



# ***MILES TO GO BEFORE WE SLEEP***

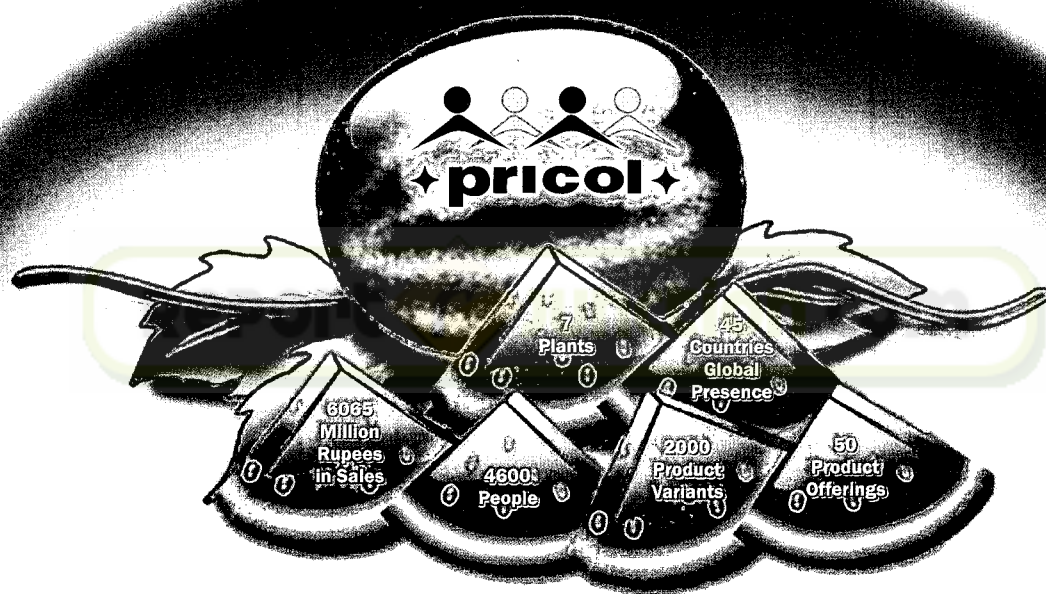
## **Annual Report 2008**

**pricol limited**

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## pricol at a glance





## pricol limited

Regd. Office : 702/7, Avanashi Road, Coimbatore - 641 037, India

### 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 36th Annual General Meeting of the Company held on Friday, the 8th August, 2008 at 4.30 p.m. at Nani Palkhivala Auditorium, Mani Higher Secondary School, Pappanaickenpalayam, Coimbatore - 641 037.

\* Please indicate whether Member / Proxy

Signature of Member / Proxy\*

## pricol limited

Regd. Office: 702/7, Avanashi Road, Coimbatore - 641 037, India

### PROXY FORM

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

I / We \_\_\_\_\_ of

\_\_\_\_\_ being a member / members of

Pricol Limited hereby appoint \_\_\_\_\_ of

\_\_\_\_\_ or falling him \_\_\_\_\_ of

\_\_\_\_\_ as my / our proxy to vote for me / us on my / our behalf at the 36th Annual General

Meeting of the Company to be held on Friday, 8th August, 2008 at 4.30 p.m. or at any adjournment thereof.

Signature .....

Affix  
15 Paise  
Revenue  
Stamp

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2008

- Notes:
1. The Proxy, to be effective, should be deposited at the Registered Office of the Company at No:702/7, Avanashi Road, Coimbatore - 641 037 not later than FORTY-EIGHT hours before the commencement of aforesaid meeting.
  2. A Proxy need not be a member of the Company.

### III. Perquisites

#### Category 'A'

1. **Housing** : Unfurnished accommodation will be provided by the Company. In its absence, 50% of the salary will be paid as House Rent Allowance.

#### 2. Other perquisites :

The following perquisites shall be allowed limited to 50% of salary:

- a) Medical expenses incurred for self and his family.
- b) Leave (as per rules of the Company).
- c) Leave Travel Concession for self and his family.
- d) Expenditure incurred on gas, electricity, water, furnishings and appliances.
- e) Club expenses for self.
- f) Health and personal accident insurance cover for self.

In any quarter, if the perquisites specified in Part III, Sub-Clause (2) above, are not availed in full (50% of salary), the unutilized portion of the limit shall be either carried over till the end of the term or encashed at the end of every quarter.

#### Category 'B'

Company's contribution to Provident Fund, Superannuation Fund or Annuity Fund will not be included in the computation of the ceiling on perquisites to the extent these singly or put together are not taxable under the Income-Tax Act. Gratuity payable shall not exceed 15 days salary for each completed year of service.

#### Category 'C'

Provision of car with driver and telephone facility at his residence.

In the event of no profit or inadequacy of profit, the remuneration payable to Mr. K. Udhaya Kumar, shall not exceed the limit specified in Sec.II of Part II of Schedule XIII of the Companies Act, 1956, as modified from time to time or such other limits as may be notified by the Government from time to time as minimum remuneration.

#### EXPLANATORY STATEMENT

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

#### Item No.7:

Mr. K. Udhaya Kumar, 58 years of age, is a Bachelor in Mechanical Engineering from PSG College of Technology, Coimbatore. Before joining Pricol in February 1976, he underwent a practical training for about a year and half at an industry in Coimbatore. Over the last 32 years of service in Pricol, due to his diligent work he has risen to the rank of Senior Vice President and next in line to the CEO. He has rich experience in all the areas of Production, Materials, Quality, Product Development Engineering, Customer Relations etc. He has been all along a key member of the core team responsible for all improvement activities. Over the last 5 years, he has been a Member of the Apex Council, the Top Management in Pricol. He is holding 2,565 shares of the company. He is also a director in PT Pricol Surya, Indonesia.

The Board of Directors, at their meeting held on 29th May 2008 have appointed Mr. K. Udhaya Kumar as an additional director designated President & Chief Operating Officer for a period of 5 years with effect from 1st June 2008 and fixed the remuneration payable to him as set out in the text of the resolution. The proposed appointment, remuneration and perquisites conform to the requirement of Schedule XIII to the Companies Act, 1956. Part III of Schedule XIII to the Companies Act, 1956, requires the appointment and remuneration to be approved by a resolution of the shareholders in General Meeting. Accordingly, the resolution under item no: 7 of the Notice is recommended by the Board of Directors for approval by the Members.

Mr. K. Udhaya Kumar is not related to any member of the Board.



## pricol limited

Regd. Office : 702/7, Avanashi Road, Coimbatore - 641 037, India.

### NOTICE OF ANNUAL GENERAL MEETING

**NOTICE** is hereby given that the Thirty Sixth Annual General Meeting of the Shareholders of the Company will be held on Friday, the 8th August, 2008 at 4.30 p.m. at Nani Palkhivala Auditorium, Mani Higher Secondary School, Coimbatore - 641 037, to transact the following business:

#### ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2008 and the Profit and Loss Account for the year ended 31st March 2008 and the Report of the Directors and the Auditors thereon.
2. To declare 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. C.N. Srivatsan who retires by rotation and being eligible offers himself for reappointment.
5. To appoint a Director in place of Mr. Suresh Jagannathan who retires by rotation and being eligible offers himself for reappointment.
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. K. Udhaya Kumar who was appointed as an additional director of the Company with effect from 1st June 2008 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, not liable to retire by rotation."

"RESOLVED FURTHER THAT pursuant to provisions of Section 198, 269, 309, 310 and 311 read with Schedule XIII and all other applicable provisions of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof, for the time being in force or any amendments and / or modifications that may hereafter be made thereto by the Central Government in that behalf from time to time, or any amendments thereto), the consent of the Company be and is hereby accorded to the appointment of Mr. K. Udhaya Kumar, as President & Chief Operating Officer of the company for a period of five years with effect from 1st June 2008."

"RESOLVED FURTHER THAT the appointment shall be on the following terms and conditions with liberty to the Board of Directors (hereinafter referred to as "the Board" which term shall be deemed to include any Committee which the Board may constitute to exercise its powers, including the powers conferred by this resolution) to alter and vary the terms and conditions of the remuneration within the overall limits specified in Schedule XIII to the Companies Act, 1956 including any statutory modification or re-enactment thereof, for the time being in force or any amendments and / or modifications that may hereafter be made thereto by the Central Government in that behalf from time to time, or any amendments thereto.

#### REMUNERATION:

- I. **Salary** : Rupees 90,000 per month in the scale of Rs.90,000 - 10,000 - 130,000.
- II. **Commission** : 0.5% of the Net Profit computed in accordance with Sections 198, 309 and 349 of the Companies Act, 1956.

This notice shall be treated as an abstract of the terms of appointment and memorandum of interest pursuant to Section 302 of the Companies Act, 1956.

The Board commends the resolution set out at Item No.7 of the Notice for your approval.

None of the Directors except Mr.K.Udhaya Kumar is in any way concerned or interested in this resolution.

By order of the Board

Coimbatore  
29th May 2008

**Vijay Mohan**  
Chairman & Managing Director

**NOTES :**

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND TO VOTE ON HIS BEHALF AND SUCH A PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. Brief resume of the directors seeking appointment / reappointment and other details as stipulated under clause 49 of the listing agreement are provided in the Report on Corporate Governance forming part of Annual Report 2008.
3. There will not be any distribution of Dividend warrants at the AGM Hall. Company's Registrar & Transfer Agent M/s.Integrated Enterprises (India) Limited will dispatch the dividend warrant to the shareholders on 9th August 2008.
4. 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.
5. The Register of Members and Transfer Books of the Company will be closed from 26th July 2008 to 8th August 2008 (both days inclusive).
6. Payment of Dividend as recommended by the Board of Directors, if approved at the Meeting, will be made on or after 9th August, 2008 to those members whose name appear on the Company's Register of Members on 26th July, 2008 and in respect of shares held in Electronic form, the dividend will be paid on the basis of particulars of beneficial ownership furnished by the Depositories for this purpose as on 25th July, 2008. After dispatch of dividend warrants, any request for change in the bank account will not be entertained by the company.
7. Please quote your Folio Number and our Company's Name in all your correspondence with Integrated Enterprises (India) Limited, 1, Ramakrishna Street, North Usman Road, T.Nagar, Chennai 600 017 who are acting as our Registrar & Share Transfer Agents.
8. Members who are holding shares in physical form are requested to intimate immediately their change of address / change of bank account, if any, to the Company / Registrar & Share Transfer Agent quoting reference of the Registered Folio Number.
9. Members who are holding shares in Electronic Form are requested to intimate immediately their change of address / change of bank account, if any, to their respective Depository Participant.
10. If you have shares registered in the same name or in the same order of names but in several Foliros, please let us know so that we may consolidate them into one Folio.
11. You may now avail of the facility of nomination by nominating, in the prescribed form, a person to whom your shares in the Company shall vest in the event of death. Interested members may write to Registrar & Share Transfer Agent for the prescribed form.
12. Please encash your dividend warrants immediately on their receipt by you, as dividends remaining unclaimed for seven years are now required to be transferred to the "Investor Education and Protection Fund" established by the Central Government and you shall not be able to claim any unpaid dividend from the said fund or from the Company thereafter.





**pricol limited**

**BOARD OF DIRECTORS**

Mr. Vijay Mohan, Chairman & Managing Director  
 Mr. L. Lakshman  
 Mr. Suresh Jagannathan  
 Mr. C.R. Swaminathan  
 Mr. D. Sarath Chandran  
 Mr. Shinji Shirasaki  
 Mr. Yuzuru Doi, Alternate Director to Mr. Shinji Shirasaki  
 Mr. C.N. Srivatsan  
 Mr. V. Ramakrishnan  
 Mr. R. Vidhya Shankar  
 Dr. Kalyani Gandhi  
 Mr. M. Lakshminarayan  
 Mr. K. Udhaya Kumar, President & Chief Operating Officer  
 from 1st June 2008  
 Mrs. Vanitha Mohan, Executive Director

**COMPANY SECRETARY**

Mr. T.G. Thamizhanban

**AUDITORS**

M/s. Suri & Co.,  
 Chartered Accountants, Coimbatore

**BANKERS**

State Bank of India	BNP Paribas
Andhra Bank	Hongkong and Shanghai
ICICI Bank Limited	Banking Corporation Ltd
IDBI Bank Limited	Citibank N.A
IndusInd Bank Limited	Indian Overseas Bank
Bank of Nova Scotia	Standard Chartered Bank
HDFC Bank Limited	Centurion Bank of
	Punjab Limited

**REGISTERED OFFICE**

702/7, Avanashi Road,  
 Coimbatore - 641 037, India.  
 Ph : 0422-4336000 Fax : 0422-4336299  
 E-mail : city@pricol.co.in

**FACTORIES**

**PLANT I**

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

**PLANT II**

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

**PLANT III**

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

**PLANT IV**

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

**PLANT V**

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

**PLANT VI**

Plot No.11, Sector 10,  
 Integrated Industrial Estate,  
 Pant Nagar, SIDCUL,  
 Rudrapur - 263 153.  
 Dist. U.S.Nagar (Uttarakhand)

**PLANT VII**

Plot No.45, Sector 11,  
 Integrated Industrial Estate,  
 Pant Nagar, SIDCUL,  
 Rudrapur - 263 153.  
 Dist. U.S.Nagar (Uttarakhand)

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## DIRECTORS' REPORT & MANAGEMENT ANALYSIS

Your Directors have pleasure in presenting the Thirty Sixth Annual Report and audited accounts for the financial year ended 31st March 2008.

### FINANCIAL RESULTS

The summarised financial results are :

		Rs. Million
	2007 - 08	2006 - 07
Net Sales & Services - Domestic	4,803.689	4,809.476
- Export	1,260.936	1,024.355
<b>Total</b>	<b>6,064.625</b>	<b>5,833.831</b>
Profit Before Interest and Depreciation	832.519	984.532
Less : Interest & Finance Charges	287.003	180.481
Depreciation	327.190	295.924
<b>Profit Before Tax</b>	<b>218.326</b>	<b>508.127</b>
Less : Provision for		
Current Taxation	50.000	160.000
Fringe Benefit Tax	7.500	6.000
Deferred Tax (Asset)	(30.000)	(20.000)
<b>Profit After Tax</b>	<b>190.826</b>	<b>362.127</b>
Add : Balance brought forward	256.986	200.155
<b>Amount available for appropriation</b>	<b>447.812</b>	<b>562.282</b>

### DIVIDEND

Your Directors recommend a dividend of 60% on the paid-up equity share capital of the Company for the year ended 31st March, 2008.

### APPROPRIATION

		Rs. Million
Dividend 60% (Previous year 100%)	54.000	90.000
Tax on Dividend @ 16.995%	9.177	15.296
General Reserve	200.000	200.000
Surplus to be carried over	184.635	256.986
<b>Total</b>	<b>447.812</b>	<b>562.282</b>





## DIRECTORS' REPORT & MANAGEMENT ANALYSIS (Contd..)

### INDUSTRY STRUCTURE AND DEVELOPMENTS

During fiscal 2007-08, the Automotive Industry slowed down moderately when compared to the previous year due to bank finance for purchase being made available only at higher interest rates. The performance as per Society of Indian Automobile Manufacturers (SIAM) is

Category	Vehicles Sold		Growth	
	2006-07 In numbers	2007-08	2007-08 %	2006-07
Passenger Car	1,269,305	1,413,395	11.35	20.63
Utility Vehicle	224,705	249,863	11.20	12.92
Multi Purpose Vehicle	84,421	101,781	20.56	25.14
Medium & Heavy Commercial Vehicle	294,166	293,094	-0.36	32.78
Light Commercial Vehicle	223,136	252,722	13.26	31.19
Scooters / Scooterettee	976,014	1,075,591	10.20	-1.71
Motor cycles	7,122,549	6,560,873	-7.89	14.94
Mopeds	393,415	431,983	9.80	4.65
Three Wheelers	547,806	505,938	-7.64	25.41
Total	11,135,517	10,885,240	-2.25	14.65

### OPERATIONS

An illegal strike by a majority of the workers at Coimbatore plants for more than 100 days from early March 2007 to mid June 2007 has reduced our market share with domestic vehicle manufacturers. This along with recession in the vehicle industry, has affected the planned business growth with domestic vehicle manufacturers and profits of the company.

The reduction in the sales to domestic vehicle manufacturers has been offset by the increase in sales of accessories, industrial, fleet management and railway products, thereby maintaining the domestic turnover at Rs.4,804 million against Rs.4,809 million of previous year.

The export turnover has increased from Rs.1,024 million to Rs.1,261 million registering a growth of 23%. The export of automobile products are poised for tremendous growth in future and the company will continue its endeavour to maximize its export turnover in the coming years.

Even though there is a marginal increase in total sales to Rs.6,065 million from Rs.5,834 million for the previous year, due to the increase in raw material cost and other inputs coupled with steep increase in interest charges on increased borrowings, the Profit After Tax has decreased considerably by 47% from Rs.362 million to Rs.191 million.

### GREEN FIELD PROJECTS

The second plant in Pantnagar, Uttarakhand State, even though ready for operations from October 2007, commenced commercial operations only from April 2008 since the OEMs wanted to enjoy concessional tax benefits for the full fiscal year.

Due to sanctions on Iran imposed by the Government of USA and some of the European countries, the proposal to set up a Joint Venture Company in Iran with our present marketing partner is deferred until the situation improves. At the same time, to protect the present business, it was decided that the Company would assist the present marketing partner to establish a small final assembly unit in Iran.

### SUBSIDIARY COMPANIES

PT Pricol Surya, a wholly owned subsidiary at Indonesia, commenced commercial production in April 2007. During 2007-08, first year of operation, the company achieved a turnover of Rs.86.160 million and incurred a loss of Rs.18.726 million.

## DIRECTORS' REPORT & MANAGEMENT ANALYSIS (Contd..)

English Tools and Castings Limited, a wholly owned subsidiary, during 2007-08 obtained approval from the Honourable High Court, Chennai and restructured its share capital by way of reduction of capital from Rs.276.989 million to Rs.79.337 million. Due to reduction in off-take from a major customer, the turnover increased only moderately to Rs.247 million against Rs.231 million previous year. The increase in input costs has resulted in Profit after Tax decreasing to Rs.4.520 million against Rs.5.613 million of previous year.

Integral Investments Limited, a wholly owned subsidiary, had invested Rs.10.273 million in equity shares & mutual funds and received a dividend of Rs.0.502 million during the year 2007-08. The Profit after Tax was Rs.0.837 million.

### OUTLOOK

Indian automobile industry will witness only a nominal growth due to higher inflation, increase in fuel cost & interest rate, lack of consumer finance and slow down in global economic growth. The growth in component industry also is expected to be moderate only.

### OPPORTUNITIES, CHALLENGES, RISKS & CONCERNS

Global OEMs driven by cost pressure continue outsourcing of automotive components to cost competitive manufacturers. India, being a manufacturer of low cost quality components, attracts Global OEMs, which provide ample opportunity for exports, the thrust area of Indian auto component manufacturers.

Global acquisitions, expansion and diversification by Indian auto industry, rising income levels, ban on overloading of trucks and rising infrastructure spending would drive the demand for automobiles in India. The demand for automobiles will boost the auto component industry.

Volatility in the prices of raw materials & other inputs, rise in interest rate, inflationary pressure, currency fluctuations and continuous demand by OEM's for price reduction, intense competition from counterparts will pose major risk and challenges to the companies to innovate and develop new technologies & processes to manufacture low cost quality components. In addition, the industry has to tackle shortening of existing product life cycle, rapid launch of new products, increasing number of variants all leading to low volume products, R & D facilities and brand building to exploit & encash business opportunities.

In order to mitigate the risk, your Company will endeavour to vigilantly monitor and implement timely action and control measures.

### INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The company has proper and adequate systems of internal control to ensure proper financial & operating functions, safeguarding of assets and compliance with applicable Acts and Rules. The company's internal controls are supplemented by an extensive programme of internal audits. The Audit Committee at their meetings regularly reviews the financial, operating & compliance reports and suggest for improvements. The heads of various monitoring / operating cells are invited for the Audit Committee meetings to explain in detail, about their operations.

### RISK MANAGEMENT

Risk Management is an integral part of the business process.

To enhance the risk management process, the company with the help of consultancy firm is better mapping the risks at the business processes and enterprise levels to evolve a better risk management framework. An improved process for formulating a defined risk management framework encompassing, inter alia, methodology for assessing / identifying risks on an ongoing basis, risk prioritization, risk mitigation and a comprehensive reporting system will be formulated.

### FINANCE

Your Company holds credit rating of "FAA-Negative" (previous year "FAA-Stable") from CRISIL for fixed deposits. During the year the company has not accepted / renewed any fixed deposit from public. The total deposits from public outstanding as on 31st March 2008 is Rs.0.358 million including matured unclaimed deposits. 20 deposits amounting to Rs.0.358 million matured but had not been claimed by the depositors as on that date. Out of these 5 Deposits amounting to Rs.0.125 million have since been repaid. Reminders have been sent to unclaimed deposit holders for suitable instructions.

The Company undertook several steps to restructure its borrowings to keep a control over the cost of borrowings. Your Company holds credit rating of "A1" (previous year "A1+") for Commercial Paper, "LA" for Working Capital fund based facilities, "A1" for Working Capital non-fund based facilities and "LA" for Term Loans from ICRA.

