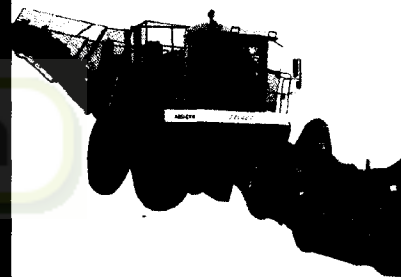
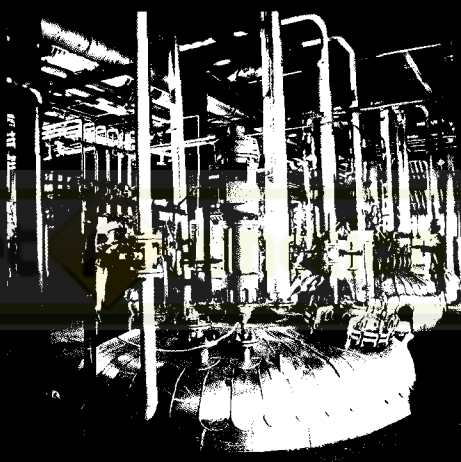


*Enabling growth...*

*Creating value...*

*Scaling heights...*



**PI Industries Ltd**



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# Key Highlights

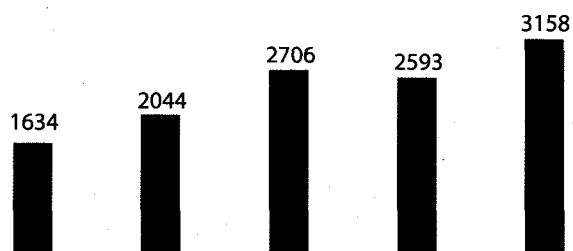
| Energy Conservation  | Institutional Participation  |
|--|--|
| <p>National Energy Conservation Award-2006</p> <p>It was a proud moment for PI family on December 14, 2006, when our Panoli Team comprising of Mr. Vivek Srivastava, Mr. Vipul Parikh, Mr. D. Bhowmik and Mr. R.K. Tiwari, led by Mr. D. K. Ray, received the prestigious National Energy Conservation Award from Shri. Sushil Kumar Shinde, Union Minister of Power, Government of India.</p> | <p>Mr. Salil Singhal, CMD was elected as Deputy Chairman of CII (Northern Region)</p> <ul style="list-style-type: none"> <li>• CMD Visited Japan as a Part of Prime Minister's Delegation</li> <li>• CMD chaired Agri Conclave 2007 at Jhalawar, Rajasthan.</li> <li>• PI Fine Chem participated in the CPhI Japan held at Tokyo for fifth time in a row.</li> <li>• PI - A Key Sponsor at 2nd International Rice Congress 2006</li> </ul> |

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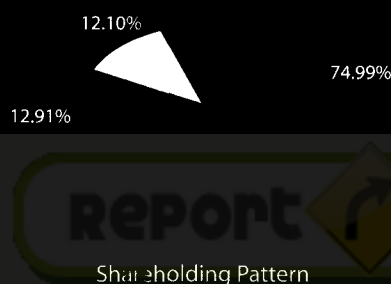
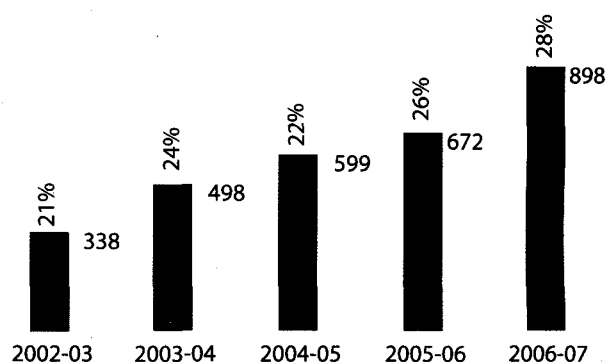
| Certifications  | New Products   |
|---|--|
| <p>PI Polymer Becomes TS Certified</p> <ul style="list-style-type: none"> <li>• PI Polymer successfully achieved ISO/TS: 16949:2002 certifications in December 2006.</li> <li>• This certification is primarily required for supply of material to automotive companies all over the world.</li> </ul>  | <ul style="list-style-type: none"> <li>• PI Agri Input launched 2 new products with the brand names <b>SANIT™</b> and <b>LEPIDO®</b> in association with BASF,</li> <li>• PI Fine Chem successfully worked on the scale up study and synthesis of four new molecules.</li> <li>• PI Polymers developed more than 20 new cost effective compounds like PP, PBT, PC etc for electrical applications.</li> </ul>  |
| Expansions  | Research & Development   |
| <p>PI acquired new land for future growth in Panoli.</p> <ul style="list-style-type: none"> <li>• In line of the plans of expansion, PI acquired 1,60,000 sq. mts (approx. 40 acres) of land in GIDC Panoli.</li> </ul> <p>New Office for PI Japan</p> <ul style="list-style-type: none"> <li>• With effect from April 15, 2006 PI Tokyo has moved into a much larger office in the Kanda area of Tokyo.</li> </ul> | <p>Polymers: Purchased Digital Densimeter from Wallace Instruments, UK, Moisture analyzer from Germany, Motorised Notch Cutter from Ceast, Italy and Color Matching Booth from Premier Colorscan, India. A new Omega - 30 Extruder has been installed and professionals conducted trials successfully. Commissioned a pilot extruder project with a capital out-lay of Rs. 80 lacs. The project would greatly enhance the research and development ability to manufacture tailor-made compounds.</p> |

# Financials at a glance

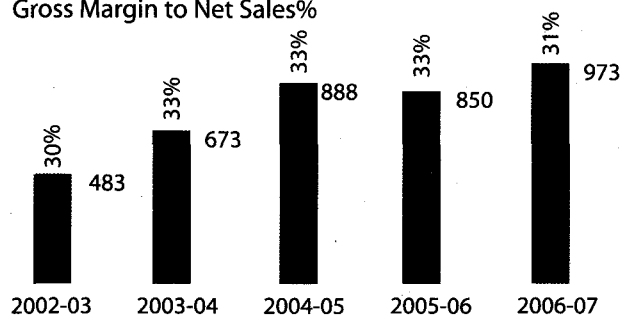
Net Sales (Rs. Million)



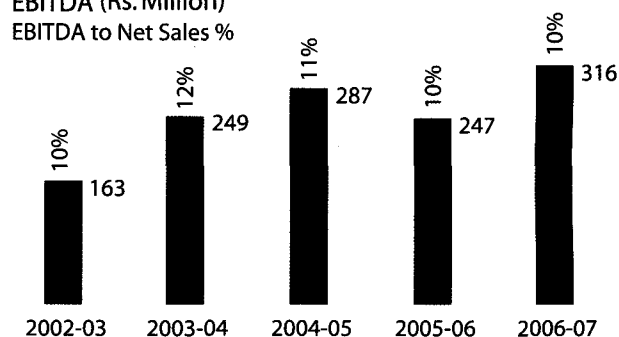
International Sales (Rs. Million)  
International Sales (Net Sales %)



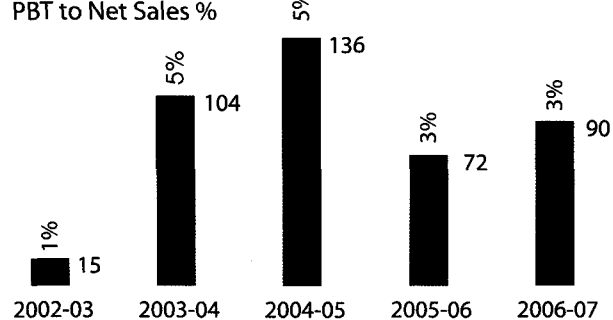
Gross Margin (Rs. Million)  
Gross Margin to Net Sales%



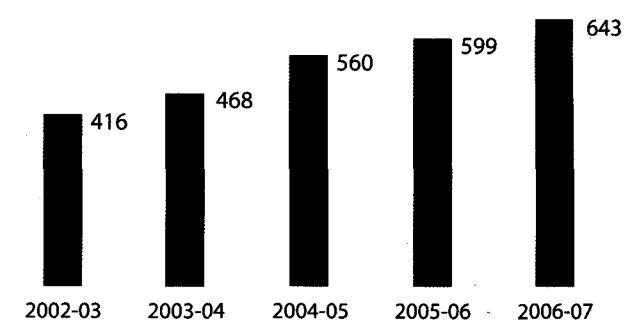
EBITDA (Rs. Million)  
EBITDA to Net Sales %



PBT (Rs. Million)  
PBT to Net Sales %



Net Worth (Rs. Million)



# Corporate Information

|                              |  |  |
|------------------------------|--|--|
| Registered Office            | Udaisagar Road, Udaipur - 313 001<br>Rajasthan, India  |  |
| Corporate Office             | Millennium Plaza Tower A, Sector 27, Gurgaon, Haryana, India   |  |
| Manufacturing Facilities     | Udaisagar Road, Udaipur - 313 001, Rajasthan, India<br>Plot No. 237, GIDC, Panoli, Gujarat, India<br>Lane-IV, Bari Brahmana, Jammu, J&K, India |  |
| Statutory Auditors           | B.D. Gargieya & Co.,<br>Beawar (Raj.)  | S.S. Kothari Mehta & Co.,<br>New Delhi - 110 001 |
| Cost Auditors                | K. G. Goyal & Co., Jaipur - 302 005  |  |
| Chief Financial Officer      | T. S. Rangan   |  |
| GM (F&A) & Company Secretary | Sujata Sharma  |  |
| Bankers                      | State Bank of Bikaner & Jaipur<br>State Bank of India<br>ICICI Bank Ltd<br>UTI Bank Ltd  |  |

# Board of Directors

## **SALIL SINGHAL, Chairman & Managing Director**

Mr. Salil Singhal is the Chairman and Managing Director of the Company. Mr. Singhal is graduate from St. Xavier's College, Mumbai and has more than 40 years extensive, rich and varied experience in the fields of Chemicals, Intermediate and Agrochemicals industries. Mr. Singhal has been instrumental in bringing about technological and managerial excellence in the Company's operations. Mr. Singhal is currently on the Board of Wolkem India Limited, Historic Resorts Hotels Private Limited, The Lake Palace Hotels and Motels Private Limited, Secure Meters Limited, Somany Ceramics Limited, PILL Finance and Investments Limited, Polymeters Response Intl. Limited, UK and CEWE Instrument AB, Sweden.

## **MAYANK SINGHAL, Joint Managing Director**

Mr. Mayank Singhal is Graduate Engineer from Engineering Management, London. Mr. Singhal was inducted on the Board of the Company in the year 1998. He has been the Joint Managing Director of the Company since December, 2004. He has been contributing in the fields of financial management, general management, strategic management and business leadership and under his direction and leadership Company has achieved robust growth. Presently he is also a Director on the Board of PI Life Science Research Limited, PILL Finance and Investments Limited, and Samaya Investment and Trading Private Limited.

## **ANURAG SURANA, Whole time Director**

Mr. Anurag Surana is a B.Com (Hons) graduate and has a career spanning over 19 years. He has been actively involved in the Indian and International marketing for the Company and is playing an active role in the growth of the Company. Mr. Surana is a Director on the Board of PILL Finance and Investments Limited, PI Life Science Research Limited and WILL Investments Limited.

## **G.R. DIVAN, Director**

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 in corporate laws, taxation etc. Mr. Divan is a Director on the Board of the Company since 1998. Presently he serves as a Director on the Board of Bell Ceramics Limited, Baltic Consultancy and Services Private Limited, Serendib Investments Private Limited, Chandabhoy and Jassoobhoy Consultants Private Limited, HDFC Standard Life Insurance Co. Limited, HDFC Bank Limited, Ascent Hotels Private Limited.

## **P.N. SHAH, Director**

Mr. P.N. Shah is a Chartered Accountant and partner of M/s Shah & Co., Chartered Accountants. Mr. Shah is a Director on the Board of the Company since 1991. Mr. Shah brings with him extensive experience in the fields of Finance. Presently he is a Director on the Board of Indo Count Industries Limited, Secure Meters Limited, Taparia Tools Limited, Lipi Data Systems Limited, Wolkem India Limited, LIC Mutual Fund Trustee Company Private Limited.

## **DR. S. P. VISHNOI, Director**

Dr. S. P. Vishnoi holds a Masters Degree in Mathematics and Ph. D in Management and Agriculture Economics. He joined Indian Administrative Services (IAS) in 1957 and retired from the service in 1992, as a Secretary to the Government of India. He also worked on both State / Central Government Departments in top level position. 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. Dr. Vishnoi is also a Director on the Board of PI Life Science Research Limited.

## **NARAYAN K. SESHADRI, Director**

Mr. Narayan K. Seshadri, a Chartered Accountant having specialized knowledge in the areas of Financial and Consultancy services is a Director on the Board of the Company since 2006. Presently he is also a Director on the Board of Halcyon Enterprises Private Limited, Halcyon Resources & Management Consulting Private Limited, Development Credit Bank Limited, DHFL Venture Capital India Private Limited, Haldyn Glass Gujarat Limited, Halcyon GB Holding Private Limited, Magma Leasing Limited, Kalpataru Power Transmission Limited and The Baroda Rayon Corporation Limited.

## **Y.A. MANKAD, Nominee Director of IDBI Ltd**

Mr. Y.A. Mankad has been appointed by IDBI Limited on the Board of the Company in April 2004. Mr. Mankad is working as Deputy General Manager of IDBI Ltd. Presently he is also a Director on the Board of M/s Gujarat Toll Road Investment Co. Limited as nominee Director of IDBI Limited.

|                              |  |
|------------------------------|--|
| <b>Financials</b>            | <p>Top line growth at 17% is highest in the Industry</p> <p>EBDITA at Rs. 31.91 Cr. (vs) Rs. 24.73 Cr. in the Previous Year, a growth of 29%</p> <p>PAT at Rs. 4.46 Cr. (vs) Rs. 3.97 Cr. in the Previous Year, a growth of 12%</p>  |
| <b>Business Segments</b>     | <p>Agri Inputs : Growth- Sales 27% and Gross Margin 6%</p> <p>Fine Chem : Growth- Sales 3% and Gross Margin 13%</p> <p>Polymer : Growth- Sales 31% and Gross Margin 40%</p>  |
| <b>Value Creation</b>        | <p>Agri Inputs- 2 new patented products launched with revenues of Rs. 12 Cr.</p> <p>Distribution re engineered.</p> <p>New product pipeline of 8 products to be launched before 2011</p> <p>Focus on specialty products - fertilizers, PGR, Nutrients etc.</p> <p>Fine Chem- Commercial production started for 2 Fortune 500 EU companies for patented products.</p> <p>Entry into the Pharma Space with Japanese &amp; EU co.</p> |
| <b>Key Corporate Actions</b> | <p>Subsidiary in Japan created during this year.</p> <p>Talent Acquisition (Top Management ) : CFO, President - Operations</p>   |





# Partnering for Innovation

## VISION

*"To achieve leadership position in chosen markets in select businesses providing **innovative, knowledge based solutions** through **speed, efficiency, straightforwardness & just dealings, respect for intellectual property, society & environment**"*

### **innovative**

#### **Is**

A Balance of creativity & monetization  
In products, processes, technology,  
and industry

#### **Means**

Ideas with a purpose  
Creativity with a defined end

### **straightforwardness & just dealings**

Realtime & seamless quality & delivery  
reporting  
Proactive airing of problems  
Owning up & revoking bad supply  
Deliverables are non - negotiable

### **respect for intellectual property**

Will never infringe any patent  
Building system to protect others  
knowledge  
Having confidential agreements with  
all stakeholders

### **society**

Promoting knowledge & education  
Being an ethical corporate citizen

### **environment**

Going beyond compliance  
Predict and proactively manage emission & waste  
Create a green workplace & factory surroundings

### **knowledge**

#### **Enhance by**

Acquisition  
Generation  
Protection  
Sharing

#### **In**

technology, process,  
commercial operations & supply chain,  
customer & end applications  
With a culture of respect &  
custodianship for intellectual  
property

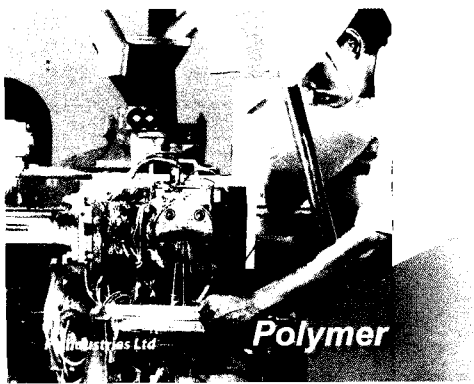
### **speed efficiency**

#### **In**

Concept - to - Cash cycle management  
Technology, process, operating, supply  
chain

#### **To**

Continuously improve service levels  
Realize Optimal opportunity cost (in  
the relationship)  
Optimize Cost of delivery  
Minimize cost of quality



**Building a Unique brand identity**

## MANAGEMENT DISCUSSION AND ANALYSIS

### OVERVIEW OF THE ECONOMY AND INDUSTRY STRUCTURE

The chemical industry is the second biggest contributor of the world GDP. The total chemical world trade at \$400 Bn is nearly 10% of global world trade. Global chemical industry growth has consistently been outpacing GDP growth by a factor of 1.5. With more than 70,000 commercial products, few other industries approach its degree of complexity and diversity.

Global chemical industry has been changing via consolidation, merger and acquisition and restructuring. In the US, there are 12,000 firms contributing 24% of global chemical production. In Japan, there are 4,500 firms producing 16% of global output. In India, we have a very fragmented chemical industry. For only 1.5% of global production we have 6,600 firms. Indian chemical industry will have to restructure to become globally competitive.

In terms of size, the global chemical industry is five times the size of the Indian economy. So far, the Indian chemical industry has been a marginal player in the global arena. With \$22 Bn of output, it forms only 1.5% of global chemical industry. India, however, is the second largest producer of pesticides after Japan, ranks 12th in pharmaceutical production and is emerging as the top 5 players in selected petrochemicals like PTA, PX and PP. The chemical industry in India is likely to be on a high growth phase in next few decades.

The current per capita consumption of products of chemical industry in India is about one-tenth of the world average. Specialty chemicals encompass more than forty widely disparate product segments from textile auxiliaries to oilfield chemicals, from food ingredients and cosmetic ingredients to electronic chemicals. The Indian Specialty chemicals industry including pharmaceuticals and agrochemical intermediates is worth around \$ 3 billion or Rs. 15,000 Cr., with the organized sector accounting for about 26 percent of the total market. Most specialty chemical Companies in India operate in textile dyes and chemicals, leather dyes and chemicals, paper chemicals, rubber chemicals, master batches, pigments, additives, electronic chemicals, fine chemicals, polymerisates, pharmaceutical intermediates, adhesives and water treatment chemicals. The emerging areas are master batches, electronic chemicals, special application paper chemicals and water treatment chemicals.

Chemicals have become a part of our life for sustaining many of our day-to-day activities, preventing and controlling diseases, and increasing agricultural productivity etc. An estimated one thousand new chemicals enter the market every year, and about 100000 chemical substances are used on a global scale. These chemicals are mostly found as mixtures in commercial products. Over one million such products or trade names are available.

As the 12th largest producer of chemicals in the world and the 13th largest exporter of pesticides (producing more than 1,000 tons of pesticides annually), India is on its way to realizing its true potential in this high-growth sector. The Indian agrochemical, petrochemical, and pharmaceutical industries are some of the fastest growing sectors in the economy.

A recent report by a Big Four Consulting Firm predicts that the Chemical Industry in India has the potential to grow to US\$ 100 billion by 2010 giving a CAGR of 15.5%

PI Industries is an integrated industry player offering a variety of products by continuously moving up the value chain through innovation, cost leadership and investment decisions. Keeping an eye on the future and guided by evolving market trends, our strategy is to consistently capitalize on growth opportunities by leveraging upon its long standing and unique strengths in research and development, manufacturing and customer relations.

### CORPORATE PHILOSOPHY

**PI Industries derives its strengths from a formally adopted Corporate Philosophy which amongst other things impels**

**PI Industries to:**

- Uphold a reputation for integrity, honesty, straight-forward and just dealings.
- Be committed to the quality of its products.
- Be committed to its customers.
- Be innovative in approach and thought.
- Be open, friendly, sincere and human in behavior and attitude.
- Contribute to the community as a part of our social responsibility.

### COMPETITIVE STRENGTHS

We enjoy multiple competitive strengths which are supported by a robust business model, an organizational culture that encourage innovation, professional management team that remain focused on long term value creation. The key strengths of our Company amongst others as are under:

- **Innovation**

We have a well established R & D function that plays a vital role in driving our strategies to become a competitive industrial player. Our Company's R & D facilities are aimed at enabling market expansion by introducing new products, creating