

Annual Report 2001



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. K.C. Bellarmine (ICICI Nominee)
 Mr. Shigehiko Ito
 Mr. Yasushi Nei, Alternate Director to Mr. Shigehiko Ito
 Mrs. Vanitha Mohan, Executive Director

Mr. 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
 Standard Chartered Grindlays Bank Limited
 ICICI Bank Limited
 ABN Amro Bank N.V.
 Indus Ind Bank Limited

REGISTERED OFFICE

P.B. No. 6331
 1087-A, Avanashi Road
 Coimbatore - 641 037, India
 Ph : 0422-211520 (5 lines) Fax : 0422-210028
 E-mail : city@pricol.co.in

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Integral Investments Limited	28

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**+ pricol +**

Your Directors have pleasure in presenting the Twenty-ninth Annual Report on the business and operations of the Company together with the audited accounts for the financial year ended 31st March, 2001.

FINANCIAL RESULTS

The summarised financial results are :

	2000-2001	1999-2000
	(Rupees in Million)	
Net Sales		
– Domestic	2303.48	1815.48
– Export	274.94	221.96
Total	2578.42	2037.44
Profit Before Interest and Depreciation	487.33	407.77
Less : Interest (Net)	109.79	91.68
Depreciation	151.83	128.42
Profit Before Tax	225.71	187.67
Less : Provision for Taxation	63.00	50.00
Profit After Tax	162.71	137.67
Add : Balance Brought Forward from previous year	29.79	26.27
Reserves no longer required	—	12.50
Amount available for appropriation	192.50	176.44

DIVIDEND

Your Directors recommend a dividend of 40% on the paid-up equity share capital of the Company for the year ended 31st March, 2001.

Appropriations

Dividend 40% (Previous year 40%)	24.00	24.00
Tax on Dividend	2.45	2.64
General Reserve	20.00	120.00
Surplus to be carried over	146.05	29.80
	192.50	176.44

2000-2001 IN RETROSPECT

The fiscal year 2000-01 had witnessed a slow-down in the automobile industry. Commercial vehicle sales dropped by 12.2% during 2000-01 as compared to the previous year. In the passenger car segment, the decline was 7.4% over the previous year. In the two-wheeler segment, the scooter sales plunged by 28.1% and moped sales by 5.3%. However the motor cycle sales surged by 20%. Despite the slow-down, your Company, with diversified range of products, was able to achieve an increase in turnover of 26.55% over the previous year. As the demand across all segments of the auto industry hit a lower level, auto companies tightened their belts by reducing the inventories, offering discount on vehicle prices and squeezing the vendors to further reduce the prices of the components. Your Company had to absorb increases in costs and could not pass on the same to the customers. To some extent we were able to offset these increased costs by realising benefits from the improvement programmes. This has resulted in an increase in the profit before tax by 20.27%.

FUTURE OUTLOOK

The slow-down in the automobile sector this year is a passing phase and we will soon witness an uptrend. An 8% cut in excise duty on domestic automobiles and an increase in the basic customs duty on import of Completely Built Units (CBU) of cars and two-wheelers from 35% to 60% will give a sigh of relief to the domestic automobile manufacturers.

With the removal of quantitative restrictions from 1st April this year, there are about 1500 items which are under threat of free imports including vehicles and components. We can meet the challenge only if we are capable of controlling the cost of production with higher quality, improved technology and commitment to achieve.

Your Company, with a dedicated management team and work force alongwith the strong support of our partner, M/s. DENSO Corporation, Japan, is confident of meeting the future challenges facing the industry.

EXPORTS

The export turnover has recorded a growth of 23.87% from Rs. 221.96 million to Rs. 274.94 million during 2000-01. We are striving continuously for increase in export turnover. We expect only a marginal increase in exports during the current year due to an economic slow-down in the developed countries.

FINANCE

Your Company continues to hold highest rating of **A1+** from ICRA for commercial paper and high rating of **FAA** from Crisil for fixed deposits. The total amount of deposits with the Company as on 31st March, 2001 was Rs. 141.51 million, which includes 115 deposits of Rs. 1.38 million unclaimed as on 31st March, 2001. 58 Deposits amounting to Rs. 0.68 million have since been renewed/discharged. Reminders have been sent to unclaimed deposit holders for suitable instructions.

TERRA AGRO

Pricol is one of the main Promoters of Terra Agro Technologies Limited, a 100% export-oriented unit engaged in scientific cultivation of vegetables and hot air dehydration processing of the same. Pricol has invested in the equity, preference shares and bonds of Terra apart from giving a corporate guarantee to banks and financial institutions. When the project was conceived in 1995, the international market for dehydrated vegetables were very good and the prices were ruling high. But when the project was completed after getting various government approvals for holding more than 1000 acres of land, rights for drawing water from the river, development of farm, establishing the processing factory and the commencement of production in 1998, the market scenario underwent a sea change and the prices declined considerably due to new players from China, South Africa and Turkey. Because things did not turn out to be as planned, further financial support required for Terra was not forthcoming from the Bankers. Pricol's subsidiary has extended financial support for continuing the operations. Terra, in the last one year, has established itself with *importers and end-users as a quality supplier of dehydrated vegetables*. Recent price offerings are gradually moving towards favourable levels. To safeguard Pricol and its subsidiary's exposure in Terra and as Pricol with its infrastructure and established business practices could run Terra's processing factory more efficiently, it was decided by the Board of Directors of Pricol to run the operations of the processing factory on leave and license basis with effect from January, 2001.

DIRECTORS

Mr. L.G. Varadarajulu, Mr. L. Lakshman and Mr. E.K. Parthasarathy 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.

GUJARAT EARTHQUAKE RELIEF FUND

To join the nation in alleviating the sufferings of the victims of the earthquake, your Company and the employees jointly made a contribution of Rs. 1.25 million to Gujarat Earthquake Relief Fund.

INDUSTRIAL RELATIONS & HUMAN RESOURCE DEVELOPMENT

Industrial relations during the period under review continued to be harmonious. A long term agreement was signed with the Workers Union during the year under review. People have always been Pricol's greatest asset. To meet the organisation's overall business plans, and the current and future challenges facing the industry, the training and HRD functions have been restructured, focussing mainly to orient the employees to the changing environment and growing competition.

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 earnings 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.

AUDIT COMMITTEE

Your Company has constituted an Audit Committee comprising of Mr. K.N.V. Ramani as Chairman, Mr. C.R. Swaminathan and Mrs. Vanitha Mohan as members of the committee.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors confirm :

- a. that the applicable accounting standards have been followed along with proper explanation wherever required in the preparation of Annual Accounts.
- b. that the Company has adopted prudent accounting policies.
- c. that proper care has been taken for maintenance of accounting records in accordance with the provisions of the Act and

- d. that the Annual Accounts of the Company have been prepared on a going concern basis.

ACKNOWLEDGEMENTS

The Board wishes to place on record its appreciation of the excellent co-operation and support received from employees, shareholders, customers, dealers, suppliers, bankers, financial institutions and collaborators.

Coimbatore
30th May, 2001

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

ANNEXURES TO DIRECTORS' REPORT

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.

A. CONSERVATION OF ENERGY

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

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

The Research & Development activities were mostly focused in the areas of new product development, improvement in the existing products and value engineering to suit specific requirements of the customers.

The benefits derived as a result of the above R & D are new product development, quality improvement, cost reduction and value addition.

The R & D efforts continues to further improvements in the existing products, introduction of new products and value engineering with the collaborative interaction with DENSO Corporation, Japan.

Expenditure on R & D :	(Rs. in Million)
Capital	13.437
Recurring	59.859
Total	73.296
R & D expenditure as a percentage of total turnover	2.84%

II. Technology Absorption, Adaptation and Innovation**Imported Technology**

The technologies imported from M/s. Nippon Seiki Co. Ltd., Japan, 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 for manufacture of instruments for automotive vehicles (excluding two-wheelers) and/or stationary engines, (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 for Motor Vehicles have also been fully absorbed.

Further, technologies imported from M/s. DENSO Corporation, Japan, during the year 2001 for manufacture of Vacuum Switching Valves, Manifold Absolute Pressure Sensors and Speed Sensors for automotive vehicles have been in the process of absorption. The technology imported during the year 2000 from M/s. Deok Chang Machinery Co. Ltd., Korea, for manufacture of Disc Brake system for two-wheelers have been fully absorbed.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

During the year the Company's foreign exchange earnings were Rs. 270.47 million (Rs. 221.13 million in 1999-2000). The expenditure in foreign currency on account of revenue was Rs. 393.48 million (Rs. 206.12 million in 1999-2000) and the capital expenditure was Rs. 70.16 million (Rs. 45.88 million in 1999-2000).

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, 2001.

Name & (Age)	Designation / Nature of Duties	Remuneration		Qualification & Experience (Years)	Date of Commence- ment of Employment	Last Employment
		Gross Rs.	Net Rs.			
Vijay Mohan (53)	Vice Chairman & Managing Director General Management of affairs of the Company	3,524,374	2,411,646	B.E. (Mech.), Master of Management Science (USA) (28)	03.04.1973	—

- NOTE :
1. Mr. Vijay Mohan is related to Mr. L.G. Varadarajulu, Chairman, Mr. D. Sarath Chandran, Director and Mrs. Vanitha Mohan, Executive Director.
 2. The Vice Chairman & Managing Director is appointed for a period of five years at a time.
 3. Gross remuneration comprises salary, commission, allowances, monetary value of perquisites and the Company's contribution to provident fund, gratuity fund and superannuation fund.
 4. Net remuneration is after tax and is exclusive of contributions to provident fund, gratuity fund and superannuation fund.

REPORT ON CORPORATE GOVERNANCE**+ pricol +**

The Code on Corporate Governance introduced by Securities and Exchange Board of India is required to be implemented in terms of the Listing Agreements with the Stock Exchanges on or before 31st March, 2002. Your Company has complied with a substantial portion of the code and is providing herewith the information for the benefit of the shareholders.

The Company's Philosophy on Code of Governance

The Company is being managed and controlled by the Board of Directors. More than 50% of the Board is comprised of independent Directors. The members of the Board are well experienced professionals and industrialists. The day to day management is conducted by the Vice Chairman & Managing Director, subject to the supervision, control and direction of the Board of Directors and is assisted by the Executive Director.

Board of Directors :

Name of the Director	Category	No. of Board Meetings attended	Number of other Directorship		
			Public Company	Private Company	Foreign Company
Mr. L.G. Varadarajulu (Chairman)	Non-Executive - Promoter	5	14	4	5
Mr. N. Duraiswamy	Non-Executive - Independent	5	1	—	—
Mr. L. Lakshman	Non-Executive - Independent	2	10	—	—
Mr. E.K. Parthasarathy	Non-Executive - Independent	4	1	1	—
Mr. Suresh Jagannathan	Non-Executive - Independent	4	4	1	—
Mr. C.R. Swaminathan	Non-Executive - Independent	5	1	—	—
Mr. K.N.V. Ramani	Non-Executive - Independent	5	4	—	—
Mr. D. Sarath Chandran	Non-Executive - Promoter	5	11	2	1
Mr. K.C. Bellarmine	ICICI-Nominee-Independent	4	1	—	—
Mr. Shigehiko Ito	Non-Executive - Independent	1	—	—	11
Mr. Yasushi Nei	(Alternate Director to Mr. Shigehiko Ito)	2	1 (Alternate Director)	1	—
Mrs. Vanitha Mohan (Executive Director)	Executive - Promoter	4	2	2	—
Mr. Vijay Mohan (Vice Chairman & Managing Director)	Executive - Promoter	5	9	1	—
Number of Board meetings held	5				
Dates on which Board Meetings held	03.06.2000, 28.07.2000, 23.10.2000, 23.02.2001 & 15.03.2001				

Directors retiring by rotation and being reappointed

Mr. L.G. Varadarajulu, Diploma in Automobile Engg., aged 72 years, is a leading industrialist. He is one of the promoters of the Company. He is a Director of the Company since the date of incorporation, viz. 6th March, 1972 and he is the Chairman of the Company. He is also Chairman of Elgi Equipments Limited, Elgitread (India) Limited, Elgi Rubber Products Limited and Precot Mills Limited. He is a Director on the Boards of Rayalaseema Technologies Limited, Elgitread (International) Limited, Elgi Ultra Industries Limited, Meridian Industries

Limited, L.G. Balakrishnan & Bros. Limited, Elgi Automotive Services Limited, L.G.B. Auto Products Limited, Lakshmi Synthetic Machinery Manufacturers Limited, Magna Electro Castings Limited, Terra Agro Technologies Limited, Tyre Point Pvt. Limited, Vredestein Elgi Recycling Pvt. Limited, Ellargi Investments Pvt. Limited, Ellargi & Co. Pvt. Limited, Elgitread (Kenya) Limited, Elgitread (Mauritius) Limited, Elgitread Lanka (P) Limited, Elgitread (Tanzania) Limited and Elgitread (Bangladesh) Limited.

Mr. L. Lakshman, B.E. (Mech.), aged 54 years, is a leading industrialist. He is a Director of the Company since 24th March, 1982. He is the Chairman and Managing Director of Rane (Madras) Limited and Rane Brake Linings Limited, Chennai. He is also the Chairman of Rane Engine Valves Limited, Rane TRW Steering Systems Limited, Rane Nasteck Limited, TRW Rane Occupant Restraints Limited and Techcons Limited. He is a Director on the Boards of JMA Rane Marketing Limited, Rane Auto Components (Madras) Limited and Kar Mobiles Limited.

Mr. E.K. Parthasarathy, C. Engg. M.I. Prod. E (Lond.), M.Sc. (Cranfield), B.E., aged 64 years, is a leading industrialist. He is a Director of the Company since 24th March, 1982. He is also a Director on the Boards of Madras Engineering Industries Limited and Karkit Pvt. Ltd.

Audit Committee :

a. Brief description of terms of reference.

Review of financial statements before submission to the Board, focusing primarily on:

- Any changes in accounting policies and practices.
- Major accounting entries based on exercise of judgement by management.
- Qualifications in draft audit report.
- Significant adjustments arising out of audit.
- The going concern assumption.
- Compliance with accounting standards.
- Compliance with stock exchange and legal requirements concerning financial statements.
- Any related party transactions i.e. transaction of the company of material nature, with promoters or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of Company at large.

b. Composition, name of members and Chairman, meetings and attendance.

Name of the member	Category	Date of Meeting(s)	Attendance
Mr. K.N.V. Ramani (Chairman)	Non-Executive - Independent	21.05.2001	Attended
Mr. C.R. Swaminathan	Non-Executive - Independent	21.05.2001	Attended
Mrs. Vanitha Mohan	Executive - Promoter	21.05.2001	Attended

The Company Secretary, Deputy General Manager - Finance & Secretarial and Statutory Auditors were also present at this meeting.

Shareholders / Investors Relations Committee :

The committee comprises of Mr. L.G. Varadarajulu, Mr. D. Sarath Chandran, Mr. Vijay Mohan and Mrs. Vanitha Mohan. The Chairmanship of the committee is vested with any of the non-executive Directors. Mr. V. Srinivasan, Company Secretary, is the Compliance Officer.

Complaints in the nature of non-receipt of dividend warrants were received from the shareholders during the year and the same were resolved to the satisfaction of the shareholders.

General Body Meetings :

a. Location and time, where last three AGMs held

Year	Location	Date	Time
1998	Chamber of Commerce Building, 8/732, Avanashi Road, Coimbatore - 641 018.	07.08.1998	4.30 p.m.
1999	Chamber of Commerce Building, 8/732, Avanashi Road, Coimbatore - 641 018.	06.08.1999	4.30 p.m.
2000	Ardra Conferencing Centre, 9, North Huzur Road, Near Codissia Towers, Coimbatore - 641 018.	18.08.2000	4.30 p.m.

b. Whether special resolutions were passed : YES.

Details of Special resolutions passed in the last three AGMs

Year	Special resolution
1998	1. Appointment/ reappointment of agents abroad for export promotion.
1999	1. Increase of Authorised share capital from Rs. 60 million to Rs. 70 million. 2. To borrow money from M/s. Denso Corporation, Japan, with an option to convert the loan into equity. 3. Appointment/ reappointment of agents abroad for export promotion. 4. Alternation of Articles of Association – Dematerialisation of securities.
2000	1. Appointment/ reappointment of agents abroad for export promotion. 2. Delisting of shares from Bangalore Stock Exchange.

Means of communication

a. Quarterly / Half yearly results	Publication in newspapers.
b. Which newspapers normally published in	The Hindu / Business Line / Dinamani

General information :

AGM : Date Time Venue	10th August, 2001 4.30 p.m. Ardra Conferencing Centre, 9, North Huzur Road, Near Codissia Towers, Coimbatore - 641 018.
Financial Calendar	1st April to 31st March
Date of Book closure	17th July, 2001 to 10th August, 2001.
Dividend payment Date	10th August, 2001
Listing on Stock Exchanges	Coimbatore, Madras, National and Mumbai Stock Exchanges.
Stock code	NSE : PREMINSTR EQ BSE : 26109 MSE : PIS CSX : 21017

Market Price Data (Financial year - 01.04.2000 to 31.03.2001)

Month	National Stock Exchange		Bombay Stock Exchange	
	High	Low	High	Low
April 2000	150.50	128.00	150.00	135.00
May 2000	135.00	125.00	130.00	125.00
June 2000	159.85	125.15	153.00	125.00
July 2000	145.00	119.00	134.75	122.25
August 2000	122.00	108.00	115.05	110.00
September 2000	124.40	96.00	120.00	107.00
October 2000	115.00	88.00	115.00	105.05
November 2000	117.95	85.50	122.00	105.50
December 2000	114.00	98.00	117.00	101.00
January 2001	125.30	110.00	129.00	117.70
February 2001	136.00	112.50	138.00	120.00
March 2001	151.00	105.00	157.00	106.05

Registrar and Transfer Agents.**For Physical transfer :**

The physical share transfers are being done in-house by the Company's Secretarial Department at its Registered Office at P.B. No. : 6331, 1087 A, Avanashi Road, Coimbatore - 641 037.

For Dematerialisation of Shares :

The Company has appointed M/s. Integrated Enterprises (India) Ltd., 2nd Floor, 'Kences Towers', No. 1, Ramakrishna Street, North Usman Road, T. Nagar, Chennai - 600 017 as Registrar and Transfer Agents for dematerialisation of Company's shares.

Share Transfer System :

All share transfers are being processed in-house by the Secretarial Department. Certain Directors and Executives of the Company are severally empowered to approve the transfers.

In respect of transfers in physical form, the transfers are being processed within 10 days from the date of receipt, if the documents are complete in all respects. The Company also accepts and processes the transfer cum demat requests from the shareholders.

As regards the shares held in depository, the Company has evolved suitable sub-systems under which the information like beneficial ownership data downloaded by NSDL/CDSL are captured for the purpose of management information and for efficient service to the shareholders.

Shareholding pattern as on 31st March, 2001

Shares held by	No. of Shares	% to Total Paid-up capital
Promoters, Associates & Relatives	2235360	37.26
Foreign Collaborator - DENSO Corporation	750000	12.50
Foreign Institutional Investors	29250	0.49
Overseas Corporate Bodies	276150	4.60
Non-resident Indians	3981	0.07
Banks/Indian Financial Institutions	25348	0.42
Bodies Corporate	658558	10.97
Mutual Funds	6500	0.11
Public	2014853	33.58
Total	6000000	100.00