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***P I INDUSTRIES LIMITED***

**ANNUAL REPORT  
1998 - 1999**



### **Board of Directors**

Mr. Piyush Singhal	Chairman
Mr. Salil Singhal	Managing Director
Mr. Arvind Singhal	Jt. Managing Director
Mr. Vivek Singhal	
Mr. G.R. Divan	
Mr. P.N. Shah	
Mr. A.K. Mukerjee	
Mr. Mayank Singhal	
Mr. Anurag Surana	Wholetime 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.  
8D, 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 Department**

Udaisagar Road, Udaipur- 313 001 (Raj.)

### **Factories**

Udaisagar Road, Udaipur (Raj.)  
Plot No.237, GIDC, Panoli, (Gujarat)



## Directors' Report

### TO THE MEMBERS :

Your Directors have pleasure in presenting the Annual Report of the Company alongwith its audited Balance Sheet and Profit & Loss Account for the year ended 31st March, 1999.

### FINANCIAL RESULTS :

	(Rs. in Lacs)	
	1998-99	1997-98
Gross Sales and Other Income	16996.68	15663.20
Profit before depreciation and taxes	944.93	876.39
Less: Depreciation	382.23	321.69
Profit before taxes	562.70	554.70
Less: Provision for taxes	59.10	60.00
Profit after taxes	503.60	494.70
Prior period Adjustments (Net)	(9.17)	3.25
Transfer from Investment Allowance (Utilised) Reserve	-	6.73
Previous Years' Surplus	89.62	82.14
Profit available for appropriation	584.05	586.82
Interim Dividend on Pref.Shares	15.19	-
Provision for final dividend	70.88	74.73
Provision for tax on dividend (including tax on interim dividend)	9.47	7.47
Transfer to General Reserve	305.00	415.00
Transfer to capital	-	-
Redemption Reserve	61.04	-
Balance Carried over to Balance Sheet	122.47	89.62
	584.05	586.82

### DIVIDEND :

The Directors, subject to the approval of shareholders are pleased to recommend a dividend for the year ended 31st March, 1999, as follows:

- On 35,43,754 Equity Shares @ 20%
- An interim dividend of 14% was paid to the holders of the 14% Cumulative Redeemable Preference Shares of Rs.100/- each for the period from 1<sup>st</sup> April, 1998 to 22<sup>nd</sup> April, 1998 i.e. till date of redemption of these shares.
- An interim dividend of 12.5% was paid to the holders of 12.5% Cumulative Redeemable Preference Shares of Rs.100/- each. No final dividend is payable to them.

### PERFORMANCE OF THE COMPANY :

Despite increased turnover, the margins during the year under review have been under pressure mainly due to threefold reasons i.e. firstly, the impact of surcharge on import duty levied in the central budget

could not be passed on to the customers due to increased competition in agro chemical business; secondly, rupee was depreciated around 7% and thirdly, owing to labour strike at Udaipur Plant.

During the year foreign exchange earnings through exports amounted to Rs.1292.84 Lacs which represents an increase over 21.71% of the previous year.

The continued recession in the industries viz. automobiles, textiles, etc. has affected Company's Polymer business.

The higher depreciation and interest charges represents investments of over Rs. 20 Crores in fixed assets made in previous year for creation of additional capacities at company's multi product agro chemical plant at Panoli in the state of Gujarat with a view to restructuring of pesticides manufacturing facilities with updated technology.

### PROSPECTS FOR THE CURRENT YEAR:

The expansion undertaken at Company's plant at Panoli including state of art multi product plant for manufacturing of industrial chemicals has been completed and is now fully operational. The Company is expecting good volumes of export business of industrial chemicals during current year.

The Company also expects to improve its domestic market share by addition of some new products in its existing products range. Prospects of a good monsoon should make 1999-2000 a better year.

The Company's Polymer division is expected to perform better because of the user industries are gradually coming out of the recessionary cycle.

### DIRECTORS :

Mr. Vivek Singhal and Mr. P.N. Shah retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

During the year, Mr. Anurag Surana was co-opted as an additional director on 30<sup>th</sup> September, 1998. 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. Anurag Surana was also appointed as an Wholetime Director for a term of five years w.e.f. 1<sup>st</sup> October, 1998 to 30<sup>th</sup> September, 2003 on the remuneration specified in the resolution to be placed at the ensuing Annual General Meeting for the approval of members. The Directors recommend the resolution for members' approval.

**DEPOSITS :**

Deposits worth of Rs.32,256/- remained unclaimed as on 31st March, 1999.

**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 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, 2000

**PERSONNEL :**

The workers at the Udaipur Unit went on strike w.e.f. 23<sup>rd</sup> July, 1998 which was withdrawn un-conditionally after 71 days.

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 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 particulars of the employees as required under section 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 besides 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 Company has paid the annual listing fee to each of aforesaid Stock Exchanges.

**INFORMATION TECHNOLOGY, YEAR 2000 COMPLIANCE:**

The company has made good progress in ensuring millennium compliance for all the area of operation. The work started during May, 1998 and the progress has been reviewed by all concerned regularly. All internal operations have been covered for this purpose and running applications and software have been made Y2K compliant (in respect of hardware it is being worked out and are under implementation). The company does not foresee any difficulty with its supply chain partners on this account.

**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. & IDBI Bank Ltd.

For and on behalf of the Board of Directors

(Salil Singhal)  
Managing Director

(Arvind Singhal)  
Joint Managing Director

Place : Vadodara  
Date : 29.07.99



## 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 :

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

#### Power & Fuel Consumption:

	1998-99	1997-98
<b>(A) POWER &amp; FUEL</b>		
<b>1. ELECTRICITY</b>		
(a) Purchased		
Units (Lacs/Kwh)	55.75	54.20
Total amount (Rs.Lacs)	208.79	173.93
Rate per unit Rs.	3.75	3.21
(b) Own Generation through Diesel Generator		
Unit (Lacs/Kwh)	31.34	14.13
Unit Per Ltr.	3.27	2.81
Diesel Oil Cost/Unit (only variable cost)	3.72	3.25
<b>2. COAL</b>		
Quantity (tonnes)	1008.17	1088.17
Total Cost (Rs. in Lacs)	25.24	27.16
Average Rate (Rs./MT)	2503.57	2495.58
<b>3. FURNACE OIL</b>		
Quantity (tonnes)	1409.46	916.39
Total Cost (Rs. in Lacs)	81.63	57.07
Average Rate (Rs./MT)	5.79	6.23

#### (B) CONSUMPTION PER UNIT OF PRODUCTION

(a) <b>Pesticides :</b>		
Production (tonnes)	25456.50	21571.80*
Electricity/Tonne (Kwh)	342.09	292.35
Furnace Oil/Tonne (Ltrs.)	55.37	42.48
Coal/Tonnes (Kgs.)	97.47	59.11
* Includes internal consumption	7094	5990

#### (b) Polymers :

Production (tonnes)	625.27	583.79*
Electricity/Tonne (Kwh)	460.89	901.83
* Includes internal consumption	103	106

### FORM-B

#### I. TECHNOLOGY ABSORPTION : RESEARCH & DEVELOPMENT

##### 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 :

- ❖ Process development of novel Chemicals and Chemical-Intermediates, with direct use of high-tech reactions having polycyclic & stereo-chemical, molecular structure.
- ❖ Development of newer methods of waste treatment & waste water reduction through re-cycling or re-use in the parallel processes.
- ❖ New technologies development for products having export potentials.

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

- ❖ New Chemical products as novel key intermediates for future pharma herbicides production.
- ❖ Waste water management to prevent environmental hazard during operational activities.
- ❖ Increased product range and related formulations for their commercialization in due course.
- ❖ New projects are initiated for the evaluation and commercial exploration of medicinal bio-efficacy of plants and herbal extracts.
- ❖ Explored chemicals intermediates based on fluorine chemistry.

##### 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 market competition without any compromise with quality of end product.

#### 4. EXPENDITURE ON R & D :

	(Rs. in Lacs)	
	1998-99	1997-98
(a) Capital	115.54	26.53
(b) Recurring	21.10	18.89
(c) Total	136.64	45.42
(d) Total R & D expenditure as percentage of total turnover (net of excise)	0.80%	0.29%

#### 5. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION :

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

- ❖ Regular Training programs for our Scientists/ Technologists and associates are initiated.
- ❖ Interaction with National Laboratories, CSIR Institutions & Universities is strengthened for upgradation of new product.
- ❖ Re-structuring of Research & Development activities for better technology absorption, adaptation, innovation and applications.
- ❖ To develop know-how & know-why for large number of organic molecules polymers, polyurethane's and have started polymer additives for commercialization.

- ❖ To develop expertise for the development and commercialisation of customised intermediates for export market :

##### (B) BENEFITS DERIVED :

- ❖ Development of Indigenous Technology for cost reduction, conservation of foreign exchange and to meet the growing demand of pesticides.
- ❖ Development of Intermediates for the pesticides of future.
- ❖ Quality consciousness and efforts for better product has helped company to withstand competition both in India as well as in the International market.
- ❖ Inclusion of new-hightech products and intermediates.
- ❖ More reliable technologies are grown for various chemical products.
- ❖ Pollution abatement and odour control.

#### 6. IMPORTED TECHNOLOGY :

The company has not imported any technology during the year.

#### II. FOREIGN EXCHANGE EARNINGS AND OUT GO :

Particulars with regard to at 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

(Salil Singhal)  
Managing Director

(Arvind Singhal)  
Joint Managing Director

Place : Vadodara  
Date : 29.07.99





## 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, 1999 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, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956.
  - e. 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:
    - (i) In case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 1999 and ;
    - (ii) 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  
(M.C. JAIN)  
Partner

**For S.S. Kothari & Co.**  
Chartered Accountants  
(J. KRISHNAN)  
Partner

Place : Vadodara

Dated : 29th July 1999

## 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. As explained to us, 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, 1999 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  
(M.C. JAIN)  
Partner

**For S.S. Kothari & Co.**  
Chartered Accountants  
(J. KRISHNAN)  
Partner

**Place : Vadodara**

**Dated : 29th July 1999**