



RALLIS INDIA LIMITED

A **TATA** Enterprise

65th Annual Report | 2012-13



Business Excellence : One more landmark in the Journey ...

Winning the CII-EXIM Prize for Excellence

Rallis bagged the prestigious CII-EXIM Prize for Business Excellence. Mr. V. Shankar, Managing Director & CEO of Rallis received this honour at a glittering ceremony of the CII National Quality Summit held in Bengaluru. This Prize is a coveted recognition in the CII-EXIM Business Excellence assessment and is awarded to the Organization recognized for following excellent business practices. The CII-EXIM assessment process follows the Excellence Model based on European Foundation for Quality Management (EFQM).

For Rallis, this is yet another milestone in its excellence journey, after winning the JRD QV Award last year.

Speaking on the recognition, Mr. V Shankar, Managing Director & CEO, Rallis India said,

“Receiving this honour is a valuable endorsement of our actions in the enterprise, enhances our teams’ morale and motivates us to do more. I thank all Rallites for their commitment towards continuous improvement in business excellence. In the recent years, we have undergone a paradigm shift in our approach and I am elated, this journey is well acknowledged by all our stakeholders.”



*Rallis team receiving the CII-EXIM HONOURS
The CII- EXIM Prize Trophy*



*Rallis team receiving the CII-EXIM HONOURS
The CII- EXIM Certificate*

Corporate Social Responsibility

Improve Quality of Life through water conservation:



- Rain water harvesting: To harvest rain water; water survey was conducted to understand the present status. Based on this, various remedies were utilized to save water and increase the ground water like 'Loose boulder structure', 'Vanarai dam' and tree plantation.
- Awareness programmes related to water conservation for communities, through various means, including showing documentary, slogan competition, poster making and demonstrations at Dahej, Ahmedabad, Akola, Lote and Chandigarh.
- Afforestation Project (Vana De Mataram initiative): On the deforested land of 5 hectares near Mumbai, 5,000 mixed species were planted to convert it into afforested land. This was done by involving the Forest Department and an NGO.
- Tree plantation Drives (Vana De Mataram initiative): More than 1,000 trees were planted across various locations.

Women empowerment (TARA initiative):



- SHG (SELF Help Group) (TARA initiative): Four SHG were initiated, involving around 60 women at Songaon at Lote.

- Skill training: The members of SHG were given exposure and skill training in various areas such as food processing, detergent making and rangoli making.
- Initiating home scale business by women groups: Based on the skill training provided and motivation given, women have started their own home based business through SHGs. Business like pickle making, jam making, sauce making, threading business, chiki making have been initiated and are gaining demand for their products.
- Spoorthi initiative: Focus on creating awareness on importance of educating the Girl child, Health awareness for women and importance of safe drinking water at Secunderabad and Guntur.

Children empowerment:

- Soft and hard skill programmes for students such as computer training, personality development and SSC preparatory series at Lote, Akola and Dahej.



- Career guidance for students of 10th and 12th standards at Lote and Dahej.
- Self defense training for girl students at Mumbai, Lote, Pune and Ahmedabad.
- Organizing various competitions for students, such as sports, slogan writing, poster making and essay writing across various locations.

Volunteering: Rallis' volunteers are involved in various initiatives across all locations, such as:

- Safety awareness programmes for community, including home safety, fire safety, LPG safety and road safety.
- Health awareness and check-up programmes, including AIDS awareness, de-addiction, blood donation, pulse polio campaign, dental check-up, 'Run for cause' for cancer patients, first aid training and stress management.
- Distributing educational aids to needy students, such as uniforms and notebooks.

The Key communities for the Company's CD initiatives are:



- RKK Farmers and their family members
- Villages in the vicinity of factory operations
- Rural Women
- Children and students

With the help of Saathis - our Employee Volunteers, various CD activities are implemented across all locations. Our Volunteer Champions take the lead in implementing various CD initiatives at their respective locations with the help of Saathis.

Rallis CD initiatives have created positive impact on the community and at the end of our various programmes, communities have shared their positive feedback. Some of the impacts of above initiatives are:

- Increase in awareness related to safety precautions to be taken while handling pesticides.
- Enhancement in employability, Improvement in agri output and generating rural employment.
- Increase in green belt.

- Increase in ground water level.
- Increase in confidence level of students.
- Clarity about various career options available, along with their potential.
- Women motivated to start their own business and be financially independent.



- Increase in self confidence and self image of girls and women.

Besides these CD initiatives, your Company also focuses on working towards upliftment of SC/ ST communities through its Affirmative Action (AA) initiatives. Of the four themes under AA initiatives, viz: Employment, Employability, Entrepreneurship and Education, your Company focuses on Employment and Employability, along with working in the other two areas.

The above efforts have resulted in planting of more than 6,000 trees during the year 2012-13 and 50% of Saathis volunteered for more than 5,400 hours for achieving the above results.





RALLIS

A **TATA** Enterprise

Sixty-fifth annual report 2012-2013

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Annual General Meeting	:	Monday, 24th June, 2013
Time	:	4.00 p.m.
Venue	:	Auditorium, Yashwant Rao Chavan Pratishthan, Chavan Centre, General Jagannath Bhosale Marg, Mumbai 400 021.

BOOK CLOSURE DATES 11TH JUNE, 2013 TO 24TH JUNE, 2013
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Rallis India Limited

Rallis India Limited**Board of Directors**

R. Gopalakrishnan (*Chairman*)
Homi R. Khusrokhhan
B. D. Banerjee
E. A. Kshirsagar
Prakash R. Rastogi
Bharat Vasani
K. P. Prabhakaran Nair
R. Mukundan
Yoginder K. Alagh
Y. S. P. Thorat
V. Shankar (*Managing Director & CEO*)

Company Secretary

P. S. Meherhomji

Corporate Identity Number (CIN)

L36992MH1948PLC014083

Registered Office

156/157 15th Floor Nariman Bhavan
227 Nariman Point
Mumbai 400 021
Tel. No. 6665 2700
Fax No. 6665 2827
E-mail address: investor_relations@rallis.co.in
Website: www.rallis.co.in

Auditors

Deloitte Haskins & Sells

Solicitors & Advocates

Crawford Bayley & Company

Senior Leadership

V. Shankar	<i>Managing Director & CEO</i>
K. R. Venkatadri	<i>Chief Operating Officer - Agri Business</i>
Ashish Mehta	<i>Financial Controller</i>
M. M. Tripathy	<i>Vice President - Human Resources & Business Excellence</i>
Ravindra R. Joshi	<i>Vice President - Manufacturing</i>
Subhash R. Kadam	<i>Vice President - Research & Development</i>
K. B. Belliappa	<i>Vice President - Strategic Alliances</i>
C. M. Singh	<i>Vice President - Domestic Sales</i>
D. G. Shetty	<i>Vice President - International Business</i>
P. V. Reddy	<i>Vice President - Marketing & CRM Services</i>
Umesh K. Mehendale	<i>Vice President - Agri Services</i>
Malik Shah	<i>Vice President - Planning & Procurement</i>
Coomie N. Kapadia	<i>Head - Internal Audit</i>

Share Registrars and Transfer Agents

TSR Darashaw Pvt. 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

Bankers

State Bank of India
Citibank N.A.
Corporation Bank
BNP Paribas
IDBI Bank Limited
Axis Bank Limited
ICICI Bank Limited
HDFC Bank Limited
Oriental Bank of Commerce
Kotak Mahindra Bank Limited



CHAIRMAN'S STATEMENT

Dear Shareholders,

I would like to touch upon recent trends in agriculture and your Company's response to these trends.

TRENDS IN AGRICULTURE

Advance Estimates have pegged the growth of agriculture and allied activities at 1.8% in 2012-13. This is not spectacular; however there have been variations in agriculture performance across regions and crops. The average conceals some positives which suggest changes in agriculture. For example:

- a. Agricultural rainfall is different from the weather rainfall. Even when the weather is erratic, agriculture in parts may do well. For instance, agriculture growth rate of Madhya Pradesh for year 2012-13 is healthy at 14.28 per cent¹, while some States observed muted or negative growth. Bihar grew at an impressive 9.5% over last year. In Karnataka 2012-13, despite the drought in 157 talukas, the agricultural sector is likely to register a growth of 1.8% against minus 2.2% in 2011-12.
- b. Progressive farmers are increasingly adoptive of latest tools, techniques and practices. This is leading to short-term and long-term benefits. For instance, crop diversification into high-value produce is a healthy sign in terms of meeting the consumer demand curve in the short-term as well as improving the soil quality in the long-term. In fact crop diversification is one key intervention to address the grave issue of soil degradation.

According to a report prepared by CII-McKinsey, "There has been a marked shift in production from basic food grains to high-value produce, especially fruits and vegetables. In 2000, basic food grain formed 60 per cent of the total produce by weight, while fruits, vegetables and meat and fibre formed only 38 per cent. By 2010, there was a shift to high-value crops, which formed 45 per cent of total production."

- c. Rural income and consumption expenditure has seen an upward trend. Rural buying power is at a high compared to previous years. According to provisional results from NSSO carried out in mid-2012, India's rural income grew at a much faster clip between 2010 and 2012 than in the previous years. Another survey by Crisil in August 2012 indicates that rural spending outpaced urban spending between 2009-10 and 2011-12 for the first time in nearly 25 years. Discretionary spending of a typical rural Indian household rose to ₹24,000 in 2009-10, from ₹14,000 in 2004-05, growing at about 11% per annum, which is faster than the inflation rate of nearly 6% per annum over the same period. This trend is encouraging and bodes well for the future of agriculture.

These examples demonstrate that, despite patchy weather, an alert Company can find segments to serve in Indian agriculture. Nonetheless there are broader policy issues that need to be addressed:

- a. Although Government subsidies on fertilizers / food as well as schemes like MGNREGA have put more money in the hands of farmers, these are initiatives that need deeper study as these have also led to some unintended consequences. A report by Commission for Agricultural Costs and Prices (CACP) indicates that with only 2-3% of all agriculture jobs being generated by MGNREGA, it cannot be driving agriculture wage growth and fuel rural economy. The report states that instead, increase in State and agriculture GDP have a more pronounced impact on farm wages. It concludes by saying that marginal returns on public investments in agriculture are at least 5-10 times more than those on subsidies such as fertilisers, power and so on. Right now the country spends close to ₹40,000 Cr on MGNREGA and another ₹200,000 Cr on fertiliser / food subsidy. Perhaps a deeper analysis by policy makers and a more balanced allocation between subsidies and gross capital formation can further accelerate the growth and address the needs of all segments of farmers.
- b. Nutrient Based Subsidy (NBS) policy, has led prices of NPK fertilizers to be market determined while price of urea continues to be administratively decided. Consequently, price of urea is much lower than that of other fertilizers. This has resulted in excessive use of urea, thereby distorting the balanced norms of fertilizer application.

Rallis India Limited

- c. Price incentives also might not be too relevant for a large majority of marginal farmers. According to Agricultural Census 2010-11, out of 138 million farming holdings in the country, 117 million are small and marginal holdings. From 62% in 1960-61, small and marginal landholdings are now close to 85% of total holdings (2010-11). With almost half of the cultivated area, they account for more than two-thirds of national vegetables and milk production and more than half of cereals and fruits produced. The Planning Commission has concluded, that “the small and marginal farmers are certainly going to stay for a long time in India”. But, with very little marketable surplus, their farming is hardly commercial. And that is why interventions like MSP and procurement prices do not touch these farmers with negligible marketable surplusⁱⁱ.
- d. Retaining and inducting new talent in agriculture is tough as urbanization might increasingly prompt next generation to move away from farming. This threat also extends to finding the right people in Agri Companies and extension services.

RALLIS RESPONSE

Taking note of the opportunities and challenges facing the sector, your Company has undertaken several strategic and operational initiatives. The section below gives a snapshot of the same.

Growing NPP (Non-pesticide portfolio)

As mentioned last year your Company strives to create new and relevant products and create a portfolio of agri-inputs and services that addresses critical needs of the farmers. This will address the changing farmer and agriculture needs as well as leverage the competencies in Rallis including that in the technical and manufacturing space. Rallis continues to monitor what is internally called ‘innovation turnover index’ to ensure that the sale from new products is a significant proportion of total sales. Rallis has traditionally been strong in crop protection marketing and will continue to grow by providing value added solutions for farmers in this space. As part of balancing its portfolio of business, Company is also focusing on growing an equally compelling portfolio for non-pesticides products like Plant Growth Nutrients, Seeds, micro-nutrients, contract manufacturing, etc. The aspiration continues to improve the share of non-pesticide business from current levels of 10% to 40% in the next few years.

Excessive and imbalanced usage of chemical fertiliser is leading to soil degradation. Depletion in soil organic content is responsible for various other issues as it influences soil structure, water retention, microbial activities, soil aeration and nutrient retention. As mentioned last year, your Company by acquiring stake in Zero Waste Agro Organics Pvt. Ltd., is now able to manufacture and market, scientifically prepared organic compost, derived out of wastes from sugar industry. Geogreen, as it is branded, was introduced during the year. It has been very well received by farmers who are able to see crop productivity improvement by its usage. The aspiration is to further make the brand grow so that more and more farmers are benefited by its application.

The opportunity to scale up the seeds business is equally attractive. Quality seeds are one of the key agricultural inputs, which determine the productivity of the crops. Quality of the seed used largely determines the efficacy of other agricultural inputs like fertilizers and pesticidesⁱⁱⁱ. It is estimated that quality of seed accounts for 20-25% of productivity. A majority stake in Metahelix has given your Company the head-start in this important product segment. The strategy is to leverage research capabilities of Metahelix and the distribution strength of Rallis to create and establish relevant brands for farmers. During the year, extensive field activities were conducted to establish the new brands.

Strengthening farmer connect

This relevant product mix is amply supported by services and existing farmer connect, in order to emerge as complete solutions provider to the farmer community. Our farmer relationship building activities such as Rallis Kisan Kutumba, Grow More Pulses (MoPu) moved to the next orbit with significant increases in farmer contacts and field level productivity improvement programmes. In fact RKK membership base has grown to 1 Million farmers during the current year. In addition to this, going forward, the Company has added more value added services such as sms alerts on crop prices, weather and possible disease outbreak through Samrudh Krishi.



Augment Agri-training

The Company has embarked on some noteworthy initiatives to create trained manpower to sell agri-solutions to farmers. Tata Rallis Agri Inputs Training Scheme (TRAITS) is a unique initiative started for promoting employability of non-graduate, rural youth from farming background, by imparting them training in the Agri-marketing and crop advising field. This makes them employable for a career in Agri marketing and crop advising. Thus it is not only making the unemployed rural youths employable, but is also increasing the number of crop advisors in the field which benefits the farmer community as a whole. This initiative was rolled out as a pilot at three locations namely, Baramati (Maharashtra), Birbhum (West Bengal) and Dharwad (Karnataka). This year your Company extended TRAITS to Bhubaneswar in Odisha and Nalanda in Bihar.

Nurture engaged employees

Your Company realises that only motivated and engaged employees can drive the Company's agenda of creating value for farming community, society and shareholders. And that is why Company places special focus on employee engagement, functional competence and talent management. Last year's engagement survey had indicated that the ratio of highly engaged to actively disengaged employees in your Company was 15:1 which is way better than the ratio that world class organizations enjoy. This year a different agency undertook employee engagement survey and I am happy to share that Employee Engagement Score for Rallis is 80%, which is higher than the Average Score for Manufacturing Industries and the Best Employer India score. This year, the Company also participated in a survey conducted by 'Great Place to Work Institute'. The score is 82%, which is equal to the average of top 50 companies which participated in the survey.

The Company identifies developmental needs of employees through various means like competency mapping, annual appraisals, organizational needs and new business initiatives. Training and development plans thus devised are completely aligned with organizational vision and help employees achieve their true potential. Furthermore, the Company constantly works on building a leadership pipeline through initiatives, such as Employee Growth Scheme, Rallis Leadership Development Programme for first time managers and Rallis Customized Leadership Development programmes for high potential managers. Other initiatives include competency mapping for critical positions, individual development plans and mentoring for high potential employees. These initiatives have ensured that Rallis continues to have a highly motivated workforce.

ACKNOWLEDGMENT

I am happy to state that most of the interventions talked about have also resulted in a very profitable 2012-13 with your Company crossing the milestone consolidated gross sales of ₹1500 Cr, a growth of 16% over previous year, despite the tough environment and business conditions. PAT also grew by 20% to ₹119 Cr. I would not touch upon the operational and financial details as it will be covered by management in due course.

I would like to conclude by thanking the employees and shareholders of the Company for their constant support and faith in the Company.

Chairman

Mumbai
May 14, 2013

ⁱ Indian Express, estimates by CSO, Madhya Pradesh topples Bihar in growth rate in 2012-13, dated 31/03/2013

ⁱⁱ Agriculture Census 2010-11, Distribution of number of holdings and area operated in India & Article titled, "The survival of the smallest", by S. Gurumurthy, The Hindu Business Line

ⁱⁱⁱ State of Indian agriculture 2012-13, Govt of India, Ministry of Agriculture

RALLIS INDIA LIMITED

NOTICE OF MEETING

NOTICE is hereby given that the 65th Annual General Meeting of Rallis India Limited will be held at the Auditorium, Yashwant Rao Chavan Pratishthan, Chavan Centre, General Jagannath Bhosale Marg, Mumbai 400 021, on Monday, the 24th June, 2013 at 4.00 p.m. to transact the following business:

1. To receive, consider and adopt the audited Statement of Profit and Loss for the year ended 31st March, 2013 and the Balance Sheet as at that date together with the Report of the Directors and that of the Auditors thereon.
2. To confirm the payment of Interim Dividend for the year 2012-13 and to declare a Final Dividend for the year 2012-13 on Equity Shares.
3. To appoint a Director in place of Mr. R. Mukundan who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Dr. Yoginder K. Alagh who retires by rotation and is eligible for re-appointment. He has offered himself for re-election and his term would be up to February 2014.
5. To appoint a Director in place of Mr. E. A. Kshirsagar who retires by rotation and is eligible for re-appointment.
6. To appoint Auditors and to fix their remuneration.
7. **Payment of Commission to Directors**

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

RESOLVED THAT pursuant to the provisions of Section 309 and other applicable provisions, if any, of the Companies Act, 1956 ('the Act'), such sum by way of commission, not exceeding one percent per annum of the net profits of the Company computed in the manner referred to in Sections 198, 349 and 350 of the Act for each of the five financial years of the Company commencing from 1st April, 2013 be paid to and distributed amongst such Directors of the Company (other than the Managing Director and/ or Wholetime Director(s), if any), in such amounts or proportions and in such manner and in all respects as may be directed by the Board from time to time.

Notes:

1. The Explanatory Statement, pursuant to Section 173 of the Companies Act, 1956 in respect of the business under Item No.7 above is annexed hereto. The relevant details of Directors seeking re-appointment under Item Nos.3 to 5 above, pursuant to Clause 49 of the Listing Agreements entered into with the Stock Exchanges are also annexed.
2. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIM AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY.** Proxies, in order to be effective, must be received at the Company's Registered Office not less than 48 hours before the meeting. Proxies submitted on behalf of companies, societies, partnership firms, etc. must be supported by appropriate resolution/ authority, as applicable, issued on behalf of the nominating organization.
3. Corporate Members intending to send their authorized representatives to attend the Meeting are requested to send to the Company, a certified copy of the Board Resolution authorizing the representative to attend and vote on their behalf at the Meeting.
4. Members/ Proxies should bring the enclosed Attendance Slip duly filled in, for attending the Annual General Meeting, along with their copy of the Annual Report. Copies of the Annual Report will not be distributed at the Meeting.