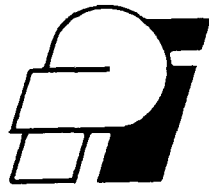


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P I INDUSTRIES LIMITED

**ANNUAL REPORT
2001-2002**

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Board of Directors

(as on 29th June, 2002)

Mr. Salil Singhal	Chairman & Managing Director
Mr. Mayank Singhal	Wholetime Director
Mr. Anurag Surana	Wholetime Director
Mr. Arvind Singhal	Director
Mr. G.R. Divan	Director
Mr. P.N. Shah	Director
Mr. A.K.Mukerjee	Director
Mr. Sushil Muhnot	Nominee Director of IDBI

Director Finance

Dr. G.G. Agarwal

Company Secretary

Mr. G.C. Jain

Bankers

State Bank of Bikaner & Jaipur
State Bank of India
ICICI Bank Ltd.

Auditors

B.D. Gargieya & Co.
Gargieya Niwas, 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)

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DIRECTORS' REPORT

TO THE MEMBERS:

Your Directors have pleasure in presenting the Audited Accounts of your Company for the year ended 31st March, 2002.

FINANCIAL RESULTS:

	(Rs. in Lacs)	
	2001-2002	2000-2001
Profit / (Loss) after taxation	397.64	19.43
Previous Years' Surplus	213.38	163.42
Transferred from Investment allowances (utilised) Reserve	-	22.10
Amount withdrawn from General Reserve	-	50.00
Amount available for appropriation	611.02	254.95
Appropriations :		
Dividend on Equity Shares (including Corporate Dividend Tax)	17.72	19.53
Interim Dividend on Preference Shares (including corporate dividend tax)	-	22.04
Balance carried over to Balance Sheet	593.30	213.38

DIVIDEND:

The Directors, subject to the approval of shareholders, recommend a dividend on 35,43,754 Equity Shares @ 5% (subject to deduction of tax at source) for the year ended 31st March, 2002.

MANAGEMENT DISCUSSION AND ANALYSIS:

The business operations of the Company comprise Agrochemicals, Polymer and Metering. After witnessing a difficult preceding year, your company achieved a very good performance during the year under review. The net sales grew by 38% and the operating profit before interest, depreciation and tax, improved by almost 75% over previous year.

A. Industry Structure & Development.

After two consecutive years of adverse agro-climatic conditions, the year under review witnessed fairly good rainfall combined with heavy pest menace resulting in increased demand for agro-chemicals. However, the global agrochemical market remained more or less static on account of introduction and growth of GMO,

continued low prices of commodities and shift towards biotechnology to increase crop yield. The government regulations and ban on certain pesticides has forced the industry to focus on research and development activities to identify new and effective products that are safe for the environment. Also, the new patent regime with emphasis on patent protection and emergence of biotechnology will lead to new developments and future growth in this sector.

The global fine & specialty chemical industry is growing at a good rate with an emphasis on cost effective outsourcing. The infrastructure availability for undertaking research and development activities, cheap availability of skilled labour force and reasonably good performance by the Indian manufacturers on quality front is encouraging global chemical giants to make India a sourcing base.

The Polymer industry, specifically the industrial plastic segment, registered some growth during the year under review. While the growth in auto sector was almost stagnant, other consumer industries e.g. energy meters, electrical furnishings, white goods, etc. registered normal growth.

B. Performance.

The sales volumes of Chemical Business grew by 31% and the market share of major products improved substantially. The performance of the Chemical Business, mainly consisting of agro-chemicals, is largely dependent upon timely, adequate and well-distributed rainfall, had registered a remarkable performance on account of these favourable agro-climatic conditions, heavy pest infestation and also the initiatives taken for expanding product range, enhancing geographical reach, restructuring of dealer/distributor network, cost optimization etc.

The lower export of fine-chemicals was due to deferment of overseas customer's requirements. However, the major achievement of the business was to successfully develop and scale up a few value added molecules, samples of which have been approved by the overseas customers. The company is hopeful of commercial scale manufacturing of these products during the coming years.

C. Outlook

The outlook for the agro-chemical industry remains dependent on normal monsoons and increase in farm income. Your company has taken several strategic initiatives in the areas of broadening the application of existing products aggressive market penetration, with continued emphasis on cost cutting.

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The Fine chemical business is also expected to do well due to healthy export order book position. The company is scheduled to commence manufacturing of highly value added fine chemicals during current year which should contribute to the growth of sales volumes and profitability in the coming years.

Polymer business has potential scope for growth as polymer consumption in India is much lower than other developing countries. Your company has taken initiatives for major restructuring of the marketing set-up, optimization of product range and manufacturing facilities, strategic tie ups for sourcing of inputs to achieve sustainable growth and profitability of this business. This is a highly competitive business, but the company is confident that given the technical and marketing strengths, this business offers very good prospects in future years.

D. Internal Control System and their adequacy.

The Company has a proper and adequate system of internal controls to ensure that all its assets are safeguarded and protected against loss from unauthorized use or disposition. Periodic inspection, safety audit and risk management are being carried out.

The company's internal control systems are further supplemented through extensive review by independent firms of Chartered Accountants.

The Company has developed an efficient Management Information System which evaluates and forewarns the management on issues related to compliance, cost cuttings and product effectiveness.

E. Personnel

The industrial relations continue to be stable during the year. Training and Development of Human Resources continue to receive focussed attention.

Pursuant to the provisions of Section 217(2A) of the Companies Act, 1956 read with the companies (Particulars of Employees) Rules, 1975, forms part of this report. However, as per the provisions of section 219 (1)(b) (iv) of the Companies Act, 1956, the reports and the accounts are being sent to all shareholders, excluding the statements of particulars under section 217 (2A). Any shareholder, interested in obtaining a copy of this statement may write to the Company Secretary.

DIRECTORS:

In accordance with the provisions of the Companies Act, 1956 and Company's Articles of Association, Mr. P.N. Shah and Mr. A.K. Mukerjee retire by rotation as

Directors at the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment.

Mr. Piyush Singhal, Chairman and Mr. Vivek Singhal Director of the Company have resigned with effect from 29.9.2001. Your Directors place on record their sincere appreciation of the valuable services rendered by them during their tenure as Directors.

Mr. Arvind Singhal, has resigned w.e.f. 31.12.2001 from the post of Joint Managing Director. However, he shall be continuing as Director liable to retire by rotation on the Board of your company. The directors place on record their appreciation of the valuable contribution made in the progress of the Company by Mr. Arvind Singhal as a Joint Managing Director.

The Board has appointed Mr. Salil Singhal as Chairman & Managing Director of the company w.e.f. 29th September, 2001.

SAFETY, HEALTH & ENVIRONMENTAL PERFORMANCE:

The company continues to accord high priority to pollution control besides health and safety of the employees.

The Company's Panoli unit has achieved ISO 14001 certification for its environmental management system.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS & OUTGO:

The particulars as prescribed under sub-section (1)(e) of Section 217 of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the record of Board of Directors) Rules, 1988 are given in Annexure-A forming part of this report.

VOLUNTARY DE-LISTING OF COMPANY'S SHARES:

Presently, the Equity Shares of the Company are listed on the Stock Exchange, Mumbai, The Delhi Stock Exchange Association Ltd., New Delhi, Madhya Pradesh Stock Exchange, Indore and Jaipur Stock Exchange Ltd., Jaipur.

Consequent to reduction in the public shareholding in Company's share capital, the volume of trading in Company's Equity Shares on the Stock Exchanges has reduced to negligible levels. The cost of continued listing on stock exchange is not commensurate to the extent of public shareholding or the volume of trade on the stock exchanges. The directors therefore have decided to delist the Company's shares from all stock exchanges after making suitable provisions for

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securing the interest of minority shareholders in accordance with the applicable laws, rules, regulations and guidelines.

The proposal for delisting needs to be approved by a special resolution of the shareholders, which appears at Item No. 9 of the Notice of Annual General Meeting.

REPORT ON CORPORATE GOVERNANCE:

As required by Clause 49 of the Listing Agreement, a Report on Corporate Governance is appended.

DIRECTORS' RESPONSIBILITY STATEMENT:

Your Directors confirm that:

- (i) in the preparation of the annual accounts for the year ended on 31st March, 2002, the applicable accounting standards have been followed by the Company;
- (ii) such accounting policies have been selected and consistently applied and judgments and estimates made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as at 31st March, 2002 and of the profit of the Company for the year ended on that date;
- (iii) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) annual accounts has been prepared on a going concern basis.

DEPOSITS:

Deposits worth of Rs.32,256/- remained unclaimed as on 31st March, 2002.

AUDITORS:

M/s B.D. Gargieya & Company, Chartered Accountants and M/s S.S. Kothari & Company, Chartered Accountants; the 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 AUDITORS:

Pursuant to the directives issued by the Central Government under the provisions of Section 233B of the Companies Act, 1956 M/s K.G. Goyal & Company, Cost Auditors, Jaipur have been appointed to conduct Cost Audits relating to Insecticides (Technical Grade and Formulations) for the year ending 31st March, 2003.

SUBSIDIARY:

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

ACKNOWLEDGMENTS:

The Directors place on record their appreciation of the contribution made by the employees and the management in the conduct of business and restructuring of operations during the year. They are also grateful for the continued support and cooperation received from the Government of India, Government of Rajasthan and Gujarat, IDBI, GIDC, State Bank of Bikaner & Jaipur, State Bank of India, ICICI Bank Ltd. & IDBI Bank Ltd.

For and on behalf of the Board of Directors

sd/-

(Salil Singhal)
Chairman & Managing Director

Place: Mumbai

Date : 25th July, 2002

Annexure-A 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

A. CONSERVATION OF ENERGY:

(a) Energy Conservation Measures taken:

1. Power Factor has improved from 0.96 to 0.985 after installation of **Capacitor Bank**.
2. Installation of **By-pass Rotameter** to monitor Capacity of Brine Chilling Plant.
3. Installation of New Cooling Tower Pump to conserve energy.
4. Chilling Plant Hot Well and Cold Well were separated to give better brine supply temperature to process plant.

(b) Additional Investment & Proposal, if any, being implemented for reduction of energy consumption:

1. Installation of Chilled Water Generation Plant based on LiBr2 absorption system using waste heat recovery from DG Set's liberated flue gas.
2. Installation of Cooling Water Filtration System to improve the heat transfer across the reactors and heat exchangers of the process plant.

(c) Impact of the measures at (a) & (b) for reduction of energy consumption & consequent impact on cost of production.

Measures stated above have resulted into substantial saving in power consumption by reducing chilled brine consumption, reduction in utility cost for technical production.

Power & Fuel Consumption :

2001-2002 2000-2001

(A) POWER & FUEL

1. ELECTRICITY

(a) Purchased

Units (Lacs/Kwh)	74.41	53.23
Total amount (Rs.Lacs)	376.88	256.69
Rate/Unit (Rs.)	5.06	4.82

(b) Own Generation through Diesel Generator

Unit (Lacs/Kwh)	52.55	58.96
Unit Per Ltr.	2.89	3.24
Diesel Oil Cost/Unit (only variable cost)	5.20	4.63

2. COAL

Quantity (tonnes)	777.00	507.00
Total Cost (Rs. in Lacs)	22.22	13.58
Average Rate (Rs./MT)	2859.80	2678.19

3. FURNACE OIL

Quantity (tonnes)	2048.40	1934.23
Total Cost (Rs. in Lacs)	186.25	188.37
Average Rate (Rs./MT)	9.09	9.74

(B) CONSUMPTION PER UNIT OF PRODUCTION

(a) Pesticides:

Production (tonnes)	32942.19*	25689.94*
Electricity/Tonne (Kwh)	385.41	436.71
Furnace Oil/Tonne (Ltrs.)	62.18	75.29
Coal/Tonnes (Kgs.)	235.35	112.82
* Includes internal consumption	14947.91	9820.55

(b) Polymers:

Production (tonnes)	732.25*	991.63*
Electricity/Tonne (Kwh)	646.72	673.61
* Includes internal consumption	39.77	55.66

FORM-B

I. TECHNOLOGY ABSORPTION: RESEARCH & DEVELOPMENT

1. Specific areas in which R & D carried out by the Company:

- ❖ Recycling of certain by-products.
- ❖ To develop technology and technical know-how of new molecules and intermediates.
- ❖ Optimization of processes based on green chemistry thereby minimizing waste and develop newer methods of waste treatment benefits.

2. Benefits derived as a result of above efforts through R & D.

- ❖ Steps taken above has improved many existing process thereby reducing cost, improving quality and yields.
- ❖ Total management to prevent environmental hazards during operational activities.
- ❖ A number of new molecules have been developed for export.

3. Future Plan of Action:

Research & Development activities are being further

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strengthened with regard to manpower and infrastructure to develop new molecules and reduce manufacturing costs. More advanced and sophisticated equipment's shall be added to enhance R&D capabilities.

4. Expenditure on R & D:

	(Rs. in Lacs)	
	2001-2002	2000-2001
(a) Capital	59.01	60.97
(b) Recurring	58.24	68.28
(c) Total	117.25	129.25
(d) Total R & D expenditure as percentage of total turnover	0.46%	0.69%

5. Technology Absorption, Adaptation and Innovation:

(a) Efforts, in brief, made towards technology absorption, adaptation and innovation:

- ❖ Regular Training programs for our Scientists/Technologists.
- ❖ Interaction with National Laboratories, CSIR Institutions & Universities for better up-gradation and Co-ordination of new products.
- ❖ Extensive use of STN search and other engines through Internet to obtain latest technical information.

(b) Benefits derived :

- ❖ Development of Indigenous Technology

for cost reduction, conservation of foreign exchange and to meet the growing demand of pesticides.

- ❖ Quality consciousness and efforts for better product and Company image helped Company to withstand competition both in India as well as in the International market.
- ❖ Pollution abatement and odor control.
- ❖ Increase in knowledge base of R&D staff.

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.18D, 18E, 18F & 18G of Schedule 20 of the Annual Report and Accounts.

For and on behalf of the Board of Directors

sd/-

(Salil Singhal)
Chairman & Managing Director

Place: Mumbai

Date : 25th July, 2002

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REPORT ON CORPORATE GOVERNANCE

COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE:

The company believes that strong corporate governance is indispensable to resilient and vibrant capital markets and is an important instrument of investor protection. It is the blood that fills the veins of transparent corporate disclosure and high quality accounting practices. It is the muscle that moves a viable and accessible financial reporting structure. Without financial reporting premised on sound, honest numbers, capital markets will collapse upon themselves.

BOARD OF DIRECTORS

(As on 29.6.2002)

The Board of Directors consists of Chairman & Managing Director, Wholetime Directors and Directors. All the Directors including Non executive Directors have vast business experience and are competent professionals. At present, the Board consists of eight members, of which five are Non-executive Directors.

The composition and category of Directors on the Board of the Company are:

Executive Directors:

Shri Salil Singhal, Chairman & Managing Director

Shri Mayank Singhal, Wholetime Director

Shri Anurag Surana, Wholetime Director

Non Executive Directors:

Shri Arvind Singhal, Director

Shri P.N. Shah, Director

Shri A.K. Mukerjee, Director

Shri G.R. Divan, Director

Shri Sushil Muhnot, Director (Nominee of IDBI)

BOARD MEETINGS:

During the year under review, besides meeting of committee of directors, 5 (Five) Board Meeting were held one each on 30th June, 2001, 29th September, 2001, 31st October, 2001, 27th November, 2001 and 18th March, 2002. Details of attendance of the Directors at the Board Meetings are as follows:

Directors	Meeting held during the tenure of Directors	Meetings attended	No. of other companies in which Director	No. of committees (other than PI Industries Ltd.) in which Member
Shri Piyush Singhal *	2	Nil	-	-
Shri Salil Singhal	5	3	6 (in India) 1 (outside India)	Nil
Shri Vivek Singhal *	2	Nil	-	-
Shri A.K. Mukerjee	5	4	2	-
Shri Arvind Singhal	5	3	4	-
Shri P.N. Shah	5	4	6	-
Shri G.R. Divan	5	4	4	2
Shri Mayank Singhal	5	3	-	-
Shri Sushil Muhnot	5	4	1	-
Shri Anurag Surana	5	3	2	-

* Upto 29.9.2001.

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AUDIT COMMITTEE:

Besides committees of directors for Share Transfer, Routine Matters requiring quick decision / disposal, the Board had also constituted, an Audit Committee during the month of June, 2001 consisting of Non-executive & Independent Directors. The following directors are the members of the Audit Committee:

1. Mr. G.R. Divan, Chairman
2. Mr. A.K. Mukerjee, Director
3. Mr. P.N. Shah, Director

The terms of reference of this Audit Committee cover all matters specified for Audit Committees under clause 49 of the Listing Agreement.

The audit committee meetings during the year ended 31st March, 2002 were held as under:

S.No.	Date of meeting	Members present
1.	18.9.2002	Mr. G.R. Divan, Mr. P.N. Shan & Mr. A.K. Mukerjee.
2.	17.1.2002	Mr. G.R. Divan & Mr. A.K. Mukerjee
3.	18.3.2002	Mr. P.N. Shah & Mr. G.R. Divan.

REMUNERATION COMMITTEE:

The Board of directors at their meeting held on 29th June, 2002 have constituted a Remuneration Committee consisting of Non-executive & Independent Directors. The following directors are the members of the remuneration Committee:

1. Mr. G.R. Divan, Chairman
2. Mr. A.K. Mukerjee, Director
3. Mr. P.N. Shah, Director

The terms of reference of the Remuneration Committee cover all relevant items specified under clause 49 of the Listing Agreement.

REMUNERATION OF DIRECTORS:

The details of remuneration paid to the directors during the Financial Year April to March, 2002 are given below:
(Rs.in Lacs)

Remuneration *	Mr. Salil Singhal	Mr. Arvind Singhal **	Mr. Mayank Singhal	Mr. Anurag Surana
Remuneration package	1.53	4.00	7.05	9.79
Commission (subject to approval of shareholders)	28.00	Nil	9.00	Nil

Commission to non wholetime directors aggregating to Rs. 6 Lacs shall be distributed among Messrs. P.N. Shah, G.R. Divan, A.K. Mukerjee, Sushil Muhnot and Arvind Singhal as may be decided by the board of directors of the company.

* Remuneration package includes Salary, Benefits, Pension, Performance Linked Incentive etc.

** Ceased to be Joint Managing Director w.e.f. 31.12.2001 and continues to be Director thereafter.

INVESTORS'/SHAREHOLDERS' GRIEVANCE COMMITTEE:

The board of directors of the company has formed the aforesaid committee on 29th June, 2002. The members of the Committee are Mr. G.R. Divan, Chairman, Mr. A.K. Mukerjee and Mr. P.N. Shah, Members. Company Secretary is the Compliance Officer.

The committee shall look into the matters related to redressal of complaints from shareholders as to transfer of shares, non-receipt of balance sheets, dividends etc.

SHARE TRANSFER COMMITTEE:

The share committee approves and monitors transfers, transmission, splitting and consolidation of shares. The committee met 10 times during the year.

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GENERAL BODY MEETINGS:

Date and Venue of last three General Meetings:

	Date	Venue
54 th AGM	28 th September, 2001	Udaisagar Road, Udaipur - 313 001 (Raj.)
53 rd AGM	22 nd September, 2000	- do -
52 nd AGM	21 st September, 1999	-do-

NOTES ON DIRECTORS SEEKING RE-APPOINTMENT:

- Mr. P.N. Shah is a senior Chartered Accountant, tax consultant and Partner of M/s Shah & Co., a leading Chartered Accountants firm. He has specialized knowledge of corporate laws and Income Tax. Mr. Shah is a Director on the Board of the Company since 30.9.1991. Presently he is the Director of the following other public companies namely:
 - Indo Count Industries Ltd.
 - Secure Meters Ltd.
 - Taparia Tools Ltd.
 - Lipi Data Systems Ltd.
 - Standard Tea Processing Co. Ltd.
 - Unit Trust of India
- Mr. A.K. Mukerjee has joined the company on 15th July, 1975 and he is a Science Graduate and also Post Graduate in Arts. Presently he is the Director of the following other companies:
 - PILL Finance & Investments Ltd.
 - WILL Investments Ltd.

DISCLOSURES:

- There were no transactions of material nature with its promoters, the Directors or the Management, their subsidiaries or relatives etc. that may have potential conflict with the interest of the company.
- There were no instance of non compliance nor have any penalties, strictures been imposed by Stock Exchanges or SEBI or ROC or any other statutory authority during the last three years on any matters related to capital market.

MEANS OF COMMUNICATIONS:

Quarterly, Half yearly and Annual Results of the Company are published in the news papers such as The Hindu and Rajasthan Patrika.

The results are promptly submitted to the Stock Exchanges. The company's Website is under development and will display the results after completion of the same.

GENERAL SHAREHOLDERS INFORMATION:

AGM Date, Time and Venue	Saturday, 28 th September, 2002 At 4.00 P.M. at Udaisagar Road, Udaipur – 313 001 (Rajasthan)
Financial Calendar	April to March
First Quarter Results	Last week of July,
Second Quarter Results	Last week of October
Third Quarter Results	Last week of January
Audited Results for the year ending	Last week of June
Date of Book Closure	16 th September to 28 th September, 2002 (both days inclusive)