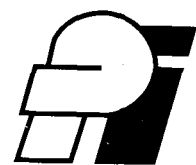
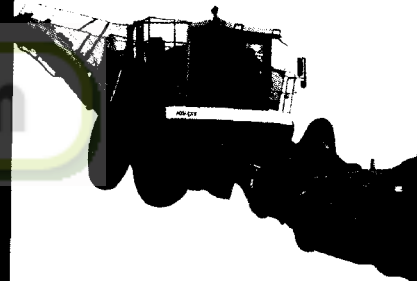


Enabling growth...

Creating value...

Scaling heights...



PI Industries Ltd

Annual Report 2007-08



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Key Highlights

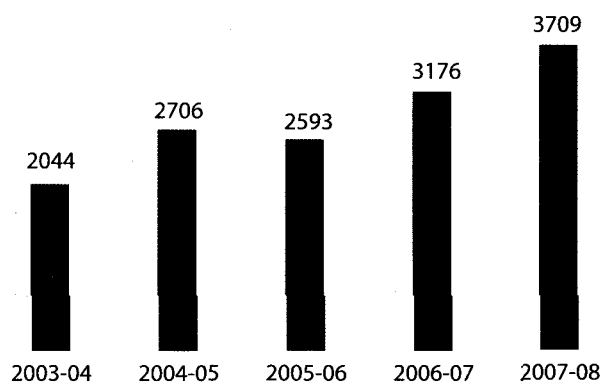
Strengthening Governance	Institutional Participation
<ul style="list-style-type: none"> PI Inducted on its board, three Additional Directors Mr. Raj Kaul, Mr. Sukhdev Nayyar and Mr. Junichi Nakano. Each of them brings in several years of expertise in leading large, successful and global enterprises. Management review structure, improved to ensure enterprise risk management. 	<ul style="list-style-type: none"> Mr. Salil Singhal, CMD was elected as Chairman of CII (Northern Region). This is a recognition of his efforts at strengthening the initiatives undertaken by this prestigious trade body. PI Fine Chem participated in the CPhI Japan held at Tokyo for sixth time in a row. PI Japan team made presentation on Indian CRAMS industry to "Kiniki Chemical Society attended by a large number of delegates from leading chemical companies of Japan and universities scientists.

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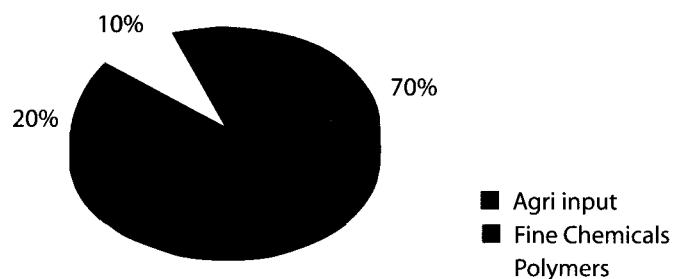
Supply Chain Management	Product & Market Development
<ul style="list-style-type: none"> Business units were re-organised in anticipation of changes taking place in Chinese supply situation and differentiate vis-à-vis competitors. 10 new projects completed for adding new molecules or expanding existing products to the product line A new plant added to Panoli Plant that effectively enhanced capacity in reactor volume by about 30% 	<ul style="list-style-type: none"> Tied up for Water Soluble Fertilizers, generating encouraging sales and the market response indicates healthy growth in the future years Two new IB channel partners were added to our retail business channel to take the total number of partners to 8 Fine Chemical [CRAMS] business received 80 new inquiries during the year of which 65 are patented products. Long term multi contract entered into with the largest chemical companies of the world for supply of product worth USD 45 million.
Expansions	Research & Development
<ul style="list-style-type: none"> The manufacturing facilities for Fine Chem (CRAMS) was augmented by 30% and capacity utilization was enhanced by 20%. A new polymer extrusion line was erected and commissioned. Significant investments were made in analytical facilities at Panoli to enhance in-line testing facilities. For better environmental and economical effluent management, Multi Effect Evaporator was installed. 	<ul style="list-style-type: none"> Synthesis of 20 chemicals was done in the areas of Pharmaceutical intermediates, imaging chemicals, Agro intermediates & Liquid crystal intermediates. Commercialized 8 new molecules with multiple steps chemical reaction. Worked on new chemistry such as moisture sensitive reactions, use of sensitive catalyst and use of difficult to handle chemicals such as Grignard reagents, n-butyl lithium reagents, Photo chlorination, Butyl lithium, cryogenic reactions (-60°C to 70°C), Fluoro methylation, metal content organics etc. Techno-Commercial feasibility study done for 75 new molecules

Financials at a glance

Net Sales (Rs. Million)

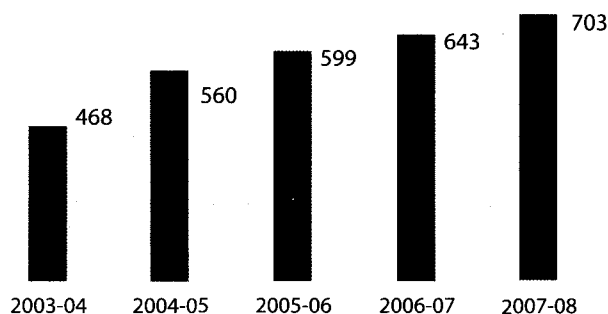
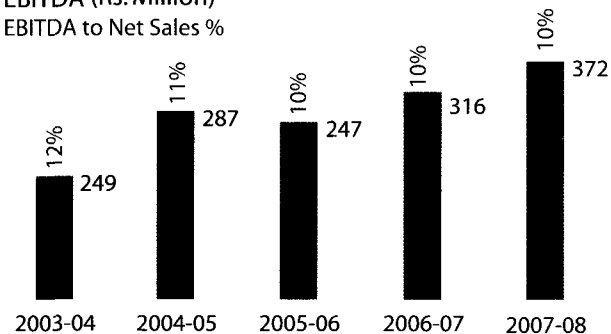


Sales Break-up (Business area-wise)

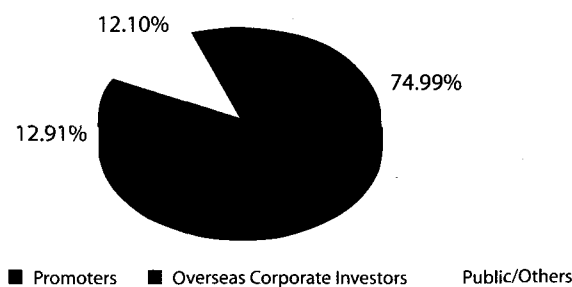


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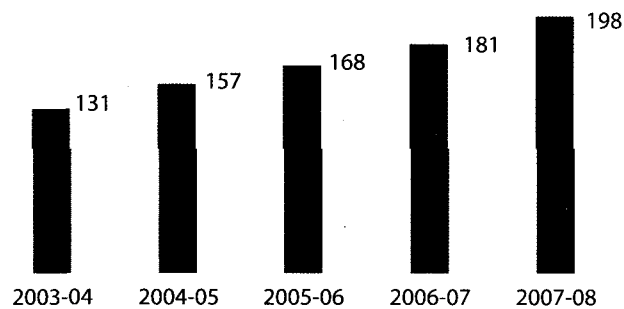
Net Worth (Rs. Million)

EBITDA (Rs. Million)
EBITDA to Net Sales %

Shareholding Pattern



Book Value (Rs./Share)



Corporate Information

Registered Office	Udaisagar Road, Udaipur - 313 001 Rajasthan, India
Corporate Office	Millennium Plaza Tower A, Sector 27, Gurgaon, Haryana (India)
Manufacturing Facilities	Udaisagar Road, Udaipur - 313 001, Rajasthan, India Plot No. 237, GIDC, Panoli, Gujarat, India Lane-IV, Bari Brahmana, Jammu, J&K, India
Head Finance	Mr. Anurag Surana
Company Secretary	Mrs. Payal M. Puri
Auditors	B.D. Gargieya & Co., Beawar (Raj.) S.S. Kothari Mehta & Co., New Delhi - 110 001
Cost Auditors	K.G. Goyal & Co.
Bankers	State Bank of Bikaner & Jaipur State Bank of India Axis 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 and Entity Holding PTE Limited.

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.

JUNICHI NAKANO, Whole-time Director

Mr. Junichi Nakano has a Degree in Animal Husbandry from the University of Hokkaido University, Japan.

He joined Mitsubishi Corporation, the world's largest trading company in 1973 and has worked in Japan as also in their New York office for 5 years.

He was assigned the responsibility as a Team Leader of the Fine Chemicals Deptt. of Mitsubishi Corporation and substantially grew the fine chemical business for his Department.

Subsequently, he joined M/s. Chemicrea Company in 1998 and became the Managing Director of the same before resigning in 2007. This chemical company manufactures fine chemicals and biocides with their manufacturing facilities in Japan and China.

Mr. Nakano has 34 years of varied experience in the arena of fine chemicals and an excellent insight into the Japanese chemical business as well as exposure to the international fine chemical business environment.

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 and Pranavaditya Spinning Mills Ltd.

Dr. S. P. VISHNOI, Director

Dr. S.P. Vishnoi holds a Masters Degree in Maths and Ph D in Management & Agriculture Economics. He joined Indian Administrative Services (IAS) in 1957 and retired from the service in 1992, as a Secretary to the Govt. of India and has rich and varied experience. He also worked on both State / Central Government Departments in top level positions.

He was the Executive Director, Agrochemicals Information Centre, New Delhi during 1994-1999 and Resident Director, Indian Crop Protection Association / Crop Life India at New Delhi during 1999-2003. Dr. Vishnoi is on the Board of M/s PI Life Science Research Ltd.

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 Private Limited, Development Credit Bank Limited, DHFL Venture Capital India Private Limited, Halcyon GB Holding Private Limited, Magma Shraci Finance Limited and Kalpataru Power Transmission Limited.

RAJ KAUL, Additional Director

With the Degree of BSc (Honors) and Diploma in Business Administration, Mr. Kaul has a rich experience in the Agro Chemical industry of over 27 years.

After beginning his career with M/s. Nelco Limited (A Tata Company) he joined the then M/s. CIBA Geigy India Ltd. in the marketing department of its Agro Product division where he was its General Sales Manager. Subsequently, he joined M/s. Bayer India Limited on the position of Senior Management with responsibilities for its Agro Chemical business and became its Executive Director.

In recognition of his outstanding contribution in the business of Bayer in India, he was transferred to M/s. Bayer AG (Leverkusen, Germany) where he worked for 18 years with M/s. Bayer Crop Sciences and retired in October, 2007.

He was Senior Vice President and member of the Group Leadership circle at Bayer AG and was responsible for Mergers and Acquisitions and handled more than 200 transactions for Bayer. He was on the Board of Directors of several Bayer Life Sciences subsidiaries in UK, USA, India and Australia.

Mr. Kaul is a well known person in the Agro Chemical world. Presently, he is a Director with M/s. Gowan Company, Yuma in Arizona (USA). He is also a visiting Prof. and Guide for management students and has been attached to some of the internationally well known institutions such as Judge Institute of Management Studies, Cambridge University, UK, Maastricht University College of Management Studies, Holland, The Technical University of Hongkong etc.

SUKHDEV NAYYAR, Additional Director

Mr. Nayyar holds a Master Degree in Physics and is an Associate of the Institute of Bankers, UK. His long banking career began with M/s. Grindlays Bank till 1994, where he headed its corporate and investment banking division.

Thereafter, he joined M/s. ING Bank which has just started its operations in India and was its Chief Executive Officer. In 1998, he was appointed the Chairman and Managing Director of M/s. ING Asset Management Company from where he retired in 2002.

Presently, he is on the Board of M/s. Development Credit Bank Limited and M/s. Greaves Cotton Limited.

Y.A. MANKAD, Nominee Director of IDBI Bank Ltd

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

Financials	<p>Top line growth at 16%</p> <p>EBDITA at Rs. 37.21 Cr. (vs) Rs. 31.60 Cr. in the Previous Year, a growth of 17.75%</p> <p>PAT at Rs. 6.29 Cr. (vs) Rs. 4.46 Cr. in the Previous Year, a growth of 41.03%</p>
Business Segments	<p>Agri Inputs : Growth in Sales 15%</p> <p>Fine Chem : Growth in Sales 35%</p> <p>Polymer : Growth in Sales 5%</p>
Value Creation	<p>Agri input - Tied up for Water Soluble Fertilizers, generating encouraging sales and the market response indicates healthy growth in the future years</p> <p>Tested 2 new ranges of Specialty products to launch in this year</p> <p>Signed exclusive agreement for the development of an agrochemical to be launched in the year 2010</p> <p>One new fungicide launched in this year.</p> <p>The marketing organization was restructured to consolidate into 4 zones to bring operational efficiencies</p> <p>Fine Chem -Kilo Lab: Scale up study done for 20 new molecules in kilo lab and process optimization done for 2 existing products</p> <p>Commercialized 8 new molecules which were taken up for commercial production including an 8 step reaction</p>

Chemical & Petrochemicals



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

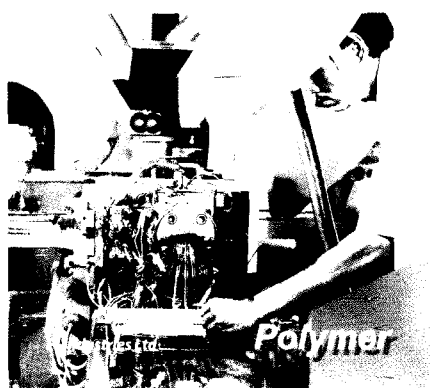
speed efficiency

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

ECONOMIC TRENDS

The global economy saw turbulence in the year under review. The largest economy in the world, the United States of America, was rocked by a crisis in the mortgage sector that affected several global financial institutions of repute and bringing the US economy on the brink of what analysts predict to be a recession. The Federal Reserve tried to intervene through four rounds of interest cuts in order to stem the further collapse of the financial markets as well as buckle the recessionary trend. The impact of this all was that stock markets globally crashed in the fourth quarter of the fiscal and the US dollar witnessed an unprecedented devaluation against major currencies of the world.

Oil prices rose to over a \$100 a barrel during the financial year, nearly 4 times the prevalent price 4 years ago, increasing input costs especially for the chemical industry and slowing down the GDPs of practically every country.

Food prices increased at double digits, fueled by increasing demand for corn for use in bio-fuels combined with shrinking agricultural acreages and also apparently by increasing consumption in the emerging economies such as China and India and reviving a trend labeled by economists as "Agflation".

Contrary to earlier claims about the Indian Economy being "Decoupled" from the US and other economies, the global trends had a real and present impact on the Indian economy. In a year that saw a 55% rise in the leading stock market indices, the last quarter of the fiscal eroded more than 75% of the year's gains in market capitalization.

Inflation touched a 4 year high in the fourth quarter of the last fiscal and the Reserve Bank intervened to curb inflation by curtailing inflow of foreign funds and liquidity through interest rates & CRR hike. This had an impact in terms of slow-down in retail consumption. The interest rate hike, combined with subdued equity market sentiments has increased the cost of capital for industry. The impact of the devaluating dollar was felt by export oriented industries and companies. Rising oil prices had an impact on the manufacturing sector that slowed down to about 7% and the overall GDP growth was well below the targeted 9%.

The demand for agricultural produce and the growth in the agricultural sector has been higher than expectations. Despite rising prices, shrinking acreages and growth in population has made agriculture and rural India, an attractive proposition as a target customer sector.

In the Chemicals arena, China has emerged as a low cost manufacturer as well as a large source of input raw material again at a low cost. However, this is changing due to the costs of environmental and regulatory compliance as well as export duties increasing. Secondly, the perception on quality and protection of Intellectual Property in China remains a concern. Global chemical majors are therefore viewing China for late stage, high volume, low value and off patent production.

The India advantage in terms of strategic, early stage, research, knowledge and IP oriented work continues. Hence the aggressive growth rate for the Indian Chemical and CRAMS industry is expected to be retained over the years. In the short-term, the increasing cost and lower availability of China supplies has resulted in margin pressure for the Indian Chemicals and CRAMS industry as a whole.

In the years ahead, about 7 to 8 Mn Tonnes of production is expected to shift out of China mainly into India and other neighboring countries. This represents a further growth opportunity.

The Polymer and Petro-chemical business all over the world has come under a huge cost pressure due to very large increase in petroleum price; this has led to a significant increase in polymer resin prices. However, 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 petro-chemical companies. The problem in India is compounded due to poor export realizations caused by the strengthening rupee and also the slow down in growth due to operating cost going up due to interest burdens.

COMPANY'S PERFORMANCE OVERVIEW

Financial Performance

Overall, gross revenues were Rs.455.50 Crores, a 16.5% rise over the previous year. The rise in raw material costs has led to erosion in gross margins by nearly 5%. With an increased focus on capitalizing on the CRAMS opportunities, the Company has made investments both in physical assets with a new multi-purpose plant being commissioned this year and in human assets. Despite the investments, with control in general and administrative expenses, PAT has grown y-o-y by 41% to Rs.6.29 Crores.