

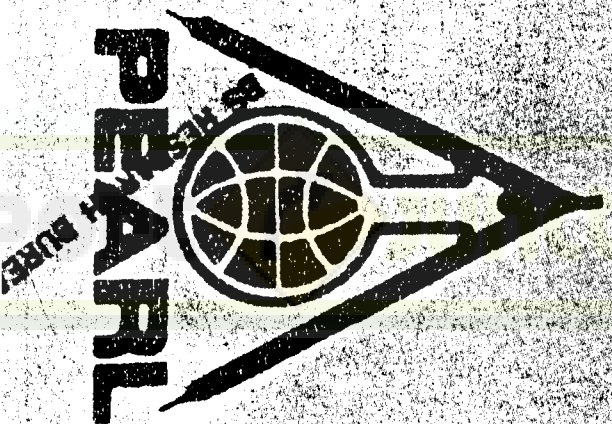
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8th

Annual Report and Accounts

2001-2002



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PEARL ENGINEERING
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BOARD OF DIRECTORS

Chand Seth	— Chairman & Managing Director
Harish Seth	— Managing Director
Arun Gupta	— Whole - Time Director
Dinesh Chand Kothari	— Director
C.R. Dua	— Director
B.B. Mathur	— Director
Ashok Khanna	— Director
Satish Gupta	— Nominee Director (ICICI)
Ramesh M. Bhujang	— Nominee Director (AFIC)
Chandra Shankar	— Special Director (BIFR)

AUDITORS

Price Waterhouse

REGISTERED OFFICE & WORKS

D-17, M.I.D.C. Indl. 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 - 110028

REGISTRARS & SHARE TRANSFER AGENTS

MCS Limited
Shree Venkatesh Bhawan, 212-A, Shahpur Jat,
New Delhi - 110 049

8TH ANNUAL GENERAL MEETING

DATE : 27th August, 2002
DAY : Tuesday
TIME : 12:30 P.M.
PLACE : D-17, M.I.D.C. Indl. Area,
Kurkumbh, Taluk Daund,
Distt. Pune - 413 801
Maharashtra

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NOTICE

NOTICE is hereby given that the 8th Annual General Meeting of the Members of Pearl Engineering Polymers Limited will be held on Tuesday, the 27th August, 2002 at 12.30 P.M. at D-17, MIDC Industrial Area, Kurkumbh, Taluk Daund, Dist. 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 March, 2002 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. B.B. Mathur, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Ashok Khanna, 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 Mr. Dinesh Kothari, who was appointed as an Additional Director of the Company, in terms of the provisions of Section 260 of the Companies Act, 1956 and Article 96 of the Company's Articles of Association and who holds such office upto the date of this Annual General Meeting and in respect of whom, the Company has received a notice in writing under Section 257 of the Companies Act, 1956 from a member proposing his candidature for the office of director, together with a deposit of Rs. 500/-, be and is hereby appointed as a director of the Company, liable to retire by rotation.

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

"RESOLVED THAT Mr. Chandra Shankar, who was appointed as a Special Director of the Company, in terms of the provisions of Section 260 of the Companies Act, 1956 and Article 96 of the Company's Articles of Association and who holds such office upto the date of this Annual General Meeting and in respect of whom, the Company has received a notice in writing under Section 257 of the Companies Act, 1956 from a member proposing his candidature for the office of director, together with a deposit of Rs. 500/-, be and is hereby appointed as a director of the Company, not liable to retire by rotation.

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

"RESOLVED THAT pursuant to the provisions of Section 269, 198, 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 Mr. Chand Seth, Chairman & Managing Director, to resume to draw remuneration from the Company w.e.f. 1st July, 2002, for the remaining period of his tenure as Chairman & Managing Director i.e. upto 6th December, 2002, as per details set out in the Explanatory Statement."

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

"RESOLVED THAT pursuant to the provisions of Section 269, 198, 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 July, 2002 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."

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

"RESOLVED THAT subject to such consents, permissions or sanctions as may be required from any authority, statutory or otherwise, particularly from the Securities and Exchange Board of India (SEBI) and pursuant to the provisions of Section 61 and other applicable provisions, if any, of the Companies Act, 1956 and Guidelines, Rules etc. framed by SEBI in this regard, the Board of Directors of the Company be and is hereby authorised to seek voluntary delisting of its equity shares from the Delhi and Ahmedabad Stock Exchanges."

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

For and on Behalf of the Board

Place : New Delhi
Date : 25th July, 2002

ARUN GUPTA
WHOLE TIME DIRECTOR

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

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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 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 August, 2002 to Tuesday, the 27th August, 2002 (both days inclusive).
5. Pursuant to Order passed by the Board for Industrial and Financial Reconstruction (BIFR) for the rehabilitation of the Company, the Paid-Up Equity Share Capital of the Company was reduced by 60% w.e.f. 28th March, 2002. Accordingly, all the earlier shares have since been extinguished and new shares have been issued in lieu thereof. A specific letter had been sent to all the shareholders informing them of the same and also advising them to surrender the Old Certificates in respect of their shares (if held in physical form). However, shareholders, who have not exchanged their Old Share Certificates with the New Share Certificates till date, are requested to surrender the same with the Company at its Corporate Office or at the Office of its Registrar and Share Transfer Agents, M/s. MCS Ltd, to enable the Company to release/despach New Share Certificates in lieu thereof.
6. The Company has 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 now permitted only in dematerialised form. Shareholders are, therefore, advised to dematerialise their shareholding to avoid inconvenience in future.
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 to 9 of the Notice.

Item No. 5 :

The Rehabilitation Scheme of the Company sanctioned by the Board for Industrial and Financial Reconstruction (BIFR) provides, amongst other things, for appointment of Mr. Dinesh Kothari, the Strategic Investor, on the Board of the Company.

Accordingly, the Board of Directors, in its meeting held on 9th March, 2002, had appointed Mr. Dinesh Kothari as an Additional Director, pursuant to the provisions of Section 260 of the Companies Act, 1956 and Article 96 of the Articles of Association of the Company, to hold office upto the date of the ensuing Annual General Meeting. The Company has also received notice under Section 257 of the Companies Act, 1956, alongwith a deposit of Rs.500/- from a member proposing Mr. Dinesh Kothari's candidature as a director of the Company.

Mr. Dinesh Kothari is 52 years of age and is a qualified Chartered Accountant. He is a reputed Merchant Banker with over 29 years of experience and also has interests in the U.A.E.

The Directors commend the resolution for approval of the shareholders.

Mr. Dinesh Kothari is an interested director in this resolution. No other director is in any way concerned or interested in this resolution.

Item No. 6 :

The Board for Industrial and Financial Reconstruction (BIFR) had nominated Mr. Chandra Shankar on the Board of the Company. Accordingly, the Board of Directors, in its meeting held on 25th July, 2002, had formally appointed Mr. Chandra Shankar as a Special Director, pursuant to the provisions of Section 260 of the Companies Act, 1956 and Article 98 of the Articles of Association of the Company, to hold office upto the date of the ensuing Annual General Meeting. The Company has also received notice under Section 257 of the Companies Act, 1956, alongwith a deposit of Rs.500/- from a member proposing Mr. Chandra Shankar's candidature as a Special Director of the Company, not liable to retire by rotation.

Mr. Chandra Shankar is 64 years of age and has a vast experience in the field of Commerce and Accounts.

The Directors commend the resolution for approval of the shareholders.

Mr. Chandra Shankar is an interested director in this resolution. No other director is in any way concerned or interested in this resolution.

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Item No. 7 :

Mr. Chand Seth was appointed as Chairman & Managing Director of the Company for a period of 5 years w.e.f. 7th December, 1997, without remuneration (until resolved otherwise), by the Board of Directors, in its meeting held on 16th December, 1997, which was confirmed by the shareholders in the Annual General Meeting held on 31st January, 1998.

In view of the operational turnaround of the Company and Mr. Chand Seth's massive contribution in steering the Company out of rough weather and in accordance with the recommendations of the Remuneration Committee in this regard, the Board of Directors of the Company has, in its meeting held on 25th July, 2002, decided, subject to approval of the shareholders, to pay remuneration to Mr. Chand Seth, w.e.f. 1st July, 2002, for the remaining period of his tenure as Chairman & Managing Director, i.e. upto 7th December, 2002, as per details given hereunder:

- A. SALARY :** Rs. 3,00,000/- per month.
B. COMMISSION : One percent of the Net Profits of the Company.

C. PERQUISITES :

(a) Housing:

Expenditure by the Company on hiring furnished accommodation subject to a ceiling of 60% of the salary, over and above 10% payable by the Appointee.

If the Company does not provide accommodation to the Appointee, House Rent Allowance will be paid by the Company to the Appointee as above.

If accommodation in Company owned house is provided, the Appointee shall pay to the Company, by way of rent, 10% of the salary.

Explanation: The expenditure incurred by the Company on gas, electricity, water and furnishings shall be valued as per the Income-Tax Rules, 1962, subject to a ceiling of 10% of the salary of the Appointee.

(b) Medical Reimbursement:

Expenses incurred by the Appointee and family subject to a ceiling of one month's salary in a year or three months' salary over a period of three years.

(c) Leave Travel Concession:

For Appointee and family, once in a year, incurred in accordance with the Company Rules.

(d) Club Fees:

Fees of clubs subject to a maximum of two clubs. This will not include admission and life membership fees.

(e) Personal Accident Insurance:

The Annual Premium not to exceed Rs.10,000/-

(f) Superannuation Fund and Provident Fund:

Contribution to Provident Fund will be subject to a ceiling of 12% of the salary. Contribution to Superannuation Fund, together with the Company's contribution to Provident Fund shall not exceed 27% of the salary, as laid down in the Income Tax Rules 1962.

(g) Gratuity:

Gratuity payable shall not exceed one half month's salary for each completed year of service.

(h) Encashment of Leave:

Encashment of leave at the end of tenure.

(i) Free use of Company's car with driver for the business of the Company.

(j) Free telephone facility at Company's cost at residence. However, personal long distance calls shall be billed to the Appointee.

The perquisite value of the above items shall be evaluated as per Income-Tax Rules, wherever applicable.

Provided, however, that the total remuneration payable to Mr. Chand Seth shall not exceed the ceiling of 5% of the Net Profits individually and 10% of the Net Profits in a financial year for all the managerial personnel put together, computed in accordance with the provisions of Section 349 and 350 of the Companies Act, 1956.

In the event of absence or inadequacy of profits, Mr. Chand Seth shall be paid a consolidated remuneration of Rs.3,00,000/- per month plus the permissible perquisites in accordance with Schedule XIII to the Companies Act, 1956 i.e. Provident Fund, Superannuation Fund, Gratuity, and Leave Encashment at the end of tenure.

The Directors commend the resolution for approval of the shareholders.

Mr. Chand Seth and Mr. Harish Seth may be deemed to be interested 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 TERMS OF APPOINTMENT AND MEMORANDUM OF INTEREST UNDER SECTION 302 OF THE COMPANIES ACT, 1956.

Item No. 8 :

The Board of Directors of the Company had, in its meeting held on 26th August, 1998, re-appointed Mr. Arun Gupta as a Whole - Time Director of the Company, for period of 5 years w.e.f. 12th October, 1998, which was confirmed by the shareholders in the Annual General Meeting held on 27th November, 1998. Subsequently, his remuneration was increased w.e.f. 1st October, 1999, in the meeting of the Board of Directors held on 29th October, 1999, which was confirmed by the shareholders in the Annual General Meeting held on 15th December, 1999 and was further increased w.e.f. 1st April, 2000 in the meetings

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of the Board of Directors held on 28th April, 2000 and 20th February, 2001, which was confirmed by the shareholders in the Annual General Meeting held on 29th March, 2001.

In view of the extensive efforts made by Mr. Arun Gupta in the turnaround of the Company and in accordance with the recommendations of the Remuneration Committee in this regard, the Board of Directors has, in its meeting held on 25th July, 2002, subject to approval of the shareholders, increased the remuneration/perquisites payable to Mr. Arun Gupta, w.e.f. 1st July, 2002, 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. 1,50,000/- 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 one 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, subject however, to the overall ceiling specified in Schedule XIII to the Companies Act 1956.

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 TERMS OF APPOINTMENT AND MEMORANDUM OF INTEREST UNDER SECTION 302 OF THE COMPANIES ACT, 1956.

Item No. 9 :

The Equity Shares of your Company are presently listed at Mumbai, National, Delhi and Ahmedabad Stock Exchanges. It has been observed that since the last few years, trading in the shares of your Company on Delhi and Ahmedabad Stock Exchanges has been very rare and of very low volumes. Your Company has been spending considerable amount of money in payment of listing fees and publishing notices in the newspapers in respect of various provisions of the Listing Agreements e.g. Board Meetings Notices, AGM & EGM Notices, Book Closure Notices, Quarterly Results etc. and also on communications in the form of fax intimations, registered letters etc. with these Stock Exchanges. Shareholders/Investors do not get any benefit despite the Company spending these amounts and therefore, it has been considered prudent that the listing on these two Stock Exchanges be discontinued. Shareholders/Investors in these regions will not suffer due to delisting since, with the introduction of screen based trading on National Stock Exchange, trading in shares can be easily done from all over the Country.

Considering these facts, your Board of Directors has proposed delisting of equity shares of your Company from Delhi and Ahmedabad Stock Exchanges.

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 : 25th July, 2002

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 have pleasure in presenting the Eighth Annual Report of the Company and the Audited Accounts for the 15 month period ended on 31st March, 2002.

The restructuring measures undertaken by your Company and implementation of the Rehabilitation Scheme sanctioned by the Board For Industrial and Financial Reconstruction (BIFR) have been successful in achieving a turnaround of the Company. In the 15 month period under review, the Company achieved a turnover of Rs.175.69 Crores as compared to the turnover of Rs. 172 Crores in the previous financial period of 18 months, recording an annualised growth of 22.58%.

FINANCIAL RESULTS

(Rs.in Lacs)

	For The Period Ended 31.03.2002 (15 Months)	For The Period Ended 31.12.2000 (18 Months)
Turnover	19625.91	19337.80
Gross Profit/(Loss)	2314.50	1343.16
Interest	805.01	563.12
Depreciation & Miscellaneous Expenditure Written Off	660.37	790.44
Provision for Taxes	—	—
Net Profit/(Loss)	849.12	(10.40)
Prior Period Adjustments/Adjustments relating to Rehabilitation Scheme	1934.26	(30.69)
Profit/(Loss) after Prior Period Adjustments	2783.38	(41.09)
Adjustments relating to Rehabilitation Scheme	1934.26	(30.69)

DIVIDEND

In view of the provisions of the Rehabilitation Scheme sanctioned by the BIFR and to conserve resources, your Directors have decided not to recommend payment of dividend for the period under review.

MANAGEMENT DISCUSSION AND ANALYSIS

The Company produced 39,297 MT of PET Resin during the 15 month period ended 31st March, 2002 (Previous accounting period of 18 months - 37,990 MT). This represents an annualised growth of almost 25% over the previous period. During the period under review, the Company could successfully integrate the processing of semi-finished products in its Plant. This has substantially helped the Company in achieving the volume growth.

During the period under review, as a result of continued operations, constant quality of product and customer satisfaction, the Company could increase its volumes. The finished goods prices remained almost at the same level as the previous year, though feedstock prices were marginally lower. The combined impact has resulted in increased gross profit during the period under review.

The problem of large excess capacity in the Country continues to depress the prices in the domestic market. This situation is likely to become adverse with additional new capacities coming up in India shortly. Your Company has initiated steps for developing long term relationships with its customers as well as developing speciality grades of Polyester so as to create a niche market for its product.

The Company presently has 145 employees on its rolls and

the employee relationship was cordial during the period under review.

ACCOUNTING YEAR

The accounting year of the Company was extended by three months in order to reflect the impact of the financial restructuring emerging out of the BIFR Order in the current year itself and to bring the accounting year in line with the financial year followed by the Government of India.

REHABILITATION SCHEME

The Rehabilitation Package of the Company, as sanctioned by BIFR, provides for, amongst other things, reduction of the existing Paid-up Share Capital of the Company by 60%, conversion of a part of outstanding amount payable to lenders into equity/preference shares, induction of fresh equity by the existing Promoters and Mr. Dinesh Kothari, the Strategic Investor & his associates. In accordance with the same, the Paid-Up Share Capital of the Company was reduced from Rs. 34.96 Crores to Rs. 14.58 Crores, w.e.f. 28th March, 2002. Specific letters in this regard were sent to all the shareholders, together with the option to convert the shares presently held in physical form into dematerialised form and vice-versa, in compliance of the Business Rules of National Securities Depository Limited (NSDL).

The other aspects of the Rehabilitation Scheme are also being implemented as per schedule.

LISTING OF SHARES

The Listing Applications in respect of the new shares issued pursuant to reduction/consolidation of capital, as well as induction

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of further funds by Promoters, Strategic Investor etc. have since been made to the following Stock Exchanges and are at an advanced stage of consideration.

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

The Listing Fee in respect of all these Stock Exchanges has been paid.

However, due to lack of active trading in the Company's shares at Delhi and Ahmedabad Stock Exchanges and also, since the number of shareholders around these places is very small, your Directors consider it prudent to opt for delisting of the Company's shares from these two Stock Exchanges. The relevant resolutions being placed before the shareholders for approval.

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

Mr. Krishen Seth has resigned from the Board of Directors of the Company with effect from 1st July, 2002. The Board records its appreciation for the services rendered by Mr. Krishen Seth during his tenure as director of the Company.

Pursuant to the provisions of the Rehabilitation Scheme sanctioned by the BIFR, Mr. Dinesh Kothari was appointed as an Additional Director of the Company to hold office till the date of the ensuing Annual General Meeting. The Company has received a notice under Section 257 of the Companies Act, 1956, proposing his appointment as director, liable to retire by rotation.

Mr. Chandra Shankar, who was nominated on the Board of the Company by the BIFR, was formally inducted as a Special Director in July, 2002. Resolution regarding his appointment as director is being placed before the shareholders for approval.

Mr. B.B. Mathur and Mr. Ashok Khanna retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the provisions of Section 217 (2AA) of the Companies Act, 1956, regarding "Directors' Responsibility Statement", the Directors hereby confirm:

- That in the preparation of the Annual Accounts, the applicable Accounting Standards had been followed along with proper explanation relating to material departures. In terms of the sanctioned Scheme of BIFR, the Company had to reduce the value of its shares by 60% and the Banks had agreed to settle their principal dues through a One-Time Settlement. This resulted in a write-back of Rs.4143.96 Lacs. The Company has taken this sum directly to the Restructuring Reserve Account in the Reserves and Surplus Schedule, and not routed it through Profit & Loss Account, in accordance with the expert opinions received in this regard. However, the Auditors hold a different view and have stated so in Para 4(d) & 4(f) of their Report. This accounting treatment has no impact on the Net Worth and the Profits of the Company for the period ended 31st March, 2002.

- That the Directors had selected such accounting policies and applied them consistently and made judgments 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 profits of the Company for that period.
- 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.
- That the Directors had prepared the Annual Accounts on a going concern basis.

CORPORATE GOVERNANCE

Report of the Directors on Corporate Governance is given separately and forms a part of this Annual Report.

A Certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance, as stipulated under Clause 49 of the Listing Agreement, is attached to this Report.

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 Company has received a letter from them to the effect that their appointment as Auditors, if made, would be within the limits specified u/s 224(1B) of the Companies Act, 1956.

The Notes to Accounts referred to in the Auditors' Report are self-explanatory. In this respect, please refer to Para (1) of the Directors' Responsibility Statement.

PERSONNEL

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

ENERGY, TECHNOLOGY AND FOREIGN EXCHANGE

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.

CASH FLOW STATEMENT

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

On behalf of the Board

CHAND SETH
CHAIRMAN & MANAGING DIRECTOR

Place : New Delhi
Date : 25th July, 2002

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ANNEXURE TO THE DIRECTORS' REPORT STATEMENT OF PARTICULARS OF EMPLOYEES PURSUANT TO THE PROVISIONS OF SECTION 217 (2A) OF THE COMPANIES ACT, 1956

S No.	Name	Designation	Qualification	Remuneration	Age	Experience	Date of Commencement of Employment	Previous Employment/ Designation
Employed throughout the Financial Year (15 months) under Review and in receipt of Remuneration aggregating to not less than Rs. 15,00,000/-								
1.	Mr. Arun Gupta	Whole Time Director	B.Com FCA	20,33,300	52	28	12-10-93	Chief Executive Project & Planning Pearl Polymers Ltd.
Employed for part of the Financial Year and in receipt of Remuneration aggregating to not less than Rs. 1,00,000/- per month								
1.	Mr. S.T. Kulkarni	Vice President (Works)	B. Tech	21,63,118	47	25	1-10-1994	Gen. Manager (Works) Pearl Polymers Ltd.

Notes :

1. Remuneration includes Salary, Allowances, value of Perquisites.
2. Other terms and conditions :
 - * The appointment of employees is terminable by notice on either side.
 - * Nature of employment is contractual for Whole Time Director.
 - * None of the employees is related to any Director.

A. TECHNOLOGY ABSORPTION, ADAPTATION & INNOVATION

The throughput of the plant was increased in a phased manner by optimisation process.

B. RESEARCH & DEVELOPMENT

1. Speciality products yielding higher value addition was developed during the period.
2. Utility consumption per M.T. was further reduced by process optimisation.
3. Existing facilities were utilised for R&D and there was no new capital expenditure

C. CONSERVATION OF ENERGY

Power & Fuel Consumption

Period Ended
31-03-2002

Period Ended
31-12-2000

1. ELECTRICITY

(a) Purchased

Unit (KWH in Lacs)
Total cost (Rs. in Lacs)
Rate per unit (Rs.)

140.85
541.39
3.84

163.54
665.81
4.07

2. FUEL CONSUMPTION

(a) LDO

Quantity (KL)
Total cost (Rs. in Lacs)
Average Rate per KL (Rs.)

212.79
22.84
10733.78

363.98
39.20
10,770.97

(b) FO

Quantity (KL)
Total Cost (Rs. in Lacs)
Average Rate per KL (Rs.)

3641.38
262.91
7220.05

4,292.85
398.82
9,290.26

(c) HSD (FOR POWER GENERATION OF 290400 UNITS (2000-236,515 Units)

Quantity (KL)
Total Cost (Rs. in Lacs)
Average Rate per KL (Rs.)

82.76
15.23
18398.36

61.37
7.74
12,614.18

3. OTHER/INTERNAL GENERATION

Consumption per Unit on
Production of PET Resin (MT)
MSEB Electricity (Units)
FO/LDO (KL)

358
0.10

430
0.12

D. FOREIGN EXCHANGE EARNING & OUTGO (RS. IN '000)

Outgo
Earnings

42,449
525,628

115,502
364,035

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PEARL ENGINEERING
Polymers Limited

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AUDITORS' CERTIFICATE ON COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENT

To The Members of Pearl Engineering Polymers Limited

1. We have reviewed the implementation of Corporate Governance by Pearl Engineering Polymers Limited (the Company) during the Period ended 31st March, 2002, with the relevant records and documents maintained by the Company, furnished to us for our review and the Report on Corporate Governance, as approved by the Board of Directors.
2. 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 Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

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.

3. As required by the Guidance Note issued by the Institute of Chartered Accountants of India, we state that while the Shareholders'/Investors' Grievances Committee was formed on March 30, 2002, no investor grievances are pending for a period exceeding one month against the Company as per the confirmation received from the Registrars of the Company.
4. On the basis of our review and according to the information and explanations given to us, the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement with the Stock Exchange(s) have been complied with in all material respects by the Company, subject to the matter that the Company is in the process of appointing a full time Company Secretary, which will act as a Secretary to the Audit Committee.

H. Singh
Partner
For and on behalf of
Price Waterhouse
Chartered Accountants

Place : New Delhi
Date : 25th July, 2002