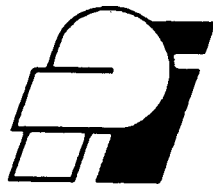


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P I INDUSTRIES LIMITED
ANNUAL REPORT
2002-2003



Board of Directors

(as on 30th June, 2003)

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

Bankers

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

DIRECTORS' REPORT

TO THE MEMBERS:

Your Directors have pleasure in presenting the Audited Accounts of your Company for the year ended 31st March, 2003.

FINANCIAL RESULTS:

	(Rs. in Lacs)	
	2002-2003	2001-2002
Profit after taxation	45.54	397.64
Previous Years' Surplus	593.30	213.38
Amount available for appropriation	638.84	611.02
Appropriations :		
Dividend on Equity Shares	-	17.72
Balance carried over to Balance Sheet	<u>638.84</u>	<u>593.30</u>

DIVIDEND:

During the year, your directors have not recommended any dividend, due to inadequacy of profits.

MANAGEMENT DISCUSSION AND ANALYSIS:

The Company witnessed a difficult year after having posted an excellent performance in 2001-02. The Sales and profitability fell by 19% and 89%. This has been mainly due to the failure of monsoons in most parts of India. In fact, the highly erratic weather conditions have had a serious impact on the agro chemical industry as a whole.

A. Industry Structure and Development.

The global scenario for Agrochemicals had turned weak due to a stronger shift during the year towards Bio-technology, growth of GMO and increasing environmental concerns.

The Indian markets were also under pressure due to severe drought conditions arising from failure of monsoons in large parts of the country. India also witnessed the introduction of GM seeds in Cotton crop during the year which will have an impact of reducing the pesticide consumption in the cotton crop.

The outlook in the fine & specialty chemicals industry is encouraging due to the worldwide emphasis on shifting manufacturing to 'low cost' countries such as India/China/Mexico/Brazil. The Indian manufacturers had by and large upgraded their quality and skills and

are now in a position to offer a full range of services to sustain a higher growth of exports to economically advanced countries.

The mood in the Polymer Industry was relatively upbeat due to a gradual revival of demand in the Auto sector. The other consumer sectors like durables and electrical equipments also witnessed a growth phase after having survived prolonged recessionary conditions during the preceding 3-4 years. The company has accordingly augmented capacity and it is expected to benefit in the medium term.

B. Performance.

The excellent performance posted during 2001-02 could not be sustained due to the failure of monsoons and low pest incidence in most parts of India. The sales volumes in the chemical segment consequently fell by 17%. The expanded field force, both in terms of geographical reach and numbers, could not be optimally utilized in the face of such harsh agro climatic conditions. The Company managed to minimize the impact through a renewed thrust on exports and controlling of costs in various operational areas like procurement, manufacturing, finance etc. which to a large extent helped it to survive one of the worst years for the Agro-input industry in general.

Fortunately, the fine chemical segment, being free of vagaries of Indian Monsoons, received some repeat orders, partly offsetting the problems in the agro-chemicals business. The full scale production of value added chemicals was successfully completed during the year. The Company hopes to build on its core strengths of cost effective manufacturing and strong R&D base in this area during the coming years.

C. Outlook.

As already explained, the outlook for the Agrochemical industry is largely dependent on monsoons. The year began with the news of normal arrival of monsoons in most parts of India. If the optimism generated by the initial reports is sustained, the Company hopes to post improved performance during the current year.

The fine chemical business is expected to consolidate and the company hopes to add new customers during the year.

The Polymer business is set to benefit from economies of scale due to investments made in doubling of capacity. The Company's products gained acceptance from some of the top auto majors in the country. The twin benefits of scale and quality are expected to



change the profitability of this business.

D. Internal Control System and their adequacy.

As explained during the preceding year, the company has well laid out systems in place for safeguarding assets and prevention of fraud. This is supplemented by an effective MIS system which forewarns and forearms the management on market situation, scope for cost cutting and product effectiveness. The Company has recently finalized the implementation of an ERP system which will further improve both controls and costs.

E. Personnel.

Industrial relations continue to be stable during the year. Training and development of human resources continued 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, the names and other particulars of employees form 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 Vice President (Finance).

DIRECTORS:

In accordance with the provisions of the Companies Act, 1956 and Company's Articles of Association, Mr. Arvind Singhal, Mr. G.R. Divan and Mr. P.N. Shah retire by rotation as Directors at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

COMPANY SECRETARY:

Mr. G.C. Jain, Company Secretary was superannuated w.e.f. 31st January, 2003. A replacement shall be appointed shortly.

SAFETY, HEALTH & ENVIRONMENTAL PERFORMANCE:

The Company continues to accord high priority to pollution control besides health and safety of its employees.

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.

REPORT ON CORPORATE GOVERNANCE:

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

DEPOSITS:

The Company has accepted deposits as per the Rules and none of the deposits which were due for payment remain unclaimed / unpaid.

DIRECTORS' RESPONSIBILITY STATEMENT:

Your Directors confirm that:

- (i) in the preparation of the annual accounts for the year ended on 31st March, 2003, 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, 2003 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) the annual accounts are prepared on a going concern basis.

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 AUDITORS:

Pursuant to the directives issued by the Central Government, an audit of the cost accounts relating to Insecticides (Technical & Formulations) manufactured by the Company is required to be conducted by an auditor with the requisite qualifications as prescribed under section 233B of the Companies Act, 1956. Subject to approval of the Central Government, your Board had appointed M/s K.G. Goyal & Company, Cost Auditors, Jaipur, for the conduct of the audit of Insecticides (Technical & Formulations) for the year ending 31st March, 2004. The requisite approval for their appointment has been received from the Central Government.

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. & UTI Bank Ltd.

For and on behalf of the Board of Directors

sd/-

(Salil Singhal)
Chairman & Managing Director

Place: Gurgaon

Date : 30th June, 2003





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. Use of Chilled water in place of chilled brine.
2. Interlocking of the cooling tower fans with cooling water temperature have done to save the power.
3. Installation of fluorescent tube lights instead of halogen and Mercury vapor lamps.
4. Usage of energy efficient motors (Above 30 hp) having 94% electrical efficiency has been started. Procurement of Conventional motors having electrical efficiency of 90% have been discontinued.

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

- a. Installation of Natural Gas based co-generation power plant has been planned for generating 1.5 MW power. Hot flue gases of the power plant shall be used for the steam generation.
- b. To use Natural Gas as a fuel in boiler and Fluidized Bed Incinerator instead of Furnace Oil.
- c. Installation of additional capacitor bank for improving the power factor from 0.989 to 0.995.

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

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

Power & Fuel Consumption :

2002-2003 2001-2002

(A) POWER & FUEL

1. ELECTRICITY

(a) Purchased

Units (Lacs/Kwh)	73.69	74.41
Total amount (Rs.Lacs)	366.40	376.88
Rate/Unit (Rs.)	4.97	5.06

(b) Own Generation through Diesel / LDO Generator

Unit (Lacs/Kwh)	60.70	52.55
Unit Per Ltr.	3.42	2.89
Diesel Oil Cost/Unit (only variable cost)	4.88	5.20

2. COAL

Quantity (tonnes)	627.00	777.00
Total Cost (Rs. in Lacs)	18.42	22.22
Average Rate (Rs./MT)	2937.03	2859.80

3. FURNACE OIL

Quantity (tonnes)	2467.97	2048.40
Total Cost (Rs. in Lacs)	272.20	186.25
Average Rate (Rs./MT)	11.03	9.09

(B) CONSUMPTION PER UNIT OF PRODUCTION

(a) Pesticides:

Production (tonnes)	27553.59	32942.19
Electricity/Tonne (Kwh)	487.75	385.41
Furnace Oil/Tonne (Ltrs.)	89.57	62.18
Coal/Tonnes (Kgs.)	242.36	235.35
Includes internal consumption	10445.11	14947.91

(b) Polymers:

Production (tonnes)	1128.48*	732.25*
Production (Nos.)	45740	55135
Electricity/Tonne (Kwh)	517.72	646.72
Includes internal consumption (MT)	75.29	39.77
*Includes internal consumption (No.)	494	-

FORM-B

I. TECHNOLOGY ABSORPTION: RESEARCH & DEVELOPMENT

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

- ❖ Process improvements in existing products.
- ❖ Development of new molecules – end products as well as intermediates.
- ❖ New route developed for certain existing products.
- ❖ Waste reduction.

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

- ❖ Steps taken above have improved many existing process thereby reducing cost, improving quality and yield.

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

4. Expenditure-on R & D:

	(Rs. in Lacs)	
	2002-2003	2001-2002
(a) Capital	160.50	59.01
(b) Recurring	61.43	58.24
(c) Total	221.93	117.25
(d) Total R & D expenditure as percentage of total turnover	1.08%	0.46%

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. Import of Technology :

The Company has not imported any technology during the year.

II. FOREIGN EXCHANGE EARNINGS AND OUTGO:

Particulars with regard to foreign exchange earnings and outgo appear at Item No.15D, 15E, 15F & 15G of Schedule 21 of the Annual Report and Accounts.

For and on behalf of the Board of Directors

sd/-

(Salil Singhal)

Chairman & Managing Director

Place: Gurgaon

Date : 30th June, 2003

REPORT ON CORPORATE GOVERNANCE

COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE:

PI Industries Limited believes that effective Corporate Governance makes an important contribution to an efficient market economy. Your company believes that all its operations and actions must serve the ultimate goal of enhancing shareholders value and that strong corporate governance is indispensable to resilient and vibrant capital markets and is an important instrument of investor protection. Both, the management and the Board of Directors are obligated to promote the welfare of your Company and to achieve sustainable growth in the profitability of your Company.

BOARD OF DIRECTORS

(As on 30.6.2003)

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 professionally competent. 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 Meetings were held one each on 29th June, 2002, 25th July, 2002, 29th October, 2002, 8th February, 2003 and 8th March, 2003. 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 Salil Singhal	5	3	6 (in India) 1 (outside India)	Nil
Shri A.K. Mukerjee	5	5	2	-
Shri Arvind Singhal	5	1	4	-
Shri P.N. Shah	5	5	6	5
Shri G.R. Divan	5	5	4	3
Shri Mayank Singhal	5	1	-	-
Shri Sushil Muhnot	5	3	1	-
Shri Anurag Surana	5	4	2	-

NOTES ON DIRECTORS SEEKING RE-APPOINTMENT:

Particulars of these Directors are furnished below:

Mr. G.R. Divan:

Mr. G.R. Divan is a Chartered Accountant and Partner of M/s Rahul Gautam Divan & Associates, a leading Chartered



Accountants firm. He has specialized knowledge of corporate laws, taxation etc. Mr. Divan is a Director on the Board of the Company since 18.2.1998. Presently he is the Director of the following public /private Companies, namely:

- a. Bell Ceramics Ltd.
- b. Energy Infrastructure (India) Ltd.
- c. Baltic Consultancy and Services Pvt. Ltd.
- d. Serendib Investments Pvt. Ltd.
- e. Chandabhoy & Jassoobhoy Consultants Pvt. Ltd.

He is also the Chairman/member of Audit and Shareholders' Grievances Committees of the following Companies.

- | | |
|---------------------------------------|-------------------------------------|
| a. Bell Ceramics Ltd. | Chairman - Audit Committee |
| | Member - Remuneration Committee |
| b. Energy Infrastructure (India) Ltd. | Alternate Member – Audit Committee. |

Mr. Arvind Singhal:

Mr. Arvind Singhal joined the company in 1984 and he is a Post Graduate in Commerce. Presently he is the Director of the following Companies:

- a. Wolkem India Ltd.
- b. Secure Meters Ltd.
- c. Arbeva India Ltd.
- d. Fimakem India Ltd.

He is also a President / Vice President of the following Associations:

- | | |
|--|------------------|
| a. Udaipur Chamber of Commerce & Industry | - President |
| b. Rajasthan Badminton Association | - President |
| c. Federation of Mining Association of Rajasthan | - President |
| d. Federation of Indian Minerals Industries | - Vice President |

Mr. P.N. Shah:

Mr. P.N. Shah is a senior Chartered Accountant and partner of M/s Shah & Co., Chartered Accountants. Mr. Shah is a Director on the Board of the Company since 30.9.1991. Presently he is the director of the following Public / Private Companies, namely:

- Indo Count Industries Limited
- Secure Meters Limited
- Taparia Tools Limited
- Lipi Data Systems Limited
- Standard Tea Processing Co. Limited
- Wolkem India Limited
- LIC Mutual Fund Trustee Company Pvt. Ltd.
- Reliance Capital Trustee Co. Ltd.

He is also the Chairman / Member of the Committee of following Companies:

- | | |
|---|---------------------------------|
| - Secure Meters Limited | Chairman - Audit Committee |
| | Member - Remuneration Committee |
| - Taparia Tools Limited | Member - Audit Committee |
| - Indo-count Industries Ltd. | Chairman - Audit Committee |
| | Member - Remuneration Committee |
| - LIC Mutual Fund Trustee Co. Pvt. Ltd. | Chairman - Audit Committee |
| - Reliance Capital Trustee Co. Ltd. | Member - Audit Committee |



AUDIT COMMITTEE:

Besides committees of directors for Share Transfer, Routine Matters, the Board has also constituted an Audit Committee during the month of June, 2001 consisting of Non-executive Independent Directors. The Head of Finance and the internal auditors are permanent invitees. 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

However, w.e.f. 30.6.2003, Shri A.K. Mukerjee has expressed his inability to continue due to his other pre-occupations and the Board has accordingly inducted Mr. Sushil Muhnot, nominee of IDBI from the said date. Mr. A.K. Mukerjee however, shall continue to serve as a Director.

The powers and terms of reference of the Audit Committee are as mentioned in Clause 49(II)(d) of the Listing Agreement and Section 292 A of the Companies Act, 1956.

The audit committee meetings during the year ended 31st March, 2003 were held as under:

S.No.	Date of meeting	Members present
1.	29.06.2002	All the members present
2.	25.07.2002	- do -
3.	28.09.2002	Mr. G.R. Divan & Mr. A.K. Mukerjee
4.	29.10.2002	All the members present
5.	08.02.2003	- do -
6.	08.03.2003	- do -

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 remuneration committee meetings during the year ended 31st March, 2003 were held as under:

S.No.	Date of meeting	Members present
1.	25.07.2002	Mr. G.R. Divan, Mr. P.N. Shan & Mr. A.K. Mukerjee
2.	28.09.2002	Mr. G.R. Divan & Mr. A.K. Mukerjee

REMUNERATION OF DIRECTORS:

Remuneration paid to Managing / Executive Directors :

The Managing Director and the Wholtime Directors were paid remuneration as per their agreements with the Company. These agreements were approved by the Board and the shareholders and such other authorities as are required to approve the same.

The details of remuneration paid to the directors during the financial year April to March, 2003 are given below:

(Rs.in Lacs)

Remuneration *	Mr. Salil Singhal	Mr. Mayank Singhal	Mr. Anurag Surana
Remuneration package	17.56	11.16	9.39

* Remuneration package includes Salary, Benefits, Pension etc.

Mr. G.R. Divan, Non-executive Director, is a senior partner of M/s Rahul Gautam Divan & Associates, was paid professional fees for the services rendered to the Company, amounting to Rs.1,00,000/- and the same is not considered material enough to impinge on the independence of Mr. Divan.