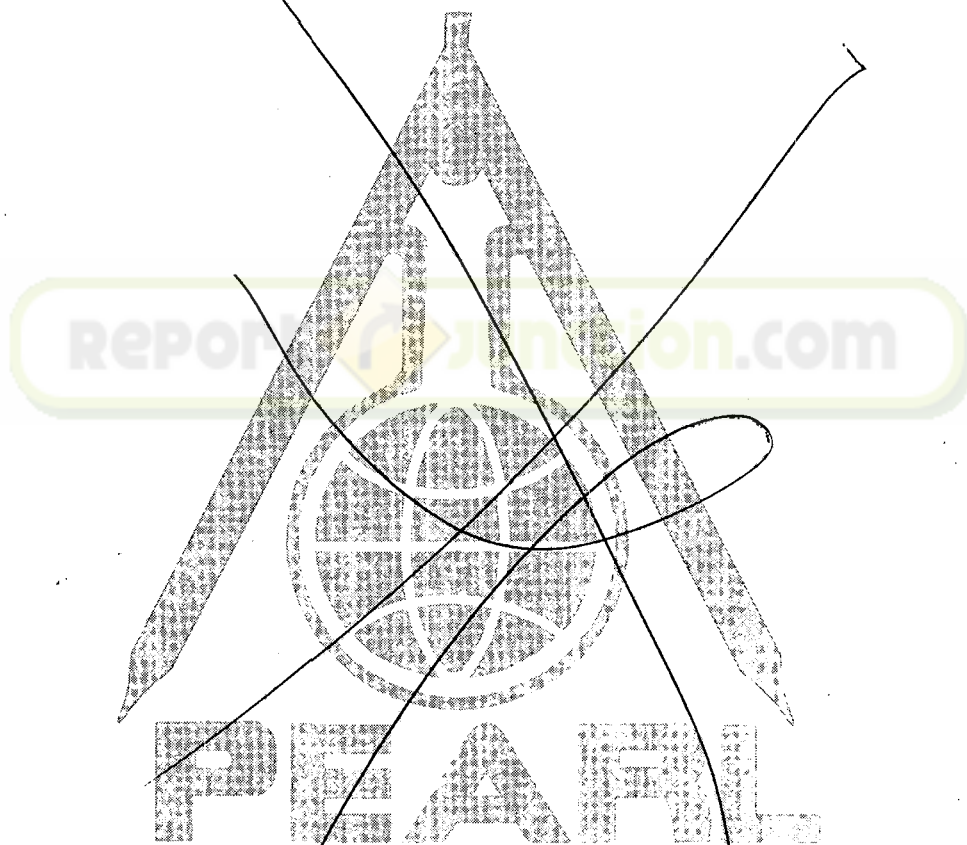


# 14<sup>th</sup> ***ANNUAL REPORT*** ***2007-2008***



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



## BOARD OF DIRECTORS

<b>Chand Seth</b>	– Chairman & Managing Director
<b>Harish Seth</b>	– Managing Director
<b>Dinesh Kothari</b>	– Director
<b>B.B. Mathur</b>	– Director
<b>Ashok Khanna</b>	– Director

## ASSISTANT COMPANY SECRETARY

Pallavi Razdan

## AUDITORS

**J.C. Bhalla & Co.**

B-5, Sector 6, Noida-201301 (UP)

## REGISTERED OFFICE & WORKS

D-17, M.I.D.C. Indl. Area,  
Kurkumbh, Taluk Daund,  
Distt. Pune - 413 802  
Maharashtra.

## HEAD OFFICE & INVESTORS' SERVICE CELL

703-704 Rohit House  
3 Tolstoy Marg, Cannught Place  
New Delhi - 110 001  
Tel. : 43517917  
Fax : 43517596  
Email - pearl@pearlpnet.net  
- investor\_helpdesk@pearlpnet.net

## REGISTRAR & SHARE TRANSFER AGENTS

**MAS Services Ltd.**

AB-4, Safdarjung Enclave  
New Delhi – 110 029  
Ph : 26104142 / 26104326  
Fax : 26181081  
Email : mas@vsnl.com  
mas\_serv@yahoo.com

## 14TH ANNUAL GENERAL MEETING

DATE : 06<sup>th</sup> September, 2008  
DAY : Saturday  
TIME : 2:30 P.M.  
PLACE : D-17, M.I.D.C. Indl. Area  
Kurkumbh, Taluk Daund,  
Distt. Pune - 413 802  
Maharashtra

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## NOTICE

NOTICE is hereby given that the 14<sup>th</sup> Annual General Meeting of the Members of Pearl Engineering Polymers Limited will be held on Saturday, the **6<sup>th</sup> day of September, 2008 at 2:30 PM at D-17, MIDC INDUSTRIAL AREA, KURKUMBH, TALUK DAUND DIST., PUNE-413802**, the Registered Office of the Company to transact the following business:-

### ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31<sup>st</sup> March, 2008 and Profit & Loss Account for the year ended 31<sup>st</sup> March, 2008 together with the Directors' and Auditors' Reports 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 consider and if thought fit, to pass with or without modification, the following resolution as an **ORDINARY RESOLUTION**:

**"RESOLVED** that pursuant to the provisions of Section 224 and other applicable provisions, if any, of the Companies Act, 1956, M/s. J.C. Bhalla & Co., Chartered Accountants be and are hereby appointed as Statutory Auditors of the Company to hold office from conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company, on a remuneration (including terms of payment) to be fixed by the Board of Directors of the Company, based on recommendation of the Audit Committee, plus service tax and such other tax(es), as, may be applicable and reimbursement of all out of pocket expenses in connection with the audit of the Accounts of the Company for the year ended 31<sup>st</sup> March, 2009."

### SPECIAL BUSINESS

4. 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 Sections 198, 269, 309, 316 and 317 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, and subject to necessary approvals, if any required under the Act or rules made thereunder, approval of the Company be and is hereby accorded to the

re-appointment of Mr Harish Seth as Managing Director of the Company for a period of five years w.e.f 19<sup>th</sup> October, 2008 without remuneration, unless resolved otherwise.

**RESOLVED FURTHER THAT** the Board of Directors of the Company be and is hereby authorized to do all such acts, deeds and things as may be considered expedient in this regard."

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

**"RESOLVED THAT** pursuant to the provisions of Sections 198, 269, 309, 316 and 317 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, and subject to necessary approvals as may be required under the Act or rules made thereunder, approval of the Company be and is hereby accorded to the re-appointment of Mr Chand Seth as Chairman & Managing Director of the Company for a period of three years w.e.f 7<sup>th</sup> December, 2008 on the terms and conditions including remuneration as set out in the Explanatory Statement.

**RESOLVED FURTHER THAT** the Board of Directors of the Company be and is hereby authorized to do all such acts, deeds and things as may be considered expedient in this regard."

*By the Order of the Board*  
**For PEARL ENGINEERING POLYMERS LIMITED**

**Place : New Delhi                      CS. PALLAVI RAZDAN**  
**Date : July 30, 2008              Asst. Company Secretary**

**Regd. Office :**  
D-17, MIDC Industrial Area  
Kurkumbh, Taluk Daund  
Distt., Pune – 413 802  
(MAHARASHTRA)

**NOTES:**

- 1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF/HERSELF AND SUCH A PROXY NEED NOT BE A MEMBER OF THE COMPANY.**

The instrument appointing a PROXY should be deposited at the Company's Registered Office not less than 48 hours before the time fixed for holding the Annual General Meeting.

- 2.** The Explanatory Statement as required under Section 173(2) of Companies Act, 1956 in respect of the Special business at Items No. 4 & 5 of the Notice is annexed hereto.
- 3.** The Register of Members and Share transfer Books of the Company will remain closed from 2<sup>nd</sup> September, 2008 to 6<sup>th</sup> September, 2008 (both days inclusive).
- 4.** Members are requested to bring their Attendance Slip, duly filled in along with their copy of Annual report to the Annual General Meeting. As a measure of economy, copies of Annual Report will not be distributed at the Meeting.
- 5.** Members who hold shares in Dematerialised form are requested to mention their Client ID and DP ID and those holding shares in physical form are requested to mention their Folio numbers on the Attendance slip and hand over the same at the entrance of the Meeting Hall for attending the meeting.
- 6.** Members who hold shares in physical form either in multiple folios with identical names or joint holdings in the same order are requested to send their share certificates to the Company's Registrar & Share Transfer Agents (RTA), M/s MAS Services Limited for consolidation into a single folio at the following address:  
  
**M/s MAS Services Ltd.  
AB-4, Safdarjung Enclave,  
New Delhi-110 029  
Ph.: 26104142 / 26104326  
Fax : 26181081**
- 7.** Members are requested to immediately notify any change in their address with PIN Code numbers to their respective DP in respect of their electronic share accounts and to the Company or the Company's RTA in respect of their physical share, quoting their respective Folio Numbers.

- 8.** The Company has entered into agreements with both the Depositories viz. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) for custody and dematerialization of securities. Members can avail of the depository facilities by approaching any of the Depository Participants (DPs) of NSDL or CDSL or by approaching the RTA of the Company at the abovementioned address.
- 9.** Members desirous of seeking any information from the Company are requested to send their queries to the Company at its Head office situated at 703-704, Rohit House, 3, Tolstoy Marg, Cannought Place, New Delhi- 110001 well in advance so that the same may reach us at least ten days before the date of the meeting to enable the Company to keep the information readily available at the Meeting.

**Pursuant to Section 173(2) of the Companies Act, 1956, the following Explanatory Statement sets out all material facts relating to Items No 4 and 5 of the Notice.**

**Item No. 4**

Mr. Harish Seth, Managing Director of the Company is a Chemical Engineer from IIT (Madras) and M.Tech from U.S.A. He has a rich experience of 36 years in the field of polymers. In addition he is one of the promoters of the Company. Having specialization in the field ideally suited to the nature of the Industry, he has enormously contributed towards best interests of the Company.

Mr. Harish Seth was appointed as the Managing Director of the Company w.e.f 19<sup>th</sup> October, 2003 for a period of five years. Accordingly, the term of his office is due to expire on 18th October, 2008.

In view of the same, subject to the approval of the members at the General Meeting, the Board of Directors of the Company at its meeting held on 30<sup>th</sup> July, 2008 has re-appointed Mr. Harish Seth as the Managing Director of the Company w.e.f 19<sup>th</sup> October, 2008 for a further period of 5 years without any remuneration (until resolved otherwise), in terms of the applicable provisions of Companies Act, 1956.

Mr. Harish Seth upon reappointment as the Managing Director shall not be subject to retirement by rotation during his tenure of appointment in the Company.

Mr. Harish Seth is also the Vice Chairman & Managing Director in Pearl Polymers Ltd. and draws remuneration

therefrom in conformity with the requirements of the Companies Act, 1956.

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

The Directors recommend the resolution for the approval of the members.

#### Item No. 5

Mr. Chand Seth was reappointed as Chairman & Managing Director of the Company w.e.f 7<sup>th</sup> December, 2005 for a period of three years. Accordingly, his tenure is due to expire on 6<sup>th</sup> December, 2008. In terms of recommendations of the Remuneration Committee and subject to the approval of the members at the General Meeting and of the Central Government, if required, the Board of Directors of the Company in its meeting held on 30<sup>th</sup> July, 2008 has re-appointed Mr. Chand Seth as the Chairman & Managing Director of the Company with effect from 7<sup>th</sup> December, 2008 for a further period of three years, on terms and conditions as set out 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. 3,00,000/- (Rupees Three lacs only) per month.
- B. PERQUISITES IN ADDITION TO THE ABOVE :**
- 1. Provident Fund:** Company's Contribution to Provident Fund as per the rules of the Company will be subject to a ceiling of 12% of the salary as laid down under the Income Tax Rules, 1962 .
  - 2. Superannuation Fund:** Company's contribution to the Superannuation fund together with the contribution to Provident Fund shall not exceed 27 % of the salary, as laid down in the Income Tax Rules, 1962.
  - 3. Gratuity:** Gratuity payable shall not exceed one half month's salary for each completed year of service subject to a ceiling of Rs. 350000/- or such other sum as may be specified under the provisions of Payment of Gratuity Act, 1972.
  - 4. Earned/Privileged leave:** As per the rules of the Company, leaves accumulated but not availed of during the tenure may be allowed to be encashed at the end of the tenure.

- 5. Free use of Company's car** with driver for the business of the Company.

- 6. Free telephone facility** at residence at the Company's cost. However, personal long distance calls shall be billed to the Appointee.

Further, in the event of absence or inadequacy of profits, Mr. Chand Seth would be paid a consolidated remuneration of Rs.3,00,000/- per month plus the permissible perquisites in accordance with the provisions of Schedule XIII to the Companies Act, 1956.

Mr. Chand Seth, Chairman & Managing Director shall not be subject to retirement by rotation during his tenure as the Chairman & Managing Director of the Company.

Mr. Chand Seth is also holding the office of Chairman & Managing Director in Pearl Polymers Limited and the appointee may draw remuneration from both the Companies provided the total remuneration drawn from the Companies does not exceed the higher maximum limit admissible from any one of the Companies of which he is managerial person as per the provisions contained in Schedule XIII to the Companies Act, 1956 as amended upto date.

#### INFORMATION REQUIRED PURSUANT TO THE PROVISIONS OF SCHEDULE XIII TO THE COMPANIES ACT, 1956 READ WITH CLAUSE 49 OF THE LISTING AGREEMENT IS FURNISHED AS UNDER:

##### I. GENERAL INFORMATION:

- (i) Nature of Industry**  
The Company is a leading Manufacture of PET Resins (Bottle and Film Grade).
- (ii) Expected date of commencement of commercial production**  
Not Applicable
- (iii) In case of new companies, expected date of commencement of activities as per Project approved by financial institutions appearing in the prospectus**  
Not Applicable
- (iv) Financial Performance based on given indicators**  
The relevant financial figures (Audited) as at year ended 31st March, 2008 are as under:

(Rs. in '000')

Revenue	Expenses	Net Profits/(Loss)
16,67,803	16,82,456	(14,653)



**(v) Export performance and net foreign exchange collaborations**

During the year 2007-08 total foreign exchange earned was Rs. 2001.48 Lacs as against an outgo of Rs. 496.72 Lacs on import of Raw Material, Capital Goods, Components etc.

**(vi) Foreign Investments or collaborators, if any**

Not Applicable

**II. INFORMATION ABOUT THE APPOINTEE:**

**(a) Background Details**

Mr. Chand Seth is one of the promoters of the Company and has over 38 years of experience in the field of polymers. He has done B.Tech (Mech.) from IIT (Kharagpur) and MS from Michigan University, USA.

**(b) Past Remuneration**

A sum of Rs. 42.48 Lacs has been paid to Mr. Chand Seth, being the remuneration and allowable perks as per Schedule XIII to the Companies Act, 1956 for the year ended 31st March, 2008.

**(c) Recognition or Awards**

He is a renowned personality in the field of polymers and has immensely contributed in introducing and developing quality plastic products in the Country.

**(d) Job Profile and his Suitability**

As stated above, Mr. Chand Seth is a B.Tech (Mech.) Engineer from IIT (Kharagpur) and MS from USA with over 38 years of experience. He is one of the Promoter Directors of the Company and is vested with substantial powers of management of the Company. As is evident from his qualifications and experience, Mr. Chand Seth is ideally suited to the nature of our industry, the benefits of which, the Company has reaped over the years.

**(e) Remuneration Proposed**

As mentioned above in Item No. 5 of the Notice

**(f) Comparative remuneration Profile with respect to Industry, size of the Company, profile of the position and person (in case of expatriates the relevant details would be w.r.t. the country of his origin)**

The prevalent levels of remuneration in manufacturing industries, in general and the industry in particular are higher. Taking into

account the turnover of the Company, Mr. Chand Seth has made invaluable contribution to the Company. In view of his role in placing the Company in pre-eminent position in the industry, his strategic role in turning around the Company from its difficult position, the proposed remuneration to the appointee is reasonable and is in fact on lower side as compared to the remuneration at aforesaid level paid in the Industry.

**(g) Pecuniary relationship directly or indirectly with the Company, or relationship with the managerial personnel, if any**

Mr. Chand Seth is one of the Promoters of the Company and has been instrumental in bringing significant growth in the volume of its business since inception. He is also related to Mr. Harish Seth, who is the other Promoter and Managing Director of the Company.

**III. OTHER INFORMATION:**

**(a) Reasons of Loss**

The Losses incurred by the Company have been on account of the lowered import duty at 5% and strengthening of rupee against dollar during the year which has aided the penetration of imported resin into the domestic market leading to forced reduction in prices of the domestic PET Resin. Also, the sudden increase in the PTA/MEG prices, the primary raw materials of PET resins in the later part of the year, have added to the figure of loss on the Balance Sheet of the Company. However, the net loss during the year is lower as compared to that incurred in the previous year.

**(b) Steps taken or proposed to be taken for Improvement**

Company has been consistently developing specialty grade PET Resin for the newer applications and is in advanced stages of their commercialization. The Company has also been making efforts towards ensuring cost effective methods at all levels. This will help the Company to improve its operations and bottom lines.

**(c) Expected increase in Productivity and Profits in measurable terms**

The Company will strive to widen its customer base, increase market share, develop new products, enter new segments and step up market initiatives and look for overall growth in domestic top line. Company is entering into long-

**PEARL ENGINEERING  
Polymers Limited**



term contracts with the raw material suppliers to avoid unexpected price variation / shortages.

The aforesaid measures are expected to substantially increase the productivity and profits of the Company.

**IV. DISCLOSURE:**

**The Proposed Remuneration Package of the Managerial Personnel.**

As mentioned above.

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

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

The Directors recommend the resolution for the approval of the members.

**IN RESPECT OF ITEMS NO. 4 & 5 OF THE NOTICE 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.**

**INFORMATION TO BE FURNISHED PURSUANT TO THE LISTING AGREEMENT**

As required under the Listing Agreement, the particulars of the Directors who are proposed to be appointed/re-appointed are as given below:

**NAME**                      **B. B Mathur**

**AGE**                        **79 years**

**QUALIFICATIONS**

Masters in Chemical Engineering from University of Wisconsin, USA and has to his credit, vast experience in the Industry.

**NO.OF SHARES HELD IN PEPL**    1000 Equity Shares

**EXPERIENCE**

He started his career with TATA Chemicals and thereafter worked with Park Davis in USA, D C M Chemical Works, Sriram Rayon before joining as the Managing Director in Petrofil Corp Ltd. in Baroda during 1973-78. He joined JCT Ltd. as the Chief Executive Officer & Executive Director before superannuating in 1992. He has also been actively

involved in providing consultancy services in the Corporate sector. He has been associated with Pearl Engineering Polymers Limited since its inception and is also a member of the Audit Committee of the Board of the Company.

**OUTSIDE DIRECTORSHIPS**                      Nil

*By the Order of the Board*  
**For PEARL ENGINEERING POLYMERS LIMITED**

**Place : New Delhi**  
**Date : July 30, 2008**

**CS. PALLAVI RAZDAN**  
**Asst. Company Secretary**

**Regd. Office :**  
D-17, MIDC Industrial Area  
Kurkumbh, Taluk Daund  
Distt., Pune – 413 802  
(MAHARASHTRA)

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**DIRECTORS' REPORT**

Dear Members,

Your Directors have pleasure in presenting the 14th Annual Report on the business and operations of the Company along with the Audited Accounts of the Company for the year ended 31st March, 2008.

**FINANCIAL HIGHLIGHTS****(AMOUNT IN RS. '000)**

<b>PARTICULARS</b>	<b>For the Year Ended 31<sup>st</sup> March, 2008</b>	<b>For the Year Ended 31<sup>st</sup> March, 2007</b>
Net Sales	1650765	1525522
Other Income	17038	12733
<b>Total Income</b>	<b>1667803</b>	<b>1538255</b>
Profit/ (Loss) before Depreciation & Tax	32868	6414
Depreciation	47521	47309
Provision for Taxes		
-Current Year	6	17
-Earlier Years	-	474
-Fringe Benefit Tax (FBT)	733	672
Net Profit/ (Loss) after Depreciation & Tax	<b>(15392)</b>	<b>(42058)</b>

**REVIEW OF OPERATIONS**

The Company has delivered improved performance amidst challenging and volatile market conditions. Gross Turnover for the year was Rs. 17543.47 lacs against Rs. 16516.52 lacs in the previous year, reflecting a growth of 6.21%.

**DIVIDEND**

In the absence of availability of distributable profits, the Directors regret their inability to recommend dividend on Equity Shares of the Company for the year ended 31st March, 2008.

**MANAGEMENT DISCUSSION AND ANALYSIS****Industry Structure and Development**

PET (Polyethylene terephthalate) is non-carcinogenic, eco-friendly and inert matter which is easily processed by extrusion or injection moulding. Due to its glass-like transparency, lightweight, ability to retain carbonation & freshness and break-resistant characteristics it is popular in most packaging applications. It is widely used in packaging of carbonated soft drinks, water, edible oil, juices, dairy beverages, pharmaceuticals, toiletries etc.

Your Company is involved in manufacturing of PET Resins (Bottle and Film Grade) and has its production facility at Kurkumbh, Taluk Daund, Distt., Pune in Maharashtra. The products of the company have wide applications in the Packaging Industry. Being the preferred material of the FMCGs and due to emergence of new application areas like alcoholic beverages, pharmaceuticals, your Directors foresee numerous opportunities in the future.

**Business and Financial Performance Review**

During the year, the Company has incurred a net loss of Rs. 153.92 lacs as compared to net loss of Rs. 420.58 lacs in the previous year. The decline in the loss was mainly on account of increased sales, improved margins, and increase in the other incomes of the Company.

During the year 2007-08, the Company has achieved production of 26533 MT as compared to 24044 MT in the year 2006-07. The production was higher by 10.35% compared to the previous year. Gross turnover of Rs.17543.47 lacs was reported by the Company for the year 2007-08 against Rs. 16516.52 lacs in the previous year, reflecting a growth of 6.21% from the previous year.

In pursuance of the rehabilitation scheme sanctioned by BIFR, the Company had paid dues of Asian Finance and Investment Corporation (AFIC) upto 31st December, 2005. Thereafter, principal amount and interest due thereon could not be paid to AFIC, due to liquidity constraints, in view of losses. However, in terms of the meeting held with AFIC's representatives during the year, the Company has agreed for one time settlement with them at a substantial discount to principal amount and waiver of entire interest/penal interest on the outstanding loans and also against write off of outstanding 0.01% unsecured loans. The negotiation in this regard is still in progress.

#### **Economic Scenario and Outlook**

Emergence of new applications, changing lifestyles have added to the rising demand of plastics and particularly that of plastic packaging that have become an inherent part of our daily life.

Global PET Resin demand has been around 13 million tons during 2007, higher by 8% over the previous year. Demand for PET Bottle Resin has doubled between 1999 and 2005 globally and is expected to grow at more than 7% every year over the foreseeable future. Asian demand during the period was 7.6 million tons, higher by 9% over the previous year. The Indian PET Bottle resin market has grown and is expected to sustain the growth rate due to wider scope of increased penetration in carbonated soft drinks, mineral water, fruit juices, health care and agro-chemical segments.

However, lowered import duty at 5% and strengthening of rupee against dollar during the year has aided penetration of imported resin in the domestic market which has led to reduction of prices of domestic PET Resin. Despite sudden jumps in the prices of primary raw materials of PET resins i.e., PTA (Purified Terephthalic Acid) and MEG (Monoethylene Glycol) in the later part of the year, Indian market has been forced to keep the domestic prices of PET Resins low.

India is at an inflection point, raising its PET Resin capacity to almost 350 kt/pa by 2010, reflecting indirectly the latent demand potential in the domestic market. The industry is expected to see improved performance in the months ahead.

#### **Opportunity and Threats**

Increasing population, urbanization, increasing disposable urban incomes, growth in the FMCG sector, and usage of PET over other traditional materials like glass etc have opened up various opportunities for the PET Industry.

However sharp increase in crude and PTA/ MEG prices, the primary raw materials for PET Resin industry and reduced import duties are a major cause of concern. Further a stiff competition from tetrapack, glass bottles, polycarbonates and increased capacities in the domestic market are other factors to be taken care of.

#### **Risk and Concern**

Risks and prospects are inseparable components of the Company's business. Your Company identifies risks, assesses them and minimizes their incidence with the objective to maximize their returns.

#### **Internal Control Systems and their Adequacy**

The Company maintains a system of internal controls to provide assurance regarding effectiveness and efficiency of operations, adequacy & reliability of financial controls and compliance with the applicable laws and regulations. Well documented policies and guidelines have been introduced and implemented at all levels to ensure that the resources are utilized optimally and the financial transactions are reported with accuracy.

The internal audit function of the Company ensures compliance with plans, policies and statutory requirements at periodic intervals, examines adequacy of such controls and reports findings thereon to the Audit Committee for review. The Audit Committee reviews the adequacy and effectiveness of the internal control system and suggests improvements for strengthening them.

The CEO/ CFO Certification establishes and conforms adequacy of the internal control systems and procedures of the Company. The said certificate forms part of this report.

***Certain statements in this section may be forward looking and be based on expectations / projections about the future. Company's actual results, performance could thus differ materially from those projected in any such forward looking statements. The company assumes no responsibility to publicly amend, modify or revise any of such forward looking statements on the basis of subsequent developments, information or events.***