

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 Birla Building, 9/1 R.N. Mukherjee Road, Kolkata – 700001 on Thursday the 1st September, 2005 at 3.00 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, 2005 and the Profit & Loss Account for the year ended on that date, Report of the Directors and the Auditors thereon.
2. To sanction the declaration and the payment of dividend on Equity shares for the year ended 31st March, 2005.
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 Shri G.D. Kothari, who retires from office by rotation and being eligible, offers himself for re-appointment.
6. To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS

To consider and if thought fit, to pass with or without modification(s), the following Resolution as **ORDINARY RESOLUTION** :

7. "RESOLVED THAT pursuant to the provisions of revised clause 49(1)(B) of the Listing Agreement with the Stock Exchanges read with applicable provisions of the Companies Act, 1956 or any amendment thereof (Act) and Article 100 of the Articles of Association, the consent be and is hereby accorded to the payment of such sitting fees, to the Directors of the Company for attending any meeting of the Board of Directors or any Committee thereof, as may be determined from time to time by the Board but not exceeding such sum as may from time to time be prescribed by or under the Companies Act, 1956 and the Rules prescribed there under or any amendment(s) thereof."

The Register of Members and Transfer Books of the Ordinary Shares of the Company will remain closed from 16th August 2005 to 1st September 2005 (both days inclusive).

Registered Office :
Birla Building
9/1, R. N. Mukherjee Road
Kolkata - 700 001
July 4, 2005

By order of the Board of Director
B. D. Dalmia
Secretary

PILANI INVESTMENT AND INDUSTRIES CORPORATION LIMITED

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. The instrument appointing a proxy should however, be deposited at the Registered Office of the company at Birla Building, 9/1 R.N. Mukherjee Road, Kolkata-700001 not less than 48 hours before the commencement of the meeting.
 2. 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 14th August, 2005 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 14th August, 2005.
 3.
 - a. Under the provisions of Section 205A of the Companies Act, 1956, the Company has already deposited all unclaimed dividends declared upto and including financial year 1996-97.
 - b. Members are hereby informed that dividends for the financial year 1997-98 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 be noted that once the unclaimed dividend amount is transferred to the Fund as stated above, no claim shall lie in respect of such amount against the Company or the Fund.
 4. 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.
 1. 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.
 2. Reappointment of Directors : At the ensuing Annual General Meeting Dr. K.K. Birla, Shri B.K. Birla, and Shri G.D. Kothari, 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.
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PILANI INVESTMENT AND INDUSTRIES CORPORATION LIMITED

- a. Dr. K.K. Birla, aged about 87 years, is a D.Litt (Honoris Causa). He is a renowned industrialist and Parliamentarian and possesses a rich experience of about 59 years. He is on the Board of many prominent corporates. He was the member of Parliament (Rajya Sabha) from 1984 to 2002. 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 a Trustee of various Trusts including Birla Education Trust, which runs a number of schools and educational institutions. He is the Managing Director of Birla Brothers Pvt. Ltd. He holds directorship in Chambal Fertilisers & Chemicals Ltd., Zuari Industries Ltd., Ronson Traders Ltd., Uttam Commercial Ltd., Texmaco Ltd., Sutlej Industries Ltd., The Hindustan Times Ltd., Indian Steamship Co. Ltd., Yashovardhan Investment & Trading Co. Ltd., Zuari Cements Ltd., HT Media Ltd.
- b. Shri B.K. Birla, aged about 84 years, is among the top industrialists in the country and is well known for his dynamism, enterprise and leadership qualities, which has helped him in building his successful business empire. He holds Directorship in Century Textiles & Industries Ltd., Jay Shree Tea & Industries Ltd., Century Enka Ltd. and Kesoram Industries Ltd. and also associated with other Charitable Trusts and Educational Institutions.
- c. Shri G.D. Kothari, aged about 86 years, is a well known Industrialist having wide experience in the field of Textile, Pharmaceutical and Tea Plantations. He is the Chairman of Gillanders Arbuthnot & Co. Ltd. & Bharat Fritz Ltd. and Director of Bhaktwatsal Investment Limited.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2)**OF THE COMPANIES ACT, 1956****Item No. 7**

Under the provisions of Section 309(2) of the Companies Act, 1956 and Article 100 of the Articles of Association of the Company, a director may receive remuneration by way of a fee for each meeting of the Board, or a Committee thereof, attended by him.

In terms of the revised Clause 49 of the Listing Agreement with Stock Exchanges, approval of the shareholders is now required for payment of sitting fees to the Directors of a company and the maximum number of Options that can be granted to them in a financial year and in the aggregate. Accordingly, approval of the shareholders is sought for payment of such fees to the Directors for attending any Board meeting or any Committee thereof, as may be fixed by the Board in future within such limits as may from time to time be prescribed under the Companies Act, 1956 and Rules framed there under or any amendment(s) thereof.

The Board of Directors recommends the passing of the resolution mentioned under item No.7 of the Special business as 'Ordinary Resolution'

All the Directors are interested since it relates to payment of fees to them for attending Board/Committee meetings.

PILANI INVESTMENT AND INDUSTRIES CORPORATION LIMITED

DIRECTORS

DR. K. K. BIRLA
SHRI B. K. BIRLA
SHRI G. P. 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

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

For Pilani Investment and Industries
Corporation Ltd.

A. A. Makharia
Executive Director

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, 2005.

FINANCIAL RESULTS

	Rs.	Previous Year Rs.
Profit from operations, Dividend, Interest and Rent Income	23,02,00,137	18,59,19,840
Add : Provision written back for diminution in value of Long Term Unquoted Investments	<u>—</u>	<u>16,05,903</u>
	23,02,00,137	18,75,25,743
Less : Depreciation	<u>1,64,983</u>	<u>2,03,880</u>
Profit before tax	23,00,35,154	18,73,21,863
Less : Provision for taxation	<u>1,23,32,027</u>	<u>75,00,000</u>
Add : Deferred taxation	<u>37,36,619</u>	<u>8,28,472</u>
Profit after taxation	22,14,39,746	18,06,50,335
Add : Balance brought forward from last year	<u>8,55,79,410</u>	<u>6,67,43,778</u>
Profit available for appropriation	30,70,19,156	24,73,94,113
Appropriation		
(i) Special Reserve	4,45,00,000	3,65,00,000
(ii) Proposed Dividend	11,86,31,250	9,49,05,000
(iii) Tax on dividend	1,66,38,033	1,21,59,703
(iv) Education Cess on Dividend paid for 2003-04	2,43,194	—
(v) General Reserve	2,25,00,000	1,82,50,000
(v) Balance carried forward to next year	<u>10,45,06,679</u>	<u>8,55,79,410</u>
	30,70,19,156	24,73,94,113

DIVIDEND

A dividend of Rs. 15.00 per share (Previous year Rs. 12.00 per share) is recommended for payment. The aggregate amount of dividend will absorb Rs. 11.86 crores and the tax on proposed dividend will be 1.66 crores.

DIRECTORS' REPORT — (Contd.)**DIRECTORS**

Dr. K. K. Birla, Shri B. K. Birla and Shri G. D. Kothari, 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, 2005 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 and being eligible, offer themselves for 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.

PILANI INVESTMENT AND INDUSTRIES CORPORATION LIMITED

DIRECTORS' REPORT — (Contd.)**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.

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.

A large, semi-transparent watermark for 'Report Junction.com' is centered on the page. It features the word 'Report' in a light blue font, a yellow diamond icon with a blue arrow pointing right, and the word 'Junction.com' in a light green font, all enclosed within a rounded rectangular border.

For and on behalf of the Board of Directors

Kolkata
June 8, 2005

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.

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 nine members consisting of eight Non-Executive Directors who account for eighty-nine 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	11	1	—	1
Shri B. K. Birla	Non-Executive	4	—	—	—
Shri G. P. Birla	Non-Executive	—	1	—	—
Shri S. K. Birla	Non-Executive	7	1	2	3
Shri G. D. Kothari	Non-Executive*	1	—	—	2
Shri P. K. Khaitan	Non-Executive*	12	—	9	2
Shri D. N. Patodia	Non-Executive*	5	—	2	1
Shri Arvind C. Dalal	Non-Executive*	5	—	4	—
Shri R. A. Makharia	Executive***	3	—	—	—

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 2004-2005. Sitting fees for attending Meetings of the Board and/or committee thereof (All figures in Rs.)
	Dr. K. K. Birla	15,000
	Shri B. K. Birla	30,000
	Shri G. P. Birla	20,000
	Shri S. K. Birla	15,000
	Shri G. D. Kothari	50,000
	Shri P. K. Khaitan	30,000
	Shri D. N. Patodia	40,000
	Shri A. C. Dalal	40,000
	Shri R. A. Makharia (Executive Director)	30,000
		Remuneration
	Salary	9,10,026
	Contribution to P.F./Superannuation Fund	2,10,600
	Perquisites including Rent of Rs. 1,68,000/-	3,00,603
	LTA & Medical Expenses	1,88,000

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., 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, 2005.

These were held on :-

(1) 29th April, 2004, (2) 27th July, 2004 (3) 18th October, 2004

(4) 28th January, 2005

(b) The attendance record of each of the Directors at the Board Meetings during the year ended on 31st March, 2005 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	2	—
Shri B. K. Birla	4	—
Shri G. P. Birla	3	—
Shri S. K. Birla	2	—
Shri G. D. Kothari	4	—
Shri P. K. Khaitan	4	Yes
Shri D. N. Patodia	3	Yes
Shri Arvind C. Dalal	3	—
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.

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

(ii) Audit Committee meetings were held on 29th April, 2004, 27th July, 2004 & 28th January, 2005. 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 - Chairman	3
Shri G. D. Kothari	3
Shri Arvind C. Dalal	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.