

Annual Report 2002



PREMIER INSTRUMENTS & CONTROLS LIMITED



PREMIER INSTRUMENTS & CONTROLS LIMITED

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

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the Thirtieth Annual General Meeting of the Shareholders of the Company will be held on Friday, the 23rd August, 2002 at 4.30 p.m. at Ardra Conferencing Centre, 9, North Huzur Road, Near Codissia Towers, Coimbatore - 641 018, to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2002 and the Profit and Loss Account for the year ended 31st March, 2002 and the Report of the Directors and the Auditors thereon.
2. To declare a dividend.
3. To appoint a Director in place of Mr. C.R. Swaminathan, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Mr. K.N.V. Ramani, who retires by rotation and being eligible, offers himself for reappointment.
5. To consider and, if thought fit, to pass with or without modification, the following resolution as an **Ordinary Resolution** :

"RESOLVED THAT the vacancy arising on the retirement of Mr. N. Duraiswamy, who has not opted for re-election be not filled up at the meeting".
6. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS

7. To consider and, if thought fit, to pass with or without modification, the following resolution as an **Ordinary Resolution** :

"RESOLVED THAT Mr.C.N.Srivatsan, who was appointed as an additional Director of the Company pursuant to the provisions of Section 260 of the Companies Act, 1956, and holds office up to the date of the Annual General Meeting and in respect of whom the Company has received a notice under Section 257 of the Companies Act, 1956, in writing proposing his candidature to the office of the Director, be and is hereby appointed as the Director of the Company, liable to retire by rotation."

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

"RESOLVED THAT subject to the provisions of Section 198, 309 and other applicable provisions, if any, of the Companies Act, 1956, the non-whole time Directors of the Company be paid a Commission of an amount not exceeding one percent of the Net Profit of the Company per annum as computed in accordance with the provisions of Sections 198, 349 and 350 of the Companies Act, 1956 for a period of five years, with effect from 1st April, 2002."

"RESOLVED FURTHER THAT quantum of commission payable to each non-whole time Director may be decided by the Board from time to time as it may deem fit."

"RESOLVED FURTHER THAT the Executive Director, Mrs. Vanitha Mohan, is also eligible for this commission so long as she is not drawing any managerial remuneration."

By Order of the Board

Coimbatore
20th May, 2002

L.G. VARADARAJULU
CHAIRMAN

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. Instruments of Proxy for use at the above meeting must be lodged at the Registered Office of the Company not less than 48 hours before the time appointed for the meeting.
3. The Register of Members of the Company will remain closed from 16th August, 2002 to 23rd August, 2002 (both days inclusive).
4. All documents referred in the above Notice and Explanatory Statement are open for inspection at the Registered Office of the Company during office hours.

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|---|---|
| <p>5. Members who are resident individuals and whose dividend exceeds Rs. 1,000/- (Rupees One Thousand only) but entitled to receive the dividend amount without deduction of tax at source may submit a declaration in duplicate in Form 15-G to the Company on or before 16th August, 2002.</p> | <p>6. As you are aware, under the Income Tax Rules, we have to furnish your Permanent Account Number (PAN) in the Tax Deduction Certificate to be issued to you relating to dividend on shares and in the Return to be filed with Income Tax Department. We therefore request you to furnish your Permanent Account Number (PAN).</p> |
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EXPLANATORY STATEMENT

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

Item No. 7

Mr. C.N. Srivatsan has joined the Board of Directors on 24th October, 2001 as an additional Director of the Company. He is a Bachelor of Commerce. He is a Fellow Member of the Institute of Chartered Accountants of India and Member of the Information Systems Audit and Control Association (ISACA) U.S.A, and The Institute of Internal Auditors, U.S.A. He is having business association with various consulting concerns. He is member of various committees, viz. Information Technology Control Practices Committee of ISACA, Board of Studies for E-Commerce of PSG College of Arts and Science, Coimbatore, Member of the Information Technology Committee of The Institute of Chartered Accountants of India for 2000-01 and Past President of Coimbatore Chapter of ISACA. He is in the consulting business for over 20 years. He is specialized in Information Systems Audit, Operations Audit, Business Process Re-engineering, Cost Reduction, Cost Control Techniques, Implementation of IT Governance and MIS. He has developed Realtime Processing Systems and Web applications. He has presented papers at many seminars and attended many international conferences on Information Systems Audit and Control. He is also a Director in Astral Management Consultants (P) Ltd and Autoprint Image Setters (P) Ltd.

None of the Directors except Mr.C.N.Srivatsan is in any way concerned or interested in this Resolution.

Item No. 8

Presently the Non-whole time Directors including Executive Director are not paid any remuneration for

their services, except sitting fees for each meeting of the Board and Committees thereof attended by them. It is felt that sitting fees are inadequate compensation for the time spent and responsibilities undertaken by the non-whole time Directors.

The Committee on Corporate Governance constituted by the Securities and Exchange Board of India has recommended that compensation payable to non-whole time Directors of companies should be adequate so as to encourage active participation in the deliberations at the meetings of the Board and Committees and also to attract independent professionals to take up these positions. The practice of payment of remuneration to non-whole time Directors has been adopted by many leading companies in India. It is therefore, proposed to pass the resolution under item No. 8 enabling the Company to make payment of remuneration in the form of commission to non-whole time Directors (including Executive Director who is not drawing any managerial remuneration) subject to the maximum of one percent of the Net Profit of the Company in a financial year. The quantum of Commission payable to each Director will be decided by the Board of Directors. The payment of sitting fees for attending the Board Meetings and Committees thereof has been dispensed with from 1st April, 2002. This resolution will be effective for a period of 5 years from 1st April, 2002.

All the Directors are deemed to be interested in this resolution.

<p>Coimbatore 20th May, 2002</p>	<p>By Order of the Board L.G. VARADARAJULU CHAIRMAN</p>
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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
Mr. C.N. Srivatsan
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
 ICICI Bank Limited
 IDBI Bank Limited
 IndusInd Bank Limited
 Bank of Nova Scotia

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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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 & MANAGEMENT ANALYSIS**+ pricol +**

Your Directors have pleasure in presenting the Thirtieth Annual Report on the business and operations of the Company together with the audited accounts for the financial year ended 31st March, 2002.

FINANCIAL RESULTS

The summarised financial results are :

(Rupees in Million)

Particulars	2001-2002				2000-01
	Automotive Instruments, Sensors & Accessories	Other automotive components	Others	Total	
Net Sales & Service Charges – Domestic	1666.24	515.96	156.19	2338.39	2316.08
– Export	116.67	70.55	—	187.22	274.94
Total	1782.91	586.51	156.19	2525.61	2591.02
Profit Before Interest and Depreciation				436.74	498.25
Less : Interest				134.77	120.71
Depreciation				171.97	151.83
Profit Before Tax				130.00	225.71
Less : Provision for :					
– Current Taxation				35.00	63.00
– Deferred Tax Liability				4.50	—
Profit After Tax				90.50	162.71
Add : Balance Brought Forward				146.06	29.79
Amount available for appropriation				236.56	192.50

INDUSTRY STRUCTURE AND DEVELOPMENTS

The Company is a leading automotive ancillary unit engaged in manufacture and sale of Automotive Instruments, Sensors & Accessories catering to the need of almost all the Original Equipment Manufacturers in India and replacement market, Idle Speed Control Valves to DENSO Haryana, Oil Pumps, Disc Brakes and other auto components to two wheeler segment.

Automotive industry is a customer-driven market. Consequent to the opening up of Indian economy to the world, almost all the international auto giants have a presence in India today.

The fortunes of the Auto Components Manufacturing Sector is directly related to the performance of the Automobile Industry.

The performance of the automobile industry during the last two years and expected growth during 2002-03 as estimated by Society of Indian Automobile Manufacturers (SIAM) are as follows :

Category	Vehicles Sold		Growth	
	2000-01	2001-02	Actual	Expected
	In Numbers		2001-02 %	2002-03 %
Medium & Heavy Commercial Vehicles	81,960	83,997	2.49	5
Light Commercial Vehicles	54,625	48,253	-11.66	4
Passenger Cars	567,728	570,473	0.48	10
Multi Utility Vehicles	122,832	119,357	-2.83	4
Tractors	176,235	139,623	-20.77	—
Scooters	876,224	853,330	-2.61	3
Motor Cycles	2,114,693	2,893,618	36.83	20
Mopeds	643,461	467,902	-27.28	7
Three Wheelers	181,899	199,971	9.94	10

Source: SIAM

2001-2002 IN RETROSPECT

The financial year 2001-02 commenced on an optimistic note that the industrial slowdown witnessed during the year 2000-01 is a passing phase and will soon witness an uptrend. But contrary to the expectations, the revival in the economy did not take place. Many sectors of the economy were adversely affected.

In the domestic automobile industry only the motor cycle segment has shown an appreciable growth. All other segments have shown either no growth or decline.

Therefore the Company's domestic sales increased marginally by 1%. In the export front, sales dropped considerably by 32%. The slowdown in the American economy from April 2001 onwards and in Europe from July 2001 onwards along with September 11 incident in US have drastically affected the exports. This has resulted in decline in our overall sales by 2.5% during the year under review. Due to severe competition and pressure from vehicle manufacturers, we had to reduce the prices of our products. Though we were able to offset these reductions to certain extent by our own improvement programmes, the gross surplus from operations declined by 8%.

FUTURE OUTLOOK

As there are signs of improvement in the economy, the automotive industry may witness an uptrend during the current financial year. The Company expects higher turnover and profit for the current year inspite of stiff competition.

EXPORTS

Europe and USA together account for 60% of total exports of Indian Auto-components. The general improvement in exports in the current year will be depending upon the recovery of the US & European economies which show positive trends. We are expecting an increase in Export Turnover.

OPPORTUNITIES & CHALLENGES

There are excellent opportunities to grasp the emerging demand for new models in two wheelers and four wheelers and untapped export markets with the continuous technological upgradation and with cost effective high quality products. The focus will be on new products development within our core competency areas by optimum utilisation of existing facilities.

The Company has to meet the stiff competition, uncertain customer schedules, aggressive pricing strategy of competitors and changing technologies. With the continued support of our partner M/s. DENSO CORPORATION, Japan, the Management is confident of meeting these challenges.

RISKS AND CONCERNS

The auto component manufacturers like ours are facing a major problem – low volumes. Due to the fragmentation of the automobile industry among many players, volumes per manufacturer, is rather low except few. None of the others offer enough volumes to justify fresh investments by auto component manufacturers. Again, not all auto components are homologous across models, which means that the auto component manufacturer has to invest in extra tools and dies to service even for a small volume.

To survive in a competitive world it is very important to produce at an economic cost. Over the last 2-3 years, the vehicle manufacturers have been seeking regular price cuts from the component industry.

DIVIDEND

Your Directors recommend a dividend of 35% on the paid-up equity share capital of the Company for the year ended 31st March, 2002.

APPROPRIATIONS

(Rs. in Millions)

Dividend 35% (Previous year 40%)	21.000	24.000
Tax on Dividend	—	2.448
General Reserve	10.000	20.000
Surplus to be carried over	205.559	146.056
	<u>236.559</u>	<u>192.504</u>

TERRA AGRO TECHNOLOGIES LIMITED (TERRA)

As reported in the Directors' Report last year, in order to safeguard our financial exposure we had taken up the operations of the processing factory of Terra on leave and license basis since January 2001. Due to depressed price for dehydrated vegetables in the international market, the processing operations were not proving to be viable. Hence it was decided to discontinue the leave & license operations with effect from 1st July, 2001.

Due to paucity of funds, Terra was not able to serve interest on loans since March/April 2001. Pricol as a guarantor has no other option than to negotiate/ finalise a one time settlement of the above loans and get the subrogation of assets in its favour which will make it easier for Pricol to do the divestment to interested parties and realise back as much as possible of the amounts funded. Negotiations for one time settlement with Banks and for divestment of Terra to interested parties are going on simultaneously.

DIRECTORS

Mr. N. Duraiswamy, Mr. C.R. Swaminathan and Mr. K.N.V. Ramani retire by rotation at the ensuing Annual General Meeting and are eligible for reappointment. However, Mr. N. Duraiswamy has not offered himself for re-election.

Mr. N. Duraiswamy has been a Director of the Company since 1975. The Board of Directors places on record their warm appreciation of the valuable contribution made by Mr. N. Duraiswamy during his association with the Company.

Mr. C.N. Srivatsan has joined the Board of Directors on 24th October, 2001 as an Additional Director under Section 260 of the Companies Act, 1956. He vacates office on the date of the forthcoming 30th Annual General Meeting and is eligible for appointment.

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 year under review continued to be harmonious. To cope up with the changing environment, the Company had organised various training programmes both internally and externally to reorient the employees.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has adequate internal control systems to safeguard its assets against any misuse and ensure maintenance of proper financial records. Help of professional consultants is taken for review of existing systems and making improvement of the same. The Company has Audit Committee consisting of independent directors to look into various aspects of finance and accounts.

FIXED DEPOSIT

Your Company continues to hold high rating of FAA from Crisil for fixed deposits. The total amount of deposits with the Company as on 31st March, 2002 was Rs. 169.42 million, which includes 122 deposits of Rs. 1.68 million unclaimed as on 31st March, 2002. 29 Deposits amounting to Rs. 0.45 million have since been renewed/discharged. Reminders have been sent to unclaimed deposit holders for suitable instructions.

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, 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.

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.

CORPORATE GOVERNANCE

Your Company and its Board have been complying with Corporate Governance to the extent set out in this respect as a separate report, in pursuance of requirements of Clause 49 of the Listing Agreement. Auditors' Certificate regarding compliance of the conditions of Corporate Governance as stipulated under the said clause is also attached to the report.

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.

For and on behalf of the Board

Coimbatore
20th May, 2002

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 to accord high priority to conserve energy and to improve the methods of energy conservation and utilisation.

B. TECHNOLOGY ABSORPTION

I. Research and Development

(i) Specific areas of R & D

The Company's R & D Department is recognised by Department of Science and Technology, Government of India. It is engaged in new product development, improvement in existing product, import substitution and optimum utilisation of available resources.

(ii) Benefits derived from R & D

Development of new products and quality improvements.

(iii) Future plan of action

Development of more new products, further improvement in existing products and value engineering with collaborative interaction with DENSO Corporation, Japan.

Expenditure on R & D :	(Rs. in Million)
Capital	19.57
Recurring	63.51
	83.08
R & D expenditure as a percentage of total turnover	3.3%

II. Technology Absorption, Adaptation and Innovation

Imported Technology

The technology 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. Toyota 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.

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. 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 are in the process of absorption.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

During the year the Company's foreign exchange earnings were Rs. 188.01 million (Rs. 279.17 million in 2000-2001). The expenditure in foreign currency on account of revenue was Rs. 322.62 million (Rs. 393.48 million in 2000-2001) and the capital expenditure was Rs. 35.10 million (Rs. 70.16 million in 2000-2001).

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, 2002.

Name & (Age)	Designation / Nature of Duties	Remuneration		Qualification & Experience (Years)	Date of Commence- ment of Employment	Last Employment
		Gross Rs.	Net Rs.			
Vijay Mohan (54)	Vice Chairman & Managing Director General Management of affairs of the Company	2,698,926	1,378,978	Bachelor of Engineering & Master of Management Science (29)	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 & superannuation fund and monetary value of non-cash perquisites.

REPORT ON CORPORATE GOVERNANCE**+ pricol +****1. Company's philosophy on code of Corporate Governance :**

Company's Philosophy on Corporate Governance envisages striving for excellence in all its facets of its operations through socially and environmentally acceptable means. The Company wants to be a responsible corporate citizen and share the benefits with society and also will make its customers, employees, suppliers and shareholders feel proud of their association with the Company through highest level of transparency in its dealings.

Management :

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.

2. Board of Directors :

The Board of Directors consists of 13 Directors.

a. Composition and category of Directors and attendance of each Director at the Board Meetings, last Annual General Meeting and Number of other Directorship and Chairmanship/Membership of Committee of each Director in various Companies :

Name of the Director	Category	Attendance Particulars		No. of Directorships in other Companies			No. of Committee positions held in other Companies	
		Board Meeting	Last AGM	Public Company	Private Company	Foreign Company	Member	Chairman
Mr. L.G. Varadarajulu (Chairman)	Non-Executive – Promoter	5	Yes	12	4	5	1	–
Mr. N. Duraiswamy	Non-Executive – Independent	5	No	1	–	–	–	–
Mr. L. Lakshman	Non-Executive – Independent	4	No	11	–	–	1	3
Mr. E.K. Parthasarathy	Non-Executive – Independent	2	No	1	1	–	–	–
Mr. Suresh Jagannathan	Non-Executive – Independent	3	No	3	2	–	1	–
Mr. C.R. Swaminathan	Non-Executive – Independent	5	No	1	–	–	–	–
Mr. K.N.V. Ramani	Non-Executive – Independent	5	No	3	–	–	–	2
Mr. D. Sarath Chandran	Non-Executive – Promoter	5	No	10	–	1	5	–
Mr. K.C. Bellarmine	ICICI Nominee – Independent	3	No	1	–	–	–	–
Mr. Shigehiko Ito	Non-Executive - Independent	1	No	–	–	9	–	–
Mr. Yasushi Nei (Alternate Director to Mr. Shigehiko Ito)	Non-Executive - Independent	Nil	No	2	1	–	–	–
Mr. C.N. Srivatsan	Non-Executive - Independent	3	–	–	2	–	–	–
Mrs. Vanitha Mohan (Executive Director)	Executive - Promoter	4	Yes	2	4	–	–	–
Mr. Vijay Mohan (Vice Chairman & Managing Director)	Executive - Promoter	5	Yes	7	3	–	3	–

b. No. of Board Meetings held and the dates on which held:

Number of Board meetings held	Five
Dates on which held	30th May 2001, 27th July 2001, 24th October 2001, 30th January 2002 and 8th March 2002

The maximum time gap between any two meetings was not more than four months.