



CHAIRMAN'S STATEMENT

Dear Shareholders,

COMPANY PERFORMANCE OVERVIEW

I am happy to share in brief the highlights of your Company's performance during 2016-17.

Indian Agriculture started on an optimistic note in 2016, with forecast of a better monsoon and good initial rainfall. Increase in acreages and production had an encouraging effect on the Agri input industry as well. However, growth was not uniform across India, with some areas experiencing delayed onset of monsoon or dry spells and excess rainfall in other areas. Absence of the North East monsoon had a severe impact in the southern States. Globally, sales of crop protection products declined due to various factors, including high distributor inventory in many countries, low pest/ disease pressure, strengthening of the US dollar against local currencies, weak crop prices for all major commodities and weak prices of Glyphosate.

Your Company's consolidated revenue from operations for the year is ₹ 1,783 crores, registering an increase of 10% over the previous year. Consolidated net profit (excluding profit of ₹ 127 crores on assignment of leasehold rights in the Turbhe land) is ₹ 170 crores, higher by 16% over the previous year.

Your Company plans to roll out **Rallis Samrudh Krishi**[®] - which I have touched upon in some details below - to benefit a larger farming community. The Company's ICT initiatives will enable it to more effectively provide necessary services extending Good Agricultural Practices (GAP) to the agri community. Our digital platform, Drishti enables us to provide predictive advisory services, which is a critical need of the farming community. The launch of Vistaar, a Geospatial Analytics engine, is intended to help the sales and marketing team in effective planning based on real time data and improve overall efficiency. Going forward, these will be the key enablers to our **Rallis Samrudh Krishi**[®] programme.

WATER - SOME PERSPECTIVES AND COMPANY RESPONSE

I would now like to speak about a subject that is engaging the world and your Company as well and which has significant bearing on agricultural operations..... Water. I wish to share some perspectives around water and how your Company is building responses across several dimensions to contribute its mite towards addressing this emerging concern.

Water has a dominant role in our daily life with multiple touch points. While more than two-thirds of the earth surface is covered with water, most of this being sea water is salty. Fresh water is mostly inaccessible being frozen in ice caps or stored underground, with only 0.3% available on the surface of the earth. Again this is stored in lakes, swamps and in rivers. As all the sweet water is not extractable, around 1% of the total water can be used by human beings. Water also makes up most of the human body weight with the brain having 95% water, blood 82% and lungs 90%. The body cannot work without it, just as a car cannot run without gas and oil.

Water is not only important for human beings but also plays an important role to balance the entire ecosystem. By its presence in the atmosphere it absorbs the sun's heat. The rain water scours the hills and carries the sediments into rivers, valleys etc. Water is required to run industries for their manufacturing processes, generation of power, cooling, fire protection, etc. Water plays a very important role in agriculture too requiring irrigation throughout the crop season to ensure proper plant growth.

As water was available in plenty, it was considered a free resource for generations. With growing demand and depletion of the available water, assured supply of good quality water is becoming the biggest challenge facing the globe into the future.

Rallis India Limited

Our country is blessed with good rainfall well distributed over 5-6 months in the year. The average annual rainfall in the country is 1,170 mm with a wide range between 100 mm in desert areas of Rajasthan and 10,000 mm in Cherapunji. It is disturbing though only 18% of the rainwater is used effectively while 48% enters the river and most of which reaches the ocean. Added to this is the challenge that we often have drought years, and even in periods of good monsoon the spatial distribution has been lately uneven. Water consumed during the year 2006 in India was 829 billion m³ which is likely to increase to 1,093 billion m³ in 2025 as estimated by the Government of India (2009). As the potential for increasing the volume of utilization of water is hardly 5-10%, India stares at facing severe scarcity of water in future.

While water for consumption is most crucial, it is equally important to provide water for irrigation to increase the food production and livestock husbandry, to ensure food security for the increasing population. The per capita water availability in 1951 was 5,177 m³ per year which by 2025 will drop down to 1,341 m³, thereby moving from water stress to a water scarcity scenario (*Source: Government of India, 2009*).

In India, out of the total cultivable area of 182 m ha, only 140 m ha are under net cultivation and of this, around 44% area is under irrigation. It is estimated that effective area under irrigation by 2025 will go up to 54% though the Government's intent is to take it up further. Ground water is the major source of irrigation and this trend is likely to continue. Farmers in India have been traditionally practicing flow irrigation which results in extensive usage of water apart from other issues such as soil erosion, leaching of fertilizers, increasing the infestation of pests, affecting crop yields, etc. Global warming is posing a further challenge, as the water requirement for crops will increase due to higher evapo-transpiration.

To deal with this challenge it will be necessary to tap all the possible water resources and make them available for sustainable use, while improving the water use efficiency. This can be done by addressing various concerns and initiating suitable actions for development of new water resources, augmentation of available resources, prevention of water pollution and improving the efficiency of water use in all the sectors. For creating additional water resources, activities such as increasing water storage capacity, efficient irrigation practices, watershed development, etc. should be undertaken.

RALLIS RESPONSE

I am happy to share that your Company seized of the above issues has been systematically working across several dimensions to contribute to alleviating the water usage efficiency and rain water conservation measures. This is being done by working with farmers to promote sustainable agriculture practices, reconfiguring manufacturing operations and engaging in active community initiatives under our CSR interventions. I give below a flavour of the key interventions:

Rallis Samrudh Krishi®

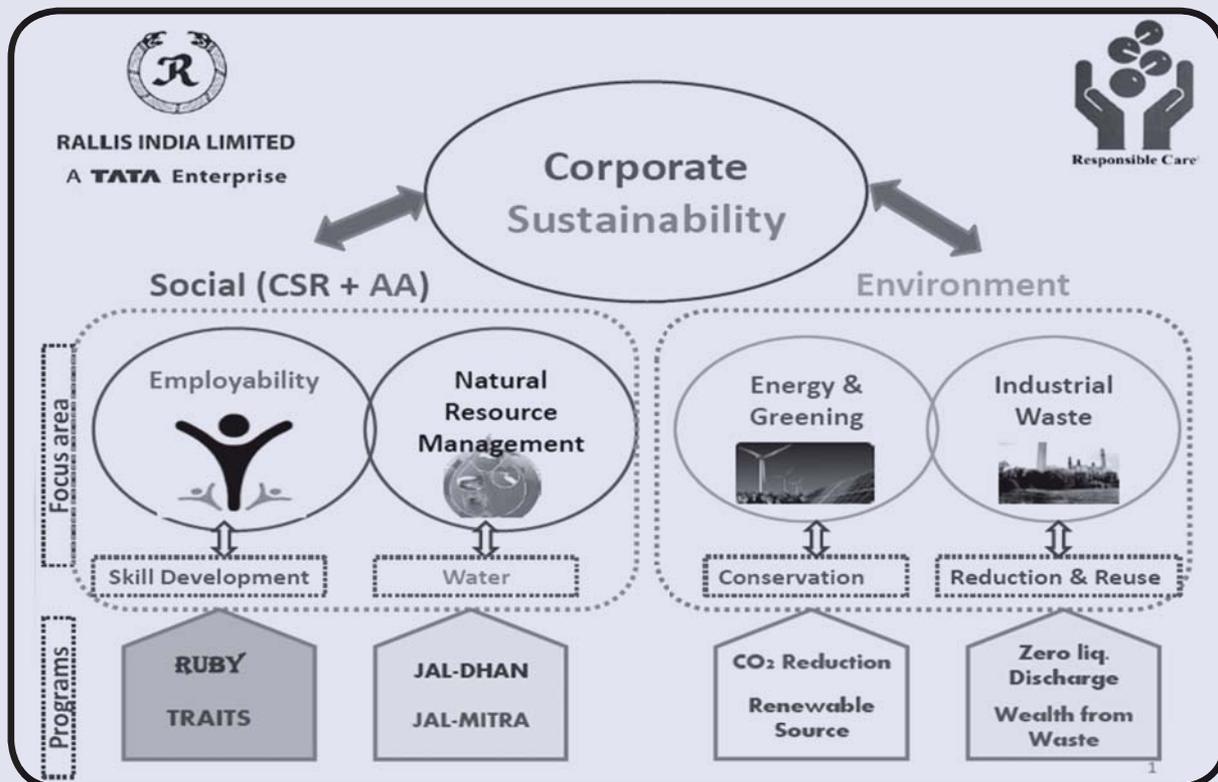
Over the past few years, your Company has been actively engaging with the farming community on providing end-to-end Agri Solutions in line with its Mission.

Pulses was chosen as the first crop where the country faced a shortage and this crop also requires less water. The Rallis More Pulses (MoPu) programme in partnership with the Government now covers several States benefitting a large number of farmers by improving their productivity. This initiative was then extended to the Grapes crop which has also seen immense value for the farmers. During the year, your Company did extensive experimentation of such Agri Solutions branded as **Rallis Samrudh Krishi®** covering the entire country across twelve crops. Our experience has been that with this initiative of extending GAP the farmers have not only experienced improved productivity but also better netbacks due to optimized costs and better quality of produce. Your Company plans to roll out **Rallis Samrudh Krishi®** pan India this year to touch a million farmers. Our Subsidiary, Metahelix is also engaging in developing drought tolerant seeds across various crops.



Jal Dhan and Jal Mitra

Water is a focus area for your Company under its Corporate Sustainability initiatives. This is explicit in our Integrated Sustainability model developed to deploy the various interventions in this regard.



Our water management “Jal Dhan” and “Jal Mitra” project started from Lote (Chiplun), Maharashtra in 2013-14. The project was aimed at increasing water availability for Agriculture of small and marginal farmers through watershed interventions. In the said rain water harvesting project we focused on constructing various temporary and permanent structures like loose boulder, Diversion dam, Check dam etc. These structures were initially created with the help of Rallis employee volunteers and villagers from selected villages through *shram daan* i.e. providing ones’ service for community work. Looking at the response and impact in the first year we have intensified the watershed project in 2014-15 and increased the number of check dams, loose boulders, trenches, Vanarai bandhara, desilting of existing structures etc. By these interventions we have harvested 140 million litres of water.

As a part of integrated approach we focused on enhancing livelihood of small and marginal farmers by providing them knowledge of modern and improved techniques of farming. As Paddy is the major crop in this region, Rallis introduced SRI technique under “Jal Mitra” (SRI – System of Rice Intensification - Improved method) for Paddy cultivation. This has resulted in improving crop yields by 25% while reducing labor cost by 50% with lower seed cost and reduced water requirement compared to normal method.

Your Company has now expanded its Jal Dhan programme to 20 villages of Ratnagiri, Vidarbha, Marathwada and Raigadh regions covering 64,978 villagers including 22,639 Affirmative Action (AA) population. With the good rainfall during 2016 South West monsoon, 493.23 million litres of water was harvested through Rallis Jal Dhan intervention.

Rallis India Limited

Water Neutral

Being water neutral is one of the key objectives of your Company's Sustainability model. To achieve this laudable task, your Company has been working on adoption of new technologies in effluent treatment. In the last few years all the Units have piloted and then successfully implemented processes such as special microbes biological treatment, Membrane Bio Reactor, Multiple Effect Evaporator, Aqueous thin film dryer, Reverse Osmosis, etc. Our continuous effort in this direction has resulted in total recycling of treated water in Ankleshwar Unit. Other Units are well on track to follow suit this year.

With a combination of the in-house endeavour in recycling treated water and the Jal Dhan projects we are recharging more water than what we use in our operations, thereby making us *Water Neutral*.

Way Forward

As per our long term plan, in the year 2017-18 we have already started work in 8 more villages in Latur, Maharashtra to intensify our Jal Dhan intervention and impact 1 lakh people with 25,000 AA population. This will be our continuing support to TATA Group's initiative towards water management and the National Water Mission.

RETURNS TO SHAREHOLDERS

Your Board is pleased to recommend a special one-time dividend of ₹ 1.25 per share out of the profit on assignment of leasehold rights in the Turbhe land. If approved by the shareholders, the total dividend payout for the year will be ₹ 3.75 per share, including the one-time special dividend. The Total Shareholder Return (TSR) of an investment made in your Company in March 2008, kept till the last trading day of March 2017 works out to be a healthy 35% per annum.

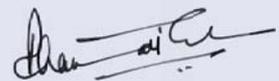
BOARD OF DIRECTORS

Mr. E. A. Kshirsagar and Mr. B. D. Banerjee have retired as Non-Executive, Independent Directors of your Company, on reaching the retirement age as per the Governance Guidelines adopted by the Board. Your Board has placed on record its sincere appreciation of the significant contribution made by Mr. Kshirsagar and Mr. Banerjee as Directors, especially on the Committees which they chaired.

Dr. C. V. Natraj and Mrs. Padmini Khare Kaicker have joined the Board as Non-Executive, Independent Directors with effect from 22nd July, 2016. The Board has also approved the re-appointment of Mr. V. Shankar as the Managing Director of the Company, for a further term with effect from 13th March, 2017 upto 30th September, 2021, when he attains the retirement age. Their appointments come up for shareholder approval at the Annual General Meeting, and your Board commends the same for your approval.

ACKNOWLEDGEMENT

I would like to express my sincere appreciation for the continued support of the shareholders, Tata Group, suppliers and commercial partners during the year. I would like to thank Mr. V. Shankar, Managing Director & CEO who, with his top management team and the employees of the Company, have navigated Rallis through uncertainties during the year gone by. I would also like to thank my colleagues on the Board for their invaluable support and guidance to the Company's management, which goes a long way in meeting the challenges in the Company's growth journey.



Chairman