



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 Grievance 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.

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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 : 28th 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.



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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.

**PEARL Polymers Limited****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.



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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.