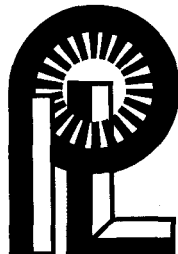


20th Annual Report 2003 - 2004

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PITTI LAMINATIONS LIMITED



BOARD OF DIRECTORS

| | |
|---------------------|------------------------------|
| SHARAD B. PITTI | CHAIRMAN & MANAGING DIRECTOR |
| P. MADHAVA KRISHNA | EXECUTIVE DIRECTOR |
| KANTI KUMAR R PODAR | DIRECTOR |
| G.NARAYANA RAO | DIRECTOR |
| ARUN GARODIA | DIRECTOR |
| N.R. GANTI | DIRECTOR |
| K.L. PINAKAPANI | DIRECTOR |

SECRETARY & GM (COMMERCIAL)

B.K.PRASAD

BANKERS

STATE BANK OF INDIA
Industrial Finance Branch,
Hyderabad – 500 082

BANK OF BAHRAIN & KUWAIT BSC
Hyderabad - 500 082

SHARE TRANSFER AGENTS

IKON VISIONS (P) LTD
33, Sanali Heavens, 8-3-948
Ameerpet, Hyderabad – 500 073

AUDITORS

LAKSHMINIWAS & JAIN
Chartered Accountants
Hyderabad – 500 001

REGD.OFFICE

6-3-648/401, 4th Floor,
Padmaja Landmark,
Somajiguda
Hyderabad – 500 082

FACTORY

Nandigaon Village
Mahaboobnagar District
AP – 590 233



NOTICE

Notice is hereby given that the Twentieth Annual General Meeting of the Company will be held on Friday the 11th June, 2004 at 4.00 p.m. at West Minister Hall, The Central Court Hotel, 6-1-71, Lakdikapool, Hyderabad-500 004 to transact the following business.

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Profit and Loss Account for the year ended 31st March, 2004 and the Balance sheet as at the date together with the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Shri Kanti Kumar R. Podar who retires by rotation and who being eligible offers himself for re-appointment.
3. To appoint a Director in place of Shri K.L. Pinakapani who retires by rotation and who being eligible offers himself for re-appointment.
4. To appoint Auditors to hold office from the conclusion of this Annual General Meeting up to the conclusion of next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

5. To consider and if thought fit, to pass with or without modification(s), the following Resolution as special Resolution:

"RESOLVED THAT pursuant to sections 198, 309, 310 and other applicable provisions if any of the Companies Act, 1956 read with schedule XIII there to, the approval of the Company be and is hereby accorded to the payment of revised remuneration to Shri Sharad B. Pitti,

Chairman and Managing Director, as detailed herein below with effect from 1st December 2003 for the remaining period of his tenure, the other terms and conditions as approved by the members at the Annual General Meeting held on 23rd July, 2003 remaining unaltered.

| | Rs. Lacs |
|---|-------------|
| (i) Basic Pay Per month | 1.30 |
| (ii) Medical Reimbursement (with a ceiling of Rs.2,40,000 p.a) | 0.20 |
| (iii) Leave travel allowance (with a ceiling of Rs. 2,40,000 p.a) | 0.20 |
| (iv) Furnishing at residence (with a ceiling of Rs. 2,40,000 p.a) | 0.20 |
| (v) Club bills/Fees (with a ceiling of Rs. 1,20,000 p.a.) | 0.10 |
| Total Remuneration per month | 2.00 |

Further Resolved that consent is given to the Board to interchange the individual components of the perquisites payable to the Managing Director subject to the condition that the over all remuneration shall not exceed Rs. 2 lacs per month.

6. To consider and if thought fit, to pass the following Resolution with or without modification(s), as an ordinary Resolution:

"RESOLVED THAT pursuant to sections 198, 309, 310 and other applicable provisions if any of the Companies Act, 1956 read with schedule XIII there to, the approval of the Company be and is hereby accorded to the payment of revised remuneration to Sri. P. Madhava Krishna,



Executive Director, as detailed herein below with effect from 16th October, 2003 for the remaining period of his tenure, the other terms and conditions as approved by the members at the Annual General Meeting held on 23rd July, 2003 remaining unaltered.

8. To consider and, if thought fit, to pass with or without modifications, the following Resolution as an Ordinary Resolution.

"RESOLVED THAT pursuant to the provisions of Section 293 (1) (a) and all other applicable provisions of the Companies Act, 1956, the consent of the company be and is hereby accorded to the Board of Directors of the Company for mortgaging and/or charging on such terms and conditions for borrowings up to Rs. 30 crores at such time or times and from time to time and in such form or manner, as they may think fit, the whole or substantially the whole of the company's any one or more of the undertakings including the present and/or future properties, whether movable or immovable comprised in any existing or new undertaking or undertakings of the Company, as the case may be, in favour of Financial institutions, Corporations, Banks, Government/other Agencies or any other person(s), entities which give, provide or extend loans to the Company or in favour of Trustees if any, of such lenders to secure the said amount of loans together with interest thereon, commitment charges, liquidated damages, premium on redemption, trustees remuneration, Costs, Charges, expenses expedient by the Board of Directors and in such manner as may be agreed to between the Board of Directors and the party or parties concerned."

By order of the Board
for **PITTI LAMINATIONS LIMITED**

(**B.K. PRASAD**)
SECRETARY & GM (COMMERCIAL)

Place : Hyderabad
Date : 16th April, 2004

| | Rs. Lacs |
|-----------------------------|-------------|
| (i) Basic Pay per month | 0.62 |
| (ii) Medical Re-imbursement | 0.08 |
| Total | 0.70 |

7. To consider and, if though fit, to pass with or without modifications the following Resolution as an Ordinary Resolution.

"RESOLVED THAT pursuant to the provisions of Section 293 (1) (d) and other applicable provisions, if any, of the Companies Act, 1956, the consent of the Company be and is hereby accorded to the Board of Directors of the Company to borrow such sum or sums of moneys in any manner, as the Board of Directors may think fit, from time to time with or without security and upon such terms and conditions as they may think fit, not withstanding that the moneys borrowed together with the moneys already borrowed by the Company (apart from temporary loans and short term loans obtained from its Bankers and Financial Institutions in the ordinary course of business) may exceed the aggregate of the paid-up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose, provided that the total amount so borrowed by the Board of Directors and outstanding at any time shall not exceed the sum of Rs. 30 crores (Rupees Thirty Crores Only).

**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. A proxy is not entitled to speak at the meeting or vote except on a poll.
2. The instrument of proxy duly stamped and executed should be deposited at the Registered office of the Company atleast forty eight hours before the time fixed for commencement of the meeting.
3. Members seeking any information with regard to accounts are requested to write to the Company atleast 10 days in advance of the meeting to enable the management to keep the information ready.
4. The Register of Members and Share transfer books of the Company will remain closed from 10th June to 11th June 2004 (both days inclusive).
5. The shares of the Company are listed on the Stock Exchanges at Hyderabad and Mumbai and the Company has paid listing fees to both the Stock Exchanges.
6. Members holding shares in physical form are requested to notify change, if any, in their address to the company's share transfer agents Ikon Visions (p)Ltd., 33, Sanali Heavens, 8-3-948, Ameerpet, Hyderabad-500073. Members holding shares in electronic form are requested to notify change, if any, in their address to their Depository Participants.
7. Explanatory statement pursuant to the provisions of Section 173 (2) of the Companies Act, 1956 is annexed hereto and forms part of the notice.

All documents referred to in the notice and the explanatory statement are open for inspection at the registered office of the company during office hours on all working days up to the date of Annual General Meeting.

8. Consequent upon amendment of Sec 205A of the Companies Act, 1956 and introduction of section 205C by the company's (Amendment Act, 1999), the amount of dividend in respect of financial year 1995-1996 remaining unpaid or unclaimed for a period of seven years from the date of transfer to the Un-paid dividend account of the company has been transferred to the Investor Education and Protection fund set up by the Government of India and no claims shall be entertained by the company in respect of dividend declared for the year 95-96.

By order of the Board
for **PITTI LAMINATIONS LIMITED**

(B.K. PRASAD)
SECRETARY & GM (COMMERCIAL)

Place : Hyderabad

Date : 16th April, 2004

A brief resume of Directors retiring by rotation and seeking re-appointment (Item No. 2 and 3)

Shri. Kanti Kumar R Podar (69 years) has been on the Board since 11 years. He is an industrialist having rich Experience in business and administration. He is also on the Board of some companies. He was the past president of FICCI.

Shri. K.L. Pinakapani (46 years), is a Chartered Accountant and had worked as General Manager of the company and resigned in August, 1995 to set up private practice. He has rich experience in accounts, finance and taxation matters and is also well versed with the product, technology, customers and other aspects of the company.

By order of the Board
for **PITTI LAMINATIONS LIMITED**

(B.K. PRASAD)
SECRETARY & GM (COMMERCIAL)

Place : Hyderabad

Date : 16th April, 2004



Explanatory Statement under section 173 (2) of the Companies Act, 1956.

Item No. 5

Shri Sharad B Pitti was re-appointed as Managing Director for a period of five years with effect from 1st December, 2002 at a remuneration of Rs. 1 lac per month including perquisites at the Annual General Meeting held on 23rd July, 2003.

The Department of Company Affairs, New Delhi has also accorded its approval for the re-appointment at the above remuneration originally proposed by the Remuneration Committee.

The Remuneration committee at its meeting held on 16th April, 2004 revised the remuneration to Rs. 2 lacs per month. The revised remuneration will be effective from 1st December, 2003.

Shri Sharad B Pitti has played a key role in the revival of the company. The rehabilitation scheme as approved by the Honourable Board for Industrial and Financial Re-construction (BIFR) was implemented successfully under his stewardship. The company is now free of long-term debt. The operations of the company reached a new peak with an all-time-high sales of 5388 MT in the year under review. The export business has stabilized and a major break-through is on the anvil on the export front. The company is also contemplating expansion of its facilities in the current year to meet the increase in the demand.

The Remuneration Committee has taken into account the significant contribution made by Shri Sharad B Pitti in the implementation of the Rehabilitation scheme and the turn around achieved by the company. It has also taken note of the future plans of the company which further demands his time, energy and resources.

The remuneration proposed is well within the limits set out in schedule XIII of the Companies

Act, 1956. Shri Sharad B Pitti is interested in the Resolution. Shri Arun Garodia, Director is also interested in the Resolution, being a relative of Shri Sharad B Pitti.

This Resolution may be deemed as disclosure to members of the abstract of the revision in the remuneration, as stipulated under section 302 of the Companies Act, 1956.

Your Directors commend the Resolution for your approval.

Item No. 6

Shri P. Madhava Krishna was appointed as Executive Director for a period of five years with effect from 16th October, 2002 at a remuneration of Rs. 56,000 per month including the perquisites at the Annual General Meeting held on 23rd July, 2003. The Department of Company Affairs, New Delhi has also accorded its approval for the appointment at the above remuneration originally proposed by the Remuneration Committee.

Shri P. Madhava Krishna has been with the Company right from inception and played an important role in its growth and development. His contribution in the revival of the company is significant. Considering the valuable contribution made by Shri P. Madhava Krishna, Executive Director, the Remuneration Committee at its meeting held on 29th October, 2003 revised the remuneration to Rs. 70,000 per month effective from 16th October, 2003.

Barring Shri P. Madhava Krishna, none of the Directors is in any way concerned or interested in the Resolution.

Your Directors commend the Resolution for your approval.

Item No. 7 and 8

It may be recalled that at the Annual General Meeting held on 9th June, 1995, members passed a Resolution under Section 293 (1) (d) of the Companies Act, 1956 empowering Board



of Directors to borrow moneys for the expansion-cum-diversification plans up to a maximum limit of Rs. 30 crores.

However the company could not avail of the increased borrowing powers as the operations of the company started dwindling from 96-97 onwards with recessionary conditions in the economy. The situation worsened in 98-99 with complete erosion of networth necessitating filing of a mandatory reference to the Honourable Board for Industrial and Financial Re-construction (BIFR).

The company was declared sick by the Honourable BIFR in March, 2002 and the company subsequently entered into One-Time-Settlement (OTS) with Development Credit Bank Limited (DCBL) and Industrial Development Bank of India (IDBI) in July and August 2002 respectively. The rehabilitation scheme featuring one-time-settlement was approved by the Honourable BIFR in August 2003.

The company earned profits in 2002-2003 due to marked improvement in the economy, reduction of interest cost resulting from OTS with IDBI and DCBL and infusion of funds by promoters.

Profits revisited the company for the second year in succession. The company made a profit of Rs.379.36 lacs for the year under review. The operational performance significantly improved in 2003-2004 with the company attaining another all-time-high sales of 5388 MT thereby recording around 90% of the capacity utilization.

To meet the increase in demand, the company is contemplating creation of facilities at a location near the existing plant. The new facilities will cater to the export orders. The performance on export front is encouraging with a major break-through on the anvil.

To part-finance the current cost of expansion and also to meet the diversification plans, if any, in the future, the company proposes to raise funds from Banks, financial institutions and from such other bodies and agencies. Under

Section 293 (1) (d) of the Companies Act, 1956, consent of the members is necessary to the Board of Directors to borrow moneys in excess of the aggregate paid-up capital and free reserves. Hence the Resolution.

Though the company had already passed a Resolution under Section 293 (1) (d) of the Companies Act, 1956 for borrowings up to Rs.30 crores at the Annual General Meeting held on 9th June, 1995, it is thought appropriate to seek a fresh approval from the members for the same limit. Though the immediate borrowing will be much less than the proposed limit, the approval of members is sought for borrowings up to Rs. 30 crores to meet the future requirements as well.

In view of the proposed borrowings, the company would be required to mortgage and/or charge the properties of the company in favour of Bankers, Term Lending institutions or such other agencies and bodies for securing the loans sanctioned to the company.

Since mortgage and/or charging of the assets, properties and/or undertakings(s) of the company may be regarded as disposal there of, consent of the members of the company is necessary under section 293 (1) (a) of the Companies Act, 1956. Though the company had passed a Resolution under Section 293 (1) (a) of the Companies Act, 1956 at the Annual General Meeting held on 9th June 1995, passing of a fresh Resolution is thought appropriate. Hence the Resolution.

None of the Directors is interested in the Resolutions.

The Board commends the Resolutions as contained in Item No.7 and 8 for your approval.

By order of the Board
for **PITTI LAMINATIONS LIMITED**

(B.K. PRASAD)
SECRETARY & GM (COMMERCIAL)

Place : Hyderabad

Date : 16th April, 2004



DIRECTORS' REPORT

Your Directors have pleasure in presenting their 20th Annual Report on the business and operations of your Company for the Financial year ended 31st March, 2004.

FINANCIAL RESULTS

The financial results for the year 2003-2004 in comparison with 2002-2003 are presented herein below:

| | (Rs. in lacs) | |
|---|-----------------|-----------|
| | 2003-2004 | 2002-2003 |
| Gross Sales & Other Income | 4549.17 | 3047.36 |
| Taxes & Duties | 752.99 | 478.06 |
| Net Sales & Other Income | 3796.18 | 2569.30 |
| Total Expenditure | 3217.99 | 2260.31 |
| Profit/(Loss) before depreciation and finance charges | 548.66 | 308.99 |
| Depreciation | 79.89 | 78.34 |
| Finance charges | 89.41 | 97.34 |
| Profit/(Loss) before tax | 379.36 | 133.31 |
| Provision for taxation-Deferred | 23.83 | 11.43 |
| Net Profit/(Loss) | 403.19 | 121.88 |
| Profit/(Loss) brought forward from the previous year | (541.75) | (1468.28) |
| Prior Period adjustment | 0.10 | (0.82) |
| Exceptional items (interest waiver) | - | 805.47 |
| Profit/(Loss) carried to Balance sheet | (138.46) | (541.75) |

REVIEW OF OPERATIONS

Your Directors are pleased to inform you that the buoyant demand witnessed in 2002-2003 continued in the year under review and that the Company achieved another all-time high sales of 5388 MT as compared to 3427 MT in the previous year recording a growth of 57%. The same reflects almost 90% utilisation of the installed capacity.

The company clocked a sales turn over of Rs. 4531.96 lacs in the year under review compared to Rs. 2992.65 lacs in the preceding year recording a growth of 51.44 %.

The company's financials have improved significantly with substantial increase in the operational level, lower interest cost resulting from One Time Settlement (OTS) entered into with Industrial Development Bank of India (IDBI) and Development Credit Bank Limited (DCBL) and efficient working capital management. The company has made a profit of Rs. 403.19 lacs as against Rs. 121.88 lacs in 2002-2003. The Company's net worth turned positive and stands at Rs. 705.05 lacs as on 31st March, 2004.

In accordance with Company' policy, tools which are more than three years old valued at Rs. 40.51 lacs have been written off after providing for a salvage value of Rs. 0.41 lacs.

Approximately 11 MT of obsolete stock of finished goods valued at Rs.7.93 lacs have been written off after providing for salvage value of Rs. 1.08 lacs.

The companys has also written off bad debts amounting to Rs.2.12 lacs which have become unrealizable despite the best efforts of the company.

The capitalization of tool room expenses in the year under review stands at Rs. 35.30 lacs compared with Rs. 29.46 lacs in the previous year.



The company has earned a cash profit of Rs. 514.58 lacs as against a cash profit of Rs. 396.25 lacs in the previous year before write-off of tools and dies, capitalization of tool room expenses and depreciation.

EXPORTS

It is gratifying to note that the company made export sales of Rs.102.16 lacs during the year under review and a major-break through is on the anvil which is expected to boost exports in a very significant way.

Every endeavour will be made by the company to augment exports in the current year and in the years to come.

DIVIDEND

Though the company has turned around and earned profits, in view of the accumulated losses still to be wiped off, your Directors express their inability to recommend dividend for 2003-2004. The accumulated losses as on 31st March, 2004 is Rs. 138.46 lacs.

IMPLEMENTATION OF REHABILITATION SCHEME - BIFR ORDER

The Honourable Board for Industrial and Financial Reconstruction (BIFR) has approved the rehabilitation scheme vide its order 324/99 (II) dated 05.08.2003 and appointed State Bank of India (SBI) as the monitoring agency to review the progress of the Rehabilitation scheme.

Your Directors are pleased to inform you that the company has discharged its obligations under the Rehabilitation scheme, the details of which are as under:-

- (i) The company has pre-paid Rs.110 lacs to Development Credit Bank Limited (DCBL) being the last instalment due on 31st March, 2004 under the Memorandum of Understanding (MOU) forming part of the BIFR order.

- (ii) As per One -time-settlement (OTS) with IDBI, forming part of the BIFR order, the company has paid the last instalment of Rs. 215 lacs due on 31st March, 2004 to IDBI.

- (iii) The company has allotted 31 lacs shares of face value of Rs. 10/- each aggregating to Rs. 310 lacs to promoters (21 lacs shares) and IDBI (10 lacs shares).

- (iv) During the year, the promoters have brought in a further sum of Rs.70 lacs as unsecured loans. The aggregate contribution of the promoters under the rehabilitation scheme is Rs. 280 lacs out of which Rs. 210 lacs was brought in as share capital.

- (v) The company has arranged collateral security of the promoters valued at Rs. 50 lacs in favour of the consortium of bankers.

PROSPECTS OF CURRENT YEAR

The buoyant demand witnessed in 2003-2004 continues to influence the market in the current year as well and based on the prospects, the company targets sales of around 6500 MT with a 20% growth rate in the current year.

In order to meet the upsurge in the demand, the company is contemplating expansion of its facilities in 2004-2005. Funding options are being considered to mobilize resources from bankers and financial institutions so that the additional facilities are put in place as per the expansion programme being drawn up.

With the discharge of OTS payment obligations, the company is now free of long-term debt.

In the face of a debt-free environment, your Directors are confident that the current year would be a promising one with vibrant domestic demand and thrust on exports.



DEMATERIALISATION OF SHARES

Your Directors are happy to inform you that National Securities Depository Limited (NSDL) have admitted equity shares for dematerialisation with effect from 10th September, 2003. Members are aware that the company's shares had already been admitted for dematerialisation by Central Depository Services (India) Limited (CDSL) in May 2001.

The additional equity shares issued during the year to promoters and IDBI were also admitted for dematerialisation by NSDL and CDSL.

Members are aware that Ikon visions (P) Ltd, 33, Sanali Heavens, 8-3-948, Ameerpet, Hyderabad - 500 073 who is a Depository Participant is the connectivity provider for the company. Ikon Visions (P) Ltd is also the Registrar and share transfer agent for your company.

SALES TAX DEFERRAL

Your Directors are happy to inform you that the company has entered into an agreement with the government of Andhra Pradesh for availing of the sales tax deferral for production beyond 3000 MT in a year being the base production determined for this purpose. The company has been availing this benefit from December, 2003 onwards. The interest-free sales tax loan is repayable after 14 years and the sales tax deferral availed of for the year under review amounting to Rs. 44.05 lacs is reflected as unsecured loans in the books of account.

Your Directors are exploring long-term investment options for depositing the amount representing the sales tax deferral so as to facilitate the repayment to the Government of Andhra Pradesh as and when the repayments become due without affecting the operations at the time of re-payment.

REPORT ON CORPORATE GOVERNANCE

A detailed Report on Corporate Governance prepared on compliance with the provisions of listing Agreement with the Stock Exchanges forms part of this report. The Management Discussion and Analysis forms of part of the Annual Report.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association, Shri Kanti Kumar R Podar, Director and Shri K.L. Pinakapani, Director retire by rotation and being eligible offer themselves for re-appointment.

AUDITORS

The present Auditors Lakshminiwas & Jain, Chartered Accountants, Hyderabad retire at the conclusion of the ensuing Annual General Meeting. They have signified their willingness to accept re-appointment and have further confirmed their eligibility under section 224 (IB) of the Companies Act, 1956.

AUDITORS' QUALIFICATION AND THE BOARD'S EXPLANATIONS THERETO

The Auditors have qualified their report regarding valuation of finished goods. During the year the valuation was done at cost or market price whichever is lower. Hitherto the valuation was done on an estimated cost basis. The change in valuation has resulted in a lower profit of Rs. 14.11 lacs which is not having a material impact.

INDUSTRIAL RELATIONS

The industrial relations were very cordial and harmonious through out the year and the management places on record its appreciation for the devotion and commitment demonstrated by employees of all cadres. The management is