

## **BOARD OF DIRECTORS**

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**Chand Seth** – Chairman & Managing Director

**Harish Seth** – Managing Director

**B.B. Mathur** – Director

**Ashok Khanna** – Director

## **ASSISTANT COMPANY SECRETARY**

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Pallavi Vardhan

## **AUDITORS**

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

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

## **REGISTERED OFFICE & WORKS**

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

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

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

## **REGISTRAR & SHARE TRANSFER AGENT**

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**MAS Services Ltd.**

T-34, IIInd Floor,  
Okhla Industrial Area, Phase-II  
New Delhi – 110 020  
Ph : 26387281/82/83  
Fax : 011-26387384  
Email : mas\_serv@yahoo.com

## **16<sup>th</sup> ANNUAL GENERAL MEETING**

DATE : 24<sup>th</sup> September, 2010

DAY : Friday

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 16<sup>th</sup> Annual General Meeting of the Members of the Company will be held on **Friday, the 24<sup>th</sup> day of September, 2010 at 2.30 P.M. 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. Adoption of Accounts:** To receive, consider and adopt the Audited Balance Sheet as at 31<sup>st</sup> March, 2010 and Profit & Loss Account for the year ended on that date together with the Directors' and Auditors' Reports thereon.
- 2. Re- appointment of Mr. Ashok Khanna, Director:** To appoint a Director in place of Mr. Ashok Khanna, who retires by rotation and being eligible, offers himself for re-appointment.
- 3. Appointment of Statutory Auditors:** To consider appointment of the Statutory Auditors and fix their remuneration 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 224 and other applicable provisions, if any, of the Companies Act, 1956, M/s. J.C Bhalla & Co., Chartered Accountants (Firm Registration No.001111N) be and are hereby re-appointed as the Statutory Auditors of the Company to hold office from the 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 Books of Accounts of the Company for the financial year 2010-2011.”

*By order of the Board of Directors*

**For PEARL ENGINEERING POLYMERS LIMITED**

Place: New Delhi                      **CS. PALLAVI VARDHAN**  
Date: 12<sup>th</sup> August, 2010              **Asst. Company Secretary**

**Registered office :**  
D-17, MIDC Industrial Area,  
Kurkumbh, Taluk Daund  
Dist., Pune-413802 (Maharashtra)

### NOTES :

- 1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON 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 Register of Members and Share Transfer Books of the Company will remain closed from 16<sup>th</sup> September, 2010 to 24<sup>th</sup> September, 2010 (both days inclusive).
- 3.** Members are requested to bring their Attendance Slips, 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.
- 4.** Members holding shares in the 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.
- 5.** In case of joint holders attending the Meeting, only such joint holder who is higher in order of names will be entitled to vote.
- 6.** Members holding 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 and Share Transfer Agent for consolidation into a single folio at the following address:

**M/s. MAS Services Limited**

**T-34, IInd Floor, Okhla Industrial Area,**

**Phase- II, New Delhi – 110 020**

**Phone No. : 011- 26387281/82/83**

**Fax : 011- 26387384**

**E-mail : mas\_serv@yahoo.com**

7. The Company's shares are admitted in 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.
8. Members desirous of seeking any information from the Company are requested to send their queries to the Company at its Head office at 703, Rohit House, 3, Tolstoy Marg, Connaught Place, New Delhi- 110 001 well in advance so that the same may reach at least ten days before the date of the meeting to enable the Company to keep the information readily available at the Meeting.
9. **Exchange of Old Share Certificates:** Pursuant to BIFR Order, the Share Capital of the Company was reduced by 60% and accordingly the Company issued new share certificates in exchange of the old certificates held by the shareholders. The old certificates are no more tradeable in the market and are not accepted for dematerialization by the Depositories. Accordingly, the holders of such certificates who have not exchanged their share certificates may surrender the old certificates to the Company or the RTA to enable the Company to issue new certificate in exchange thereof as per the entitlement. In case of any clarifications, the investor may contact with Secretarial Department at the following address:

**SECRETARIAL DEPARTMENT**

703 Rohit House, 3, Tolstoy Marg,  
Connaught Place, New Delhi- 110001.  
Investor\_helpdesk@pearlpel.net

**INFORMATION REQUIRED TO BE FURNISHED UNDER  
THE LISTING AGREEMENT**

As required by Clause 49 of the Listing Agreement, the relevant details of Mr. Ashok Khanna, Director retiring by rotation and seeking re-appointment under Item no. 2 of the notice is given below:

**NAME** : Mr. Ashok Khanna  
**AGE** : 65 Years  
**QUALIFICATION** : B. Tech in Mechanical &  
Industrial Engineering, IIT  
Madras  
**NUMBER OF  
SHARES HELD** : 1000 Equity Shares

**EXPERTISE IN SPECIFIC FUNCTIONAL AREA :**

He is an Industrialist, has done B. Tech (Mech & Industrial Engg.) from IIT Madras. Being on the Board of various companies he has a vast experience in the industry.

He is the Chairman of the Audit Committee and the Shareholders' and Investors' Grievances Committee constituted by the Company.

**DIRECTORSHIP HELD IN OTHER COMPANIES :**

- Controls & Switchgear Co. Ltd.,
- Controls & Switchgear Contractors Ltd.,
- RS Components & Controls (I) Ltd.,
- Wago & Controls (I) Ltd.
- Controls & Switchgear (Uttaranchal) Pvt. Ltd.
- Margdarshak Finance Pvt. Ltd.
- Controls & Switchgear Himinsa Pvt. Ltd.
- C&S Efacec MV India Pvt. Ltd.

**MEMBERSHIPS/CHAIRMANSHIPS OF COMMITTEES  
ACROSS ALL PUBLIC COMPANIES**

- Pearl Engineering Polymers Ltd.

*By order of the Board of Directors*

**For PEARL ENGINEERING POLYMERS LIMITED**

**Place: New Delhi  
Date: 12<sup>th</sup> August, 2010**

**CS. PALLAVI VARDHAN  
Asst. Company Secretary**

**Registered office :**  
D-17, MIDC Industrial Area,  
Kurkumbh, Taluk Daund  
Dist., Pune-413802  
(Maharashtra)

## DIRECTORS' REPORT & MANAGEMENT ANALYSIS

Dear Members,

Your Directors are pleased to present the Sixteenth Annual Report and Audited Annual Accounts for the Financial Year ended 31<sup>st</sup> March, 2010.

### FINANCIAL HIGHLIGHTS

The financial performance of the Company, for the year ended 31<sup>st</sup> March, 2010 is summarized below:

(Amount in Rs '000)

PARTICULARS	For the Year Ended 31 <sup>st</sup> March, 2010	For the Year Ended 31 <sup>st</sup> March 2009
Net Sales	1395418	1632989
Other Income	20792	13130
<b>Total Income</b>	<b>1416210</b>	1646119
<b>Total Expenditure</b>	<b>1445311</b>	1600294
<b>Profit/(Loss) before Depreciation &amp; Tax</b>	<b>(29101)</b>	45825
- Exceptional/ Extra-ordinary Items	18492	(33973)
- Depreciation	(48582)	(47781)
- Tax Expense	(26)	(1151)
<b>Net Profit/(Loss) after Depreciation &amp; Tax</b>	<b>(59217)</b>	(37080)

### MANAGEMENT DISCUSSION AND ANALYSIS

#### Highlights of Financial and Business Performance

During the year, the Company incurred a Net loss of Rs. 592.17 Lacs. The losses were mainly on account of reduction in sales that caused a decline in the operating income of the Company. The reduced sales were due to cash flow constraints and at times due to lack of availability of raw materials. Anticipating that the falling raw material costs would keep pulling polyester chip prices further down, it was considered prudent to trim down sales. During such period of sluggish demand, increasing crude oil prices and falling feedstock prices, the Company reported a Gross turnover of Rs.14740.95 lacs against a gross turnover of Rs.17336.04 lacs in the previous year.

Amidst fluctuating feedstock prices and anticipating a further volatility, your company thought it fit to maintain minimal inventories. Also the Company had to shut down its factory for Annual maintenance, affecting the production levels further. The Company lowered the production levels against the lowered demand of Pet Chips in the market and achieved production of 22731.196 MT during the year compared to 26000.245 MT in the previous year.

#### Dividend

In absence of availability of distributable profits, the Directors regret their inability to recommend dividend on Equity Shares of the Company for the year ended 31<sup>st</sup> March, 2010.

#### Industry Structure and Business

Pearl Engineering is a manufacturer of PET Resin (Bottle and Super Bright Textile Grade) and has its production facility located at Kurkumbh, Pune in Maharashtra. It is a raw material supplier for containers used for packaging of numerous items including carbonated soft drinks, mineral water, edible oil, juices, personal care products, dairy & alcoholic beverages, pharmaceuticals, toiletries etc.

Attributes like transparency, lightweight, break-resistant & heat-resistant characteristics and above all its safe-to-use feature has made "PET Resin" the most preferred material of the FMCGs in the Packaging Industry. With ever-increasing consumer products and their multiple packaging schemes, your Directors foresee a growing market for its end product- PET Resin.

### **Economic Scenario and Outlook**

As the world economy recovers, PET industry finds itself passing through a period of transformation. Though, the recession caused a slowdown in many markets globally, the Indian economies were affected to a lesser extent. However, it caused unprecedented levels of fluctuations in commodity prices which impacted the sales worldwide.

PET markets too had borne the brunt of the global economic slump and market growth slowed to 3.4% in 2009. Polyester chip margins went down in Asian region, pulled by weak PTA and falling feedstock cost. As a consequence of dip in feedstock costs, PET resin prices too remained lower during the earlier part of the year, but gradually increased thereafter and were in the range \$985/MT to \$1300/MT during the year.

Further, the polyester chip market kept consolidating with a downtrend in the Asian region. Although enquiries increased, buyers remained cautious and sidelined with a low buying interest, continuing to buy at hand to mouth levels, despite the fact that most of them had started to run their plants at higher rates in expectation of a recovery in PET demand with high season for beverage bottles drawing near. The tightening credit controls also made buyers cautious on their purchases before they could see a real improvement on their end businesses. Besides the ongoing structural change in the market, light-weighting continued to be prevalent, whereby the manufacturers reduced the amount of PET resin content in their product by 30-50%.

However, amidst such conditions the demand for PET Resin has improved, though scantily from some market sectors, still much lower in comparison to last year but is expected to grow at 7.5% during the next year. Bottle grade chips have picked up and range around 1055- 1065 \$/ ton. PET (Polyethylene Terephthalate) being a highly versatile and energy efficient packaging material, is irreplaceable in the FMGC industry. Accordingly, despite current market situation there remains a substantial long-term growth potential for PET.

### **Opportunity and Threats**

The industry continues to witness new capacity additions accompanied by a low demand growth, forcing PET margins to remain at breakeven. To add to the challenges further, concepts like light-weighting and increased use of recycled PET have set its feet affecting the PET demand further.

However, attributes like lightweight, break and heat resistance and safe to use features, have made PET Market, recession resistant. Further, with increasing population, urbanization, increasing disposable urban incomes, growth in FMCG sector and usage of PET over other traditional materials like glass etc. opportunities for PET Industry are expected to increase.

Due to softness of conversion margins in Super Bright Textile Grade & Bottle Grade, the Company is making efforts towards developing specialty grade resins where company expects better margins.

### **Risk Management**

The company has mapped and identified risks and formulated a risk management and mitigation system to identify, assess, prioritize and mitigate risk. The risks are periodically assessed and reviewed and corrective actions are taken to mitigate effects.

### **Internal Control System**

The Company has a robust internal control system in place to provide assurance regarding effectiveness and adequacy of controls and compliance with policies and procedures laid down in the Company. An extensive program of internal audit and management review supplements the process of internal control. M/s Khanna & Mathur, Chartered Accountants who are appointed as the Internal Auditors independently evaluate the effectiveness and adequacy of internal control system established in the company by conducting audit of the transactions in the Company.

Independence of the audit conducted is ensured by reporting of the internal audit findings via periodic internal audit reports alongwith the Management comments thereon to the Audit committee and the Board of Directors. Further the CEO/ CFO certification also confirms the adequacy of internal control system and procedures in the Company.

#### **CAUTIONARY STATEMENT**

*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.*

#### **LISTING OF EQUITY SHARES**

The equity shares are listed on the Bombay Stock Exchange Ltd. (BSE) and the National Stock Exchange of India Ltd (NSE).

#### **HUMAN RESOURCE/INDUSTRIAL RELATION**

The Company continued with its initiatives to foster people development, harness their creativity and ensure a motivated and contented work team. Your Company is privileged to have the right blend of professionals and executives in the organization and makes sincere efforts to ensure numerous opportunities for their growth in the organization.

The Industrial relations at all levels of the Company have remained cordial during the year. As on 31<sup>st</sup> March, 2010 the Company had an employee strength of 145.

#### **PUBLIC DEPOSITS**

During the year under review, the Company has not accepted any deposit under Section 58A and 58AA of the Companies Act, 1956 read with the Companies (Acceptance of Deposits) Rules, 1975.

#### **DIRECTORS**

During the year, Mr. Dinesh Chandra Kothri, Director resigned from the Board w.e.f 12<sup>th</sup> November, 2009. The Board placed on record its deep sense of appreciation for the invaluable contribution made by Mr. Dinesh Chandra Kothari as a Non- Executive & Independent Director on the Board.

Mr. Ashok Khanna, Director retires at the ensuing Annual General Meeting and being eligible offers himself for re-appointment. Brief resume of the director offering himself for re-appointment is furnished in the statement annexed to the Notice of the ensuing Annual General Meeting.

#### **DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to the provisions of Section 217(2AA) of the Companies Act, 1956, with respect to the Directors' Responsibility Statement, it is hereby confirmed that:

- Ø In preparation of Annual Accounts, the applicable Accounting Standards have been followed.
- Ø The Accounting Policies selected, have been applied consistently and judgments and estimates made are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company as at March 31<sup>st</sup>, 2010 and of the loss of the Company for the year ended on that date;
- Ø Proper and sufficient care has been taken for maintenance of adequate Accounting Records in accordance with the provisions of this Act for safeguarding the Assets of the Company and for preventing and detecting frauds and other irregularities;
- Ø The Annual Accounts of the Company have been prepared on a "Going Concern Basis"

#### **AUDITORS**

M/s J.C.Bhalla & Co., Chartered Accountants, Statutory Auditors of the Company hold office until conclusion of the ensuing Annual General Meeting and are eligible for reappointment. They have expressed their willingness to continue as the Statutory Auditors, if re-appointed at the Annual General Meeting to hold office until the conclusion of the next Annual General Meeting.

The Company has received from the auditors, a Certificate stating that their appointment, if made, would be within the prescribed limit under section 224(1B) of the Companies Act, 1956 and that they are not disqualified for such reappointment within the meaning of Section 226 of the said Act.



## **AUDITORS' REPORT**

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

### **CLARIFICATION TO REMARKS CONTAINED IN POINT 4(f) OF THE AUDITORS' REPORT**

**Point 4 (f):** Based on the legal opinion given by the legal advisors of the Company, the Foreign Financial Institution (AFIC) or its Assignee, cannot enforce any outstanding against the Company in any court of law despite existence of debt, as the same has become a time barred debt under provisions of the Limitations Act, 1963. Based on the said opinion of the advisors, the outstanding by way of secured and unsecured loan and interest aggregating to Rs. 1,61,924 thousands thereon has been shown as an "Erstwhile loan barred by limitation" in the Balance Sheet of the Company for the financial Year ended 31<sup>st</sup> March, 2010.

### **CORPORATE SOCIAL RESPONSIBILITY**

As a socially responsive organization, your Company is committed to ensuring well being of the communities around it while recognizing interest of all its shareholders, consumers, employees, and suppliers at all times. During the year, your Company continued with the following initiatives:

**Safety :** During the year, 39<sup>th</sup> National safety week was observed from 4<sup>th</sup> to 11<sup>th</sup> of March, 2010 to sensitize employees towards safer work practices and habits. Safety pledge was taken by all employees. Various competitions like safety slogan writing and poster making were organized during the week and category wise prizes were awarded to the winners.

**Training :** During the year, various training programs were organized at the plant. Fire fighting drills & rescue operations were conducted by the staff and workers at MIDC. Special training on First Aid was also imparted during the period. A special training on Ball bearings for technical employees was conducted in co-operation with M/s. New Ball Bearing Company – the authorized representative for SKF bearings.

**Environment :** The Company organized the World Environment day on 5<sup>th</sup> June, 2010 thereby promoting awareness for a clean, green and healthy environment amongst the employees and planting 50 trees to spread the spirit of Go Green.

### **CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO**

The statement of particulars relating to conservation of energy, technology absorption and Foreign exchange earnings & outgo, prescribed under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosures of Particulars in Report of Board of Directors) Rules, 1988 form part of this Report as **Annexure-I**.

### **PERSONNEL**

The statement of particulars of employees, prescribed under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, form part of this report as **Annexure-II**.

### **CORPORATE GOVERNANCE**

Your Directors reaffirm their continued commitment to good Corporate Governance practices. Your Company adheres to all major stipulations laid down in this regard, as provided in Clause 49 of the Listing Agreement with Stock Exchanges, which relates to Corporate Governance.

A report on Corporate Governance along with the Certificate from the Statutory Auditors of the Company certifying due compliance with the said requirements, forms part of this report

### **ACKNOWLEDGEMENTS**

Your Directors acknowledge with gratitude the assistance and co-operation received from financial institutions, Banks and Governmental & Non- Governmental authorities and thank all members for their continued support and confidence reposed in the management. Your Directors also wish to express deep sense of appreciation for the commitment and dedication shown by the entire work team at Pearl Engineering.

On behalf of the Board of Directors  
**For PEARL ENGINEERING POLYMERS LIMITED**

Place : New Delhi  
Date : 12<sup>th</sup> August, 2010

**Chand Seth**  
Chairman & Managing Director

**ANNEXURES TO THE DIRECTORS' REPORT**

**ANNEXURE-I**

**STATEMENT OF PARTICULARS WITH RESPECT TO ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO IN ACCORDANCE WITH THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988**

**A. CONSERVATION OF ENERGY**

**a) Energy Conservation measures taken :**

- 1) Lighting transformer was fitted.
- 2) One primary HTM pump & HTM Heater was stopped, out of the two installed at the plant.
- 3) Energy conservation was achieved in SSP drives

**b) Additional Investments and Proposals, if any, being implemented for reduction of consumption of energy :**

- Bepex crystallizer was procured for reducing processing time of new specialty grades.

**c) Impact of measures taken already and proposed vide (a) & (b) above:**

- There was a saving of Rs 6 lacs in terms of electricity

**d) Total energy consumption and consumption per unit of production as per Form A is given below**

**FORM A**

**Form for Disclosure of Particulars with respect to Conservation of Energy**

	Year ended 2009 - 10	Year ended 2008- 09
<b>A. POWER AND FUEL CONSUMPTION</b>		
<b>1. Electricity</b>		
a) Purchased		
Units (in '000 Kwh)	<b>9438</b>	10065
Total amount (Rs. in lacs)	<b>469.29</b>	467.12
Rate/Unit (Rs.)	<b>4.97</b>	4.64
b) Own Generation		
(i) Through Diesel Generator		
Units (in '000 Kwh)	<b>43</b>	55
Units per litre of Oil	<b>2.72</b>	2.81
Cost /Unit (Rs.)	<b>12.64</b>	12.03
(ii) Through steam turbine/generator		
Units (in '000 Kwh)	<b>N.A.</b>	N.A.
Units per litre of Fuel Oil/Gas		
Cost /Unit (Rs.)		
<b>2. Fuel Oils (FO, FOLV, LDO, HSD)</b>		
Quantity (Kilo Litre)*	<b>1994</b>	2227
Total cost (Rs. in Lacs)	<b>497.55</b>	551.24
Average rate/litre (Rs.)	<b>24.95</b>	24.74
* including fuel used for power generation.		
<b>3. Coal / Coke</b>	<b>N.A</b>	N.A
Quantity (MT)		
Total cost (Rs. in Lacs)		
Average Rate/Kg. (Rs.)		
<b>4. Others/Internal Generation</b>	<b>N.A</b>	N.A
Quantity (MT)		
Total cost (Rs. in Lacs)		
Average rate/Kg. (Rs.)		



**B. CONSUMPTION PER UNIT OF PRODUCTION**

PET Resin production (MT)	22560.195	26030.642 MT
1. Electricity	418 Kwh/MT	387 Kwh/MT
2. Fuel Oils	88 Ltr./MT	86 Ltr./MT
3. Coal	N.A.	N.A.
4. Others	N.A.	N.A.

**B. EFFORTS MADE IN TECHNOLOGY ABSORPTION AS PER FORM B GIVEN BELOW:**

**FORM – B**

**Form of Disclosure of Particulars with respect to Technology Absorption 2009-10**

**1. RESEARCH & DEVELOPMENT (R&D)**

**a) Specific areas in which Research & Development was carried out by the Company**

- R & D was done to Develop Specialty Polymer for a) Extrusion blow molding b) Injection blow molding to replace thermoforming c) LOW melt PET applications d)Heat sealable applications

**b) Benefits derived**

- The Company was able to achieve Commercialized Sealpet grade
- Others grades are under trials with various customers

**c) Future Plan of Action :**

- More emphasis is on developing specialty grades and commercializing already developed grades

**d) Expenditure on R & D :**

- The company incurred an expenditure of Rs 120 Lacs in setting up pilot plant facility
- About Rs 20 lacs was incurred in operating pilot plant and testing products

**2. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION**

**a) Efforts made, in brief, towards technological absorption, adaptation and innovation**

- Technology for new grade is being developed
- IPR actions are being taken
- Working with few well known overseas companies in developmental activities under confidentiality agreements

**b) Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution, etc.**

- It will help marketing and operations of the Company get better
- We can switch over from the non remunerative commodities to remunerative Specialties.
- We can also earn from the Contract Research & Licensing ,based on patented products

**c) Information regarding importing technology :**

Nil

**3. FOREIGN EXCHANGE EARNINGS AND OUTGO**

**1. Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and services and export plans:**

- Initiatives are being taken for exporting specialty grade

**2. Total Foreign Exchange earnings and outgo:**

(Rs. in '000)

Foreign Exchange Earnings (FOB)	59721
Foreign Exchange Outgo (on CIF Basis)	
(i) On Imports	
(a) Raw Material	23,303
(b) Stores & Spares	1,083
(ii) Others	3,613

**ANNEXURE-II**

**INFORMATION U/S 217(2A) OF THE COMPANIES ACT, 1956 READ WITH THE COMPANIES (PARTICULAR OF EMPLOYEES) RULES, 1975 AS AMENDED AND FORMING PART OF THE DIRECTOR'S REPORT FOR THE YEAR ENDED 31ST MARCH, 2010.**

**A. Employed throughout the financial year under review and were in receipt of remuneration for the financial year in the aggregate of not less than Rs. 24,00,000/- p.a.:**

<b>Name</b>	<b>Remuneration received (in Rs.)</b>	<b>Designation / Nature of Duty</b>	<b>Qualifications &amp; Experience</b>	<b>Date of Commencement of employment</b>	<b>Age (Years)</b>	<b>Last employment held</b>	<b>% of equity Shares held</b>
Mr. Chand Seth*	31,86,000	CMD/overall supervision of day to day management of the Company	B.Tech, MS (Mech)	07-12-1992	66	None	0.56%

\* Remuneration to Mr. Chand Seth has been paid w.e.f 1<sup>st</sup> July, 2009 subsequent to receipt of the Central Government approval vide its letter dated 30<sup>th</sup> June, 2009.

**B. Employed for a part of the financial year under review and were in receipt of remuneration for that period in the aggregate of not less than Rs. 2,00,000/- per month : NIL**

**C. Employed throughout the financial year under review or part thereof and were in receipt of remuneration for that period at the rate in excess drawn by the Managing Director/Whole-time Director/ Manager and holds by himself or alongwith his spouse & dependent children not less than 2% of the equity shares of the Company : NIL**

**NOTES :**

1. Remuneration Includes: Salary, Allowances and contribution to provident fund and superannuation fund.
2. Nature of Employment: Contractual
3. Other Terms & Conditions: As per service rules of the Company
4. Mr. Chand Seth, Chairman & Managing Director is related to Mr. Harish Seth, Managing Director of the Company.

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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**

We have examined the compliance of conditions of corporate governance by Pearl Engineering Polymers Limited for the year ended on March 31, 2010 as stipulated in Clause 49 of the Listing Agreement of the said Company with the stock exchanges in India.

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 compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

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.

**Place : New Delhi**  
**Date : 2<sup>nd</sup> August, 2010**

**Akhil Bhalla**  
**Partner**  
Membership No. 505002  
For and on Behalf of  
**J.C. Bhalla & Co.**  
Chartered Accountants

## REPORT ON CORPORATE GOVERNANCE

### 1. CORPORATE GOVERNANCE PHILOSOPHY

At PEARL Engineering, Corporate Governance is viewed as a commitment backed by a fundamental belief of maximizing its shareholders' value, ensuring transparency and accountability in functioning, and stimulating mutual trust at the very core of its basic character. It is observed not a discipline imposed by a Regulator, but, a culture that guides the Board, Management and employees to conduct business in a manner that exemplifies, enhances and sustains growth in its stakeholders' value and meet societal expectations at all times.

Corporate Governance has been an integral part of the way we have done business for several years now, which emanates from our attempts to constantly improve sustainable value creation for our stakeholders and is an upward moving target.

We at PEARL Engineering are making continuous efforts to adopt and adhere to the best practices of Corporate Governance. Our corporate structure, business and disclosure practices have been aligned to our Corporate Governance Philosophy, disclosure of which is set out under different heads of this report:

### 2. BOARD OF DIRECTORS

#### (A) Composition and Attendance

During the year under review, the Board comprised of 5 Directors with 3 Non-Executive & Independent Directors and 2 Executive Directors including the Chairman & Managing Director of the Company. However, owing to resignation of Mr. Dinesh C. Kothari, Non- Executive & Independent Director from the Board of the Company w.e.f 12<sup>th</sup> November, 2009, the Board composition was reduced to 4 Directors with 2 Non-Executive Independent Directors constituting one half of the Board, under Chairmanship of an Executive Director, conforming to the requirements of the Listing Agreement.

The Composition of the Board of Directors, their attendance at the Meetings held during the year under review and the details of Directorship, Chairmanship and Membership of Committees held by them in other Companies are as follows:

SL. NO.	NAME OF DIRECTOR	ATTENDANCE AT MEETINGS HELD DURING 2009-10			NO OF DIRECTORSHIPS AND COMMITTEE CHAIRMANSHIPS/ MEMBERSHIPS HELD		
		Board Meetings		Last AGM held on 30-09-09	Other Directorship	Chairmanship of Committee	Membership of Comittess (Including Chairmanship)
		Held	Attended				
<b>Executive Director</b>							
1.	<b>Mr. Chand Seth</b> Chairman and Managing Director	5	5	No	3	NIL	2
2	<b>Mr. Harish Seth</b> Managing Director	5	5	Yes	2	NIL	1
<b>Non-Executive Director</b>							
3*	<b>Mr. Dinesh Kothari</b> Independent Director	4	3	No	5	1	2
4	<b>Mr. B. B. Mathur</b> Independent Director	5	5	No	0	0	2
5	<b>Mr. Ashok Khanna</b> Independent Director	5	3	Yes	4	2	2

**Notes :**

1. \*Mr. Dinesh Kothari, Non Executive & Independent Director, resigned from the Board w.e.f 12<sup>th</sup> November, 2009. The detail with respect to his attendance at the Board Meetings is till the date of his resignation. However, the details of his Directorship and Committee positions held are as on 31<sup>st</sup> March, 2009.
2. Mr. Chand Seth, Chairman & Managing Director and Mr. Harish Seth, Managing Director are related to each other, being brothers.
3. Number of other Directorships and Committee positions held by Directors is exclusive of Alternate Directorships and Directorships held in Private Companies, Foreign Companies, and Section 25 Companies. For Committee positions held by Directors, only two committees namely the Audit Committee and Shareholders'/Investors' Grievances Committee in all public Companies (including Pearl Engineering Polymers Limited) have been considered.
4. None of the Directors of the Company was a member of more than 10 Committees nor was the Chairman of more than 5 committees across all companies in which he was a Director. Necessary disclosures regarding committee positions held in public companies as on 31<sup>st</sup> March, 2010 have been made by the Directors.

**(B) Meetings of the Board**

The Board meets at least once in every quarter to review the quarterly results and consider other items on the agenda requiring decision of the Board. During the year under review, the Board of Directors met Five times i.e, on 28<sup>th</sup> May, 2009; 29<sup>th</sup> June, 2009; 28<sup>th</sup> July, 2009 ; 31<sup>st</sup> October, 2009 and 30<sup>th</sup> January, 2010. The time gap between any two Board Meetings did not exceed four months.

**(C) Code of Conduct**

The conduct of the Board Members and Senior Management Personnel of the Company is regulated by the Code of Conduct approved and adopted by the Board. The said Code aims at ensuring that the business of the company is conducted in accordance with the applicable laws, rules, regulations and with the highest standard of ethics and values.

The Code has been circulated to all the members of the Board & Senior Management Personnel and compliance with the same has been affirmed by them for the year ended 31<sup>st</sup> March, 2010. A copy of the Code has also been posted on the Company's website at [www.pearlpet.net](http://www.pearlpet.net)

**A declaration to this effect, duly signed by Mr. Harish Seth, Managing Director of the Company has been placed before the Board and also forms part of this Annual Report.**

**3. COMMITTEES OF THE BOARD**

**(I) AUDIT COMMITTEE**

**(A) Composition**

As on 31<sup>st</sup> March, 2010, the Audit Committee comprised of Mr. B.B. Mathur, Non- Executive & Independent Director and Mr. Harish Seth, Managing Director as members under the chairmanship of Mr. Ashok Khanna, Non- Executive & Independent Director in conformance with the requirements of Section 292A of the Companies Act, 1956 read with Clause 49 of the Listing Agreement. All the members of the committee possess adequate knowledge in the area of accounts and finance.

**(B) Meetings and Attendance**

During the period under review, five meetings were held viz., on 28<sup>th</sup> May, 2009; 29<sup>th</sup> June, 2009; 28<sup>th</sup> July, 2009; 31<sup>st</sup> October, 2009 and 30<sup>th</sup> January, 2010. The gap between any two meetings of the Committee did not exceed four months. Requisite quorum was present at every meeting of the Committee.

Attendance at the Audit Committee Meetings is as detailed below:

Name of the Members	Designation	No. of Meetings held	No. of Meetings Attended
<b>Non Executive and Independent</b>			
Mr. Ashok Khanna	Chairman	5	3
Mr. Dinesh Kothari	Member	4 <sup>®</sup>	3
Mr. B.B. Mathur	Member	5	5
<b>Executive</b>			
Mr. Harish Seth	Member	1 <sup>®</sup>	1

\*Consequent to resignation of Mr. Dinesh C. Kothari from the Board of the Company w.e.f 12<sup>th</sup> November, 2009, he ceased to be a member of the Audit Committee from that date. Accordingly, Mr. Harish Seth, Managing Director was inducted as a member of the Audit committee by a resolution dated 20<sup>th</sup> January, 2010 passed by circulation by the Board members.

<sup>®</sup> Reflects the number of meetings held during the tenure of membership in the Committee

Ms. Pallavi Vardhan, Assistant Company Secretary acts as the Secretary to the Audit Committee.

**(C) Terms of Reference**

The terms of reference of the Audit Committee is as set out in the Listing Agreement read with Section 292A of the Companies Act, 1956. These broadly include reviewing financial reporting process, Recommending appointment, re-appointment, replacement/ removal of the statutory auditor to the Board, Reviewing performance of Statutory and Internal auditors, adequacy of internal control systems, approving appointment of CFO and such other functions as may be prescribed by the Companies Act, Listing Agreement, other applicable laws or as may be delegated by the Board from time to time

The recommendations of the Audit Committee on any other matter relating to financial management including the audit report, are binding on the Board.

**(II) REMUNERATION COMMITTEE**

**(A) Composition and Attendance**

During the year under review, the Committee comprised of three Non- Executive and Independent Directors under the Chairmanship of Mr. Ashok Khanna, an Independent Director, in conformance with the recommendation (Non-Mandatory) of Clause 49 of the Listing Agreement.

Composition of the Remuneration Committee is given below:

Sl.No.	Members of the Committee	Designation
1	Mr. Ashok Khanna	Chairman.
2	*Mr. Dinesh C. Kothari	Co-Chairman
3	Mr. B. B. Mathur	Member

\* Consequent to resignation of Mr. Dinesh C. Kothari, the Co-Chairman of the Committee, from the Board of the Company w.e.f 12<sup>th</sup> November, 2009, he ceased to be the Co- Chairman & Member of the Remuneration Committee from that date. With the said resignation, the need for reconstituting the said Committee has become imperative. The Company is in the process of identifying a Non-Executive & Independent Director who has the requisite qualification and experience for appointment on the Board of the Company and subsequent induction in the Committee.



**(B) Meetings**

No Remuneration Committee Meeting was held during the year ended 31<sup>st</sup> March, 2010 as the remuneration payable to the Executive Directors did not require review during the said period.

**(C) Terms of reference**

The Remuneration Committee was constituted to recommend to the Board, the remuneration including salary and perquisites to be paid to the Executive Directors and approve and evaluate the compensation plans and policies based on their performance and defined assessment criteria. The Remuneration Policy of the Company is directed towards rewarding performance based on review of achievements on a periodic basis. The remuneration policy is in consonance with the existing industry practice.

**(D) Remuneration to Directors**

The remuneration paid or payable to the Directors of the Company is as follows:

(Amount in Rs.)

Name of Directors	Salary & Allowances	*2Sitting Fees	Perquisites	P.F. Contribution & Superannuation	Total
*1Mr. Chand Seth	27,00,000	-	-	4,86,000	31,86,000
Mr. Harish Seth	-	-	-	-	-
Mr. B.B. Mathur	-	5,000	-	-	5,000
Mr. Ashok Khanna	-	3,000	-	-	3,000
Mr. Dinesh C. Kothari	-	3,000	-	-	3,000

\*1 Mr. Chand Seth, Chairman & Managing Director has been paid remuneration for a period of 9 months w.e.f 1<sup>st</sup> July, 2009 after obtaining the Central Government's approval dated 30<sup>th</sup> June, 2009 to payment of remuneration to him.

\*2includes sitting fees @1000 per meeting paid for attending the meetings of the Board of Directors during the year under review.

**(E) Shareholding of Non – Executive Directors**

The shareholding of the Non- Executive Directors in the Company as on 31<sup>st</sup> March, 2010:

Sl. No.	Names of Directors	No of Equity Shares held	Percentage to the total Paid up Capital
1	Mr. B.B. Mathur	1000	0.003
2	Mr. Ashok Khanna	1000	0.003

\*The Company did not have any pecuniary relationship or transactions with the Non- Executive Directors during the financial year 2009-2010.

**(III) SHAREHOLDERS' / INVESTORS' GRIEVANCES COMMITTEE**

**(A) Composition and Attendance**

As on 31<sup>st</sup> March, 2010, the Shareholders' / Investors' Grievances committee comprised of three members with chairmanship of a Non-Executive & Independent Director in conformity with the requirements of Clause 49 of the Listing Agreement.

The detail of the Committee members and their attendance at its meetings is as follows:

Name of the Members	Designation	No. of Meetings held	No. of Meetings Attended
<b>Non Executive and Independent</b>			
*1Mr. Ashok Khanna	Chairman	4	2
*1Mr. Dinesh Kothari	Chairman	3 <sup>®</sup>	3
*2Mr. B.B. Mathur	Member	1 <sup>®</sup>	1
<b>Executive</b>			
Mr. Chand Seth	Member	4	4

\*1Mr. Ashok Khanna was appointed as the Chairman of the reconstituted Committee, consequent to resignation of Mr. Dinesh C. Kothari, Ex-Chairman of the Committee from the Board of Directors of the Company w.e.f 12<sup>th</sup> November, 2009.

\*2Consequent to the resignation of Mr. Dinesh C. Kothari, Ex Chairman of the Committee, Mr. B.B. Mathur, Non- Executive & Independent Director was inducted as a member of the Committee vide resolution dated 20<sup>th</sup> January, 2010 passed by circulation by the Board members.

<sup>®</sup> Reflects the number of meetings held during the tenure of membership in the committee.

#### **(B) Terms of Reference**

The Committee is empowered to oversee the redressal of investor complaints pertaining to Share transfers, non-receipt of annual reports, non receipt of interest/dividend and other miscellaneous complaints. It also oversees the performance of the Registrar and Share Transfer Agent of the Company to ensure expeditious share transfer process and recommends measures for overall improvement in the quality of investor service.

#### **(C) Meetings**

During the year under review, the Committee met four times viz. on 28<sup>th</sup> May, 2009; 28<sup>th</sup> July, 2009; 31<sup>st</sup> October, 2009 and 30<sup>th</sup> January, 2010.

#### **(D) Nature of Queries / Complaints and their redressal status during the year under review**

Sl. No	Nature of Query/ Complaint	Received (Nos.)	Resolved (Nos.)	Pending (Nos.)
1	Request for Change of Address	14	14	NIL
2	Exchange of Share certificates pursuant to Reduction of Share Capital	106	106	NIL
3	Request for Dematerialization/(Rematerialization) of shares	281	281	NIL
4	Request for Share Transfer/ Share transmission	85	85	NIL
5	Complaints from Stock Exchanges/ SEBI/Depositories	06	06	NIL
6	Requests for Duplicate shares	01	01	NIL
7	Miscellaneous requests	44	44	NIL

The Company addresses to all the complaints, suggestions and grievances expeditiously, replies are sent and issues are resolved within 15 days of their receipt. **No investor complaint remained pending as on 31<sup>st</sup> March 2010.** Further, the Company ensures timely and prompt submission of its response to the

queries/ clarifications sought by the Stock Exchanges, Investors and the Securities and Exchange Board of India (SEBI) from time to time.

**(IV) COMMITTEE OF DIRECTORS**

During the year under review, the Committee of Directors comprised of Mr. Chand Seth as Chairman and Mr. Harish Seth as member. The Committee is responsible for making/ reviewing banking arrangements, reviewing short- term and long-term investments, approving transfers/transmission of shares, approving allotment of shares, and such other financial transactions within the limits specified by the Board. In addition to the fortnightly meetings conducted to consider and approve transfer and transmission of shares, the Committee of Directors meets as and when it is considered necessary.

**4. GENERAL BODY MEETINGS**

Details of the Annual General Meetings held during the preceding three (3) years and the special resolutions passed thereat are as follows:

<b>Financial Year</b>	<b>Date &amp; Time</b>	<b>Venue</b>	<b>Special Resolution (s) passed</b>
2006-07 (13 <sup>th</sup> AGM)	September 28 <sup>th</sup> , 2007 2.30 P.M.	D-17, MIDC Industrial Area, Kurkumbh, Taluk Daund, Distt Pune-413802 (Maharashtra)	No special resolution was passed
2007-08 (14 <sup>th</sup> AGM)	September 06 <sup>th</sup> , 2008 2:30 P.M.	-Do-	Reappointment of Mr. Chand Seth as the Chairman & Managing Director for a period of 3 years w.e.f. 7 <sup>th</sup> December, 2008 and fixation of remuneration payable to him.
2008-09 (15 <sup>th</sup> AGM)	September 30 <sup>th</sup> , 2009 2.30 P.M.	-Do-	No special resolution was passed

**POSTAL BALLOT:**

During the year under review, no resolution was passed through Postal Ballot and no Special resolution is proposed to be passed through Postal Ballot at the ensuing Annual General Meeting.

**5. DISCLOSURES**

**5.1 Materially Significant Related Party Transactions:**

The details of all significant transactions with related parties are periodically placed before the Audit Committee. During the period under review, the Company has not entered into any related party transaction which is likely to have conflict with the interest of the Company. **Transactions with related parties are disclosed in Note No. 21 of Schedule 18 to the Financial Statements in the Annual Report.**

**5.2 Compliance:**

There were no instances of non-compliance by the Company on any matter relating to capital markets during the last three years and hence no penalties or strictures were imposed on the Company by Stock Exchanges, SEBI, or any other statutory authority.

### **5.3 Risk Management:**

The Company has a risk management framework in place. Under this framework, the management identifies and monitors business risks on a continuous basis and initiates appropriate risk mitigation steps as and when deemed necessary. The Company has also established procedures to apprise the Board on the risk assessment and minimization procedures.

### **5.4 Disclosure of Accounting Treatment:**

The financial statements are prepared on accrual basis of accounting and in accordance with Indian GAAP, provisions of the Companies, Act, 1956 (the Act) and comply in material aspects with the accounting standards notified under Section 211 (3C) of the Act read with the Companies (Accounting standards) Rules, 2006.

### **5.5 CEO/CFO Certification:**

Pursuant to clause 49(V) of the Listing Agreement, the certificate has been obtained from Mr. Harish Seth, Managing Director and Mr. Rajesh Garg, Chief Financial Officer (CFO) of the Company for the financial year ended 31<sup>st</sup> March, 2010 and has also been taken on record by the Board. The said certificate forms part of this Annual Report.

### **5.6 Compliance with Mandatory and Non-Mandatory Requirements of Clause 49:**

The Company has complied with all the mandatory requirements laid down under the Listing Agreement and strives to adopt the Non-mandatory/ Recommendatory requirements of the said clause.

The status of adoption and compliance with the Non-mandatory requirements of clause 49 of the Listing Agreement is as follows:

- **The Board:** The Chairman of the Board is an Executive Director. Accordingly, no separate Chairman's office has been maintained. Further, the appointment / reappointment of the Non- Executive Independent Directors is based on their qualification, experience and their past contribution to the Company.
- **Remuneration Committee:** The Board of Directors has set up a Remuneration Committee to determine Company's policy on specific remuneration packages. The details of the said committee are furnished under the section 'Committees of the Board'.
- **Shareholder Rights:** The shareholders are kept informed about the financial performance of the Company and of the significant events, if any, in the Company. The financial results of the Company are made available on the Company's website at [www.pearlpet.net](http://www.pearlpet.net).
- **Audit Qualification:** It is always the Company's endeavor to present unqualified financial statements.
- **Whistler Blower Policy:** The Company has not adopted any Whistler Blower policy. However, the Company encourages a friendly environment where the employees have an access to the head of the Business/function to forward any instance of unethical behavior.

## **6. MEANS OF COMMUNICATION**

**Quarterly Financial Results:** Quarterly financial results were published in, "The Indian Express", Pune (English) and "Lok Satta" (Marathi).

**Website:** Shareholders' information is available on the Company's website at [www.pearlpet.net](http://www.pearlpet.net).

**Annual Report:** Annual Report containing inter-ilia Audited Annual Accounts, Directors' Report, and other important information is circulated to the members and others entitled thereto. Subsequent to SEBI circular dated 7<sup>th</sup> May, 2010, the annual report of the Company will be available on website of the Stock Exchanges at [nseindia.com](http://nseindia.com) and [bseindia.com](http://bseindia.com) for information of the investors.

**SEBI EDIFAR:** Annual Report, Quarterly Results and Shareholding pattern of the Company for the first three quarters of the financial year ended 31<sup>st</sup> March, 2010 were posted on SEBI EDIFAR website at www.sebiedifar.nic.in. However, subsequent to the SEBI circular dated 16<sup>th</sup> April, 2010, whereby EDIFAR was discontinued w.e.f. 1<sup>st</sup> April, 2010, details for the year/ quarter ended 31<sup>st</sup> March, 2010 could not be posted on the said website. However the said details are available on the Company's website and on the website of the Stock Exchanges where the scrips of the Company are listed for information of the shareholders.

**Designated Exclusive E-Mail ID:** The Company has designated an Email- Id investor\_helpdesk@pearlpet.net exclusively for investor servicing.

## 7. GENERAL SHAREHOLDER'S INFORMATION

### 7.1 Annual General Meeting

AGM	YEAR	DAY, DATE & TIME	VENUE
16 <sup>th</sup>	2009-10	Friday 24 <sup>th</sup> September, 2010 2:30 P.M.	D-17, M.I.D.C. Industrial Area, Kurkumbh, Taluk Daund Distt., Pune- 413802 (Maharashtra)

**7.2 Date of Book Closure:** From 16.09.2010 to 24.09.2010 (Both days inclusive)

**7.3 Financial Year:** April, 2010 to March, 2011

Tentative Financial Calender for the year 2010-11	Unaudited Results for the Quarter Ended	On or before
	June 30, 2010	14 <sup>th</sup> August, 2010
	September 30, 2010	14 <sup>th</sup> November, 2010
	December 31, 2010	14 <sup>th</sup> February, 2011
	March 31, 2011	15 <sup>th</sup> May, 2011

\* The Company may also opt to publish the audited annual accounts by 30<sup>th</sup> May, 2011 instead of publishing the un-audited quarterly financial results for the last quarter ended 31<sup>st</sup> March, 2011.

**7.4 Dividend Payment Date:** Not Applicable

**7.5 Listing on Stock Exchanges and Stock Code:**

Sl. No.	Stock Exchanges	Stock Code	Equity ISIN
1	Bombay Stock Exchange Ltd. (BSE)	526562	INE843A01023
2	National Stock Exchange of India Ltd. (NSE)	PEPL	

**7.6 Payment of Listing Fees:** The Annual Listing fee for the financial year 2010-2011 as applicable to the Company has been paid to BSE and NSE.

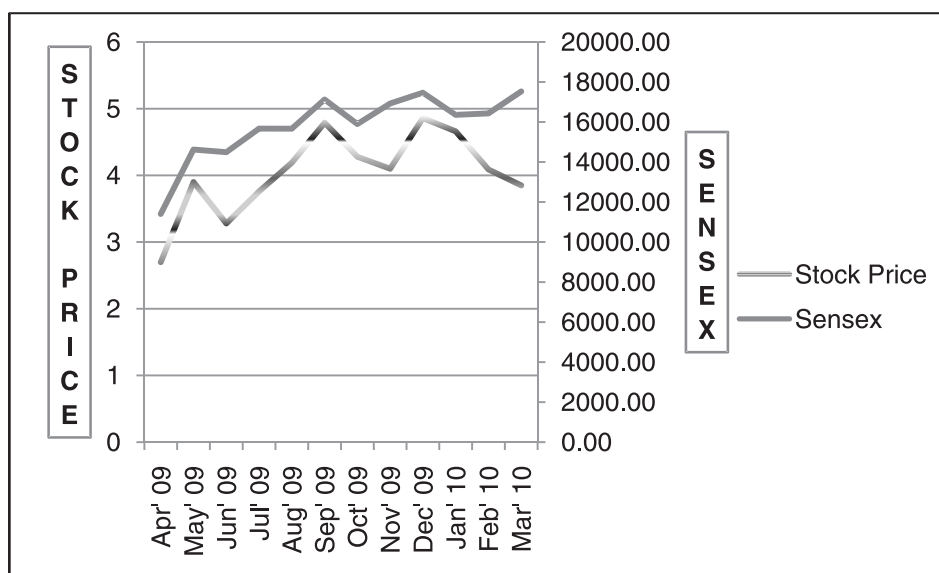
**Custodial charges** have been paid to CDSL and NSDL for the current financial year based on the beneficial records maintained with them respectively as on 31<sup>st</sup> March, 2010.

**7.7 Stock Market Data for the period April 1, 2009 to March 31, 2010**

Monthly high and low of the closing prices of the Company's shares at NSE & BSE during each month of the financial year ended 31<sup>st</sup> March, 2010 are as follows:

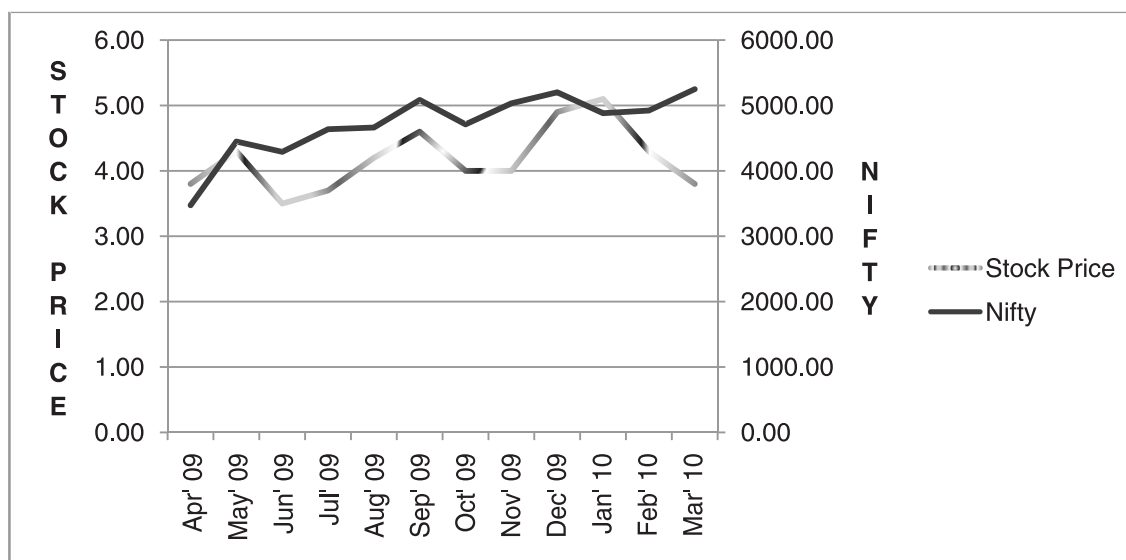
Month	BSE Sensex				NSE Nifty			
	High (Rs.)	Low (Rs.)	Volume Traded	Sensex	High (Rs.)	Low (Rs.)	Volume Traded	Nifty
April	2.95	2.28	57662	11403.25	3.80	2.85	3492	3473.95
May	3.90	2.63	97603	14625.25	4.30	3.35	45812	4448.95
June	4.92	3.13	124778	14493.84	5.20	3.35	60846	4291.10
July	4.08	3.38	92382	15670.31	4.05	3.30	23453	4636.45
August	4.20	3.62	109763	15666.64	4.20	3.60	14589	4662.10
September	5.22	4.17	339940	17126.84	5.05	4.25	105159	5083.95
October	4.80	4.01	215375	15896.28	4.80	4.00	90752	4711.70
November	4.53	3.78	128603	16926.22	4.65	3.90	83111	5032.70
December	4.98	4.17	202202	17464.81	5.05	4.05	125513	5201.05
January	6.24	4.66	495023	16357.96	6.25	4.90	261879	4882.05
February	4.75	3.90	97577	16429.55	5.05	4.00	24036	4922.30
March	4.23	3.80	150550	17527.77	4.35	3.80	58349	5249.10

**SHARE PRICE PERFORMANCE IN COMPARISON ON BSE SENSEX**





**SHARE PRICE PERFORMANCE IN COMPARISON WITH NSE NIFTY**



**7.8 Registrar and Share Transfer Agent (RTA):**

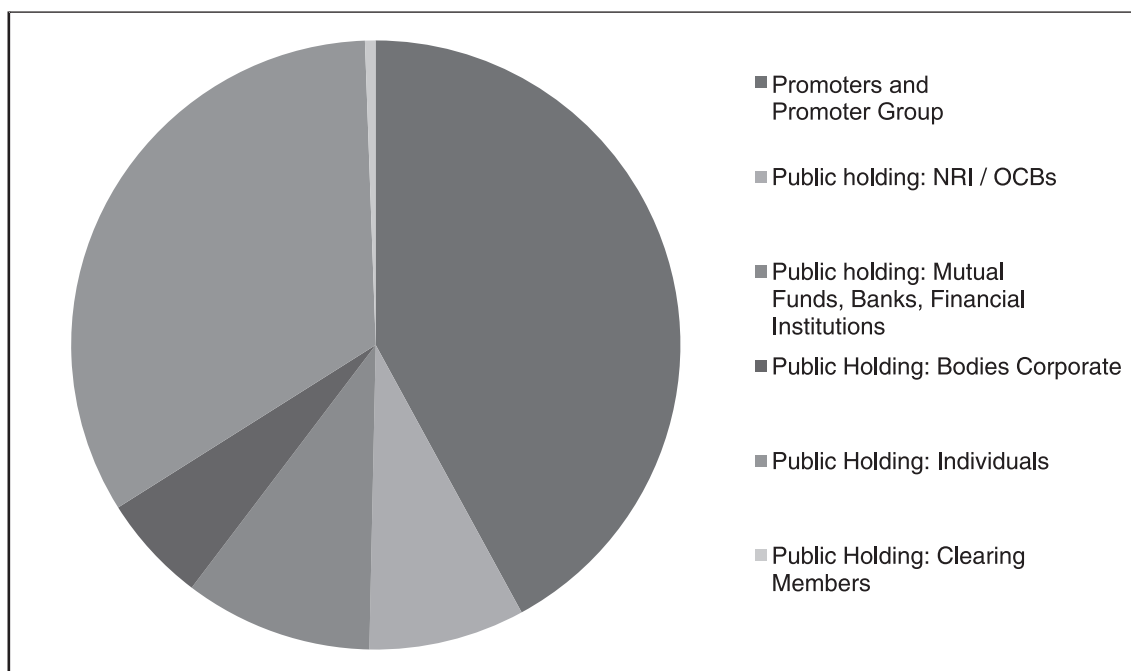
**MAS Services Limited**  
T-34, IInd Floor,  
OKhla Industrial Area, Phase-II  
New Delhi-110020  
Tel. No. : 26387281/82/83  
Fax : 26387384  
Email : mas\_serv@yahoo.com

**7.9 Share Transfer System:** Requests for transfer of securities held in physical form are processed within 15 days from the date of its lodgement with the Registrar & Share Transfer Agent (RTA) of the Company, subject to the documents being valid and complete in all respects. A Committee of Directors has been constituted to approve transfer of shares and deal with other securities' related matters.

The Company obtains a certificate of compliance with the share transfer formalities, from a Company Secretary in Practice on a half yearly basis and files a copy of the same with the Stock Exchanges in accordance with the provisions of clause 47(c) of the Listing Agreement.

**7.10 Shareholding Pattern as on March 31, 2010:**

Category Code	Category of Shareholder	Number of Shares	% of Shareholding
(A)	<b>TOTAL PROMOTER AND PROMOTER GROUP HOLDING</b>	<b>12788120</b>	42.04
(B)	<b>TOTAL PUBLIC HOLDING</b>	<b>17624440</b>	57.96
	NRI/OCBs	2519811	08.28
	Mutual Funds, Banks, Financial Institutions	3039120	10.00
	Bodies Corporate	1738297	05.72
	Public Holding (Individuals)	10154834	33.39
	Clearing Members	172378	00.57
	<b>Total (A+B)</b>	<b>30412560</b>	<b>100.00</b>



#### 7.11 Distribution of shareholding by number of shares held as on 31st March, 2010

Shareholding of Nominal Value (Rs)	No. of Share Holders	% to total Shareholding	No. of Shares	Share Amount (in Rs.)	% of Share Holding
Up To 5000	37986	94.06	2699483	26994830	8.88
5001-10000	1157	2.87	998910	9989100	3.28
10001-20000	569	1.41	932903	9329030	3.07
20001-30000	208	0.52	540189	5401890	1.78
30001-40000	94	0.23	342401	3424010	1.13
40001-50000	99	0.24	473156	4731560	1.55
50001-100000	134	0.33	989073	9890730	3.25
100001 & above	137	0.34	23436445	234364450	77.06
<b>TOTAL</b>	<b>40384</b>	<b>100</b>	<b>30412560</b>	<b>304125600</b>	<b>100.00</b>

#### 7.12 Dematerialization of Shares:

The Company's shares are compulsorily traded in dematerialized form and are admitted in both the Depositories in India- National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). As on 31st March, 2010, 86.78% of the paid up equity share capital of the Company has been dematerialized.

#### 7.13 Outstanding GDRs / ADRs / Warrants or any Convertible Instruments, Conversion Date and Likely Impact on Equity

The Company has not issued any GDRs/ADRs/Warrants or any other convertible instruments.

#### 7.14 Plant Location:

**D-17, MIDC Industrial Area, Kurkumbh,  
Taluk Daund Distt., Pune-413802,  
Maharashtra**

**7.15 Address for Correspondence**

**Pearl Engineering Polymers Limited  
703, Rohit House, 3 Tolstoy Marg,  
New Delhi-110001  
Phone Nos. : 43567922 – Direct  
Fax No. : 43517596  
Email : investor\_helpdesk@pearlpet.net**

**7.16 Other Material Information:** In an effort to improve our services and to minimize investor grievances, we seek co-operation of our esteemed shareholders / members in the following matters.

**Mandatory to submit PAN Card Copy (For Shares held in Physical form):** SEBI has vide its circular dated 7<sup>th</sup> January, 2010 made it mandatory to submit a copy of PAN card along with other documents for effecting transfer, transmission, transposition and name deletion of deceased holder from share certificate (in case of joint holding) in respect of shares held in physical form. Shareholders are requested to ensure submission of a copy of their PAN Card, as in the absence of the said document, the abovesaid requests in respect of shares held in physical form will stand rejected by the Company/ RTA.

**Exchange of Old Share Certificates:** Pursuant to BIFR Order, the share capital of the Company has been reduced by 60% and accordingly the Company is in process of issuing new share certificates in exchange of the old certificates held by the shareholders. Since the old share certificates are no more tradeable in the market and are not accepted for dematerialisation by the Depositories, the holders of such certificates are requested to surrender the said old certificates to the Company / RTA, to enable the company to issue new certificate in exchange thereof as per their entitlement.

**Change of Address:** In case of change in postal address or any incompleteness/ incorrectness in address mentioned in any correspondence by the Company, the shareholders are requested to intimate the correct/ complete postal address (including PIN Code) to the company at the earliest to ensure proper delivery of documents. If the shares are held in dematerialized form, information may be sent to the DP concerned and the RTA.

**Depository System:** By virtue of SEBI Circular dated 29<sup>th</sup> May, 2000 shares of the Company are subject to compulsorily trading in dematerialized form on the Stock Exchanges. For shareholder's convenience, the process for getting shares dematerialised is as follows:

1. Shareholder shall submit original share certificate along with De- materialization request Form (DRF) to the Depository Participant (DP).
2. DP shall process the DRF, generate a Unique De-materialization Request No. and forward the DRF alongwith the share certificate to the Registrar and Share Transfer Agent (RTA).
3. RTA after processing the DRF will confirm/ reject the request to depositories.
4. If confirmed by RTA, depositories will credit shareholder's account maintained with DP.

The entire process shall take approximately 10-15 days from the date of receipt of DRF. All shareholders who hold shares of the Company in physical form may get their shares dematerialised to enjoy paperless and easy trading of shares.

**DECLARATION REGARDING COMPLIANCE BY BOARD MEMBERS AND SENIOR MANAGEMENT PERSONNEL  
WITH THE COMPANY'S CODE OF CONDUCT**

This is to confirm that all the Members of the Board of Directors of the Company and the Senior Management have affirmed their compliance with the Code of Conduct laid down for the Directors and Senior Management of the Company for the Financial Year ended 31<sup>st</sup> March, 2010.

This certificate is being given in compliance with the requirements of clause 49(I)(D)(ii) of the Listing Agreement entered into with the Stock Exchanges.

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

Place : **New Delhi**  
Dated : **30<sup>th</sup> April, 2010**

**HARISH SETH**  
MANAGING DIRECTOR

## CEO AND CFO CERTIFICATION

To,  
The Board of Directors,  
M/s Pearl Engineering Polymers Limited  
Plot No. D-17, M.I.D.C Industrial Area  
Kurkumbh, Taluk Daund,  
Dist. Pune - 413802  
MAHARASHTRA

Dear Sirs,

1. We have reviewed the Balance Sheet as at 31<sup>st</sup> March, 2010 and the Profit and Loss Account alongwith all the Schedules, Notes to Accounts and Cash Flow Statement for the year ended on that date, annexed thereto and we hereby certify that to the best of our knowledge and belief :
  - i) these Statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - ii) these Statements read together, present a true and fair view of the Company's Affairs and a re in compliance with the existing Accounting Standards, applicable laws and regulations.
2. We further certify that, to the best of our knowledge and belief, no transactions have been entered into by the Company during the year that are fraudulent, illegal or violative of the Company's Code of Conduct;
3. We are responsible for establishing and maintaining disclosure controls, internal controls and procedures for financial reporting for the Company, and we have:
  - i. designed such internal control system over financial reporting, to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with generally accepted accounting principle;
  - ii. evaluated the effectiveness of the Company's disclosure, controls and procedures;
  - iii. disclosed in the report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal year that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting;
4. We have disclosed based on our most recent evaluations, wherever applicable, to the Company's auditors and the Audit Committee of the Company (and persons performing the equivalent functions):
  - a) all deficiencies in the design or operation of internal controls, which could adversely affect the Company's ability to record, process, summarize and report financial data, and have identified for the Company's auditors, any material weaknesses in internal controls over financial reporting including any corrective actions with regard to deficiencies.
  - b) Significant changes in internal controls over financial reporting during the year covered in this report.
  - c) All significant changes in accounting polices during the year, if any, and that the same have been disclosed in the notes to the financial statements.
  - d) Instances of significant fraud of which we are aware, that involve management or other employees who have a significant role in the Company's internal controls system over financial reporting.

Place : New Delhi  
Dated : 28<sup>th</sup> May, 2010

**RAJESH GARG**  
Chief Financial Officer

**HARISH SETH**  
Managing Director

## AUDITOR'S REPORT

### TO THE MEMBERS OF

### PEARL ENGINEERING POLYMERS LTD.

- 1) We have audited the attached Balance Sheet of **Pearl Engineering Polymers Limited**, as at March 31, 2010 and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2) We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- 3) As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 of India (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanation given to us, we further report that:
  - i)
    - (a) The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
    - (b) The management during the year has physically verified fixed assets and no material discrepancies between the book records and the physical inventory have been noticed as explained to us. In our opinion, the frequency of verification is reasonable.
    - (c) In our opinion, and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed off by the company during the year and hence, going concern status of the Company is not affected.
  - ii)
    - (a) Inventories other than those lying with third parties and in transit have been physically verified by the Management to the extent practicable at reasonable intervals during the year and at the year end at all locations of the Company. In our opinion, the frequency of verification is reasonable.
    - (b) In our opinion, the procedures for physical verification of the inventory followed by the management are reasonable and adequate in relation to the size of the company and nature of its business.
    - (c) On the basis of our examination of the inventory records, in our opinion the Company is maintaining proper records of inventory. The discrepancies noticed on such verification as compared to the book records were not material having regard to the size and nature of the operations of the company and have been properly adjusted in the books of account.
  - iii)
    - (a) In our opinion and according to information given to us, the company has not granted any loan secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly provisions of clause 4(iii)(b) to 4(iii)(d) of the Order are not applicable to the company.
    - (b) According to the information and explanations given to us, the company has not taken any loan, secured or unsecured, from companies, firms or other parties covered in the register maintained u/s 301 of the Companies Act, 1956. Accordingly clauses (iii)(f) and (iii)(g) of the Companies (Auditors' Report) Order, 2003 are not applicable to the company.
  - iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
  - v)
    - (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that section.
    - (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 exceeding the value of Rupees Five Lakh or more in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time except for certain transactions of unique and specialized nature where in the absence of similar contract with other parties and comparable prices, we are unable to comment whether the transactions were made at prevailing market price at the relevant time.
  - vi) The company has not accepted any deposits from public during the year within the meaning of sections 58A and 58AA or any other relevant provisions of the Act and the Companies (Acceptance of Deposits) Rules 1975 framed there under.
  - vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
  - viii) We have broadly reviewed the books of accounts maintained by the company pursuant to the order made by the Central Government for maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956, in respect of products manufactured by the company and are of the opinion that prima facie the prescribed accounts and records have been maintained. However, we are not required to carry out and have not carried out a detailed examination of the records with a view to determine whether they are accurate or complete.
  - ix)
    - (a) According to the information and explanations given to us and the records of the company examined by us, in our opinion, the company is generally regular in depositing with appropriate authorities undisputed Statutory dues including provident fund, investor education and protection fund, employee's state insurance, income tax, sales tax, service tax, wealth tax, custom duty, excise duty, cess and other statutory dues applicable to it.
    - (b) According to the information and explanations given to us, there are no dues of income tax, wealth tax, excise duty, service tax, sales tax, and cess which have not been deposited on account of any dispute. Disputed custom duty which has not been deposited on account of matters pending before the appropriate authorities are as follows:

Name of the Statute	Nature of the dues	Amount (Rs.'000)	Period to which the amount relates	Forum where dispute is pending
Customs and Central Excise Act	Customs duty demand on Technical Know how Fee	36,812	1993-94	CEGAT
-do-	Customs Duty	3,103	1994-95	CESAT

- x) In our opinion the accumulated losses of the company are not more than the fifty percent of its net worth as on 31<sup>st</sup> March, 2010. The company has incurred cash losses during the financial year ended on that date but not in the immediately preceding financial year.
- xi) According to the records of the company examined by us and the information and explanations given to us, the company has defaulted in repayment of dues to Financial Institutions or Banks as stated hereunder:

S. No.	Name of Bank/ Institution	Nature of the Dues	Period to which amount relates	Amount (Rs.)	Due Date	Date of Payment
1	ICICI Bank Ltd.	Installment	July09-Sep09	3,626,470	30.09.09	22.12.09
		Installment	Oct09-Dec09	3,626,470	31.12.09	16.03.10
		Installment	Jan10-March10	3,626,470	31.03.10	Not Paid till yet
		Interest	July09-Sep09	1,256,846	30.09.09	18.12.09
		Interest	Oct09-Dec09	1,403,048	31.12.09	16.03.10
		Interest	Jan10-March10	1,254,693	31.03.10	Not Paid till yet

- xii) In our opinion and according to the information and explanations given to us, no loans and advances have been granted by the Company on the basis of security by way of pledge of shares, debentures and other securities.
- xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund/society. Therefore, clause (xiii) of the Companies (Auditors' Report) Order, 2003 is not applicable to the Company.
- xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, Clause 4 (xiv) of the Companies (Auditors' Report) Order, 2003 is not applicable to the Company.
- xv) In our opinion, and according to the information and explanation given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
- xvi) In our opinion, and according to the information and explanation given to us, on an overall basis, the term loans raised have been applied for the purpose for which they were raised.
- xvii) On the basis of an overall examination of the Balance Sheet of the Company, we report that no funds raised on short-term basis have been used for long term investment.
- xviii) During the year, the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956.
- xix) According to the information and explanations given to us during the period covered by our audit, the Company has not issued any debentures.
- xx) The Company has not raised any money by way of public issue during the year.
- xxi) During the course of our examination of the books of accounts and records of the company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanation given to us, no fraud on or by the company has been noticed or reported during the year nor have been informed of such case by the management.
- 4) Further to our comments in paragraph 3 above, we report that :
- (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- (b) In our opinion, proper books of accounts as required by law have been kept by the company so far as appears from our examination of those books;
- (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with books of account;
- (d) Read with Note 21 on Schedule 18 regarding related party disclosures being identified and certified by the management, in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;
- (e) On the basis of written representations received from the directors, as on March 31, 2010 and taken on record by the Board of Directors, we report that none of the director is disqualified as on March 31, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
- (f) **We draw attention to note no.4(b) of schedule 18 – We are unable to form an opinion on the claim of the company, that the loan of Rs.161,924 thousands from a Foreign Financial Institution can not be enforced and on the non inclusion of the above amount due to the Foreign Financial Institution under the head “Loan Funds” in schedule 3 and 4 of the Balance Sheet and on the inclusion in the Balance Sheet under the head “Erstwhile loan barred by Limitation”.**
- (g) Subject to our comments in para 4(f) above, in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
- (i) In the case of the Balance Sheet, of the state of affairs of the company as at March 31, 2010;
- (ii) In the case of the Profit and Loss Account, of the loss for the year ended on that date;
- (iii) In the case of Cash Flow Statement, of the Cash Flows for the year ended on that date.

**For J. C. Bhalla & Co.  
Chartered Accountants  
(Firm Registration No.001111N)  
(Akhil Bhalla)  
Partner  
M. No.505002**

Place : New Delhi  
Dated : 28<sup>th</sup> May, 2010



**BALANCE SHEET AS AT 31<sup>st</sup> MARCH, 2010**

	SCHEDULE REFERENCE	AS AT 31.03.2010 (Rs'000)	AS AT 31.03.2009 (Rs'000)
<b>SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS' FUNDS</b>			
Share Capital	1	374,726	374,726
Reserves & Surplus	2	-	-
<b>Erstwhile Loan Barred by Limitation</b>			
Liabilities (Refer Note No. 4(b) on Schedule 18)		161,924	-
<b>LOAN FUNDS</b>			
Secured Loans	3	35,915	158,171
Unsecured Loans	4	140,677	169,798
		<u>713,242</u>	<u>702,695</u>
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
Gross Block	5	953,428	940,308
Less : Depreciation		(674,732)	(626,667)
Net Block		<u>278,696</u>	<u>313,641</u>
Capital Work in progress		13,818	13,758
		<u>292,514</u>	<u>327,399</u>
<b>INVESTMENTS</b>	6	74,870	87,500
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>			
Inventories	7	77,202	93,478
Sundry Debtors	8	128,142	116,780
Cash and Bank Balances	9	36,397	15,436
Loans & Advances	10	61,636	50,201
		<u>303,377</u>	<u>275,895</u>
<b>LESS : CURRENT LIABILITIES &amp; PROVISIONS</b>			
Liabilities	11	(71,699)	(42,597)
Provisions		(3,782)	(4,247)
<b>NET CURRENT ASSETS</b>		<u>227,896</u>	<u>229,051</u>
<b>PROFIT &amp; LOSS ACCOUNT</b>	2	117,962	58,745
		<u>713,242</u>	<u>702,695</u>
<b>Significant Accounting Policies and Notes to Accounts</b>	18		

This is the Balance Sheet referred to in our Report of even date

The schedules referred to above form an integral part of the Balance Sheet

**AKHIL BHALLA**

Partner

For and on behalf of  
**J.C. BHALLA & CO.**

**CHARTERED ACCOUNTANTS**

**On Behalf of the Board**

**CHAND SETH**

**HARISH SETH**

**ASHOK KHANNA**

**CS. PALLAVI VARDHAN**

Chairman & Managing Director

Managing Director

Director

Asst. Company Secretary

Place : New Delhi

Dated : 28<sup>th</sup> May, 2010

**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2010**

	SCHEDULE REFERENCE	YEARENDED 31.03.2010 (Rs'000)	YEARENDED 31.03.2009 (Rs'000)
<b>INCOME</b>			
Gross Sales		1,474,095	1,733,604
Less : Excise Duty		78,677	100,615
Net Sales		1,395,418	1,632,989
Other Income	12	20,792	13,130
<b>TOTAL</b>		<b>1,416,210</b>	<b>1,646,119</b>
<b>EXPENDITURE</b>			
Manufacturing	13	1,304,249	1,440,371
Personnel	14	46,770	37,235
Administrative, Selling & Other Expenses	15	81,398	91,540
Finance Charges	16	22,183	25,858
Depreciation	5	48,582	47,781
		1,503,182	1,642,785
(Increase)/Decrease in Stocks	17	(9,289)	5,290
<b>TOTAL</b>		<b>1,493,893</b>	<b>1,648,075</b>
<b>Profit / (Loss) before exceptional/extra ordinary expenses</b>		<b>(77,683)</b>	<b>(1,956)</b>
Loss/(Gain) on account of Exchange fluctuation on Foreign Currency Loan (exceptional item) (Refer Note II (18) on schedule 18)		(18,492)	33,973
		<b>(59,191)</b>	<b>(35,929)</b>
<b>Tax Expense (Refer Note I (x) and II (8) on schedule 18)</b>			
<b>Current Tax</b>			
- Current Year (Represent Wealth Tax Rs. 3 Thousands. ( Previous year Rs. 4 Thousands)		3	4
- Earlier Years (Including Wealth Tax 21 Thousands (Previous Year Rs.3 Thousands)		21	3
		24	7
<b>- Deferred Tax</b>		-	-
<b>- Fringe Benefit Tax</b>		-	-
Current Year		-	1,043
Earlier Years		2	101
<b>Profit / (Loss) after Tax</b>		<b>(59,217)</b>	<b>(37,080)</b>
Add: Profit / (Loss) brought forward from previous year		(473,141)	(436,061)
<b>(Loss) carried forward to Balance Sheet</b>		<b>(532,358)</b>	<b>(473,141)</b>
Basic and Diluted Earning/(Loss) Per Share (Rs.) (Nominal value of Rs. 10/-each) (Refer Note II (19) on schedule 18)		(1.95)	(1.22)

**Significant Accounting Policies and Notes to Accounts**

18

This is the Profit & Loss Account referred to in our Report of even date

The schedules referred to above form an integral part of the Profit & Loss Account

**AKHIL BHALLA**

Partner

For and on behalf of  
**J.C. BHALLA & CO.**

**CHARTERED ACCOUNTANTS**

**On Behalf of the Board**

**CHAND SETH**

**HARISH SETH**

**ASHOK KHANNA**

**CS. PALLAVI VARDHAN**

Chairman & Managing Director

Managing Director

Director

Asst. Company Secretary

Place : New Delhi

Dated : 28<sup>th</sup> May, 2010

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2010**

	YEAR ENDED 31. 03. 2010 (Rs.'000)	YEAR ENDED 31. 03. 2009 (Rs.'000)
<b>A. CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Net (loss)/profit before tax & exceptional items	(59,191)	(35,928)
Exchange rate fluctuation-exceptional item	(18,492)	33,973
<b>Adjustments for :</b>		
Depreciation	48,582	47,781
Interest Expense	22,183	25,858
Interest Income	(928)	(634)
Dividend Received	(1)	-
Investments written off	-	21
(Profit)/Loss on Fixed Assets sold	205	-
(Profit)/Loss on investment sold	(696)	-
Provision for Gratuity & Leave Encashment	(389)	1,158
<b>Operating profit before working capital changes</b>	<b>(8,727)</b>	<b>72,229</b>
<b>Adjustments for changes in working capital :</b>		
(Increase)/Decrease in Sundry Debtors	(11,362)	(24,127)
- (Increase)/Decrease in Other Receivables	(11,153)	19,912
- (Increase)/Decrease in Inventories	16,276	(13,618)
- Increase/(Decrease) in Trade and Other Payables	29,784	15,489
- Decrease / (Increase) in Fixed deposits (Net)	(22,783)	523
<b>Cash generated from operations</b>	<b>(7,965)</b>	<b>70,408</b>
- Taxes Paid (including TDS)	(384)	(994)
<b>Net cash from operating activities (a)</b>	<b>(8,349)</b>	<b>69,414</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES:</b>		
Purchase of fixed assets		
Additions during the period	(14,007)	(23,101)
Proceeds from Sale of fixed assets	105	-
Investment in Redeemable Cumulative Preference Shares/		
Rede emption of Preference Shares	10,500	(70,000)
Sale of Investments	2,826	-
Interest Received	928	632
Dividend Received	1	-
<b>Net cash used in investing activities (b)</b>	<b>353</b>	<b>(92,469)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Inter Corporate Deposit received/(paid) (Net)	14,900	57,500
Proceeds from long term borrowings		
Receipts	25,000	2,690
Payments	(12,146)	(19,140)
Interest Paid	(21,580)	(18,722)
<b>Net cash used in financing activities (c)</b>	<b>6,174</b>	<b>22,328</b>
<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents (a+b+c)</b>	<b>(1,822)</b>	<b>(727)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>15,268</b>	<b>15,995</b>
<b>Cash and cash equivalents at the closing of the year</b>	<b>13,446</b>	<b>15,268</b>
<b>Cash and cash equivalents comprise</b>		
Cash in hand	75	95
Cheques in hand	-	126
Balance with Scheduled Banks	13,371	15,047
	<b>13,446</b>	<b>15,268</b>

**Notes :**

- Figures in brackets indicate fund outgo.
- Previous year figures have been regrouped wherever necessary to conform to the current year's classification.  
This is the Cash Flow Statement referred to in our Report of even date

**AKHIL BHALLA**

Partner

For and on behalf of  
**J.C. BHALLA & CO.**

**CHARTERED ACCOUNTANTS**

**On Behalf of the Board**

**CHAND SETH**  
**HARISH SETH**  
**ASHOK KHANNA**  
**CS. PALLAVI VARDHAN**

Chairman & Managing Director  
Managing Director  
Director  
Asst. Company Secretary

Place : New Delhi  
Dated : 28<sup>th</sup> May, 2010

	AS AT 31.03.2010 (Rs.'000)	AS AT 31.03.2009 (Rs.'000)
<b>SCHEDULE - 1</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised Capital</b>		
42,000,000 (Previous year - 42,000,000)	420,000	420,000
Equity Shares of Rs.10/- each		
800,000 (Previous year - 800,000) Redeemable	80,000	80,000
Preference Shares of Rs.100/- each	<u>500,000</u>	<u>500,000</u>
<b>Issued, Subscribed and Paid up</b>		
30,412,560 (Previous year - 30,412,560) Equity Shares of Rs.10/- each	304,126	304,126
706,000 (Previous year - 706,000) 0.01% Redeemable Preference Shares of Rs.100/- each (Redeemable Preference Shares are to be redeemed at par in three annual installments on 30th September, 2012, 2013 & 2014.)	70,600	70,600
	<u>374,726</u>	<u>374,726</u>
<b>SCHEDULE - 2</b>		
<b>RESERVES AND SURPLUS</b>		
<b>Restructuring Reserves</b>	414,396	414,396
<b>-Transferred from Profit and Loss Account</b>	<u>(532,358)</u>	<u>(473,141)</u>
Less : Shown as per contra	<u>117,962</u>	<u>58,745</u>
	-	-
<b>SCHEDULE - 3</b>		
<b>SECURED LOANS</b>		
(Refer Note II (4) on Schedule 18)		
<b>Loans from Scheduled Banks</b>		
- Rupee Term Loans	32,638	43,518
- Interest Accrued & Due	<u>1,255</u>	<u>33,893</u>
		-
		43,518
<b>Loans from Foreign Financial Institutions</b>		
- Foreign Currency Loan	-	89,492
- Interest Accrued & Due	-	22,129
		<u>111,621</u>
<b>Other Loans</b>		
(Vehicle loans from Banks secured against hypothecation of respective vehicles)	2,022	3,032
	<u>35,915</u>	<u>158,171</u>
Repayable within One Year	<u>20,465</u>	<u>76,709</u>

	AS AT 31.03.2010 (Rs.'000)	AS AT 31.03.2009 (Rs.'000)
<b>SCHEDULE - 4</b>		
<b>UNSECURED LOANS</b>		
<b>Short Term Loans &amp; Advances:</b>		
- From Banks	85,033	84,079
- From Others		
Inter Corporate Deposits	30,900	16,000
<b>Other Loans &amp; Advances</b>		
From Foreign Financial Institution		
- Foreign Currency Loan	-	69,705
- Interest Accrued & Due	-	14
From Others	24,744	-
- Interest Accrued & Due	-	-
Repayable within One Year	140,677	169,798
	<u>116,792</u>	<u>100,079</u>

**SCHEDULE - 5**  
[Refer Note I (ii), (iii), (xii) and II (23) of Schedule 18]

**FIXED ASSETS** (Rs. '000)

DESCRIPTION	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 01.04.2009	Additions	(Deletions)/ Adjustments	As at 31.03.2010	Up to 31.03.2009	For the Year	Deletions	Up to 31.03.2010	As at 31.03.2010	As at 31.03.2009
<b>Tangible Assets</b>										
Land-Lease Hold	4,147	-	-	4,147	699	44	-	743	3,404	3,448
Building	93,151	-	-	93,151	37,909	2,821	-	40,730	52,421	55,242
Plant & Machinery	821,576	12,723	-	834,299	578,308	44,012	-	622,320	211,979	243,268
Furniture & Fixtures	6,287	319	-	6,606	4,181	345	-	4,526	2,080	2,106
Office Equipments	3,689	551	-	4,240	1,668	187	-	1,855	2,385	2,022
Computers	2,433	78	-	2,511	1,940	280	-	2,220	291	492
Computer Software	-	276	-	276	-	36	-	36	240	-
Vehicles	9,025	-	(827)	8,198	1,962	857	517	2,302	5,896	7,063
<b>Total</b>	940,308	13,947	(827)	953,428	626,667	48,582	517	674,732	278,696	313,641
Previous Year	930,940	9,368	-	940,308	578,886	47,781	-	626,667	313,641	352,054

**CAPITAL WORK IN PROGRESS**

Including capital advance of Rs. 12,606 Thousands (Previous year Rs. 12,606 Thousands)

13,818 13,758

**SCHEDULE - 6**

**INVESTMENTS AT COST**

**LONG TERM OTHER THAN TRADE**

(Fully paid up, unless otherwise specified)

**Quoted**

13,71,106 (Previous year - 15,61,106) Equity Shares of Rs.10/- each of M/s Pearl Polymers Ltd., a company under the same management

15370

17500

**Unquoted**

5,95,000 (Previous year 7,00,000) 0.01% Redeemable Cumulative Preference shares of Rs.100/- each of M/s Pearl Polymers Ltd., a company under the same management

59,500

70,000

74,870

87,500

Aggregate value of quoted Investments : Rs. 15,370 Thousands (Previous year Rs. 17,500 Thousands)

Aggregate value of unquoted Investments : Rs. 59,500 Thousands (Previous year Rs. 70,000 Thousands)

Market value of quoted Investments : Rs. 16,385 Thousands

(Previous year Rs. 9,086 Thousands)

	AS AT 31.03.2010 (Rs.'000)	AS AT 31.03.2009 (Rs.'000)
<b>SCHEDULE - 7</b>		
<b>INVENTORIES</b>		
(Refer Note I (vi) on Schedule 18)		
Raw and Packing Material	14,366	39,733
(Including Raw Material in transit amounting to Rs. 779 Thousands)		
(Previous year - Rs. 1,598 Thousands)		
Stores & Spares	12,078	12,276
Work in Progress	18,113	16,581
Finished Goods	32,645	24,888
(Including goods at port & in transit Rs. 13,815 Thousands)		
(Previous year Rs. 4,385 Thousands))		
	<u>77,202</u>	<u>93,478</u>
<b>SCHEDULE - 8</b>		
<b>SUNDRY DEBTORS</b>		
(Unsecured)		
Outstanding for over six months		
- Considered Good	1,454	-
- Considered Doubtful	1,030	4,427
Less: Provision for Doubtful Debts	<u>(1,030)</u>	<u>(4,427)</u>
Other Debts		
- Considered Good	126,688	116,780
	<u>128,142</u>	<u>116,780</u>
<b>SCHEDULE - 9</b>		
<b>CASH AND BANK BALANCES</b>		
Cash in hand	75	95
Cheques in hand	-	126
Balance with Scheduled Banks in		
- Current Account	13,371	15,047
- Fixed Deposits	22,951	168
(Pledged as Margin money)		
	<u>36,397</u>	<u>15,436</u>



	<b>ASAT</b>		<b>ASAT</b>	
	<b>31.03.2010</b>		<b>31.03.2009</b>	
	<b>(Rs.'000)</b>		<b>(Rs.'000)</b>	
<b>SCHEDULE - 10</b>				
<b>LOANS AND ADVANCES</b>				
(Unsecured - Considered good unless stated otherwise)				
Advance recoverable in cash or in kind or for value to be received				
- Considered good	<b>36,493</b>		37,561	
- Considered doubtful	<b>334</b>		-	
Less: Provision for Doubtful Advances	<u><b>(334)</b></u>	<b>36,493</b>	<u>-</u>	37,561
Balance with Excise & Customs Authorities				
- Considered good	<b>24,109</b>		11,888	
- Considered doubtful	<b>5,000</b>		5,000	
Less: Provision for Doubtful Advances	<u><b>(5,000)</b></u>	<b>24,109</b>	<u>(5,000)</u>	11,888
(Refer Note II (1) on Schedule 18)				
Interest Accrued but not due		<b>191</b>		191
Advance Income Tax		<b>843</b>		561
		<u><b>61,636</b></u>		<u>50,201</u>

**SCHEDULE - 11**

**CURRENT LIABILITIES & PROVISIONS**

**Current Liabilities**

Sundry Creditors

- Amount due to Micro Enterprises & Small Enterprises

(Refer Note (II) 17 on Schedule 18)

- Amount due to Others	<b>50,110</b>	<b>50,110</b>	<u>24,483</u>	24,483
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Other Liabilities		<b>15,653</b>		10,859
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Advance received from Customers		<b>5,658</b>		7,249
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Interest Accrued but not due		<b>278</b>		6
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		<u><b>71,699</b></u>		<u>42,597</u>
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**Provisions**

(Refer Note I (xiii) on Schedule 18)

Gratuity		<b>1,296</b>		1,750
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Leave Encashment		<b>2,204</b>		2,147
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Other long term employee benefits		<b>279</b>		271
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Fringe Benefit Tax (Net of advance FBT of Rs. NIL		-		75
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(Previous year Rs. 967 Thousands)

Wealth Tax Payable		<b>3</b>		4
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		<u><b>3,782</b></u>		<u>4,247</u>
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	YEAR ENDED 31.03.2010 (Rs.'000)	YEAR ENDED 31.03.2009 (Rs.'000)
<b>SCHEDULE - 12</b>		
<b>OTHER INCOME</b>		
Interest - Gross (Tax deducted at source Rs. 133 Thousands (Previous year - Rs. 63 Thousands))	928	634
Export Incentives	9,931	4,506
Foreign Exchange Fluctuation	2,071	-
Profit on sale of Investments (Long Term other than trade)	696	-
Liabilities no longer required Written Back	1,994	897
Provisions for doubtful debts/advances no longer required Written Back	3,397	2,338
Dividend Received (Long Term other than trade)	1	-
Others	1,774	4,755
	<u>20,792</u>	<u>13,130</u>
<b>SCHEDULE - 13</b>		
<b>MANUFACTURING</b>		
Raw and Packing Materials Consumed	1,183,689	1,323,585
Stores and Spares Consumed (excluding charged to revenue heads Rs. 49,755 Thousands (Previous year - Rs.55,125 Thousands))	13,734	10,120
Power & Fuel	98,755	103,885
Repair & Maintenance-Machinery	3,819	3,814
Repair & Maintenance-Building	289	99
Excise Duty	2,367	(2,073)
Insurance	1,596	941
	<u>1,304,249</u>	<u>1,440,371</u>
<b>SCHEDULE - 14</b>		
<b>PERSONNEL</b>		
Salaries & Wages	38,858	30,444
Contribution to Provident Fund & Superannuation Fund	3,296	2,567
Employees State Insurance	18	20
Staff Welfare Expenses	4,598	4,204
	<u>46,770</u>	<u>37,235</u>

	YEAR ENDED 31.03.2010 (Rs.'000)	YEAR ENDED 31.03.2009 (Rs.'000)
<b>SCHEDULE – 15</b>		
<b>ADMINISTRATIVE, SELLING &amp; OTHER EXPENSES</b>		
Rent	2,457	1,657
Rates & Taxes	752	739
Repair & Maintenance - Others	2,729	2,376
Freight & Forwarding	37,662	44,418
Traveling & Conveyance (including Directors' traveling Rs. 5,559 Thousands (Previous year - Rs. 3,334 Thousands))	15,376	9,707
Brokerage / Commission	3,910	4,688
Loss on sale of fixed assets	205	-
Bad Debts & Advances written off	2,894	1,725
Sitting Fees	11	14
Investments written off (Long term - other than trade)	-	21
Foreign Exchange Fluctuation	-	3908
Provision for Doubtful Debts & Advances	334	-
Miscellaneous Expenses	15,068	22,287
	<b>81,398</b>	<b>91,540</b>
<b>SCHEDULE – 16</b>		
<b>FINANCE CHARGES</b>		
Interest		
- On Fixed Loans	8,919	12,445
- Others	4,418	3,674
Discounting Expenses	7,770	9,357
Bank Charges	1,076	382
	<b>22,183</b>	<b>25,858</b>
<b>SCHEDULE – 17</b>		
<b>(INCREASE)/DECREASE IN STOCKS</b>		
Opening Stock		
- Finished Goods	24,888	35,785
- Work in Progress	16,581	10,974
	<b>41,469</b>	<b>46,759</b>
Closing Stock		
- Finished Goods	32,645	24,888
- Work in Progress	18,113	16,581
	<b>50,758</b>	<b>41,469</b>
(Increase)/Decrease	<b>(9,289)</b>	<b>5,290</b>

**SCHEDULE 18**

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS**

**I SIGNIFICANT ACCOUNTING POLICIES:**

**i) BASIS FOR PREPARATION OF ACCOUNTS:**

These financial statements have been prepared on the accrual basis of accounting under the historical cost convention and in compliance with the applicable Accounting Standards referred in Section 211 (3C) and other requirements of the Companies Act, 1956.

**ii) FIXED ASSETS:**

Fixed assets are stated at cost of acquisition (net of Modvat / Cenvat, wherever applicable) less accumulated depreciation. Cost includes freight, duties, taxes and their incidental expenses related to acquisition and installation of the fixed assets.

**iii) DEPRECIATION:**

Depreciation on fixed assets is provided on Straight-Line Method at the rates, and in the manner prescribed under Schedule XIV to the Companies Act, 1956 except for leasehold land, which is amortised over the period of the lease and capital spares which are being depreciated on the remaining useful life of the machines to which they relate.

**iv) INVESTMENTS:**

Current investments are stated at lower of cost or fair value. Long Term investments are stated at cost. Provision for diminution in the value of long-term investments is made only, if, in the opinion of the management, such decline is other than temporary.

**v) INCOME:**

Sale of goods is recognised at the point of despatch to the customer, except in the case of export sales, which are recognised as per the terms of the contract. Gross Sales are inclusive of Excise Duty and net of trade discounts and Sales Tax / VAT.

**vi) INVENTORIES:**

Raw & Packing material, work in progress and finished goods are valued at lower of weighted average cost and net realisable value. In respect of finished goods and work in progress, applicable manufacturing overheads are also included. Stores & spares are valued at lower of cost determined on a First out basis and net realisable value.

**vii) TRANSLATION OF FOREIGN CURRENCY ITEMS:**

Transactions denominated in foreign currencies are recorded at exchange rate prevailing at the date of transaction. Foreign currency monetary items (including forward contracts) are translated at year end rates. Exchange differences arising on settlement of transactions and translation of monetary items (including forward contracts) are recognised as income or expense in the year in which they arise.

**viii) BORROWING COST**

Interest on borrowings for qualifying assets is capitalised till the date of commencement of commercial use of the asset. All other borrowing costs are charged to Profit & Loss Account.

**ix) LEASES:**

Lease of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating lease. Payments made under operating lease is charged to Profit & Loss Account on a "Straight-Line Basis" over the period of lease. Rentals payable under operating lease are charged to Profit & Loss Account as incurred.

**x) TAXATION**

Tax expense for the period, comprising current tax, deferred tax and fringe benefit tax is included in determining the net profit / (loss) for the year.

The provision for current taxation is based on assessable profits of the Company as determined under the Income Tax Act, 1961.

Deferred tax assets and liabilities are recognized for all timing differences. Deferred tax assets are recognised based on prudence and are carried forward to the extent it is certain that future taxable profit will be available against which such deferred tax assets can be realised.

Deferred tax assets and liabilities are measured at the tax rates that have been enacted or substantively enacted by the balance sheet date.

**xi) EMPLOYEE BENEFITS**

**(a) Short Term Employee Benefits**

All employee benefits payable wholly within twelve months of rendering the service are classified as short term employee benefits. Benefits such as salaries, wages, short term compensated absences, etc. and the expected cost of bonus, ex-gratia are recognized in the period in which the employee renders the related service.

**(b) Post-Employment Benefits**

**(i) Defined Contribution Plans:** The Company's managed Provident Fund Scheme, State Governed Pension Fund Scheme, Employee State Insurance Scheme and Superannuation Scheme are defined contribution plans. The contribution paid/payable under the schemes is recognized during the period in which the employee renders the related service.

**(ii) Defined Benefit Plans:** The employees' Gratuity Fund Scheme is a Company's defined benefit plan. The present value of the obligation under such defined benefit plan is determined based on the actuarial valuation using the Projected Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

The obligation is measured at the present value of the estimated future cash flows. The discount rates used for determining the present value of the obligation under defined benefit plan is based on the market yields on Government securities as at the Balance Sheet date having maturity periods approximating to the terms of related obligations.

Actuarial gains and losses are recognized immediately in the Profit & Loss Account.

Gains or losses on the curtailment or settlement of any defined benefit plan is recognized when the curtailment or settlement occurs. Past service cost is recognized as expense on a straight-line basis over the average period until the benefits become vested.

**(c) Other Long-term Employee Benefits**

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are recognized as a liability at the present value of the defined benefit obligation at the Balance Sheet date. The discount rates used for determining the present value of the obligation under defined benefit plan, are based on the market yields on Government securities as at the Balance Sheet date.

**xii) IMPAIRMENT OF ASSETS**

All assets other than inventories, investments and deferred tax asset are reviewed for impairment, wherever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets whose carrying value exceeds their recoverable amount are written down to the recoverable amount.

**xiii) PROVISIONS AND CONTINGENCIES**

The company creates a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of obligation. A disclosure for a contingent liability is made when there is a possible obligation or a

present obligation that probably will not require an outflow of resources or where a reliable estimate of the obligation cannot be made.

**II NOTES TO ACCOUNTS:**

**1. CONTINGENT LIABILITIES:**

		<b>2009-10</b> <b>(Rs.'000)</b>	2008-09 (Rs.'000)
i)	Custom Duty Demand (other than Penalty if any, which is not quantifiable at this stage)*	<b>36,812</b>	36,812
ii)	Custom Duty Demand (other than i above)	<b>3,103</b>	3,103
iii)	Consequent to facts stated in note no. 4(b) in respect of dues of foreign financial institution	<b>34,320</b>	-

\*The Company had procured technical know-how and front-end engineering package from its technical collaborator for setting up PET Resin plant at Kurkumbh. The Company had paid Income Tax and other duties applicable on the same. Subsequently, a custom duty demand amounting to Rs. 41,812 Thousands had been received from Customs Authorities on the entire consideration paid by the Company. The Company paid a deposit of Rs.5,000 Thousands to custom authorities, under protest. The Customs Excise and Gold Appellate Tribunal (CEGAT) had upheld the Company's appeal against the same. The Custom Authorities had filed an appeal against decision of CEGAT with Supreme Court of India. Subsequently, the Supreme Court of India has set aside the order passed by CEGAT and the matter is referred back to The Central Excise and Service tax Appellate Tribunal (CESTAT) for reconsideration in accordance with law. Pending finalisation of the above mentioned matter the deposit of Rs, 5,000 Thousand has been provided for. During the current year there is no movement in this provision.

2. In view of losses, no dividend is proposed on 0.01% redeemable preference shares. The arrears of dividend as at year end is Rs. 49 Thousands (Previous year Rs. 42 Thousands).
3. Estimated amount of contracts remaining to be executed as on March 31, 2010 was Rs. 4,894 Thousands net of advance of Rs. 12,606 Thousands (Previous Year -Rs. 4,894 Thousands, net of advance of Rs. 12,606 Thousands).
4. a). Term Loan with Banks/Financial Institutions, are secured by the whole of the movable properties of the Company including its movable plant & machinery, machinery spares, tools & accessories and other movables, both present and future, (save and except book debts), whether installed or not and whether now lying loose or in cases or which are now lying or stored in or about or shall hereafter from time to time during the continuance of the security of these present, be brought into or upon or be stored or be in or about the Company's factory premises and godowns situated at D 17, M.I.D.C., Kurkumbh, District Pune, Maharashtra or wherever else the same may be or be held by any party to the order or disposition of the Company or in the course of transit or on high seas or on order or delivery, howsoever and where soever in the possession of the Company and either by way of substitution or addition. These loans are further secured by personal Guarantees of Mr. Chand Seth, Mr. Harish Seth, Directors of the Company and Mr. Krishen Seth, Promoter of the Company. Further, the above loans are secured by mortgage of the land and other immovable properties of the Company situated at D-17, MIDC Kurkumbh Industrial Area, Distt. Pune, Maharashtra together with buildings and other structures, fixed plant and machinery, fixture and fittings constructed or installed thereon.

b) The Company has been legally advised that, in view of Foreign Financial Institution's Advocate letter dated 4<sup>th</sup> October, 2006 recalling the entire outstanding loan amount under the Loan Agreement of 1993, enforcement of such recall in law could take place within 3 years of the termination of the Amended Loan Agreement of 2003 with effect from 30.09.2006. Under the circumstances, Foreign

Financial Institution or its Assignee, if any, cannot enforce any outstanding against the Company in any court of law post 30.09.2009 despite the existence of debt. Accordingly interest of Rs.1,607 Thousands has not been provided in respect of above loan after 03.10.2009. Further, the outstanding by way of secured & unsecured loan and interest aggregating to Rs. 1,61,924 Thousands has been shown as "Erstwhile Loan Barred by Limitation".

5. **MANAGERIAL REMUNERATION: \***

	<b>2009-10</b> <b>(Rs.'000)</b>	2008-09 (Rs.'000)
Salary & Allowances	<b>1,800</b>	1,639
Perquisites	<b>900</b>	819
P.F. Contribution & Superannuation	<b>486</b>	442

\* As the provision for gratuity and leave encashment is determined for the Company as a whole, no separate figures are available.

6. **AUDITORS' REMUNERATION:**

	<b>2009-10</b> <b>(Rs.'000)</b>	2008-09 (Rs.'000)
Audit Fee	<b>270</b>	270
Limited Review Fee	<b>210</b>	210
Tax Audit Fee	<b>120</b>	97
Out of Pocket Expenses	<b>9</b>	3
	<b>609</b>	580

7. The Company is engaged in the manufacture of PET Resin and there are no separate reportable segments as per the Accounting Standard 17 on "Segment Reporting" notified in the Companies (Accounting Standard) Rules 2006.

8. **The breakup of deferred tax assets / liabilities are provided below:**

	<b>As at</b> <b>31.03.2010</b>	As at 31.03.2009
<b>Deferred Tax Assets</b>		
Expense allowable on payment basis	<b>3249</b>	115
Unabsorbed depreciation *	<b>57699</b>	79432
	<b>60948</b>	79547
<b>Deferred Tax Liabilities</b>		
Depreciation	<b>60948</b>	79547
	<b>60948</b>	79547

\* Deferred Tax asset has been created to the extent of deferred tax liability

9. Excise duty under the head Expenditure in Profit & Loss Account includes Rs. 2,115 Thousands (Previous year Rs. 2,169 Thousands) as incremental/(decremental) provision in respect of closing stock of finished goods.

10. The Company has been registered with the Secretariat of Industrial Approvals, Ministry of Industry for manufacture of 24,840 M.T. per annum of Polyethylene Terephthalate Polyester Chips (PET). The installed capacity and production is as under:

<b>Year</b>	<b>Installed Capacity *</b>	<b>Production</b>
<b>2009-10</b>	<b>24,840 TPA</b>	<b>22,731.196 M.T.</b>
2008-09	24,840 TPA	26,000.245 M.T.

\*This being technical matter, is certified by the Management and accepted by the Auditors.



11. **BREAK UP OF STOCKS AND TURNOVER:**

Polyethylene Terephthalate Polyester Chips (PET)

	2009-10		2008-09	
	QUANTITY (M.T.)	AMOUNT (Rs' 000)	QUANTITY (M.T.)	AMOUNT (Rs' 000)
Opening Stock	451.65	24,888	542.79	35,785
Sales*	22,508.37	1,474,095	26,076.08	1,733,604
Closing Stock	524.145	32,645	451.65	24,888

12. **RAW AND PACKING MATERIAL CONSUMED:**

S.No.	DESCRIPTION	2009-10		2008-09	
		QUANTITY (M.T.)	AMOUNT (Rs' 000)	QUANTITY (M.T.)	AMOUNT (Rs' 000)
1	Purified Terephthalic Acid / Isophthalic Acid	19,470.64	886,214	22,488.22	958,461
2	Mono Ethylene Glycol	7,689.26	280,133	8,869.32	346,203
3	Others	*	17,342	*	18,922
			1,183,689		1,323,585

\*Quantitative details have not been given, as it is impracticable to do so, in view of the innumerable items involved.

13. **VALUE OF IMPORTED / INDIGENOUS RAW AND PACKING MATERIALS, STORES AND SPARE PARTS CONSUMED.**

		2009-10		2008-09	
		AMOUNT (Rs' 000)	% AGE	AMOUNT (Rs' 000)	% AGE
1	<b>RAW AND PACKING MATERIALS</b>				
	Indigenous	971,236	82	1,086,689	82
	Imported *	212,453	18	236,896	18
		1,183,689	100	1,323,585	100
	* Includes Deemed Imports				
2	<b>STORES &amp; SPARE PARTS</b>				
		AMOUNT (Rs' 000)	% AGE	AMOUNT (Rs' 000)	% AGE
	Indigenous	63,192	99.53	65,245	100
	Imported	297	0.47	-	-
		63,489	100	65,245	100

14. **VALUE OF IMPORTS ON CIF BASIS**

	2009-10 (Rs' 000)	2008-09 (Rs' 000)
Raw Materials	10,994	23,303
Stores & Spares	7,307	1,083
	18,301	24,386

15. **EXPENDITURE IN FOREIGN CURRENCY**

	<b>2009-10</b> <b>(Rs' 000)</b>	2008-09 (Rs' 000)
Travelling	<b>6,249</b>	2,479
Commission	<b>450</b>	372
Others	<b>133</b>	762

16. **EARNINGS IN FOREIGN EXCHANGE**

	<b>2009-10</b> <b>(Rs' 000)</b>	208-09 (Rs' 000)
Export of Goods on FOB Basis	<b>58,348</b>	59,721

17. Disclosure in accordance with Part I of Schedule VI of Companies Act, 1956 in respect of Micro, Small and Medium Enterprises

<b>Sr. No.</b>	<b>Particulars</b>	<b>As at March 31,2010</b>	<b>As at March 31,2009</b>
a.	Principal amount remaining unpaid	NIL	NIL
b.	Interest due thereon	NIL	NIL
c.	Interest paid by the Company in term of Section 16 of Micro, Small and Medium Enterprises Development Act	NIL	NIL
d.	Interest due and payable for the period of delay in payment	NIL	NIL
e.	Interest accrued and remaining unpaid	NIL	NIL
f.	Interest remaining due and payable even in succeeding years	NIL	NIL

This information as required to be disclosed has been determined to the extent such parties have been identified on the basis of information available with the Company.

18. As per accounting standard (AS11) on Effects of changes in foreign exchange rates notified in the Companies (Accounting Standards) Rules 2006, the Company has credited Rs. 18,492 Thousands (previous year debited Rs.33.973 Thousands), being the exchange gain on foreign currency loans borrowed to finance fixed assets to the Profit & Loss Account.

19. **EARNING PER SHARE**

<b>Particulars</b>	<b>2009-10</b>	2008-09
Net Profit/(Loss) available to Equity Shareholders (Rs. in thousands)	<b>(59,217)</b>	(37,080)
No. of weighted average equity shares outstanding during the year	<b>30,412,560</b>	30,412,560
Basic and Diluted Earning/(Loss) Per Share (Rs.)	<b>(1.95)</b>	(1.22)
Nominal Value of Equity Shares (Rs.)	<b>10</b>	10

In terms of loan agreements, Banks and Foreign Financial Institutions have option to convert defaulted dues into Equity Share Capital of the Company. However, the same has not been considered as potential Equity Shares for the purposes of calculating diluted Earning Per Share, as it is not practically possible to ascertain the numbers of Potential Shares.

20. The foreign currency exposure that are not hedged by derivative instruments or otherwise are as under:

(i)

Particulars	2009-10		2008-09	
	In foreign currency	In Rupees'000	In foreign currency	In Rupees'000
<b>Trade Receivables</b>				
In USD	56,745	2,552	44,920	2,286
In EURO	58,746	3,572	17,202	1,166
Total		6,124		3,452
<b>Trade Payables</b>				
In USD	21,602	971	43,462	2,211
Total		971		2,211
<b>Loans taken</b>				
In USD	31,28,855	1,40,705	31,28,855	1,59,196
In USD (Interest Payable)	4,71,854	21,219	435202	22,143
Total	-	1,61,924	-	18,1339

- ii) The Company had no outstanding forward cover or derivatives at the year end.

## 21. RELATED PARTIES DISCLOSURES

As per Accounting Standard 18 (AS-18) "Related Party Disclosures", notified in the Companies (Accounting Standard) Rules 2006, the disclosures in respect of related parties and transactions with the related parties carried out in the normal course of business, as identified and certified by the management, are as follows:

### DETAIL OF RELATED PARTIES

#### i) Key Management Personnel

Mr. Chand Seth Chairman & Managing Director

Mr. Harish Seth Managing Director

#### ii) Key Management Personnel's Relatives

Mrs. Suneeta Seth Wife of Mr. Chand Seth

Mr. Krishen Seth Brother of Mr. Chand Seth & Mr. Harish Seth

#### iii) Associates

Gama Investments Pvt. Ltd.

Pearl International Tours & Travels Ltd.

Pearl Polymers Ltd.

Pearl Apartments Ltd.

**II. Detail of transactions**

(Rs. in 000)

	Associates		Key Management Personnel		Key Management Personnel's Relatives		Total	
	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09
Sale of Goods to Pearl Polymers Ltd.	<b>3,62,519</b>	3,87,393	-	-	-	-	<b>3,62,519</b>	3,87,393
Purchase of Air Tickets/ Forex from Pearl International Tours & Travels Ltd.	<b>10,683</b>	6,010	-	-	-	-	<b>10,683</b>	6,010
Dividend received from Pearl Polymers Ltd.	<b>1</b>	-	-	-	-	-	<b>1</b>	-
Payment of Rent to Pearl Apartments Ltd.	<b>365</b>	175	-	-	-	-	<b>365</b>	175
Payment of Rent to Mrs. Suneeta Seth	-	-	-	-	<b>1,380</b>	983	<b>1,380</b>	983
Sharing of Expenses Paid to Pearl Polymers Ltd.	-	2,400	-	-	-	-	-	2,400
Sharing of Expenses Paid to Pearl International Tours & Travels Ltd.	-	4,600	-	-	-	-	-	4,600
Remuneration Paid to Mr. Chand Seth	-	-	<b>2,286</b>	2,081	-	-	<b>2,286</b>	2,081
Sitting Fee paid to Mr. Krishen Seth	-	-	-	-	-	2	-	2
Interest Paid to Pearl International Tours & Travels Ltd.	<b>3,445</b>	2,098	-	-	-	-	<b>3,445</b>	2,098
ICD taken from Pearl International Tours & Travels Ltd.	<b>17,100</b>	32,300	-	-	-	-	<b>17,100</b>	32,300
Unsecured loan taken from Pearl International Tours & Travels Ltd.	<b>25,000</b>	-	-	-	-	-	<b>25,000</b>	-
Investments in 0.01% Preference Shares of Pearl Polymers Ltd.	-	70,000	-	-	-	-	-	70,000
Redemption of 0.01% 1050000 Preference Shares by Pearl Polymers Ltd.	<b>10,500</b>	-	-	-	-	-	<b>10,500</b>	-
Balance of Gama Investments Pvt. Ltd. Written Back	-	25	-	-	-	-	-	25

	Associates		Key Management Personnel		Key Management Personnel's Relatives		Total	
	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09
<b>Outstanding Balance:</b>								
<b>Payable</b>								
-Pearl International Tours & Travels Ltd.	<b>36,031</b>	7,632	-	-	-	-	<b>36,031</b>	7,632
-Pearl Apartments Ltd.	<b>248</b>	-	-	-	-	-	<b>248</b>	-
-Mrs. Suneeta Seth	<b>288</b>	-	-	-	-	-	<b>288</b>	-
<b>Receivable</b>								
-Gama Investments Pvt. Ltd.	<b>13,596</b>	13,596	-	-	-	-	<b>13,596</b>	13,596
-Pearl Polymers Ltd.	<b>33,001</b>	65736	-	-	-	-	<b>33,001</b>	65,736

**22. Employee Benefits**

- (a) The company has, with effect from 1<sup>st</sup> April, 2007, adopted Accounting Standard (AS)-15, "Employee Benefits" notified in the Companies (Accounting Standards) Rules 2006.
- (b) The Company has classified various employee benefits as under:

	Year ended 31 <sup>st</sup> March, 2010 (Rs.'000)	Year ended 31 <sup>st</sup> March, 2009 (Rs.'000)
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**(A) Defined Contribution Plans**

The Company has recognized the following amounts in the Profit and Loss Account for the year:

I. Employer's Contribution to Provident Fund	<b>1,282</b>	985
II. Employer's Contribution to Superannuation Fund	<b>905</b>	855
III. Employer's Contribution to Employees' Pension Scheme	<b>807</b>	684
IV. Employer's Contribution to Employees' State Insurance Scheme	<b>18</b>	20

	Year ended 31 <sup>st</sup> March, 2010 (Rs.'000)	Year ended 31 <sup>st</sup> March, 2009 (Rs.'000)
<b>(B) Defined Benefit Plans</b>		
Valuations in respect of Gratuity, Leave Encashment and Compensated Absences have been carried out by independent actuary, as at the Balance Sheet date, based on the following assumptions:		
(a) Discount Rate (per annum)	<b>7.80%</b>	7.10%
(b) Rate of increase in Compensation Levels/Escalation in salary	<b>5.00%</b>	5.00%
(c) Expected rate of Return on Plan Assets	<b>9.15%</b>	9.15%
(d) Expected Average remaining working lives of employees in number of years	<b>22 years</b>	22 years

(Rs. in '000)

	Year ended 31 <sup>st</sup> March, 2010			Year ended 31 <sup>st</sup> March, 2009		
	Gratuity (Funded)	Leave Encashment (Unfunded)	Sick Leave (Unfunded)	Gratuity (Funded)	Leave Encashment (Unfunded)	Sick Leave (Unfunded)
(l) Changes in the Present Value of Obligation						
(a) Present Value of Obligation as at 1 <sup>st</sup> April, 2008	4,344	2,147	271	3,698	1,765	243
(b) Interest Cost	308	143	19	296	127	19
(c) Past Service Cost	537	-	-	-	-	-
(d) Current Service Cost	638	505	71	439	390	71
(e) Curtailment Cost/(Credit)	-	-	-	-	-	-
(f) Impact due to Settlement	-	-	-	-	-	-
(g) Settlement Cost/(Credit)	-	-	-	-	-	-
(h) Benefits Paid	(303)	(463)	-	(459)	(443)	-
(i) Actuarial Loss/(Gain)	385	(129)	(82)	370	308	(62)
(j) Foreign currency exchange rate different from the enterprises reporting currency	-	-	-	-	-	-
(k) Present Value of Obligation as at 31 <sup>st</sup> March, 2009	5,909	2,203	279	4,344	2,147	271

	Year ended 31 <sup>st</sup> March, 2010			Year ended 31 <sup>st</sup> March, 2009		
	Gratuity (Funded)	Leave Encash ment (Unfunded)	Sick Leave (Unfunded)	Gratuity (Funded)	Leave Encash ment (Unfunded)	Sick Leave (Unfunded)
(ii) Changes in the Fair value of Plan Assets						
(a) Fair Value of Plan Assets as at 1 <sup>st</sup> April, 2008	<b>2,594</b>	-	-	2,696	-	-
(b) Expected Return on Plan Assets	<b>237</b>	-	-	247	-	-
(c) Actuarial Gain/(Loss)	<b>70</b>	-	-	(19)	-	-
(d) Employers' Contributions	<b>2,016</b>	-	-	129	-	-
(e) Benefits Paid	<b>(303)</b>	-	-	(459)	-	-
(f) Contributions by Plan	-	-	-	-	-	-
(g) Fair Value of Plan Assets as at 31 <sup>st</sup> March, 2010	<b>4,614</b>	-	-	2,594	-	-
(iii) Percentage of each Category of Plan Assets to total Fair Value of Plan Assets as at 31 <sup>st</sup> March, 2010						
(a) GOI Securities	-	-	-	-	-	-
(b) Public Securities	-	-	-	-	-	-
(c) Bank Deposits (Special Deposit Scheme, 1975)	-	-	-	-	-	-
(d) State Govt. Securities	-	-	-	-	-	-
(e) Insurance Policies	<b>4,614</b>	-	-	2,594	-	-
(f) Others (including bank balances)	-	-	-	-	-	-
(iv) Reconciliation of the Present Value of Defined Benefit Obligation and the Fair Value of Assets						
(a) Present Value of Funded Obligation as at 31 <sup>st</sup> March, 2009	<b>5,909</b>	-	-	4,344	-	-
(b) Fair Value of Plan Assets as at 31 <sup>st</sup> March 2010	<b>4,614</b>	-	-	2,594	-	-
(c) Funded (Asset) / Liability recognized in the Balance Sheet	-	-	-	-	-	-
(d) Present Value of Unfunded Obligation as at 31 <sup>st</sup> March, 2010	<b>1,296</b>	-	-	1,750	-	-
(e) Unrecognised Past Service Cost	-	-	-	-	-	-



	Year ended 31 <sup>st</sup> March, 2010			Year ended 31 <sup>st</sup> March, 2009		
	Gratuity (Funded)	Leave Encash ment (Unfunded)	Sick Leave (Unfunded)	Gratuity (Funded)	Leave Encash ment (Unfunded)	Sick Leave (Unfunded)
(f) Unrecognised Actuarial (Gains)/ Losses	-	-	-	-	-	-
(g) Unfunded Net Liability recognized in the Balance Sheet	<b>1,296</b>	<b>2,203</b>	<b>279</b>	1,750	2,147	271
(v) Amount recognized in the Balance Sheet						
(a) Present Value of Obligation as at 31 <sup>st</sup> March, 2009	<b>5,909</b>	<b>2,203</b>	<b>279</b>	4,434	2,147	271
(b) Fair Value of Plan Assets as at 31 <sup>st</sup> March, 2009	<b>4,614</b>	-	-	2,594	-	-
(c) Asset)/Liability recognized in the Balance Sheet (Net)	<b>1,296</b>	<b>2,203</b>	<b>279</b>	1,750	2,147	271
(vi) Expenses recognized in the Profit and Loss Account						
(a) Current Service Cost	<b>638</b>	<b>505</b>	<b>71</b>	439	390	71
(b) Past Service Cost	<b>537</b>	-	-	-	-	-
(c) Interest Cost	<b>308</b>	<b>143</b>	<b>19</b>	296	127	19
(d) Expected Return on Plan Assets	<b>(237)</b>	-	-	(247)	-	-
(e) Curtailment Cost/(Credit)	-	-	-	-	-	-
(f) Settlement Cost/(Credit)	-	-	-	-	-	-
(g) Net actuarial (Gain)/Loss	<b>315</b>	<b>(128)</b>	<b>(82)</b>	389	308	(62)
(h) Total Expenses recognized in the Profit and Loss Account	<b>1,561</b>	<b>519</b>	<b>8</b>	877	825	28

23. The Adoption of Accounting Standard 28, notified in the Companies (Accounting Standard) Rules 2006, on impairment detailed in Note 1 (xii) on Schedule 18 does not have any Impact on either the loss for the year or on the net assets of the company as at the year-end.
24. The Company has taken certain office and residential premises on operating lease. Future obligations in respect of non-cancelable lease rentals are Rs. Nil.(Previous year Rs. Nil). Total operating lease rent paid during the year was Rs. 3,053 Thousands (Previous Year - Rs. 2,377 Thousands).
25. Previous year's figures have been regrouped / reclassified wherever necessary to conform to current year's classification.

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**  
**AS PER SCHEDULE VI, PART (IV) OF THE COMPANIES ACT 1956**

**i) Registration Details**

Registration No. : 1 2 7 0 1 State Code : 2 5  
Balance Sheet Date : 3 1 0 3 2 0 1 0

**AMOUNT Rs. ('000)**

**ii) Capital raised during the year :**

Public Issue : N I L Rights Issue : N I L  
Bonus Issue : N I L Private Placement : N I L

**iii) Position of Mobilisation & Deployment of Funds**

Total Liabilities : 7 1 3 2 4 2 Total Assets : 7 1 3 2 4 2

**Sources of funds**

Paid up Capital : 3 7 4 7 2 6 Reserves & Surplus : N I L  
Erstwhile Loan Barred by Limitation : 1 6 1 9 2 4  
Secured Loans : 3 5 9 1 5 Unsecured Loans : 1 4 0 6 7 7

**Application of Funds**

Net Fixed Assets : 2 9 2 5 1 4 Investments : 7 4 8 7 0  
Net Current Assets : 2 2 7 8 9 6 Profit/(Loss) A/C : 1 1 7 9 6 2

**iv) Performance of Company**

Turnover including other Income : 1 4 9 4 8 8 7 Total Expenditure : 1 5 5 4 0 7 8  
Profit/(Loss) Before Tax : - 5 9 1 9 1 Profit/(Loss) After Tax : - 5 9 2 1 7  
Earning Per Share (in Rs.) - Basic : - 1 . 9 5 Dividend Rate (%) : N I L

**v) Generic Names of Principal Products / Services of Company (as per monetary terms)**

Item Code No.  
(ITC Code) : 3 9 0 7 6 0 0  
Principal Product : Polyethylene Terephthalate Bottle Grade

**On Behalf of the Board**

**CHAND SETH** Chairman & Managing Director  
**HARISH SETH** Managing Director  
**ASHOK KHANNA** Director  
**CS. PALLAVI VARDHAN** Asst. Company Secretary

Place : New Delhi  
Dated : 28<sup>th</sup> May, 2010

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**PEARL ENGINEERING  
Polymers Limited**

**Registered Office :**  
D-17, M.I.D.C., Industrial Area, Kurkumbh  
Taluk Daund, Distt. Pune - 413802, Maharashtra

**ATTENDANCE SLIP**

(To be handed over at the entrance of the Meeting Hall)

(I hereby record my presence at the 16th ANNUAL GENERAL MEETING at D-17, M.I.D.C. Industrial Area, Kurkumbh, Taluk Daund, Distt. Pune - 413 802, Maharashtra on, Friday, the 24<sup>th</sup> September, 2010, at 2.30 P.M.

Name of the Member(s) / Proxy attending the Meeting	
Folio No./Client ID No. & DP ID No.	
No. of Shares Held	
Signature of the Member/Proxy	

**PEARL ENGINEERING  
Polymers Limited**

**Registered Office :**  
D-17, M.I.D.C., Industrial Area, Kurkumbh  
Taluk Daund, Distt. Pune - 413802, Maharashtra

**PROXY FORM**

I/We .....  
of .....  
being a Member/Members of Pearl Engineering Polymers Limited, hereby appoint .....  
of .....  
or failing him .....  
of .....  
as my/our Proxy to attend and vote for me/us and on my/our behalf at the 16th ANNUAL GENERAL MEETING of the said Company to be held at 2:30 P.M. on Friday, the 24<sup>th</sup> September, 2010, or at any adjournment thereof.  
Signed this ..... day of .....2010  
Signature of  
The Member(s) .....  
Folio No./Client ID No. & DP ID No .....

**N.B. (i) The Proxy, in order to be effective, must be deposited at the Registered Office of the Company, not later than 48 hours before the time of the Meeting.**

**(ii) A PROXY NEED NOT BE A MEMBER**

Affix  
15 Paise  
Revenue  
Stamp