

# PILANI INVESTMENT AND INDUSTRIES CORPORATION LIMITED



## ANNUAL REPORT AND ACCOUNTS 2002-2003

***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*

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***SECRETARY***

SHRI B. D. DALMIA

***AUDITORS***

M/S. S. R. BATLIBOI & CO.  
CHARTERED ACCOUNTANTS  
KOLKATA - 700 016

***REGISTERED OFFICE***

BIRLA BUILDING  
9/1 R. N. MUKHERJEE ROAD  
KOLKATA - 700 001

## 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, 2003.

**FINANCIAL RESULTS**

	Rs.	Previous Year Rs.
Net Profit from operations, Dividend, Interest and Rent Income	17,08,24,317	14,26,56,131
Add:		
Provision written back for diminution in value of Long Term Unquoted Investments	9,78,687	—
Less :		
Diminution in value of Long term Unquoted Investments	—	2,66,171
	<u>17,18,03,004</u>	<u>14,23,89,960</u>
Less : Depreciation	2,28,485	2,41,189
Profit before tax	17,15,74,519	14,21,48,771
Less : Provision for taxation	3,40,00,000	85,00,000
Less : Deferred taxation	3,04,116	(+ ) 9,32,881
Profit after taxation	<u>13,72,70,403</u>	<u>13,45,81,652</u>
Add : Balance brought forward from last year	5,99,43,960	4,49,49,808
Profit available for appropriation	<u>19,72,14,363</u>	<u>17,95,31,460</u>
Appropriation		
(i) Special Reserve	2,75,00,000	2,70,00,000
(ii) Proposed Dividend	7,90,87,500	7,90,87,500
(iii) Tax on dividend	1,01,33,086	—
(iv) General Reserve	1,37,50,000	1,35,00,000
(v) Balance carried forward to next year	<u>6,67,43,777</u>	<u>5,99,43,960</u>
	<u>19,72,14,363</u>	<u>17,95,31,460</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 Rs.1.01 crores.

**DIRECTORS' REPORT – (Contd.)****REVALUATION**

The long term quoted investments were valued as on 31st March, 2003, 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, 2003 has been increased in the Company's books by Rs.6.26 crores. The corresponding amount has been increased in the Investment Reserve.

**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.

**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 the 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, 2003 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.

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PILANI INVESTMENT AND INDUSTRIES CORPORATION LIMITED

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**DIRECTORS' REPORT – (Contd.)****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.

**REGISTERED OFFICE**

As per approval of the Company Law Board, Western Region, Mumbai, the Registered Office of the Company has been shifted from Birlanagar, Gwalior in the State of Madhya Pradesh to Birla Building, 9/1 R. N. Mukherjee Road, Kolkata - 700 001 in the State of West Bengal from 4th October, 2002.

**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 STATEMENT**

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 Accounts 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 on behalf of the Board of Directors

Kolkata  
July 30, 2003

**R. A. Makharia**  
Executive Director

**B. K. Birla**  
Director

## 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.

### 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	–	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*	2	–	2	–
Shri P. K. Khaitan	Non-Executive*	12	3	3	2
Shri D. N. Patodia	Non-Executive*	5	–	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 vender 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 2002-2003 Sitting fees for attending Meetings of the Board and/or committee thereof (All figures in Rs.)
	Dr. K. K. Birla	–
	Shri B. K. Birla	20,000
	Shri G. P. Birla	10,000
	Smt. P. Birla	–
	Shri S. K. Birla	5,000
	Shri G. D. Kothari	20,000
	Shri P. K. Khaitan	10,000
	Shri D. N. Patodia	15,000
	Shri A. C. Dalal	5,000
	Shri R. A. Makharia (Executive Director)	20,000
		Remuneration
	Salary	7,14,020
	Contribution to P.F./Superannuation Fund	1,65,240
	Perquisites including Rent of Rs.1,68,000/-	2,19,000

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

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

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

(a) Four meetings of the Board of Directors were held during the year ended 31st March, 2003. These were held on :

(1) 29th April, 2002, (2) 19th July, 2002,  
(3) 25th October, 2002, (4) 24th January, 2003

(b) The attendance record of each of the Directors at the Board Meetings during the year ended on 31st March, 2003 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	4	—
Shri G. P. Birla	2	—
Smt. Priyamvada Birla	—	—
Shri S. K. Birla	1	—
Shri G. D. Kothari	4	—
Shri P. K. Khaitan	2	—
Shri D. N. Patodia	3	Yes
Shri Arvind C. Dalal	1	—
Shri R. A. Makharia	4	Yes

### C. AUDIT COMMITTEE

(i) The Audit Committee comprised of three independent member directors viz. (1) Shri D. N. Patodia (2) Shri G. D. Kothari (3) Shri Arvind C. Dalal

Shri P. K. Khaitan resigned from the Audit Committee w.e.f. 19th August, 2002 and Shri Arvind C. Dalal appointed as Member of the Audit Committee.

All the members of the Audit Committee are Non-Executive Directors.

(ii) Audit Committee meetings were held on 26th April, 2002, 19th July, 2002 and 24th October, 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
Shri Arvind C. Dalal	—

(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.



## PILANI INVESTMENT AND INDUSTRIES CORPORATION LIMITED

- (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.

**D. REMUNERATION COMMITTEE**

The Company has only one Executive Director on the Board and whose appointment and remuneration has been fixed by the Board in terms of resolution passed by the members. In view of this, no remuneration committee is required to be constituted.

**E. SHAREHOLDERS COMMITTEE**

The Company has constituted a Share Transfer and Shareholders/Investors Grievance Committee headed by Shri G. D. Kothari, a Non-Executive and independent Director. The Company Secretary has been designated as the Compliance Officer. During the year ended 31st March, 2003, 15 investors complaints/queries were received and as on 31st March, 2003, there were no complaints/queries pending reply. There were no share transfer pending for registration for more than 30 days as on the said date. Duplicate Demand Drafts/Banker's Cheques were pending to be received from Bank for 10 nos. shareholders.

**F. GENERAL BODY MEETINGS**

- (i) Details of Annual General Meetings/Extra Ordinary General Meeting :

<u>Year</u>	<u>Date</u>	<u>Type</u>	<u>Location</u>	<u>Time</u>
1999-2000	29.9.2000	AGM	70 Assistant Line, Gwalior	4.00 P.M.
2000-2001	22.9.2001	AGM	70 Assistant Line, Gwalior	2.30 P.M.
2001-2002	15.3.2002	EOGM	70 Assistant Line, Gwalior	2.00 P.M.
2001-2002	28.9.2002	AGM	70 Assistant Line, Gwalior	12.30 P.M.

Whether special resolutions were put through postal ballot last year. No  
 Are votes proposed to be conducted through postal ballot this year ? No

**G. DISCLOSURES**

- (i) There are no materially significant transactions with related parties viz. Promoters, Directors or the Management, their subsidiaries or relative conflicting with Company's interest.
- (ii) No penalties of strictures have been imposed on the Company by Stock Exchange or SEBI or any Statutory Authority on any matter related to Capital Markets during the last three years.

**H. MEANS OF COMMUNICATION**

- (i) Quarterly results :

Which newspaper normally published in : The Financial Express, Kolkata  
 Swadesh, Gwalior and  
 Kalantar, Kolkata

- (ii) Half-yearly report sent to each household of Shareholders : No
- (iii) Any website, where displayed : No
- (iv) Whether MD & A is a part of Annual Report : Yes

## I. MANAGEMENT DISCUSSION & ANALYSIS REPORT

The profitability of the Company during the year under review has increased as compared to the previous year mainly because of improved performance of the Companies in which the Company holds major shares. It is evident that in a difficult year and sluggish market condition, your Company has performed well and due to effective measures taken continue to pay dividend. With the USA led war on Iraq having ended, it is expected that the post war scenario should provide stability and adequate opportunities for industrial growth.

## J. GENERAL SHAREHOLDER INFORMATION

- (i) Annual General Meeting to be held :

Day & Date : Monday, the 29th September, 2003

Venue : Birla Building, 9/1 R. N. Mukherjee Road, Kolkata - 700 001

Time : 3.00 P.M.

- (ii) Financial Calendar (tentative) for the year 2003-04 :

First Quarterly Results : Before end of July, 2003

Second Quarterly Results : Before end of October, 2003

Third Quarterly Results : Before end of January, 2004

Fourth Quarterly Results : Before end of April, 2004

Audited Yearly Results for the Year ended 31st March, 2004 : Before end of July, 2004

- (iii) Date of Book Closure : 20th September, 2003 to 29th September, 2003 (Both days inclusive)

- (iv) Date of Dividend payment : On or after 10th October, 2003

- (v) Information pertaining to the Stock Exchanges :

(a) The Equity Shares of the Company are listed at the following Stock Exchanges :

- (i) Madhya Pradesh Stock Exchange, 201 Palika Plaza-II, M T H Compound, Indore - 452 001 (M.P.) Stok Code No. : N.A.
- (ii) Delhi Stock Exchange Association Ltd., DSE House, 3/1 Asaf Ali Road, New Delhi-110 002. Stock Code No. : DSE 16074

**Note :** Listing fees for the year 2003-2004 has been paid to the Stock Exchanges.