

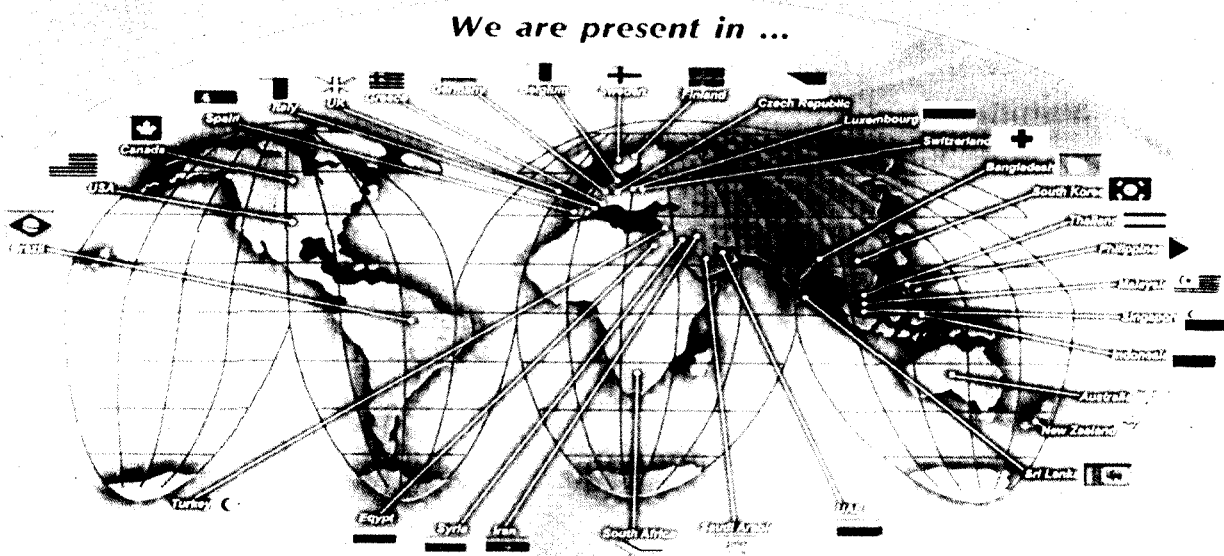
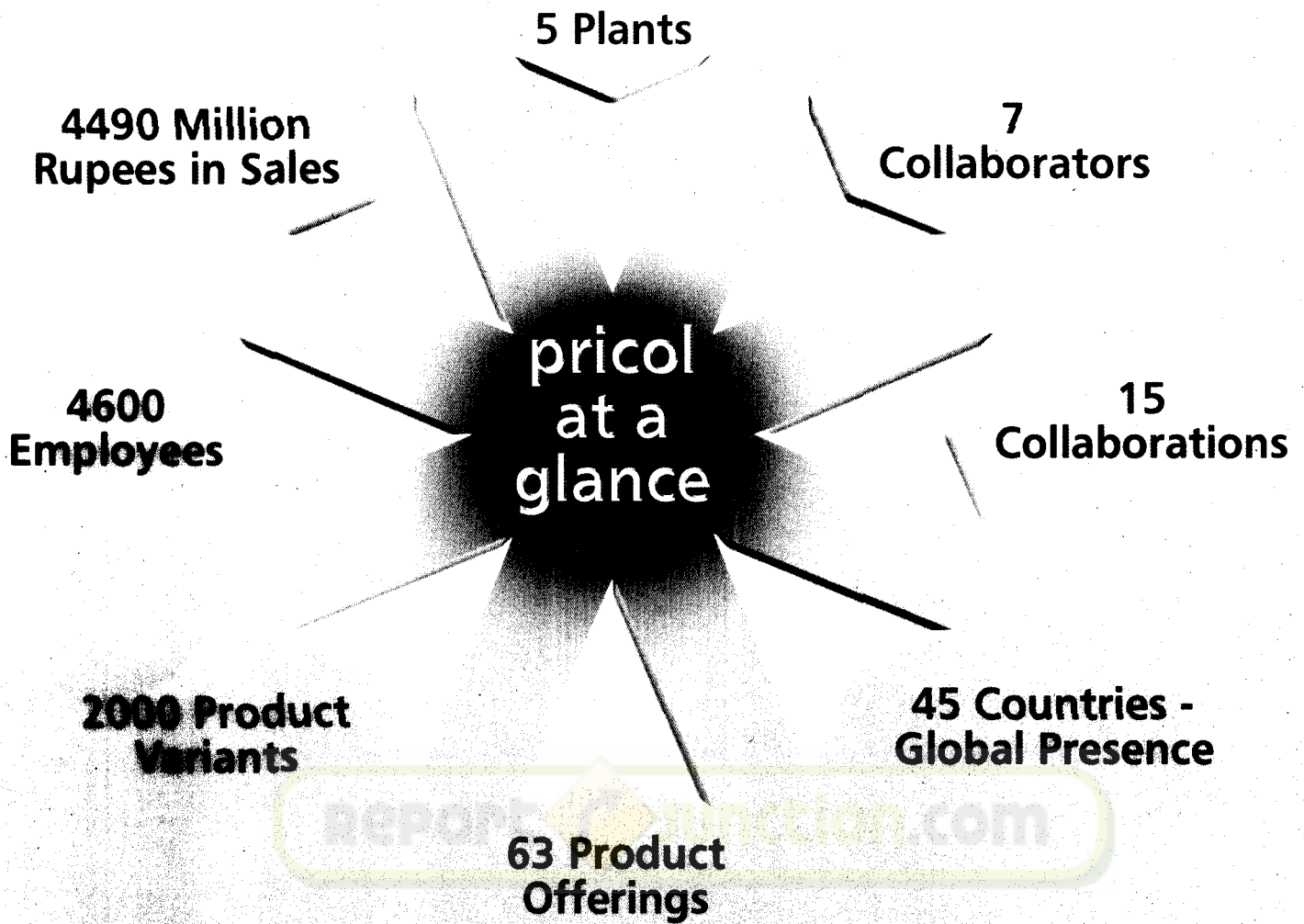
pricol limited

Annual Report 2005




**Stronger Bonds. Deeper Values.
Our Most Rewarding Investment.**





Stronger Bonds. Deeper Values.



Success is built through relationships. And nurtured with values. At pricol, we have always believed that the bonds we build at our workplace, with each of our customers, shareholders and partners play the most critical role in our success. In the thirty years of our existence, we have reaped the benefits of what we like to think of as our most valuable investment : Our bonds with our people.

STRENGTHENING BONDS

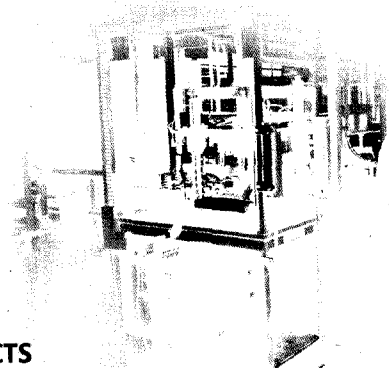
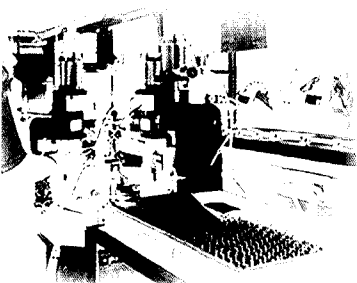
Over the years, we have been consistently consolidating our technical infrastructure, our vendor base, our all round growth and our export potential. In the year 2004 - 2005, in addition to all this, we decided to focus our attention on strengthening our people bonds.

At the work front, this meant redefining rules to allow more freedom to think, execute, adapt and innovate.

With more focus on securing our vendor base and sharing our technical know-how to benefit them, we have been able to gain more control over our manufacturing processes. Improvement of our in-house capabilities has also allowed us to better monitor each stage of pre and post production. Consequently, we have been able to maximize our production potential.

The year gone by has also been an opportunity to bring more meaning to our Customer Relationship Management. We have been able to reduce our response time by improving Collaborative Product Commerce. In addition, setting up of the new pricol Plant V at Pune, illustrates our willingness to travel the extra mile to strengthen our most prized associations : Our Customers.

To our shareholders and investors, this year's growth is the result of the faith that they have reposed in us through the years.



STRENGTHENING PRODUCTS

Our growing product profile has been the result of bringing together the best of technical and management practices. Focused diversion into allied product categories and innovations in the current product line have been received well in the markets.

From fleet monitoring systems the preceding year, the new products under development this year are the more technology driven clusters based on Canbus Technology and TFT Displays.

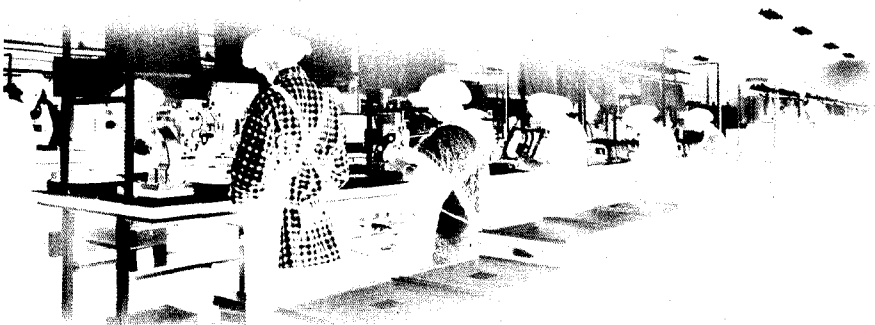
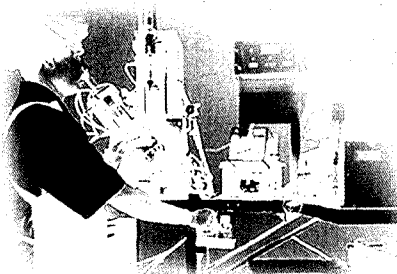
STRENGTHENING CORPORATE VALUES

In the year 2004 - 2005, we were able to visibly see the rewards of having invested in people and having won their trust. Employees are aligning themselves more with the organisation.

In terms of Corporate Social Responsibility, we were able to achieve more. Whether it was contributing to the affected people of Tsunami, or playing an active role in Siruthuli, the joint venture of Coimbatore's leading corporate houses, at Pricol, each gesture was a reflection of the deep commitment of every Pricolian.

Through the Pricol Rural Development Programme, we were able to initiate several new projects in our adopted villages. With the formation of self-help groups in these villages, we were able to construct water harvesting dams to enrich ground water level, garbage management and raise consciousness on eco conservation in these places.

This charter of our progress for the year gone by is an of what the core values of pricol stand for : The path to success is made not by investments in technology, infrastructure or profits figures. It is one that is made by its people. And the unshakable faith of believing that together we will; together we can.



pricol limited

BOARD OF DIRECTORS

Mr. Vijay Mohan, Chairman & Managing Director
 Mr. L. Lakshman
 Mr. E.K. Parthasarathy
 Mr. Suresh Jagannathan
 Mr. C.R. Swaminathan
 Mr. K.N.V. Ramani
 Mr. D. Sarath Chandran
 Mr. Takeshige Tabuchi
 Mr. Haruo Ishida, Alternate Director to Mr. Takeshige Tabuchi
 Mr. C.N. Srivatsan
 Mr. T.K. Balaji
 Mr. V. Ramakrishnan
 Mr. R. Vidhya Shankar

Mrs. Vanitha Mohan, Executive 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
 HDFC Bank Limited

REGISTERED OFFICE

1087-A, Avanashi Road,
 Coimbatore - 641 037, India.
 Ph : 0422-5336000 (5 lines) Fax : 0422-5336299
 E-mail : city@pricol.co.in

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FACTORIES

PLANT I

132, Ooty Main Road,
 Perianaickenpalayam,
 Coimbatore - 641 020.

PLANT III

4/558, Chinnamathampalayam,
 Bilichi Village,
 Press Colony Post,
 Coimbatore - 641 019.

PLANT II

Plot No.34&35, Sector 4
 IMT Manesar
 Gurgaon - 122 050

PLANT IV

2/439, Main Road,
 Karamadai Post,
 Coimbatore - 641 104.

PLANT V

Survey No.1065 & 1066, Pirangut,
 Taluk Mulshi, Pune - 412 108.

DIRECTORS' REPORT & MANAGEMENT ANALYSIS

Your Directors have pleasure in presenting the Thirty Third Annual Report on the business and operations of the Company together with the audited accounts for the financial year ended 31st March, 2005.

FINANCIAL RESULTS

The summarised financial results are :

(Rs. in million)

	2004-2005	2003-2004
Net Sales & Services- Domestic	3891.318	3295.051
- Export	598.364	409.236
Total	4489.682	3704.287
Profit Before Interest and Depreciation	909.761	797.525
Less : Interest	68.325	80.023
Depreciation	218.902	205.468
Profit Before Tax	622.534	512.034
Less : Provision for Current Taxation	220.000	183.000
Add : Provision for Deferred Tax Asset	10.000	7.000
Profit After Tax	412.534	336.034
Add : Balance brought forward	150.380	151.282
Tax Provision for earlier years withdrawn	12.272	—
Debenture Redemption Reserve no longer required	—	13.333
Capital Reserve no longer required	—	1.000
Less : Extra-Ordinary items		
Provision for Diminution in value of Investments	2.660	25.350
Provision for overdue advances	—	230.000
Amount available for appropriation	572.526	246.299

DIVIDEND

Your Directors recommend a dividend of 100% on the paid-up equity share capital of the Company for the year ended 31st March, 2005.

APPROPRIATION

(Rs. in million)

Dividend 100% (Previous year 90%)	90.000	54.000
Dividend tax 14.025% (Previous year 12.8125%)	12.623	6.919
General Reserve	250.000	35.000
Surplus to be carried over	219.903	150.380
Total	572.526	246.299

DIRECTORS' REPORT & MANAGEMENT ANALYSIS (Contd..)

INDUSTRY STRUCTURE AND DEVELOPMENTS

Eventhough the GDP growth has declined from 8.5% to 6.9%, the industrial growth in India has increased from 6.6% in 2003 to 7.8% in 2004. During the year 2004-05, all segments of automotive industry in India had a reasonable growth. The growth as per SIAM is

Category	Vehicles Sold		Growth 2004-05 %
	2003-04 In numbers	2004-05	
Passenger Car	821,473	980,595	19.37
Utility Vehicle	149,437	180,848	21.02
Multi purpose Vehicle	60,477	66,260	9.56
Medium & Heavy Commercial Vehicle	169,583	212,052	25.04
Light Commercial Vehicle	107,963	136,335	26.28
Scooters / Scooterettes	939,982	984,332	4.72
Motor cycles	4,357,732	5,241,542	20.28
Mopeds	331,587	349,710	5.47
Three Wheelers	352,222	374,688	6.38
Total	7,290,456	8,526,362	16.95

After a long period, the Tractor Segment has also made a significant growth of around 31% during the fiscal 2004-05.

In fiscal 2004-05, the Company's domestic turnover, in line with the general performance of the automobile industry, grew from Rs.3,295 million to Rs.3,891 million registering a growth of 18% over the previous year.

The export sales and service income has increased substantially from Rs.409 million to Rs.598 million registering a growth of 46%. The trend in the export of automobile products are encouraging and the company will continue to pursue its efforts to increase its export turnover during the current year.

The Profit before Interest and Depreciation for the year 2004-05 has increased by 14% over the previous year. Due to continuous pressure by OEMs for reduction of prices, the company could not pass on the significant rise in prices of steel, plastic materials and other inputs to the customers.

The company's focused efforts on improving internal efficiencies, rationalization of product mix and various cost saving measures has enabled the company to offset the impact of increase in input cost to a certain extent.

OUTLOOK

Current indications are India's GDP will grow around 7 to 7.5% during fiscal 2005-06. The automotive industry is expected to grow around 15%. Your company being primarily an auto component industry is also expected to make a good progress during the current year. Further, the company's foray into the accessories market will also contribute to the growth.

OPPORTUNITIES, CHALLENGES, RISKS & CONCERNS

The continuing healthy growth of sale of automotive vehicles in the Domestic Market, Vehicle Manufacturer's ambitious export programmes and outsourcing of the Global Players in the Automotive Industry will provide ample opportunities for the growth of the Indian Auto Component Industry.

Hardening oil prices, strengthening of steel & other input cost, disintegration of global barriers, competitive pricing pressure, frequent changes in models and design, low volumes, ever-changing technologies are challenges thrown open to the industry.

Having a strong engineering force with innovative skills specialized in design, new product development, Value Engineering, capable of adopting new technologies, the company is confident of making the challenges into opportunities.

DIRECTORS' REPORT & MANAGEMENT ANALYSIS (Contd..)

Any economic slow down and recession in the automotive industry can adversely influence the demand supply dynamics and profitability. By continuously monitoring the market trend, other external factors and adjusting itself to the situation, the company will minimize the impact.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The company has adequate internal control systems to monitor internal business process, financial reporting and compliance with applicable laws. The company periodically reviews the adequacy and effectiveness of the internal control systems. The Audit Committee at their meetings regularly reviews the significant observations of the compliance and audit reports. The head of various monitoring cells, statutory auditors and internal auditors are invited to attend the Audit Committee meetings.

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, 2005 was Rs.129.048 million, which includes 53 deposits of Rs.1.174 million unclaimed as on 31st March, 2005. 20 Deposits amounting to Rs.0.542 million have since been renewed/discharged. Reminders have been sent to unclaimed deposit holders for suitable instructions.

The company has substituted low cost funds for high cost earlier borrowings thereby achieving lower interest cost. Your Company continues to hold highest rating of A1+ for Commercial Paper from ICRA.

DELISTING OF SHARES

During the year, as approved by the shareholders in the 32nd Annual General Meeting, the company has voluntarily delisted its equity shares from Coimbatore Stock Exchange and Madras Stock Exchange.

DIRECTORS

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

Mr. K.N.V. Ramani will be retiring as Director on the ensuing Annual General Meeting on having crossed the age of 70, in line with the retirement policy for Directors of the company. The directors would like to place on record a special appreciation to Mr. K.N.V. Ramani who has made a valuable contribution to the growth and development of the Company as a Director since 1990.

Mr. R. Vidhya Shankar has joined the Board of Directors on 21st May 2005 as an additional director under section 260 of the Companies Act, 1956. He vacates office on the date of the forthcoming 33rd Annual General Meeting and is eligible for appointment.

DEVELOPMENTS IN HUMAN RESOURCES / INDUSTRIAL RELATIONS.

Human Resource is the Company's very valuable asset and performance of the Company is largely dependent on the creativity, motivation and efforts of the individuals in the organisation. The company gives more emphasis on training and development of personnel with major thrust on motivation and skill upgradation. The company provides systematic training to all its employees to cope up with latest development in technology in the industry. The Human Relationship has always been cordial.

CORPORATE SOCIAL OBJECTIVES

The Company reaffirms its commitment to adopt best Management Practices for improving Occupational Safety, Health, and Environment at all levels.

As a responsible Corporate Citizen, the company actively involves in various rural development programmes in and around Coimbatore for the economic development of the rural people.

DIRECTORS' REPORT & MANAGEMENT ANALYSIS (Contd..)

During the year the company has contributed Rs.10 million to KARAM (Kovai Aid for Rehabilitation and Motivation) towards Tsunami Relief Fund for the rehabilitation of the affected people.

CONSERVATION OF ENERGY

Though our Company is not a power intensive industry, the Company is committed for adoption of various energy saving methods for conservation of energy.

FOREIGN EXCHANGE EARNINGS AND OUTGO

During the year the Company's foreign exchange earnings were Rs.602.23 million (Rs.413.46 million in 2003-04). The expenditure in foreign currency on account of revenue was Rs.882.91 million (Rs.602.33 million in 2003-04) and the capital expenditure was Rs.78.30 million (Rs.76.94 million in 2003-04).

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.

CAUTIONARY STATEMENT

Management Discussion and Analysis forming part of this Report is in compliance with Corporate Governance Standards incorporated in the listing agreement with Stock Exchanges and such statements may be "forward-looking" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or

DIRECTORS' REPORT & MANAGEMENT ANALYSIS (Contd..)

implied. Important factors that could make a difference to the Company's operations include economic conditions affecting demand / supply and price conditions in the domestic and overseas markets in which the Company operates, changes in the Government regulations, tax laws and other statutes and other incidental factors.

ACKNOWLEDGEMENTS

The Directors gratefully acknowledge the continued support and co-operation received from DENSO Corporation, Japan, customers, distributors, dealers, suppliers, shareholders, bankers and other collaborators. The directors wish to place on record their appreciation to the management team and the entire work force for their co-operation and commitment.

Coimbatore
21st May 2005

For and on behalf of the Board
Vijay Mohan
Chairman & Managing Director

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