

PILANI INVESTMENT AND INDUSTRIES CORPORATION LIMITED



ANNUAL REPORT AND ACCOUNTS
2005-2006

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

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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, 2006.

It is indeed a matter of great pride and joy for us that Shri Ganga Prasad Birla, a Director of the Company has been honoured by the Honourable President of India by conferring the prestigious award of "Padma Bhushan" for his outstanding achievement in promotion of education, medical, social welfare, scientific and economic research and philanthropic activities.

FINANCIAL RESULTS

	Rs.	Previous Year Rs.
Profit from operations, Dividend, Interest and Rent Income	38,84,51,414	23,02,00,137
Add : Provision written back for diminution in value of Long Term Unquoted Investments	19,54,651	—
	39,04,06,065	23,02,00,137
Less: Depreciation	1,36,008	1,64,983
Profit before tax	39,02,70,057	23,00,35,154
Less: Provision for taxation	1,45,00,000	1,23,32,027
Add: Deferred taxation	1,01,78,370	37,36,619
Profit after taxation	38,59,48,427	22,14,39,746
Add: Balance brought forward from last year	10,45,06,679	8,55,79,410
Profit available for appropriation	49,04,55,106	30,70,19,156
Appropriation		
(i) Special Reserve	7,75,00,000	4,45,00,000
(ii) Proposed Dividend	14,23,57,500	11,86,31,250
(iii) Tax on dividend	1,99,65,639	1,66,38,033
(iv) Education Cess on Dividend paid for 2003-04	—	2,43,194
(v) General Reserve	3,90,00,000	2,25,00,000
(vi) Balance carried forward to next year	21,16,31,967	10,45,06,679
	49,04,55,106	30,70,19,156

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

A dividend of Rs.18.00 per share (Previous year Rs.15.00 per share) is recommended for payment. The aggregate amount of dividend will absorb Rs.14.24 Crores and the tax on proposed dividend will be Rs.2.00 Crores.

DIRECTORS

Shri S.K. Birla, Shri Arvind C. Dalal 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 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, 2006 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 reappointment.

PILANI INVESTMENT AND INDUSTRIES CORPORATION LIMITED

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 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 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 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
May 12, 2006

R. A. MAKHARIA
Executive Director

B. K. BIRLA
Director

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, 2006. The Financial year of the Company as well as the subsidiary ended 31st March, 2006.

- 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.2,67,236 [Previous year (Rs.2,05,825)]

- 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
May 12, 2006

R. A. MAKHARIA
Executive Director

B. K. BIRLA
Director

PILANI INVESTMENT AND INDUSTRIES CORPORATION LIMITED

INFORMATION PURSUANT TO PART IV OF SCHEDULE-VI TO THE COMPANIES ACT, 1956

Balance Sheet Abstract and Company's Business Profile

i) Registration Details

Registration No.	21-95302	State Code	21
CIN No.	L2413WB2002 PTC095302		
Balance Sheet Date	31.3.2006		

ii) Capital Raised during the year (Amount in thousands)

Public Issue	Nil	Right Issue	Nil
Bonus Issue	Nil	Private Placement	Nil

iii) Position of Mobilisation and Deployment of Funds (Amount in Thousands)

Total Liabilities	53,41,183	Total Assets	53,41,183
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Sources of Funds

Paid-up Capital	79,088	Reserves & Surplus	50,86,954
Secured Loans	NIL	Unsecured Loans	NIL

Application of Funds

Net Fixed Assets	2,048	Investments	49,47,986
Net Current Assets	1,88,665	Misc. Expenditure	NIL
Accumulated Losses	NIL	Deferred Tax Assets	27,343

iv) Performance of Company (Amount in Thousands)

Turnover(including other income)	4,54,053	Total Expenditure	63,770
Profit Before Tax	3,90,270	Profit After Tax	3,85,948
Earning per Share in Rs.	48.80	Dividend Rate in Rs.	18.00

v) Generic Names of Three principal products / Services of Company

(as per monetary terms)

Item Code No.	NOT APPLICABLE
Description	

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 Domestic Companies		No. of Outside Committees # (excluding **)	
		Public	Private	Member	Chairman/ Chairperson
Dr. K.K. Birla	Non-Executive	9	1	-	-
Shri B.K. Birla	Non-Executive	4	-	-	-
Shri G.P. Birla	Non-Executive	-	1	-	-
Shri S.K. Birla	Non-Executive	5	1	2	3
Shri G.D. Kothari	Non-Executive*	1	-	-	2
Shri P.K. Khaitan	Non-Executive*	12	-	4	-
Shri D.N. Patodia	Non-Executive*	4	-	1	1
Shri Arvind C. Dalal	Non-Executive*	5	-	4	-
Shri R.A. Makharia	Executive***	3	-	1	-

* 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.

PILANI INVESTMENT AND INDUSTRIES CORPORATION LIMITED

- # Only the two committees viz., the Audit Committee and the Shareholders' Grievance Committee are considered for this purpose.
- No other Directors of the Company hold any Equity Shares in the Company except Dr. K.K. Birla, who holds 2565 Equity Shares in the Company in his capacity as Karta of K.K. Birla (HUF) and Shri Arvind C. Dalal holds 450 Equity Shares in the Company as on 31st March, 2006.
- (a) 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 2005-2006 Sitting fees for attending Meetings of the Board and/or committee thereof (All figures in Rs.)
	Dr. K.K. Birla	40,000
	Shri B.K. Birla	50,000
	Shri G.P. Birla	20,000
	Shri S.K. Birla	20,000
	Shri G.D. Kothari	90,000
	Shri P.K. Khaitan	40,000
	Shri D.N. Patodia	70,000
	Shri A.C. Dalal	70,000
	Shri R.A. Makharia (Executive Director)	50,000

	<u>Remuneration</u>
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	65,000

- 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 and a sum of Rs.75,180/- has been paid towards Professional services to Khaitan & Co.

(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, 2006. These were held on :
- (1) 27th April, 2005, (2) 8th June, 2005, (3) 29th July, 2005, (4) 31st October, 2005 (5) 10th January, 2006
- b. The attendance record of each of the Directors at the Board Meetings during the year ended on 31st March, 2006 and of the last Annual General Meeting is as under :-

Directors	No. of Board Meetings Attended	Attendance of the last AGM
Dr. K.K. Birla	4	-
Shri B.K. Birla	5	-
Shri G.P. Birla	2	-
Shri S.K. Birla	2	-
Shri G.D. Kothari	5	-
Shri P.K. Khaitan	4	Yes
Shri D.N. Patodia	3	Yes
Shri Arvind C. Dalal	4	-
Shri R.A. Makharia	5	Yes

C. Code of Conduct

The Company has laid down a Code of Conduct for all the Board of Directors and Senior Management Personnel for avoidance of conflict of interest. It has received from all of them the necessary declaration affirming compliance with Code of Conduct for the year 2005-2006. There were no material financial and commercial transactions in which the Senior Management personnel, had personal interest, which would lead to potential conflict of interest of the Company during the year. The Code of Conduct is available on Company's website.

D. 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 Independent Non-Executive Directors.