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CS	<input checked="" type="checkbox"/>		DPY	<input checked="" type="checkbox"/>
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TRA	<input checked="" type="checkbox"/>		AC	<input checked="" type="checkbox"/>
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P I INDUSTRIES LIMITED

ANNUAL REPORT

1997 - 98





Board of Directors

Mr. Piyush Singhal	Chairman
Mr. Salil Singhal	Managing Director
Mr. Arvind Singhal	Jt. Managing Director
Mr. Vivek Singhal	Director
Mr. G.R. Divan	Director
Mr. P.N. Shah	Director
Mr. A.K.Mukerjee	Director

Director Finance

Dr. G.G. Agarwal

Company Secretary

Mr. G.C. Jain

Bankers

State Bank of Bikaner & Jaipur
State Bank of India
ICICI Banking Corporation Limited

Auditors

B.D. Gargieya & Co.
Naya- Baas, Beawar- (Raj.)

S.S. Kothari & Co.
9A, Atmaram House, 1, Tolstoy Marg,
New-Delhi - 110 001

Cost Auditors

K.G. Goyal & Company
8, Chitra Gupta Nagar,
Jyoti Nagar Railway Crossing,
Jaipur -302 005 (Raj.).

Registered Office & Shares Dept.

Udaisagar Road, Udaipur (Raj.)

Works

Udaisagar Road, Udaipur (Raj.)

Plot No.237, GIDC, Panoli ,
Dist: Bharuch, Ankleshwar (Guj)



Directors' Report

TO THE MEMBERS :

Your Directors have great pleasure in presenting the Annual Report of the Company alongwith its audited Balance Sheet and Profit & Loss Account for the year ended 31st March, 1998.

FINANCIAL RESULTS :

	(Rs. in Lacs)	
	1997-98	1996-97
Gross Sales and Other Income.	15663.20	14884.65
Profit before depreciation and tax	876.39	745.36
Less: Depreciation	321.69	285.08
Profit before Tax	554.70	460.28
Less: Provision for Tax	60.00	65.00
Profit after Tax	494.70	395.28
Prior period Adjustments (Net)	3.25	3.62
Transfer from Investment Allowance (Utilised) Reserve	6.73	4.65
Previous Year's Surplus	82.14	80.79
Profit available for appropriation:	<u>586.82</u>	<u>484.34</u>
Transfer to General Reserve	415.00	320.00
Proposed Dividend	74.73	74.73
Provision for Tax on Dividend	7.47	7.47
Balance Carried over to Balance Sheet	<u>89.62</u>	<u>82.14</u>
	<u>586.82</u>	<u>484.34</u>

DIVIDEND :

The Directors, subject to the approval of shareholders, are pleased to recommend a dividend for the year ended 31st March, 1998 to be paid as follows:

- On 35,43,754 Equity Shares @ 20%
- On 27,500 Cumulative Redeemable Preference Shares @ 14%.

PERFORMANCE OF THE COMPANY :

Despite adverse climatic conditions in southern part of the country, failure of major crops viz cotton and scaling down of metering business by more than 50%, the company's turnover grew by 5% over the previous year. Major contribution came by increased sales turnover of Pesticides Division.

During the year foreign exchange earning through exports amounted to Rs.1012 Lacs which represents a 34% increase over the previous year. Efforts are continuing to further broaden the export base.

The net profits of the Company under review is Rs.494 Lacs compared to Rs.395 Lacs of the previous year. This

increase of 25% in profits has been made possible by continuous improvement in productivity, cost efficiency, opting for better product mix, and control over fixed overheads despite the inflationary rise in the costs of inputs.

The sales performance of newly started Polymer Division was adversely affected with the total recession in the industries viz automobiles, textiles, etc who are the major customers. However the products of the company have been well received by the major customers. Your Directors expect that the present market situation will soon improve and this division would be giving better contribution in the coming years.

PROSPECTS FOR THE CURRENT YEAR :

Barring unforeseen circumstances, your Company expects to achieve satisfactory growth in Sales and profits during the current year. Further, improvement in market share is also expected with additions in its existing product range.

As a part of major improvement plan, your company has undergone restructuring of pesticide manufacturing facilities with updated technologies at its Udaipur and Panoli units. This would enable the company to maximise capacity utilisation and in turn reduce cost of production with logistic advantages of being nearer to its major markets of both input and final products.

As a part of its growth strategy, the company is determined to make all out efforts to enhance its Industrial Chemicals business and it is proposed to make newer investments for this purpose.

DIRECTORS :

Mr. Piyush Singhal and Mr. A.K. Mukerjee retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

The tenure of Mr. A.K. Mukerjee, as Wholtime Director expired on 31st March, 1998. He now continues as a Director on the Company's Board.

During the year, Mr. G.R. Divan was nominated on the Board on 16th February, 1998 as an Additional Director. A Notice has been received from a member proposing his candidature as a Director at the ensuing Annual General Meeting. The Board recommends his appointment as Director at the ensuing Annual General Meeting.

Mr. R.C. Gupta who was associated with the Company as a member of the Board since 30th December, 1985 has resigned from the Board w.e.f. 30th May, 1998. The Board of Directors have placed on record their deep appreciation for the guidance and advice received from Mr. R.C. Gupta in the deliberations of the Board during his tenure as Director of the Company.



The tenure of office of Mr. Salil Singhal as Managing Director & Mr. Arvind Singhal as Joint Managing Director expire on 30th September, 1998. They being eligible, the Board of Directors of the Company recommends their re-appointment as Managing Director & Joint Managing Director respectively of the Company for further period of five years w.e.f. 1st October, 1998 on the remuneration specified in the resolution to be placed at the ensuing Annual General Meeting for the approval of members.

DEPOSITS :

Deposits worth of Rs.32,256/- remained unclaimed as on 31st March, 1998.

AUDITORS :

M/s B.D. Gargieya & Company, Chartered Accountants and M/s S.S. Kothari & Company, Chartered Accountants; the Joint Auditors of the Company retire at the ensuing Annual General Meeting and they are eligible for re-appointment.

The Auditors have given a Certificate to the effect that the re-appointment, if made, will be within the prescribed limits specified under Section 224(1B) of the Companies Act, 1956.

COST AUDIT :

The Company has re-appointed M/s K.G. Goyal & Company, Cost Accountants as the Cost Auditors of the Company for conducting Cost Audit for the year ending 31st March, 1999.

PERSONNEL :

The Directors wish to express their sincere appreciation to all the employees for their support, co-operation and good work during the year under review.

The relations with the company's workmen and employees during the year have been cordial. The company has signed a 4-year wage agreement with the Union.

The Company, during the period under review, has conducted various training programs for the development of its employees to prepare them for the challenges owing to the changing business scenario.

The particulars of the employees as required u/s 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees), Rules, 1975 are annexed hereto.

ENVIRONMENT, SAFETY AND ENERGY CONSERVATION :

The Company continues to accord high priority to pollution control beside health and safety of the employees.

As required by the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988, the relevant data pertaining to conservation of energy and technology absorption are given in the prescribed forms "A" and "B" as an annexure to this report.

SUBSIDIARY :

Pursuant to Section 212 of the Companies Act, 1956, the Directors' Report and Accounts of your Company's subsidiary, as required by clause (e) of sub-section 1 of the section are appended.

LISTING :

The Company's shares are listed on The Stock Exchange Mumbai, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai ; The Delhi Stock Exchange Association Limited, West Plaza, Indira Gandhi Stadium, Indra Prastha Estate, New Delhi; Jaipur Stock Exchange Limited, Stock Exchange Building, Jawaharlal Nehru Marg, Malviya Nagar, Jaipur and Madhya Pradesh Stock Exchange, Rajni Bhawan (3rd Floor), 569 M.G. Road, Opp High Court, Indore.

The annual listing fee has been paid on due date by the company to each of the aforesaid Stock Exchanges.

ACKNOWLEDGMENTS :

The Directors are grateful for the continued support and cooperation they have received from the Government of India, Government of Rajasthan and Gujarat, ICICI, IFCI, IDBI, GIDC, State Bank of Bikaner & Jaipur, State Bank of India & ICICI Banking Corporation Ltd..

For and on behalf of the Board of Directors

Place : UDAIPUR
Dated : 18th July, 1998

(Piyush Singhal)
Chairman



Annexure to the Directors' Report

STATEMENT CONTAINING PARTICULARS PURSUANT TO THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS' REPORT.

FORM-A

CONSERVATION OF ENERGY :

For conservation of energy cooling towers fans, during the year under review, were replaced with FRP fans as a result of which a saving of about 20% in energy consumption was achieved. As a part of the continuing energy saving programme motors of higher ratings were replaced by required lower rated motors. During the year under review, company also carried out automation of the boiler plant which resulted in improved efficiency of the boiler plant.

In house energy audit was conducted to check leakage in utility pipelines and wherever lapses were noticed, the same were immediately controlled, thereby reducing energy consumption.

The Company continues its policy of giving priority to conservation of energy and systematic preventive maintenance to optimise production efficiency.

Power & Fuel Consumption :

	1997-98	1996-97
(A) POWER & FUEL		
1. ELECTRICITY		
(a) Purchased		
Units (Lacs/Kwh)	54.20	46.61
Total amount (Rs.Lacs)	173.93	133.29
Rate/Unit (Rs.)	3.21	2.86
(b) Own Generation through Diesel Generator		
Unit (Lacs/Kwh)	14.13	10.76
Unit Per Ltr.	2.81	2.50
Diesel Oil Cost/Unit (only variable cost)	3.25	3.03
2. COAL		
Quantity(tonnes)	1088.17	1056.54
Total Cost (Rs.Lacs)	27.16	26.75
Average Rate (Rs./MT)	2495.58	2531.85

3. FURNACE OIL

Quantity (tonnes)	916.39	612.59
Total Cost (Rs.Lacs)	57.07	37.87
Average Rate (Rs./MT)	6.23	6.18

(B) CONSUMPTION PER UNIT OF PRODUCTION

(a) Pesticides		
Production (tonnes)	21572*	14986*
Electricity/Tonne (Kwh)	292.35	382.84
Furnace Oil/Tonne (Ltrs.)	42.48	40.88
Coal/Tonnes (Kgs.)	59.11	78.51
* Includes internal consumption (tonnes)	5990	3683
(b) Polymers :		
Production (tonnes)	584*	166*
Electricity/Tonne (Kwh)	901.83	1393.96*
Includes internal consumption (tonnes)	106	41

FORM -B

I. TECHNOLOGY ABSORPTION :

RESEARCH & DEVELOPMENT (R&D)

1. SPECIFIC AREAS IN WHICH R & D CARRIED OUT BY THE COMPANY :

The Research & Development activities [recognised by the Department of Scientific & Industrial Research (DSIR), New Delhi] of the Company has during the year, carried out, studies for:

- ❖ Utilisation and re-cyclization of by-products.
- ❖ Development of new engineering designs for new processes/products.
- ❖ Development of various grades of polyurethane's and large number of other urethane adhesives and additives.
- ❖ Natural organic product (based on sea weeds) has been developed and is in the process of commercialisation.
- ❖ Development of newer methods of waste treatment & waste water reduction through re-cycling.
- ❖ Process Development of Chemicals and Chemicals Intermediates.

2. BENEFITS DERIVED AS A RESULT OF ABOVE EFFORTS THROUGH R & D.

- ❖ Waste water management to prevent environmental hazard during operational activities.
- ❖ New products and Intermediates were developed including some speciality chemicals.



- ❖ Increased product range and related formulations for their commercialisation in due course.

3. FUTURE PLAN OF ACTION :

Research & Development activities are being further strengthened for continuing efforts to develop useful products and reduce manufacturing costs to meet competition.

4. EXPENDITURE ON R & D :

	(Rs. in Lacs)	
	1997-98	1996-97
(a) Capital	26.53	32.68
(b) Recurring	18.89	14.18
(c) Total	45.42	46.86
(D) Total R & D expenditure as percentage of total turnover (net of excise)	0.29%	0.32%

5. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION :

(a) EFFORTS, IN BRIEF, MADE TOWARDS TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION :

- ❖ Training programs for our Scientists/Technologists and associates.

- ❖ Interaction with National Laboratories, CSIR Institutions & Universities.

- ❖ Re-structuring Research & Development activities for better technology absorption, adaptation, innovation and applications.

- ❖ To develop know-how & know-why for large number of polymers, polyurethane's and polymer additives for commercialisation.

(B) BENEFITS DERIVED :

- ❖ Pollution Abatement and Odour Control.
- ❖ Development of Indigenous Technology for cost reduction, conservation of foreign exchange and to meet the growing demand of pesticides.
- ❖ Development of Intermediates for pesticides of future.
- ❖ Quality consciousness and efforts for better product mix helped company to withstand competition both in India as well as in the International market.

6. IMPORTED TECHNOLOGY :

The company has not imported any technology during the year.

II. FOREIGN EXCHANGE EARNINGS AND OUT GO :

Particulars with regard to foreign exchange earnings and outgo appear at Item No.14(D);14 (E); 14 (F) ; 14 (G) of Schedule 19 of the Annual Report and Accounts.

For and on behalf of the Board of Directors

Place : UDAIPUR
Dated : 18th July, 1998

(Piyush Singhal)
Chairman



AUDITORS' REPORT

TO THE MEMBERS OF PI INDUSTRIES LIMITED

We have audited the attached Balance Sheet of **PI INDUSTRIES LIMITED, UDAIPUR** as at 31st March, 1998 and also the Profit & Loss Account of the Company for the year ended on that date annexed thereto and report that:

1. As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988 issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, and on the basis of information and explanations furnished to us, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order to the extent applicable and based on such checks as are considered appropriate.
2. Further to our comments in the Annexure referred to in paragraph 1 above:
 - a We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - b In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the books.
 - c The Balance Sheet and Profit & Loss Account dealt with by this report are in agreement with the books of account.
 - d In our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet and Profit & Loss Account read together with the notes thereon give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view:
 - (a) In case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 1998 and ;
 - (b) In case of the Profit & Loss Account, of the profit of the Company for the year ended on that date.

For **B. D. Gargieya & Co.**
Chartered Accountants

(**R. S. MANGAL**)
Partner

For **S. S. Kothari & Co.**
Chartered Accountants

(**J. KRISHNAN**)
Partner

Place : **UDAIPUR**

Dated : **18th July, 1998**

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph (1) of our report of even date)

1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. A major portion of the fixed assets were physically verified by the Management during the year and to the best of our knowledge, no material discrepancies were noticed on such verification.
2. None of the fixed assets have been revalued during the year.
3. As informed to us, physical verification of stocks of finished goods, stores, spares and raw materials was conducted by the Management during the year and in our opinion, the frequency of verification was reasonable.
4. In our opinion and according to the information and explanations given to us, the procedures for physical verification of stocks followed by the Company are reasonable and adequate in relation to the size of the Company and the nature of its business.
5. The discrepancies noticed between the physical stocks as verified and book records were not significant and have been properly dealt with in the books of account.
6. In our opinion, on the basis of our examination of the stock records, the valuation of stocks is fair and proper in accordance with normally accepted accounting principles and is on the same basis as in the preceding year.
7. In our opinion, the rate of interest and terms and conditions on which loans have been obtained from companies, firms and other parties listed in the register maintained under Section 301 and Section 370 (1C) of the Companies Act, 1956 are prima facie not prejudicial to the interest of the Company.
8. The Company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956 and to companies under the same management as defined under sub-section (1B) of Section 370 of the said Act.



9. Advances in the nature of loans have been made to employees free of interest and to other parties which are generally being repaid as stipulated.
10. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of stores, raw materials including components, plant & machinery, equipment and other assets and for the sale of goods.
11. In our opinion and according to the information and explanations given to us, where transactions have been made with different parties, the transactions of purchase of goods and materials and sale of goods, materials and services made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and aggregating during the year to Rs.50,000/- or more in respect of each party have been made at prices which are reasonable, having regard to the prevailing market prices for such goods, materials or services where such market prices are available or the prices at which transactions for similar goods, materials or services have been made with other parties.
12. As explained to us, unserviceable and damaged stores, raw materials and finished goods have been determined and are found to be insignificant to the total consumption, purchases and sales and the same have been accounted for.
13. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of section 58A of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public.
14. In our opinion, reasonable records have been maintained by the Company for the sale and disposal of by-products and scrap.
15. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
16. We have broadly reviewed the books of account maintained by the Company in respect of manufacture of insecticides, formulations and technical grade insecticides pursuant to the order made by the Central Government for maintenance of cost records prescribed under section 209 (1)(d) of the Companies Act, 1956, and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determining whether they are accurate or complete.
17. According to the records of the Company, Provident Fund and Employees State Insurance dues have generally been regularly deposited with the appropriate authorities.
18. According to the information and explanations given to us, there are no undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Customs Duty and Excise Duty which were outstanding as on 31st March, 1998 for a period of more than six months from the date they became payable.
19. According to the information and explanations given to us and on the basis of test checks carried out by us, no personal expenses have been charged to revenue account, other than those payable under contractual obligations or in accordance with generally accepted business practice.
20. The Company is not a sick industrial company within the meaning of Clause (o) of sub-section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.
21. In respect of Trading Activities of the Company, we are informed that there are no damaged stocks.

For B.D. Gargieya & Co.
Chartered Accountants

(R.S. MANGAL)
Partner

Place : UDAIPUR
Dated : 18th July, 1998

For S. S. Kothari & Co.
Chartered Accountants

(J. KRISHNAN)
Partner



Balance Sheet As At 31st March, 1998

	SCHEDULE		1998 Rs. in lacs	1997 Rs. lacs
SOURCES OF FUNDS				
SHAREHOLDERS' FUNDS				
Share Capital	1	381.88	381.88	
Reserves & Surplus	2	3,337.78	3,719.66	2,936.31
				3,318.19
LOAN FUNDS				
Secured Loans	3	4,021.00		3,133.47
Unsecured Loans	4	290.19	4,311.19	506.15
				3,639.62
TOTAL			8,030.85	6,957.81
APPLICATION OF FUNDS				
FIXED ASSETS				
Gross Block	5	6,345.76		5,606.00
Less: Depreciation		2,299.63		2,001.35
Net Block			4,046.13	3,604.65
INVESTMENTS	6		232.08	220.04
CURRENT ASSETS, LOANS & ADVANCES				
Inventories	7	2,526.21		1,790.30
Sundry Debtors	8	2,661.51		2,883.00
Cash & Bank Balances	9	559.02		426.45
Loans & Advances	10	773.09		749.95
		6,519.83		5,849.70
Less :				
CURRENT LIABILITIES & PROVISIONS				
Current Liabilities	11	2,684.99		2,634.38
Provisions	12	82.20		82.20
		2,767.19		2,716.58
NET CURRENT ASSETS			3,752.64	3,133.12
TOTAL			8,030.85	6,957.81
Significant Accounting Policies and Notes to Accounts	19			

As per our separate report of even date attached

FOR B.D.GARGIEYA & CO.
Chartered Accountants

FOR S. S.KOTHARI & CO.
Chartered Accountants

(R.S.MANGAL)
Partner

(J.KRISHNAN)
Partner

(G. C. JAIN)
Company Secretary

Piyush Singhal
Salil Singhal
Arvind Singhal
P. N. Shah
G. R. Divan
A. K. Mukerjee
Directors

Place : UDAIPUR

Dated : 18th JULY, 1998