

PILANI INVESTMENT AND INDUSTRIES CORPORATION LIMITED

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ANNUAL REPORT AND ACCOUNTS 2007-2008

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 Monday the 25th August, 2008 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, 2008 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, 2008.
3. To appoint a director in place of Shri 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 P.K. Khaitan, who retires from office by rotation and being eligible, offers himself for re-appointment.
6. To appoint Auditors and fix their remuneration.
7. To consider, and if thought fit to pass with or without modification the following resolution, as an Ordinary Resolution :

“Resolved further that pursuant to the provisions of Sections 198, 269, 309, 311, 314 read with Schedule XIII and other applicable provisions if any, of the Companies Act, 1956, approval of the Company be and is hereby accorded for reappointment of Shri R.A. Makharia as Managing Director to be designated as Executive Director of the Company for a further period of two years with effect from 23rd September, 2008 to 22nd September, 2010 upon the following terms as to remuneration as set out hereinafter and with further liberty to the Directors from time to time to alter the said terms in such a manner as may be in the best interest of the Company within the limitations in that behalf as contained in Schedule XIII to the said Act and any amendment thereof or otherwise as may be permissible at law viz.”

Salary : Rs.80,000/- (Rupees eighty thousand only) per month with authority to the Board to fix increments in salary and perquisites, from time to time.

Perquisites : It shall be as per details given below subject to the ceiling laid down in Schedule XIII of the Companies Act, 1956 so far as applicable.

- a) (i) Provident Fund and Superannuation : In accordance with the company's rules and regulations in force from time to time.
- (ii) Medical and Hospital Benefit : For self and family under the Company's regulations subject to a ceiling of one month's salary in a year or 3 months salary for a period

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- of 3 years.
- (iii) Leave and Travel Concession : Once in a year for self and family in accordance with the rules specified by the company.
 - (iv) Leave and its encashment : As per rules of the Company.
 - (v) Club Fees : For two clubs excluding admission and Life Membership Fees.
 - (vi) Personal Accident Insurance : Premium not exceeding Rs.1000/- per annum.
 - (vii) Conveyance : Car for use of Company's business and Telephone at residence.
 - (viii) Gratuity : As per rules of the Company not exceeding a month's salary for each financial year of service.
- b) Housing : The Company shall provide fully furnished accommodation and the expenditure incurred thereon by the Company shall be valued as per Income Tax Rules, 1962.

In the event of loss or inadequacy of profit in any financial year, the remuneration payable to him shall be subject to the limits, if any, set out in Schedule XIII of the Companies Act, 1956 and as may be applicable.

Shri R.A. Makharia shall be entitled to sitting fee for attending the meetings of the Board of Directors or Committee of the Directors.

The Register of Members and Transfer Books of the Equity Shares of the Company will remain closed from 14th August to 25th August 2008 (both days inclusive).

Registered Office :
Birla Building
9/1, R.N. Mukherjee Road,
Kolkata – 700001
July 29, 2008

By Order of the Board of Directors
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. 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 13th August, 2008 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 13th August, 2008
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 1999-2000.
 - b. Members are hereby informed that dividends for the financial year 2000-2001 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. a. 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.
 - b. 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.
5. Reappointment of Directors : At the ensuing Annual General Meeting Dr. K.K. Birla, Shri B.K. Birla and Shri P.K. Khaitan, 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 90 years, is a D.Litt (Honoris Causa). He is renowned industrialist and Parliamentarian and possesses a rich experience of about 62 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 Foundation 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 Textiles and Industries Ltd., The Hindustan Times Ltd.,

Yashovardhan Investment & Trading Co. Ltd., HT Media Ltd.,

Dr. K.K. Birla and Shri B.K. Birla are related to each other, are interested in the aforesaid resolution.

- b. Shri B.K. Birla aged about 87 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.

Shri B.K. Birla and Dr. K.K. Birla are related to each other, are interested in the aforesaid resolution.

- c. Shri P.K. Khaitan, aged 67 years, is having wide experience in the field of Commercial and Corporate Laws, Mergers & Acquisition, Foreign Collaborations, Restructuring and Demergers. He is the Director of CESC Limited, Dalmia Cement (Bharat) Ltd., Electrosteel Castings Ltd., Emaar MGF Ltd., Gillanders Arbuthnot & Co. Ltd., Graphite India Ltd., Hindustan Motors Ltd., India Glycols Ltd., Lanco Industries Ltd., OCL India Ltd., South Asian Petrochem Ltd., Suzlon Energy Ltd., Visa Steel Ltd. and Woodlands Medical Centre Ltd.

He is the Member of the Committees of following Companies:

CESC Ltd.	– Finance & Forex Committee Chairman, Remuneration Committee
Emaar MGF Land Ltd.	– Chairman, Audit Committee Shareholders and Investors Grievance Committee
Graphite India Ltd.	– Chairman, Remuneration Committee Committee for Borrowings
Hindustan Motors Ltd.,	– Executive Committee, Investors Grievances & Remuneration Committee
South Asian Petrochem Ltd	– Remuneration Committee
Suzlon Energy Ltd.	– Audit, Remuneration, Investor Relations Committee
Visa Steel Ltd.	– Remuneration Committee, Finance & Banking Committee and Selection Committee

Except Shri P.K. Khaitan, no other Directors of the Company is interested in the aforesaid resolution.

PILANI INVESTMENT AND INDUSTRIES CORPORATION LIMITED

DIRECTORS

DR. K. K. BIRLA
SHRI B. K. BIRLA
SHRI D. N. PATODIA
SHRI P. K. KHAITAN
SHRI D. K. MANTRI
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, 2008.

FINANCIAL RESULTS

	Rs.	Previous Year Rs.
Profit from operations, Dividend, Interest and Rent Income	34,54,62,311	75,08,01,996
Add : Provision written back for diminution in value of Long Term Unquoted Investments and Mutual Funds	77,02,405	28,40,438
	35,31,64,716	75,36,42,434
Less: Depreciation	1,35,152	1,18,578
Profit before tax	35,30,29,564	75,35,23,856
Less: Provision for taxation	2,35,53,000	1,20,60,000
Less: Deferred taxation	24,18,120	1,79,59,951
Profit after taxation	32,70,58,444	72,35,03,905
Add: Balance brought forward from last year (after effect of Revised AS-15 for Rs.95,006)	50,49,84,025	21,16,31,967
Profit available for appropriation	83,20,42,469	93,51,35,872
Appropriation		
(i) Special Reserve	6,60,00,000	14,50,00,000
(ii) Proposed Dividend	15,81,75,000	15,81,75,000
(iii) Tax on dividend	2,68,81,841	2,68,81,841
(iv) General Reserve	7,50,00,000	10,00,00,000
(v) Balance carried forward to next year	50,59,85,628	50,50,79,031
	83,20,42,469	93,51,35,872

The profit of the Company during the year under review appears less mainly due to declaration of interim dividend by few companies for the year ended March, 2007 in the previous year. However, during the current year the Company has been able to earn very attractive return on its investment

DIRECTORS' REPORT — (Contd.)

in the Mutual Funds due to buoyancy in the capital market which continued upto mid January 2008. Spiralling fuel and energy prices, higher inflationary pressures etc. has thereafter affected the capital market and the business environment.

DIVIDEND

A dividend of Rs.20.00 per share (Previous year Rs.20.00 per share) is recommended for payment. The aggregate amount of dividend will absorb Rs.15.82 Crores and the tax on proposed dividend will be Rs.2.69 Crores.

DIRECTORS

Shri G.P. Birla, Shri S.K. Birla, Shri G.D. Kothari, resigned from the Board of the Company during November, 2007 and Shri Arvind C. Dalal resigned from the Board of the Company with effect from 2nd May, 2008. Your Directors place their appreciation of the valuable services rendered by them during their tenure as Directors of the Company. Shri D.K. Mantri has been appointed as a Director of the Company with effect from 27th June, 2008.

Shri K.K. Birla, Shri B.K. Birla, 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, 2008 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.

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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.

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
June 27, 2008

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, 2008. The Financial year of the Company as well as the subsidiary ended 31st March, 2008.

- 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
June 27, 2008

R. A. MAKHARIA
Executive Director

B. K. BIRLA
Director