



CHAIRMAN'S STATEMENT

Dear Shareholders,

The topic of whether agriculture will be of great importance in the coming years is a crucial public issue. Although agricultural growth has fared well since 2000, in the last two years growth has slowed down. The back-to-back below average monsoon during the last two years has had a big impact on agriculture operations. It is fair to state that urgent attention is required in this sector. After all agriculture and allied sector accounts for a major share of employment. Positive agricultural growth is linked to larger community welfare and has a constructive influence in the overall economic growth of the country.

Certain questions on agriculture arise naturally. Firstly over half the workforce amounting to 260 million people is deployed in agriculture and allied sector. There is an urgent need to upgrade their skills in agronomic practices, soil/ water/ pest/ nutrient management, and post-harvest technologies. Yet in the national discourse on skill building we hear very little about upgrading agricultural skills. Secondly India's agricultural exports account for about 40 billion USD and are about 12% - 13% of India's basket of exports. It surely has the potential of being higher if we can improve productivity and management systems. Yet there is very little talk about agricultural production in the country's manufacturing program. Thirdly, there is an urgent need to expand financial inclusion in the country. This can be significantly advanced if farmer awareness is increased to form Farmer Producer Organisations (FPOs) under the Companies Act. Such organisations can also become the employer of the trained and skilled agriculture workers. Yet the actions to increase FPOs in the country are not gaining the desired momentum.

Our country is fortunate to have experts of outstanding stature in all aspects of agriculture – farm economics, agricultural markets, finance and risk management, marketing of inputs and outputs, as well as science and technology. Agriculture and farming are also connected to livelihood and social mores, thus it is one of the most complex subjects with interconnections amongst its various constituents. Three critical questions need to be answered –

1. Although the last couple of years have been difficult for Indian agriculture, has it performed well in this millennium?
2. Indian agriculture productivity does not compare well with other countries. What is the problem with Indian agriculture?
3. In agriculture we must **do things differently**. What can be a national framework to execute a "Mindful Agriculture" program by better co-ordination among various independent agencies and institutions?

Last year, our Directors Mr. R Gopalakrishnan and Dr. YSP Thorat shared their perspective around how *India's lack of a credible and focused managerial framework could hinder in the transformation that agriculture requires*. Their conclusion was that agriculture does not suffer from lack of ideas, funds or governmental initiatives. The current initiatives and institutions are fragmented and work in silos, there is a need to work together, do things differently, and get centres of expertise in credit, rural development, risk management, technology, training to work together collaboratively. What could be strengthened is an integrated and holistic framework, which provides a managerial way of implementing changes. Notwithstanding the availability of several expert reports, they articulated an integrated framework named "Sarthak Krishi Yojana".

In devising and executing any national policy, it is difficult to separate the many inter-related components. Undoubtedly they are all linked. However an integrated framework is helpful. A holistic national framework to address agricultural problems could derive structural lessons from the way India industrialised. The pillars on which the industrialisation strategy was based played out over 60 years, admittedly with flaws and strengths, but today India is counted among the top industrial powers in the world.

Rallis India Limited

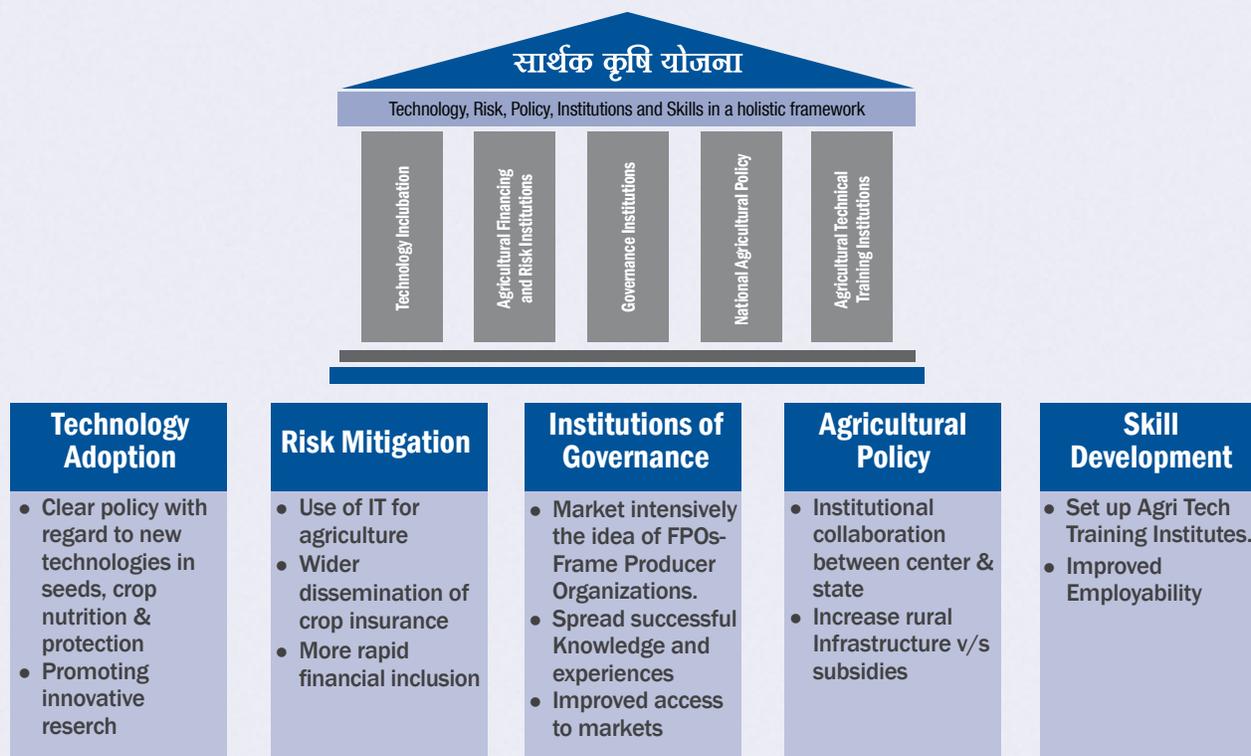
- T – The first pillar was Technology and an articulated approach towards adoption of new technologies.
- R – The second pillar was the setting up of Risk and financing: Banks and development financial institutions to promote industry, general insurance, industrial safety and national standards institutions to mitigate risks.
- I – The third pillar was the setting up of Institutions of governance: the Companies Act (1956), industrial reconstruction institutions and so on.
- P – The fourth pillar was the formulation of an Industrial Policy. What India would make; what roles would be assigned to the public, private and the SME sectors; who would approve; and very importantly what the technology policy would be. With respect to agriculture, I must emphasise the need for a clear national stance with respect to technology.
- S – The fifth pillar was developing Skills — technical training. Setting up of a matrix of ITI skill development centres, industrial apprenticeship schemes and employment opportunities in industry.

Putting together a similar set of pillars for agriculture could be helpful to aggregate the wisdom that already exists and to address the development issues that the nation faces.

The holistic plan should encompass Technology, Risk, Institutions, Policy and Skills (TRIPS), and the nation needs a forward-looking Sarthak Krishi Yojana which encompasses five pillars:

- I. Technology Incubation - outcome based technology policy encouraging research, innovation and incubation.
- II. Agricultural Financing and Risk Institutions - Banks and financial institutions to help promote technology infusion, insurance and mechanisation.
- III. Governance Institutions - Actively promote farmer producer organisations.
- IV. National Agricultural Policy - Focus on improving human and farm productivity.
- V. Agricultural Technical Training Institutes (Skills)

To ensure the success of Sarthak Krishi Yojana, it should be a collaboratively driven project with the States, similar to Jan-Dhan Yojana, Atal Pension Yojana and Swachh Bharat Abhiyan. A high-level task force may be constituted to articulate the features and components that would constitute these five pillars, seek consensus with States and implement as a comprehensive National Agricultural Mission. This has the chance to instil enthusiasm in the agricultural sector and invite wide participation.





COMPANY PERFORMANCE OVERVIEW

The year 2015-16 saw the most severe agro climatic conditions with back to back deficient year only for the fourth time in over a century and water levels in reservoirs at their lowest in at least a decade. This with lower farm incomes has led to rising rural distress. Globally a strong US dollar, lower agro commodity prices with ample supplies and the El Nino phenomenon impacted weather patterns across the Globe leading to drop in global crop protection sales. In this context your Company's consolidated net sales crossed ₹ 1,611 crores for FY16, a drop of 10% over previous year and PAT was lower by 9% to ₹ 143 crores. The highlight has been cash generated from operations at ₹ 233 crores, rising by ₹ 165 crores from last year.

Your Company in accordance with its long term sustainability journey has taken number of initiatives. A Solar power plant has been established at Dahej, new product launches are greener in nature and the Company continues to focus on growing a compelling portfolio of non-pesticides products and Business lines.

Rallis Kisan Kutumb (RKK) our flagship farmer relationship initiative continues to grow well and a significant increase in farmer contacts (over 1 million farmers) has led to productivity improvement. Your Company in current year has taken up number of ICT initiatives which will help to integrate various platforms. RKK will be further leveraged in coming years with the help of Digital technologies.

Samrudh Krishi programme which provides a holistic agro advisory services wherein customized recommendations are provided by crop-advisors has been migrated to technology platforms through mobile apps. These programs are designed to provide to the farmers actionable information on agronomic practices, efficient use of agri inputs to improve productivity while optimising on costs. Various communication means are deployed such as regular contacts throughout the crop cycle, organizing crop seminars, product demonstrations through carefully designed Package of Practices (PoP), Farmer exchange programmes (*Prerna*), Focused Group Discussions (FGDs) and Advisory Services.

Sustainability is core to all the activities which are done in your Company. Your Company continues to build necessary field force competencies, through the **Tata Rallis Agri-Input Training Scheme (TRAITS)**, whereby non-graduate, rural youths with a farming background are trained in agri-marketing and crop advisory activities. TRAITS has helped in providing employment to and improving employability of rural unemployed youth with an agricultural background in the Company and elsewhere. **Jal Dhan** a key water conservation project has been intensified in current year and started work in drought prone/ rain fed areas in Maharashtra including desilting, repairing and creating existing and new structures respectively. Even afforestation was focused to increase ground water level and soil conservation. This has touched the lives of more than 60,000 people as potential beneficiaries.

Your Company continues to invest in relationship with farmers and helps them to make agriculture more sustainable. Its branding and marketing expertise, with a strong product portfolio is making its presence as an Agricultural Solutions Company, which is helping farmers to change their lives.

ACKNOWLEDGEMENT

I would like to express my sincere appreciation for the support of the shareholders, employees, Tata Group, suppliers and commercial partners during the year. I would also like to thank my colleagues on the Board for their continued support and guidance to the Company's management, which certainly encourages the management in meeting the challenges in the Company's growth journey.

Chairman

Mumbai
May 16, 2016