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ANNUAL REPORT AND ACCOUNTS 1999-2000

PILANI INVESTMENT AND INDUSTRIES CORPORATION LIMITED

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DIRECTORS

SHRI K. K. BIRLA
SHRI B. K. BIRLA
SHRI G. P. BIRLA
SMT. PRIYAMVADA BIRLA
SHRI S. K. BIRLA
SHRI G. D. KOTHARI
SHRI D. N. PATODIA
SHRI ARVIND C. DALAL
SHRI P. K. KHAITAN
SHRI R. A. MAKHARIA
– Executive Director

SECRETARY

SHRI B. D. DALMIA

AUDITORS

M/S. S. R. BATLIBOI & CO.
CHARTERED ACCOUNTANTS
CALCUTTA - 700 013

REGISTERED OFFICE

BIRLANAGAR,
GWALIOR - 474 004 (M. P.)

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DIRECTORS' REPORT

TO THE SHAREHOLDERS

Dear Shareholders,

We have pleasure in presenting to you the Annual Report together with the Audited Accounts of your Company for the year ended 31st March, 2000.

FINANCIAL RESULTS

	Rs.	*Previous Year* Rs.
Net Profit from operations, Dividend Interest and Rent Income	**17,42,34,397**	17,43,52,058
Diminution in value of Long term Unquoted Investments	**2,06,38,085**	—
	15,35,96,312	17,43,52,058
Less : Depreciation	**1,74,323**	2,01,160
Profit before tax	**15,34,21,989**	17,41,50,898
Less : Provision for taxation	**3,41,30,000**	3,02,55,000
Profit after taxation	**11,92,91,989**	14,38,95,898
Add : Balance brought forward from last year	**6,99,99,271**	7,90,37,279
Profit available for appropriation	**18,92,91,260**	22,29,33,177
Appropriation		
(i) Special Reserve	**2,39,00,000**	2,88,00,000
(ii) Proposed Dividend	—	9,88,59,375
(iii) Interim Dividend	**9,88,59,375**	—
(iv) Tax on dividend	**1,08,74,531**	1,08,74,531
(v) General Reserve	**1,19,50,000**	1,44,00,000
(vi) Balance carried forward to next year	**4,37,07,354**	6,99,99,271
	18,92,91,260	22,29,33,177

DIVIDEND

The Board of Directors of the company declared an interim dividend of Rs. 12.50 per share on 29th March, 2000. The Directors now recommend to the Annual General Meeting to treat the same as final dividend for the year ended 31.3.2000. The aggregate amount of dividend paid was Rs. 9.89 crores and the tax thereon @11% was Rs. 1.09 crores.

REVALUATION

The long term quoted investments were revalued as on 31st March, 2000, in consonance with the accounting practice followed by the company since 1997. Due to bullish capital market conditions, the value of investments as on 31st March, 2000 has been increased in the Company's books by Rs. 177.22 crores. The corresponding amount has been increased in the Investment Reserve.

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DIRECTORS' REPORT — *(Contd.)*

DIRECTORS

Shri S. K. Birla, Shri G. D. Kothari and Shri P. K. Khaitan, Directors of the Company retire from the office by rotation at the forthcoming Annual General Meeting but being eligible offer themselves for re-election.

SUBSIDIARY COMPANY

The Audited Accounts and Directors' Report of the subsidiary are annexed hereto.

AUDITORS

Shareholders are requested to appoint Auditors for the current financial year and to fix their remuneration.

AUDITORS REPORT

The observations made in the Auditors Report are self explanatory and, therefore, do not call for any further comments under Section 217 of the Companies Act, 1956.

EMPLOYEES

Information as per Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, forms part of this report.

NON-BANKING FINANCIAL COMPANIES (RESERVE BANK) DIRECTIONS

The Company has been registered under Section 45-IA of the Reserve Bank of India Act, 1934, to carry on the business as a Non-Banking Financial Institution.

DEPOSITS

The Company has not accepted any public deposit during the year. Hence, no information is required to be appended to this report in terms of Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING AND OUTGO

The Company has no manufacturing activity and therefore, the disclosure of particulars as required to be appended under Section 217(1)(a) of the Companies Act, 1956, in so far as it relates to the Conservation of the Energy and Technology Absorption is not applicable. Particulars with regard to Foreign Exchange Earnings and Outgo appear in Schedule `H' to the accounts and forming part of this report.

Y2K COMPLIANCE

The company did not experience any Y2K related problem.

For and on behalf of the Board of Directors

Calcutta
July 29, 2000

R. A. MAKHARIA
Executive Director

B. K. BIRLA
Directors

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STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956

A. Atlas Iron & Alloys Limited

i) Atlas Iron & Alloys Limited, Subsidiary of the company went into Creditors Voluntary winding up vide its resolution dated 16th June, 1975 and the winding up proceedings are in progress.

The information required to be given pursuant to Section 212 of the Companies Act, 1956, in respect of the Subsidiary as is applicable in view of the aforesaid is given below.

ii) Pilani Investment and Industries Corporation Limited held 72,000 Equity Shares of Rs. 10/- each amounting to 98.83% of the total paid up Capital of 74,358 Equity Shares of Rs. 10/- each of Atlas Iron & Alloys Ltd. and continues to hold the same. In view of the Subsidiary being in liquidation and losses sustained by it, the investment of Rs. 7.20 lacs in the shares of the subsidiary as aforesaid is taken at nil value.

B. PIC Properties Limited

Pilani Investment and Industries Corporation Limited held 50,002 Equity Shares of Rs. 10/- each being the whole of the subscribed capital of PIC Properties Ltd. as on 31st March, 2000. The Financial year of the Company as well as the subsidiary ended 31st March, 2000.

a) The net aggregate amount, so far as it concerns members of holding company and is not dealt with in the Company accounts, of the Subsidiary's profits after deducting its losses or vice versa.

For the Financial year of the Subsidiary Rs. 1,72,825 (Previous year Rs. 3,19,087)

b) The net aggregate amount of the profits of the Subsidiary after deducting its losses or vice versa, so far such profits/losses are dealt with in the company's profits for the financial year of the Subsidiary is nil.

For and on behalf of the Board of Directors

Calcutta
July 29, 2000

R. A. MAKHARIA
Executive Director

B. K. BIRLA
Directors

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AUDITORS' REPORT

TO THE MEMBERS OF PILANI INVESTMENT AND INDUSTRIES CORPORATION LIMITED

We have audited the attached Balance Sheet of **PILANI INVESTMENT AND INDUSTRIES CORPORATION LIMITED,** Gwalior as at 31st March, 2000 and the Profit & Loss Account of the Company annexed thereto for the year ended on that date and report that :–

1. As required by the Manufacturing and other Companies (Auditor's Report) Order, 1988 issued *by the Company Law Board in terms of Section 227(4A) of the Companies Act, 1956, we* enclose in the Annexure, a statement on the matters specified in Paragraphs 4 & 5 of the said Order.

2. Further to our comments in the Annexure referred to in Paragraph (1) above :-

   (i) We have obtained all the information and explanation which to the best of our knowledge and belief, were necessary for the purpose of our audit ;

   (ii) In our opinion, proper books of account as required by Law have been kept by the Company so far as appears from our examination of those books ;

   (iii) The Balance Sheet and the Profit & Loss Account referred to in this report, are in *agreement with the books of account as submitted to us* ;

   (iv) In our opinion, the Balance Sheet and the Profit & Loss Account comply with the accounting standards referred to in sub-section 3(c) of Section 211 of the Companies Act, 1956, except in respect of the following :

      (a) Non-credit of interim dividend on certain long term quoted investments (AS 9) as indicated in Note No. 6(b) on Schedule — H.

      (b) valuation of long term quoted investments at their market rates (AS 13) as indicated in Note No. 6(a) on Schedule — H.

   (v) Attention is drawn to the following Notes on Schedule — H whose impact on the company's Profit/Reserves is stated in the respective notes below :—

      (a) Note No. 3 regarding non-provision of a claim of Rs. 15,44,486 plus interest thereon from 1st November, 1973, by a Bank in respect of the guarantee given by the Company.

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AUDITOR'S REPORT — *(Contd.)*

(b) Note No. 6(a) regarding revaluation of quoted investments at their market rates as on 31st March, 2000, resulting into an increase in the value of investment by Rs. 1,77,21,91,441 which has been credited to Investment Reserve Account in accordance with the accounting policy consistently followed by the company. However, AS-13 of the Institute of Chartered Accountants of India provides for valuation of such investments at cost, unless there is a permanent decline in value thereof.

(c) Note No. 6(b) regarding non-credit of Interim Dividend aggregating to Rs. 5,16,97,629 on certain long term quoted investments for the reasons stated therein, resulting into a decrease in profit for the year by Rs. 5,16,97,629.

Without considering item no. 2(v)(a), whose impact on the company's profit/ reserves is not presently ascertainable, had the impact of item nos. 2(v)(b) and (c) been considered, the investments would have been valued at Rs. 3,80,91,48,979 instead of Rs. 5,58,13,40,420 current assets would have been Rs. 9,70,96,103 instead of Rs. 4,53,98,474 the profit for the year would have been Rs. 17,09,89,618 as against the reported profit of Rs. 11,92,91,989 and the Reserves and Surplus would have been Rs. 3,59,61,13,329 as against the reported figure of Rs. 5,31,66,07,141.

Subject to above and read toghether with other notes appearing on Schedule — H, the said statements of Account, in our opinion and to the best of our information and according to explanations given to us, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view.

(i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2000 and

(ii) in the case of the Profit & Loss Account, of the Profit of the Company for the year ended on that date.

36, Ganesh Chandra Avenue
Calcutta - 700 013
July 29, 2000

S. R. BATLIBOI & CO.
Chartered Accountants
Per **R. K. AGRAWAL**
a Partner

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ANNEXURE TO THE AUDITORS' REPORT

Referred to in paragraph (1) of our report of even date to the members of Pilani Investment And Industries Corporation Limited as at and for the year ended 31st March, 2000.

1. The Company has maintained proper records of Fixed Assets showing full particulars including quantitative details and situations thereof. We are informed that all the Fixed Assets were physically verified by the Management during the year and no discrepancy between the book records and physical inventory was noticed.

2. None of the Fixed Assets of the Company have been revalued during the year.

3. Shares held as Investments are stated to have been physically verified by the Management at reasonable intervals during the year, except for shares lying with Banks as security or under safe custody, in respect of which necessary confirmation certificates have been obtained by the Company and as informed, no discrepancies have been noticed on such verification, between the physical stock and book balances, the procedures followed by the Management for such physical verification are, in our opinion, reasonable and adequate in relation to the size of the company and the nature of its business.

   On the basis of our examination, we are satisfied that subject to Note No. 1(iii) (a) on Schedule – H, the valuation of Investments is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the previous year.

4. The company has not taken any loan, secured or unsecured, from Companies, Firms or Other parties listed in the Registers maintained under Section 301 of the Companies Act, 1956. In terms of Sub-section (6) of Section 370 of the companies Act, 1956, the provisions of that Section are not applicable to a company on or after 31st October, 1998.

5. The rate of interest and the terms and conditions on which loans have been given to Companies, Firms or Other parties listed in the Registers maintained under Sections 301 of the Companies Act, 1956 are prima-facie not prejudicial to the interest of the Company.

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ANNEXURE TO THE AUDITORS' REPORT — *(Contd.)*

6. The parties to whom loans or advances in the nature of loans have been given by the Company, are repaying the principal amount as per stipulations where applicable and are also generally regular in payment of interest. Loans and advances given to the employees are being repaid regularly as per stipulations where applicable, along with interest wherever chargeable.

7. On the basis of our evaluation of the internal control procedures and according to the information and explanations given to us, it appears that there are adequate internal control procedures commensurate with the size of the company and the nature of its business, for the purchase of equipment and other assets.

8. As informed, the Company has not accepted any deposit from the public within the purview of Section 58A of the Companies Act, 1956, and the Rules framed thereunder.

9. According to the information and explanations given to us, there are no transactions of purchase or sale of goods, materials and services made in pursuance of contracts or arrangements entered in the Register maintained under Section 301 of the companies Act, 1956 and aggregating to Rs. 50,000 or more in respect of each party during the year.

10. In our opinion, the company has an adequate internal audit system commensurate with the size and nature of its business.

11. Provident Fund dues have generally been deposited with the appropriate authority in due time and as informed, there was no arrear of such dues as on the Balance Sheet date. We are informed that the provisions of Employees' State Insurance Scheme do not apply to the Company.

12. According to the information and explanations given to us, there are no undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Custom Duty and Excise Duty outstanding as at 31st March, 2000 for a period of more than six months from the date they became payable.

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ANNEXURE TO THE AUDITORS' REPORT — *(Contd.)*

13. The company has a policy of authorising expenditure based on reasonable checks and balances and the policy is intended to ensure that the expenses are authorised on the basis of contractual obligations or accepted business practices having regard to the Company's business needs and exigencies. In terms of these observations, we have not come across any expenses charged to Profit & Loss Account which, in our opinion and judgement and to the best of our knowledge and belief, could be regarded as Personal Expenses.

14. In respect of the Investments in Shares, Debentures and Bonds, the Company has maintained proper records of the transactions and contracts thereof and timely entries have been made therein. As informed to us, all the Shares, Debentures etc. are held by the Company in its own name except for Shares and Bonds valuing Rs. 1,65,25,05,931 which are held in the Bank's name and/or against which blank transfer deeds are lying with the financial institutions.

15. As the Company has no Manufacturing or Service activities, the provisions of Clause (iii) to (vi), (xii) and (xx) to Paragraphs 4A and 4B of the aforesaid order are not applicable.

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36, Ganesh Chandra Avenue
Calcutta - 700 013
July 29, 2000

S. R. BATLIBOI & CO.
Chartered Accountants
Per **R. K. AGRAWAL**
a Partner

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