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ANNUAL REPORT 1997



PREMIER INSTRUMENTS & CONTROLS LIMITED

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PREMIER INSTRUMENTS & CONTROLS LIMITED**BOARD OF DIRECTORS**

Mr. L.G. Varadarajulu
Chairman

Mr. N. Duraiswamy
Mr. L. Lakshman
Mr. V. Chidambaram
Mr. E.K. Parthasarathy
Mr. V. Ramakrishnan
Mr. Suresh Jagannathan
Mr. C.R. Swaminathan
Mr. K.N.V. Ramani
Mr. D. Sarath Chandran
Mr. V. Srinivasan (ICICI Nominee)
Mr. Shigehiko Ito

Mr. D. Vijay Mohan
Vice Chairman & Managing Director

AUDITORS

M/s. Suri & Co.
Chartered Accountants
Coimbatore

BANKERS

Andhra Bank
State Bank of India
ANZ Grindlays Bank Limited
Deutsche Bank

REGISTERED OFFICE

P.B. No. 6331
1087-A, Avanashi Road
Coimbatore - 641 037, India
Ph : 0422-211520 (5 lines) Fax : 0422-210028
Telex : 0855-8376 PIL IN

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FACTORIES**PLANT I**

Post Box No. 4209
Perianaickenpalayam
Coimbatore - 641 020

PLANT II

Plot No. 267 Phase II
Udyog Vihar
Gurgaon - 122 016

DIRECTORS' REPORT

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Your Directors have pleasure in presenting the Twentyfifth Annual Report together with the audited accounts for the financial year ended 31st March, 1997.

Financial Highlights

	31.3.97 Projection as given in Letter of Offer dt. 23.12.1994 for Rights Issue	Year ended 31.3.97 Actuals	31.3.96 Actuals
(Rupees in Millions)			
Net Sales	1093.5	1308.4	1100.8
Profit before Interest, Depreciation and Tax	208.8	291.5	200.6
Less : Interest (Net) & Lease Charges	23.3	67.6	30.8
Depreciation	38.1	63.6	46.5
Profit before Tax	147.4	160.3	123.3
Less : Provision for Taxation	56.0	49.0	10.5
Add: Taxation provision for earlier years no longer required	—	8.3	1.7
Profit after Tax	91.4	119.6	114.5
Add : Balance Brought forward from the previous year		16.5	13.4
Amount available for appropriation		136.1	127.9
Appropriations			
Debenture Redemption Reserve		1.7	1.7
General Reserve		90.0	90.4
Dividend recommended 35% (Previous year 35%)		19.3	19.3
Dividend Tax		1.9	—
Balance carried forward		23.2	16.5
		136.1	127.9

Dividend

Your Directors recommend a dividend of 35%. The dividend will absorb an amount of Rs. 21.2 millions including tax on dividend.

Denso Corporation - Partner in Future Progress

With the shareholders permission, the Equity Capital of the Company has been enhanced from Rs. 55.1 Millions to Rs. 60 Millions.

The additional 486.666 Equity Shares of Rs. 10/- each due to enhancement in capital have been allotted on preferential basis on 9th April, 1997 to M/s. Denso Corporation, Japan, our collaborator, at a premium of Rs. 220/- per share, aggregating to Rs. 111,933,180/-.

With this allotment, Denso has become a partner in the future progress of the Company.

Review of Operations & Future Outlook

Your Company's overall turnover has increased by 18.9%. Domestic sales grew by 16.3%, inspite of the slow down in growth witnessed in the automobile industry since August/September, 1996 because of tight money market which affected the sale of new vehicles in the domestic market. However, export sales grew by 49.1%.

Though the profit before interest, depreciation and tax has grown by 45.3%, the increase in the profit before tax was 30%. This was mainly due to considerable increase in the interest cost on account of increased borrowings for financing the expansion and modernisation undertaken by the Company. The depreciation has also substantially increased on account of increase in gross block of assets. The tax provision was higher when compared with the previous year as income chargeable to tax has grown up substantially during the year under review.

With the present trend in the Indian automobile industry, your Company expects to maintain the same growth in the domestic market. However, good growth is expected in the export market.

Your Company will continue to explore opportunities for updating technology and enhancing the current product range through innovative development by close association with M/s. Denso Corporation, Japan.

Foreign Exchange Earnings and Outgo

During the year, the Company's foreign exchange earnings were Rs. 129.3 millions. The expenditure in foreign currency on account of revenue was Rs. 58 millions and capital goods was Rs. 44 millions. Net Foreign Exchange earned was Rs. 27.3 millions.



PREMIER INSTRUMENTS & CONTROLS LIMITED

P.B. No. 6331, 1087-A, Avanashi Road, Coimbatore - 641 037, India

NOTICE TO THE MEMBERS

NOTICE is hereby given that the Twentyfifth Annual General Meeting of the Shareholders of the Company will be held on Friday, the 22nd August, 1997 at 4.30 p.m. at Chamber of Commerce Building, 8/732, Avanashi Road, Coimbatore - 641 018, to transact the following business.

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 1997 and the Profit and Loss Account for the year ended 31st March, 1997 and the Report of the Directors and the Auditors thereon.
2. To declare a dividend.
3. To appoint a Director in the place of Mr. L.G. Varadarajulu who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in the place of Mr. N. Duraiswamy who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint a Director in the place of Mr. V. Chidambaram who retires by rotation and being eligible, offers himself for reappointment.
6. To appoint a Director in the place of Mr. D. Sarath Chandran who retires by rotation and being eligible, offers himself for reappointment.
7. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS

8. To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution, of which notice from a member under Section 257 of the Companies Act, 1956 has been received by the Company :

"RESOLVED THAT Mr. Shigehiko Ito be and is hereby appointed as a Director of the Company."

9. To consider and if thought fit, to pass with or without modification, the following resolution as a Special Resolution :

"RESOLVED THAT pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the following alterations be made in the Articles of Association of the Company:"

Article 19 be deleted and the following Article be substituted as Article 19 :

"No share qualification will be necessary for being appointed as or holding the office of a Director of the Company."

10. To consider and if thought fit, to pass with or without modification, the following resolution as a Special Resolution :

"RESOLVED THAT pursuant to the provisions of Section 17 and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force), and as may be enacted from time to

time, the Memorandum of Association of the Company be and is hereby altered and extended by inserting the following clause as new clause in the Memorandum of Association of the Company after the existing Clause III(a)(5) as Sub-clause 6."

III(a)

(6) To promote, establish, manage and carry on the business of travelling agent for booking and reserving accommodations for railways, airlines, ships, motor bus & omnibuses, to provide necessary services for passport & visa, to handle inward foreign tourist activities in India & abroad; to provide for guides, to arrange travellers cheques, coupons, drafts & other modes of foreign exchange for them; to own, engage, hire, let on hire, contract or arrange buses, coaches, bogies, charter flights, helicopters, motor launchers, boats, taxis and other vehicles for tourists & passengers and to provide such facilities for national & international tourists as may be incidental or necessary for the accomplishment of above objects.

Sl. No.	Name of the selling agent	Product	Name of the country	Commission*	Period
1.	Evangelos A Glycofridis S.A.	Automobile Dashboard Instruments, Speedo Cables, Industrial Pressure Gauges, Machine Tools and accessories	Greece	5%	01.11.1996 to 31.10.1997
2.	Francisco Yap	Automobile Dashboard Instruments, Speedometer Cables, Industrial Pressure Gauges, Machine Tools and accessories	Philippines & Singapore	5%	01.04.1997 to 31.03.1999
3.	Harvin Engineering Ltd.	Automobile Dashboard Instruments & Speedometer Cables, Oil Pumps and Industrial Pressure Gauges	United Kingdom	5%	01.05.1997 to 30.04.1999

* On FOB Value.

Coimbatore,
19th May 1997

By Order of the Board
L.G. VARADARAJULU
CHAIRMAN

11. To consider and if thought fit, to pass with or without modification, the following resolution as a Special Resolution :

"RESOLVED THAT pursuant to Sections 294, 294AA(3) and other applicable provisions of the Companies Act, 1956 and subject to the approval of the Central Government, the Company hereby approves the terms of appointment/reappointment of the following parties as selling agents for export of the products of the Company on the terms and conditions approved by the Board of Directors of the Company and as per the agreement, copies whereof are placed at the meeting for perusal by members."

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON HIS BEHALF AND SUCH A PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. The Register of Members of the Company will remain closed from 1st August, 1997 to 22nd August, 1997 (Both days inclusive).
3. All documents referred to in the above Notice and Explanatory Statement are open for inspection at the Registered Office of the Company during office hours.

4. As required under the Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) (Amendment) Rules, 1988, we hereby confirm that unpaid/unclaimed dividend for the financial year ended 31st March, 1993 (paid in August, 1993) was transferred to the General Revenue Account of the Central Government as per details given below :

Dividend for the year ended	No. of Equity Shares	No. of Holders	Amount Rs.	Date of transfer
31.3.1993	57392	246	1,03,306	11.10.1996

Shareholders who have not encashed the dividend warrants for the said period are requested to claim the amount from the Registrar of Companies, Tamil Nadu, Coimbatore, Bank of Baroda Bldg., 5th Floor, No. 82, Bank Road, Coimbatore - 641 018.

5. The unpaid dividend pertaining to the financial year ended 31st March, 1994 (paid in August, 1994) is due to be transferred to the General Revenue Account of the Central Government on 4th October, 1997. Those who have not encashed the payment may please write to the Company before 1st October, 1997.

EXPLANATORY STATEMENT

(Pursuant to Section 173 of the Companies Act, 1956)

Item No. 8

Mr. Shigehiko Ito is the Whole-time Director and Board Member of M/s. Denso Corporation, Japan, our technical collaborator. As a part of Pricol's association with M/s. Denso Corporation, the Board at its meeting held on 17th March, 1997, has co-opted Mr. Shigehiko Ito as Additional Director in the Board of our Company. A Notice has been received from a Member in terms of Section 257 of the Companies Act, 1956, signifying his intention to propose Mr. Shigehiko Ito as a candidate for the office of Director in the ensuing Annual General Meeting. The Board of Directors are of the opinion that the inclusion of Mr. Shigehiko Ito in the Board would be beneficial to the Company.

The resolution in Item No. 8 is therefore recommended for the approval of the shareholders.

None of the Directors of the Company except Mr. Shigehiko Ito is in any way concerned or interested in this resolution.

Item No. 9

The existing Article No. 19 of the Articles of Association of the Company prescribes qualification shares of a Director as holding of equity shares in the Company in his own name of the total nominal value of Rs. 5,000/-.

In order to avoid practical difficulties, it has been decided to amend this article as set at Item No. 9.

The Directors recommend that this resolution be passed.

None of the Directors of the Company is in any way concerned or interested in this resolution.

Item No. 10

Like most of the corporate groups, your Company also wanted to have a travel division of its own to cater to its needs as well as the needs of the associates and public. Accordingly, your

Directors propose to amend Clause III (a) of the Memorandum of Association of the Company as set out at Item No. 10 of this Notice.

A copy of the Memorandum of Association together with the proposed amendment is available for inspection at the Registered Office of the Company during office hours on all working days upto the date of ensuing Annual General Meeting.

The Directors recommend that this resolution be passed.

None of the Directors of the Company is in any way concerned or interested in this resolution.

Item No. 11

The Board of Directors have appointed M/s. Evangelos A. Glycofridis S.A. and reappointed M/s. Francisco Yap and M/s. Harvin Engineering as selling agents of the Company as per the terms set at item No. 11 of the Notice of the ensuing Annual General Meeting.

The services of the selling agents appointed by the Company are required to increase the level of export sales of the products of the Company. The selling agents are leading dealers in automobile spares, etc. with well equipped sales network in their respective areas.

The Directors recommend that this resolution be passed.

Copy of the agreements referred to in item No. 11 will be open for inspection at the Registered Office of the Company during office hours on all working days upto the date of ensuing Annual General Meeting.

None of the Directors of the Company is in any way concerned or interested in this resolution.

Coimbatore,
19th May 1997

By Order of the Board
L.G.VARADARAJULU
CHAIRMAN

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Progress

Capital
Rs. 55.1

Rs. 10/-
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Directors

As a part of our association with M/s.Denso Corporation, Japan, the Board at its meeting held on 17th March, 1997, co-opted Mr. Shigehiko Ito, Whole-time Director and Board Member of M/s.Denso Corporation, Japan, as additional Director under Section 260 of the Companies Act, 1956. Mr. Shigehiko Ito vacates office on the date of the forthcoming 25th Annual General Meeting and is eligible for appointment.

Mr. L.G. Varadarajulu, Mr. N. Duraiswamy, Mr. V. Chidambaram and Mr. D. Sarath Chandran retire by rotation at the ensuing Annual General Meeting and are eligible for reappointment.

Auditors

The Auditors of the Company, M/s. Suri & Co., retire at the ensuing Annual General Meeting and are eligible for reappointment.

Fixed Deposits

The Company had as on 31st March, 1997 deposits amounting to Rs. 17.5 millions which includes 47 deposits of Rs. 0.4 million unclaimed as on 31st March, 1997. Seventeen deposits amounting to Rs. 0.2 million have since been renewed/discharged. Reminders have been sent to unclaimed deposit holders for suitable instructions.

Subsidiary

The Statement relating to the subsidiary company, Integral Investments Limited pursuant to Section 212 of the Companies Act, 1956 together with its Balance Sheet as at 31st March, 1997 and the Profit and Loss account for the year ended 31st March, 1997 is annexed hereto.

Industrial Relations & Human Resource Development

Industrial relations during the period under review continues to be cordial. As in the past, the Company has paid full attention for the development of the human resources through continuous training and development programmes.

Personnel

Information in accordance with sub-section (2A) of Section 217 of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, as amended, is annexed to and forms part of this Report.

Conservation of Energy

Our Company is not a power intensive industry. However, the Company continues its efforts to improve the methods of energy conservation and utilisation.

Research and Development and Technology Absorption

R & D activities of the Company were concentrated in the areas of new product development and improvement in the existing products. As a result of this, your Company has achieved ability to deliver a range of products as per customers specification.

The Company strives continuously to enhance quality and deliver the products to suit changing needs of domestic and overseas markets.

4. Expenditure on R & D :	(Rs. in Millions)
Capital	11.36
Recurring	32.18
Total (Other than indirect overhead expenses)	43.54

Total R & D expenditure other than indirect overhead expenses as a percentage of total turnover net of excise duty is 3.33%.

Acknowledgements

The Board of Directors wish to thank shareholders, customers, dealers, suppliers, bankers, financial institutions and collaborators for their unstinted support and co-operation.

The Board of Directors wish to place on record their appreciation for the excellent support and contribution made by the employees at all levels towards achieving the objectives of the Company.

By Order of the Board
L.G. VARADARAJULU
CHAIRMAN

Coimbatore, 19th May, 1997

ANNEXURE TO DIRECTORS' REPORT

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PARTICULARS OF EMPLOYEES PURSUANT TO SECTION 217 (2A) OF THE COMPANIES ACT, 1956 READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 AND FORMING PART OF THE REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST MARCH, 1997.

Sl. No.	Name & (Age)	Designation / Nature of Duties	Remuneration		Qualification & Experience (Years)	Date of Commence- ment of Employment	Last Employment
			Gross Rs.	Net Rs.			
1.	D. Vijay Mohan (49)	Vice Chairman & Managing Director General Management of affairs of the Company	1,697,497	1,048,640	B.E. (Mech.), Master of Management Science (USA) (24)	03.04.1973	---
2.	K. Janardhanan (54)	Vice President - Operations	430,764	297,148	B.E. (Mech.) (28)	14.05.1979	Premier Breweries Ltd.
3.	S. Jagdishan (49)	Vice President - Marketing	401,011	289,855	D.M.E. (29)	30.08.1979	Asia Automotive Ltd.
4.	K.C. Parameswaran (52)	General Manager - Marketing	390,419	286,491	B.Sc., D.M.I.T. (29)	09.05.1975	Formica India Ltd
5.	G. Ranganathan (41)	General Manager - Manufacturing Engg.	377,935	268,253	B.E. (Hons.) M.Tech. (17)	28.07.1980	---
6.	G. Joseph Thanaraj (56)	Dy. General Manager - Tool Room	359,581	255,459	B.E. (Mech.) (34)	02.12.1991	Simco Engg. Ltd.
7.	P.S. Srinivasan (50)	Dy. General Manager - Production & Supply (Electronics)	351,141	257,584	B.Sc., B.Tech. (27)	21.09.1984	Continental Device
8.	Lt.Col.S.Purushothaman (57)	Dy. General Manager - H R D	348,229	252,229	B.Sc. (30)	01.09.1993	Indian Army
9.	G. Damodaran (57)	Dy. General Manager - Plant Maintenance	341,380	242,213	Electrical Supervisory Certificate (38)	01.07.1974	Hotel Ashoka (P) Ltd.
10.	V. Sesisekar (46)	Dy. General Manager - Product Engg.	332,883	241,265	B.Tech. (26)	01.01.1974	GTTC
11.	K. Udhayakumar (48)	Dy. General Manager - Quality System	332,557	229,727	B.E. (23)	11.02.1976	PSG Foundry
12.	R. Krishnamurthi (46)	Dy. General Manager - Product Engg. (Elect.)	328,484	245,626	B.E. (22)	01.12.1983	T.I. & M. Sales Ltd.
13.	Col. K. Bhaskaran (59)	Dy. General Manager - Production & Supply (Defence)	319,938	230,563	D.B.M. (39)	07.10.1988	Indian Army
14.	Jatinder Punj (44)	Senior Manager - Marketing	319,647	265,021	B.A. (Hons.) (24)	17.02.1983	Fit Tight Nuts & Bolts Ltd.
15.	K.S. Seshadri (48)	Dy. General Manager - Strategic Material Source	302,475	220,490	B.E. (25)	16.01.1989	Madras Cements Ltd.
16.	M.H.J. Messiahdas (47)	Dy. General Manager - Production & Supply	301,004	215,421	B.E. (Elec. & Tele. Comm.) PGDIE & Productivity (21)	16.01.1989	Shardlow India Ltd.

- NOTE : 1. Mr. D. Vijay Mohan is related to Mr. L.G. Varadarajulu, Chairman and Mr. D. Sarath Chandran, Director.
 2. Nature of Employment whether contractual or otherwise : The Vice Chairman & Managing Director is appointed for a period of five years at a time. Rest of them are permanent employees of the Company.
 3. Gross remuneration includes salary, commission, performance reward, allowances, Company's contribution to provident fund, gratuity fund, service weightage and superannuation fund, reimbursement of medical and leave travel expenses.
 4. Net remuneration represents salary, commission, performance reward, allowances, reimbursement of medical and leave travel expenses less income-tax, contribution to gratuity fund, service weightage, provident fund and superannuation fund.