PILANI INVESTMENT AND INDUSTRIES CORPORATION LIMITED

ANNUAL REPORT
AND ACCOUNTS
2011-2012

DIRECTORS

SHRI B. K. BIRLA
SHRI KUMAR MANGALAM BIRLA
SHRI P. K. KHAITAN
SHRI D. K. MANTRI
SHRI A. V. JALAN
SHRI K. K. DAGA
SHRI R. A. MAKHARIA
– Executive Director

COMPANY SECRETARY

SHRI R. S. KASHYAP

AUDITORS

M/S. S. R. BATLIBOI & CO.
CHARTERED ACCOUNTANTS
22, CAMAC STREET, BLOCK ñCò
3RD FLOOR, KOLKATA - 700 016

REGISTRAR & SHARE TRANSFER AGENTS

M/S NICHE TECHNOLOGIES PVT. LTD.
D-511, BAGREE MARKET
71, B. R. B. BASU ROAD
KOLKATA - 700 001

REGISTERED OFFICE

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

DIRECTORS' REPORT

TO THE SHAREHOLDERS

Dear Shareholders,

We have pleasure in presenting the Annual Report of the Company along with the Audited Statements of Accounts for the year ended 31st March, 2012. The Financial Results for the year are shown below :-

FINANCIAL RESULTS

(Amount in ₹ '000)

	2011-2012	2010-2011
Profit from operations, Dividend, Interest and Rent Income	**4,36,958**	4,46,728
Less: Depreciation	**151**	158
Profit before tax	**4,36,807**	4,46,570
Less: Provision for taxation	**9,233**	5,000
Less: Deferred taxation	**–**	2,416
Profit after taxation	**4,27,574**	4,39,154
Add: Balance brought down	**7,57,535**	6,86,075
Profit available for appropriation	**11,85,109**	11,25,229
Appropriations :		
Special Reserve	**85,515**	87,900
Proposed Dividend	**1,97,719**	1,97,719
Corporate Dividend Tax	**32,075**	32,075
General Reserve	**60,000**	50,000
Balance carried forward	**8,09,800**	7,57,535
	11,85,109	11,25,229

The profitability of the Company during the year under review appears less mainly due to receipt of lesser dividend from few Companies and provision for diminution in the value of units of some schemes of the Mutual Funds. News from Overseas Markets mostly fuelled by debt crisis in Europe and disappointments on macro front locally were the major factors for the capital markets to fall. In order to control high inflation, RBI has continued tighter monetary policies resulting in higher interest rates on the borrowings by various companies affecting their margins. The economy has grown by 6.9% in 2011-2012 and RBI has pegged GDP growth rate for the current fiscal year at 7.3%.

DIRECTORS' REPORT — *(Contd.)*

DIVIDEND

The Board of Directors has recommended a dividend of ₹ 25/- (Rupees Twenty Five only) per share of ₹ 10/- each equivalent to 250% (two hundred fifty percent) on the paid up equity share capital of the Company for the year ended 31st March, 2012 as against ₹ 25/- (Rupees Twenty Five only) equivalent to 250% (two hundred fifty percent) paid in the previous year on the equity shares of ₹ 10/- each. The dividend will be paid when declared by the shareholders in accordance with law. The dividend will be free of tax in the hands of the shareholders. The Company will have to pay dividend distribution tax at the rate of 15% plus applicable surcharge and education cess, aggregating about 16.2225% on the dividend amount so distributed.

DIRECTORS

Shri Kumar Mangalam Birla and Shri K. K. Daga, 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 ï

(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 Note 2.1 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, 2012 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 Directorsô 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 Note 29 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.

APPRECIATION

Your Directors place on record their deep appreciation for the committed services rendered by the employees of your Company.

For and on behalf of the Board of Directors

Kolkata
30th May, 2012

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 ₹ 10/- each amounting to 96.83% of the total paid up Capital of 74,358 Equity Shares of ₹ 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 ₹ 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 ₹ 10/- each being the whole of the subscribed capital of PIC Properties Ltd. as on 31st March, 2012. The Financial year of the Company as well as the subsidiary ended on 31st March, 2012.

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 ₹ 2,72,278 [Previous year ₹ 4,07,877]

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
30th May, 2012

R. A. MAKHARIA
Executive Director

B. K. BIRLA
Director

AUDITORS' CERTIFICATE

TO THE MEMBERS OF PILANI INVESTMENT AND INDUSTRIES CORPORATION LIMITED

We have examined the compliance of conditions of Corporate Governance by **PILANI INVESTMENT AND INDUSTRIES CORPORATION LIMITED,** for the year ended 31st March, 2012, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **S. R. BATLIBOI & CO.**
Firm Registration No. 301003E
Chartered Accountants
Per **SANJOY K GUPTA**
Partner
Membership No. 54968

Place : Kolkata
30th May, 2012

REPORT ON CORPORATE GOVERNANCE

Your company has been practicing the principles of good Corporate Governance, which comprise all activities that result in the control of the company in a regulated manner, aiming to achieve transparent, accountable and fair management.

The details of Corporate Governance compliance by the company as per the Clause 49 of the Listing Agreement with Stock Exchanges are as under :

1. COMPLIANCE OF MANDATORY REQUIREMENTS

A. Company's philosophy on Corporate Governance

Corporate Goverance 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 seven members consisting of six Non-Executive Directors who account for eighty six 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
Shri B. K. Birla	Non-Executive	4	ï	ï	ï
Shri Kumar Mangalam Birla	Non-Executive	9	16	ï	ï
Shri P. K. Khaitan	Non-Executive*	14	ï	3	ï
Shri D. K. Mantri	Non-Executive*	3	22	ï	ï
Shri A. V. Jalan	Non-Executive	2	10	ï	ï
Shri K. K. Daga	Non-Executive*	1	2	ï	ï
Shri R. A. Makharia	Executive***	1	ï	ï	ï

* Also independent

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

*** Shri R. A. Makharia is the Managing Director, designated as Executive Director of the Company.

Only the two committees viz. the Audit Committee and the Shareholders Grievance Committee are considered for this purpose.

ï None of the Directors of the Company hold any Equity Shares in the Company.

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

(ii) Details of sittings fees, remuneration etc. paid to Directors

Name of the Directors	Remuneration paid during 2011-2012 Sittings fees for attending Meetings of the Board and/or committee thereof (All figures in ₹)
Shri B. K. Birla	80,000.00
Shri Kumar Mangalam Birla	ï
Shri P. K. Khaitan	80,000.00
Shri D. K. Mantri	1,60,000.00
Shri A. V. Jalan	1,60,000.00
Shri K. K. Daga	1,20,000.00
Shri R. A. Makharia	80,000.00

Executive Director	Remuneration	Benefits and perquisites including ₹ 5,34,060/- being rent
Shri R. A. Makharia	₹ 27,93,397/-	₹ 17,35,681/-

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

2. Shri P. K. Khaitan is a partner in Khaitan & Co., LLP and renders professional services to the Company and a sum of ₹ 1,98,210/- has been paid towards Professional services to Khaitan & Co. LLP during the year 2011-2012.

(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 2012. These were held on :

(1) 31-05-2011 (2) 09-08-2011 (3) 09-11-2011

(4) 09-02-2012

b. The attendance record of each of the Directors at the Board Meetings during the year ended on 31st March, 2012 and of the last Annual General Meeting is as under :-

Directors	No. of Board Meetings Attended	Attendance of the last AGM
Shri B. K. Birla	4	No
Shri Kumar Mangalam Birla		No
Shri P. K. Khaitan	2	Yes
Shri D. K. Mantri	4	No
Shri A. V. Jalan	4	No
Shri K. K. Daga	3	No
Shri R. A. Makharia	4	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 2011-2012. 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

D. Audit Committee

(i) The Audit Committee is comprised of four Non-Executive Directors viz.
(1) Shri P.K. Khaitan (2) Shri D.K. Mantri (3) Shri A.V. Jalan (4) Shri K.K. Daga
Shri P.K. Khaitan, Shri D.K. Mantri and Shri K.K. Daga being Independent Non-Executive Directors.

(ii) Audit Committee meetings were held on 31-05-2011, 09-08-2011, 09-11-2011 and 09-02-2012. The attendance of the Audit Committee Members is as under :-

Name of the Audit Committee Members	No. of Meeting Attended
Shri P. K. Khaitan	2
Shri D. K. Mantri	4
Shri A. V. Jalan	4
Shri K. K. Daga	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 officers of the Company also attended the Audit Committee meetings to answer and clarify queries raised at the said meetings.