



P I INDUSTRIES LIMITED
ANNUAL REPORT
2003-2004



Board of Directors

(as on 8th June, 2004)

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. Y.A. Mankad	Nominee Director of IDBI
Dr. S.P. Vishnoi	Director

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.

S.S. Kothari Mehta & Co.

(Formerly known as S.S. Kothari & Co.)

Cost Auditors

K.G. Goyal & Co.

Registered Office

Udaisagar Road, Udaipur- 313 001 (Raj.)

Factories

Plot No.237, GIDC, Panoli, (Gujarat)

Udaisagar Road, Udaipur (Raj.)



DIRECTORS' REPORT

TO THE MEMBERS:

Your Directors have pleasure in presenting the Audited Accounts of your Company for the year ended 31st March, 2004.

FINANCIAL RESULTS:

	(Rs. in Lacs)	
	2003-2004	2002-2003
Profit after taxation	600.16	45.54
Previous Years' Surplus	638.84	593.30
Amount available for appropriation	1239.00	638.84
Appropriations :		
Dividend on Equity Shares (including corporate Dividend Tax)	71.64	-
Amount transferred to General Reserve	800.00	-
Balance carried over to Balance Sheet	367.36	638.84

DIVIDEND:

The Directors, subject to the approval of shareholders, recommend a dividend on 35,43,754 Equity Shares @ 18% for the year ended 31st March, 2004.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

The company witnessed a satisfactory year. The sales and profitability of the Company have shown substantial improvement. This increase is due to the fact that the monsoons were normal in most parts of India, which had a favourable impact on the agro industry as a whole.

The company also witnessed record level of exports / capacity utilization in the fine chemical segment.

A. Industry Structure and Development.

Indian agriculture has been going through a flat phase for the last few years. However, with rainfall at near 100% in most meteorological areas last year, this position is likely to change with the country's food grain out expected to touch record levels.

Crop Protection products are broadly classified as insecticides, herbicides, fungicides and seed treatment chemicals. Insecticides dominate the Indian market but herbicides, fungicides and seed treatment chemicals

have seen faster growth in recent years.

However, fruits and vegetables are now emerging as a major thrust area, where the consumption of high-value agro chemicals is on the increase.

The outlook for the fine and specialty chemicals continues to be encouraging because India enjoys significant cost advantages.

The Indian Seeds industry comprises of a few players operating at the national level and a number of small firms specializing in selected crops operating at the regional level. A large proportion of the seeds sold by these companies are hybrid seeds. The demand for seeds picked up with acreages going up in most of the crops during the year, especially oilseeds due to continued support from Government and good commercial prices. Genetically Modified (GM) cotton also gained further ground during the year with some more companies being granted permission to conduct trials and commercialize their products.

The Polymer industry also witnessed a revival of demand following record output in the Auto sector. The enhanced capacity stabilized during the year enabling the company to reap the benefits of the strengthening market demand.

B. Performance.

As already indicated, the company posted an excellent performance during the year. The investment made in expansion of field force and geographical reach stood in good stead in a year of normal monsoons.

The company also introduced several value added products during the year and expanded the product portfolio by registering a presence in seed treatment chemical, seed coating polymers, fungicides etc. The company also witnessed an aggressive growth in the plant nutrient segment.

In the fine chemical segment, the company substantially maintained the trend of growth and exports. The company benefited by adding to the portfolio of production of value added chemicals. The Company will continue to focus on its core strength of cost effective manufacturing and strong R&D base.

As a part of the efforts to provide complete solution to the Indian farmer, the company entered the seed industry. The company had tied up with multinational players in the procurement side and will leverage its distribution network on the marketing side. The company expects to see a good growth in this segment in the coming years.



C. Outlook.

As per the available reports, the current year of 2004-05 shall witness normal monsoons in most parts of India. Given the improved product portfolio, geographical reach and expansion of field force, the company can be expected to post improved performance during the current-year.

The fine chemicals business is also expected to grow further by increasing thrust of production of value added chemical for the export market.

The polymer business is set to benefit both from expansion of scale and strengthening of demand for the products.

D. Internal Control System and their adequacy.

The company has comprehensive internal control systems in different areas and has in place suitable monitoring procedures. The company's internal control systems are periodically tested and supplemented by an extensive programme of internal audit by an independent firm of Chartered Accountants. The company is also implementing ERP software to facilitate better co-ordination and control.

E. Personnel.

The company has identified the competencies required and continuous efforts to upgrade the skills and knowledge of the employees are made by conducting training programmes. The company has conducted training programmes on Personal Effectiveness, Health Safety & Environment.

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) at the Registered Office of the Company.

DIRECTORS:

Industrial Development Bank of India (IDBI) had nominated Mr. B.P. Singh as a nominee director w.e.f. 25.2.2004 in place of Mr. Sushil Muhnot. Subsequently, w.e.f. 08.4.2004 Mr. Y.A. Mankad was nominated in place of Mr. B.P. Singh.

The board wishes to place on record its sincere appreciation of Mr. Muhnot / Mr. Singh's contribution

to the company during their respective tenures as Directors.

Dr. Satya Prakash Vishnoi was appointed as an additional director of the company w.e.f. 29th January, 2004. The company has received notice under Section 257 of the Companies Act, 1956 from a member proposing appointment of Dr. Satya Prakash Vishnoi as Director of the Company.

In accordance with the provisions of the Companies Act, 1956 and Company's Articles of Association, Mr. Mayank Singhal and Mr. Anurag Surana retire by rotation as Directors at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

SAFETY, HEALTH & ENVIRONMENTAL PERFORMANCE:

The company is committed to continually improve Health, Safety and Environment status at its works and its performance in these areas. To demonstrate the same, company decided to certify its Occupational Health and Safety Management system to OHSAS 18001 requirement. The accreditation was achieved in a record time of 6 months and the company became one of the very few pesticides companies in the world to get OHSAS 18001 certification. The company has also got its ISO 14001 system recertification along with OHSAS 18001 in February, 2004 for its manufacturing unit at Panoli.

The very fact that the company has taken these ISO certifications demonstrates the Company's long term commitments to operating its manufacturing plants with full attention and focus on environment, safety and staff health.

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 report of Board of Directors) Rules, 1988 are given in Annexure-A forming part of this report.

REPORT ON CORPORATE GOVERNANCE:

The report on the Corporate Governance Code along with a certificate from the auditors of the company regarding compliance of the conditions of Corporate Governance as stipulated under clause 49 of the Listing Agreement is annexed to this Report.

**DEPOSITS:**

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

RELATED PARTY TRANSACTIONS:

Related party transactions have been disclosed in the notes to the accounts.

DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to Section 217(2AA) of the Companies Act, 1956, your directors confirm that:

- (i) in the preparation of the annual accounts for the year ended on 31st March, 2004, 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, 2004 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 & Co., Chartered Accountants and M/s S.S. Kothari Mehta & Co., (Formerly known as M/s S.S. Kothari & Co.) 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 & Co., Cost Accountants, Jaipur, for the conduct of the audit of Insecticides (Technical & Formulations) for the year ending 31st March, 2005. The requisite approval for their appointment is awaited.

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 co-operation received from the Government of India, Government of Rajasthan and Gujarat, Institutions, Bankers, business associates, research organization, investors and the farming community who have reposed their trust and confidence in the Company and in the Company's products.

For and on behalf of the Board of Directors

sd/-

(Salil Singhal)
Chairman & Managing Director

Place: Gurgaon

Date : 8th June, 2004



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:

A number of initiatives were taken to consume energy costs.

These included changes in motor sizes, replacement of actuators / valves, changes in compressor sizing, alteration in timings for the running of machines and replacement of electricity light bulbs etc. which have resulted in energy cost savings of about Rs.7 Lacs per year.

Besides the above, improvement in power factor has given a differential discount of 1% on the Company's electricity bill.

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

The company has recently awarded a contract for the installation of a natural gas based co-generation power plant. Contract for the supply of natural gas has also been signed to ensure its timely availability.

The commissioning of this facility will bring about a sizable reduction in the cost of energy.

As is the practice, the company continues to look at various avenues of energy cost reduction on an ongoing basis.

(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 savings as above in power consumption and reduction in utility cost for technical production.

Power & Fuel Consumption :

	2003-2004	2002-2003
(A) POWER & FUEL		
1. ELECTRICITY		
(a) Purchased		
Units (Lacs/Kwh)	83.79	73.69
Total amount (Rs. in Lacs)	415.06	366.40
Rate/Unit (Rs.)	4.95	4.97

(b) Own Generation through Diesel / LDO Generator

Unit (Lacs/Kwh)	62.71	60.70
Unit Per Ltr.	3.30	3.42
Diesel Oil Cost/Unit (only variable cost)	5.49	4.88

2. COAL

Quantity (tonnes)	46.76	627.00
Total Cost (Rs. in Lacs)	1.38	18.42
Average Rate (Rs./MT)	2942.77	2937.03

3. FURNACE OIL

Quantity (tonnes)	3089.68	2467.97
Total Cost (Rs. in Lacs)	352.98	272.20
Average Rate (Rs./MT)	11.42	11.03

(B) CONSUMPTION PER UNIT OF PRODUCTION

(a) Pesticides:

Production (tonnes)	34454.83	27553.59
Electricity/Tonne (Kwh)	425.20	487.75
Furnace Oil/Tonne (Ltrs.)	89.67	89.57
Coal/Tonnes (Kgs.)	17.44	242.36
Includes internal consumption	12445.66	10445.11

(b) Polymers:

Production (tonnes)	1558.15	1128.48
Production (Nos.)	3930	45740
Electricity/Tonne (Kwh)	551.50	517.72
Includes internal consumption (MT)	60.18	75.29
Includes internal consumption (No.)	0	494

FORM-B

I. TECHNOLOGY ABSORPTION: RESEARCH & DEVELOPMENT

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

- ❖ Development of new molecules in the categories of Agrochemicals, Fine Chemicals and Specialty Chemicals - End products as well as intermediates.
- ❖ Process improvements in existing products.
- ❖ Development of new routes for certain existing products.
- ❖ Waste reduction.



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

- ❖ Reduction in cost and improvement in quality have been achieved in many existing products by above steps.
- ❖ A number of new molecules have been developed for export.
- ❖ Prevention of environmental hazards during operational activities.

3. Future Plan of Action:

Research & Development activities are being further strengthened in respect of skilled manpower, analytical instruments and other infrastructure to develop new molecules for exports and to reduce manufacturing costs. More advanced and sophisticated equipment shall be added to enhance R & D capabilities.

4. Expenditure on R & D:

	(Rs. in Lacs)	
	2003-2004	2002-2003
(a) Capital	9.02	160.50
(b) Recurring	76.59	61.43
(c) Total	85.61	221.93
(d) Total R & D expenditure as percentage of total turnover	0.33	1.08

5. Technology Absorption, Adaptation and Innovation:

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

- ❖ Regular Training programs for our Scientists/Chemists/Technologists.
- ❖ Interaction with National Laboratories, CSIR Institutions & Universities for better up-gradation and Co-ordination to develop new products.
- ❖ Interaction with R & D laboratories of

multinational companies for development of new molecules.

- ❖ Extensive use of scientific search tools such as STN & SCIFINDER and other search 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 growing demand of pesticides, fine chemicals and specialty chemicals.
- ❖ Quality consciousness and efforts for better & newer products and company image has helped the 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 Item No.15D, 15E & 15F 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 : 8th June, 2004



REPORT ON CORPORATE GOVERNANCE

COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE:

The company 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. The company follows sound and healthy business practices in all its facets.

BOARD OF DIRECTORS

(As on 8.6.2004)

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 nine members, of which six 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

Dr. S.P. Vishnoi, Director

Shri Y.A. Mankad, Director (Nominee of IDBI)

BOARD MEETINGS:

During the year under review, besides meeting of committee of directors, 4 (Four) Board Meetings were held one each on 30th June, 2003, 27th September, 2003, 29th January, 2004 and 11th March, 2004. Details of attendance of the Directors at the Board Meetings are as follows:

Name of Directors	Meeting held during the tenure of Directors	No. of Board Meetings attended	Attendance at the last AGM on 27.9.2003	Directorships in other Companies incorporated in India	No. of other Board Committees of which Member/ Chairman
Shri Salil Singhal	4	4	Yes	6	1
Shri A.K. Mukerjee	4	4	Yes	2	Nil
Shri Arvind Singhal	4	0	No	4	Nil
Shri P.N. Shah	4	2	No	8	9 includes 5 Chairmanships
Shri G.R. Divan	4	3	No	6	4 includes 2 Chairmanships
Shri Mayank Singhal	4	1	No	Nil	Nil
Shri Sushil Muhnot (till 25.2.2004)	3	3	Yes	Nil	Nil
Shri Anurag Surana	4	4	Yes	2	Nil
Dr. S.P. Vishnoi (w.e.f. 29.1.2004)	2	2	N.A.	Nil	Nil
Mr. B.P. Singh (till 7.4.2004)	1	Nil	Nil	Nil	Nil



PROFILE OF DIRECTORS BEING APPOINTED/RE-APPOINTED:

Appointment:

Dr. S. P. Vishnoi:

Dr. Vishnoi retired from the Indian Administrative Services in 1992, as a Secretary to the Govt. of India and has rich and varied experience.

He was the Executive Director, Agrochemicals Information Centre, New Delhi during 1994-1999 and Resident Director, Indian Crop Protection Association / CropLife India at New Delhi during 1999-2003. He is not on the board of any other Company.

Mr. Y. A. Mankad:

Mr. Y.A. Mankad, Deputy General Manager, nominated by Industrial Development Bank of India (IDBI) w.e.f. 8.4.2004 on the board of the company. He is a nominee director of IDBI on the board of M/s Hindoostan Spg. & Wvg. Mills Ltd.

Re-appointments:

Mr. Mayank Singhal has done his B.Engg. from Engineering Management, London. Mr. Singhal was inducted on the Board of the company in the year 1998. He is currently Wholetime Director of the company. Under his direction and leadership, the turnover and profitability of the company increased manifold. He is not on the board of any other company.

Mr. Anurag Surana is a B.Com (Hons.) graduate and has 17 years experience in Industries and was inducted on the Board of the company in the year 1998. He is presently Wholetime Director of the company. Mr. Surana has greatly contributed towards the manufacturing and operational efficiencies of the company. He is also a Director in the following companies:

1. PILL Finance & Investments Ltd.
2. WILL Investments Ltd.

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 and Vice President (Finance) acts as the Secretary to the Committee.

1. Mr. G.R. Divan, Chairman
2. Mr. A.K. Mukerjee, Member
3. Mr. P.N. Shah, Member
4. Mr. Sushil Muhnot, Member - till 25.2.2004

Mr. Mukerjee resigned as member of the committee w.e.f. 30.6.2003 due to his pre-occupations. Later, as per the request of the board, he re-joined the committee w.e.f. 29.1.2004 as a member. Mr. Sushil Muhnot, nominee of IDBI was inducted on the committee w.e.f. 30.6.2003 and he ceased to be a member as his nomination to the board was withdrawn by IDBI w.e.f. 25.2.2004.

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

The committee met three times during the year on 29th June, 2003, 29th January, 2004 & 11th March, 2004. The record of attendance of each member of the committee is given below:

Name of Director	No. of meetings attended
Mr. G.R. Divan	3
Mr. P.N. Shah	2
Mr. A.K. Mukerjee	2
Mr. Sushil Muhnot - till 25.2.2003	1



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, Member
3. Mr. P.N. Shah, Member

The Remuneration Committee meets to determine the company's policy on specific remuneration packages for executive directors including pension rights and any compensation payment.

The remuneration committee met once during the year i.e. on 29.6.2003 and all the members were present at the meeting.

REMUNERATION OF DIRECTORS:

Remuneration paid to Managing / Executive Directors:

The agreement with the Chairman & Managing Director and the Wholetime Directors are for a period of 5 years w.e.f. 1st July, 2002, which can be terminated by three months notice in writing on either side. 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, 2004 are given below:

(Rs.in Lacs)

Remuneration *	Mr. Salil Singhal	Mr. Mayank Singhal	Mr. Anurag Surana
Remuneration package	57.21	43.50	11.87

Commission to non wholetime directors aggregating to Rs 3.40 Lacs shall be distributed among Messrs. P.N. Shah, G.R. Divan, A.K. Mukerjee and Arvind Singhal as may be decided by the board of directors of the company.

* Remuneration package includes Salary, Benefits, Pension etc.

INVESTORS'/SHAREHOLDERS' GRIEVANCE COMMITTEE:

The board of directors of the company had formed the aforesaid committee on 29th June, 2002. The Committee consisting of Mr. G.R. Divan, Chairman, Mr. A.K. Mukerjee and Mr. P.N. Shah are members. Mr. R. Srinivasan, Vice President (Finance) is the Compliance Officer of the Committee.

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

During the year the committee met once i.e. on 11th March, 2004. Mr. G.R. Divan and Mr. A.K. Mukerjee were present at the meeting. So far, the company has received one complaint from a shareholder and the same was dealt with suitably.

SHARE TRANSFER COMMITTEE:

The committee deals with matters relating to transfers, transmissions, consolidation, splitting, issue of share certificates in exchange of sub-divided / consolidated shares etc. The committee met 10 times during the year 2003-04.

GENERAL BODY MEETINGS:

Date and Venue of last three General Meetings:

Date	Venue
27 th September, 2003	Udaisagar Road, Udaipur - 313 001 (Raj.)
28 th September, 2002	Udaisagar Road, Udaipur - 313 001 (Raj.)
28 th September, 2001	Udaisagar Road, Udaipur - 313 001 (Raj.)

None of the items transacted at the said meetings were required to be passed by postal ballot. At the forthcoming Annual General Meeting there is no item on the agenda requiring postal ballot.