

# PEARL ENGINEERING POLYMERS LIMITED



# PEPLPET

## 7<sup>TH</sup>

ANNUAL REPORT  
AND  
ACCOUNTS  
1999-2000

**PEARL ENGINEERING  
Polymers Limited**

**PEPL**  
**Polyesters**

### **DIRECTORS**

Chand Seth  
Harish Seth  
Krishen Seth  
C.R. Dua  
B.B. Mathur  
Ashok Khanna  
Satish Gupta  
Ramesh M. Bhujang  
Arun Gupta

*Chairman & Managing Director*  
*Managing Director*  
*Director*  
*Director*  
*Director*  
*Nominee Director (ICICI)*  
*Nominee Director (AFIC)*  
*Whole - Time Director*

### **REGISTERED OFFICE & WORKS**

D-17, M.I.D.C. Industrial Area,  
Kurkumbh, Taluk Daund,  
Distt. Pune - 413 801  
Maharashtra

### **REGISTRARS & SHARE TRANSFER AGENTS**

MCS Limited  
Srivenkatesh Bhavan,  
212-A, Shahpurjat,  
New Delhi - 110 049.

#### **7TH ANNUAL GENERAL MEETING**

**DATE** : 29th March, 2001

**DAY** : Thursday

**TIME** : 10:00 A.M.

**PLACE** : D-17, M.I.D.C.  
Industrial Area,  
Kurkumbh, Taluk Daund,  
Distt. Pune - 413 801  
Maharashtra.

### **CORPORATE OFFICE & INVESTORS' SERVICE CELL**

A-8, Community Centre,  
Naraina Industrial Area,  
Phase-II,  
New Delhi - 110 028.

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

## NOTICE

**NOTICE** is hereby given that the 7th Annual General Meeting of the Members of Pearl Engineering Polymers Limited will be held on Thursday, the 29th March, 2001 at 10.00 A.M. at D-17, MIDC Industrial Area, Kurkumbh, Taluk Daund, Distt. Pune - 413 801, Maharashtra to transact the following business:

**ORDINARY BUSINESS**

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31st December, 2000 and the Profit and Loss Account for the period ended on that date together with the Reports of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Ramesh Bhujang, 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 an **ORDINARY RESOLUTION**.  
"RESOLVED THAT pursuant to the provisions of Section 198, 269, 309, 310 and 311 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, approval of the Company be and is hereby accorded to the increase in remuneration/perquisites payable to Mr. Arun Gupta, w.e.f. 1st April, 2000 for the remaining period of his tenure as Whole-Time Director i.e. upto 11th October, 2003, as per details set out in the Explanatory Statement."
6. To consider and if thought fit, to pass with or without modification(s), the following resolution as a **SPECIAL RESOLUTION**.  
"RESOLVED THAT subject to approval of Reserve Bank of India and other statutory/regulatory authorities as may be required, consent of the Company be and is hereby accorded for investment by Foreign Institutional Investors (FIIs), Non Resident Indians (NRIs), Overseas Corporate Bodies (OCBs) etc. in the equity share capital of the Company, either by direct investment, or by purchase, or otherwise acquiring from the market, under Portfolio Investment Scheme on repatriation basis, subject to the condition that such investment, together with their existing holdings, shall not exceed in aggregate, 40% of the paid-

up equity share capital of the Company or such other limit, as may be prescribed from time to time by the Central Government and/or Reserve Bank of India or any other regulatory authority."

For and on Behalf of the Board

PLACE : New Delhi

DATE : 20th February, 2001

ARUN GUPTA

WHOLE-TIME DIRECTOR

REGD.OFFICE :

D-17, MIDC Industrial Area  
Kurkumbh, Taluk Daund,  
Distt. Pune - 413 801, Maharashtra.

**NOTES**

1. The Explanatory Statement, pursuant to Section 173(2) of the Companies Act, 1956, in respect of the Special Business stated above is annexed.
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 ENCLOSED PROXY FORM, IF INTENDED TO BE USED, SHOULD REACH THE REGISTERED OFFICE OF THE COMPANY, DULY COMPLETED IN ALL RESPECTS, NOT LESS THAN FORTY EIGHT HOURS BEFORE THE SCHEDULED TIME OF THE MEETING.
3. Members are requested to bring the Attendance Slips alongwith their copy of the Annual Report to the Meeting.
4. The Register of Members and Share Transfer Books of the Company will remain closed from Monday, the 26th March, 2001, to Thursday, the 29th March, 2001 (both days inclusive).
5. The Company, consequent to introduction of the Depository System (DS), had entered into agreements with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). Further, as per SEBI Notification dated 29th May, 2000, trading in shares of the Company is permitted only in dematerialised form w.e.f. 28th August, 2000. Shareholders are, therefore, advised to dematerialise their shareholding to avoid inconvenience in future.
6. Section 109A of the Companies Act, 1956 has extended nomination facility to individuals holding shares in companies. Shareholders, in particular those holding shares in single name, are requested to avail of the above facility by furnishing to the Company, particulars of their nomination. Shareholders may write to the Registered Office for the prescribed Nomination Form.



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7. Members desiring any information on the accounts are requested to write to the Company at least 10 days before the meeting so as to enable the management to keep the information ready.

**EXPLANATORY STATEMENT**

Pursuant to Section 173(2) of the Companies Act, 1956, the following Explanatory Statement sets out all material facts relating to Item No 5 & 6 of the Notice.

**Item No. 5**

The members had, at the Annual General Meeting held on 15th December, 1999, increased the remuneration/perquisites of Mr. Arun Gupta w.e.f. 1st October, 1999 for the remaining period of his tenure of appointment i.e. upto 11th October, 2003, in line with Section II of Part II of Schedule XIII to the Companies, Act, 1956.

Since then, there has been an amendment by way of a Notification dated 2nd March, 2000, in Part II of Schedule XIII to the Companies Act, 1956, dealing with payment of remuneration to managerial persons in the event of inadequacy or absence of profits, whereby the ceiling limits have been revised/enhanced. In view of the extensive efforts made by Mr. Arun Gupta in the operations of the Company, the Board of Directors, in its meetings held on 28th April, 2000 and 20th February, 2001, subject to approval of the shareholders and the Central Government, if necessary, increased the remuneration/ perquisites payable to Mr. Arun Gupta, w.e.f. 1st April, 2000 as per details given hereunder :

- A. REMUNERATION** including Basic Salary, House Rent Allowance, Expenditure on Gas, Electricity, Water and Furnishing, Medical Reimbursement, Leave Travel Concession, Club Fees, Personal Accident Insurance aggregating to, but not exceeding, Rs. 1,25,000/- per month.
- B. PERQUISITES IN ADDITION TO ABOVE**
  - (a) Company's contribution towards Provident Fund as per rules of the Company but not exceeding 12% of the salary as laid down under the Income-Tax Rules, 1962.
  - (b) Company's contribution towards Superannuation Fund as per rules of the Company but it shall not, together with the Company's contribution to Provident Fund, exceed 27% of the salary as laid down under the Income-Tax Rules, 1962.
  - (c) Gratuity - Not exceeding half month's salary for each completed year of service, subject to a ceiling of Rs. 2,50,000/-, or such amount as may be laid down under the provisions of Payment of Gratuity Act, 1972.
  - (d) Earned/Privilege Leave - As per rules of the Company. Leave accumulated but not availed of during the tenure may be allowed to be encashed at the end of the tenure.
  - (e) Free use of Company's car with driver for the business of the Company.
  - (f) Free telephone facility at Company's cost at residence. However, personal long distance calls shall be billed to the appointee.

Mr. Arun Gupta shall also be entitled for reimbursement of expenses actually and properly incurred in the course of business of the Company and such other benefits/amenities and other privileges as may, from time to time, be available to other senior executives of the Company.

The said remuneration shall be payable to him as minimum remuneration u/s 198 (4) of the Companies Act, 1956, even in the event of loss or inadequacy of profits.

The remuneration needs to be approved by the shareholders in a general meeting and accordingly, the resolution is placed before the members.

The Directors commend the resolution for approval of the shareholders.

Mr. Arun Gupta is an interested director in this resolution. No other director is in any way concerned or interested in this resolution.

**THE ABOVE MAY ALSO BE TREATED AS AN ABSTRACT OF VARIATION IN TERMS OF APPOINTMENT AND MEMORANDUM OF INTEREST UNDER SECTION 302 OF THE COMPANIES ACT, 1956.**

**Item No. 6**

The Central Government has raised the limit of investment by FIIs, NRIs, OCBs etc. in the equity of Indian companies to the extent of 40% of the paid up equity share capital of such companies, subject to approval of the Board of Directors of the investee company and approval of members of the investee company by way of a special resolution.

Further, as informed to the members earlier, the proposal for rehabilitation of the Company is before the Board for Industrial & Financial Reconstruction (BIFR), in accordance with the provisions of Sick Industrial Companies (Special Provisions) Act, 1985 (SICA). Efforts are being made to bring a strategic partner with strong financial backing so as to make the Company a viable unit. This may also require some further investment in the equity capital of the Company by Foreign Institutional Investors (FIIs), Non-Resident Indians (NRIs), Overseas Corporate Bodies (OCBs) etc. Hence, the directors consider it prudent to increase the limit of investment by FIIs, NRIs, OCBs etc. to 40%.

The Directors commend the resolution for approval of the shareholders.

None of the directors is in any way concerned or interested in this resolution.

For and on Behalf of the Board

PLACE : New Delhi  
DATE : 20th February, 2001

ARUN GUPTA  
WHOLE-TIME DIRECTOR

REGD.OFFICE :  
D-17, MIDC Industrial Area  
Kurkumbh, Taluk Daund,  
Distt. Pune - 431 801, Maharashtra.

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## DIRECTORS' REPORT

### TO THE MEMBERS OF PEARL ENGINEERING POLYMERS LIMITED

The Directors submit their Seventh Annual Report and Audited Accounts for the 18 month period ended 31st December, 2000.

### FINANCIAL RESULTS

(Rs. in Lacs)

	For the period ended 31.12.2000 (18 Months)	For the year ended 30.06.1999 (12 Months)
Turnover	19340.03	8223.09
Gross Profit/ (Loss)	1343.16	193.68
Interest	563.12	404.03
Depreciation & Miscellaneous Expenditure Written Off	790.44	522.90
Provision for Taxes	—	—
Net Profit / (Loss)	(10.40)	(733.25)
Prior Period Adjustments	(30.69)	33.63
Profit/(Loss) After Prior Period Adjustments	(41.09)	(699.62)

### DIVIDEND

Due to losses, your Directors are unable to recommend payment of dividend for the period under review.

### ACCOUNTING YEAR

The accounting year of the Company was extended by six months due to certain exigencies. The previous financial year had ended on 30th June, 1999 and the financial period under review had commenced on 1st July, 1999 and ended on 31st December, 2000.

### OPERATIONS

The Company produced 37,990 MT of PET Resin during the 18 month period ended on 31st December, 2000 (previous year 20,182 MT), representing an annualised increase of almost 25% over the previous year. This substantial improvement in production has been achieved due to process optimisation carried out during the last year.

Sales realisation have also improved by more than 30%, due to better product mix, customer satisfaction, consistent operations and overall improvement in the world market. These factors have resulted in lower loss during the period under review, amounting to Rs. 0.10 Crore as against Rs. 7.33 Crores in the previous year.

The prices of PET Resin in the domestic market remain highly depressed due to large excess capacities in the Country. The present domestic consumption of PET Resin is only 35% of the installed capacity of PET Resin in India. The raw material supply scenario during the year improved with start-up of new plants for supply of feed stock. Your Company has initiated steps for developing long term relationship with all the raw material suppliers. The employee relationship was cordial during the period under review.

### STATUS OF REHABILITATION PACKAGE

The Company's restructuring proposal was considered at a hearing of M/s. Board for Industrial and Financial Reconstruction (BIFR) in the end of December, 2000. The Company was asked to submit its revised rehabilitation proposal by the end of January, 2001, which has since been done and is now under consideration of the BIFR.

### Y2K TRANSITION

With adequate measures and initiatives taken by the Company to address the Y2K issue, the transition was smooth and there were no disruptions in the operations of the Company.

### DEPOSITORY SYSTEM

Your Company has entered into an agreement with the National Securities Depository Limited (NSDL) and the Central Depository Services (India) Ltd. (CDSL). This enables you to hold your shares in dematerialised form with either of these depositories.

Further, as per SEBI Notification dated 29th May, 2000, w.e.f. 28th August, 2000, the delivery of equity shares of the Company is mandatory in dematerialised form in all the exchanges where its shares are listed. Since this move facilitates quick transfers and prevents forgeries, those shareholders who have not opted for this facility are advised to dematerialise their shares in their own interest.

### DISCLOSURES AS PER LISTING AGREEMENT

#### Clause 32 :

The Cash Flow Statement in accordance with Accounting Standards on Cash Flow Statement (AS-3) issued by ICAI is annexed to this Report.

#### Clause 43 A:

The Company's shares are listed on the following Stock Exchanges :

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- National Stock Exchange
- Mumbai Stock Exchange
- Delhi Stock Exchange
- Ahmedabad Stock Exchange

Since the Company is registered under BIFR, it has requested relief from the Stock Exchanges relating to listing fees and other charges. The matter is under negotiation.

**CORPORATE GOVERNANCE**

Securities and Exchange Board of India (SEBI) constituted a Committee to promote and raise the standard of Corporate Governance in respect of listed companies. The recommendations of the Committee have been accepted by SEBI and given effect to by way of an amendment to the Listing Agreement, by insertion of a new Clause 49 to the Listing Agreement. With regard to our Company, these recommendations are to be complied with within the Financial Year 2001, but not later than 31st March, 2002.

The Company is already complying with majority of the mandatory recommendations and those not complied with currently, will also be complied with well before the scheduled due date.

**DIRECTORS' RESPONSIBILITY STATEMENT**

In accordance with the newly inserted Section 217 (2AA) of the Companies Act, 1956 regarding inclusion of "Directors' Responsibility Statement" in the Board's Report, the directors hereby confirm :

- (i) That in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures.
- (ii) That the Directors had selected such accounting policies 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 and of the loss of the Company for that period.
- (iii) That the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities.
- (iv) That the Directors had prepared the annual accounts on a going concern basis.

**COMPOSITION OF THE AUDIT COMMITTEE**

The Board of Directors has constituted an Audit Committee in pursuance of Section 292 A of the Companies Act, 1956. This Committee comprises of the following directors:

- |                    |            |
|--------------------|------------|
| - Mr. Ashok Khanna | - Chairman |
| - Mr. B.B. Mathur  | - Member   |
| - Mr. Arun Gupta   | - Member   |

**FIXED DEPOSITS**

The Company has not accepted any deposits within the meaning of Section 58A of the Companies Act, 1956 and the rules made thereunder.

**DIRECTORS**

Mrs. Radhika S. Minocha was withdrawn by ICICI as their nominee on the Board of the Company w.e.f. 31st January, 2000 and in her place, Mr. Satish Gupta was nominated w.e.f. 31st October, 2000.

Mr. A.K. Raina resigned as Alternate Director to Mr. Rainer Hey w.e.f. 31st October, 2000. Mr. Rainer Hey ceased to be a director of the Company on his resignation w.e.f. 7th November, 2000.

The Board records its appreciation of the services rendered by Mrs. Radhika S. Minocha, Mr. A.K. Raina and Mr. Rainer Hey during their tenure as directors of the Company.

In its meetings held on 28th April, 2000 and 20th February, 2001, the Board of Directors had, subject to approval of the shareholders, increased the remuneration payable to Mr. Arun Gupta, Whole Time Director, w.e.f. 1st April, 2000 for the remaining period of his tenure as Whole Time Director, i.e. upto 11th October, 2003. Resolution regarding increase in his remuneration is being placed before the shareholders for approval.

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Ramesh Bhujang and Mr. Arun Gupta retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

**AUDITORS & AUDITORS' REPORT**

M/s. Price Waterhouse, Chartered Accountants, New Delhi, Auditors of the Company, retire at the conclusion of this Annual General Meeting and being eligible, offer themselves for re-appointment.

The Notes to Accounts referred to in the Auditors' Report are self-explanatory and therefore do not call for any further comments.

**PARTICULARS AS PER SECTION 217 OF THE COMPANIES ACT, 1956**

The particulars of employees, as required under Section 217(2A) of the Companies Act, 1956, are annexed and form an integral part of this Report.

Information relating to Conservation of Energy, Research & Development and Foreign Exchange Earnings and Outgo, as required under Section 217 (1)(e) of the Companies Act, 1956 is annexed and forms an integral part of this Report.

**APPRECIATION**

Your Directors gratefully acknowledge the valuable assistance and support extended by Financial Institutions and Bankers of the Company as well as by M/s. Pearl Polymers Limited - the Promoter Company.

Your Directors also place on record their appreciation of the whole-hearted support extended by its shareholders and employees at all levels.

For and on Behalf of the Board

**CHAND SETH**  
**CHAIRMAN & MANAGING DIRECTOR**

PLACE : New Delhi  
 DATE : 20th February, 2001