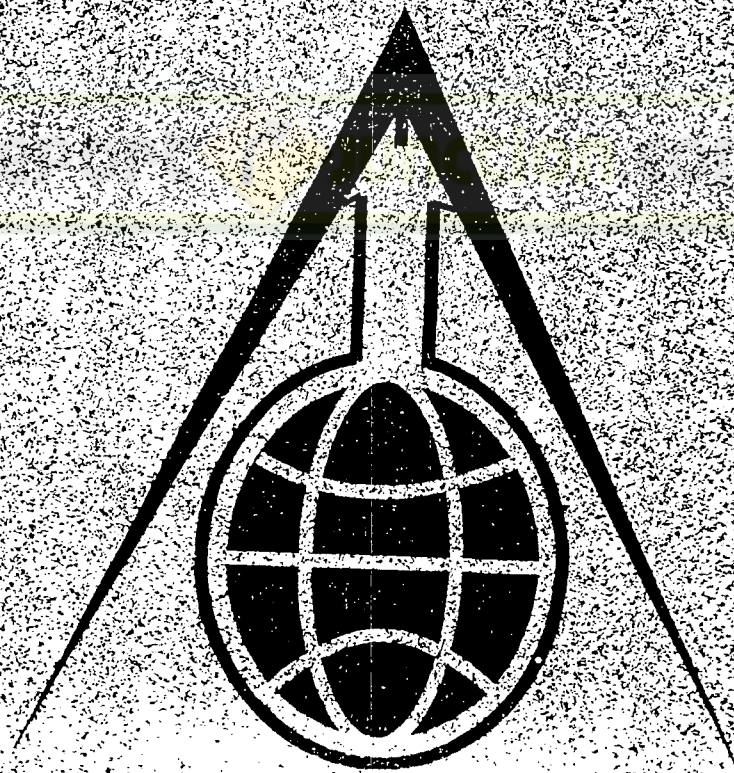


**PEPL**  
Polyesters

**PEARL ENGINEERING**  
*Polymers Limited*

**4** <sup>TH</sup>  
ANNUAL  
REPORT  
AND  
ACCOUNTS  
1996-97



**PEARL**

MD	<input checked="" type="checkbox"/>		BKC	<input checked="" type="checkbox"/>
CS	<input checked="" type="checkbox"/>		DPY	<input checked="" type="checkbox"/>
RO	<input checked="" type="checkbox"/>		DIV	<input checked="" type="checkbox"/>
TRA	<input checked="" type="checkbox"/>		AC	<input checked="" type="checkbox"/>
AGM	<input checked="" type="checkbox"/>		SHI	<input checked="" type="checkbox"/>
YE	<input checked="" type="checkbox"/>			

**PEARL ENGINEERING**  
Polymers Limited

**REPL**  
Polyesters

## DIRECTORS

Chairman & Managing Director	Chand Seth
Managing Director	Harish Seth
Directors	Krishen Seth
	C.R. Dua
	B.B. Mathur
	Ashok Khanna
	Rainer Hey
(Alternate to Mr. Rainer Hey)	Ashok Kumar Raina
Nominee Director (AFIC)	Ramesh M. Bhujang
Nominee Director (ICICI)	Radhika S. Minocha
Whole -Time Director	Arun Gupta

### Registered Office

603, Rohit House,  
3, Tolstoy Marg,  
New Delhi - 110 001

### Factory

D-17, M.I.D.C.,  
Kurkumbh Industrial Area,  
Distt. Pune,  
Maharashtra

4th ANNUAL GENERAL MEETING	
Date	: 31st January, 1998
Day	: Saturday
Time	: 9.00 A.M.
Place	: Airforce Auditorium Subroto Park, New Delhi - 110 010

### Registrars & Share Transfer Agents

Allied Computer Technics (P) Ltd.  
Flat No. 18, 3rd Floor,  
Block A, Local Shopping Centre  
Ring Road, Naraina,  
New Delhi - 110 028.

**NO GIFTS / SNACKS WILL BE GIVEN  
AT THE ANNUAL GENERAL MEETING**

**PEARL ENGINEERING**  
**Polymers Limited**



**NOTICE**

NOTICE is hereby given that the 4th Annual General Meeting of the Members of Pearl Engineering Polymers Limited will be held on Saturday, the 31st January, 1998 at 9.00 A.M. at Air Force Auditorium, Subroto Park, New Delhi - 110 010 to transact the following business:

**ORDINARY BUSINESS**

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 30th June, 1997 and the Profit and Loss Account for the 18 month period ended on that date together with the Reports of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Krishen K. Seth, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Arun Gupta, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration. M/s. Price Waterhouse, Chartered Accountants, New Delhi, the retiring Auditors, being eligible, offer themselves for re-appointment.

**SPECIAL BUSINESS**

5. To consider and if thought fit, to pass with or without modification(s), the following resolution as a **SPECIAL RESOLUTION**.

**"RESOLVED THAT** subject to confirmation of Company Law Board pursuant to the provisions of Section 17 of the Companies Act 1956, the Registered Office of the Company be shifted from 603, Rohit House, 3, Tolstoy Marg, New Delhi - 110001 to D-17, M.I.D.C., Kurkumbh Industrial Area, Distt. Pune, Kurkumbh, Maharashtra and Clause II of the Memorandum of Association of the Company be altered by substituting the words "Union Territory of Delhi" by the words "State of Maharashtra."

6. To consider and if thought fit, to pass with or without modification(s), the following resolution as an **ORDINARY RESOLUTION**.

**"RESOLVED THAT** pursuant to the provisions of Section 269, 198, 309, 310 and 311 read with Schedule XIII to the Companies Act, 1956, the re-appointment of Mr. Chand Seth as Managing Director of the Company for a period of 5 years

w.e.f. 7th December, 1997, without any remuneration (until further resolved otherwise) be and is hereby approved."

7. To consider and if thought fit, to pass with or without modification(s), the following resolution as an **ORDINARY RESOLUTION**.

**"RESOLVED THAT** consent of the Company be and is hereby accorded in terms of provisions of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956, to the Board of Directors of the Company to create mortgages and/or charges in addition to the existing mortgages and charges, with the right to extend the same at any point of time, on all or any of the movable and immovable, assets, present and/or future of the Company, wherever situated and/or whole of the undertaking of the Company together with power to take over the management of the Company in certain events in such form and manner as may be deemed fit, for the purpose of securing by way of second charge, working capital limits aggregating to Rs. 75 crores advanced by the consortium of State Bank of India, Indian Overseas Bank, Bank of Baroda and State Bank of Bikaner & Jaipur.

Together with interest at the respective agreed rates, compound interest, additional interest, commitment charges, premium on prepayment or on redemption, costs, charges, expenses and all other moneys payable by the Company to State Bank of India, Indian Overseas Bank, Bank of Baroda and State Bank of Bikaner & Jaipur in terms of their respective Loan Agreements/Heads of Agreements/Letters of Sanction/Memorandum of Terms and Conditions entered into/to be entered into by the Company, in respect of the said term loans/assistance."

**"RESOLVED FURTHER THAT** the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds, matters and things as may be necessary to implement the aforesaid resolution."

By order of the Board

**ARUN GUPTA**  
**WHOLE TIME DIRECTOR**

NEW DELHI  
 16th December, 1997  
 Regd. Office:  
 603, Rohit House  
 3, Tolstoy Marg  
 New Delhi - 110 001.



**PEARL ENGINEERING**  
**Polymers Limited**

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**NOTES:**

1. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the Special Business is annexed hereto.
2. A Member entitled to attend and vote is entitled to appoint a proxy to attend and vote (on poll only) instead of himself and the proxy need not be a member of the Company. The proxy form duly completed in all respects should reach the Registered Office of the Company not later than 48 hours before the commencement of the meeting.
3. Members/Proxies should bring the Attendance Slip duly filled in for attending the meeting.
4. The Register of Members and Share Transfer Books of the Company will remain closed from Thursday, 29th January, 1998 to Friday, 30th January, 1998 (both days inclusive).
5. Members seeking any information with regard to Accounts are requested to write to the Company atleast ten days before the meeting so as to enable the management to keep the information ready.
6. Members who are holding shares in identical order of names in more than one folio are requested to write to the Company's Registrars & Share Transfer Agents, enclosing their share certificates, to enable consolidation of their holdings in one folio.
7. Shareholders are requested to intimate the Registrars and Share Transfer Agents, change of address, if any, immediately for updation of records.

**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.**

**Item No. 5**

The Shareholders had earlier passed the resolution for shifting of Registered Office of the Company from Delhi to Kurkumbh, Maharashtra, subject to confirmation of the Company Law Board, in the Extra-Ordinary General Meeting held on 21st May, 1997. However, at the request of a few shareholders, the Northern Region Bench of the Company Law Board has suggested that the special resolution may be placed before the shareholders once again at a general meeting held in Delhi.

The operations of the Company are located at Kurkumbh, Maharashtra. For an effective co-ordination and control over the activities of the Company and to achieve better integration amongst the various departments of the Company, it is deemed expedient that the Registered Office of the Company also be situated at or near the plant site. There is sufficient space available in the office complex of the plant for use in this regard. Therefore, the shifting of the Registered Office of the Company from New Delhi to the plant site will enable the Company to carry on its activities more economically, advantageously and efficiently and the same will be in the overall interest of the Company, its shareholders and creditors in general. The Company, will however, continue to serve its investors from an Investors Service Centre located at Delhi.

The Board commends the resolution for approval of the shareholders.

None of the Directors is concerned or interested in this resolution.

**Item No. 6**

Mr. Chand Seth was appointed as Managing Director of the Company for a period of 5 years w.e.f. 7th December, 1992, and the same was approved by the shareholders in the Extra Ordinary General Meeting held on 17th February, 1993. Subsequently, at the option of Mr. Chand Seth, the shareholders in the Extra Ordinary General Meeting held on 21st May, 1997 decided that Mr. Chand Seth shall cease to draw any remuneration from the Company w.e.f. 1st April, 1997. The said appointment was valid upto 6th December, 1997.

The Board of Directors have since re-appointed Mr. Chand Seth as Managing Director for a further period of 5 years w.e.f. 7th December, 1997 without any remuneration, subject to approval of the shareholders in the ensuing Annual General Meeting. His remuneration may however be reviewed in future, depending upon the working of the Company. The resolution is therefore placed for consideration and approval of the shareholders.

The Board commends the resolution for approval of the shareholders.

Mr. Chand Seth, Mr. Harish Seth and Mr. Krishen Seth, being related to each other, may be deemed to be interested in this resolution. None of the other directors is in any way concerned or interested in this resolution.

**THIS MAY ALSO BE TREATED AS AN ABSTRACT OF THE TERMS OF APPOINTMENT AND MEMORANDUM OF INTEREST OF DIRECTORS PURSUANT TO SECTION 302 OF THE COMPANIES ACT, 1956.**

**Item No. 7**

At the Annual General Meeting of the Company held on 27th August 1996 the members have already accorded their consent u/s 293(1)(a) of the Companies Act, 1956 to the Board of Directors for mortgaging/creating security in favour of State Bank of India, Indian Overseas bank, Bank of Baroda and State Bank of Bikaner & Jaipur to secure the working capital limits of Rs. 71 crores advanced by them. However, the limit was subsequently increased to Rs. 75 crores. Hence the resolution is placed for approval of the shareholders.

The Board commends the resolution for approval of the shareholders.

None of the Directors is concerned or interested in this resolution.

By order of the Board

**ARUN GUPTA**  
**WHOLE TIME DIRECTOR**

**NEW DELHI**  
 16th December, 1997

Regd. Office:  
 603, Rohit House  
 3, Tolstoy Marg, New Delhi - 110 001.

## DIRECTORS' REPORT

Your Directors take pleasure in presenting the 4th Annual Report alongwith the audited financial statements for the 18 month period ended 30th June, 1997.

### FINANCIAL RESULTS

The highlights of the financial results for the period under review are:

	For the 18 Month Period Ended 30th June, 1997 (Rs. in '000')	For the 15 Month Period Ended 31st December, 1995 (Rs. in '000')
Turnover & Other Income	9,21,033	1,82,137
Gross Profit (Loss)	(50,572)	22,939
Interest	1,77,078	37,032
Depreciation	—	12,710
Provision for Taxes	—	—
Net Profit (Loss)	(2,27,650)	(25,803)

### DIVIDEND

Due to absence of profits, the Directors express their inability to recommend payment of dividend for the period under review.

### ACCOUNTING YEAR

The accounting year of the Company was extended by 6 months due to certain technical and commercial factors. The previous financial year had ended on 31st December, 1995 and the financial year under review had commenced on 1st January, 1996 and ended on 30th June, 1997.

### OPERATIONS

The Company completed the de bottle necking exercise including installation of the balancing equipments and commissioned the upgraded plant in October 1996 as per plan. As a result, the Company could increase the capacity by 20%. This could be achieved at a nominal cost. The expenses incurred during the period of plant closure have been treated as deferred revenue expenditure.

The period under review has seen a tremendous upheaval in the industry. During the period under review the finished goods prices fell from US \$1500/- to US \$900/- in the international market with a rippling effect in the domestic market. The feed stock prices also crashed from a high of US \$1200/- to a low of US \$ 600/- during the similar period. The international market which was in short supply during the year 1995 went into a major surplus situation in 1996-97. These factors made a serious impact on the Company's operations, which further deteriorated due to the very tight financial situation prevailing in the

country. The Government of India continues to prescribe a very heavy value addition on the export of the product, as compared to a very low value addition actually prevailing due to factors enumerated above resulting in making the export of the product unviable. The above factors seriously affected the Company's performance. As a result it lost out more than 50% of its net worth and therefore, reference may have to be made under Section 23 of the Sick Industrial Companies (Special Provisions) Act, 1985.

Meanwhile the Company has initiated process of obtaining a restructuring and rehabilitation package from Financial Institutions and Banks which is in an advanced state of finalisation.

The Company has also initiated various cost cutting measures and new product development so as to come out of the present problems, which coupled with the relief sought from Institutions and Banks alongwith improved product range and market would result in improved performance in the coming year.

### FIXED DEPOSITS

Since your Company has not accepted any deposits from the public, no information is required to be furnished in respect of outstanding deposits.

### DIRECTORS

Mr. Krishen K. Seth and Mr. Arun Gupta retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

During the year Mrs. Hema Chand was withdrawn by ICICI as their Nominee on the Board of the Company and Mrs. Radhika S. Minocha was nominated in her place.