

SANSCO SERVICES Annual Report 2001-2002

PILANI INVESTMENT AND INDUSTRIES CORPORATION LIMITED

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ANNUAL REPORT AND ACCOUNTS
2001-2002

PILANI INVESTMENT AND INDUSTRIES CORPORATION LIMITED

NOTICE OF MEETING

NOTICE is hereby given that the Annual General Meeting of the Shareholders of **PILANI INVESTMENT AND INDUSTRIES CORPORATION LIMITED** will be held at 70, Assistant Line, Birlanagar, Gwalior- 474 004 on Saturday, the 28th September, 2002 at 12.30 p.m to transact, with or without modification(s) as may be permissible, the following business :

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2002 and the Profit & Loss Account for the year ended 31st March, 2002 and the Reports of the Directors and Auditors thereon.
2. To sanction the declaration and payment of dividend on ordinary shares for the year ended 31st March, 2002.
3. To appoint a director in place of Dr. K. K. Birla, who retires from office by rotation, and being eligible, offers himself for re-appointment.
4. To appoint a director in place of Shri B. K. Birla, who retires from office by rotation, and being eligible, offers himself for re-appointment.
5. To appoint a director in place of Smt. Priyamvada Birla, who retires from office by rotation, and being eligible, offers herself for re-appointment.
6. To appoint Auditors for the current year and fix their remuneration.

The Register of Members and Transfer Books of the Ordinary Shares of the Company will remain closed from 20th September, 2002 to 28th September, 2002 (both days inclusive).

Registered Office :

Birlanagar
Gwalior - 474 004 (M.P.)
July 30, 2002

By order of the Board of Director

B. D. Dalmia
Secretary

NOTES :

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the company.
 2. The instrument appointing a proxy should however, be deposited at the Registered Office of the company at Birlanagar, Gwalior-474 004 not less than 48 hours before the commencement of the meeting.
 3. The Dividend on the ordinary shares of the company, as recommended by the Board of Directors of the company, when sanctioned at the Annual General Meeting of the company will be paid to those shareholders or their mandates whose names stand registered on the company's Register of Members :
 - a. as beneficial owners as at the end of business on 19th September, 2002, as per the list to be furnished by National Securities Depository Limited and Central Depository Services (India) Limited in respect of the ordinary shares held in electronic form, and
 - b. as Member in the Register of Members of the company after giving effect to valid share transfer in physical form lodged with the company on or before 19th September, 2002.
 4. Pursuant to Section 205(A) of the Companies Act, 1956, all unclaimed dividend upto the financial year 1994-95 have been transferred to the General Reserve Account of the Central Government. Shareholders who have not yet encashed the dividend warrants upto the said period, are requested to claim the amount from the Registrar of Companies, Madhya Pradesh, Gwalior.
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PILANI INVESTMENT AND INDUSTRIES CORPORATION LIMITED

5. Members are hereby informed that dividends for the financial year 1995-96 and thereafter, which remain unclaimed/unencashed over a period of 7 years have to be transferred by the Company to INVESTOR EDUCATION & PROTECTION FUND constituted by the Central Government under Section 205(A) & 205(C) of the Companies Act, 1956.
It may please be noted that no claim shall be made by the shareholders for the unclaimed dividends which have been transferred to the credit of the Investor Education & Protection Fund of the Central Government under provision of Section 205(B) of the Companies Act, 1956.
6. Members who are holding Shares in identical order of names in more than one Folio are requested to apply to the Company alongwith the relevant Share Certificate for consolidation of such folios in one folio.
7. Members are also requested to notify change in address, if any, immediately to the company at its Registered Office by quoting their Registered Folio Number(s) in respect of their physical shares and to their Depository Participants in respect of their electronic share account.
8. Reappointment of Directors. At the ensuing Annual General Meeting Dr. K. K. Birla, Shri B. K. Birla and Smt. Priyamvada Birla, Directors retire by rotation and being eligible offer themselves for reappointment. As per Clause 49 of the Listing Agreement dealing with Corporate Governance, the Company is required to provide a brief resume expertise and names of the Companies in which the proposed Directors hold the Directorship and membership of Committee of Directors; accordingly the said information is given herein below.
 - (a) Dr. K. K. Birla, aged about 84 years, is a D.Litt (Honoris Causa). He is a renowned industrialist and Parliamentarian and possesses a rich experience of about 56 years. He is a Member of Parliament (Rajya Sabha) since 1984. Presently he is a member of Standing Committee on Finance and Consultative Committee of Minister of Finance. Dr. Birla has established K. K. Birla Foundation, which has instituted annual award for excellence in Indian Literature, Scientific Research, Indian Philosophy, art and culture and sports. He is also Trustee of various Trusts including Birla Education Trust, which runs a number of schools and educational institutions. He holds directorship/Chairman in Chambal Fertilizers & Chemicals Ltd., Gobind Sugar Mills Ltd., India Steamship Co. Ltd., New India Sugar Mills Ltd., Ronson Traders Ltd., Sutlej Industries Ltd., Texmaco Ltd., The Hindustan Times Ltd., The Oudh Sugar Mills Ltd., Upper Ganges Sugar & Industries Ltd., Yashovardhan Investment & Trading Co. Ltd., Zuari Cement Ltd. and Zuari Industries Ltd.
 - (b) Shri B. K. Birla, aged about 81 years, is among the top industrialists in the company and is well known for his dynamism, enterprise and leadership qualities, which has helped him in building his successful business empire. He is Chairman of Century Textiles & Industries Ltd., Jay Shree Tea & Industries Ltd., Century Enka Ltd. and Kesoram Industries Ltd. and holds Directorship in B. K. Birla Foundation and also associated with other Charitable Trusts and Educational Institutions.
 - (c) Smt. Priyamvada Birla, aged about 75 years, is renowned Industrialist with vast experience and diversified business interest. She holds Directorship/Chairman in Birla Corporation Ltd., Birla Financial Corporation Ltd., Hindustan Gum & Chemicals Ltd., Birla Ericsson Optical Ltd., Universal Cables Ltd., Vindhya Telelinks Ltd., The Indian Smelting & Refining Co. Ltd., Punjab Produce Holdings Ltd., Century Textiles & Industries Ltd. and Optical Fibre Goa Ltd. and associated with many Charitable Trusts & Educational Institution.
9. In case of Resident Individuals, where the Dividend amount exceeds Rs. 2,500/- the payment will be subject to deduction of tax at source. Members desirous of availing non deduction of tax at source may forward Form No 15G in duplicate duly completed in all respect or the Tax Exemption Certificate issued by the concerned Assessing Officer, to the company, latest by 23rd September, 2002.

PILANI INVESTMENT AND INDUSTRIES CORPORATION LIMITED

DIRECTORS

DR. 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 - 700 016

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, 2002.

FINANCIAL RESULTS

	Rs.	Previous Year Rs.
Net Profit from operations, Dividend, Interest and Rent Income	14,26,56,131	16,93,53,966
Diminution in value of Long term Unquoted Investments	2,66,171	95,54,860
	<u>14,23,89,960</u>	<u>15,97,99,106</u>
Less : Depreciation	2,41,189	1,52,227
Profit before tax	14,21,48,771	15,96,46,879
Less : Provision for taxation	85,00,000	3,33,00,000
Add : Deferred taxation	9,32,881	—
Profit after taxation	13,35,81,652	12,63,46,879
Add : Balance brought forward from last year	4,49,49,808	4,37,07,354
Profit available for appropriation	<u>17,95,31,460</u>	<u>17,00,54,233</u>
Appropriation		
(i) Special Reserve	2,70,00,000	2,53,00,000
(ii) Proposed Dividend	7,90,87,500	7,90,87,500
(iii) Tax on dividend	—	80,66,925
(iv) General Reserve	1,35,00,000	1,26,50,000
(v) Balance carried forward to next year	5,99,43,960	4,49,49,808
	<u>17,95,31,460</u>	<u>17,00,54,233</u>

DIVIDEND

A dividend of Rs. 10.00 per share (Previous year Rs. 10.00 per share) is recommended for payment. The aggregate amount of dividend will absorb Rs. 7.91 crores and the tax on proposed dividend will be nil.

REVALUATION

The long term quoted investments were revalued as on 31st March, 2002, 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, 2002 has been increased in the Company's books by Rs. 12.17 crores. The corresponding amount has been increased in the Investment Reserve.

PILANI INVESTMENT AND INDUSTRIES CORPORATION LIMITED

DIRECTORS' REPORT — (Contd.)

DIRECTORS

Dr. K. K. Birla, Shri B. K. Birla and Smt. Priyamvada Birla, 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

In compliance with Section 217(2AA) of the Companies Act, 1956, the Directors to the best of their knowledge and belief confirm that -

- (i) in the preparation of the Annual Accounts, the applicable accounting standards have been followed alongwith proper explanation relating to material departures ;
- (ii) the Directors have selected such accounting policies as mentioned in Schedule 'H' of the annual accounts 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 as on 31st March, 2002 and the Profit or Loss of the Company for the financial year ended on that date ;
- (iii) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the aforesaid Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities ;
- (iv) the annual accounts have been prepared on a going concern basis.

CORPORATE GOVERNANCE

The Company has in place a system of Corporate Governance. A separate Report on Corporate Governance is enclosed as a part of this Annual Report of the Company. A certificate from Auditors of the Company regarding compliance of Corporate Governance as stipulated under Clause 49 of the Listing Agreement is annexed to the Report on Corporate Governance.

SUBSIDIARY COMPANY

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

AUDITORS

S. R. Batliboi & Co., the Auditors of the Company, retire at the ensuing Annual General Meeting and we recommend their re-appointment.

AUDITORS REPORT

The observations made in the Auditors Report are self explanatory and, therefore, do not call for any further explanation under Section 217(3) 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

PILANI INVESTMENT AND INDUSTRIES CORPORATION LIMITED

DIRECTORS' REPORT — (Contd.)

to be appended to this report in terms of Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998.

REGISTERED OFFICE

The Shareholders of the Company passed and approved in Extra Ordinary General Meeting held on 15th March, 2002 and also by Postal Ballot, special resolution in respect of shifting the Registered Office of the Company from Birlanagar, Gwalior in the State of Madhya Pradesh to Kolkata in the State of West Bengal. The Company has filed the petition with the Company Law Board, Western Region, Mumbai for their approval.

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.

CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated Financial Statements have been prepared by the Company in accordance with the requirements of Accounting Standard - 21 issued by the Institute of Chartered Accountants of India and as stipulated by Clause 32 of the Listing Agreement with the Stock Exchanges with which the Shares of the Company are listed. The audited Consolidated Financial Statements form part of the Annual Report.



For and on behalf of the Board of Directors

Kolkata
July 19, 2002

R. A. MAKHARIA
Executive Director

B. K. BIRLA
Director

PILANI INVESTMENT AND INDUSTRIES CORPORATION LIMITED

REPORT ON CORPORATE GOVERNANCE

In compliance with the Corporate Governance requirements as contained in Clause 49 of the Listing Agreement with the Stock Exchanges, your company is implementing the Corporate Governance Code in the current year.

A. Company's philosophy on Corporate Governance.

Corporate governance pertains to systems, by which companies are directed and controlled, keeping in mind long-term interest of Stakeholders. In sum, corporate governance is to achieve business excellence and dedicate itself to transparency in all its dealings and places and business efforts. The Company firmly believes in the spirit of corporate governance and the same has influenced its decisions and policies long before the guidelines became mandatory. The recent guidelines on corporate governance did not, therefore, require any major changes in our Board and Management practices.

B. Board of Directors**(i) Composition of the Board :**

The Board of Directors comprises of ten members consisting of nine Non-Executive Directors who account for ninety percent of the Board strength as against minimum requirement of fifty percent as per the listing agreement. The Non-Executive Directors are eminent professionals drawn from amongst persons with experience in business and industry, finance and law. The composition is as under :-

Directors	Executive/Non-Executive/ Independent	No. of Outside Directorship held		No. of Outside Committees # (excluding **)	
		Domestic Companies		Member	Chairman/ Chairperson
		Public	Private		
Dr. K. K. Birla	Non-Executive	12	1	—	—
Shri B. K. Birla	Non-Executive	5	—	—	—
Shri G. P. Birla	Non-Executive	—	1	—	—
Smt. Priyamvada Birla	Non-Executive	12	1	—	—
Shri S. K. Birla	Non-Executive	7	1	—	—
Shri G. D. Kothari	Non-Executive*	6	—	2	—
Shri P. K. Khaitan	Non-Executive*	12	3	5	2
Shri D. N. Patodia	Non-Executive*	6	—	2	—
Shri Arvind C. Dalal	Non-Executive*	6	1	2	1
Shri R. A. Makharia	Executive***	4	—	—	—

PILANI INVESTMENT AND INDUSTRIES CORPORATION LIMITED

* Also independent

** Private companies and Companies under Section 25 of the Companies Act, 1956.

*** Shri R. A. Makharia is the Managing Director of the Company.

Only the three committees viz., the Audit Committee, the Shareholders Grievance Committee and the Remuneration Committee are considered for this purpose.

(a) Independent director is defined as one who is

- not a formal executive and has no professional relationship with the company.
- not a large customer and/or vendor to the company.
- not a close relative of the promoter and/or any executive director.
- not holding a significant stake.
- not a nominee of any large shareholder/creditor.

(b) The Non-Executive Directors have no material pecuniary relationship or transactions with the Company in their personal capacity.

(ii)	Details of sitting fees, remuneration etc. paid to Directors :	
	Name of the Directors	Remuneration paid during 2001-2002. Sitting fees for attending Meetings of the Board and/or committee thereof (All figures in Rs.)
	Dr. K. K. Birla	—
	Shri B. K. Birla	25,000
	Shri G. P. Birla	15,000
	Smt. P. Birla	10,000
	Shri S. K. Birla	5,000
	Shri G. D. Kothari	35,000
	Shri P. K. Khaitan	40,000
	Shri D. N. Patodia	15,000
	Shri A. C. Dalal	—
	Shri R. A. Makharia (Executive Director)	25,000
		Remuneration
	Salary	5,24,413
	Contribution to P.F./Superannuation Fund	1,16,640
	Perquisites including Rent of Rs. 1,68,000/-	2,04,000

PILANI INVESTMENT AND INDUSTRIES CORPORATION LIMITED

Note : 1. No commission is paid to any Directors.

2. Shri P. K. Khaitan is a partner in Khaitan & Co., who renders professional services to the Company.

(iii) Number of Board Meetings held and attended by the Directors :

(a) Five meetings of the Board of Directors were held during the year ended 31st March, 2002.

These were held on :-

(1) 20th April, 2001, (2) 30th July, 2001 (3) 20th September, 2001
(4) 18th October, 2001 (5) 25th January, 2002

(b) The attendance record of each of the Directors at the Board Meetings during the year ended on 31st March, 2002 and of the last Annual General Meeting is as under :-

<u>Directors</u>	<u>No. of Board Meetings attended</u>	<u>Attendance of the last AGM</u>
Dr. K. K. Birla	—	—
Shri B. K. Birla	5	—
Shri G. P. Birla	3	—
Smt. Priyamvada Birla	2	—
Shri S. K. Birla	1	—
Shri G. D. Kothari	4	—
Shri P. K. Khaitan	5	—
Shri D. N. Patodia	1	Yes
Shri Arvind C. Dalal	—	—
Shri R. A. Makharia	5	Yes

C. AUDIT COMMITTEE

(i) The Audit Committee was constituted by the Board at their meeting held on 31.1.2001. The Audit Committee comprised of three independent member directors viz.

(1) Shri D. N. Patodia (2) Shri G. D. Kothari (3) Shri P. K. Khaitan

All the members of the Audit committee are Non-Executive Directors. The committee has elected Shri D. N. Patodia as its chairman.

(ii) Audit Committee meetings were held on 16th May, 2001, 18th October, 2001 and 20th March, 2002. The attendance of the Audit Committee Members are as under :-

<u>Name of the Audit Committee Members</u>	<u>No. of meeting attended</u>
Shri D. N. Patodia	2
Shri G. D. Kothari	3
Shri P. K. Khaitan	3

(iii) At the invitation of the company Internal Auditors, Statutory Auditors and Secretary who is acting as secretary of the Audit Committee and other officer of the Company also attended the Audit Committee meetings to answer and clarify queries raised at the committee meetings.

(iv) The role and terms of reference of the Audit Committee covers the matters specified for Audit Committees under Clause 49 of listing agreement, SEBI guidelines as well as Section 292A of the Companies Act, 1956.