

PEARL POLYMERS LIMITED

ANNEXURE TO THE DIRECTORS' REPORT

Corporate Governance Report for the year 2005-06

Company's Philosophy on Code of Corporate Governance

Pearl Polymers Limited (PPL) upholds its commitment to the highest standards of Corporate Governance. PPL continues to review its corporate Governance and ensuring its relevance, effectiveness and responsiveness to the needs of all the stakeholders. The underlying philosophy of Corporate Governance envisages attainment of the highest level of transparency, accountability and equity, in all facets of its operation, and in all its interactions with the shareholders, employees, the Government and the lenders.

The Board is maintaining the highest principles of Corporate Governance and ensuring integrity of the Company's financial reporting, disclosure of material information, sound investor relations, continuous improvement of the internal controls and maximum contribution to uphold health, safety and environment.

This Section, along with the Sections on additional shareholder information and Management Discussion and Analysis in the Annual Report, constitutes compliance with Clause 49 of the Listing Agreement.

1. Board of Directors

The Company's Board is constituted to provide strategic guidance to the Company, effective over-seeing of the management, defining responsibilities of the senior management and ensuring accountability.

The effectiveness of the Board is reviewed periodically in terms of composition and size for ensuring strong element of independence in decision making.

As on 31st March 2006, the Board of Directors of the Company comprised of two Promoter Directors (executive) and four non - executive independent Directors, one of whom is a Nominee Director representing HSIDC.

5 (Five) Board Meetings were held during the year ended 31st March, 2006. The dates on which the Board meetings held were as follows: 1) May 19, 2005, 2) June 30, 2005 3) July 28, 2005, 4) October 31, 2005 and 5) 31st January, 2006. The maximum time gap between any two meetings was not more than four months.

The information regarding directors seeking re-appointment and appointment is disclosed under Explanatory Statements and Notes to the Notice of AGM.

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.

The details of the Directors, their category, Attendance particulars and directorship/chairmanship in other companies are tabulated below:

Name of the Director	Category	Attendance Particulars		Number of other Directorships and total Committee Membership/Chairmanhips held by Individual		
		Board Meeting	Last AGM	Other Directorship	Committee Membership	Committee Chairmanship
Mr. Chand Seth	Chairman & Managing Director (Executive Chairman)	05	Yes	2	2	Nil
Mr. Harish Seth	Vice Chairman & Managing Director (Executive Vice-Chairman)	05	Yes	2	Nil	Nil
*Mr. Arun Gupta	Director Independent and Non – Executive	02	Yes	Nil	2	Nil
Mr. Ramesh Mehra	Director Independent and Non – Executive	01	No	Nil	2	Nil
Dr. Sai Ramachandran	Director Independent and Non – Executive	05	Yes	2	2	3
Mr. R. K. Gupta	Nominee Director (HSIDC)	Nil	No	Nil	Nil	Nil
*Mr Vijay Khurana	Director Independent and Non-Executive	1	No	3	2	Nil

* Mr Vijay Khurana resigned from the Board w.e.f 19th May, 2005. Further, Mr Arun Gupta was appointed on the Board w.e.f 2nd September, 2005 and has resigned from the Board w.e.f 30th June 2006

Directorships received by Directors as mentioned above do not include directorships held in private companies. None of the Non-Executive Directors have any material pecuniary relationship or transactions with the Company nor do they hold any shares in the Company.

The Board is routinely presented with all information as required under Clause 49 of the Listing Agreement, whenever applicable and submitted as part of the agenda or either tabled in the course of Board Meetings.

2. Finance Committee

The Committee consists of four members namely Mr. Chand Seth (Chairman), Mr. Harish Seth, Mr. Arun Gupta and Mr. Ramesh Mehra. The Committee was reconstituted by the Board of Directors in its meeting held on 31st October, 2005 with the induction of Mr. Arun Gupta. The Board of Directors of the Company has constituted the Finance Committee for taking decisions on making/reviewing Banking arrangements, approval of short-term and long-term Investments, and other financial transactions within the limits specified by the Board, to make allotment of shares of the Company to financial institutions and promoters. Also, the Committee has authority to approve and deal with transfers/transmission of shares. The Finance Committee meets as and when one needs to consider any matter assigned to it arise.

Time Schedule for holding the meetings of the Finance Committee is finalized, in consultation with the Committee members. The minutes of the proceedings of the Committee are placed before the Board for its perusal and noting. The Finance Committee had met 27 times on the following dates namely; April 15, 2005, April 28, 2005, April 30, 2005, May 16, 2005, May 31, 2005, June 15, 2005, June 30 2005, July 19, 2005, July 30, 2005, August 17, 2005, August 30, 2005, September 07, 2005, September 15, 2005, September 30, 2005, October 15, 2005, October 31, 2005, November 15, 2005, November 16, 2005, November 30, 2005, December 16, 2005, December 31, 2005, January 16, 2006, January 31, 2006, February 15, 2006, February, 28, 2006, March 16, 2006 and March 31, 2006.

3. Audit Committee

During the year, Audit Committee was reconstituted with the co-option of Mr Arun Gupta as its member. As on 31st March 2006 the Audit Committee comprised of four directors out of which three are independent directors in terms of the provisions of Sec 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement. The members of the Audit Committee of the Company as on 31st March 2006 comprises of Dr. Sai Ramachandran as its Chairman and other three members namely Mr. Chand Seth, Mr. Arun Gupta and Mr Ramesh Mehra.

The terms of reference of Audit Committee cover the matters specified for Audit Committee under Clause 49 of the Listing Agreement (as amended up to date) and Sec 292 A of the Companies Act, 1956.

During the period, the Committee met three times on following dates namely June 30, 2005, October 31, 2005, and January 31, 2006. The statutory auditors and the internal auditors were also invited to attend the audit committee meetings.

Attendance of each member of Audit Committee Meetings held during the year were:- (1) Dr. Sai Ramachandran- June 30, 2005, October 31, 2005 and January 31, 2006 (2) Mr. Chand Seth- October 31, 2005 and January 31, 2006 (3) Mr. Ramesh Mehra- June 30, 2005 and 4) Mr. Arun Gupta- October, 2005 and January 31, 2006.

4. Remuneration Committee

The Board of directors of the Company has constituted a remuneration committee comprising of three independent non-executive directors viz. Dr. Sai Ramachandran (Chairman), Mr. R. K. Gupta and Mr. Ramesh Mehra.

The Remuneration Committee has been constituted to recommend/ review the remuneration package of the Managing/Whole-Time Directors, based on defined criteria and their contribution. When a reference is made to the Remuneration Committee, it takes into account the financial position of the Company, trend in the industry, appointee's qualification, experience, past performance, past remuneration and recommends such performance criteria, that is in a position to bring about objectivity in determining the remuneration package while striking a balance between the interest of the Company and the shareholders.

During the period under review, one Remuneration Committee Meeting was held on June 30, 2005. The aggregate value of the salary and perquisites including commission payable for the year ended March 31, 2006 to the Managing Director(s)/Whole Time Director(s) is as follows: Mr. Chand Seth, Chairman and Managing Director - Rs Nil/-.

Mr Harish Seth, Vice Chairman and Managing Director - Salary : Rs. 27.5 lakhs, Perks: Rs. 7.36 lacs.

Retirement benefits comprise the company's contribution to provident fund and superannuation fund. The payment of retirement benefits is being made by the respective fund(s). In addition to the above, the Company also contributes, on actuarial valuation basis, amount to the Gratuity Fund towards the gratuity of its employees including the Managing

Director. The amount relating to the contribution made in respect of Managing Director is unascertainable.

There are no stock option plans. Mr Harish Seth, Vice-Chairman & Managing Director has been appointed for a period of 3 years w.e.f 1st July 2005 and no severance fee is payable to him in respect of his cessation. Mr Chand Seth, Chairman & Managing Director has been appointed for a period of 5 years w.e.f 1st April 2003 and does not draw any remuneration from the Company and no severance fee is payable to him in respect of his cessation.

Mr. Chand Seth, Chairman & Managing Director and Mr. Harish Seth, Vice Chairman & Managing Director are related to each other. None of the employees are related to any of the directors.

Sitting fees payable to Directors @ Rs. 1000/- for attending each meeting of the Board. The directors to whom sitting fees has been paid and the amount of sitting fee paid is as follows: Dr. Sai Ramachandran Rs. 5000/-, Mr. Arun Gupta, Rs. 2000/-, Mr. Vijay Khurana Rs. 1000/-.

5. Shareholder's/Investor's Grievance Committee

The Board of Directors of the Company has constituted a Shareholders' / Investors' Grievance Committee. As on 31st March 2006, the Committee comprises of Dr. Sai Ramachandran as Chairman, Mr. Chand Seth and Mr. Ramesh Mehra as its members. The Committee, inter-alia, looks into redressal of shareholders' complaints like transfer of shares, non-receipt of balance sheets, non-receipt of declared dividend etc. It also oversees the performance of the Registrar and Share Transfer Agents, so as to ensure expeditious share transfer process. Mr. Naresh Kapoor, Company Secretary, has been designated as the Compliance Officer.

The Shareholder's/Investor's Grievance Committee met three times during the period on following dates namely: 19th May 2005, 31st October 31 2005, and 31st January 2006.

The total number of complaints received and replied to the satisfaction of shareholders during the year under review was 24. Outstanding complaints as on March 31, 2006 were NIL. No transfer or requests for dematerialisation was pending for approval as on March 31, 2006.

6. Code of Conduct

Pearl Polymers Ltd Board has laid down a code for all Board members and designated senior management of the Company. The Code of Conduct is available on the website of the company ie. www.pearlpet.net. All Board members and senior managerial personnel have affirmed compliance with Code of Conduct. A declaration signed by the Chief Executive Officer to this effect is enclosed at the end of this report.

7. Risk Management

Pearl Polymers Ltd 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. Pearl Polymers Ltd has established procedures to periodically place before the Board the risk assessment and minimization procedures being followed by the company and steps taken by it to mitigate those risks through a properly defined framework.

8. General Body Meetings

Date, time and venue of the last three Annual General Meetings are given in the below table

Financial Year (ended)	Date	Time	Venue
March 31, 2003	September 16, 2003	11.30 A.M.	MPCU, Shah Auditorium, Shri Delhi Gujrati Samaj Marg, Delhi - 110 054

September 30, 2004	January 28, 2005	11.30 A.M.	MPCU, Shah Auditorium, Shri Delhi Gujrati Samaj Marg, Delhi - 110 054
March 31, 2005	July 28, 2005	11.30 A.M.	MPCU, Shah Auditorium, Shri Delhi Gujrati Samaj Marg, Delhi - 110 054

The details of Special Resolutions in respect of the last three Annual General Meetings (AGMs) are given as follows:

Date of Meeting	Particulars
16 th September 2003	1. Delisting of Company's Equity Shares from Delhi Stock Exchange, Ahmedabad Stock Exchange and Calcutta Stock Exchange. 2. To keep Register of members of the Company maintained u/s 150 and 151 of the Companies Act, 1956 at the office of Company's new RTA i.e MAS Services Pvt Ltd.
28 th January, 2005	Issuance of shares to Financial Institutions/Promoters, their relatives and associates on preferential allotment basis.
28 th July, 2005	Reappointment of Mr Harish Seth as Vice-Chairman & Managing Director and remuneration payable to him.

9. Postal Ballot

SEBI vide its Order No. WTMO/08/CFD/09/2005 dated 2nd September 2005 had granted its exemption to the acquirers (namely 'Promoters and its associates') from complying with Regulation 11(2) of Chapter III of SEBI (Substantial Acquisition of Shares & Takeovers) Regulations, 1997 for acquisition of 26,76,181 equity shares by way of preferential allotment basis. While granting exemption, SEBI has imposed a condition that the Company shall get the special resolution passed in Annual General Meeting held on 28th January 2005 for issuance of shares to Promoters and its associates on preferential allotment basis, ratified by its shareholders by way of special resolution through Postal Ballot process.

Accordingly, the Company had approached the shareholders to seek their consent for the ratification of aforesaid special resolution passed at 33rd Annual General Meeting held on 28th January 2005 by way of Postal Ballot through its Postal Ballot notice dated 21st September, 2005.

The Board had approved the Postal Ballot Notice for this purpose and had appointed Retd. Hon'ble Justice P.N. Khanna r/o 13, Ishwar Nagar (East), Mathura Road, New Delhi- 110045, as the Scrutinizer, who conducted this exercise in accordance with law. Total votes exercised through Postal Ballot were 8857732 out of which 8852699 votes were in favour and 5033 votes were against and accordingly resolution was passed by requisite majority as required. Out of 8857732 votes, non promoters votes which were in favour counted 1666966 as against 5033 votes which were casted against the resolution.

Necessary intimation relating to the voting by Postal Ballot was send to all the Stock Exchange(s) where the Company's Shares are listed.

During the last AGM, there was no resolution, which required to be passed by the Company's shareholders through postal ballot.

10. Management Discussion and Analysis has been included in the Directors' Report. The Company regularly furnishes all the relevant information as recommended by the Securities and Exchange Board of India (SEBI) and the Stock Exchanges to the Board in a structured manner.

11. Compliance

Mandatory Requirements

Pearl Polymers Ltd is fully compliant with applicable mandatory requirements of the revised Clause 49.

Adoption of Non-Mandatory Requirements

Although it is not mandatory, a Remuneration Committee of the Board is in place. Details of Remuneration Committee have been provided under the Section "Remuneration Committee".

12. CEO/CFO Certification

The Managing Director and the CFO certifications have been submitted to the Board as required under Clause 49 (V) of the Listing Agreement

13. Disclosures

a. Disclosures on materially significant related party transactions i.e. transactions of the Company of material nature, with its promoters, the directors or relatives etc. that may have potential conflict with the interests of the Company at large.

None of the transactions with related parties were in conflict with the interests of the Company. Related party transactions are reported in Notes on Accounts to the Financial Statements contained in Annual Report.

b. Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchanges or SEBI, or any statutory authority on any matter related to Capital market, during the last three years.

There were no instances of non-compliance of any matter related to the Capital market.

14. Means of Communication

a) Quarterly Results

The quarterly results were published in "The Financial Express" and "Jansatta". The financial results and shareholding pattern are also filed on the Electronic Data Information Filing and Retrieval made available on EDIFAR SEBI Website.

b) General Shareholder Information Annual General Meeting

Date	: 26 th September, 2006
Time	: 11.30 A.M.
Venue	: MPCU, Shah Auditorium, Shree Delhi Gujrati Samaj Marg Civil Lines, Delhi-110054

c) Financial Calendar (Tentative)

- Results for the quarter ending 30th June, 2006 : 31st July, 2006
- Results for the Quarter ending 30th Sept, 2006 : Last week of the Oct, 2006
- Results for the Quarter ending 31st Dec., 2006 : Last week of the Jan, 2007
- Results for the Quarter ending 31st March, 2007 : Last week of the April, 2007

d) Book Closure date

From 12th September 2006 to 26th September 2006 (Both days inclusive)

e) Dividend payment date : Not applicable

The Board has not recommended any dividend for year ended on 31st March, 2006.

f) Listing on Stock Exchanges : Mumbai, Calcutta and National Stock Exchange (NSE). Annual Listing Fee for the year 2006-07 has already been paid to all Stock Exchanges except Calcutta Stock Exchange where delisting application is still pending

g) Stock Code : 523260 (BSE) .
Trading symbol : PEARL POLY(NSE).
ISIN number for Dematerialisation : INE844A01013

h) Stock Market Data**Mumbai Stock Exchange**

Month	Year	Month's High Price (Rs.)	Month's Low Price (Rs.)	BSE Sensex	
				High	Low
April	2005	15.30	12.00	6649.42	6118.42
May	2005	25.53	9.85	6772.74	6140.97
June	2005	24.05	17.30	7228.21	6647.36
July	2005	24.50	17.55	7708.59	7123.11
August	2005	25.70	20.00	7921.39	7537.50
September	2005	30.90	23.15	8722.17	7818.90
October	2005	25.40	15.00	8821.84	7656.15
November	2005	24.00	15.30	9033.99	7891.23
December	2005	19.80	15.60	9442.98	8769.56
January	2006	22.15	18.20	9945.19	9158.44
February	2006	20.85	15.55	10422.65	9713.51
March	2006	17.00	13.00	11356.95	10344.26

i) Registrar and Share Transfer Agents: Mr N.K. Rastogi, Director

MAS Services Pvt. Limited
AB-4, Safdarjung Enclave,
New Delhi - 110 029
Ph: 26104142/26104326
Fax 26181081
Email mas@vsnl.com

j) Share Transfer System:

All the transfers received are processed and approved by Share Transfer Committee, which normally meets twice a month. Share Transfers are registered and returned within 30 days from the date of lodgement of complete documents.

k) Distribution of Shareholding as on 31st March 2006:

Particulars	No. of Shares	% of Shareholding
Promoters	9918575	61.04
NRI / OCBs	231306	1.42
FII/ Mutual Funds/FI's/Banks	1438624	8.85
Bodies Corporate	1020288	6.28
Public	3585816	22.07
Total	16249655	100.00

The shareholding pattern of the Company on quarterly basis is also made available on EDIFAR on SEBI Website, within 15 days from the end of respective quarter.

l) Distribution of Shareholding as on 31st March 2006:

Shareholding of Nominal Value Rs.	No. of Share Holders	% of Shareholders	No. of Shares	Share Amount Rs.	% of Share Holding
UP TO 5000	10978	92.06	1554108	15541080	9.56
5001-10000	532	4.46	444072	4440720	2.73
10001-20000	182	1.53	276705	2767050	1.70
20001-30000	68	0.57	180263	1802630	1.11
30001-40000	28	0.23	100172	1001720	0.62
40001-50000	28	0.23	135004	1350040	0.83
50001-100000	39	0.33	295014	2950140	1.82
100001 & above	70	0.59	13264317	132643170	81.63
TOTAL	11925	100.00	16249655	162496550	100.00

m) Dematerialisation of Shares:

Over 72.40% of the Company's paid - up equity Share Capital has been dematerialised up to 31st March, 2006. Trading in equity shares of the Company is permitted only in dematerialised form as per notification issued by Securities and Exchange Board of India (SEBI).

n) Outstanding GDRs/ADRs/Warrants or any Convertible instruments, conversion date and likely impact on equity

As on 31st March, 2006, the Company did not have any outstanding GDR's/ADR's/Warrants or any convertible instruments.

o) Plant Location:

- (a) B - 3/2, M. I. D.C. Distt. Raigad, Mahad, Maharashtra - 403 302.
- (b) 13- A, Part - I, Jigani Industrial Area, Distt, Anekal, Bangalore, Karnataka.
- (c) 2 - A, Sector - 18, HSIDC Near Bijlee Board, Gurgaon - 122 001, Haryana.
- (d) Khasra No. 512-513, Village Sandholi (Baddi), Tehsil Nalagarh, Distt.- Solan, H.P

p)

Address for Investor Correspondence For Share Transfer/ Dematerialisation of Shares and any other Query relating to Shares.	1. MAS Services Private Limited, (Unit Pearl Polymers Limited) AB-4, Safdarjung Enclave, New Delhi - 110 029 Ph : 26104142/26104326 Fax 26181081 Email : mas@ vsnl.com
For Investors Assistance	2. Secretarial Department, Pearl Polymers Limited 703 Rohit House,3, Tolstoy Marg Connaught Place, New Delhi - 110 001 Phone Nos: 41417917-21 (Board) Fax No. 41417596 Email- naresh Kapoor@pearlpet.net Contact Person: Mr. Naresh Kapoor, Company Secretary Mr. Sanjeev Gupta, Ph: 43567922 – Direct

15. Report on Corporate Governance

The Company has submitted a quarterly compliance reports to the Stock Exchanges within 15 days from the close of quarter as per the format given in Clause 49, duly signed by the Compliance Officer.

16. Other Material Information:

The Company has transferred the unclaimed amount of dividend up to the year ended 31st March 1998 to IEPF Account pursuant to the provision of Section 205 C of the Companies Act, 1956 and rules made thereunder. Further, unclaimed amount of 2nd and 3rd Instalment of redemption remaining unclaimed for 7 years were transferred to IEPF account. Further, the amount of interest remaining unclaimed on aforesaid NCD's for the period ended 31st March 1999 has also been transferred to IEPF A/c.

In an effort to improve our services and in order to minimize investor grievance, we seek the co-operation of our esteemed shareholders/members in the following matters.

Folio Number and Demat Request Number (DRN): Kindly mention your Folio No or DP ID No. and your Client ID with Depository Participant in all your Correspondence pertaining to your shareholding in physical or in Demat form, as the case may be, to the Company and /or the Registrar & Share Transfer Agent of the Company.

Consolidation of holdings: Members who have multiple shareholding /Folios in identical names or joint accounts in the same order are requested to send their share certificate (s) to the Company for consolidation of all such shareholdings into one folio /account to facilitate better service.

Change of Address: In case of change of address or if the address mentioned in our correspondence is incomplete / incorrect, kindly intimate your correct postal address, including PIN Code number. Such intimation should bear the signature of the shareholders and in case of joint holdings, the signatures of the first shareholder.

Equity Shares held in Electronic form: Shareholders holding equity shares in electronic form may please note that:

All instructions regarding change of address, nomination, Power of Attorney and transfer of share etc. should be given directly to their respective Depository Participant(s) and Registrar & Share Transfer Agent of the Company.