

FIFTEENTH ANNUAL REPORT

2002 - 2003



PEARL ORGANICS LIMITED

Pearl Organics Limited

BOARD OF DIRECTORS

Dr. S. P. Adarkar	Director
Mr. K. Chandran	Director
Mr. K R N Moorthy	Executive Whole-time Director

REGISTERED OFFICE

A - 15, M.I.D.C. Industrial Area,
Patalganga, Dist. Raigad - 410 220. Maharashtra.

PLANTS

Tarapur and Patalganga (Maharashtra)

HEAD OFFICE

PLOT NO. 28, 1ST FLOOR,
KOPRI ROAD, SECTOR - 19 C, VASHI,
NAVI MUMBAI - 400 703 (MAHARASHTRA)

AUDITORS

Messrs. V. Kannan & Associates,
Chartered Accountants, Mumbai

BANKER

Bank of India, Mumbai

REGISTRARS & TRANSFER AGENTS

Dynamic Superways & Exports Ltd.
Rainbow Palace, I. C. Colony, Cross Road No.5,
Borivli(W), Mumbai - 400 103.
Tel.2891 8257/ 2891 8893.
Fax. 2893 7845

Pearl Organics Limited**NOTICE**

NOTICE is hereby given that the Fifteenth Annual General Meeting of the members of Pearl Organics Limited will be held at Hotel Garden at Plot No.66, TPS-1 Panvel (Mumbai-pune Highway) Navi Mumbai-400 206. District Raigad on Thursday, September 4th, 2003 at 11.00 a.m. for the transaction of the following business: -

ORDINARY BUSINESS:

1. To consider and adopt the audited Accounts of the Company for the financial year ended March 31, 2003, the **Balance Sheet** as at that date and the Reports of the Directors and Auditors thereon.
2. To elect a Director in place of Dr. S.P. Adarkar, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint M/s. V. Kannan & Associates, Chartered Accountants, Mumbai as Statutory Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to authorise the Board of Directors to fix their remuneration.

SPECIAL BUSINESS:

To consider and, if thought fit, to pass, with or without modifications, the following resolution as a Special Resolution.

4. "RESOLVED THAT pursuant to Section 81 (1A) and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications or re-enactment thereof, for the time being in force), the Memorandum and Articles of Association of the Company, Listing Agreements entered into by the Company with the Stock Exchanges where the equity shares of the Company are listed, Guidelines on Preferential Issue of Shares issued by the Securities and Exchange Board of India (SEBI), and other applicable Regulations/Guidelines and subject to such other approvals, permissions, sanctions, consents as may be necessary or expedient under the applicable laws, rules and regulations and subject to such terms, conditions and modifications as may be considered appropriate by the Board of Directors, (the term "Board" shall be deemed to include for the purpose of this resolution any committee of Directors) consent of the Company be and is hereby accorded to the Board to offer, issue and allot to Wander Pvt. Ltd. 3363636 Nos Equity shares having **face value of Rs.10/- each at the rate of Rs.11/- per share aggregating to Rs.370.00 lacs on preferential allotment basis, being consideration for purchase of Setcal brand from it and that the Board be and is hereby authorised to finalise all matters incidental thereto as it may in its discretion think fit, in accordance with all applicable laws, rules and regulations for the time being in force in that behalf.**

"RESOLVED FURTHER THAT the Relevant Date under SEBI Guidelines on preferential issue in relation to the shares for the purpose of determining the

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issue price shall be 4th August, 2003 being the date 30 days prior to the date of passing this resolution and that the Equity shares so issued shall rank pari passu with the existing Equity Shares of the Company.

"RESOLVED FURTHER THAT for the purpose of giving effect to the above, the Board be and is hereby authorised to agree, make and accept all such condition (s), modification (s) and alteration (s), if any, stipulated by any relevant authorities while according approvals or consents to the issue as may be considered necessary, proper or expedient, to effect such modification (s) and to resolve and settle all questions, difficulties or doubts that may arise in regard to such offer, issue and allotment, to finalise and execute all documents and writings and to do all acts, deeds and things in this connection and incidental as the Board in it's absolute discretion deem fit without being required to seek any further consent or approval of the Company or otherwise to the end intent that they shall be deemed to have given approval there to expressly by the authority of this resolution."

By Order of the Board

K. Chandran
Director

Date: 6th August, 2003

Place: A-15, M.I.D.C. Industrial Area,
Patalganga, Raigad - 410 220 (Maharashtra).

Notes:

1. A Member entitled to attend and vote at this Annual General Meeting (AGM) may appoint a proxy to attend and vote on a poll on his behalf. Such a proxy need not be a Member of the Company. Proxies, in order to be effective, must be received at the Registered Office of the Company not less than Forty Eight Hours before the commencement of the Meeting.
2. The relative Explanatory Statement pursuant to Section 173 (2) of the Act, with regards to the special business as set out in Item No.4 is annexed hereto.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 02.09.2003 to 04.09.2003. (both days inclusive).
4. Members, who hold share in dematerialized form, are requested to bring their client- ID and DPID Nos. for easier identification of attendance at the meeting.
5. A member desirous of getting any information on the accounts or operations of the company is requested to forward his/her queries to the company at least seven working days prior to meeting, so that the required information can be made available at the meeting.

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6. Members holding shares in physical form are requested to notify immediately any change in their address and Bank Particulars to the company or its Share Transfer Agents and in case their shares are held in dematerialized form, the information should be passed on directly to their respective Depository participants.
7. In all correspondence with the company, members are requested to quote their account /folio numbers and in case their shares are held in dematerialized form, they must quote their DPID and Client ID Number.
8. All documents referred to in the accompanying notice are open for inspection at the Registered Office of the Company from 11.00 A.M to 1.00 P.M. on all working days, i.e. Monday to Friday up to the date of Annual General Meeting.
9. Members are requested to send all communications relating to Shares to the Company's transfer agent at the following address:

**M/s.Dynamic Superways & Exports Ltd.
Rainbow Palace, I.C. Colony, Cross Road No.5,
Borivli (West), Mumbai 400 103.**
10. Members/proxies are requested to deposit the enclosed attendance slip at the meeting.

ANNEXURE TO NOTICE
EXPLANATORY STATEMENT UNDER SECTION 173 (2) OF THE
COMPANIES ACT, 1956.

The members had passed a Special Resolution in the Extraordinary General Meeting of the Company held on 07.02.2003 approving the preferential allotment of equity shares to Wander Private Limited (WPL).

Subsequent to the date of resolution, Wander Private Limited had taken up the matter with SEBI for obtaining exemption from applicability of SEBI (SAST) Regulations 1997, requesting SEBI to exempt them from making an open offer to the remaining shareholders of Pearl Organics Limited subsequent to the proposed allotment. However, SEBI vide its order dated 02.07.2003 had rejected the exemption application of Wander Private Limited.

The proposed preferential allotment was to be completed within 3 months from the date of passing of resolution. Since the said time limit has expired, the Company is proposing this fresh resolution to allot equity shares to Wander Private Limited on preferential basis for acquisition of aforesaid "Setcal" brand.

The disclosures which are required to be given in the notice of the General Meeting (Called for the purpose of consideration of the preferential allotment) in term of

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section 173 (2) of the Companies Act, 1956 are furnished below

I. Allottee Details

a. Name of the Allottee Wander Private Limited

Address Plot No.21, Sector 19, Kopri Road,
Vashi, Navi Mumbai-400 703.
Tel: (022) 2765 7401/6
Fax: (022) 55906210

Wander Pvt. Ltd. ("Wander") is engaged in the business of production and marketing of protein supplements and Formulations. Wander is operating in two distinct areas namely Ethical Pharmaceutical Products and Nutritional Foods. Wander's products are manufactured not only in Mumbai but also outsourced from Hyderabad, Bangalore, Madras and Silvassa. The name Wander has always been attached with exceptional quality. The Company's range of branded products includes: Adtrol, Cefcare, Cemax, Clamist, Nixia range, Ofgyt, Senasof and the SetCal range among others.

b. The promoters/directors of the Company are not related to the promoters/directors of Wander Private Limited.

II. Acquisition Details.

a. No. and % of Shares proposed to be allotted Pursuant to Special Resolution passed Under Section 81(1A)- Preferential Allotment	3363636 equity shares of Rs.10/- each being 46.61 % of the post preferential issue capital
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b. No. and % of shares proposed to be allotted to each of the allottee mentioned at (1) above	3363636 equity shares of Rs.10/- each being 46.61 % of the post preferential issue capital to be allotted to Wander Private Limited.
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c. Price at which allotment is proposed
As per clause 13, 1.1 of the SEBI (DIP) Guidelines for pricing of shares issued on preferential basis the issue price of the share would be the higher of:

i. Average of the weekly high and low of the closing prices of the equity shares of the company quoted on the Stock Exchanges during the six months preceding the relevant date.

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- ii. The average of the weekly high and low of the closing prices of the equity shares of the Company quoted on the Stock Exchanges during the two weeks preceding the relevant date.

'Relevant Date' for this purpose means the date 30 days prior to the date on which the meeting of General Body of shareholders is held in terms of Section 81 (1A) of the Companies Act, 1956 to consider this issue.

'Stock Exchange' for the purpose of this clause shall mean any of the recognized stock Exchanges in which the shares are listed and in which the highest trading volumes in respect of the shares of the Company has been recorded during the preceding six months prior to the relevant date.

As per the guidelines for preferential issue of equity shares the allotment has to be at a price equal to or higher than (i) or (ii) above. The Board of Directors recommend allotment to Wander at a price of Rs.11/- each of equity share of Rs.10/-.

- d. Purpose and reason of the said allotment

The said shares are to be allotted to Wander Private Limited as consideration for acquisition of the brand Setcal. The Setcal range includes two products namely Setcal and Setcal Mom. Setcal is a very useful calcium supplement especially for elderly patients whereas Setcal Mom is essentially for pregnant and lactating mothers. During the year 2001-2002, out of a total turnover of Rs.5500.03 Lacs, Wander Private Limited has recorded a turnover of Rs.277.00 lacs for the Setcal range of products. As per the brand valuation report submitted by Anmol Sekhri & Associates the Setcal brand has been valued at Rs.481.41 Lacs using the P/E multiple as a basis for the valuation.

Pearl Organics Limited is into manufacturing of bulk drugs. Acquisition of the Setcal range will help the Company in diversifying its products profile thereby increasing its revenue base and pushing up the bottom line. The company has appointed M/s. Haribhakti MRI Consultancy Private Limited for valuation of the Setcal brand and as per the report submitted by them the value of the brand is estimated at Rs.346.00 lakhs.

Considering both valuation Reports and after negotiation with Wander Private Limited the Company has agreed to a valuation of Rs.370.00 Lakhs for acquisition of the said Brand.

In view of the above the Company proposes to allot 3363636 equity shares of face value of Rs.10/- at a rate of Rs.11/- per share to Wander Private Limited as consideration for acquisition of the said brand.

- e. Consequential Changes, if any, in the Board : No Change of Directors.
- f. Consequential changes, if any, in the shareholding pattern/voting rights of the Target Company.

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The changes in the shareholding pattern/voting rights of the Company as a result of the said allotment are as follows.

Category of shareholders	Shareholding pattern before Preferential Allotment		Shareholding Pattern after Preferential Allotment	
	No. of shares	%	No. of shares	%
Promoter Group	7,75,800	20.14	7,75,800	10.75
Acquirer	NIL	-----	33,63,636	46.61
Mutual Funds/ FIIS/ FIs	NIL	-----	NIL	-----
Public	30,76,700	79.86	30,76,700	42.64
Total paid up equity Capital of the Target Company.	38,52,500	100.00	72,16,136	100.00

- g. The said allotment of equity shares is being done for acquiring brand Setcal from Wander Private Limited. On account of this allotment the cash flow of the Company will not be affected, but there will be value addition to the Company. The Company shall further develop and market the brand profitability. There will not be any change in management and Board of Directors of the Company.
- h. The equity shares so allotted shall be subject to lock-in period in terms of the SEBI guidelines in force.

The allotment of equity share is proposed to be completed within 3 months from the date of this Annual general meeting. No promoter/director/key management person would be subscribing to the preferential issue authorized by this resolution.

The Board of directors recommend the passing of the Special Resolution. No Director is interested in the resolution.

By order of the Board

K. Chandran
Director

Place: A-15, M.I.D.C. Industrial Area,
Patalganga, Raigad - 410 220 (Maharashtra).

Date : 6th August 2003.

Pearl Organics Limited**DIRECTORS' REPORT**

Dear Members,

Your Director s have pleasure in presenting their 15th Annual Report together with Audited Accounts for the year ended 31st March, 2003.

FINANCIAL RESULTS:

	(Rs. in lakhs)	
	For the year ended 31-03-2003	For the year ended 31-03-2002
Turnover	2512.94	1654.72
Profit before interest and depreciation	418.62	369.82
Interest	254.95	266.51
Profit before depreciation	163.67	103.31
Depreciation	61.66	59.01
Profit before Taxation	102.01	44.30
Provision for Taxation	5.00	3.50
Profit/ (Loss) after Taxation	97.01	40.80
Balance brought forward from previous year	(173.89)	(214.69)
Prior Year Adj. (Proposed dividend adjusted)	—	—
Profit available for Appropriation	(76.88)	(173.89)
Transfer to General Reserve	—	—
Balance carried to Balance Sheet	(76.88)	(173.89)

DIVIDEND :

On account of inadequate profits during the year and due to carry forward loss, your Directors do not propose recommendation of dividend for the year.

OPERATIONS:

The Sale Turnover of the company for the year is Rs. 2512.94 lakhs as against Rs. 1654.72 lakhs in the previous year. The company has earned a profit of Rs. 102.01 lakhs before providing for Taxation as against the profit of Rs. 44.30 lakhs in the previous year.

EXPANSION PROGRAMME:

Due to increasing demand, the Company has invested around Rs.66 lacs in its Fixed assets for increasing the capacity of its production of Metformin at Patalganga Plant. Your Company has plans to diversify into the area of Formulations. As a first step towards that the Company has acquired Brand called "Setcal" from M/s. Wander Pvt. Ltd. against a consideration of Rs.370 Lacs. The consideration was to be paid by way of issuance of 37,00,000 equity shares on preferential allotment basis. The shareholders have already approved the preferential allotment U/S.81 (1A) of the Companies act in the EGM held on 07/02/2003.

As the shares could not be allotted within the validity period of 3 months from the date of EGM, your Directors propose to move another special Resolution in the ensuing AGM.

Pearl Organics Limited**DIRECTORS:**

Dr. S.P. Adarkar, Director retires by rotation and being eligible offers himself for reappointment at the ensuing Annual General Meeting of the Company.

AUDITORS:

On dissolution of the partnership firm, of M/s. M.H. Balasubramanian & Associates they ceased to be our Auditors w.e.f. 15 / 08 / 2002. In their place M/S. V. Kannan & Associates Chartered Accountants were appointed as Statutory Auditors of our Company in the last Annual General Meeting. M/s. V. Kannan & Associates, Chartered Accountants retire at the conclusion of the Fifteenth Annual General Meeting of the Company. They have confirmed their eligibility to be re-appointed as Auditors of the Company and as such, your Directors recommend their re-appointment.

DISCLOSURE OF PARTICULARS:

The information required under Section 217 (1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is given in Annexure "A" which forms part of the Report.

There is no employee falling under the particulars of employees as required under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended.

CORPORATE GOVERNANCE:

As required by Clause 49 of the Listing Agreement, a Report on Corporate Governance is appended.

DIRECTORS RESPONSIBILITY STATEMENT:

- That in the preparation of the Annual Accounts the applicable accounting standards have been followed along with proper explanation relating to material deviations;
- That the Directors have 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 profit or loss of the Company for that year.
- That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- That the Directors have prepared the Annual Accounts on a going concern basis.

ACKNOWLEDGMENTS:

Your Directors place on record their sincere appreciation for the valuable support extended to the Company by Banker, Suppliers, Customers, Shareholders and Employees.

For and on behalf of the Board

Mumbai : 28th July 2003

K.CHANDRAN
Director

K.R.N. MOORTHY
Executive Wholtime
Director