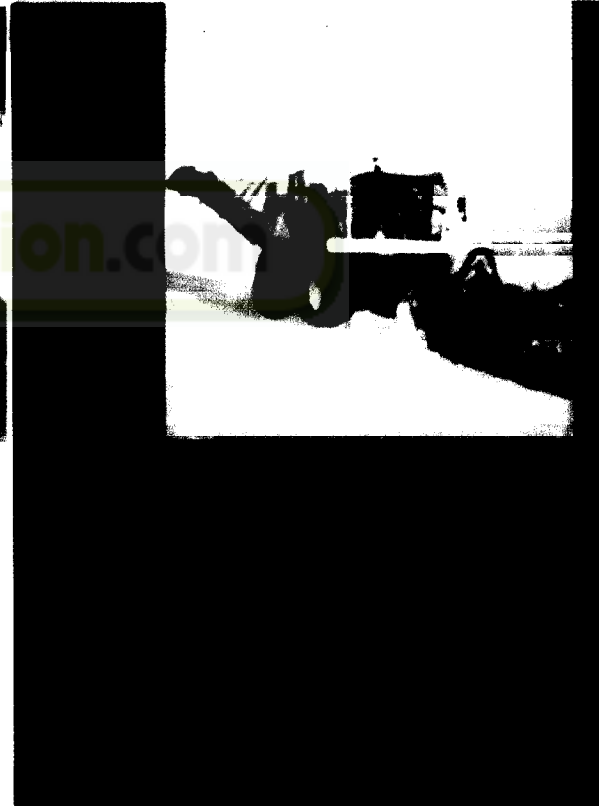
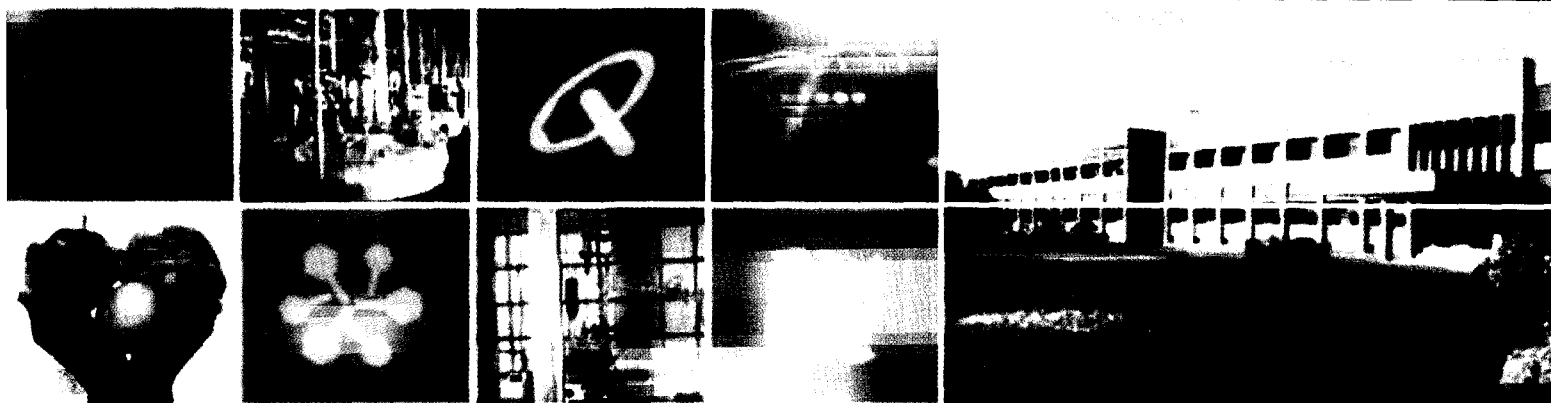


Annual Report 2004-05



PI Industries Ltd



Report  junction.com



Agri Input

Brand Farmers Trust . . .

Represents crop protection chemicals and plant nutrients

Insecticides

Fungicides

Herbicides

Plant Nutrients



Seeds

The Seeds Of Trust . . .

Represents seeds business which comprises quality hybrid seeds

Cotton

Bajra

Maize

Rice



Fine Chem

From Grams To Tonnes Bringing Innovation To Life . . .

Contract Research & Manufacturing Services in the areas of Fine Chem, Agro Chem and Pharma intermediates



Polymer

Innovating Compounds for Customer Needs . . .

Polymer division manufacturing various grades of engineering plastics and compounds for the end use in Automobiles, Electricals, Home Appliances etc.



**Board of Directors
(As on 20.8.2005)**

Mr. Salil Singhal	Chairman & Managing Director
Mr. Mayank Singhal	Joint Managing Director
Mr. G.R. Divan	Director
Mr. Arvind Singhal	Director
Mr. P.N. Shah	Director
Mr. A.K. Mukerjee	Director
Dr. S.P. Vishnoi	Director
Mr. Anurag Surana	Wholetime Director
Mr. Y.A. Mankad	Nominee Director of IDBI Ltd.

Director Finance
Dr. G.G. Agarwal

Company Secretary
Mr. Sanjay Kumar Tiwari

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

Auditors
B.D. Gargieya & Co.,
Beawar (Raj.)

S.S. Kothari Mehta & Co.,
New Delhi - 110 001

Cost Auditors
K.G. Goyal & Co.
Jaipur - 302 005 (Raj.)

Registered Office
Udaisagar Road, Udaipur - 313 001 (Raj.)

Corporate Office
4th Floor, Tower-A, Millennium Plaza, Sector-27.
Gurgaon - 122 002

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



PI INDUSTRIES LIMITED
Udaisagar Road, Udaipur -313 001 (Raj.)

Notice is hereby given that the Annual General Meeting of PI Industries Limited will be held as scheduled below:

Day : Friday
 Date : 30th September, 2005
 Time : 4.00 P M
 Venue : Udaisagar Road,
 Udaipur - 313 001 (Raj.)

to transact the following Ordinary and Special business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Profit and Loss Account for the year ended 31st March, 2005 and the Balance Sheet as on that date together with the Reports of the Board of Directors and the Auditors thereon.
2. To confirm the interim dividend for the year ended 31st March, 2005 declared by the Board of Directors on 8th March, 2005 and paid on 29th March, 2005.
3. To appoint a Director in place of Mr. Arvind Singhal who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors of the Company from the conclusion of this meeting till the conclusion of the next Annual General Meeting and to fix their remuneration. M/s B.D. Gargieya & Co., Chartered Accountants, Beawar and M/s S.S. Kothari Mehta & Co., Chartered Accountants, New Delhi, the retiring auditors of the Company, being eligible, offer themselves for re-appointment.

SPECIAL BUSINESS:

5. To consider and if thought fit, to pass with or without modification the following resolution as an Ordinary Resolution:

“RESOLVED THAT pursuant to the provisions of section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956, the consent of the members of the company be and is hereby accorded to the Board of Directors to mortgage and/or charge the whole or substantially the whole of the undertaking

of the Company for creating security by way of first / second pari-passu charge on the fixed assets of the company, wherever situate, present and future, subject to such consent as may be necessary in favour of all or any of the banks / term lending institutions namely:

- a. Industrial Development Bank of India Ltd. (IDBI), Jaipur - First pari-passu charge for its Corporate Loan of Rs.1000 Lacs;
- b. UTI Bank Ltd. - First pari passu charge for its working capital Term Loan of Rs.1000 Lacs;
- c. State Bank of Bikaner & Jaipur, Udaipur - First pari passu charge for its Term Loan of Rs.1200 Lacs; (but since reduced to Rs.600 Lacs).
- d. State Bank of Bikaner & Jaipur, Udaipur - First pari passu charge for its Term Loan of Rs.1000 Lacs;
- e. ICICI Bank Limited – First pari passu charge for its external commercial borrowing of US Dollars 3.45 Million (Rs.1422 Lacs approx.);
- f. Second pari passu charge/subsequent charge for working capital facilities of Rs.8220 lacs provided by the Consortium led by State Bank of Bikaner & Jaipur, Udaipur and consists of State Bank of India, UTI Bank Ltd. & ICICI Bank Ltd. besides State Bank of Bikaner and Jaipur.

together with interest at respective agreed rates, compound / additional interest, commitment charges, premium on pre-payment or on redemption, cost, charges, expenses and all other moneys payable by the company to the above banks/financial institutions in terms of their respective loan agreements/consortium agreements / letter of sanction / memorandum of terms and conditions entered by the company in respect of the said agreements”.

“RESOLVED FURTHER THAT the Board of directors of the company be and is hereby authorized to finalize with the aforesaid banks / financial institutions, the documents for creating the aforesaid mortgage and /or charge and to do all such things as may be necessary for giving effect to the above resolution”.



“RESOLVED FURTHER THAT the mortgages/ charges created / to be created and/or all the agreements / documents executed / to be executed and all the acts done in terms of the above resolution by and with the authority of the board of directors be and are hereby confirmed and ratified”.

6. To consider and if thought fit, to pass with or without modification the following resolution as an Ordinary Resolution:

“RESOLVED THAT in supersession of the resolution passed at the Annual General Meeting of the company held on 22.9.2002, Mr. Mayank Singhal, subject to provisions of section 198, 269 and 309 read with schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, be and is hereby appointed as Joint Managing Director of the company for a term of five years w.e.f. 1st December, 2004 on the terms and conditions including remuneration, as set out in the explanatory statement and the draft agreement between the company and Mr. Mayank Singhal”.

“RESOLVED FURTHER THAT in the event of loss or inadequacy of profits in any financial year during the term of service of Mr. Mayank Singhal, as Joint Managing Director of the Company, Mr. Singhal shall in respect of such financial year, be paid remuneration by way of Salary, House Rent, Perquisites, Tax on non-monetary perquisites and any other allowances as set out in the explanatory statement annexed hereto and the draft agreement between the company and Mr. Mayank Singhal, provided that the total remuneration by way of Salary, House Rent, Perquisites, Tax on non-monetary perquisites and any other allowances shall not exceed the ceiling limit set-out in Section 2 of Part-II of Schedule XIII to the Act or such other ceiling as may be provided in the said Schedule XIII as may be amended, modified or re-enacted from time to time by the Government of India.”

“RESOLVED FURTHER THAT board of directors or committee thereof be and is hereby authorized to do all acts, deeds, matter and things as may be necessary, desirable and expedient to giving effect to this resolution”.

NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and such proxy need not be a member. Proxies must be received at the registered office of the Company not less than 48 hours before the meeting.
2. The register of members and the share transfer books shall remain closed from 21st September, 2005 to 30th September, 2005 (both days inclusive).
3. Members are requested to notify any change in their address immediately to the company's registered office address.
4. Pursuant to provisions of section 205-A and 205-C of the Companies Act, 1956, the amount of dividend remaining unpaid or unclaimed for a period of seven years from the date of transfer to the unpaid dividend account, is required to be transferred to the Investor Education and Protection Fund. Members shall not be able to claim any unpaid dividend from the said fund or the company thereafter. Members who have not encashed the dividend warrants for the year 1997-98 onwards are requested to contact the Registered Office of the company. Outstanding dividend for the year 1996-97 has been transferred to the Investor Education and Protection Fund. Outstanding dividend for the year 1997-98 shall be transferred to the Investor Education and Protection Fund in October, 2005.
4. Explanatory Statement as required under section 173 (2) of the Companies Act, 1956, in respect of the items of special business is annexed herewith.

By Order of the Board of Directors

(Sanjay Kumar Tiwari)
Company Secretary

Registered Office:

Udaisagar Road,
Udaipur - 313 001 (Raj.)

Date: 20.08.2005



ANNEXURE TO THE NOTICE

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956

Item No.5

During the year 2004-05, the company has been granted rupee term loans / additional working capital facilities from the banks / financial institutions to meet the long term working capital needs of the Company.

Consequent to increase in business activities of the company, the company has obtained working capital facilities including additional limits aggregating to Rs.8220 Lacs from the Consortium led by of State Bank of Bikaner & Jaipur and consists of besides State Bank of Bikaner & Jaipur, State Bank of India, ICICI Bank Ltd. and UTI Bank Ltd. The borrowings are to be secured by creation of second equitable mortgage/subsequent charges on the fixed assets of the company, both present and future, wherever situate. The said charge shall rank pari passu with the existing second pari passu charge holders of the company.

The company also availed financial assistance aggregating to Rs.3600 Lacs by way of term loans from: Industrial Development Bank of India Ltd. (Rs.1000 Lacs); State Bank of Bikaner & Jaipur [Rs.1200 Lacs (since reduced to Rs.600 Lacs)] & Rs.1000 Lacs) UTI Bank Ltd. (Rs.1000 Lacs) towards company's long term working capital requirements and normal capital expenditure. Additionally the company would avail US Dollar 3.45 Million (Rs.1422 lakh approximately) in foreign currency towards company's capital expenditure.

The mortgage and / or charge, as aforesaid, on the immovable properties of the Company may be regarded as disposal of the undertakings of the Company or a substantial part thereof in terms of section 293(1)(a) of the Companies Act, 1956. Section 293(1)(a) of the Companies Act, 1956, provides inter-alia that the Board of Directors of the Company, shall not, without the consent of such Company in general meeting sell, lease or otherwise dispose of the whole or the substantially the whole of such undertakings. Hence, the resolutions at Item No.5 of the notice are recommended for your approval.

None of the directors of the Company is, in any way, concerned or interested in the above resolution.

Item No.6

By a resolution passed at its Annual General Meeting held on 28th September, 2002, the members of the company had approved the re-appointment of Mr. Mayank Singhal as Wholetime Director for a period of five years, from 1st July, 2002 and the remuneration payable to him.

Having regard to the current responsibilities of Mr. Mayank Singhal and also the increased business activities of the Company, the remuneration committee and the board of directors of the Company at their respective meetings held on 30th October, 2004 had approved a fresh agreement with Mr. Mayank Singhal appointing him joint managing director of the company for a period of five years w.e.f. 1st December, 2004. As per the requirements of part III of the Schedule XIII of the Companies Act such appointment needs to be approved by the members in their meeting. Accordingly this resolution has been placed before the members seeking their approval.

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 Joint Managing Director of the company. Under his direction and leadership, the company has achieved robust growth in both turnover and profitability.

Terms of appointment and remuneration payable to Mr. Mayank Singhal, Joint Managing Director.

1. **Period of Agreement:** 5 (Five) years w.e.f. 1st December, 2004.
2. **Remuneration:**
 - A. **Salary:**
Rs.1,60,000/- per month in the scale of Rs.1,60,000 - Rs.3,00,000 with such increment from time to time as the Board / Committee of Directors may deem fit.
 - B. **Perquisites & Allowances:**
The perquisites and allowances payable to him as Joint Managing Director would be as under:
 - i. **Leave Travel:**
Expenses towards leave travel shall be reimbursed for him and his family (including



dependents) twice in the block of 4 years in accordance with rules specified by the Company.

ii. Personal Accident Insurance:

The company to pay the premium for the personal accident insurance policy taken for self. Premium not to exceed Rs.5,000/- per annum.

iii. Car & Telephone:

The provision of car for use for company's business and telephone at the residence will not be considered as perquisites. Personal long distance calls on telephone and use of car for private purposes shall be billed to him by the company.

C. Provident Fund, Superannuation Fund, Gratuity and Leave Encashment:

Company's contribution to Provident Fund & Superannuation Fund and payment of Gratuity & Encashment of Leave would be as per rules of the company. However, Company's contribution to Provident Fund and Superannuation Fund to the extent these either singly or together are not taxable under the Income Tax Act, Gratuity payable as per the rules of the Company and Encashment of Leave at the end of the tenure shall not be included in the computation of limits for the remuneration or perquisites aforesaid.

D. Minimum remuneration:

The above remuneration (including perquisites) shall be paid to him as the minimum remuneration in the event of absence or inadequacy of profits in any financial year of the Company.

In case of adequacy of profit he will be paid remuneration in addition to above remuneration subject to the overall limit prescribed in Section 198 and 309 as follows:

Commission:

Such remuneration by way of commission, in addition to the salary, perquisites and allowances payable, calculated with reference to the net profits of the company in a particular financial year as may be determined by the Board of Directors / Remuneration Committee

of Directors of the company at the end of each financial year, subject to over all ceiling stipulated in sections 198 and 309 of the Companies Act, 1956

Tax on non-monetary perquisites:

Income Tax on non-monetary perquisites (to be evaluated as per Income Tax Rules, wherever applicable and actual cost to the Company in other cases) like the use of car etc. to be provided to him shall, subject to Section 17 & 192 (1A) of the Income Tax Act, 1961, be borne by the Company

The terms and conditions of the agreement may be altered and varied by the Remuneration Committee and the Board as they may at their discretion, deem fit.

Memorandum of interest of Directors:

Mr. Mayank Singhal may be deemed to be interested in the passing of the resolution at item No.6, since it relates to his re-appointment and remuneration. Except Mr. Salil Singhal and Mr. Arvind Singhal who are related to Mr. Mayank Singhal, none of the other directors is interested in the resolution

The draft of the agreement to be entered into between the company and Mr. Mayank Singhal is available for inspection by the members of the company on any working day of the company between the hours of 10.00 AM and 12 noon at the registered office of the company.

This may also be treated as an abstract of the draft agreement between the company and Mr. Mayank Singhal pursuant to section 302 of the Companies Act, 1956.

By Order of the Board of Directors

(Sanjay Kumar Tiwari)
Company Secretary

Registered Office:

Udaisagar Road,
Udaipur -313 001 (Raj.)

Date: 20th August, 2005



DIRECTORS' REPORT

TO THE MEMBERS:

Your Directors have pleasure in presenting their Report together with financial statements of your Company for the year ended 31st March, 2005.

FINANCIAL RESULTS:

	(Rs. in Lacs)	
	2004-2005	2003-2004
Profit / (Loss) after taxation	996.04	600.16
Previous Years' Surplus	367.36	638.84
Amount available for appropriation	1363.40	1239.00

Appropriations :

Dividend on Equity Shares (including Corporate Dividend Tax)		
(Interim – already paid)	72.12	71.64
Amount transferred to General Reserve	500.00	800.00
Balance carried over to Balance Sheet	791.28	367.36

DIVIDEND:

An interim dividend @18% on 35,43,754 Equity Shares as on 29.3.2005 i.e. the record date was paid by the Board. Member's confirmation of the same is required in the forthcoming Annual General Meeting. In view of the above, no further dividend is proposed and this may be treated as final dividend.

MANAGEMENT DISCUSSION & ANALYSIS:

(A) Industry Structure & Developments:

Indian Agriculture, which has been passing through a flat phase, has now become a focus area particularly for the Central Government. With the right policy initiatives, Indian Agriculture is capable of delivering a second Green Revolution. The Central Government is actively promoting market driven agriculture, diversification of crops and opening up of the markets. Horticulture (fruits and vegetables) and seeds continue to be future growth

areas with adequate support from the government. A National Horticulture Board has also been established.

With this focus at the policy front, the medium and long term prospects of agriculture are really sound.

In the short term, the major dependence on monsoon and the poor infrastructure of material movements and markets do have a major impact on agricultural production.

The monsoon in 2004 was by and large normal with some regional imbalances. Monsoon was particularly beneficial in the Southern part of the country, which reflected in the good agricultural production in the region.

The seed industry continued its upward trend. Farmers are increasingly adopting hybrid seeds due to the higher yield and better quality of produce. Genetically modified cotton established itself in the market, with several new companies getting approvals, entering the field and expanding the market. However spread of illegal BT cotton seed is a matter of concern for the Industry.

The patent legislation in line with WTO requirements was adopted with effect from 1st January, 2005. Given the large number of generics in the market, the impact is expected to be limited during the next few years. However, in the long run Indian companies will need to have access to unique molecules.

The fine chemical business all over the world has come under a huge cost pressure due to very large increase in petroleum prices leading to increase in downstream petrochemical product prices. On the other hand, due to a general situation of over supply the selling prices have remained constant leading to erosion in profit margins in most of the chemical companies. The problem in India is compounded due to poor export realizations caused by the strengthening Rupee.

On the other hand, opportunities are always available due to large number of pharmaceutical products coming off patent in the U.S. as also by pursuing right market opportunities.

Due to changing global consumption trends in the areas of electronics, photography etc. there is a large potential business possibility from companies



looking to outsource such performance chemicals like electronic chemicals, photographic chemicals etc.

The major customer segments of engineering plastic compounds, auto components and the electrical & electronics industry, are going through a remarkable growth phase.

However, most OEMs are demanding lower prices at a time when the prices of steel and other raw materials are soaring. Therefore, compounders must compete with cheaper economies and lower margins.

(B) Performance:

The Company continued its growth trend and posted better results, as already indicated. Expansion of geographical reach especially in high growth areas has started showing results. The Company has now established itself in the plantation sector in Southern and Eastern parts of the Country. The plant nutrient segment recorded an impressive growth during the year.

Major activity was undertaken to enhance training of field staff and improve the distribution network to enlarge the reach of the Company's products. A huge amount has been spent on carrying out extension services and product demonstrations. As a part of our corporate commitment and philosophy the training on safe use of pesticides has been made an integral part of these programmes.

The Fine Chemical business witnessed a delay in commissioning of the new manufacturing plant which led to the deferment of part of the sales to the next year.

A significant achievement in the year under review was diversification of the business portfolio of contract manufacturing from mainly agro chemicals to pharmaceutical intermediates and performance chemicals like photographic chemicals, electroplating chemicals etc.

The company has been successful in contacting several new customers and has generated several inquiries from such customers. The company is very hopeful that these enquiries will result in long term business contracts. The establishing of the company's Japan office has been timely, and

business volumes are expected to grow to significant levels in the next three years.

The Polymer Division clocked sales growth of about 57% in financial year 2004-05 over the previous year. However profit margins continue to be under pressure due to intense competition.

OTHER ACHIEVEMENTS:

Commissioning of Captive Power Plant:

One of the land mark achievements during the year was commissioning of clean fuel (natural gas) based power plant at Panoli, Gujarat which has started functioning as independent profit centre. This would definitely help the company to have reliable access to uninterrupted and quality power.

International Accreditations:

The Company's Panoli Unit has been conferred ISO 9001, ISO 14001 and OHSAS 18001 certification. Now it has become one of the very few companies in our country who have been accredited all three certifications.

ISO 9001 certificate is awarded for quality management systems, ISO 14001 certificate is awarded when the Environment Management System and practices are conforming to the stringent environment protection norms. The OHSAS 18001 certificate confirms that the factory is Occupational Health and Safety Management compliant. The OHSAS 18001 is indeed significant for a pesticide manufacturing company.

All these systems not only call for matching a minimum standard like meeting all legal requirements but also certify a continual improvement over and above the minimum standards.

The company is also proud to announce that its Laboratory at Udaipur has been certified by the coveted ISO 17025. This makes our Lab one of the very few in India in the chemical industry.

These internationally recognized certifications not only help the company in business, but reflect the company's commitment to maintain the highest quality standards.



New ERP System :

The company also implemented ERP system SAP in record time. This integrated system across various functional areas will allow more structured operation and enable the company to serve its customers better. SAP will also certainly bring out greater efficiency and improved management controls.

(C) Outlook:

The onset of monsoon in 2005 though delayed, has been widespread and adequate in most parts of the country. Given the growth strategies, better systems, and new initiatives taken by the company, continued improved performance is expected in the current year.

In light of the new patent regime it is proposed to source new technologies and commercialize them in a phased manner. This will secure the Company's future.

Further, due to the various initiatives taken, the company expects to finalize new contract manufacturing businesses during the current year.

Polymer business is targeted to grow by about 30% for the financial year 2005-06 over the previous year of 2004-05.

To augment its supply chain, it has made toll manufacturing arrangement with one of the leading toll manufacturer near its manufacturing facility at Panoli (Gujarat). It shall also strengthen its marketing team to achieve its budgeted sales targets.

Given these growth strategies and new initiatives, all round improved performance is expected in the current year.

(D) Risks and Concerns

Like any other agri-input industry, the performance of this division can be significantly affected by the vagaries of nature especially the monsoons. Both the drought and the floods adversely affect the agrochemical business.

Similarly, the volatility in agricultural commodity prices such as an unexpected drop in prices of farm produce can impact the purchase of agro-inputs by farmers, especially pesticides.

The surging oil prices do create uncertainties regarding both the availability and prices of raw materials and intermediates. This in itself poses a major challenge in procurement and logistics.

Being in a highly competitive environment, the key challenge lies in cost management.

(E) Internal control systems and their adequacy:

The company has a well established system of internal control for all its business operations. The Board, Audit Committee and the Operational Management ensure that the internal control system are effective. This system is periodically tested by independent auditors to ensure compliance and bring improvements. Further company has taken IT initiatives in this direction. To address the automation requirements of the business and to have better control, company has completed the implementation of the ERP (SAP) which also leverages productivity.

(F) Personnel:

The company believes in synchronized growth of itself and its employees. Therefore it has made continuous efforts to upgrade the skills and knowledge of the employees by conducting various training programmes.

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 Company Secretary at the Registered Office of the Company.

SUBSIDIARIES:

PILL Finance & Investment Ltd. (PILL-F):

The Company posted a profit of Rs.7.65 Lacs during the year.