

ANNUAL REPORT AND ACCOUNTS 2000-2001



PILANI INVESTMENT AND INDUSTRIES CORPORATION LIMITED

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
KOLKATA - 700 013

REGISTERED OFFICE

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

PILANI INVESTMENT AND INDUSTRIES CORPORATION LIMITED

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, 2001.

FINANCIAL RESULTS

	Rs.	Previous Year Rs.
Net Profit from operations, Dividend, Interest and Rent Income	16,93,53,966	17,42,34,397
Diminution in value of Long term Unquoted Investments	95,54,860	2,06,38,085
	<u>15,97,99,106</u>	<u>15,35,96,312</u>
Less : Depreciation	1,52,227	1,74,323
Profit before tax	15,96,46,879	15,34,21,989
Less : Provision for taxation	3,33,00,000	3,41,30,000
Profit after taxation	<u>12,63,46,879</u>	<u>11,92,91,989</u>
Add : Balance brought forward from last year	4,37,07,354	6,99,99,271
Profit available for appropriation	<u>17,00,54,233</u>	<u>18,92,91,260</u>
Appropriation		
(i) Special Reserve	2,53,00,000	2,39,00,000
(ii) Proposed Dividend	7,90,87,500	—
(iii) Interim Dividend	—	9,88,59,375
(iv) Tax on dividend	80,66,925	1,08,74,531
(v) General Reserve	1,26,50,000	1,19,50,000
(vi) Balance carried forward to next year	4,49,49,808	4,37,07,354
	<u>17,00,54,233</u>	<u>18,92,91,260</u>

DIVIDEND

A dividend of Rs. 10.00 per share (Previous year Rs. 12.50 per share) is recommended for payment. The aggregate amount of dividend will absorb Rs. 7.91 crores and the tax on proposed dividend @ 10.20% Rs. 0.81 crore.

REVALUATION

The long term quoted investments were revalued as on 31st March, 2001, in consonance with the accounting practice followed by the company since 1997. Due to bearish capital market conditions, the value of investments as on 31st March, 2001 has been decreased in the Company's books by Rs. 54.47 crores. The corresponding amount has been decreased from the Investment Reserve.

PILANI INVESTMENT AND INDUSTRIES CORPORATION LIMITED

DIRECTORS' REPORT — (Contd.)

DIRECTORS

Shri G. P. Birla, Shri D. N. Patodia and Shri Arvind C. Dalal, Directors of the Company retire from the office by rotation at the forthcoming Annual General Meeting but being eligible offer themselves for re-election.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to provisions of Section 217(2AA) of the Companies Act, 1956, your Directors hereby confirm that -

- (i) In the preparation of the annual Accounts for the year ended 31st March, 2001 the applicable accounting standards have been followed along with proper explanation relating to material departures.
- (ii) The Directors have selected such accounting policies as mentioned in Schedule 'H' to the account and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the Profit of the Company for that period.
- (iii) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- (iv) The Directors had prepared the annual accounts for the year ended 31st March, 2001 on a going concern basis.

DEMATERIALISATION

As per the direction issued by SEBI, the equity shares of your company are traded on the Stock Exchange only in Demat Form, with effect from 27th November, 2000 and the tripartite agreement with National Securities Depository Ltd. and Central Depository Services (India) Ltd. are now fully operational. The ISIN Code is INE417C01014.

AUDIT COMMITTEE

An Audit Committee has been constituted in conformity with requirement of law. The Audit Committee of the Board is as under :

Shri D. N. Patodia
Shri G. D. Kothari
Shri P. K. Khaitan

The Chairman of the Committee is Shri D. N. Patodia and the Quorum is of two Directors. This Committee will meet at least three times in a year, one such meeting will be held before finalisation of Annual Accounts and one every six months. The powers and the role of this Committee are as per directions contained in Clause 49 of the Listing Agreement read with Section 292(A) of the Companies Act.

CORPORATE GOVERNANCE

The Stock Exchange has introduced in the Listing Agreement a new Clause No. 49 relating to Corporate Governance which is to be implemented by the Company within financial year 2001-2002. In the

PILANI INVESTMENT AND INDUSTRIES CORPORATION LIMITED

DIRECTORS' REPORT — (Contd.)

meantime, it may be noted that the Board of your Company consists of ten members of whom one is the Executive Director and nine are Non-Executive Directors. Four meetings of the Board were held during the financial year ended 31st March, 2001. The last Annual General Meeting was held on 29th September, 2000. Other mandatory and non-mandatory requirements are in the course of implementation.

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, are not applicable as no employee was in receipt of such remuneration as provided under the said Section.

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.



For and on behalf of the Board of Directors

Kolkata
July 30, 2001

R. A. MAKHARIA
Executive Director

B. K. BIRLA
Director

PILANI INVESTMENT AND INDUSTRIES CORPORATION LIMITED

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, 2001. The Financial year of the Company as well as the subsidiary ended 31st March, 2001.

- 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. (40,057) (Previous year Rs. 1,72,825)

- 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

Kolkata
July 30, 2001

R. A. MAKHARIA
Executive Director

B. K. BIRLA
Director

PILANI INVESTMENT AND INDUSTRIES CORPORATION LIMITED

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, 2001 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 *valuation of long term quoted investments at their market rates (AS 13) as indicated in Note No. 7 on Schedule — H.*
 - (v) On the basis of a clarification from the Department of Company Affairs, Section 274(1)(g) will have prospective effect and therefore, it does not apply to the company as at 31st March, 2001.
 - (vi) 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.

PILANI INVESTMENT AND INDUSTRIES CORPORATION LIMITED

AUDITORS' REPORT — (Contd.)

- (b) Note No. 4 regarding non-provision of certain loans given to and investments in secured redeemable debentures of Bodies Corporate, aggregating to Rs. 4875.68 Lacs for the reasons stated therein, the impact whereof on the Company's Profit is not presently ascertainable.
- (c) Note No. 7 regarding revaluation of quoted investments at their market rates as on 31st March, 2001, resulting into a decrease in the value of investments by Rs. 54,46,96,108 which has been debited to Investment Reserve Account in accordance with the accounting policy consistently followed by the company. However, AS-13 issued by the Institute of Chartered Accountants of India provides for valuation of such investments at cost, unless there is a permanent decline in value thereof.

Without considering item nos. 2(vi)(a), and (b), whose impact on the company's profit/reserves is not presently ascertainable, had the impact of item no. 2(vi)(c) been considered, the quoted investments would have been valued at Rs. 5,57,15,55,685 instead of Rs. 5,02,68,59,377 and Reserves and Surplus would have been Rs. 5,35,57,99,795 as against the reported figure of Rs. 4,81,11,03,487.

Subject to above and read together 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 31st March, 2001 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
Kolkata - 700 013
July 30, 2001

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

PILANI INVESTMENT AND INDUSTRIES CORPORATION LIMITED

ANNEXURE TO THE AUDITORS' REPORT

Referred to in paragraph (1) of our report of even date to the members of Piloni Investment And Industries Corporation Limited as at and for the year ended 31st March, 2001.

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.
6. The parties and employees 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, 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.

PILANI INVESTMENT AND INDUSTRIES CORPORATION LIMITED

ANNEXURE TO THE AUDITORS' REPORT — (Contd.)

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, 2001 for a period of more than six months from the date they became payable.
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.

36, Ganesh Chandra Avenue
Kolkata - 700 013
July 30, 2001

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