneration for a period not exceeding 3 years by way of salary, perquisites and allowances and incentive remuneration as specified above.

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

12. Change in place of keeping registers and records

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

RESOLVED THAT in supersession of Resolution No.13 passed at the 38th Annual General Meeting of the Company held on 18th November, 1986 and pursuant to the provisions of Section 163 and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force) ('the Act'), the Company hereby approves that the Register of Members, Index of Members, Register and Index of Debenture holders, Returns of Allotment made from time to time and copies of all the Annual Returns prepared under Section 159 of the Act, along with other certificates and documents required to be annexed thereto under Section 161 of the Act and other applicable provisions, be kept at the offices of TSR Darashaw Ltd., Registrars and Share Transfer Agents of the Company at 6-10, 1st Floor, Haji Moosa Patrawala Industrial Estate, 20, Dr. E. Moses Road, Mahalaxmi, Mumbai 400 011 and/ or 27 Acres, Kothari Compound, Near Tikujini Wadi, Chitalnar, Manpada, Thane (West) 400 607 with effect from 1st June, 2007.



Notes:

1. The Explanatory Statement, pursuant to Section 173 of the Companies Act, 1956 in respect of the business under Item Nos.6 to 12 above is annexed hereto. The relevant details of Directors seeking re-appointment/ appointment under Item Nos.4, 5 and 7 to 10 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, 11th May, 2007 to Friday, 25th May, 2007 (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 26th May, 2007 to the shareholders whose names are on the Company's Register of Members on 11th May, 2007. The dividend in respect of equity shares held in electronic form will be payable to the beneficial owners of the shares as on beginning of 11th May, 2007, 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 25th May, 2007 (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, 2000 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, 2000 is due for transfer to the Fund on 26th June, 2007.

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: 12th April, 2007

Registered Office:

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

Rallis India Limited

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. 6 to 12 of the accompanying Notice dated 12th April, 2007.

Item No.6:

Presently, the Company's accounts are being audited by Messrs S. B. Billimoria & Co., Chartered Accountants, who are part of Messrs Deloitte Haskins & Sells in India. Messrs S. B. Billimoria & Co. have informed the Company that they do not wish to seek re-appointment as statutory auditors of the Company for the financial year 2007-08 at the forthcoming Annual General Meeting.

The Company has received a special notice from a Member of the Company, in terms of the provisions of the Act, signifying its intention to propose the appointment of Messrs Deloitte Haskins & Sells as the Statutory Auditors of the Company from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting. Deloitte Haskins & Sells have expressed their willingness to act as Auditors of the Company, if appointed and have further confirmed that the said appointment would be in conformity with the provisions of Section 224 (1B) of the Act.

In view of the above, and based on the recommendations of the Audit Committee, the Board of Directors has, at its meeting held on 12th April, 2007, proposed the appointment of Messrs Deloitte Haskins & Sells as the Statutory Auditors in place of Messrs S. B. Billimoria & Co.

Members' approval is being sought to the appointment of Messrs Deloitte Haskins & Sells as the Statutory Auditors and to authorize the Board of Directors, on the recommendation of the Audit Committee, to determine the remuneration payable to the Auditors.

The Directors commend the Resolution at Item No.6 for approval by the Members.

Item Nos.7 to 9:

Dr. S. Ramanathan, Mr. Prakash Rastogi and Mr. Bharat Vasani were appointed Additional Directors of the Company by the Board of Directors at their meeting held on 13th March, 2007 pursuant to Section 260 of the Act and Article 116 of the Articles of Association of the Company. As such, they hold office as Director upto the date of this Annual General Meeting and are eligible for appointment. Notices under Section 257 of the Act have been received from Members indicating their intention to propose Dr. Ramanathan, Mr. Rastogi and Mr. Vasani for the office of Directors at the forthcoming Annual General Meeting.

Dr. S. Ramanathan is a distinguished scientist, holds a PhD from UDCT and did his post-doctoral work at the Swiss Federal Institute of Technology in Zurich. He worked in Sandoz till 1994 when he retired as Vice President of R&D, Projects, QA and Safety. He was also adjunct Professor of the University of Mumbai and IIT, Powai where he guided students for MSc and PhD degrees in Chemistry.

Mr. Prakash Rastogi was till recently, the Vice Chairman and Managing Director of Clariant India Ltd. He is a MSc Tech from Bombay University and holds a Post Graduate Diploma in Business Management. He worked with Sandoz India from 1974 till 1994 when he was Vice President and Head of the Chemicals Division before it was de-merged to become Clariant.

Mr. Bharat Vasani is the Group General Counsel for the Tata Group and has been with Tata Sons Ltd. since December 2000. With over 28 years' experience as a corporate lawyer, he has worked with Phillips India Ltd., NOCIL and Dow Chemical International Ltd.

The Board considers it desirable to continue to receive the benefit of their advice and guidance and, therefore, commends their appointment.

Dr. S. Ramanathan, Mr. Prakash Rastogi and Mr. Bharat Vasani are interested and concerned in the Resolutions mentioned in Item Nos. 7, 8 and 9 respectively.

Item Nos.10 and 11:

Mr. V. Shankar was appointed Additional Director of the Company by the Board of Directors at their meeting held on 13th March, 2007 pursuant to Section 260 of the Act and Article 116 of the Articles of Association of the Company. As such, Mr. Shankar 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. Shankar for the office of Director at the forthcoming Annual General Meeting.



The Board of Directors at their meeting held on 13th March, 2007, subject to the approval of the Members and the Central Government, if necessary, appointed Mr. V. Shankar as an Executive Director of the Company, with immediate effect. Mr. Shankar who joined the Company on 1st December, 2005 as Chief Operating Officer, had worked with Tata Chemicals Ltd. as Chief Operating Officer, Phosphates Business. Prior to that, he was with Hindustan Lever from 1986 to 2004. While in Hindustan Lever, he served in various capacities in the Commercial function and was also responsible for the Seeds business. Mr. Shankar is a Chartered Accountant, Cost Accountant, Company Secretary as well as a Law Graduate.

The appointment and terms of remuneration of Mr. Shankar as the Executive Director are pursuant to the provisions of Article 136 of the Company's Articles of Association and Sections 198, 269, 309, read with Schedule XIII and other applicable provisions, if any, of the Act. Mr. Shankar shall not, while he continues to be the Executive Director, be subject to retirement by rotation pursuant to the provisions of Section 255 of the Act.

Besides the terms and conditions for payment of managerial remuneration as contained in the Resolution at Item No.11, the other main terms and conditions relating to the appointment of Mr. Shankar as Executive Director, as approved by the Remuneration Committee and the Board at their Meetings held on 12th April, 2007, 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. Mr. Shankar 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 Mr. Shankar ceases to be a Director of the Company for any cause whatsoever, he shall cease to be the Executive Director. If at any time Mr. Shankar 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 Mr. Shankar ceases to be the Executive Director of the Company for any cause whatsoever, he shall cease to be a Director of the Company.
5. Mr. Shankar 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.

Pursuant to the provisions of Sections 198, 269, 309, Schedule XIII and other applicable provisions of the Act, the approval of the members in General Meeting is required to be obtained for the appointment and the terms of remuneration of Mr. Shankar as the Executive Director and as set out in Item No.11 of the Notice.

Mr. Shankar is concerned or interested in the Resolutions mentioned at Item Nos.10 and 11 of the Notice.

This may also be treated as an abstract of the draft Agreement between the Company and Mr. Shankar pursuant to Section 302 of the Act.

The Board is of the opinion that it is in the interest of the Company to receive the benefit of Mr. Shankar's services and accordingly the Directors commend the Resolutions at Item Nos.10 and 11 for approval by the Members.

Additional information relevant for the approval of the remuneration payable to Mr. V. Shankar, 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