

ANNUAL REPORT 2003



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 Thirty First Annual General Meeting of the Shareholders of the Company will be held on Friday, the 22nd August, 2003 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, 2003 and the Profit and Loss Account for the year ended 31st March 2003 and the Report of the Directors and the Auditors thereon.
2. To declare dividend.
3. To appoint a Director in place of Mr.D.Sarath Chandran who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Mr.Suresh Jagannathan who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS

6. To consider and, if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution :
"RESOLVED that Mr.Takeshige Tabuchi be and is hereby appointed as a Director of the Company whose period of office will be liable to retire by rotation."

Coimbatore
26th May, 2003

By Order of the Board
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 1st August, 2003 to 22nd August, 2003 (both days inclusive).
4. **As per the provisions of Companies Act, 1956, the Company is going to transfer the unclaimed dividend for the financial year ended 31st March, 1996 to Investor Education and Protection Fund. Once the dividend amount is transferred to the said fund then it cannot be claimed by the shareholder. Shareholders who have not encashed the Dividend Warrants for the said period are requested to make their claims to the Company on or before 15th August, 2003.**

EXPLANATORY STATEMENT

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

Item No : 6

Pursuant to provisions of Section 262 of the Companies Act 1956 the Board of Directors of your Company appointed Mr.Takeshige Tabuchi as Director of the Company with effect from 26th July 2002 in the place of casual vacancy caused by the resignation of Mr. Shigehiko Ito, whose term of office expires on the conclusion of the ensuing Annual General Meeting. Mr.Takeshige Tabuchi is a Bachelor of Engineering. He is a Director, Body Electronic Components Product Division, Denso Corporation, Japan. He is also a director in Philippine Auto Components, Inc., Philippines, Denso Haryana Private Limited, India, Tianjin Denso Electronics Co., Limited, China and Marcodenso Co., Limited, Japan. The Company has received a notice alongwith a deposit of Rs. 500/- under Section 257 of the Companies Act, 1956 from a member signifying his intention to propose the appointment of Mr. Takeshige Tabuchi as a Director of the Company.

None of the Directors except Mr. Takeshige Tabuchi is in any way concerned or interested in this resolution.

Coimbatore
26th May, 2003

By order of the Board
L.G. VARADARAJULU
CHAIRMAN

PREMIER INSTRUMENTS & CONTROLS LIMITED

Regd. Office : P.B. No. 6331, 1087-A, Avanashi Road, Coimbatore - 641 037

ATTENDANCE SLIP

PLEASE COMPLETE THIS SLIP AND HANDOVER AT THE ENTRANCE OF THE MEETING HALL.

Name & Address of Member

Regd. Folio No. / Client ID

I hereby register my presence at the 31st Annual General Meeting of the Company held on Friday the 22nd August, 2003 at 4.30 p.m. at **Ardra Conferencing Centre, Near Codissia Towers, 9, North Huzur Road, Coimbatore - 641 018.**

* Please indicate whether Member / Proxy

Signature of Member / Proxy*

PREMIER INSTRUMENTS & CONTROLS LIMITED

Regd. Office : P.B. No. 6331, 1087-A, Avanashi Road, Coimbatore - 641 037

PROXY FORM

Regd. Folio No. / Client ID	
No. of Shares	

I / We of
 being a member/members of PREMIER INSTRUMENTS &
 CONTROLS LIMITED hereby appoint of
 or failing him of
 as my / our proxy to vote for me / us on my / our behalf at the
 31st Annual General Meeting of the Company to be held on Friday, the 22nd August, 2003 at 4.30 p.m. or at any
 adjournment thereof.

Signature

Affix
30 Paise
Revenue
Stamp

Signed this day of 2003.

Note : Proxy Form must reach the Company's Registered Office not less than 48 hours before the commencement of the meeting.

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

Mr. L.G. Varadarajulu, Chairman
 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. Takeshige Tabuchi
 Mr. Yasushi Nei, Alternate Director to Mr. Takeshige Tabuchi
 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 : 0422-2211520 (5 lines) Fax : 0422-2210028
 E-mail : city@pricol.co.in

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Integral Investments Limited	36

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. 15, Sector 6,
 IMT Manesar,
 Gurgaon-122 050, Haryana.

PLANT IV

2/192, Main Road,
 Karamadai Post,
 Coimbatore - 641 104.

DIRECTORS' REPORT & MANAGEMENT ANALYSIS**+ pricol +**

Your Directors have pleasure in presenting the Thirty First Annual Report on the business and operations of the Company together with the audited accounts for the financial year ended 31st March, 2003.

FINANCIAL RESULTS

The summarised financial results are :

(Rupees in Million)

	2002-2003	2001-2002
Net Sales – Domestic	2682.96	2338.39
– Export	350.40	187.22
Total	3033.36	2525.61
Profit Before Interest and Depreciation	550.94	436.74
Less : Interest	105.13	134.77
Depreciation	188.82	171.97
Profit Before Tax	256.99	130.00
Less : Provision for Current Taxation	82.00	35.00
Provision for Deferred Tax Liability	23.00	4.50
Profit After Tax	151.99	90.50

As explained in the previous year's report, the Company as a guarantor of Terra Agro Technologies Limited (Terra)'s loan had negotiated an One Time Settlement (OTS) with the lenders. The OTS amount accepted by the lenders has been fully paid by Pricol. The entire assets of Terra charged to the lenders for the loan have been subrogated in favour of Pricol in May, 2003.

Terra has recently entered into a financial collaboration with Strategic Investing Firm, UK for revival of its operations and redemption of its existing debts by financial restructuring. As per the terms of Terra's financial restructuring and consequent compromise arrangement, Terra will payback Rs. 350 Million by cash to Pricol and its wholly owned subsidiary M/s. Integral Investments Limited besides allotting equity shares for Rs. 41.25 Million as full and final settlement. This is towards the OTS and part of earlier advances. The consequential shortfall of Rs. 69.65 Million for Pricol and Rs. 67.47 Million for M/s. Integral Investments Limited have been provided as diminution in the value of investments and unrealisable advances respectively.

Dividend

Your Directors recommend a Dividend of 60% on the paid-up equity share capital of the Company for the year ended 31st March, 2003.

APPROPRIATIONS

(Rs. in Million)

Profit After Tax	151.99	90.50
Add : Balance brought forward	205.56	146.06
Less : Diminution in value of Investments	69.65	—
: Irrecoverable advances written off	67.47	—
Amount available for appropriation	220.43	236.56
Appropriation		
Debenture Redemption Reserve	13.33	—
Dividend 60% (Previous year 35%)	36.00	21.00
Dividend tax 12.8125% (Previous year Nil)	4.61	—
General Reserve	15.20	10.00
Surplus to be carried over	151.29	205.56
Total	220.43	236.56

Industry Structure and Developments

There have been signs of demand revival in select segments of the automobile industry during 2002-03 after the slowdown of past two years. The industrial recovery started in earlier part of the year did not progress as expected due to poor monsoon in 2002. However, the booming two wheeler industry has come to the rescue of the auto component sector during the periods of slow down in the passenger car, commercial vehicles and tractor segments. The welcome development during the year was the rapid pace of implementation of the "Golden Quadrilateral" road project and a turn around witnessed during the second half of the year in the commercial vehicle segment.

The fortunes of our Company being a Auto Components Manufacturer is directly related to the performance of the Automobile Industry. Overall, the automobile industry recorded a growth in 2002-03 as detailed below :

Category	Vehicles Sold		Growth 2002-03 %
	2001-02	2002-03	
	In Numbers		
Passenger Cars	558,361	611,715	9.56
Utility Vehicles	107,330	115,422	7.54
Multi purpose Vehicles	62,590	52,594	-15.97
Medium & Heavy Commercial Vehicles	94,823	120,971	27.58
Light Commercial Vehicles	63,718	80,934	27.02
Scooters / Scooterettes	936,600	865,624	-7.58
Motor Cycles	2,944,074	3,832,015	30.16
Mopeds	427,234	355,918	-16.69
Three Wheelers	215,738	269,495	24.92

Source : SIAM

This has reflected in the Company's domestic sales increase by Rs. 345 million representing a growth of 15% over the previous year. During the year the export sales has increased substantially from Rs. 187 million to Rs. 350 million registering a growth of 87%.

Outlook

The outlook for the passenger vehicles market is quite encouraging and it has a potential for healthy growth in 2003-04. Medium and heavy commercial vehicle segment is expected to show improved performance during current year. As per the estimate of SIAM, taking into consideration the two wheeler population accretion over the years in the country, around 3 million two wheelers may come for replacement. Two wheeler offers a convenient alternative in the absence of good public transport system. These factors will give impetus to the growth of two-wheeler industry. In the light of the above, the auto component industry is expected to show a better performance during the current year.

Opportunities, Challenges, Risks and Concern

Though India is the second largest two wheeler market, the penetration levels are low at 38 per thousand people which gives ample scope for industry to grow. Being an automobile ancillary unit, the Company could grasp the opportunities through focusing on creation of new business, in synergy with the current line of business, through product and market extensions, continuous upgradation of technologies, cost control and cost reduction initiatives.

The latest trend in the vehicle manufacturing is that the core technology is addressed by in-house expertise and other processes are sub-contracted for speedy development of the product.

At the same time, the Company has to face the situation arising out of frequent changes in models, designs, stiff competition, uncertain customer's schedules, low volumes, aggressive pricing strategy of competitors and changing technologies. The game is going to hot up by the year and will remain extremely price-competitive. In addition to the above, the drought situation in some parts of the country is also a cause for concern.

However adaptability to the speed of change in a fast changing world is crucial for survival of business. The Company, with a renewed focus on updated technologies and quality to meet international standards apart from cost control is well poised to meet these challenges. The continued support of our collaborator M/s. DENSO Corporation, Japan will further enhance the strength of the Company.

Internal control systems and their adequacy

The Company has adequate internal control systems to ensure that all assets are safeguarded and protected against loss from unauthorised use or disposition and that transactions are authorised, recorded and reported correctly. The internal control is supplemented by extensive programme of Internal Audits. The internal audit reports significant audit observations, on a quarterly basis, to the Audit Committee consisting of independent directors to look into various aspects of finance and accounts. Help of professional consultants is taken wherever required for review of existing systems and for further improvement.

Finance

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, 2003 was Rs. 212.51 million, which includes 122 deposits of Rs. 2.27 million unclaimed as on 31st March, 2003. 13 Deposits amounting to Rs. 0.20 million have since been renewed/discharged. Reminders have been sent to unclaimed deposit holders for suitable instructions.

By keeping a tight control on its working capital management, the Company was able to achieve a reduction in the net working capital. The Company undertook several steps to restructure its borrowings thereby achieving a reduction in its average cost of borrowing. Your Company continues to hold highest rating of A1+ for Commercial Paper from ICRA.

Directors

Mr. D. Sarath Chandran and Mr. Suresh Jagannathan retire by rotation at the ensuing Annual General Meeting and are eligible for reappointment.

Mr. Shigehiko Ito has resigned his directorship. The Board of Directors places on record their warm appreciation of the valuable contribution made by Mr. Shigehiko Ito during his association with the Company. The Board has appointed Mr. Takeshige Tabuchi as Director of the Company with effect from 26th July, 2002 in the place of casual vacancy caused by the resignation of Mr. Shigehiko Ito whose term of office expires at the conclusion of the ensuing Annual General Meeting. Mr. Takeshige Tabuchi is eligible for re-appointment.

Developments in Human Resources / Industrial Relations

During the year, the strategies for Human Resource Development were redefined with several initiatives to attract, reward and retain talent, improve productivity and maintain industrial peace and harmony. Several programmes and trainings were conducted for continuous improvement of the employees at all levels. Industrial relations during the year under review continued to be harmonious.

Conservation of Energy

Though our Company is not a power intensive industry, the Company continues to improve the methods of energy conservation and utilisation.

Foreign Exchange Earnings and Outgo

During the year the Company's foreign exchange earnings were Rs.349.01 million (Rs. 188.01 million in 2001-02). The expenditure in foreign currency on account of revenue was Rs. 383.80 million (Rs. 322.62 million in 2001-02) and the capital expenditure was Rs. 23.90 million (Rs. 35.10 million in 2001-02).

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 technology absorption 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.

Auditors

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

Corporate Governance

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, Corporate Governance Report and Auditors' Certificate regarding compliance of the same are made a part of this Annual Report.

Acknowledgements

The Directors wish to place on record their 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
26th May, 2003

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.

TECHNOLOGY ABSORPTION

I. Research and Development (R & D)

(i) Specific areas of R & D

The Company's R & D Department is recognised by Department of Science and Technology, Government of India. Our R & D is engaged in new product development, improvement in existing products and Value Engineering.

(ii) Benefits derived from R & D

Introduction of new products, quality improvement, cost reduction and increase in volume of business.

(iii) Future plan of action

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

Expenditure on R & D : (Rs. in Million)	
Capital	42.528
Recurring	65.513
Total	108.041
R & D expenditure as a percentage of total turnover	3.56%

II. Technology Absorption, Adaptation and Innovation

Imported Technology

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 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 and technology imported during the year 2001 from M/s.DENSO Corporation, Japan, for manufacture of Vacuum Switching Valves, Manifold Absolute Pressure Sensors and Speed Sensors for automotive vehicles have also been fully absorbed.

The technology imported during the year 2002 from (a) M/s. DENSO Corporation, Japan, for manufacture of instrument cluster using Stepper Motor, (b) M/s.NHK Spring Co.Ltd, Japan for manufacture of Chain Tensioner and (c) M/s. Directed Electronics Inc, USA for the manufacture of Vehicle remote entry and security system are in the process of absorption.

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, 2003.

Name & (Age)	Designation / Nature of Duties	Remuneration		Qualification & Experience (Years)	Date of Commence- ment of Employment	Last Employment
		Gross (Rs. in Million)	Net			
Vijay Mohan (55)	Vice Chairman & Managing Director General Management of affairs of the Company	4.124	2.986	Bachelor of Engineering & Master of Management Science (30)	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.

TEN YEAR PERFORMANCE AT A GLANCE**+ pricol +**

Rupees in Millions

OPERATING RESULTS

Year Ended 31st March	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Net Sales & Service Charges										
- Domestic	523.23	771.36	1018.30	1186.61	1216.49	1257.19	1827.54	2316.08	2338.39	2682.96
- Export	75.21	74.75	85.97	128.16	167.64	188.98	221.96	274.94	187.22	350.40
Total Net Sales	598.44	846.11	1104.27	1314.77	1384.13	1446.17	2049.50	2591.02	2525.61	3033.36
Gross Surplus from Operation	94.68	170.38	210.32	299.20	308.56	275.33	412.90	498.25	436.74	550.94
Depreciation (a)	20.68	39.53	46.55	63.63	84.16	103.62	128.42	151.83	171.97	188.83
Interest (b)	26.96	20.47	40.48	75.26	65.22	72.24	96.81	120.71	134.77	105.12
Profit Before Tax (PBT) (c)	47.04	110.38	123.29	160.31	159.18	99.47	187.67	225.71	130.00	256.99
Current Tax	21.70	33.12	8.76	40.71	48.00	35.02	50.00	63.00	35.00	82.00
Deferred Tax (d)	—	—	—	—	—	—	—	—	4.50	23.00
Profit After Tax (PAT) (e)	25.34	77.26	114.53	119.60	111.18	64.45	137.67	162.71	90.50	151.99
Dividend (including Tax) (f)	6.62	12.84	19.30	21.23	23.06	19.98	26.64	26.45	21.00	40.61
Retained Profit	18.72	64.42	95.23	98.37	88.12	44.47	111.03	136.26	69.50	111.38
Net Cash Accruals (e+a+d) (g)	46.02	116.79	161.08	183.23	195.34	168.07	266.09	314.54	266.97	363.82
As at 31st March	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003

SOURCES OF FUNDS

Share Capital	30.10	41.35	55.13	55.13	60.00	60.00	60.00	60.00	60.00	60.00
Reserves & Surplus	102.74	246.69	351.80	450.18	646.37	690.83	801.87	938.13	924.94	899.20
Deferred Taxation	—	—	—	—	—	—	—	—	87.19	110.19
Networth (h)	132.84	288.04	406.93	505.31	706.37	750.83	861.87	998.13	1072.13	1069.39
Borrowed Funds (i)	158.18	157.99	330.96	434.47	478.91	670.52	822.66	1156.93	1128.70	1194.32
Total capital employed (j)	291.02	446.03	737.89	939.78	1185.28	1421.35	1684.53	2155.06	2200.83	2263.71

APPLICATION OF FUNDS

Gross Fixed Assets	232.46	367.12	583.35	772.05	992.50	1273.51	1512.73	1747.17	1977.80	2250.45
Depreciation	111.97	151.01	197.11	260.56	343.32	446.88	568.35	688.79	860.11	1044.06
Net Fixed Assets	120.49	216.11	386.24	511.49	649.18	826.63	944.38	1058.38	1117.69	1206.39
Investments	5.53	30.45	30.45	78.44	76.10	76.10	126.10	125.50	126.69	80.15
Net Current Assets	165.00	199.47	321.20	349.85	460.00	518.62	614.05	971.18	956.45	977.17
Net Assets Employed	291.02	446.03	737.89	939.78	1185.28	1421.35	1684.53	2155.06	2200.83	2263.71

PERFORMANCE INDICATORS

Equity shares of Rs. 10/- each (Nos. in Million) (k)	3.01	4.14	5.51	5.51	6.00	6.00	6.00	6.00	6.00	6.00
Earnings per share (Rs.) (e/k)	8.42	18.66	20.79	21.71	18.53	10.74	22.95	27.12	15.08	25.33
Dividend per share (Rs.)	2.20	3.50	3.50	3.50	3.50	3.00	4.00	4.00	3.50	6.00
Networth per share (Rs.) (h/k)	44.13	69.57	73.85	91.71	117.73	125.14	143.65	166.35	178.69	178.23
Return on Average Networth (RONW) (%) *	20.78	36.71	32.96	26.22	18.35	8.85	17.07	17.50	8.74	14.19
Return on Average Capital Employed (ROCE) (%) **	26.73	35.51	27.66	28.08	21.12	13.17	18.32	18.04	12.16	16.22
Total Debt to Networth (i/h)	1.19	0.55	0.81	0.86	0.68	0.89	0.95	1.16	1.05	1.12
Interest Coverage Ratio (a+b+c)/b	3.51	8.32	5.20	3.98	4.73	3.81	4.27	4.13	3.24	5.24

* RONW = [PAT / (Previous Year Networth + Current Year Networth) / 2] x 100

** ROCE = (PBT + Interest) / (Previous year Capital Employed + Current Year Capital Employed) / 2 x 100