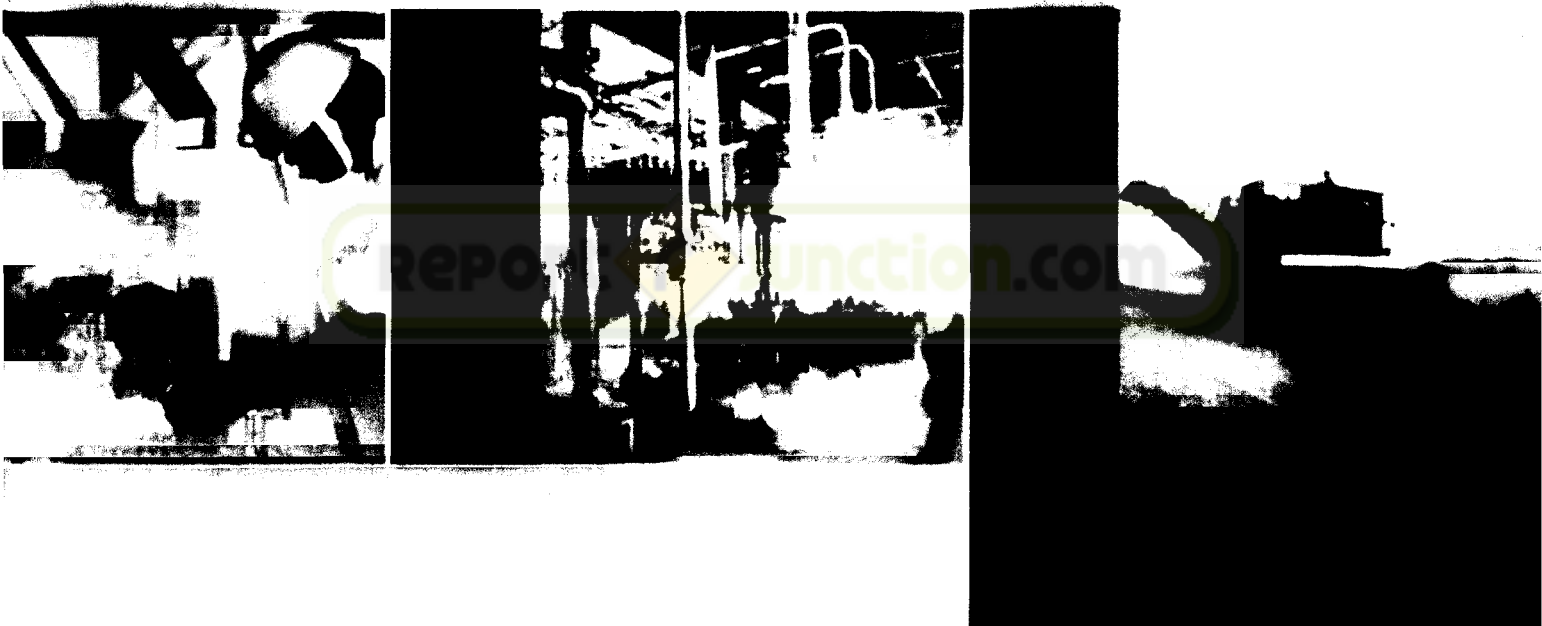
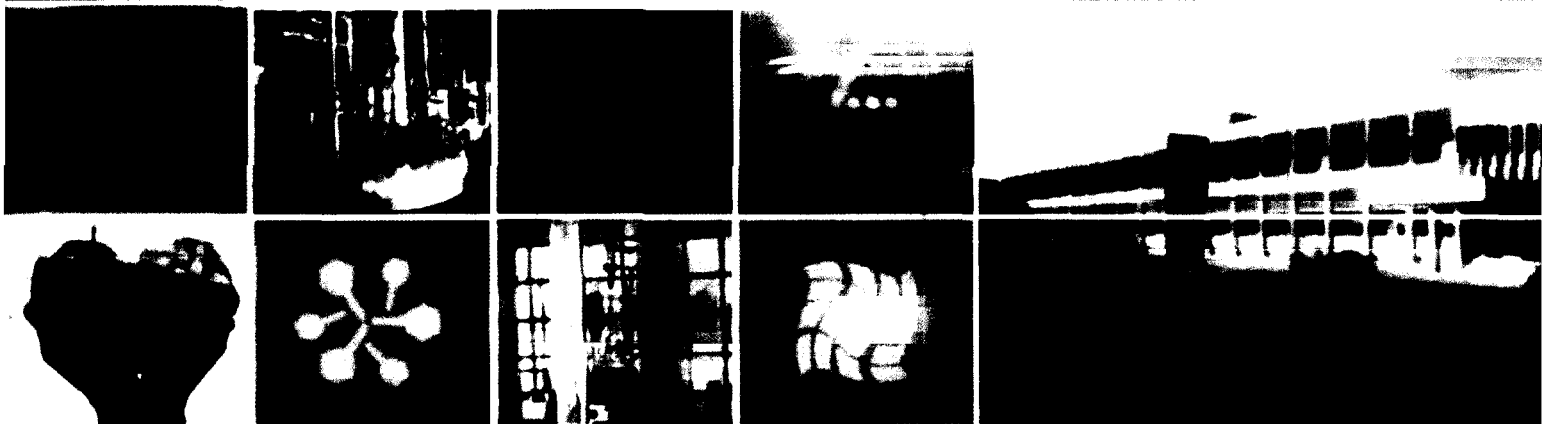


Annual Report ***2005-06***





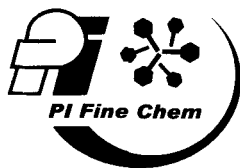
Agri Input Brand Farmers Trust...

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 Chemicals and Intermediates

PI Pharma



Polymer Innovating Compounds for Customer Needs...

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

PI for the end



Board of Directors
(As on 29.07.2006)

Mr. Salil Singhal
Mr. Mayank Singhal
Mr. G.R. Divan
Mr. Arvind Singhal
Mr. P.N. Shah
Dr. S.P. Vishnoi
Mr. Anurag Surana
Mr. Y.A. Mankad
Mr. Narayan K. Seshadri

Chairman & Managing Director
Joint Managing Director
Director
Director
Director
Director
Wholetime Director
Nominee Director of IDBI Ltd.
Director

General Manager (F&A)
Mr. R.K. Babel

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.)

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 M/s PI Industries Limited will be held as scheduled below:

Day : Friday
 Date : 29th September, 2006
 Time : 4.00 PM
 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, 2006 and the Balance Sheet as on that date together with the Reports of the Board of Directors and the Auditors thereon.
2. To appoint a Director in place of Mr. P.N. Shah who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mr. G.R. Divan 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:

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

"RESOLVED THAT Mr. Narayan K Seshadri who was appointed an additional director w.e.f from 27th January 2006 and who holds office till the conclusion this Annual General Meeting under section 260 of the Companies Act, 1956, and being eligible offers himself for reappointment and in respect of whom the company has received notice in writing under section 257 of the Companies Act, 1956, from a shareholder signifying his intention to propose Mr. Seshadri as a candidate for the office of the

director, be and is hereby appointed as director of the company whose term of office shall be liable to determine by rotation."

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, 2006 to 29th September, 2006 (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 1998-99 onwards are requested to contact the registered office of the company. Outstanding dividend for the year 1997-98 has been transferred to the Investor Education and Protection Fund. Outstanding dividend for the year 1998-99 shall be transferred to the Investor Education and Protection Fund in October, 2006.
5. 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: 29.07 2006



ANNEXURE TO THE NOTICE

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

Item No.5

Mr. Narayan K Seshadri was appointed as additional director of company on the Board on 27.01.2006 in accordance with Section 260 of the Companies Act, 1956, and Article 92 of the Articles of Association of the company. He holds office till the conclusion of this Annual General Meeting. A notice under section 257 of the Companies Act, 1956 has been received from a shareholder of the company signifying his intention to propose Mr. Seshadri for the office of the director and a deposit of Rs. 500/- has been received by the company in this connection.

Directors recommend his appointment to the members.

None of the directors except Mr. Seshadri is interested in the resolution.

By Order of the Board of Directors

Registered Office:

Udaishagar Road,
Udaipur -313 001 (Raj.)

(Sanjay Kumar Tiwari)
Company Secretary

Date: 29.07.2006

Pursuant to the provisions of the Clause 49 of the Listing Agreement, a brief resume of the Directors, proposed for appointment/reappointment is given below:

Item No.2

Mr. P.N Shah, aged 77, is a veteran chartered accountant having vast experience of more than 55 years in the areas of accounting, audit, tax and ethics. He is a senior partner of M/s Shah & Co., and Shah & Associates, Chartered Accountants of Mumbai. His other credentials are:

- President (1984 and 1985) of South Asian Federation of Accountants (SAFA)
- Member (1958 to 1967), Vice Chairman (1963-64), Chairman (1965-66) of Western India Regional Council of ICAI.
- President of Bombay Chartered Accountants Society (1968-69).
- Vice president (1982-83) and President (1983-84) of the Institute of Chartered Accountants of India.

- Has participated in All India and Regional Conferences and Seminars organized by various forums like ICAI, Regional Councils, Indian Merchant Bankers Bombay Management Association etc.

- His other directorships are in:

1. Indo Count Industries Ltd.
2. Secure Meters Ltd.
3. Taparia Tools Ltd.
4. Lipi Data Systems Ltd.
5. Standard Tea Processing Co. Ltd.
6. Wolkem India Ltd.
7. LIC Mutual Fund Trustee Co. Pvt. Ltd.

Item No. 3

Mr. G.R Divan, aged 66, is a well known chartered accountant and partner of M/s Rahul Gautam Divan & Associates a leading CA firm. He has expertise in corporate laws & taxation

His other directorships are in:

1. Bell Ceramics Ltd.
2. Baltic Consultancy and Services Pvt. Ltd.
3. Serendib Investments Pvt. Ltd.
4. Chandabhoy and Jassoobhoy Consultants Pvt. Ltd.
5. HDFC Standard Life Insurance Co. Ltd.

Item No.5

Mr. Shehadri aged 50, graduated from the University of Bangalore and qualified as a Chartered Accountant in 1983. He has experience both in industry & consultancy. He had long association with KPMG and Arthur Andersen, both global consultancy firms of repute. Later he rose to become the Managing Partner of the KPMG. His expertise are in tax, audit & distressed business turnaround.

As Managing Director- Business Advisory Services of KPMG he was directly responsible for the 10 partners, 120 professionals who were responsible for advisory services business, business development, and delivery of services, risk management, solution development, training and resource management.

He was also a member of Forex Market Policy Committee established by the Governor, Reserve Bank of India & also a member of a sub-committee of the Expert Group on Foreign Exchange Markets in India.

His other directorships are:

1. Development Credit Bank Ltd.
2. DHFL Venture Capital India Pvt Ltd.
3. Halcyon Enterprises Pvt. Ltd.
4. Halcyon Resources & Management Consulting Pvt. Ltd.



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, 2006.

FINANCIAL RESULTS:

	(Rs. in Lacs)	
	2005-2006	2004-2005
Profit / (Loss) after taxation	397.91	996.04
Previous Years' Surplus	791.28	367.36
Amount available for Appropriation	1189.19	1363.40

Appropriations:

Dividend on Equity Shares (including Corporate Dividend Tax)	-	72.12
Amount transferred to General Reserve	-	500.00
Balance carried over to Balance Sheet	1189.19	791.28

DIVIDEND:

The Directors do not recommend any dividend for the year ended 31st March, 2006 with a view to conserve the financial resources for the company's growth.

MANAGEMENT DISCUSSION & ANALYSIS

(A) Industry Structure & Developments

Agri Business

The changes in the Indian agriculture, propelled by the schemes floated by the Central Government continue at a fast pace. The central government is taking many steps, notably (i) enticing states to modify APMC Act, (ii) encouraging banks to supply rural credit, (iii) formulation of single Food Act, and (iv) spurring the diversification in crops being prominent ones. These policy changes are gearing up the agricultural sector to move from a food security economy, to a market driven one, in preparation of the to meet the new efforts challenges and opportunities thrown by WTO regime.

Infrastructure development is being targeted as a priority area in agriculture. Through the National Horticulture Board, the Government has floated many schemes for building up of both the supply chain logistics for perishables, and the food processing units for value addition of the agricultural produce.

With favourable policies, a small number of large

corporate players, like ITC, Reliance, Bharti, etc., have announced forays and expansion in the sector on a large scale, apart from many small and medium enterprises.

With these in place the agriculture sector is now poised for a second green revolution, encompassing both yield increases as well as improvement in quality and value addition of the output.

The interest of the farmers lies in introduction of newer, safer and better molecules in the country. The government is contemplating on providing protection to the IPR companies in limit. The transnational companies will now bring new products, and the Indian companies will have to be looking at leveraging their marketing strengths for their share in the business. The newer molecules will also put pressure on generic products.

Yet with all this, Indian Agriculture continues its dependence on the monsoon. The monsoon in 2005 can be described as erratic at the best. While the north of the country saw delayed, unevenly distributed rainfall creating drought like situation, the central India was showered with excess rainfall, resulting in floods in many parts. The rainfall in South & West was by-en- large on time and bountiful.

Fine Chemical

The Fine Chemical business all over the world continues to be under a lot of cost pressure due to very high input prices caused by increase in the price of petroleum products and other basic chemicals.

Due to cost pressure, companies of the developed world are now looking to outsource their products from China and India.

This, therefore, offers very good opportunities for the growth of business for the company, but it does pit us against the competitive pressure from Chinese producers who have certain cost advantages due to an under valued currency, weak environmental and safety regulations, and flexible labour regulations.

None the less, the size and opportunities in the business are many and the company sees really good prospects in this segment.

Polymer

The Polymer and Petro-chemical business all over the world has come under a huge cost pressure due to very steep increase in petroleum prices leading to increase in the price of downstream polymer resin which is based on crude oil. 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 polymer compounding companies.

The major customer segments of Engineering Plastic Compounds are auto components and the electrical &



electronics industry, and both these industries are undergoing through remarkable growth phase. Auto industry is growing at @ 20-25% and the electrical industry is growing at @ 35-40% due to boom in the construction industry.

However, most OEM's are demanding lower prices at a time when the prices of Petro-chemical raw materials are soaring. Therefore, compounders must compete with cheaper economies and lower margins which have come under pressure from customers.

(B) Performance:

Agri Business

The usage of crop protection chemicals in the year was affected by two major factors, viz. the erratic monsoon and the acceptance of BT cotton. Industry estimates of de-growth of crop protection business are ranging from 15-30%. As a part of the trend, the sales of the company were also affected.

To certain extent, this was offset by the new initiatives taken by the company in terms of crop and channel diversification which is now yielding small but significant results.

Fine Chemical

After a long gestation period the Fine Chemical business witnessed some growth in the year under review.

The company has got approval for a new chemical compound in the printing industry which will give a sustained business in the coming years.

The Japan office has in its short period of existence managed to identify new business opportunities in the area of agrochemicals and also made several contacts in the pharmaceutical industry in Japan. Given the nature of Japanese business processes, the real benefits of these contacts will take time to fructify.

The company has successfully managed to get approvals from two very reputed European chemical companies which will result into significant business opportunities in the coming years.

Polymer

The Polymer Division clocked sales growth of about 81% against budgeted growth of 36% in financial year 2005-06 over the previous year. However profit margins continue to be under pressure due to intense competition and soaring polymer prices.

The growth registered was mainly due to electrical and automotive segment and the company has been successful in getting several new customers. Looking

at the growing pace of Indian economy the company is very hopeful that the budgeted growth of 20% for 2006-07 is achievable. The road map for 3 year growth plan is already made, and business volumes are expected to grow to significant levels in the next three years.

(C) Outlook:

Agri Business

The monsoon has been on time in most parts of the country. Given the growth strategies fuelled by new and exclusive products being launched in this year, with state of art systems in place, the outlook for the coming year is positive.

Fine Chemical

Significant business volumes are expected in the coming year from the initiatives that were taken in the past with a host of international customers.

The Company also expects to receive some small value business from the European chemical companies in the next year and substantial business volumes in the years after.

Polymer

Polymer business is targeted to show growth for the coming financial year. The growth budgeted is lower than the performance of last 2 years, which is mainly due to the efforts to focus from volume driven growth to margin driven growth. The company has decided to look at future growth based on margins and decided to work in niche markets.

Also looking at the road map of next 3 years and the performance of last 2 years the company has decided to put up another manufacturing extruder to support its growth. The new line will be commissioned by end of FY 2006-07. Till the time such production capacity is added and 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 & Concerns:

Agri Business

The monsoon as usual continues to play the most important role in agriculture. Any significant changes in rainfall, deficit or excess will affect the performance of the business.



The rising price of the crude oil poses significant challenges in the management of input cost and output logistics. Due to intense competition, the company is not able to pass on all the costs to customers.

Fine Chemical

The rising prices of crude oil pose certain risks in terms of costs and may lead to a squeeze in the operating margins.

After a long gestation period the Fine Chemical business witnessed some growth in the year under review, and it is expected to see further growth in the coming year.

Polymer

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

Being in a highly competitive environment, the key challenge lies in cost management and the company is persuing this very strongly.

Other Achievements

The company completed its first year on the state of art ERP system SAP. With strong processes based on IT backbone now established, the company anticipates better efficiencies in the coming years.

E) Internal control systems and their adequacy:

The company continues to streamline internal control system. Further ERP (SAP) system is now operational. This integrated system is bound to bring about further improvements, as also provide a valuable tool for improved efficient management controls.

(F) Personnel:

The company has taken new initiatives for employees' growth and their employability. These steps would help company to groom and retain employees.

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. :

The company posted a profit of Rs.6.08 Lacs during the year.

PI Life Science Research Ltd. (PILSR):

PILSR has made initial investments in establishing state of the art R&D Lab. during the year. It has started making its efforts to act as independent profit centre by undertaking R & D projects for external customers.

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

DIRECTORS:

In accordance with the provisions of the Companies Act, 1956, and Company's Articles of Association, Mr. P.N. Shah and Mr. G.R. Divan retire by rotation as directors at the ensuing annual general meeting & being eligible, offer themselves for re-appointments

Mr. Narayan K. Seshadri was appointed as an additional director of the company w.e.f. 27th January, 2006. The company has received notice under Section 257 of the Companies Act, 1956, from a member proposing appointment of Mr. Narayan K. Seshadri as director of the company at the forthcoming annual general meeting.

Health, Safety and Environmental Activities

The year 2005-06 saw the company aim higher standards in HSE performance and developing its systems to world class level. The company's manufacturing facilities were rigorously audited by one of the largest chemical companies of the world as a part of their Responsible Care Guidelines. The directors are pleased to report that this Company has now qualified our Panoli facilities as a supplier of chemicals and join the elite list of very few companies outside their own production facilities to obtain this approval. This qualification itself speaks of the levels of standards your company has reached in the area of health safety and environment management. None the less, the company will continue to focus on constant improvement in this area.

With this view, the company has planned to get itself audited by the British Safety Council, the highest recognized standard in the area of Occupation Health and Safety. The company has already become member.



of BSC and started working in this direction.

Additional investments were done to improve its infrastructure of safety and environment. The fire handling capabilities were further augmented with procurement of newer facilities at substantial costs. Online monitoring systems have been added for Hydrogen Sulfide, Ammonia and Chlorine for immediate identification of leakage of these gases and keep a continuous watch on work area environment.

The company has played a proactive role in formulation of government policies related to environment. Through the forum of FICCI and CCFI, the representatives of company have worked with government agencies in framing the new proposed notification on environmental clearance. The company has also worked with Gujarat Pollution Control Board, Panoli Industries Association and State Government and solved the effluent drainage related problems at Panoli. The company has donated hundreds of tree guards during the past monsoon to local forest department and other agencies for maintaining plantation in the residential areas.

Major investments have been made in materials handling of liquid raw materials intermediates as a key measure of safety and cost reduction by installation of several ISO tanks.

The company is planning for substantial capacity enhancement for its effluent treatment plant at an expected cost of Rs.2 crore.

The company has a well chalked out future plan for further improvements in HSE systems. We believe by implementing them, the company will achieve its mission of becoming the best chemical company in India in Safety Health and Environment.

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 and 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.

BOARD'S COMMENTS ON AUDITED ACCOUNTS:

a. Related party transaction:

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

b. Impairment of Assets:

The management has carried out the test for impairment of assets and this has been disclosed in the notes to 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, 2006, 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, 2006 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 safe guarding 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., 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. 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, 2007 and same has been approved by the Central Government under the above stated Section 233B.

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 various departments of the Government of India, Rajasthan and Gujarat, institutions, bankers, business associates, investors and the farming community who have reposed their trust and confidence in the company and in the company's products.

On behalf of the Board of Directors
(Salil Singhal)
Chairman & Managing Director

Place: Gurgaon
Date: 29.7.2005

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 reduce energy costs.

Installation and commissioning of natural gas based 10TPH fire tube boiler has been completed. This boiler has a facility of water metering for continuous monitoring of combustion & thermal efficiency and the gas heat recovery systems. This has resulted in significant reduction of per kg power cost.

Also two new brine plants have been installed & commissioned with latest technology & having high efficiency at part load. This has resulted in reduction in power consumption; these brine plants also has eliminated Freon use in our company

b) Additional investment & proposal, if any, being implemented for reduction of energy consumption:

The company does carry out energy and utility conversation studies as an ongoing exercise and plans to make additional investments in these important cost saving measures in the next year.

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

POWER & FUEL CONSUMPTION:

(A) POWER & FUEL:

1. ELECTRICITY:

	<u>2005-06</u>	<u>2004-05</u>
a. Purchased:		
Units (Lacs/Kwh.)	34.77	124.29
Total amount (Rs. in Lacs)	176.46	630.23
Rate / Unit (Rs.)	5.075	5.07
b. Own Generation through Diesel /LDO Generator		
Unit (Lacs/Kwh)	160.41	43.06
Unit Per Ltr. HSD	3.25	3.31
Unit / SCM	3.44	-

2. COAL:

Quantity (Tonnes)	78.59	78.00
Total Cost (Rs. In Lacs)	3.25	3.02
Average Rate (Rs. /MT)	4140.36	3873.63