



PREMIER INSTRUMENTS & CONTROLS LIMITED

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

Mr. L.G. Varadarajulu
Chairman

Mr. N. Duraiswamy

Mr. L. Lakshman

Mr. E.K. Parthasarathy

Mr. Suresh Jagannathan

Mr. C.R. Swaminathan

Mr. K.N.V. Ramani

Mr. D. Sarath Chandran

Mr. M.D.Ranganath (ICICI Nominee)

Mr. Shigehiko Ito

Mrs. Vanitha Mohan

Executive Director

Mr. D. Vijay Mohan

Vice Chairman & Managing Director

COMPANY SECRETARY

Mr. V. Srinivasan

AUDITORS

M/s. Suri & Co.

Chartered Accountants

Coimbatore

BANKERS

Andhra Bank

State Bank of India

ANZ Grindlays Bank Limited

Deutsche Bank

ICICI Banking Corporation Limited

ABN Amro Bank

REGISTERED OFFICE

P.B. No. 6331

1087-A, Avanashi Road

Coimbatore - 641 037, India

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CONTENTS

	Page
Directors' Report	2
Auditors' Report	6
Balance Sheet	9
Profit & Loss Account	10
Schedules	11
Notes on Accounts	16
Cash Flow Statement	21
Accounts of the Subsidiary Company :	
Integral Investments Limited	22

FACTORIES**PLANT I**

Post Box No. 4209

Perianaickenpalayam,

Coimbatore - 641 020.

PLANT III

523/1, Chinnamathampalayam

Bilichi, Press Colony Post,

Coimbatore - 641 019.

PLANT II

Plot No. 267 Phase II,

Udyog Vihar,

Gurgaon - 122 016.

PLANT IV

2/192, Main Road,

Karamadai Post,

Coimbatore - 641 104.

DIRECTORS' REPORT

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Your Directors have pleasure in presenting the Twenty-seventh Annual Report together with the audited accounts for the financial year ended 31st March, 1999.

1998-99 IN RETROSPECT

Industrial performance has been dismal with major sectors registering low and negative growth rates. The automotive industry except the motorcycle segment has also been affected due to economic slow down and continuous recession. The international trade has also been sluggish with export to several South East Asian countries, Turkey, Latin American and South American countries slowing down. It was a tough period as vehicle manufacturers cut production to match falling demand, thereby reducing the off-take of components. Besides, in their anxiety to control costs and to be competitive, vehicle manufacturers have not given any price increase to offset the increase in input costs. This had an impact on your Company as evident from the fall in bottom line.

FINANCIAL HIGHLIGHTS	Year ended	
	31.3.99	31.3.98
	(Rupees in Millions)	
Net Sales & Service Charges	1437.006	1376.619
Profit before Interest, Depreciation and Tax	266.257	294.557
Less : Interest	63.175	51.219
Depreciation	103.615	84.158
Profit before Tax	99.467	159.180
Less : Tax Paid & Provision	35.016	48.000
Profit after Tax	64.451	111.180
Add : Balance Brought Forward from previous year	24.793	23.172
Add : Reserves no longer required for		
a. Debenture Redemption	6.000	3.500
b. Investment Allowance	10.700	—
c. Export Profit	0.370	—
Amount available for appropriation	106.314	137.852
Appropriations		
General Reserve	60.070	90.000
Dividend recommended 30% (Previous year 35%)	18.000	20.963
Dividend Tax	1.980	2.096
Balance carried forward	26.264	24.793
	106.314	137.852

PERFORMANCE

Your Company's overall turnover has marginally increased by 4.39% from Rs.1376.62 million to Rs. 1437.01 million for the year ended 31st March, 1999. Despite marginal increase in turnover, the net profit for the year was lower due to increase in operating expenses, interest and depreciation. Further, the increase in input cost could not be transformed into matching price realisation.

FUTURE OUTLOOK

Your Company is hopeful of turn around from this situation during the current year. Your Company in order to maintain growth has decided to broad base its product portfolio, by diversifying within the automotive component segment - Disc Brake and Idle Speed Control Valve (ISCV).

With the strong support of our partner, M/s. DENSO Corporation, Japan, for core products and ISCV coupled with commitment of the entire management team backed by a loyal and dedicated workforce, your Company is confident of facing future challenges.

EXPORTS

Your Company's export turnover has increased from Rs. 167.64 million to Rs. 188.98 million recording a modest growth of 12.73%. Exports continues to be key thrust area of the Company. Efforts are being taken for substantial increase in exports during the current year.

DIVIDEND

The Directors recommend a dividend of Rs. 3 per equity share of Rs. 10/- each aggregating Rs. 18 Million.

FINANCE

Your Company continued to maintain the highest credit rating from ICRA of **A1+** for commercial paper and high credit rating from Crisil of **FAA** for fixed deposits. The total amount of deposits with the Company as on 31st March, 1999 was Rs. 46.17 million which includes 34 deposits of Rs. 0.32 million unclaimed as on 31st March, 1999. 12 Deposits amounting to Rs. 0.12 Million have since been renewed/discharged. Reminders have been sent to unclaimed deposit holders for suitable instructions.

DIRECTORS

Mr. L.G. Varadarajulu, Mr. N. Duraiswamy, Mr. K.N.V. Ramani and Mr. C.R. Swaminathan retire by rotation at the ensuing Annual General Meeting and are eligible for reappointment.

Mr. V. Chidambaram resigned from the Board of Directors of the Company, with effect from 29th October, 1998. The Board of Directors places on record their warm appreciation of the valuable contributions made by Mr. V. Chidambaram during his association of over 16 years as a Director from 24th March, 1982.

Mr. V. Ramakrishna resigned from the Board of Directors of the Company, with effect from 28th May, 1999. The Board of Directors places on record their warm appreciation of the valuable contributions made by Mr. V. Ramakrishna during his association of over 10 years as a Director from 27th December, 1988.

Mr. V. Srinivasan, who was appointed by ICICI Limited as their representative on the Board of Directors of the Company since 21st May, 1993 ceased to be a Director of the Company, with effect from 12th January, 1999. In his place ICICI has appointed Mr. M.D. Ranganath as their representative on the Board of Directors of the Company, with effect from 13th January, 1999. The Board places on record its warm appreciation of the valuable services rendered by Mr. V. Srinivasan during his tenure of office.

Mrs. Vanitha Mohan has been appointed as an Executive Director of the Company with effect from 1st June, 1999 for a period of five years, subject to the approval of the members at the ensuing annual general meeting.

AUDITORS

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

INDUSTRIAL RELATIONS & HUMAN RESOURCE DEVELOPMENT

Industrial relations during the period under review continued to be cordial. Your Company has always treated people as its prime assets. In today's highly

competitive environment, your Company has embarked on a planned and continuing strategy encompassing all facets of human resource management.

STATUTORY STATEMENTS

As required by Section 212 of the Companies Act, 1956, a statement showing the Company's interest in the subsidiary along with audited accounts is enclosed to the Balance Sheet of the Company.

The statement showing the particulars of conservation of energy, technology absorption and foreign exchange earning and outgo pursuant to Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is given in the annexure forming part of this report.

As required by the provisions of Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, the names and other particulars of employees are set out in the Annexure forming part of this Report.

INFORMATION TECHNOLOGY, YEAR 2000 COMPLIANCE (Y2K)

Your Company achieved Year 2000 (Y2K) compliance for all its operations, thus meeting the self imposed deadline of December 31, 1998. As the work in compliance of Y2K has been carried out over a period of two years along with modification and development of the software by the Company's personnel, the exact cost involved for Y2K compliance alone has not been ascertained.

ACKNOWLEDGEMENTS

Your Directors take this opportunity to express their grateful appreciation for the excellent co-operation and unstinted support received from shareholders, customers, dealers, suppliers, bankers, financial institutions and collaborators. Your Directors also thank the employees of the Company for their valuable services and support during the year under review.

Coimbatore
28th May, 1999

For and on behalf of the Board
L.G. VARADARAJULU
CHAIRMAN

ANNEXURES TO DIRECTORS' REPORT**+ pricol +**

Statement pursuant to Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

Expenditure on R & D :	(Rs. In Million)
(Other than indirect overhead expenses)	
Capital	6.87
Recurring	35.70
	42.57

A. CONSERVATION OF ENERGY

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

Total R & D expenditure other than indirect overhead expenses as a percentage of total turnover net of excise duty is 2.96%.

The R & D Department continued to assimilate imported technologies to suit conditions in India and in overseas market.

B. TECHNOLOGY ABSORPTION**I. Research and Development**

The Research & Development activities of your Company were focused in the areas of technology upgradation, new product development, quality improvement and cost reduction.

The R & D Centre of your Company continued to provide strong support base towards new product development, improvement in the existing products, quality enhancement and technology upgradation to cater the products to suit changing needs and preferences of the customers.

Sustained and continuous efforts are being made to achieve international standard by upgradation of technology, improving quality of the products, increasing productivity through cost effective programmes and value engineering techniques.

Further, the activities of the R & D Centre continues to be consolidated through collaborative interaction with DENSO Corporation, Japan.

II. Technology Absorption, Adaptation and Innovation**Status of Technology Imported during the last five years**

The technologies imported from M/s.Nippon Seiki Co. Ltd., Japan, during the year 1996 for manufacture of instruments and senders for Honda EK Model Car and during the year 1997 for manufacture of C-2 type 45 degree Angular Speedometer Movement for two-wheeler application have been fully absorbed.

The technologies imported during the year 1998 from (a) M/s.DENSO Corporation, Japan, for upgradation of technology in the manufacture of four wheeler instruments, (b) M/s.Toyoda Gosei Co. Ltd., Japan, for manufacture of Nitrile Rubber Floats and (c) M/s. Kojima Press Industry Co. Ltd., Japan, for manufacture of Heater Control Devices of Motor Vehicles are under absorption.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

During the year, the Company's foreign exchange earnings were Rs. 190.46 million. The expenditure in foreign currency on account of revenue was Rs. 82.55 million and capital goods was Rs. 62.62 million. Net foreign exchange earned was Rs. 45.29 million.

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, 1999.

Name & (Age)	Designation / Nature of Duties	Remuneration		Qualification & Experience (Years)	Date of Commencement of Employment	Last Employment
		Gross Rs.	Net Rs.			
D. Vijay Mohan (51)	Vice Chairman & Managing Director General Management of affairs of the Company	1,494,079	787,783	B.E. (Mech.), Master of Management Science (USA) (26)	03.04.1973	—

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

TEN YEAR PERFORMANCE AT A GLANCE

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Rupees in Millions

OPERATING RESULTS

Year Ending 31st March	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Net Turnover	321.44	371.87	397.07	445.00	598.44	846.11	1100.76	1308.36	1376.62	1437.01
Production	323.73	382.62	400.18	441.65	590.17	846.27	1105.58	1330.85	1383.95	1432.01
Gross Surplus from operation	55.46	66.90	71.76	76.22	100.37	165.07	192.35	279.94	287.38	259.10
Other Income	0.10	0.20	0.39	18.27 *	0.83	1.45	8.27	11.59	11.29	9.07
Lease Finance Charges	5.14	7.65	8.76	8.34	9.42	8.07	6.13	5.29	4.12	1.91
Depreciation	13.30	14.64	18.07	19.02	20.68	39.53	46.55	63.63	84.16	103.62
Interest (Net) (a)	21.17	29.11	37.00	33.89	24.06	8.54	24.65	62.30	51.22	63.17
Profit before tax (b)	15.95	15.70	8.32	33.24 *	47.04	110.38	123.29	160.31	159.18	99.47
Tax (Net)	1.71	5.00	1.07	7.54	21.70	33.12	8.76	42.64 #	50.10 #	37.00 #
Profit after tax (c)	14.24	10.70	7.25	25.70	25.34	77.26	114.53	117.67	109.08	62.47
Dividend (d)	3.38	3.38	4.52	5.42	6.62	12.84	19.30	19.30	20.96	18.00
Retained Profit	10.86	7.32	2.73	20.28	18.72	64.42	95.23	98.37	88.12	44.47

As at 31st March	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
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SOURCES OF FUNDS

Share Capital	22.50	22.50	30.10	30.10	30.10	41.35	55.13	55.13	60.00	60.00
Reserves & Surplus	39.15	46.47	60.61	80.90	102.74	246.69	351.80	450.18	646.37	690.83
Networth (e)	61.65	68.97	90.71	111.00	132.84	288.04	406.93	505.31	706.37	750.83
Borrowed Funds (f)	158.32	196.83	195.49	151.75	158.18	157.99	330.96	434.47	478.91	670.52
Total capital employed (g)	219.97	265.80	286.20	262.75	291.02	446.03	737.89	939.78	1185.28	1421.35

APPLICATION OF FUNDS

Gross Fixed Assets	162.51	199.11	223.42	192.95	232.46	367.12	583.35	772.05	992.50	1273.51
Depreciation	48.95	63.47	81.55	91.75	111.97	151.01	197.11	260.56	343.32	446.88
Net Fixed Assets	113.56	135.64	141.87	101.20	120.49	216.11	386.24	511.49	649.18	826.63
Investments	2.70	3.00	3.00	3.03	5.53	30.45	30.45	78.44	76.10	76.10
Net Current Assets	103.71	127.16	141.33	158.52	165.00	199.47	321.20	349.85	460.00	518.62
Net Assets Employed	219.97	265.80	286.20	262.75	291.02	446.03	737.89	939.78	1185.28	1421.35

PERFORMANCE INDICATORS

Equity shares of Rs. 10/- each in millions (h) Nos.	2.25	2.25	3.01	3.01	3.01	4.14	5.51	5.51	6.00	6.00
Rights Issue	—	—	1:3	—	—	—	1:3	—	—	—
Bonus Issue	1:2	—	—	—	—	—	—	—	—	—
Earnings per share (c/h) Rs.	6.33	4.76	2.41	8.54	8.42	18.66	20.79	21.36	18.18	10.41
Dividend per share (d/h) Rs.	1.50	1.50	1.50	1.80	2.20	3.50 \$	3.50	3.50	3.50 \$	3.00
Networth per share (e/h) Rs.	27.40	30.65	30.14	36.88	44.13	69.57	73.85	91.71	117.73	125.14
Total Debt : Networth (f:e) Ratio	2.57:1	2.85:1	2.16:1	1.37:1	1.19:1	0.55:1	0.81:1	0.86:1	0.68:1	0.89:1
Return on capital employed [(a+b)/g] %	16.83	16.59	15.38	25.40	24.43	26.66	20.05	23.69	17.75	11.44
Return on Networth (c/e) %	23.10	15.51	7.99	23.15	19.08	26.82	28.14	23.29	15.44	8.32

* Includes profit on sale of assets of Rs. 15.74 Millions and the gratuity provision of Rs. 2.12 Millions written back.

\$ On pro-rata basis with respect to date of allotment.

Includes Tax on Dividend.

REPORT OF THE AUDITORS TO THE SHAREHOLDERS**+ pricol +**

We have examined the accounts of Premier Instruments & Controls Limited, Coimbatore, for the year ended 31st March, 1999 and the attached Balance Sheet as at 31st March, 1999 and the Profit and Loss Account for the year ended on that date annexed thereto and report that :

In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with the attached schedules and notes thereon give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view :

- 1) In the case of the Balance Sheet, of the Company's affairs as at the end of the financial year, and
- 2) In the case of the Profit and Loss Account, of the Profit for the year.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.

In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of such books.

The Company's Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the books of account.

In our opinion the Profit and Loss Account and Balance Sheet of the Company comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.

As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988, issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956, we have further to report as under :

- 1) The Company has maintained proper records to show full particulars including quantitative details and situation of fixed assets. The fixed assets have been physically verified by the Management during the year and no discrepancies have been noticed on such verification.

- 2) The fixed assets of the Company have not been revalued during the year.
- 3) The stocks of finished goods, spare parts and raw materials have been physically verified during the year by the Management. In our opinion, the frequency of verification is reasonable.
- 4) The procedures of physical verification of stocks followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- 5) The discrepancies noticed on verification between the physical stocks and the book records were not material.
- 6) On the basis of our examination of stock records, we are of the opinion that the valuation of stocks is fair and proper in accordance with the normally accepted accounting principle, and is on the same basis as in the preceding year.
- 7) The Company has not taken any loans secured or unsecured from Companies, Firms and other parties listed in the register maintained under Section 301 of the Companies Act, 1956, and / or Companies within the purview of sub-section (1B) of Section 370 of the Companies Act, 1956.
- 8) The Company has granted unsecured loans to Companies, listed in the register maintained under Section 301 of the Companies Act, 1956. The rate of interest and other terms and conditions are prima facie not prejudicial to the interest of the Company.
- 9) Loans and advances in the nature of loans have been given only to employees who are repaying the principal amount as stipulated and no interest is chargeable on the outstanding amounts.
- 10) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchases of stores, Raw

- Materials including components, Plant and Machinery, Equipment and other assets and with regard to the sale of goods.
- 11) In our opinion and according to the information and explanations given to us, the transactions of purchase of goods and materials and sale of goods, materials and services, made in pursuance of contracts or arrangements entered, in the registers maintained under Section 301 and aggregating during the year to Rs. 50,000/- or more in respect of each party have been made at prices which are reasonable having regard to prevailing market prices for such goods, materials or services or the prices at which transactions for similar goods, materials or services have been made with other parties.
- 12) As explained to us, the Company has a regular procedure for the determination of unserviceable or damaged stores, raw materials and finished goods. Adequate provisions have been made in the accounts for the loss arising from the items so determined.
- 13) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 58A of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975, with regard to the deposits accepted from public.
- 14) In our opinion, reasonable records have been maintained by the Company for the sale and disposal of the realisable scrap. The Company has no by-products.
- 15) In our opinion, the Company has an Internal Audit system commensurate with the size of the Company and the nature of its business.
- 16) The Central Government has not prescribed the maintenance of cost records under Section 209(1)(d) of the companies Act, 1956.
- 17) According to the records of the Company Provident Fund and Employees' State Insurance
- dues have been regularly deposited during the period with the appropriate authorities.
- 18) To the best of our knowledge and according to the information and explanations given to us, there are no undisputed amounts of taxes and duties outstanding for a period of more than six months from the date they became payable as on the Balance Sheet date.
- 19) According to the information and explanations given to us, there are no expenses of a personal nature charged to Profit and Loss Account.
- 20) The Company is not a sick industrial Company within the meaning of Clause (o) of Sub-section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.
- 21) In respect of service activities :-
- a) The Company has a reasonable system of recording receipts, issues and consumption of stores and commensurate with its size and nature of its business, such system provides for a reasonable allocation of the materials and man-hours consumed to the relative jobs.
- b) There is a reasonable system of authorisation at proper level with necessary control over issue of stores and allocation of stores and labour to jobs and there is a reasonable system of internal control commensurate with the size of the Company and the nature of its business.
- 22) In respect of Company's trading activities, we are informed that there are no damaged goods require determination.

For Suri & Co.,

S.Swaminathan

Partner

Chartered Accountants

Coimbatore

28th May, 1999