

DIRECTORS' REPORT

Dear Shareholders,

Your Directors are pleased to present the 34th Annual Report together with the Audited Accounts of the Company for the Six Months period ended 31st March 2005.

FINANCIAL RESULTS

(Rs. in '000')

	For the 6 Months period ended on March 31, 2005	For the 18 Months period ended on September 30, 2004
Total Income	694696	1767602
Profit before Interest, Depreciation & Taxes	74049	216904
Less : Interest	32587	116234
Depreciation	31264	92972
Profit/(Loss) before Tax, Extra-ordinary Items & Prior Period Adjustments	10198	7698
Extra-ordinary Items & Prior Period Adjustments	(60)	779
Profit/(Loss) before Tax	10138	8477
Income Tax Adjustment/Payment for earlier year	(073)	(072)
Provisions for Tax		
- Current	(794)	(604)
- Deferred	738	4976
Profit/(Loss) After Tax carried forward to Balance Sheet	10009	12777

FINANCIAL YEAR

The current financial year comprises of 6 months and accordingly the accounts under review have been prepared for a period of 6 months i.e. from 1st October, 2004 to 31st March, 2005 and accordingly, the figures for the period under review are not strictly comparable with previous period figures.

DIVIDEND

The Directors express their inability to recommend any dividend on equity shares for the period under review in absence of availability of distributable profits.

MANAGEMENT DISCUSSION AND ANALYSIS

(a) Industry Structure and Development

The PET Bottle Industry in India consists of over 250 units spread all over the Country. These units have investments, ranging from Rs. 20 Lacs to over Rs. 50 Crores. Your Company is the pioneer and is one of the largest producers of PET Jars, Containers and Bottles through single stage route

in India, with production facilities located in Gurgaon, Mahad (150 KM from Mumbai) and Jigani (30KM from Bangalore).

The Company has its own design and development department and is well equipped to develop custom-built packaging for its customers.

The primary focus of the Company is to meet industrial packaging needs at affordable prices and continue to remain a popular household name.

(b) Opportunity and Threats

The Company foresees high growth potential in all segments like pharmaceuticals, beverages, liquor, personal care, cosmetics and all other packaged goods for domestic consumption. The multi-location facilities and new application development skills of the company enables it to harness this opportunity and maintain its market shares.

Due to mushrooming of small manufacturers, there has been severe competition in the market,

which has resulted in low margins. However due to improved efficiencies, optimum usage of resources and strict cost controls, the company has been able to maintain its market leadership.

(c) Outlook

The performance of Industry & services is expected to remain buoyant during 2005-06. Overall GDP is expected to grow in range of 6.5% - 7% during 2005-06. The growth rate for Industrial sector was higher as compared to previous year. The direct tax incentive mainly to end products produced by units located in Northern and North East Indian States will give impetus to growth. This alongwith rise in spending pattern of the consumer is expected to give a boost to the consumption patterns as well as growth rate of packaged goods and other products. The Company is in process of setting up its fourth unit at Baddi and expects to cater to the packaging needs of food and pharmaceutical companies coming up in Baddi. The prospects of packaging business are encouraging and the focus on expansion of market size with consequent volume gains will be persisted with.

(d) Risks and Concern

There is a continuous pressure on the conversion margin, caused by small-scale units mushrooming near customer's base. The Company is working on improving overall internal efficiencies, capacity utilisation and productivity to combat these factors.

(e) Internal Control Systems and their Adequacy

The Company has proper and adequate systems of internal controls to provide reasonable assurance that all assets are safeguarded and protected against any loss by disposition, misuse etc.

All the policies, procedures, guidelines, authorisations and approval procedures are well documented.

The Management periodically reviews the internal control systems and their adequacy. In addition, the Company has a regular internal audit system.

(f) Discussion of Financial Performance with Respect to Operational Performance

During the period, the Company continued to maintain a surge in its growth trend and achieved a higher turnover. The turnover recorded a growth of 19% on pro-rata basis. This was partly due to better utilisation of capacity. The Company's turnover for the 6 months period ended on 31st March 2005 was Rs. 6946.96 Lacs as compared to Rs. 17676.02 Lacs for the 18 months

period ended on 30th September 2004. The emphasis on cost reduction and increased emphasis is a continued exercise. As a result, the operating cost was 24% of sales as compared to 28% in the previous period. In the coming year, the Company will strive to expand its manufacturing base and offer more competitive product to improve its fiscal performance. In the coming year, the Company will strive to widen its customer base, increase market share, develop new products, enter new segments and step up market initiatives and look for overall growth in domestic top line.

(g) Human Resources/Industrial Relations

It is the Company's belief that Human Resources is the driving force towards progress and success of a Company. The Company seeks to motivate and retain its professional by offering reasonable compensation and opportunity to grow in the organisation. The total permanent employee's strength of the Company was 615 as on 31st March 2005. The industrial relations remained cordial during the period under review.

CORPORATE GOVERNANCE

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

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

DIRECTORS

In accordance with the requirement of the Companies Act, 1956, Dr. Sai Ramachandran retires by rotation at the ensuing Annual General Meeting and is eligible for re-appointment. Brief profile of Dr. Sai Ramachandran is furnished in Corporate Governance Report.

Further, Mr. Vijay Khurana, Director on the Board of the Company has resigned from the directorship of the Company w.e.f. 19th May 2005. The Board places on record its appreciation for the services rendered by Mr. Vijay Khurana during the period of his association with the Board of the Company.

The Board of Directors in its meeting held on 30th June, 2005 have appointed Mr. Harish Seth as Vice-Chairman & Managing Director for a further period of 3 years w.e.f. 1st August, 2005 and have also revised the remuneration payable to him based on the

recommendations received from Remuneration Committee. The resolution for appointment of Mr. Harish Seth for a further period of 3 years and revision in remuneration payable to him is being placed in ensuing Annual General Meeting for the approval of shareholders.

LISTING OF SHARES

The Company's Shares are presently listed on Mumbai Stock Exchange, National Stock Exchange and Calcutta Stock Exchange.

Annual Listing Fee for the year 2004-05 has already been paid to all Stock Exchanges except Calcutta Stock Exchange where the company's delisting application is still pending.

FIXED DEPOSITS

A sum of Rs. 25.96 Lacs relating to 148 deposits remained unclaimed as on 31st March 2005. Since then, deposits amounting to Rs. 10.73 Lacs in respect of 52 depositors have been re-paid.

AUDITORS' REPORT

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

AUDITORS

M/s. Joginder P. Jain & Co., Chartered Accountants, New Delhi, have submitted their resignation and have expressed their inability to continue as Statutory Auditors of the Company. The Statutory Auditors were appointed by shareholders at the last Annual General Meeting held on 28th January 2005. With this resignation, casual vacancy has been caused and filling of casual vacancy is required to be approved by the shareholders. A written certificate has been obtained from M/s. J.C. Bhalla & Co., Chartered Accountants, New Delhi, who are to be appointed as Statutory Auditors to fill the casual vacancy caused by resignation, to the effect that the said appointment, if made, will be in accordance with regulations as specified u/s 224 (1B) of the Companies Act, 1956. The matter as such is being placed before members to consider appointment of M/s. J.C. Bhalla & Co., Chartered Accountants as Statutory Auditors to hold office until the conclusion of next Annual General Meeting.

ISSUE OF SHARES ON PREFERENTIAL BASIS

Pursuant to the approval of members given in its last AGM held on 28th January 2005, the company had allotted 14,31,524 equity shares to Financial

Institutions namely IDBI and LIC on account of interest rate relief granted on loans granted by them. These shares are under lock- in period for a period of one year from the date of allotment as per the SEBI Guidelines for Preferential Issues.

Further, in respect of issue of shares to the promoters and their associates, application has been filed with the Takeover Division, Office of SEBI, Mumbai for seeking exemption from the regulations of SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997 for allotment of shares to the promoters and their associates. The aforesaid application is still pending with SEBI and the shares shall be allotted on the receipt of necessary orders from SEBI in this respect.

PARTICULARS AS PER SECTION 217 OF THE COMPANIES ACT, 1956

There are no employees whose particulars are required to be furnished pursuant to the provisions of Section 217(2A) of the Companies Act, 1956 read with relevant rules thereunder.

Information relating to the Conservation of Energy, Research & Development and Foreign Exchange Earnings and Outgo, as required under Section 217 (1)(e) of the Companies Act, 1956 are annexed and forms an integral part of this Report.

CASH FLOW STATEMENT

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

DIRECTORS' RESPONSIBILITY STATEMENT

In accordance with the Section 217 (2AA) of the Companies Act, 1956, with respect to "Directors Responsibility Statement" in the Board's Report, the directors hereby confirm:

- (i) That in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures.
- (ii) That the Directors had selected such accounting policies and applied them consistently and made so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the loss of the Company for that period. Judgments and estimates that are reasonable and prudent
- (iii) That the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets

of the Company and for preventing and detecting frauds and other irregularities.

- (iv) That the Directors had prepared the annual accounts on a going concern basis.

ACKNOWLEDGEMENT

We take this opportunity to express our deep sense of gratitude to Financial Institutions, Bankers, Central and State Government Departments, Local Authorities, our associates and customers for their continued guidance and support.

Your directors would like to record their sincere appreciation of the dedicated efforts put in by the employees across all levels in the Organisation.

And to you, our shareholders, we are deeply grateful for the confidence and faith that you have reposed in us.

On behalf of the Board

(CHAND SETH)
CHAIRMAN & MANAGING DIRECTOR

Place : **New Delhi**
Date : **June 30, 2005**

STATEMENT PURSUANT TO THE PROVISIONS OF SECTION 217 (1)(E) OF THE COMPANIES ACT, 1956.

A. Conservation of Energy

Our process is energy sensitive. A continuous power source is the main resource of our conservation. Apart from the above, we upgrade our system at regular intervals to conserve energy in the following sections:

1. Conservation in water and air management.
2. Compartmentalisation in energy distribution system so that production machines isolation can be done with auto shut off system of services.
3. Predictive and preventive maintenance of the equipment to plug the losses due to friction, carbonisation, clogging, heat generation etc.
4. Continuously upgrading electrical distribution system, its monitoring etc. so that optimum utilisation of power is made possible.
5. Introduction of various energy savers like Electronic, Soft Starters, Variable Speed Drivers, Low Power Consuming Illumination System, Capacitor Banks etc.
6. Instrumentations for Energy measurements and its control for various applications.

B. Foreign Exchange Earning and Outgo (Rs. in '000')

- | | |
|--|-------------|
| 1. Foreign Exchange Earnings (FOB) | 3518 |
| 2. Foreign Exchange Outgo (on CIF Basis) | |
| (i) On Imports | |
| (a) Raw Material | 4121 |
| (b) Capital Goods | 1716 |
| (c) Components | NIL |
| (ii) Others | 1066 |

C. Research & Development

The Company has a Technical and Research & Development Department to upgrade its technology to meet business requirements in a sensitive and competitive manner on continuous basis, which includes:

1. Implementation of ISO-9001 and Q9001-2000 norms in our manufacturing plants.
2. Identification of changing need of our customers and to cater newly developed PET products of various shapes and sizes to them.
3. Encouraging customers to convert their packaging into PET packaging through technical guidance.
4. Upgrading equipment reliabilities and process capability upto the international standards.
5. Continuous improvements in our quality standard by mould developments, in-process control of products through circle activities etc.
6. Review of performance, resource mobilisation to enhance performance by statistical technique.
7. Exploring the possibilities to use LNG as a fuel for self power generation instead of HSD/LDO.

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

To The Members of Pearl Polymers Limited

1. We have reviewed the implementation of Corporate Governance procedures by Pearl Polymers Limited (the Company) during the 6 Months Period ended March 31, 2005 (Financial Year) with the relevant records and documents maintained by the Company, furnished to us for our review and the Report on Corporate Governance as approved by the Board of Directors.
2. The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

3. We state that in respect of investor grievances received during the 6 Months Period ended March 31, 2005, no investor grievances are pending for a period exceeding one month against the Company as per the confirmation received from the Registrar & Share Transfer Agent of the Company.
4. On the basis of our review and according to the information and explanations given to us, the conditions of Corporate Governance as stipulated in Clause 49 of the listing agreement(s) with the Stock Exchange(s) have been complied with in all material respects by the Company.

PLACE : New Delhi
DATE : June 30, 2005

J.P. JAIN
Proprietor
For and on behalf of
JOGINDER P. JAIN & CO.
Chartered Accountants
Membership No. 8881

REPORT ON CORPORATE GOVERNANCE

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

2. 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 2005, 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.

3 (Three) Board Meetings were held during the six months period ended 31st March, 2005. The dates on which the Board meetings held were as follows: 1) October 29, 2004, 2) December 18, 2004 and 3) January 28, 2005. The maximum time gap between any two meetings was not more than four months.

Dr. Sai Ramachandran, director of the Company retires by rotation at the forthcoming AGM and is proposed to be re-appointed at the ensuing Annual General Meeting.

Dr Sai Ramachandran holds Master degree in Chemistry from Madras University, MBA in Marketing from University of Minnesota, USA and Phd. from M.D. University, Rohtak.

He has an experience of more than 34 years and has held Sr. Sales & Marketing positions in Companies like DCM, AMUL, RANBAXY and PROCTER & GAMBLE. He joined as Marketing Manager in Dabur and rose to the position of General Manager (Mktg.) and during this period, he was credited with the growth of sales in Dabur from Rs. 27 crores to 175 crores. He has also been the Managing Director of EMAMI Foods Ltd., and Director of EMAMI Cosmetics. He is currently a Management Consultant to various companies like India Gypsum Ltd., Lal Bhai Group & Multani Pharmaceuticals, Eicher Consultancy Services Ltd., Atlas Cycle Industries Ltd. Besides being a director on the Board of Elpro International Ltd. and Indo-Asian Fusegear Ltd., he has been involved in Academics and has been teaching for the last 26 years the subject of Management in most of the Management Institutes, being a visiting faculty to FMS, Delhi University. He is also the Vice-Chairman of Sri Sringeri Sharda Institute of Management. He is also the Chairman of Audit Committee, Shareholder's Investor's Grivance Committee and Remuneration Committee of M/s. Pearl Polymers Ltd.

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 Committee Membership/Chairmanships		
		Board Meeting	Last AGM	Other Directorship	Committee Membership	Committee Chairmanship
Mr. Chand Seth	Chairman & Managing Director (Executive Chairman)	02	Yes	2	Nil	Nil
Mr. Harish Seth	Vice Chairman & Managing Director (Executive Vice-Chairman)	02	No	2	Nil	Nil
*Mr. Vijay Khurana	Director Independent and Non-Executive	03	Yes	3	2	-
Mr. Ramesh Mehra	Director Independent and Non-Executive	Nil	No	-	3	-
Dr. Sai Ramachandran	Director Independent and Non-Executive	03	Yes	2	7	3
Mr. R. K. Gupta	Nominee Director (HSIDC)	Nil	No	-	1	-

Directorships received by Directors as mentioned above do not include directorships held in private companies.

*Mr Vijay Khurana resigned as director from the Board w.e.f 19.05.2005

Amongst other things, the terms of Reference to the Board include:

- Annual operating plans and budgets and any updates thereof.
- Quarterly results for the Company.
- Minutes of the Meetings of the Audit Committee and other Committees of the Board.
- Information on recruitment and remuneration of Senior Officers immediate to the Board level.
- Materially important show-cause, demand, and 'prosecution' and penalty notices.
- Fatal or serious accidents or dangerous occurrences.
- Any materially significant effluent or pollution problems.
- Any materially relevant default in financial obligations to and by the Company or substantial non-payment of goods sold by the Company.
- Any issue of which involves possible public or product liability clause of a substantial nature.
- Details of any joint venture or foreign collaboration agreements.
- Transactions that involve substantial payment towards goodwill, brand equity or intellectual property.
- Significant labour problems and their proposed solutions.
- Significant development in human resources and industrial relations fronts.
- Sale of material nature, of investments, subsidiaries, assets, which is not in the normal course of business.
- Quarterly details of foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movement and
- Non-compliance of any regulatory, statutory or listing requirements as well as shareholder services such as non-payment of dividend and delays in share transfer.

The Board is routinely presented with all information under the above heads whenever applicable and submitted as part of the agenda or either tabled in the course of Board Meetings.

3. FINANCE COMMITTEE

As on 31st March 2005, the Committee consisted of 4 members namely Mr. Chand Seth (Chairman), Mr. Harish Seth, Mr. Vijay Khurana and Mr. Ramesh Mehra. During the period, Committee was reconstituted by the Board in its meeting held on 28th January 2005 with the induction of Mr. Ramesh Mehra as its member. 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 etc. 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 finalised, 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 12 times on the following dates namely; October 30, 2004, November 16, 2004, November 30, 2004, December 16, 2004, December 28, 2004, January, 18, 2005, January 31, 2005, February 11, 2005, February 15, 2005, February 28, 2005, March 15, 2005 and March 29, 2005.

4. AUDIT COMMITTEE

As on 31st March, 2005 the Audit Committee comprised of three independent non-executive directors in terms of Section 292A of the Companies Act 1956 read with clause 49 of the Listing Agreement. As on 31st March, 2005 the Audit Committee comprised of Dr. Sai Ramachandran as its chairman and other two members namely Mr. Vijay Khurana and Mr. Ramesh Mehra.

The terms of reference stipulated by the Board of Directors to the Audit Committee are, as contained in Clause 49 of the Listing Agreement and 292 A of the Companies Act, 1956, as follows: -

- a) Overview of the Company's financial reporting process and the disclosure of its financial information.
- b) Recommending the appointment and removal of external auditors, fixation of audit fee and also for approval for payment for any other services.
- c) Reviewing with management the annual financial statements before submission to the Board, focussing primarily on
 - Any changes in the accounting policies and practices.
 - Major accounting entries based on exercise of judgement by management
 - Qualification in draft audit report.
 - The going concern assumption.
 - Compliance with Accounting Standards.
 - Compliance with Stock Exchange and legal requirements concerning financial statements
 - Any related party transactions i. e. transactions of the Company of material nature, with promoters or the management, their or relatives or subsidiaries etc., that may have potential conflict with the interest of Company at large.
- d) Reviewing with the management, external and internal auditors, the adequacy of the internal control systems.
- e) Reviewing the adequacy of the internal audit functions.
- f) Discussion with internal auditors any significant findings and follow-up thereon.
- g) Reviewing the findings of any internal investigations by the internal auditors in to matters where there is suspected fraud or irregularity or failure of internal control systems of a material nature and reporting the matter to the Board.
- h) Discussion with external auditors before the audit commences nature and scope of audit as well as have post audit discussion to ascertain any area of concern.

- i) Reviewing the Company's financial and risk management policies.
- j) To look into the reasons for substantial defaults in the payment to the depositors, debenture-holders, shareholders (in case of non-payment of declared dividends and creditors).

The recommendations of the audit committee on any matter, relating to financial management including the audit report, are binding on the Board. The Company Secretary acts as Secretary to the Committee.

During the period, the Committee met three times on following dates namely October 29, 2004, December 18, 2004 and January 28, 2005. 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: October 29, 2004, December 18, 2004 and January 28, 2005 (2) Mr. Vijay Khurana: October 29, 2004, December 18, 2004 and January 28, 2005 (3) Mr. Ramesh Mehra: Nil.

5. 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, no Remuneration Committee Meeting was held.

The aggregate value of the salary and perquisites including commission payable for the period ended March 31, 2005 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 Rs. 9.82 lacs.

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: Mr. Chand Seth, Chairman & Managing Director Rs. 2000/-, Mr. Harish Seth, Vice Chairman & Managing Director: Nil, Dr. Sai Ramachandran: Rs. 3000/-, Mr. Vijay Khurana: Rs. 3000/-.

6. SHAREHOLDER'S/INVESTOR'S GRIEVANCE COMMITTEE

The Board of Directors of the Company has constituted a Shareholders'/ Investors' Grievance Committee. As on 31st March 2005, the Committee comprised of Dr. Sai Ramachandran as Chairman, Mr. Vijay Khurana 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: October 29, 2004, December 18, 2004 and January 28, 2005.

The total number of complaints received and replied to the satisfaction of shareholders during the period under review was 40. Outstanding complaints as on March 31, 2005 were NIL. No transfer or requests for dematerialisation was pending for approval as on March 31, 2005.

7. 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, 2002	September 26, 2002	11.30 A.M.	MPCU, Shah Auditorium, Shri Delhi Gujrati Samaj Marg, Delhi - 110 054
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

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

At the ensuing Annual General Meeting, no resolution is proposed to be passed by postal ballot.

8. 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.

Transaction with related parties are disclosed in Note no. 17 of Schedule 18 (ii) to the Financial Statement in the Annual Report.

- b. **Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchanges or SEBI, or and 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.

9. MEANS OF COMMUNICATION

Quarterly Results

The quarterly results were published in "The Financial Express" and "Jansatta"

The same are also made available on EDIFAR on SEBI Website.

The Management Discussion and Analysis (MD&A) is a part of the Annual Report.

10. GENERAL SHAREHOLDER INFORMATION

10.1 Annual General Meeting

Date	: 28 th July, 2005
Time	: 11.30 A.M.
Venue	: MPCU, Shah Auditorium, Shree Delhi Gujrati Samaj Marg Civil Lines, Delhi-110054

10.2 Financial Calendar (Tentative)

- Results for the quarter ending 30th June, 2005 : 30th July, 2005
- Results for the Quarter ending 30th Sept, 2005 : Last week of the Oct, 2005
- Results for the Quarter ending 31st Dec., 2005 : Last week of the Jan, 2006
- Results for the Quarter ending 31st March, 2006 : Last week of the April, 2006

10.3 Book Closure Date : From 20th July 2005 to 28th July 2005 (Both days inclusive)

10.4 Dividend Payment Date : Not applicable. The Board has not recommended any dividend for six months period ended on 31st March, 2005.

**PEARL Polymers Limited**

10.5 Listing on Stock Exchanges : Mumbai, Calcutta and National Stock Exchange (NSE). Annual Listing Fee for the year 2004-05 has already been paid to all Stock Exchanges, except Calcutta Stock Exchange where delisting application is still pending

10.6 Stock Code : 523260 (MSE)
Trading symbol : PEARLPOLY (NSE)
ISIN number for Dematerialisation : INE844A01013

10.7 Stock Market Data Mumbai Stock Exchange

Month	Year	Month's High Price (Rs.)	Month's Low Price (Rs.)	BSE Sensex	
				High	Low
October	2004	8.60	7.15	5803.82	5558.14
November	2004	13.90	7.75	6248.43	5649.03
December	2004	15.50	9.60	6617.15	6176.09
January	2005	16.00	10.20	6896.31	6069.33
February	2005	14.50	11.00	6721.08	6508.33
March	2005	18.00	10.75	6954.86	6321.31

10.8 Registrars 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
 E-mail : mas@vsnl.com
 mas_serv@yahoo.com

10.9 Share Transfer System : All the transfers received are processed and approved by Share Transfer Committee which normally meets twice a month. Share transfer are registered and returned within 30 days from the date of logement of complete documents.

10.10 Distribution of Shareholding as on 31st March, 2005 :

Particulars	No. of Shares	% of Shareholding
Promoters	7382647	54.39
NRI / OCB's	223571	1.65
FII / Mutual Funds	1608094	11.85
Bodies Corporates	904024	6.66
Public	3455138	25.45
Total	13573474	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.

**10.11 Distribution of Shareholding as on 31st March, 2005:**

Shareholding of Nominal Value Rs.	No. of Share Holders	% of Share Holders	No. of Shares	Share Amount Rs.	% of Share Holding
UP TO 5000	12569	92.42	1816203	18162030	13.38
5001 - 10000	592	4.35	499843	4998430	3.68
10001 - 20000	216	1.59	329620	3296200	2.43
20001 - 30000	71	.52	187802	1878020	1.38
30001 - 40000	27	.20	93867	938670	.69
40001 - 50000	26	.19	124291	1242910	.92
50001 - 100000	38	.28	272666	2726660	2.01
100001 & above	61	.45	10249182	102491820	75.51
TOTAL	13600	100.00	13573474	135734740	100.00

10.12. Dematerialisation of Shares : Over 74.17% of the Company's paid up equity Share Capital has been dematerialised up to 31st March, 2005. 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).

10.13. Plant location: : – B -3/2, M. I. D.C. Distt. Raigad, Mahad, Maharashtra - 403 302.
– 13- A, Part - I, Jigani Industrial Area, Distt, Anekal, Bangalore, Karnataka.
– 2 - A, Sector - 18, HSIDC Near Bijlee Board, Gurgaon - 122 001, Haryana.
– 27-A, Najafgarh Road, New Delhi-110 015.

10.14 Address for Investor Correspondence For Share Transfer/ Dematerialisation of Shares and any other Query relating to Shares 1. **MAS Services Pvt. Limited** (Unit Pearl Polymers Limited) AB-4, Safdarjung Enclave, New Delhi - 110 029 Ph : 26104142/26104326 Fax : 26181081, Email : mas@vsnl.com mas_serv@yahoo.com

For Investors Assistance 2. **Secretarial Department, Pearl Polymers Limited** B-59, Greater Kailash Part-I, New Delhi - 110 048 Contact Person : Mr. Naresh Kapoor Company Secretary Mr. Amit Bhushan, Secretarial Officer Phone Nos: 51067922 (D) Fax No. : 51417596 E-mail: nareshkapoor@pearlpet.net

10.15 Non-mandatory Requirements : Non-mandatory requirements relating to Remuneration Committee have been adopted by the company.

10.16 Other Material Information :

The Company has transferred the unclaimed amount of dividend up to the year ended 31st March, 1997 to IEPF Account pursuant to the provision of Section 205 C of the Companies Act, 1956 and rules made thereunder. Similarly, the amount lying unclaimed in respect of Dividend for the Financial Year 1997-1998 would be transferred to the said Fund on or before 27th November 2005.

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 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 signatures of the shareholders in case of joint holdings, the signatures of the first shareholder.

Equity Shares held in Electronic form: Shareholders holding equity shares 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.

AUDITORS' REPORT

TO THE MEMBERS OF PEARL POLYMERS LIMITED

1. We have audited the Balance Sheet of **PEARL POLYMERS LIMITED** as at March 31st, 2005 and the related Profit & Loss Account (in which are incorporated the accounts of Branch at **Lucknow** and Units at **Mahad (Maharashtra)** and **Jigani (Karnataka)** and the Cash Flow Statements for the period ended on that date annexed thereto. 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 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 the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial 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 Companies (Auditors Report) (Amendment) Order, 2004 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956 ("The Act"), we enclose in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - (1) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (2) 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;
 - (3) The Balance Sheet and Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (4) In our opinion, the Balance Sheet and Profit & 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 Companies Act, 1956.
 - (5) On the basis of written representations received from the Directors, as on 31st March, 2005, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2005 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
 - (6) In our opinion and to 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;
 - (a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2005.
 - (b) In the case of the Profit and Loss Account, of the profit for the period ended on that date; and

- (c) In the case of the Cash Flow Statement, of the cash flows for the period ended on that date.

J.P. JAIN

Proprietor

For and on behalf of

JOGINDER P. JAIN & CO.

Chartered Accountants

Membership No. 8881

PLACE : New Delhi

DATE : June 30, 2005

ANNEXURE TO AUDITOR'S REPORT

(Referred to in para 3 of our Report of even date)

As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956 and on the basis of such checks as we considered appropriate and according to the information and explanation given to us, we further report that :

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) The Fixed assets were physically verified by the management for the period ending on 31st March, 2005. We have been informed that no material discrepancies noticed on such physical verification.
- (c) Substantial Part of Fixed Assets have not been disposed off during the period ended 31st March, 2005.
- (ii) (a) The inventory of the company has been physically verified by the Management during the period ended. In our opinion frequency of verification is reasonable.
- (b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and the 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 physical verification of inventory as compared to book records were not material.
- (iii) (a) The Company has not granted/taken any loans, secured or unsecured to/from companies, firms or other parties covered in the registered maintained Under Section 301 of the Companies Act 1956. Accordingly, the provisions of clauses 4(iii)(b), 4(iii)(c), 4(iii)(d), 4(iii)(f) and 4(iii)(g) of the order are not applicable to the company.
- (iv) In our opinion, there are adequate internal control procedures, commensurate with the size of the company and the nature of its business, for the purchase of inventory and fixed assets and so far the sale of goods and services, during the course of our audit, no major weakness has been noticed in the internal controls in respects of these areas.
- (v) (a) Accordingly to the information and explanations given to us, we are of the opinion that transaction that need to be entered into the Register maintained under Section 301 of the Companies Act, 1956 have been so entered.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts and arrangements entered into the Register in pursuance of Section 301 of the Act and exceeding the value of Rupees Five Lakhs in respect of any party during the period, have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.

- (vi) In our opinion, the directives issued by the Reserve Bank of India and the provisions of section 58A & 58AA and other relevant provisions of the Companies Act, 1956 and the rules framed there under, to the extend applicable, have been compiled with. We are informed by the management that no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal, relevant to sections 58A, 58AA or the other relevant provisions of the Act.
- (vii) On the basis of the report submitted by the internal auditors to the management, in our opinion, the internal audit system is commensurate with the size and nature of its business.
- (viii) We are informed that the maintenance of cost records has not been prescribed by the Central Government under section 209(l)(d) of the Companies Act, 1956.
- Accordingly, paragraph (4) (viii) of the Order is not applicable.
- (ix) (a) According to the information and explanation given to us, the company is regular in depositing undisputed statutory dues including Provident Fund, Investors Education & Protection Fund, Employees State Insurance, Income Tax, Sales Tax, Wealth Tax, Customs Duty, Excise Duty, Cess and any other statutory dues as applicable with the appropriate authorities. Accordingly to the information and explanations given to us, there are no undisputed statutory due outstanding as at March 31st, 2005 for a period of more than six months from the date they became payable.
- (b) As explained to us and accordingly to the records of the company, the following dues have not been deposited on account of dispute.

S. No.	Name of the Statute	Nature of the Dues	Disputed Amount (Rs. in ('000))	Period to which the amount Related	Forum's where dispute is pending
1.	The Central Excise Act, 1944	Producing and clearing dutiable and Non-dutiable Product under Notification no. 4/97	36000	Mar' 97 - Jun' 97	Dy. Commissioner of Central Excise.
		Excise Duty on Freight	7272	Apr' 97 - Dec' 01	Sup-Central Excise
		Non-Payment of appropriate duty on removal of moulds and input material	162	Apr' 99 - Mar' 01	Asstt. Commissioner of Central Excise
		Interest on differential duty on supplementary invoices	40	Jan' 01 - Apr' 03	Asstt. Commissioner of Central Excise
2.	The Sales Tax	S.T.Form dispute	553	1983-84	Sales Tax Tribunal
			110	1987-88	DC/STO
			198	1990-91	-do-
			24	1997-98	-do-
			14	2000-01	-do-
			20	2001-02	-do-
			207	2002-03	-do-

- (x) The company's accumulated losses for the period ended 31st March 2005 are not more than fifty percent of its net worth. Further the company has not incurred any cash losses during the period ended 31st March, 2005 and in the preceding period ended on 30th September 2004.
- (xi) In our opinion, the company has not defaulted in repayment of dues to any financial institution, Bank or debenture holders during the period.
- (xii) As the company has not granted any loans and advances on the basis of security by way of pledge of share, debentures and other securities, paragraph 4(xii) of the Order is not applicable.
- (xiii) The provisions of any special statute as specified under paragraph 4(xiii) of the Order are not applicable to the Company.
- (xiv) The companies have maintained proper records of transaction and contracts in respect of trading in shares, securities debentures and other investment, and timely entries have been made therein. The Investment are held by the company in its own name.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for the period for loans taken by others from banks or financial institutions.
- (xvi) In our opinion, and according to the information and explanation given to us, on an overall basis the term loans have been applied for the purpose for which they were obtained.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that short term fund have not been used to finance long term investments.
- (xviii) During the period, the Company has made preferential allotment of 1431524 Equity shares, as per SEBI pricing Formula @ Rs. 11.21 per share, including share premium of Rs. 1.21 per share.
- (xix) During the period, since the company has not issued any debentures, paragraph 4(xix) of the Order is not applicable.
- (xx) During the period, since the company has not raised any money by way of public issue, paragraph 4(xx) of the order is not applicable.
- (xxi) Based upon the audit procedures performed and information and explanation given by the management, we report that no fraud on or by the company has been noticed or reported during the course of our audit for the period ended March 31, 2005.

J.P. JAIN
Proprietor
For and on behalf of
JOGINDER P. JAIN & CO.
Chartered Accountants
Membership No. 8881

PLACE : New Delhi
DATE : June 30, 2005