



Garware

Polyester Limited

Annual Report 2000-2001

BOARD OF DIRECTORS	: S.B. GARWARE	<i>Chairman & Managing Director</i>
	S.S. GARWARE (Mrs.)	
	DILIP J. THAKKAR	
	R. P. CHHABRA	
	V.M. KETKAR	<i>Nominee of ICICI</i>
	G.M. YADWADKAR	<i>Nominee of IDBI</i>
	M. GARWARE MODI (Mrs.)	<i>Whole-time Director</i>
	SARITA S. GARWARE (Miss)	
	A.B. BHALERAO	<i>Director-Technical</i>
VICE PRESIDENT & COMPANY SECRETARY	: B.D. Doshi	
BANKERS	: Indian Overseas Bank Dena Bank The Federal Bank Limited State Bank of Mysore Bank of India Standard Chartered Bank BNP Paribas HDFC Bank Limited	
AUDITORS	: Shah & Co. Chartered Accountants	
SOLICITORS & ADVOCATES	: Crawford Bayley & Co.	
REGISTERED OFFICE	: Naigaon, Post Waluj, Aurangabad 431 133.	
CORPORATE OFFICE	: Garware House, 50-A, Swami Nityanand Marg, Vile Parle (East), Mumbai 400 057.	
WORKS	: L-5 & L-6, Chikalthana Industrial Area, Dr. Abasaheb Garware Marg, Aurangabad 431 133. Waluj, Aurangabad 431 133. A-1 & A-2, MIDC, Ambad, Nasik 422 010. 50-A, Swami Nityanand Marg, Vile Parle (East), Mumbai 400 057. Plot No.449/2 Masat, Silvassa 396 230.	
OFFICES	: 807, Bhikaji Cama Bhawan, Bhikaji Cama Place, New Delhi 110 066. 37/1B, Hazra Road, Calcutta 700 029. Old No. 40, New No. 91, Shiyali Mudali Street, Pudupet Chennai 600 002.	
REGISTRARS & TRANSFER AGENTS	: Intime Spectrum Registry Pvt. Ltd.	

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NOTICE

NOTICE IS HEREBY GIVEN THAT the Forty-fourth Annual General Meeting of the Members of **GARWARE POLYESTER LIMITED** will be held at the Registered Office of the Company at Naigaon, Post Waluj, Aurangabad 431 133 on Saturday, the 29th September, 2001 at 3.30 p.m. to transact the following business:-

Ordinary Business:

1. To receive, consider and adopt the audited Balance Sheet as at 31st March 2001 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and the Auditors thereon.
2. To appoint a Director in place of Mrs. S. S. Garware, who retires by rotation and, being eligible, offers herself for re-appointment.
3. To appoint a Director in place of Mrs. M. Garware Modi, who retires by rotation and, being eligible, offers herself for re-appointment.
4. To appoint Auditors and to fix their remuneration.

Special Business:

5. To consider and if thought fit, to pass with or without modification(s), as an Ordinary Resolution, the following :-

“RESOLVED THAT subject to the provisions of Sections 198, 269 and 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and subject to other approvals as may be required, consent of the Company be and it is hereby accorded to the re-appointment of Mrs. M. Garware Modi to the office of Whole-time Director of the Company for a further term of five years with effect from 1st July, 2001 and that the draft agreement between the Company and Mrs. M. Garware Modi placed before the meeting duly initialled by Mr. A. B. Bhalerao, Director of the Company, for the purpose of identification, be and it is hereby approved.”

“RESOLVED FURTHER THAT in the event of loss or inadequacy of profits in any financial year of the Company during the term of office as Whole-time Director of Mrs. M. Garware Modi, the remuneration and perquisites set out in aforesaid draft agreement be paid to Mrs. M. Garware Modi as remuneration provided that the total remuneration by way of salary, perquisites and other allowances shall not exceed the ceiling provided in Schedule XIII to the Companies Act, 1956 as amended from time to time.”

6. To consider and if thought fit, to pass with or without modification(s), as an Ordinary Resolution, the following :-

“RESOLVED THAT subject to the provisions of Sections 198, 269 and 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and subject to other approvals as may be required, consent of the Company be and it is hereby accorded to the re-appointment of Mr. A. B. Bhalerao to the office of Whole-time Director of the Company designated as Director – Technical for a further term of five years with effect from 1st October, 2001 and that the draft agreement between the Company and Mr. A. B. Bhalerao, placed before the meeting duly initialled by Mr. S. B. Garware, Chairman & Managing Director of the Company, for the purpose of identification, be and it is hereby approved.”

“RESOLVED FURTHER THAT in the event of loss or inadequacy of profits in any financial year of the Company during the term of office as Whole-time Director of Mr. A. B. Bhalerao, the remuneration and

perquisites set out in aforesaid draft agreement be paid to Mr. A. B. Bhalerao as remuneration provided that the total remuneration by way of salary, perquisites and other allowances shall not exceed the ceiling provided in Schedule XIII to the Companies Act, 1956 as amended from time to time."

By Order of the Board of Directors

B. D. DOSHI
*Vice President &
Company Secretary*

Mumbai, 31st July, 2001

Registered Office:
Naigaon, Post Waluj
AURANGABAD - 431 133

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND TO VOTE ONLY ON A POLL INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. The instrument appointing proxy should be deposited at the Registered Office of the Company not less than forty-eight hours before the time fixed for the Meeting.
3. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 relating to item nos. 5 & 6 of the Notice is annexed hereto.
4. Members desiring any information on the business to be transacted at the Meeting are requested to write to the Company at least 10 days in advance to enable the Management to keep the information, as far as possible, ready at the Meeting.
5. The Register of Members and the Share Transfer Books of the Company will remain closed from Tuesday, the 25th September, 2001 to Saturday, the 29th September, 2001 (both days inclusive).
6. Members are requested to notify immediately any change in their addresses directly to their Depository Participant in case they hold shares in dematerialised form or to the Company's Registrars & Transfer Agents, in case they hold shares in physical form.
7. Pursuant to the provisions of Section 205A of the Companies Act, 1956 all dividends remaining unpaid/unclaimed upto the financial year 1993-94 have been transferred to the General Revenue Account of the Central Government. Members who have not encashed dividend warrants pertaining to the said period may submit their claims for dividend to the Registrar of Companies, Maharashtra, at Mumbai.

Members are requested to claim from the Company their unclaimed Dividends, if any, in respect of financial years 1994-95, 1995 and 1996 at the earliest, as the dividends remaining unclaimed will have to be transferred to the credit of Investor Education and Protection Fund of the Central Government under the provisions of Sections 205A and 205C of the Companies Act, 1956, after seven years. Members are requested to note that once it is transferred to the credit of the said fund of the Central Government, they will not be entitled to claim the same.

8. The Company has appointed Registrars & Transfer Agents to take care of all the needs of the Investors. Investors are, therefore, requested to contact them at any of their addresses given below:-

ANNUAL REPORT 2000-2001**INTIME SPECTRUM REGISTRY PRIVATE LIMITED****Unit : Garware Polyester Limited****Office :**

260, Shanti Industrial Estate
Sarojini Naidu Road
Mulund (West)
Mumbai 400 080
Tel. : 564 7731/567 2716
Fax: 567 2693
Email: isrl@vsnl.com

Corporate Office :

201, Daver House
2nd Floor
Next to Central Camera
197/199, D.N. Road
Fort, Mumbai 400 001
Tel. : 261 6858/3909/265 6929
Fax : 261 0721

ANNEXURE TO THE NOTICE**Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956****Item No. 5**

There has been a recent amendment to Schedule XIII of the Companies Act, 1956, which governs the appointment, re-appointment and remuneration payable to Managing / Whole-time Directors. Mrs. M. Garware Modi was appointed as Whole-time Director on 1st April, 1999 for a term of five years. In order to bring the terms of appointment and remuneration payable to Mrs. M. Garware Modi in accordance with the Schedule XIII as amended, the Board of Directors at its Meeting held on 31st July, 2001 determined the existing tenure of Mrs. M. Garware Modi on 30th June, 2001 and re-appointed her as Whole-time Director of the Company with effect from 1st July, 2001 for a further period of five years, on the terms and conditions including remuneration as set out in the draft agreement, subject to the necessary approvals.

The salient features of draft agreement between the Company and Mrs. M. Garware Modi are set out below:-

- (a) **SALARY** : Rs.12,00,000/- per annum or Rs.1,00,000/- per month.
- (b) **COMMISSION** : Mrs. M. Garware Modi will be paid commission in addition to salary and perquisites, subject to a maximum of Rs.6,00,000/- per annum based on the net profits of the Company in a particular year in accordance with the provisions of Sections 198, 309 and Schedule XIII of the Companies Act, 1956.
- (c) **PERQUISITES** : Mrs. M. Garware Modi will, in addition to salary and commission be entitled to furnished housing accommodation, gas, electricity, water and furnishings and other perquisites such as reimbursement of medical expenses incurred for self and family, leave travel concession for self and family once in a year, club fees, personal accident insurance, provision of a car with driver, telephone at residence etc. Perquisites shall be evaluated as per Income-Tax Rules, wherever applicable.

Mrs. M. Garware Modi shall also be entitled to the following perquisites which shall not be included in the computation of the ceiling on remuneration:

- (i) Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
 - (ii) Gratuity payable at the rate not exceeding half a month's salary for each completed year of service.
 - (iii) Encashment of leave at the end of her tenure.
- (d) Mrs. M. Garware Modi will be entitled to leave on full remuneration, as per the rules of the Company but not exceeding one month's leave for every 11 months of service.
- (e) Mrs. M. Garware Modi will also be entitled to reimbursement of entertainment expenses actually incurred by her in the course of business of the Company.
- (f) Mrs. M. Garware Modi will also be entitled to receive from the Company travelling, hotel and other expenses incurred in performance of the duties on behalf of the Company.
- (g) In the event of any dispute or difference arising at any time between Mrs. M. Garware Modi and the Company in respect of the agreement or the construction thereof, the same shall be submitted to and be decided by arbitration in accordance with the provisions of the Arbitration and Conciliation Act, 1996.
- (h) Mrs. M. Garware Modi will not, so long as she functions as such, become interested or otherwise concerned directly or through her husband in any selling agency of the Company in future without the prior approval of the Company Law Board.

The draft agreement referred to in the resolution under item No.5 of the Notice will be open for inspection by the Members at the Registered Office of the Company on any working day between 11.00 a.m. and 1.00 p.m.

Mrs. M. Garware Modi is concerned or interested in the resolution. Mr. S. B. Garware, Mrs. S. S. Garware, Miss Sarita S. Garware, Directors of the Company, being related to Mrs. M. Garware Modi, may be deemed to be concerned or interested in the resolution. Save as aforesaid, none of the Directors of the Company is, in any way, concerned or interested in the resolution.

This may also be treated as an abstract of the draft Agreement and the Memorandum of Interest of Directors therein pursuant to the provisions of Section 302 of the Companies Act, 1956.

Your Directors recommend this resolution for your approval.

Item No. 6

Mr. A. B. Bhalerao was appointed as Whole-time Director, designated as Director-Technical, on 1st October 1996 for a tenure of five years. As such, his term expires on 30th September, 2001. The Board of Directors of the Company at its meeting held on 31st July, 2001 re-appointed Mr. A. B. Bhalerao as a Whole-time Director of the Company, designated as Director – Technical, for a further term of five years with effect from 1st October, 2001, on the same terms and conditions including remuneration as set out in the draft agreement subject to the necessary approvals. The salient features of the draft agreement between the Company and Mr. A. B. Bhalerao, are set out below: -

- (a) **SALARY** : Rs. 85,000/- per month or higher amount as may be approved by the Board of Directors or its Committee from time to time not exceeding Rs.1,20,000/- per month.
- (b) **PERQUISITES** : Mr. A. B. Bhalerao will, in addition to salary be entitled to housing accommodation or house rent allowance and other perquisites such

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as reimbursement of medical expenses incurred for self and family, leave travel concession for self and family once in a year, provisions of a car with driver, telephone at residence, and other allowances as per the rules of the Company. Perquisites shall be evaluated as per Income-Tax Rules, wherever applicable.

Mr. A. B. Bhalerao shall also be entitled to the following perquisites which shall not be included in the computation of the ceiling on remuneration:

- (i) Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
 - (ii) Gratuity payable at the rate not exceeding half a month's salary for each completed year of service.
 - (iii) Encashment of leave at the end of his tenure.
- (c) Mr. A. B. Bhalerao will be entitled to leave on full remuneration, as per the rules of the Company but not exceeding one month's leave for every 11 months of service.
 - (d) Mr. A. B. Bhalerao will also be entitled to reimbursement of entertainment expenses actually incurred by him in the course of business of the Company.
 - (e) Mr. A. B. Bhalerao will also be entitled to receive from the Company travelling, hotel and other expenses incurred in performance of the duties on behalf of the Company.
 - (f) In the event of any dispute or difference arising at any time between Mr. A. B. Bhalerao and the Company in respect of the agreement or the construction thereof, the same shall be submitted to and be decided by arbitration in accordance with the provisions of the Arbitration and Conciliation Act, 1996.
 - (g) Mr. A. B. Bhalerao will not, so long as he functions as such, become interested or otherwise concerned directly in any selling agency of the Company in future without the prior approval of the Company Law Board.

The Draft Agreement referred to in the resolution under item No.6 of the Notice will be open for inspection by the Members at the Registered Office of the Company on any working day between 11.00 a.m. and 1.00 p.m.

Except Mr. A. B. Bhalerao, none of the Directors of the Company is, in any way, concerned or interested in this Resolution.

This may also be treated as an abstract of the draft agreement and the Memorandum of Interest of Directors therein pursuant to the provisions of Section 302 of the Companies Act, 1956.

Your Directors recommend this resolution for your approval.

By Order of the Board of Directors

B. D. DOSHI
Vice President &
Company Secretary

Mumbai, 31st July, 2001
Registered Office:
Naigaon, Post Waluj
AURANGABAD - 431 133

DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2001

TO THE MEMBERS,

Your Directors present the Forty-fourth Annual Report together with the Audited Statement of Accounts of the Company for the year ended 31st March, 2001.

Financial Results

During the year under review, the performance of your Company has resulted in a loss of Rs.59.49 crores as against loss of Rs.59.44 crores in the previous year. The recessionary trend and over-capacity situation in the Polyester Film industry continue in the local, as well as overseas markets. Hence, the prices of Polyester Film both in Domestic and International markets remained depressed. In addition, Anti-Dumping Duties levied by the European Countries on Indian film exports to Europe has further affected the exports. Efforts are, however, being made to explore new markets.

Your Directors have not recommended any payment of Dividend on Equity Shares.

Due to cash losses, your Company has not been in a position to pay interest/principal to the Institutions and Banks. IDBI, therefore, had appointed KPMG, a world renowned consultant, to suggest restructuring package. KPMG, after reviewing the future business plans of the Company, has opined that since your Company is the largest manufacturer of polyester film in India, manufacturing films in various grades and thickness which are used in a wide range of industries and as these films are well accepted in the international markets with export constituting 45% of the turnover, the potential for the Company is very high and after a suitable financial restructuring as envisaged by the said Report, your Company will once again start making profits. The Report is under consideration of the Institutions and the Banks. Initially, Banks and Institutions were inclined to support the Company in its revival efforts. However, ICICI and Exim Bank have subsequently filed proceedings in Debt Recovery Tribunal for recovery of their dues and the proceedings are being attended to by the Company.

In respect of Corporate Guarantee provided by your Company to Fuji Bank Limited for loan availed by Garware Chemicals Limited (GCL), Fuji Bank Limited has filed proceedings in Singapore against your Company as Guarantor as well as against GCL as principal debtor for recovery of their dues.

After reporting erosion of 50% of peak net worth to BIFR in the previous year, your Company has been taking all remedial steps towards improvement of its operational efficiency and reduction of costs.

The performance for the first quarter ended 30th June, 2001 has improved as compared to corresponding period last year.

Directors Responsibility Statement

Pursuant to Section 217 (2AA) of the Companies Act, 1956, the Board of Directors of your Company confirm:

- (i) that in the preparation of the annual accounts, the applicable accounting standards have been followed;
- (ii) that the directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the loss of the Company for that period;
- (iii) that the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) that the directors have prepared the annual accounts on a going concern basis.

Directors

Mrs. S. S. Garware and Mrs. M. Garware Modi retire by rotation and being eligible, offer themselves for re-appointment.

During the year under review, Mr. S. N. Talwar, Mr. Bana Paranjape and Mr. S. V. Muzumdar resigned from the Board with effect from 10th January 2001, 16th January 2001 and 17th April 2001 respectively. The Board places on record its appreciation of the valuable advice given by them during their tenure as Directors of your Company.

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Mr. R. P. Chhabra was appointed as Director on the Board of the Company with effect from 31st July, 2001 in casual vacancy caused by the resignation of Mr. S. N. Talwar.

Mr. V. J. B. Andrews, Nominee Director of Unit Trust of India on the Board of your Company passed away on 11th October, 2000. The Board places on record its sincere appreciation of the valuable guidance given by Mr. Andrews during his tenure as Director of your Company.

Constitution of Audit Committee

As required by the provisions of Section 292 A of the Companies Act, 1956, the Board of Directors has constituted Audit Committee comprising of three Directors viz. Mr. G. M. Yadwadkar, Mr. A. B. Bhalerao and Mr. R. P. Chhabra.

Corporate Governance

As per the amended Listing Agreement with the Stock Exchange, your Company is required to comply with the requirements of Corporate Governance during the year 2001-2002.

Auditors

The retiring Auditors, Messers Shah & Co., are eligible for re-appointment and have indicated their willingness to act as Auditors, if appointed. You are requested to appoint Auditors and fix their remuneration.

The observations made in the Auditors' Report are self-explanatory and therefore, do not call for any further comments.

Subsidiaries

Pursuant to Section 212 of the Companies Act, 1956 the accounts of Garware Chemicals Limited, Garware Polyester International Limited and Global Pet Films Inc., subsidiaries of the Company are annexed.

Garware Chemicals Limited

DMT Plant has commenced the commercial production in May, 2000. The performance of the Plant is satisfactory and bulk of the production is being consumed by your company for the film production. A small quantity of DMT has also been sold in the domestic market where the quality has been well accepted. Efforts are being made to market DMT in local as well as international markets so that the plant runs its full capacity.

Other Information

Information as per Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 form part of this Report. However, as per the provisions of Section 219(1)(b)(iv), of the Companies Act, 1956, the Report and Accounts is being sent to all the Shareholders of the Company excluding the aforesaid information. Any Shareholder interested in obtaining such particulars may inspect the same at the Registered Office of the Company or write to the Company Secretary at the Corporate Office of the Company.

Information as per Section 217(1)(e) of the Companies Act, 1956, read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of this Report is annexed.

Industrial Relations

The relations between the Employees and the Management remained cordial during the year under review. Your Directors wish to place on record their appreciation of the contribution made by the Employees at all levels.

Acknowledgements

Your Directors wish to place on record their appreciation of the whole-hearted co-operation received by the Company from the various departments of the Central & State Governments, Company's Bankers and Financial & Investment Institutions during the year under review.

For and on behalf of the Board of Directors

Mumbai,
Date: 31st July, 2001

S. B. GARWARE
Chairman & Managing Director

ANNEXURE TO DIRECTORS' REPORT

Information required under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

A. CONSERVATION OF ENERGY

Your Company is focused on energy conservation, as a key component of its overall strategy for remaining globally competitive. Regular studies are conducted to analyze quantitative energy consumption patterns, and variances are rigorously scrutinized and accordingly continuous efforts are made towards further improving efficiency. Following major successful energy conservation efforts were made during the year.

- 1) At Waluj Central Utility, Primary Santotherm Pump Impeller trimming was carried out to optimize the santotherm flow.
- 2) Optimization of cooling water flow at Central Utility at Waluj.
- 3) Re-engineering of Cooling water and chilled water system at CP Plant.
- 4) Conversion of some of the electrical heating system to oil heating system.

Your Company is committed to work towards conserving energy and saving precious resources for the country.

B. TECHNOLOGY ABSORPTION

I. Research and Development (R&D)

1. Specific areas in which R&D carried out by the Company: -

- a) Low density film
- b) Low density opaque film
- c) Laser printable film
- d) Flame Retardant (VTMO) film

2. Benefits derived as a result of the above R & D.

- These products give increased value addition

3. Expenditure on R&D / Product Development

	(Rs.in Lakhs)
a) Capital	3.91
b) Recurring	320.91
c) Total	324.82
d) Total R&D expenditure as a Percentage of total turnover	0.95%

II. Technology absorption, adaptation and innovation

1. Efforts made towards technology absorption, adaptation and innovation

Manufacturing process are modified to achieve a better process efficiency, product quality and yield of the existing as well as the above developmental products.

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2. Benefits derived as a result of above efforts

Above efforts have resulted in improvement of product quality, production of wastage, consistency of the process.

3. Technology imported during the last five years

- a) Laser drafting film
- b) Coated OHP film

C. FOREIGN EXCHANGE EARNINGS AND OUTGO**I. Activities relating to exports, initiatives taken to increase export markets for products and services and export plans.**

- 1. The export marketing activities are being consolidated to maintain the share of exports in the total production.
- 2. To establish the products in specific overseas regional markets, individuals with experience and knowledge of these markets are appointed to service the customers in these markets.

II. Total Foreign Exchange used and earned (Rs.in Crore)

Used : 30.39
Earned : 133.77

For and on behalf of the Board of Directors

S.B. GARWARE
Chairman & Managing Director

Mumbai,
Date: 31st July, 2001

AUDITORS' REPORT**TO THE MEMBERS OF GARWARE POLYESTER LIMITED**

We have audited the attached Balance Sheet of GARWARE POLYESTER LIMITED as at 31st March, 2001 and also the annexed Profit and Loss Account of the Company for the year ended on that date.

1. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Company Law Board in terms of Section 227(4A) of the Companies Act, 1956, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. Further to our comments in the Annexure referred to in paragraph (1) above, we report that:
 - (a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of audit.
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the books.
 - (c) The Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the books of account and comply with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956.
 - (d) As per the legal opinion obtained by the Company, none of the Directors are disqualified as on 31st March, 2001 from being appointed as Director in terms of clause(g) of sub section (1) of section 274 of the Companies Act, 1956. Accordingly, as informed to us no written representation has been received from any of the Directors and as such we are unable to comment whether they are disqualified from being appointed as Directors under clause(g) of sub section (1) of Section 274 of the Companies Act, 1956.
 - (e) In our opinion and to the best of our information and according to the explanations given to us, the said Accounts subject to :

Note No. 8 for Non-provision in respect of Excise Duty of Rs.27.85 Lakhs of prior years,

Note No. 9 for Non-provision in respect of Sales-tax of Rs.9.61 Lakhs, Note No. 18 (b) for Non-provision in respect of interest, if any, payable on overdue amounts to SSI suppliers and read together with the other notes in Schedule 12 give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view :

- (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2001;
- and
- (ii) in the case of the Profit and Loss Account, of the 'LOSS' of the Company for the year ended on that date.

For SHAH & CO.
Chartered Accountants

(INDULAL H. SHAH)
Partner

Mumbai : 31st July, 2001

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**ANNEXURE TO THE REPORT OF THE AUDITORS TO THE MEMBERS OF
GARWARE POLYESTER LIMITED ON THE ACCOUNTS FOR THE YEAR ENDED
31ST MARCH, 2001 (REFERRED TO IN PARAGRAPH 1 THEREOF)**

1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. A major portion of the assets has been physically verified by the Management during the year. We are informed that no material discrepancies have been noticed by the Management on such verification.
2. None of the Fixed Assets have been revalued during the year.
3. The stocks of finished goods, stores, spare parts and raw materials have been physically verified during the year by the Management. In our opinion, having regard to the nature and location of stocks, the frequency of verification is reasonable. In the case of materials lying with third parties, certificates confirming stocks have been received in respect of a substantial portion of the stocks held.
4. The procedures of physical verification of stocks followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.
5. The discrepancies noticed on verification between the physical stocks and book records were not material in relation to the operations of the Company.
6. In our opinion, the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year.
7. The Company has not taken any loans, secured or unsecured, from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956, and/or from companies under the same management as defined under Section 370(1B) (since not operative) of the Companies Act, 1956.
8. The Company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956, and/or to companies under the same management as defined under Section 370(1B) (since not operative) of the Companies Act, 1956 except interest free advance to its subsidiary towards promoters' contribution.
9. The Company has given interest free loans and advances in the nature of loans to employees and ex-employees who are generally repaying the principal amounts whenever stipulated.
10. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to the purchases of stores, raw materials including components, plant and machinery, equipment and other assets and with regard to sale of goods.
11. In our opinion, the transactions of purchase of goods, materials and services and sale of goods and materials made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and aggregating during the year to Rs.50,000/- or more in respect of each party, have been made at prices which are reasonable having regard to the prevailing market prices for such goods, materials and services or the prices at which transactions for similar goods, materials and services have been made with other parties.

12. As explained to us, unserviceable or damaged stores, raw materials and finished goods are determined by the Company and adequate provision for the loss has been made in the accounts.
13. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 58A of the Companies Act, 1956, and the rules framed thereunder with regard to the deposits accepted from the public.
14. In our opinion, the Company is maintaining reasonable records for sale and disposal of realisable scrap and by-products.
15. In our opinion, the Company has an Internal Audit System commensurate with its size and nature of its business.
16. The Central Government has not prescribed maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956, for the year under review for any of the products of the Company.
17. According to the records of the Company, Provident Fund and Employees' State Insurance dues have been regularly deposited during the year with appropriate authorities.
18. According to the information and explanations given to us, no undisputed amounts payable in respect of Income tax, Wealth tax, Sales tax, Customs Duty and Excise Duty as at 31st March, 2001 were outstanding for a period of more than six months from the date they became payable.
19. According to the information and explanations given to us, no personal expenses of Employees or Directors have been charged to revenue account, other than those payable under contractual obligations or in accordance with generally accepted business practice.
20. The Company is not a sick industrial company within the meaning of Section 3(1)(o) of the Sick Industrial Companies (Special Provisions) Act, 1985.

For SHAH & CO.
Chartered Accountants

(INDULAL H. SHAH)
Partner

Mumbai, 31st July, 2001

ANNUAL REPORT 2000-2001

BALANCE SHEET AS AT 31ST MARCH 2001

	Schedule	As at 31.03.2001 (Rs.in Lakhs)	As at 31.03.2000 (Rs. In Lakhs)
FUNDS EMPLOYED :			
SHAREHOLDERS' FUNDS			
Share Capital	1	2,177.87	2,177.87
Reserves & Surplus	2	<u>15,962.32</u>	<u>15,965.83</u>
		18,140.19	18,143.70
BORROWINGS			
Secured Loans	3A	49,204.10	45,286.84
Unsecured Loans	3B	<u>1,310.51</u>	<u>1,213.59</u>
		50,514.61	46,500.43
TOTAL		<u>68,654.80</u>	<u>64,644.13</u>
APPLICATION OF FUNDS :			
FIXED ASSETS			
Gross Block	4	59,577.13	56,221.52
Less: Depreciation		<u>20,305.27</u>	<u>17,280.35</u>
Net Block		39,271.86	38,941.17
Capital Work in Progress		<u>82.41</u>	<u>2,694.30</u>
		39,354.27	41,635.47
INVESTMENTS	5	4,709.58	4,709.58
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	6	7,245.91	6,492.51
Sundry Debtors		2,215.94	3,111.03
Cash and Bank Balances		334.80	579.61
Other Current Assets		2,527.04	2,482.31
Loans and Advances		<u>6,334.17</u>	<u>6,211.37</u>
		18,657.86	18,876.83
Less: CURRENT LIABILITIES AND PROVISIONS			
Current Liabilities	7	<u>10,198.94</u>	<u>10,755.77</u>
Net Current Assets		8,458.92	8,121.06
Profit & Loss Account		16,132.03	10,178.02
TOTAL		<u>68,654.80</u>	<u>64,644.13</u>

The notes in Schedule 12 and Schedules referred to herein form an integral part of the Balance Sheet

For and on behalf of the Board of Directors

As per our report of even date
For SHAH & CO.
Chartered Accountants

S. B. GARWARE
Chairman &
Managing Director

A. B. BHALERAO
Director - Technical

INDULAL H. SHAH
Partner

B. D. DOSHI
Vice President &
Company Secretary

Mumbai, 31st July, 2001

Mumbai, 31st July, 2001

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2001

	Schedule	2000-2001 (Rs.in Lakhs)		1999-2000 (Rs.in Lakhs)	
INCOME :					
Sales including Excise duty		34,080.89		30,377.62	
Inter-Divisional Transfers (as per Contra)		19,219.81		17,339.97	
Other Income	8	177.85		281.78	
Increase / (Decrease) in Finished and Semi-finished Goods	9	663.34	54,141.89	153.77	48,153.14
EXPENDITURE :					
Raw Materials consumed	10	13,796.47		11,031.40	
Inter-Divisional Transfers (as per Contra)		19,219.81		17,339.97	
Manufacturing & other expenses	11A	14,304.97		12,383.82	
Excise duty		2,476.81		3,236.79	
Interest (Refer Note No. 12 in Schedule 12)		7,763.38	57,561.44	6,921.20	50,913.18
Loss before Depreciation			(3,419.55)		(2,760.04)
Depreciation		3,079.58		3,207.63	
Less : Transferred from Capital Reserve		3.51	3,076.07	3.90	3,203.73
Loss for the year			(6,495.62)		(5,963.77)
Prior Years Adjustment	11B		546.11		19.74
			(5,949.51)		(5,944.03)
Add : Wealth Tax paid			(4.50)		(4.96)
Add : Balance b/f from previous year			(10,178.02)		(4,229.03)
Balance carried to Balance Sheet			(16,132.03)		(10,178.02)

The notes in Schedule 12 and Schedules referred to herein form an integral part of the Profit and Loss Account

For and on behalf of the Board of Directors

As per our report of even date
For SHAH & CO.
Chartered Accountants

S. B. GARWARE
Chairman &
Managing Director

A. B. BHALERAO
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Vice President &
Company Secretary

Mumbai, 31st July, 2001

Mumbai, 31st July, 2001

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SCHEDULES FORMING PART OF THE BALANCE SHEET

	As at 31.03.2001 (Rs.in Lakhs)	As at 31.03.2000 (Rs.in Lakhs)
SCHEDULE 1		
SHARE CAPITAL		
<i>Authorised:</i>		
2,50,00,000 Equity Shares of Rs.10/- each	<u>2,500.00</u>	<u>2,500.00</u>
<i>Issued, Subscribed and Paid-up:</i>		
2,18,41,364 Equity Shares of Rs.10/- each, fully paid-up	2,184.14	2,184.14
<i>Less: Unpaid Allotment Call money (from others)</i>	<u>6.27</u>	<u>6.27</u>
	<u><u>2,177.87</u></u>	<u><u>2,177.87</u></u>
<i>Out of the above :</i>		
(i) 16,50,600 Equity Shares of Rs 10/- each were allotted as fully paid-up Bonus Shares by Capitalisation of Reserves		
(ii) 6,60,000 Equity Shares of Rs 10/- each were allotted as fully paid-up pursuant to a scheme of amalgamation without payment being received in cash.		
(iii) 64,860 Equity Shares of Rs.10/- each were allotted as fully paid up to Industrial Development Bank of India at a premium of Rs 40/- per share in consideration of conversion of a part of the loan amount of Rs 32.43 Lakhs		
(iv) 47,80,799 Equity Shares of Rs.10/- each were allotted as fully paid up at a premium of Rs.40/- per share against 23,90,400 detachable warrants.		
SCHEDULE 2		
RESERVES AND SURPLUS		
Capital Reserve :		
On revaluation of certain assets.		
Balance as per last Balance Sheet	966.52	970.42
<i>Less: Transferred to Profit and Loss Account</i>	<u>3.51</u>	<u>3.90</u>
	963.01	966.52
Share Premium :		
Balance as per last Balance Sheet	13,015.96*	13,015.96*
Debenture Redemption Reserve :		
Balance as per last Balance Sheet	1,356.05	1,356.05
Investment Allowance (Utilised) Reserve		
Balance as per last Balance Sheet	<u>627.30</u>	<u>627.30</u>
TOTAL	<u><u>15,962.32</u></u>	<u><u>15,965.83</u></u>
* Share Premium amount shown above is net of Unpaid Premium amounting to Rs 105.75 Lakhs (Previous Year Rs 105.75 lakhs.)		

SCHEDULES FORMING PART OF THE BALANCE SHEET (Contd.)

		As at 31.03.2001 (Rs.in Lakhs)	As at 31.03.2000 (Rs.in Lakhs)
SCHEDULE 3			
A. SECURED LOANS			
		Notes	
I. Debentures			
(Refer Note Nos. 5 and 6 in Schedule 12)			
(i)	16% Non-Convertible Debentures	(A) 2,489.62	2,489.62
	Less: Allotment money in arrears	0.42	0.42
	Less: Redemption/Instalment paid during the year	<u>1,282.45</u>	<u>1,071.07</u>
		1,206.75	1,418.13
(ii)	18.5% Privately Placed Debentures	(B) 3,100.00	3,100.00
(iii)	15.5% Privately Placed Debentures	(C) 9,950.00	9,950.00
(iv)	0' Coupon Debentures	(D) 600.00	600.00
(v)	Interest accrued and due	<u>6,493.55</u>	<u>3,706.04</u>
		21,350.30	18,774.17
II. From Banks			
	Cash / Packing Credit Accounts	(E) 4,330.91	5,636.84
	Working Capital Demand Loan	<u>6,323.13</u>	<u>5,277.32</u>
		10,654.04	10,914.16
III. Term Loans			
(i)	Financial Institutions	(F) 7,442.10	7,407.20
(ii)	Banks	(G) 6,289.82	6,571.17
(iii)	Hire Purchase Finance	(H) 26.28	35.14
(iv)	Interest accrued and due	<u>3,441.56</u>	<u>1,585.00</u>
		17,199.76	15,598.51
TOTAL		<u><u>49,204.10</u></u>	<u><u>45,286.84</u></u>

Notes:

- (A) 16% Non-Convertible Debentures of Rs.100/- each are secured by way of a second/subservient mortgage/charge of the present and future movable/immovable properties situated at Aurangabad and Nasik, subject to the mortgages/charges already created/to be created in favour of Financial Institutions/Banks.
- (B) 18.5 % Privately Placed Non Convertible Debentures of Rs 100/- each are secured by mortgage ranking *pari passu* with mortgages/charges created/to be created on company's immovable properties situated at Aurangabad and Nasik in favour of Financial Institutions/Banks.
- (C) 15.5 % Privately Placed Non Convertible Debentures of Rs 100/- each are secured by charge / mortgage ranking *pari passu* with mortgage/charge created/to be created on company's movable/immovable properties situated at Aurangabad, Nasik and New Delhi in favour of Financial Institutions/Banks.
- (D) Zero coupon Debentures of the Company of Rs 100/- each are to be secured by mortgage/charge ranking *pari passu* with mortgage/charge created/to be created on company's movable/immovable properties situated at Aurangabad, Nasik and New Delhi in favour of Financial Institutions/Banks.
- (E) Cash / Packing Credit / Working Capital Demand Loan are secured by Hypothecation of stocks of raw materials, finished goods, semi finished goods, chemicals and book debts of the Company and further secured by a second charge on the movable assets of the Company and immovable properties situated at Aurangabad, Nasik and at New Delhi.
- (F) Term Loans of Rs.9176.79 Lakhs (Previous year Rs.9050.87 Lakhs) from Financial Institutions/Banks are secured/to be secured by:
- 1) A Mortgage ranking *pari passu* with mortgages created/to be created on Company's immovable properties situated at Aurangabad, Nasik and at New Delhi in favour of IDBI, ICICI, Vijaya Bank and EXIM Bank for their Term Loans
 - 2) A Hypothecation charge ranking *pari passu* with charges created/to be created in favour of IDBI, ICICI, Vijaya Bank and EXIM Bank for their Term Loans of all the movables of the Company including movable Plant & Machinery, Spares, Tools and Accessories, present and future (save and except Book Debts) at Nasik & Aurangabad, subject to prior charges created and/or to be created in favour of the Company's bankers on
 - i) Specified movables for securing borrowings for the Company's Working Capital Requirements and deferred payment facility and
 - ii) Specified assets charged to Company's bankers as security for Term Loans.
- (G) Term Loan of Rs 4555.13 Lakhs from a bank is secured by a mortgage on company's immovable property situated at Vile Parle, Mumbai.
- (H) Hire Purchase Finance are secured by hypothecation of specific Assets.

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SCHEDULES FORMING PART OF THE BALANCE SHEET (Contd.)

	As at 31.03.2001 (Rs.in Lakhs)	As at 31.03.2000 (Rs.in Lakhs)
B. UNSECURED LOANS		
i) Fixed Deposits (Unclaimed Rs.5.57 Lakhs as on 31/03/2001) (Including Rs.NIL falling due within one year. Previous year Rs.28.68 Lakhs)	5.57	34.00
ii) Interest-free Sales Tax Loans, Interest-free Capital Incentive Loans and Sales Tax Deferral from SICOM for Aurangabad and Nasik Units	925.14	793.07
iii) Short Term Loans from Financial Institutions	0.00	7.04
iv) Term Loan from a Bank (including Rs 300.00 Lakhs due within one year. Previous year Rs Nil Lakh.)	375.00	375.00
v) Interest accrued and due	4.80	4.48
TOTAL	1,310.51	1,213.59

SCHEDULE 4

FIXED ASSETS

(Rs. in Lakhs)

Sr. No.	Description of Assets	GROSS BLOCK				Sales/Transfer during the year	DEPRECIATION		NET BLOCK	
		Cost/Revaluation As at 01.04.2000	Additions during the year	Capital WIP Transferred during the year	Total Addition		Up To 31.03.2001	As at 31.03.2001	As at 31.03.2000	
1	Land (Freehold)	1084.65	0.00	0.00	0.00	0.00	1084.65	1084.65	1084.65	
2	Land (Leasehold)	85.56	0.00	0.00	0.00	0.00	85.56	85.56	85.56	
3	Buildings	3253.47	32.67	148.91	181.58	0.00	3435.05	1755.41	1679.64	
4	Plant & Machinery	45520.92	690.78	2229.17	2919.95	45.97	48394.90	14386.71	34008.19	
5	Electrical Installations	2551.92	4.60	233.81	238.41	0.00	2790.33	1383.47	1406.86	
6	Moulds	287.83	0.00	0.00	0.00	0.00	287.83	287.35	0.48	
7	Laboratory Equipments	117.43	0.00	0.00	0.00	0.00	117.43	70.56	46.87	
8	Furniture & Fixtures	311.63	4.06	0.00	4.06	0.00	315.69	256.78	58.91	
9	Office Equipments	299.27	13.14	0.00	13.14	0.87	311.54	199.85	111.69	
10	Vehicles	371.67	17.71	0.00	17.71	9.96	379.42	287.25	92.17	
11	Capital Expenditure On Research & Development	179.46	3.91	0.00	3.91	0.00	183.37	132.39	50.98	
12	Data Processing Equipments	640.28	33.65	0.00	33.65	0.00	673.93	569.67	104.26	
13	Expenditure On Tech. Know-How/Product Development Expenses	1359.97	0.00	0.00	0.00	0.00	1359.97	818.37	541.60	
14	Copyrights	157.46	0.00	0.00	0.00	0.00	157.46	157.46	0.00	
	Total	56221.52	800.52	2611.89	3412.41	56.80	59577.13	20305.27	39271.86	38941.17
	Previous Year	54623.41			2373.54	775.43	56221.52	17280.35	38941.17	39980.57
	Capital Work-in-Progress							82.41	2694.30	

NOTES :

- Buildings include Rs. 2.60 Lakhs for Research & Development and Rs. 0.07 Lakh being value of 136 shares in Co-op. Housing Societies.
- Depreciation has been provided as follows :
 - on Capital Expenditure, on R&D and on Assets other than Plant & Machinery on Written Down Value Method as per rates prescribed under Schedule XIV of the Companies Act, 1956.
 - on Plant & Machinery acquired before 02.04.1987, on Straight Line Method as per rates prevalent at the time of acquisition of Assets on single shift basis.
 - on Plant & Machinery acquired after 02.04.1987 on Straight Line Method as per rates prescribed under Schedule XIV of the Companies act, 1956.
 - on Plant & Machinery Leased over its Leased period
- No write-off has been made in respect of lease relating to lease hold land.
- Depreciation includes Technical Know-how fees/Product Development Expenses amortised.

SCHEDULES FORMING PART OF THE BALANCE SHEET (Contd.)

	As at 31.03.2001 (Rs.in Lakhs)	As at 31.03.2000 (Rs.in Lakhs)
SCHEDULE 5		
INVESTMENTS (AT COST)		
A. In Government Securities (Unquoted):		
(a) 10 years-8.5% Rural Debentures of Maharashtra State Electricity Board of the face value of Rs.0.17 Lakh	0.17	0.17
(b) 7 years National Savings Certificates of the face value of Rs.0.03 lakh (Lodged with the Excise Authorities as Security Deposit)	0.03	0.03
	0.20	0.20
B. In Shares and Debentures:		
I Quoted		
1. 50 Equity Shares of M.M. Rubber Ltd. of the face value of Rs.10/- each, fully paid-up	0.01	0.01
2. 1,410 Equity Shares [including 1255 Bonus Shares] of Colgate Palmolive India Ltd. of the face value of Rs.10/- each, fully paid-up	0.04	0.04
3. 2,80,000 Equity Shares of Garware Marine Industries Ltd, of the face value of Rs.10/- each, fully paid-up	55.00	55.00
4. 4,00,000 Equity Shares of Garware Wall Ropes Limited, of the face value of Rs.10/- each, fully paid-up	260.00	260.00
5. 58900 Equity Shares of Bank of India, of the face value Rs.10/- each, fully paid-up.	26.51	26.51
	341.56	341.56
II Unquoted		
1. 2,500 Equity Shares of The New India Co-operative Bank Ltd. Mumbai, of the face value of Rs.10/- each, fully paid-up	0.25	0.25
2. 2,500 Equity Shares of The North Kanara Goud Saraswat Brahmin Co-operative Bank Ltd., Mumbai of the face value of Rs.10/- each, fully paid up	0.25	0.25
3. 500 shares of The Co-operative Stores Ltd. (New Delhi) of the face value of Rs.10/- each, fully paid up	0.05	0.05
4. 10,000 Equity Shares of S I C O M Ltd., of the face value of Rs.10/- each fully paid-up	8.00	8.00
5. 4,000 Equity Shares of Deogiri Nagari Sahakari Bank Ltd. of the face value of Rs 25/- each fully paid up.	1.00	1.00
6. 4,000 Equity Shares of Vaidyanath Urban Co-op. Bank Ltd of the face value of Rs 25/- each fully paid-up.	1.00	1.00
7. 1,000 Equity Shares of Poornawadi co-op Bank Ltd of the face value of Rs 100/- each fully paid-up.	1.00	1.00
	11.55	11.55
III In Subsidiary Companies (Unquoted)		
1. 2,50,000 ordinary Shares of Garware Polyester International Limited, London, of the face value of Pound 1/- each, fully paid-up	133.57	133.57
2. 1,40,75,820 Equity Shares of Garware Chemicals Ltd. of the face value of Rs.10/- each, fully paid-up including four equity shares held by nominees.	4,222.70	4,222.70
	4,356.27	4,356.27
	4,709.58	4,709.58
TOTAL	Cost	Cost
	Market value	Market value
	341.56	341.56
	74.41	93.25
NOTE : Aggregate amount of company's investments. (Refer Note No.14 in Schedule 12)	Quoted	341.56
	Unquoted	4,368.02
	TOTAL	4,709.58

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SCHEDULES FORMING PART OF THE BALANCE SHEET (Contd.)

	As at 31.03.2001 (Rs. in Lakhs)		As at 31.03.2000 (Rs. in Lakhs)	
SCHEDULE 6				
CURRENT ASSETS, LOANS & ADVANCES				
A) CURRENT ASSETS:				
I. Inventories :				
(As taken, valued & certified by the Management)				
a) Stores, Spare parts & Packing materials (At Cost)	2,604.67		2,842.26	
b) Stock-in-trade				
(i) Raw Materials (At cost)	1,013.32		685.67	
(ii) Finished goods (At cost or market value whichever is lower)	1,211.03		1,295.83	
(iii) Semi-finished goods (At cost)	2,416.89	7,245.91	1,668.75	6,492.51
II. Sundry Debtors :				
(Unsecured, considered good, unless otherwise stated excluding Bills Receivable discounted)				
(a) Debts outstanding for a period exceeding six months				
(i) Considered Good	0.00		512.33	
(ii) Considered Doubtful	575.21		147.87	
	575.21		660.20	
Less : Provision for Doubtful Debts	575.21		147.87	
	0.00		512.33	
(b) Other Debts (Refer Note No.4 in Schedule 12)	2,215.94	2,215.94	2,598.70	3,111.03
III. Cash and Bank Balances :				
(a) Cash on hand	33.32		50.01	
(b) Bank balances :				
(i) With Scheduled Banks:				
In Current Accounts	203.15		458.82	
In Fixed Deposit Accounts	3.97		3.38	
In Margin Account	87.89		60.93	
(ii) With Non-Scheduled Bank:				
In Post Office (Maximum balance due at any time during the year Rs. 6.47 Lakhs. Previous year Rs.6.47 Lakhs)	6.47	334.80	6.47	579.61
IV. Other Current Assets:				
Other receivable				
(i) Insurance claims	5.30		9.60	
(ii) Others	2,521.74	2,527.04	2,472.71	2,482.31
B) LOANS & ADVANCES:				
(Unsecured, considered good, unless otherwise stated)				
(a) Advances recoverable in cash or in kind or for value to be received*	786.21		644.83	
(b) Promoter's Contribution in Subsidiary Company viz., Garware Chemicals Ltd.	4,744.60		4,945.58	
(c) Advance against Capital Expenditure	27.47		76.61	
(d) Deposits with Customs and Excise authorities	391.08		125.02	
(e) Deposits with others	328.15		364.08	
(f) Advance Payment of Income Tax, and tax deducted at source	56.66	6,334.17	55.25	6,211.37
TOTAL		18,657.86		18,876.83

* Including Rs. 74.59 Lakhs (previous year Rs. 61.47 Lakhs) due from Garware Enterprises Ltd. a Company under the same Management (Maximum balance during the year Rs. 74.59 Lakhs).

SCHEDULES FORMING PART OF THE BALANCE SHEET (Contd.)

	As at 31.03.2001 (Rs. in Lakhs)		As at 31.03.2000 (Rs. in Lakhs)	
SCHEDULE 7				
CURRENT LIABILITIES AND PROVISIONS				
A. Current Liabilities :				
i) Sundry Creditors (Refer Note No.18 in Schedule 12)	2,781.13		3,456.83	
ii) Other Liabilities (Including Rs.1.07 Lakhs due to Directors)	1,202.52		1,161.34	
iii) Deposits and advances from customers & others	186.35		127.24	
iv) Unclaimed Dividends	14.10		14.10	
v) Share and Debenture Application Money Refundable	6.98		6.98	
vi) Interest accrued but not due on loans	20.47		362.12	
vii) Debenture Redemption Money payable	13.46		13.46	
viii) Advance against Export	5,973.93	10,198.94	5,613.70	10,755.77
TOTAL		10,198.94		10,755.77

SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT

	2000-2001 (Rs. in Lakhs)	1999-2000 (Rs. in Lakhs)
SCHEDULE 8		
OTHER INCOME		
Insurance claims	23.76	23.08
Income from investments (Gross)	8.70	8.81
Interest on short term deposits with banks and others (Gross)		
(Tax deducted at source Rs. 1.01 Lakhs. Previous year Rs. 0.74 Lakh)	32.52	9.69
Miscellaneous income	69.26	80.49
Lease Rent	0.00	135.12
Profit on sale of fixed assets (Net)	4.48	15.80
Profit on sale of investments	0.00	5.00
Excise refund	0.00	0.73
Provision for doubtful debts realised	16.74	0.00
Rent	3.00	3.06
(Tax deducted at source Rs. 0.40 Lakh. Previous year Rs. 0.39 Lakh)		
Sales Tax refund	19.39	0.00
TOTAL	177.85	281.78

SCHEDULE 9
INCREASE/(DECREASE) IN FINISHED AND SEMI-FINISHED GOODS

Opening Stock:				
Finished goods	1295.83		938.17	
Semi-finished goods	1668.75	2,964.58	1872.64	2810.81
Closing Stock:				
Finished goods	1211.03		1295.83	
Semi-finished goods	2416.89	3,627.92	1668.75	2964.58
Increase / (Decrease)		663.34		153.77

SCHEDULE 10
RAW MATERIALS CONSUMED

(Refer Note No. 19D in Schedule 12)				
Opening Stock	685.67		731.03	
Add: Purchases and Expenses	14,124.12	14,809.79	10,986.04	11,717.07
Less: Closing Stock		1,013.32		685.67
TOTAL		13,796.47		11,031.40

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SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT (Contd.)

	2000-2001 (Rs. in Lakhs)		1999-2000 (Rs. in Lakhs)	
SCHEDULE 11 A				
MANUFACTURING AND OTHER EXPENSES				
A. Manufacturing Expenses:				
Stores, Spares and Packing Materials consumed (Net)	2,178.59		1976.15	
Power and Fuel	3,838.46		3542.44	
Water Charges	109.86		61.55	
Processing Charges	126.28	6,253.19	149.69	5729.83
B. Employees' Remuneration & Benefits:				
Salaries, Wages and Bonus	1,101.87		1088.17	
Contribution to Provident and other funds	190.23		167.08	
Staff Welfare Expenses	195.52	1,487.62	183.44	1,438.69
C. Administrative, Selling and General Expenses:				
Rent, Hire charges and Compensation (Net)	80.69		59.98	
Rates, Taxes and Licence Fees	72.97		81.59	
Insurance (Net)	290.31		277.49	
Freight and Forwarding (Net)	1,764.99		1464.29	
Research and Development Expenses	320.91		14.07	
Repairs and Maintenance of:				
i) Plant and Machinery	138.21		137.37	
ii) Buildings	60.74		39.33	
iii) Other Assets	522.89	721.84	530.94	707.64
Advertisement Expenses	47.91		24.34	
Additional Sales Tax / Turnover Tax	2.64		0.54	
Travelling and Conveyance	372.75		342.66	
Postage, Telegrams & Telephones	171.42		201.59	
Lease Rentals	5.98		5.98	
Bank Charges	384.39		423.37	
Commission on Sales	231.08		384.14	
Donations	2.05		2.72	
Legal and Professional charges (Refer Note No.10 in Schedule 12)	200.35		270.71	
Auditors' Remuneration				
(a) Audit fees	2.10		2.20	
(b) Tax Audit fees	1.05		1.31	
(c) As advisors for Taxation matters	1.28		1.04	
(d) For Certification/Others	0.39		0.33	
(e) Reimbursement of out-of-pocket Expenses	0.07	4.89	0.07	4.95
Sundry balances written off (Net)	0.30		3.92	
Loss on Termination of Lease Agreement	0.00		27.35	
Loss on exchange rate fluctuation	651.02		289.29	
Other financial charges	39.80		77.62	
Misc. Expenses	640.11		504.13	
Provision for Doubtful Debts	451.44		15.70	
Bad Debts	75.16		0.00	
Less Provision for Doubtful Debts	7.36	67.80	0.00	0.00
		6,525.64		5184.07
D. Managerial Remuneration:				
(a) To Managing Director :				
(i) Salary	12.00		9.81	
(ii) Contribution to Provident fund, Superannuation and Gratuity Scheme	3.46		2.83	
(iii) Other Perquisites	5.68	21.14	0.69	13.33
(b) To Whole-time Directors :				
(i) Salary	12.00		12.00	
(ii) Contribution to Provident fund, Superannuation & Gratuity Scheme	3.46		3.46	
(iii) Other Perquisites	0.91	16.37	1.22	16.68
(c) Directors' sitting fees	1.01	38.52	1.22	31.23
TOTAL		14,304.97		12,383.82

SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT (Contd.)

	2000-2001 (Rs. in Lakhs)	1999-2000 (Rs. in Lakhs)
SCHEDULE 11B		
PRIOR YEAR ADJUSTMENT (NET)		
Sundry Credit balances written back	322.74	21.90
Excess provision of commission on sales written back	297.08	0.00
	<u>619.82</u>	<u>21.90</u>
Less : Previous Year Expenses	73.71	2.16
TOTAL	<u><u>546.11</u></u>	<u><u>19.74</u></u>

NOTES ANNEXED TO AND FORMING PART OF THE ACCOUNTS
SCHEDULE 12

- 1] Estimated amount of contracts remaining to be executed on capital account and not provided for Rs.102.94 Lakhs (Previous Year 175.52 Lakhs) against which an advance of Rs.27.47 Lakhs (Previous Year 76.61 Lakhs) has been paid.
- 2] The Company has given counter-guarantees for Rs.9445.39 Lakhs (Previous Year Rs.9542.25 Lakhs) to Banks in respect of guarantees given by the Banks to third parties for purchase of equipments, supply of goods, clearance of goods from Customs, Excise Bonds, etc.
- 3] Letters of Credit opened on behalf of the Company by Banks for purchase of materials and equipments amount to Rs.5660.14 Lakhs (Previous Year Rs.2689.59 Lakhs).
- 4] Bills of Exchange discounted amounting to Rs.2683.17 Lakhs (Previous Year 1656.95 Lakhs).
- 5] (A) 24,89,622 – 16% Secured Redeemable Non-Convertible Debentures of Rs.100/- each for cash at par with Detachable Warrants were redeemed at par in three annual installments, the first installment of Rs.34/- on 4th April 1998, the second installment of Rs.33/- on 4th April 1999 and the 3rd installment of Rs.33/- on 4th April 2000 except Debentures aggregating to Rs.1207 Lakhs held by Financial Institutions.
 (B) 21,00,000 – 18.5% Secured Redeemable Non-Convertible Debentures of Rs.100/- each for cash at par issued to the Financial Institutions on Private Placement basis are redeemable at par in three equal installments in July 2001, July 2002 and July 2003.
 (C) 10,00,000 – 18.5% Secured Redeemable Non-Convertible Debentures of Rs.100/- each for cash at par issued to a Bank on Private Placement basis due for redemption at par in June 2000 have not been redeemed.
 (D) 99,50,000 – 15.5% Secured Redeemable Non-Convertible Debentures of Rs.100/- each for cash at par issued to a Financial Institution on Private Placement basis are redeemable at par in eight half yearly installments commencing from July 2002.
 (E) 6,00,000 – Secured Redeemable Non-Convertible O' Coupon Debentures of Rs.100/- each for cash at par issued to a Financial Institution on Private Placement basis, shall be redeemed in three tranches of Rs.30/-, Rs.30/- and Rs.40/- with a premium of Rs.70/-, Rs.70/- and Rs.75.54 per debenture at the end of the 72nd, 84th and 96th months respectively from the date of subscription (29/06/1999).
- 6] As per the Debenture Trust Deeds executed by and between the Company and the Debenture Trustees, the Company is required to create Debenture Redemption Reserve aggregating to Rs.5246.97 Lakhs including Rs.4546.97 Lakhs of prior years. However, no reserve has been created in view of loss incurred during the year.
- 7] Claims against the Company not acknowledged as debts Rs.8.17 Lakhs (Previous Year Rs.7.80 Lakhs).
- 8] No provision has been made for reversal of MODVAT claim of Rs.27.85 Lakhs made in December 1997 as the matter is in dispute and is pending before the Excise Authorities.
- 9] No provision has been made for Sales Tax claim for Rs.9.61 Lakhs for the year 1991-92 and 1992-93 as the matter is in dispute and pending before Allahabad High Court against which stay-order has been obtained. The company is legally advised that the claim on the above matter may not be payable.

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- 10] Legal and Professional Charges include Rs.1.98 Lakhs (Previous Year 1.55 Lakhs) paid to some of the Partners of the Auditors for other services.
- 11] The Company has given corporate guarantees on behalf of its subsidiary company Garware Chemicals Ltd. for repayment of term loans, interest and other charges thereon to:-
 (A) IDBI for Rs.7800.00 Lakhs
 (B) The Fuji Bank Limited for Rs.2381.45 Lakhs (being 70% of the total loan amount of Rs.3402.07 Lakhs).
- 12] Break up of Interest on Borrowings is as under:

	<u>2000-2001</u> (Rs.in Lakhs)	<u>1999-2000</u> (Rs.in Lakhs)
On Secured Loans	2243.84	2232.23
On Debentures	2968.81	2341.32
On Fixed Deposits	4.46	9.31
Others	2546.27	2338.34
TOTAL	<u>7763.38</u>	<u>6921.20</u>

- 13] Export Benefits / Incentives are accounted on accrual basis. Accordingly, estimated benefit under DEPB scheme aggregating to Rs.1814.57 Lakhs (Previous Year Rs.1969.04 Lakhs) against export effected during the year has been credited to cash assistance account.
- 14] The Company has not provided for the diminution in the market value of certain investments aggregating to Rs.267.15 Lakhs (Previous Year Rs.248.31 Lakhs), since in the opinion of the management these are long term strategic investments and the diminution in their market value is temporary in nature and does not represent any permanent decline in its intrinsic value.
- 15] Computation of net profit as per section 349 read with section 309(5) and section 198 of the Companies Act, 1956 has not been done as commission by way of percentage of net profit is not payable for the year to the Managing Director and the Whole-time-Directors due to loss incurred during the year.
- 16] Inter divisional transfers of goods for internal use as captive consumption are shown as contra items in the Profit and Loss Account to reflect the true economic value of the production inter-se the divisions. This accounting treatment has no impact on the loss for the year.
- 17] Other Debts include Rs.606.72 Lakhs due from subsidiary company and Rs.23.71 Lakhs due from Garware Enterprises Ltd. a company under the same management.
- 18] (a) Sundry Creditors in Schedule 7 to the accounts include Rs.551.20 Lakhs (Previous Year Rs.396.88 Lakhs) due to small scale industrial undertakings and Rs.2229.93 Lakhs (Previous Year Rs.3059.95 Lakhs) due to other creditors. The same is disclosed on the basis of information available with the Company regarding the status of suppliers as detailed under clause (i) of section 3 of the Industries (Development and Regulation) Act, 1951.
- The names of the small scale industrial undertakings to whom the Company owes a sum of Rs.1 Lakh or more and which is outstanding for more than 30 days are as under:

M/s AK Packaging Ind; M/s Able Moulders; M/s Aurangabad Plastics Pvt.Lt.; M/s Asian Packaging; M/s Abhishek Engineering Work; M/s Alashree Associates Pvt.Ltd.; M/s Boxkraft Packagers Pvt.Ltd.; M/s Converter; M/s Commonwealth Electrical Inds.; M/s Carefine Wood Works (P) Ltd.; M/s Diamond Chemicals; M/s Dilip Gloves Works; M/s Deep Enterprises; M/s Disha Industries; M/s Devi Engineering; M/s Ellora Gases; M/s Enertech Additives Pvt.Ltd.; M/s Flexible Packaging; M/s Flexo Film Wraps (I) Ltd.; M/s Flu-Tef Corporation; M/s G.B. Enterprises; M/s Jain Plastics; M/s Jainasons; M/s K.V. Fire Chemicals (I) Pvt.Ltd.; M/s Lathia Rubber Mfg.Co.Pvt.Ltd.; M/s Logoman Air Condi. Syst.P.Ltd.; M/s Maharashtra Saw Mill; M/s Modern Precision Inds.; M/s Millar Plastics Industries; M/s Mona Rasayan Inds.Pvt.Ltd.; M/s Mansi Paper Products Pvt.Ltd.; M/s Macawber Engg.Systems P.Ltd.; M/s Melfrank Engineers Pvt.Ltd. M/s Maxwell Industries; M/s Mahima Packaging Pvt.Ltd.; M/s Marathwada Packaging Pvt.Ltd.; M/s National Industries; M/s Novel Packaging Inds.; M/s Nikhil Enterprises (Aurangabad); M/s Patidar Wooden Works; M/s P.C. Wood Industries; M/s Perfect Engg.Serv.Pvt.Ltd. Nasik; M/s Pioneer Packaging; M/s Pawan Enterprises; M/s R.D. Engineering; M/s Suresh Polymers Pvt.Ltd.; M/s Super Ammonia Pvt.Ltd.; M/s S.S. Suppliers; M/s Sapna Packaging; M/s Shrikrishna Vijay Saw Mill; M/s Shree Bhagwan Tubes & Cont.; M/s Sumeru Packagings (P) Ltd.; M/s Speciality Poly Film India Pvt.Ltd.; M/s Sudarshan Plywoods; M/s S.S. Supplier Aurangabad; M/s Shree Ram Art Printers Pvt.Ltd.; M/s Swagati Engineering; M/s Saras Plastics Pvt.Ltd.; M/s Suyash Plastics Pvt.Ltd.; M/s S.S. Controls; M/s Sangir Plastics Pvt.Ltd.; M/s Vesat Plastics; M/s Venkatesh Industries; M/s Valqua Products; M/s Well Worth Industries; M/s Melfrank Engineers Pvt.Ltd.

(b) No provision of interest, if any, payable on overdue amounts as at 31/03/2001 to small scale and / or Ancillary Industrial Suppliers has been made as the amount is not determinable.

19] Additional information pursuant to the provisions of paragraphs 3 and 4C of part II of Schedule VI of the Companies Act, 1956.

(A) Licensed & Installed Capacities:

Product	2000-2001		1999-2000	
	Licensed/ Registered (T.P.A.)	Installed Capacity (T.P.A.)	Licensed/ Registered (T.P.A.)	Installed Capacity (T.P.A.)
	i) Polyester Film	80000	41000	80000
ii) Metallised Film	2210	2210	2210	2210
iii) Polyester Chips	50400	50400	50400	50400

Note: Installed capacities and Licensed capacities are as per the certificate given by the Director – Technical on which Auditors have relied.

(B) Details of Sales	2000 – 2001		1999 – 2000	
	Qty. (MT)	Value (Rs.Lakhs)	Qty. (MT)	Value (Rs.Lakhs)
Class of Goods: Polyester films (Plain/Lacquered/ OHP Laminated/Stabilised/ Coloured & Metallised)	24706*	32980	23533*	30207
Others (including Chips)		1101		170

*** Includes internal transfers & free samples.

(C) Actual Production & Stocks	2000 – 2001				1999 – 2000			
	Unit Stock	Op. Stock	Prodn. Stock	Cl. Stock	Op. Stock	Prodn. Stock	Cl. Stock	
Class of Goods: i) Polyester films (Plain/Lacquered/OHP Laminated/Stabilised/ Coloured & Metallised) (Rs.in Lakhs)	MT	853.28	24906	1052.82	991	23395	853.28	
		1265.49		1183.86	938.17		1265.49	
ii) Chips (excluding conversion)	N.A.	Produced for captive use in the manufacture of films.		N.A.	Produced for captive use in the manufacture of films.			
iii) Others (Rs.in Lakhs)		30.34		Nil		30.34		

Note: Production includes bought out film of 285 MTs (Previous Year. Nil)

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(D) Consumption of Raw Materials:

Particulars	2000 – 2001		1999 – 2000	
	Qty. (MT)	Value* (Rs.Lakhs)	Qty. (MT)	Value (Rs.Lakhs)
i) DMT	25522	6758.84	5053	1257.49
ii) PTA	759	242.58	16008	4242.10
iii) MEG	8978	2936.84	8246	2482.51
iv) Others (includes bought out items Rs.Nil Lakhs Previous Year Rs.0.36 Lakhs)		3858.21		3049.30
TOTAL		13796.47		11031.40

*** After adjusting sale of raw material amounting to Rs.Nil Lakhs (Previous Year Rs.15.83 Lakhs) and Octroi Duty Refund of Rs.364.63 Lakhs (Previous Year Rs.249.09 Lakhs).

(E) Details of Imports on CIF basis

Particulars	2000 – 2001	1999 – 2000
	(Rs.Lakhs)	(Rs.Lakhs)
i) Raw Materials	1825.95	1316.66
ii) Packing Materials	107.88	59.77
iii) Components & Spares	153.59	426.93
iv) Capital Goods	244.40	909.59
v) Others	0.00	2.54

(F) Details of Imported & Indigenous Raw Materials and Spares parts consumed and percentage of each to the total:

Particulars	2000 – 2001		1999 – 2000	
	Value (Rs.Lakhs)	% of Total	Value (Rs.Lakhs)	% of Total
i) Raw Materials:				
Imported	2282.14	17	1565.65	14
Indigenous	11514.33	83	9465.75	86
TOTAL	13796.47	100	11031.40	100
ii) Stores & Spares:				
Imported	294.19	38	262.94	34
Indigenous	479.91	62	507.55	66
TOTAL	774.10	100	770.49	100

(G) Remittances / Expenditure in Foreign Currency

Particulars	2000 – 2001	1999 – 2000
	(Rs.Lakhs)	(Rs.Lakhs)
i) Repayment of Loan	0.00	246.96
ii) Commission	42.69	263.90
iii) Advertisement	5.41	0.00
iv) Traveling Expenses	102.24	94.17
v) Books, Periodicals & Subsc.	16.10	2.96
vi) Technical / Engineering Serv.	71.02	129.92
vii) Exhibition	16.46	0.00
viii) Interest	431.77	570.62
ix) Recruitment	12.66	0.00
x) Others	8.41	6.20

(H) Earnings in Foreign Exchange:

Particulars	2000 – 2001	1999 – 2000
	(Rs.Lakhs)	(Rs.Lakhs)
Exports (FOB basis)	13377.42	11168.15

Previous year's figures have been rearranged and regrouped wherever necessary to conform to the classification adopted for the current year.

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE
I. Registration Details

Registration No.	<input type="text" value="10889"/>	State Code	<input type="text" value="11"/>
Balance Sheet Date	<input type="text" value="31.03.2001"/>		

II. Capital raised during the year (Amount in Rs. Thousand)

Public Issue	<input type="text" value="NIL"/>	Rights Issue	<input type="text" value="NIL"/>
Bonus Issue	<input type="text" value="NIL"/>	Private Placement	<input type="text" value="NIL"/>

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousand)

Total Liabilities	<input type="text" value="6865480"/>	Total Assets	<input type="text" value="6865480"/>
Sources of Funds			
Paid-up Capital	<input type="text" value="217787"/>	Reserves & Surplus	<input type="text" value="1596232"/>
Secured Loans	<input type="text" value="4920410"/>	Unsecured Loan	<input type="text" value="131051"/>

Application of Funds

Net Fixed Assets	<input type="text" value="3935427"/>	Investments	<input type="text" value="470958"/>
Net Current Assets	<input type="text" value="845892"/>	Misc. Expenditure	<input type="text" value="-"/>
Accumulated Losses	<input type="text" value="1613203"/>		

IV. Performance of Company (Amount in Rs. Thousand)

Turnover	<input type="text" value="5414189"/>	Total Expenditure	<input type="text" value="6009140"/>
Loss before tax	<input type="text" value="594951"/>	Loss after tax	<input type="text" value="595401"/>

+	-
	✓

+	-
	✓

(Please tick Appropriate box "+" for Profit "-" for Loss)

Earning per share	<input type="text" value="-"/>	Dividend rate %	<input type="text" value="-"/>
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V. Generic Names of Three Principal Products/Services of Company (as per monetary term)

Item Code No.	<input type="text" value="39206909"/>	<input type="text" value="39206903"/>	<input type="text" value="39206904"/>
Product Description	<input type="text" value="POLYESTER FILM"/>	<input type="text" value="PACKAGING POLYESTER FILM"/>	<input type="text" value="SUN CONTROL FILM"/>

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SIGNIFICANT ACCOUNTING POLICIES**1. Basis of presentation of Financial Statements**

- The financial statements are prepared under the historical cost convention modified by revaluation of fixed assets and in accordance with applicable Accounting Standards and relevant presentation requirements of the Companies Act, 1956.
- The company generally follows the mercantile system of accounting and recognizes significant items of income and expenditure on accrual basis.

2. Fixed Assets

Fixed Assets are stated at cost net of modvat / cervat and includes amounts added on revaluation, less accumulated depreciation. Cost comprises of the purchase price and any directly attributable costs of bringing the assets to working condition for its intended use including interest and other incidental expenses upto the date of commercial production. When fixed assets are revalued, surplus on revaluation is credited to Capital Reserve Account.

3. Depreciation / Amortisation

Depreciation / Amortisation is provided as follows:

- On Technical Know-how/Product Development Expenses @ 1/6th per annum.
- On Copyright Expenditure @ 1/5th per annum
- On Capital Expenditure on R&D and Assets other than Plant & Machinery on Written Down Value method as per rates prescribed under Schedule XIV of the Companies Act, 1956.
- On Plant & Machinery acquired before 02/04/1987 on Straight Line method as per rates prevalent at the time of acquisition of the asset on single shift basis.
- On Plant & Machinery acquired after 02/04/1987 on Straight Line Method as per rates prescribed under Schedule XIV of the Companies Act, 1956, vide Notification GSR No.756(E) dated 16/12/1993.
- On Plant & Machinery given on lease the depreciation provided on the basis of lease period.
- No write-off is being made in respect of leasehold land.

4. Investments

Investments are considered as long term investments and are accordingly stated at cost of acquisition. Market value of Quoted Investments at the date of the Balance Sheet is disclosed. Provision for diminution in the value of long-term investments is made only if such a decline is other than temporary in the opinion of the management.

5. Inventories

Raw materials, stores, spares and packing materials are valued at weighted average cost. Finished goods are valued at lower of cost or market value. Semi-finished goods including those held for captive consumption are valued at factory cost (including depreciation but excluding interest).

6. Foreign Currency Transactions

- During the year, foreign currency transactions relating to purchases and sales of goods and services are translated at the rate prevailing at the time of settlement of the transactions.
- Amounts remaining unsettled on these transactions at the Balance Sheet date are translated at the contracted rates (where applicable) or at the exchange rates prevailing at the end of the Accounting Year. The net loss/gain, arising from such transaction, is charged to the relevant revenue heads in the Profit & Loss Account.
- Foreign Currency loans for financing fixed assets outstanding at the close of the financial year are recognized at the contracted and/or appropriate exchange rates at the close of the year. The gain or loss due to decrease/increase in rupee liability due to fluctuations in rates of exchange is adjusted to the cost of assets acquired through these loans.
- Investments in shares of foreign subsidiary company are expressed in Indian Currency at the rate of exchange prevailing at the time when the original investments were made.

7. Inter-divisional Transfers

Inter-divisional transfers of goods for internal use as captive consumption are shown as contra items in the Profit & Loss Account to reflect the true economic value of the production inter-se the divisions. This accounting treatment has no impact on the loss of the Company.

8. Duties

Excise duty and Custom duty payable on finished goods lying in the factory and the imported raw materials lying in the Bonded Warehouse respectively have been included in the valuation of inventories to comply with the Accounting Standard (AS II) on "Valuation of Inventories" issued by the Institute of Chartered Accountants of India.

9. Retirement Benefits

Liability towards Superannuation and Gratuity are covered by appropriate schemes with Life Insurance Corporation of India.

10. Lease Rentals

Lease Rentals are accounted on accrual basis over the Lease Term as per the relevant Lease Agreements in conformity with the Guidance Notes issued by the Research Committee of the Institute of Chartered Accountants of India.

11. Contingent Liabilities

No provision is made for liabilities which are contingent in nature but if material, the same are disclosed by way of notes to the accounts.

12. Research and Development

Revenue expenditure on Research and Development is charged out in the year in which it is incurred. Expenditure which results in creation of assets is included in Fixed Assets and depreciation is provided on such assets as applicable.

13. Sales

Sales include excise duty but exclude sales tax and other charges net of discounts and returns.

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2001

		Year ended 31.03.2001 (Rs. in Lakhs)	Year ended 31.03.2000 (Rs. in Lakhs)
A. Cash flow from operating activities:			
Net Loss before tax and extraordinary item	A	(5949.51)	(5944.03)
Add: Depreciation		3076.07	3207.63
Interest expenses - gross		7763.38	6921.20
sub total	B	10839.45	10128.83
sub total A + B	C	4889.94	4184.80
Less: Interest income		32.52	9.69
Profit on sale of fixed assets		4.48	15.80
Profit on sale of investment		0.00	5.00
Dividend received/Income from Investment		8.70	8.81
Sundry credit balances Written Back		619.82	21.90
Lease Rent		0.00	135.12
Rent		3.00	3.06
sub total		668.52	199.38
Operating profit before working capital changes		4221.42	3985.42
Adjustments for:			
(Inc.)/Dec. in trade / other receivable (Net)		727.56	(343.49)
(Inc.)/Dec. in inventories		(753.40)	(768.31)
Inc./Dec. in trade/other payables		404.64	991.58
Cash generated from operations		4600.22	3865.20
Interest paid		(3460.96)	(3870.42)
Direct taxes refund/(paid) (Net)		(4.50)	(8.85)
Net cash inflow/(outflow) from operations		1134.76	(14.07)
B. Cash flow from investing activities			
Purchase of fixed assets		(800.52)	(1472.93)
Sale of fixed assets		6.62	64.71
Purchase/sale of investments (Net)		0.00	52.71
Interest received		32.52	9.69
Dividend received/Income from Investment		8.70	8.81
Lease rent		0.00	135.12
Rent		3.00	3.06
Net cash inflow/(outflow) from investing activities		(749.68)	(1198.83)

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CASH FLOW STATEMENT (Contd...)

	Year ended 31.03.2001 (Rs. in Lakhs)	Year ended 31.03.2000 (Rs. in Lakhs)
C. Cash flow from financing activities		
Repayment of borrowings - secured	(466.69)	29.27
Proceeds/(repayments) of borrowings - unsecured	96.92	124.51
Net cash inflow/(outflow) from financing activities	(369.77)	153.78
Net increase/(decrease) in cash and cash equivalents	15.31	(1059.12)
Cash and cash equivalents as at opening		
Cash and bank balances	579.61	446.57
Cash credit accounts	(10914.16)	(9722.00)
Total I	(10334.55)	(9275.43)
Cash and cash equivalents as at closing		
Cash and bank balances	334.80	579.61
Cash credit account	(10654.04)	(10914.16)
Total II	(10319.24)	(10334.55)
Total II- I	15.31	(1059.12)

For and on behalf of the Board of Directors

S. B. GARWARE
Chairman &
Managing Director

A. B. BHALERAO
Director - Technical

B. D. DOSHI
Vice President &
Company Secretary

Mumbai, 31st July, 2001

AUDITORS' REPORT

We have examined the above Cash Flow Statement of Garware Polyester Limited for the year ended 31st March, 2001. The statement has been prepared by the Company in accordance with the requirements of clause 32 of the Listing Agreement with the Stock Exchange and is based on and in agreement with the corresponding Profit and Loss account and Balance Sheet of the company covered by our report of even date to the Members of the Company.

Mumbai
Date : 31st July, 2001

For SHAH & CO.
Chartered Accountants
INDULAL H. SHAH
Partner

**STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956,
RELATING TO SUBSIDIARY COMPANIES**

A)	Name of the Subsidiary Companies	Garware Chemicals Limited	Garware Polyester International Limited	Global Pet Films Inc.
B)	Financial Year of the Subsidiary Companies ended on:	30th September, 2000	31st December, 2000	31st December, 2000
C)	Shares of the Subsidiary held by Garware Polyester Limited, on the above dates:			
	(a) Number and Face Value	1,40,75,820 Equity Shares of Rs. 10/- each	2,50,000 Equity Shares of Pound 1 each	NIL
	(b) Extent of holding	82%	100%	
D)	The net aggregate of Profit/(Losses) of the Subsidiary Companies so far as it concerns the members of Garware Polyester Limited			
	(a) Not dealt with in the accounts of Garware Polyester Limited, for the year ended 31.03.2001.			
	(i) For the Subsidiaries' Financial Year ended on the respective dates	(Rs. in Lacs) (2274.66)	Pound 146,895	N.A.
	(ii) For the previous Financial Years of the Subsidiaries since they became the Holding Company's Subsidiaries	N.A.	N.A.	N.A.
	(b) Dealt with in the accounts of Garware Polyester Ltd., for the year ended 31.03.2001 amounted to:-			
	(i) For the Subsidiaries' Financial Year ended on the respective dates.	N.A.	N.A.	N.A.
	(ii) For the previous Financial Years of the Subsidiaries since they became the Holding Company's Subsidiaries.	N.A.	N.A.	N.A.
E)	Changes in the interest of Garware Polyester Ltd. between the end of the Subsidiaries' Financial Year and 31.03.2001.	NIL	NIL	NIL
F)	Material changes between the end of the Subsidiary's Financial Year and 31.03.2001.	NIL	NIL	NIL
	(1) Fixed Assets			
	(2) Investments			
	(3) Monies lent by the Subsidiary			
	(4) Monies borrowed by the Subsidiary Company other than for meeting Current Liabilities.			

For and on behalf of the Board of Directors

S. B. GARWARE
Chairman &
Managing Director

A. B. BHALERAO
Director - Technical

B. D. DOSHI
Vice President &
Company Secretary

Mumbai, 31st July, 2001

GARWARE CHEMICALS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED SEPTEMBER 30, 2000

TO THE MEMBERS,

Your Directors present the Fifth Annual Report together with the Audited Statement of Accounts of the Company for the year ended 30th September, 2000.

REVIEW OF THE WORKING OF THE COMPANY

Your Directors are pleased to inform you that the Company's Plant for manufacture of Di-methyl Terephthalate (DMT) has commenced commercial production from May, 2000. The performance of the Plant is satisfactory and the quality of DMT is of international standard. Presently the Plant is operating at 50% capacity and bulk of the production has been consumed by Garware Polyester Limited, the Company's holding Company. Quality of DMT is well established amongst the polyester resin manufacturers and regular off take is expected from these customers.

Since the Company operated only for 5 months and has incurred loss, your Directors do not recommend any payment of Dividend.

DIRECTORS

During the year, Sumitomo Corporation, Japan nominated Mr. Takeshi Hirayama with effect from 11th September, 2000 in place of Mr. Yojiro Ishibashi. Mr. S. Y. Nanal and Mr. S. Venkiteswaran resigned from the Board with effect from 22nd May, 2000 and 12th September, 2000 respectively. The Board places on record its appreciation of the valuable advice given by Mr. Yojiro Ishibashi, Mr. S. Y. Nanal and Mr. S. Venkiteswaran during their tenure as Directors of the Company. Mr. R. P. Chhabra was appointed as a Director on the Board of the Company with effect from 8th December, 2000 in the casual vacancy caused by the resignation of Mr. S. Venkiteswaran. Mr. A. B. Bhalerao was appointed as an Additional Director with effect from 29th March, 2001.

Mrs. M. Garware Modi, Miss Sarita S. Garware and Mr. A.K. Dudhane retire by rotation and being eligible offer themselves for re-appointment.

AUDITORS

M/s. Indulal Shah & Company, the Statutory Auditors of the Company, hold office till the conclusion of the ensuing Annual General Meeting. They are eligible for reappointment and have indicated their willingness to act as Auditors, if appointed.

OTHER INFORMATION

The information under Section 217 (1)(e), read with Companies (Disclosure of Particulars in the report of the Board of Directors) Rules 1988, is given in the Annexure and forms part of this report. Information as per Section 217 (2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 is also given in the Annexure and forms part of this Report.

INDUSTRIAL RELATIONS

The relations between the employees and the Management remained cordial during the period under review. Your Directors wish to place on record their appreciation of the contribution made by the employees at all levels.

ACKNOWLEDGEMENTS

The Directors wish to place on record their appreciation of the co-operation received by the Company from various departments of the Central and State Government and Financial Institutions and suppliers during the year under review.

For and on behalf of the Board of Directors

Mumbai
14th June, 2001

A.K. DUDHANE A.B. BHALERAO
Director Director

Information required under the Companies Act (Disclosure of Particulars in The Report of Board of Directors) Rules, 1988.

(A) CONSERVATION OF ENERGY :

- (a) **Energy Conservation Measures taken**
DMT Plant generates low-pressure steam and the following areas have been identified to save furnace oil by utilising low pressure steam
 - i) Chilled water Plant based on absorption refrigeration
 - ii) Heating of furnace oil tanks and pipelines for boiler and heater
 - iii) Heating of boiler feed water
 - iv) Operating de-reactor with low pressure steam
 - v) Using low pressure steam for crude methanol distillation.
 - vi) Using low pressure steam for nearby Film Plant for heating and flushing requirements
- (b) **Additional investments and proposals, if any, being implemented for reduction of consumption of energy**
High Pressure Steam ejectors have been replaced by Low Pressure Steam ejectors at an Investment outlay of about Rs. 5 lakhs.
- (c) **Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods.**
The above modifications will result in savings of 2kl Furnace Oil per day amounting to about Rs. 20,000/- day.
- (d) **Total energy consumption and energy consumption per unit of production as per prescribed Form A**
Not Applicable

(B) TECHNOLOGY ABSORPTION

DMT Plant Process package is supplied by M/s. GTC Technology Corporation U.S.A for manufacture of DMT. The Plant was operated at different capacities and the quality of DMT and parameters were as per guarantee specifications. The performance of the Plant will be monitored in coming months.

I. Research and Development (R&D)

- 1) Specific areas in which R & D carried out by the Company.
- 2) Benefits derived as a result of the above R & D.
- 3) Expenditure on R & D / Product Development NIL (Rs. In Lakhs)

II. Technology absorption, adoption and innovation

- 1. Efforts made towards Technology absorption, adoption and innovation**
Optimisation of operating parameters to get design yields below 50% plant Capacity has been established.
- 2. Benefits derived as a result of above results**
Raw material consumption have remained at design level even at Plant Capacity below 50%

(C) FOREIGN EXCHANGE EARNINGS AND OUTGO:

Total Foreign Exchange used and earned. (Rs. In Crores)
Used : 7.26 Earned : Nil

For and on behalf of Board of Directors

A.K. DUDHANE A.B. BHALERAO
Director Director

ANNEXURE TO DIRECTORS' REPORT

Statement containing information as per Section 217(2A) of the Companies Act 1956, read with Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended 30th September, 2000.

EMPLOYED FOR THE YEAR

Sr. No.	Name	Designation/Nature of Duties	Remuneration received	Qualifications	Age	Experience	Date of commencement of Employment	Last Employment
1.	* Ms. Sarita S. Garware	Whole-time Director	797220	MBA European University Switzerland	33	7 Yrs.	01.04.1997	Whole-time Director Garware Polyester Ltd.

EMPLOYED FOR PART OF THE YEAR

2.	Mr. S. L. Nayak	Vice President	170614	B.E., M. Tech	46	23 Yrs.	17.07.2000	General Manager - Mfg. Development Atul Ltd. (6 Yrs.)
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*** Contractual**

Notes :

1. Remuneration as shown above includes value of perquisites computed on the basis of Income Tax Rules, 1962.
2. Designation represent the nature of duties of the employees.
3. Other terms and conditions are as per the Rules of the Company.
4. Ms. Sarita S. Garware is related to Mr. S.B. Garware, Chairman and Managing Director, Mrs. M. Garware Modi and Miss Sonia S. Garware, Directors of the Company.

Mumbai
14th June, 2001

For and on behalf of the Board of Directors
A.K. DUDHANE A.B. BHALERAO
Director Director

AUDITORS' REPORT

We have audited the attached Balance Sheet of **GARWARE CHEMICALS LIMITED** as at 30th September, 2000 and also the annexed Profit & Loss Account of the Company for the year ended on that date.

1. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure statement on the matters specified in paragraphs 4 & 5 of the said Order.
2. Further to our comments in the Annexure referred to in paragraph (1) above, we report that :
 - (a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of audit.
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of such books.
 - (c) The Balance Sheet and the Profit & Loss Account dealt with by this report are in agreement with the books of Account and comply with the Accounting Standards referred to in Section 211(3C) of Companies Act, 1956.
 - (d) In our opinion and to the best of our information and according to the explanations given to us, the said Accounts subject to :-

Note No.10(b) for Non Provision in respect of interest if any, payable on overdue amounts to SSI Suppliers and read together with the other notes in Schedule 11 give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view :-

 - (i) In the case of the Balance Sheet of the state of affairs of the Company as at 30th September, 2000.
AND
 - (ii) In the case of the Profit & Loss Account of the "Loss" of the Company for the year ended on that date.

For INDULAL SHAH & COMPANY
Chartered Accountants

(INDULAL H. SHAH)
Proprietor

Place : Mumbai
Date : 29th March, 2001

ANNEXURE TO THE REPORT OF THE AUDITORS TO THE MEMBERS OF GARWARE CHEMICALS LIMITED ON THE ACCOUNTS FOR THE YEAR ENDED 30TH SEPTEMBER, 2000.

Referred to in paragraph 1 of our report of even date :

1. The Company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets. All the assets except relating to capital work in progress have been physically verified by the Management during the year. We are informed that no material discrepancies have been noticed by the Management on such verification.
2. None of the Fixed Assets have been revalued during the year.
3. The Stock of finished goods, stores, spare parts and raw materials have been physically verified by the management at the end of the year.
4. The procedures of physical verification of stocks followed by the Management are reasonable and adequate in relation to the size of the company and the nature of its business.
5. The discrepancies noticed on verification between the physical stocks and book records were not material in relation to the operations of the Company.
6. In our opinion, the valuation of stocks is fair and proper, in accordance with the normally accepted accounting principles.
7. The Company has not obtained any loans, secured or unsecured from Companies, Firms or other parties listed in the Register maintained u/s.301 of the Companies Act, 1956 or from Companies under the same management.
8. The Company has not given any loans secured or unsecured to Companies, Firms or other parties listed in the Register maintained u/s.301 of the Companies Act, 1956.
9. The Company has not given any loans and advances in the nature of loans to other parties.
10. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to the purchases of Stores raw materials, plant and machinery, equipment and other assets.
11. In our opinion and according to the information and explanations given to us, the transactions of purchase of goods, materials and services and sale of goods, materials and services, made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and aggregating during the year to Rs.50,000/- or more in respect of each party have been made at prices which are reasonable having regard to the prevailing market prices for such goods, materials and services or the prices at which the transactions for similar goods or services have been made with other parties.
12. According to the information and explanations given to us, there are no unserviceable or damaged stores, raw materials and finished goods at the end of the year as this being the first year of the operations of the company.
13. The Company has not accepted any deposits as defined under section 58-A of the Companies Act, 1956.
14. In our opinion, and as per the information and explanations given to us, reasonable records have been maintained by the Company for the sale and disposal of realisable scrap. As informed to us, the Company has no by products.
15. As this being the first year of operations the company has a formal internal audit system.
16. The Central Government has not prescribed maintenance of cost records under section 209(1)(d) of the Companies Act 1956 for the year under review.
17. According to the records of the company, provident fund dues have been regularly deposited during the year with the appropriate authorities. We are informed that the Employees State Insurance Act is not applicable to the company.
18. We are informed that there are no undisputed amounts payable in respect of Sales Tax, Custom Duty and Excise Duty which were outstanding for a period of more than six months from the date they became payable, as at last day of the financial year.
19. According to the information and explanations given to us, no personal expenses of Employees or Directors have been charged to revenue account, other than those payable under contractual obligations or in accordance with generally accepted business practice.
20. The Company is not a sick industrial company within the meaning of section 3(1)(f) of the Sick Industrial Companies (Special Provisions) Act, 1985.

For INDULAL SHAH & COMPANY
Chartered Accountants

Place : Mumbai
Date : 29th March, 2001

(INDULAL H. SHAH)
Proprietor

GARWARE CHEMICALS LIMITED

BALANCE SHEET AS AT 30TH SEPTEMBER 2000

Schedule	As at 30.09.2000 (Rs. In Lakhs)	As at 30.09.1999 (Rs. In Lakhs)	
FUNDS EMPLOYED:			
SHAREHOLDERS' FUNDS			
Share Capital	1 1713.90	1713.90	
Reserves & Surplus	2 3580.90	3580.90	
Promoter's Contribution	4744.60	4701.90	9996.70
BORROWINGS			
Secured Loans	3 16838.53	14096.77	
TOTAL	26977.93	24093.47	
APPLICATION OF FUNDS:			
FIXED ASSETS			
Gross Block	25217.76	36.59	
Less: Depreciation	588.02	19.53	
Net Block	24629.74	17.06	
Capital Work in Progress	4 A 21.55	23282.02	23299.08
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	579.68	0.00	
Sundry Debtors	18.67	0.00	
Cash and Bank Balances	212.39	845.90	
Other Current Assets	288.00	631.37	
Loans and Advances	519.09	48.86	
	1617.83	1526.13	
Less: CURRENT LIABILITIES AND PROVISIONS	6 1587.81	754.65	
Current Liabilities	1587.81	754.65	
Net Current Assets	30.02	771.48	
MISCELLANEOUS EXPENDITURE (to the extent not written off Or adjusted)			
Preliminary Expenses & Share Issue expenses	21.96	22.91	
Profit and Loss Accounts	2274.66	0.00	
TOTAL	26977.93	24093.47	

The notes in Schedule 11 and schedules referred to herein form an integral part of the Balance Sheet.

As per our report of even date

for INDULAL SHAH & CO.
Chartered Accountants

S.B. GARWARE
Chairman & Managing Director

(INDULAL H. SHAH) RAJESH RAO A.K. DUDHANE
Proprietor Company Secretary Director

Mumbai, 29th March, 2001 Mumbai, 29th March, 2001

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30.09.2000

Schedule	(Rs. Lakhs)
INCOME :	
Sale including Excise Duty	3395.00
Other Income	7 30.70
Increase/ (Decrease) in Finished & Semi-finished Goods	8 85.04
	3510.74
EXPENDITURE :	
Raw Material Consumed	9 2276.71
Excise Duty	575.57
Manufacturing & Other Expenses	10 1261.81
Interest	1105.21
	5219.30
(Loss)/Profit before Depreciation and taxation	(1708.56)
Depreciation	568.49
Less: Capitalised	2.39
	566.10
(Loss) / Profit for the Year carried to Balance Sheet	(2274.66)

The notes in Schedule 11 and schedules referred to herein form an integral part of the Profit and Loss Account.

As per our report of even date

for INDULAL SHAH & CO.
Chartered Accountants

S.B. GARWARE
Chairman & Managing Director

(INDULAL H. SHAH) RAJESH RAO A.K. DUDHANE
Proprietor Company Secretary Director

Mumbai, 29th March, 2001 Mumbai, 29th March, 2001

SCHEDULES FORMING PART OF THE BALANCE SHEET

	As at 30.09.2000 (Rs. in Lakhs)	As at 30.09.1999 (Rs. in Lakhs)
SCHEDULE 1		
SHARE CAPITAL		
Authorised:		
30000000 Equity Shares of Rs.10/- each,	<u>3000.00</u>	<u>3000.00</u>
Issued, Subscribed and Paid-up:		
17139000 (Previous year 17139000) Equity Shares of Rs.10/-each, fully paid-up	<u>1713.90</u>	<u>1713.90</u>
Out of the above :		
14075820 Equity Shares are held by Garware Polyester Limited, the holding company and its nominees.		
SCHEDULE 2		
RESERVES AND SURPLUS		
SHARE PREMIUM :		
Balance As Per Last Balance Sheet	<u>3580.90</u>	<u>3580.90</u>
TOTAL	<u>3580.90</u>	<u>3580.90</u>
SCHEDULE 3		
SECURED LOANS		
(i) Term Loan from Industrial Development Bank of India (IDBI) (Refer Note (a to d) below) Interest accrued and due	<u>11225.00</u> <u>1695.21</u>	<u>10054.00</u> <u>513.62</u>
(ii) Foreign Currency Loan From Fuji Bank Ltd.Singapore (Refer Note (e) below) Interest accrued and due	<u>3402.07</u> <u>618.25</u>	<u>3234.38</u> <u>294.77</u>
TOTAL	<u>16938.53</u>	<u>14096.77</u>

Notes :

Secured by

- a) A first mortgage and charge in favour of I.D.B.I. of the Company's Leasehold immovable properties both present & future.
- b) A first charge by way of hypothecation in favour of I.D.B.I. of all the company's movables (save and except book debts), including movable machinery, machinery spares, tools and accessories, present and future, subject to prior charges created and / or to be created in favour of the Company's banker on the Company's stocks of Raw material, semi-finished & finished goods, consumables stores and such other movables as may be agreed by I.D.B.I. for securing the borrower's working capital requirement in the ordinary course of business.
- c) Irrevocable and unconditional Corporate guarantee given by Garware Polyester Ltd. in favour of I.D.B.I. for the due repayment of the loan together with interest and other monies payable by the Company.
- d) Disbursement of Rs.1171.00 Lakhs received during the year include Rs. 1020.91 Lakhs adjusted against interest, the break-up of the same is as under.

Particulars of Loan	Sanction Amount (Rs.Lakhs)	Loan Amount received up to last year (Rs.Lakhs)	Adjusted against interest during the year (Rs.Lakhs)	Amount received during the year (Rs.Lakhs)
Existing Loan	7800.00	7800.00	0.00	0.00
Funded interest term Loan	2030.00	1554.00	476.00	0.00
Additional Term Loan	1440.00	700.00	544.91	150.09
TOTAL	11270.00	10054.00	1020.91	150.09

- e) USD 7.42 Million Loan Received From FUJI BANK LTD.Singapore as Per Agreement and against First pari passu charge with I.D.B.I. It is also secured by a Corporate Guarantee by Garware Polyester Limited to the extent of 70% of the loan amount and interest and other monies payable by the Company and balance 30% is secured by a Guarantee by Sumitomo Corporation.

SCHEDULE 4

SCHEDULES FORMING PART OF THE BALANCE SHEET

FIXED ASSETS

Sr. No.	Description Of Assets	GROSS BLOCK			DEPRECIATION			NET BLOCK	
		Cost As at 01.10.1999	Additions During the year	Cost As at 30.09.2000	Upto 30.09.1999	For the year	Total Upto 30.09.2000	As at 30.09.2000	As at 30.09.1999
		(Rs.in Lakhs)							
1.	Building	0.00	359.21	359.21	0.00	15.02	15.02	344.19	0.00
2.	Plant & Machinery	0.00	24736.74	24736.74	0.00	544.46	544.46	24192.28	0.00
3.	Laboratory	0.00	82.66	82.66	0.00	4.81	4.81	77.85	0.00
4.	Furniture & Fixtures	6.94	0.07	7.01	4.82	0.45	5.27	1.74	2.12
5.	Office Equipments	19.87	0.28	20.15	8.04	1.71	9.75	10.40	11.83
6.	Data Processing Equipments	9.78	2.21	11.99	6.67	2.04	8.71	3.28	3.11
	TOTAL	36.59	25181.17	25217.76	19.53	568.49	588.02	24629.74	17.06
	Previous year	35.64	0.95	36.59	14.96	4.57	19.53	17.06	
	Capital Work-In-Progress							21.55	23282.02

Note :- (1) Depreciation on Plant & Machinery has been provided on straight line method and on other assets on written down method as per the rate prescribed under schedule XIV of the companies Act 1956.

(2) Depreciation for the year includes Rs.2.39 Lakhs capitalised for the period prior to commencement of commercial operations.

GARWARE CHEMICALS LIMITED

SCHEDULE 4A

[1] DETAILS OF CAPITAL WORK-IN-PROGRESS AS ON 30.04.2000
(Rs. In Lakhs)

Particulars	As on 30.09.99	Oct-99 to Apr-00	As at 30.04.2000
Land	0.00	0.00	0.00
Building Under Constructions.	203.39	3.37	206.76
Plant & Machinery & Elect.Inst. Under Erection.			
[A] Plant & Machinery and Electrical Installations.	12571.88	#-103.92	12467.96
[B] Foreign Tech Fees	1268.39	72.52	1340.91
[C] Expenses on Technicians	0.00	13.24	13.24
[D] Engineering Fees	375.90	0.00	375.90
[E] Laboratory Equipments	44.72	2.86	47.58
	14260.89	-15.30	14245.59
[G]Machinery Spares in Stock	228.35	***-228.35	0.00
	14489.24	-243.65	14245.59
PRE-OPERATIVE EXPENSES (Pending allocation)			
Rent / Rates & Taxes	40.69	2.28	42.97
Admn. & Other Expenses	45.58	11.01	56.59
Salary / Wages & Benefits	363.10	90.06	453.16
Whole time Director's remuneration	29.51	7.63	37.14
Director's Sitting Fees	0.41	0.08	0.49
Interest Expenses.	5890.56	1418.84	7309.40
Bank & Financial Charges	328.37	5.07	333.44
Foreign Travel Exp.	123.81	2.68	126.49
Local Travel Exp.	14.49	1.34	15.83
Telephone Exp.	27.34	4.89	32.23
Depreciation	19.54	2.39	21.93
Insurance Expenses	139.96	21.21	161.17
Water & Electricity Charges	227.29	35.96	263.27
Auditors Remuneration	0.99	0.24	1.23
Net Loss on Materials.	547.32	0.09	547.41
Cost of Chemicals /Catalyst	170.43	5.71	176.14
Cost of Packing	0.00	8.64	8.64
Exchange rate diff on F.C.Loan	586.44	97.82	684.26
Consultancy Charges	22.71	0.10	22.81
Security Service Charges	10.85	1.76	12.61
Trial Run Expenses	0.00	349.00	349.00
Total Pre -Operative Expenses	8589.39	2066.82	10656.21
GRAND TOTAL	23282.02	1826.54	25108.56

[2] Allocation of pre-operative expenses as on 1.5.2000

Particulars	Cost	Pre-operative Exp.Allocation	Cost after Allocation	Additions May-00 to Sep 00	Cost As at 30.09.2000
Building	206.76	152.45	359.21	0.00	359.21
Plant & Machinery	14198.01	10468.68	24666.69	70.05	24736.74
Laboratory Equipments	47.58	35.08	82.66	0.00	82.66
Total	14452.35	10656.21	25108.56	70.05	25178.61
Preoperative Exp.	10656.21	-10656.21	0		0
Total	25108.56	0.00	25108.56	70.05	25178.61

[3] Capital Work in progress as on 30.09.2000

Particulars	As on 30.09.99	May-00 to Sep-00	As at 30.09.2000
DMT Plant Modification	0	21.55	21.55

After adjusting Sales Tax Set-off of Rs. 242.26 Lakhs

*** Machinery/Spares in Stock Rs. 228.35 Lakhs Transferred to Stock A/c

As at
30.09.2000
(Rs.in Lakhs)As at
30.09.1999
(Rs.in Lakhs)

SCHEDULE 5

CURRENT ASSETS,
LOANS & ADVANCES

A] CURRENT ASSETS

I. Inventories

(As taken, valued & certified by
the management)(a) Stores, spare parts & Packing
materials (At Cost)

296.88 0.00

(b) Stock-in-Trade

(i) Raw Materials (At Cost)

197.76 0.00

(ii) Finished goods

(At cost or market value
whichever is lower)

85.04 579.68 0.00 0.00

II. Sundry Debtors :

Other Debts

18.67 0.00

III. Cash and Bank Balances :

(a) Cash on hand

0.75 0.66

(b) Bank balances :

(i) With Scheduled Banks:

In Current Accounts

199.09 845.19

In Fixed Deposit Account

0.05 0.05

(iii) In Margin Account

12.50 212.39 0.00 845.90

IV. Other Current Assets

Other Receivables

288.00 631.37

B) LOANS & ADVANCES:

a) Advances recoverable in cash
or in kind or for value to be
received.

52.84 1.12

b) Advance against Capital
Expenditure.

5.63 8.79

c) Deposits with Customs,
& Excise Authorities

442.96 28.89

d) Deposits with others.
{Include Rs.6.00 Lakhs
(Previous year Rs.6.00 Lakhs)
paid to Garware Polyester Ltd.
the holding company }

14.99 7.39

e) Tax deducted at source.

2.67 807.09 2.67 680.23

TOTAL

1617.83 1526.13

As at 30.09.2000 As at 30.09.1999
(Rs.in Lakhs) (Rs.in Lakhs)

SCHEDULE 6

CURRENT LIABILITIES AND PROVISIONS :

Current Liabilities :

i) Sundry Creditors

(Refer Note No.10 (a) and (b) in
schedule 11(B) for SSI Units and
includes Rs.720.51 Lakhs due to
Garware Polyester Ltd. the
holding company)

1541.49 745.43

ii) Deposit and Advances from
Customers and Others

16.16 0.20

iii) Other Liabilities

(Including Rs.0.50 Lakhs due to Directors)

30.16 9.02

TOTAL

1587.81 754.65

SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT

SCHEDULE 7		1999-00	
OTHER INCOME		Rs.Lakhs	
Interest on short term deposits with banks and others (Gross)		0.05	
Miscellaneous income		30.65	
TOTAL		<u>30.70</u>	

SCHEDULE 8
INCREASE / (DECREASE) IN
FINISHED AND SEMI-FINISH GOODS

Opening Stock			
Finished Goods	0.00		
Semi-finished Goods	0.00	0.00	
Closing Stock			
Finished Goods	85.04		
Semi-finished Goods	0.00		
Increase (Decrease)		<u>85.04</u>	

SCHEDULE 9
RAW MATERIALS CONSUMED
(Refer Note No. 12 (D) in schedule 11 (B))

Opening Stock	0.00		
Add: Purchases and Expenses	2474.47		
Less: Closing Stock	197.76		
		<u>2276.71</u>	

SCHEDULE 10
MANUFACTURING AND OTHER EXPENSES

A. Manufacturing Expenses:			
Stores/Spares and Packing			
Materials consumed (Net)	43.67		
Power & Fuel	1042.16		
Water Charges	6.00	1091.83	
B. Employees Remuneration & Benefits:			
Salary,Wages and Bonus	60.18		
Contribution to Provident and other funds	5.69		
Staff Welfare Expenses	7.98	73.85	
C. Administrative,Selling and General Expenses:			
Rent,Hire charges and Compensation (Net)	1.31		
Rates,Taxes and Licence Fees	0.05		
Insurance	14.34		
Freight and Forwarding (Net)	0.20		
Repairs and Maintenance of:			
i) Plant & Machinery	54.22		
ii) Building	0.23		
iii) Other Assets	5.19	59.64	
Bank Charges	0.47		
Travelling and Conveyance	1.56		
Postage,Telegrams & Telephones	3.30		
Auditors Remuneration			
Audit Fees	0.42		
Less: Capitalised	0.24	0.18	
Misc.Expenses	8.58	89.63	
D. Managerial Remuneration			
(a) To Whole time Directors :			
(i) Salary	4.06		
(ii) Contribution to Provident Fund, Superannuation & Gratuity Scheme	1.04		
(iii) Other Perquisites	0.35	5.45	
(b) Directors' Sitting Fees (Including Rs.0.02 Lacs to Managing Director)	0.10	5.55	
E. Preliminary and Share issue expenses written off.			
	0.95		
TOTAL		<u>1261.81</u>	

SCHEDULE 11

NOTES ANNEXED TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 30.09.2000

A. SIGNIFICANT ACCOUNTING POLICIES

- Basis of presentation** The financial statements have been prepared under the historical cost convention in accordance with applicable accounting standards and relevant presentation requirements of the Companies Act, 1956.
- Fixed Assets** Fixed assets are stated at cost net of accumulated depreciation. Cost comprises of the purchase price and any directly attributable costs of bringing the Asset to working condition for its intended use including interest and other incidental and pre-operative expenses.
- Depreciation** Depreciation has been provided on Plant & machinery on Straight line method and on other assets on Written Down Value method as per Schedule XIV of the Companies Act, 1956.
- Inventories** Raw materials, Stores, spares and packing materials are valued at Weighted average cost. Finished goods are valued at lower of cost or market value.
- Foreign Currency Transactions** Foreign currency loan for financing Fixed Assets outstanding at the close of the Financial Year are recognised at appropriate exchange rate at the close of the year. The gain or loss due to decrease / increase in rupee liability on account of fluctuations in rates of exchange is adjusted to the cost of assets acquired through these loans.
- Excise Duty** Excise duty on finished goods and custom duty on imported materials has been accounted on the basis payments made in respect of goods cleared as also provision made for goods lying in Bonded Warehouse.
- Retirement Benefit.** Liability towards superannuation and Gratuity are covered by appropriate Schemes with Life Insurance Corporation of India.
- Miscellaneous Expenditure** (to the extent not written off or adjusted). Preliminary and Share issue expenses are to be written off over a period of 10 years from the date of commencement of commercial operations. Accordingly expenses for the proportionate period from the date of commercial production i.e 01.05.2000 has been written off in the year under report.
- No provisions is made for liabilities which are contingent in nature but if material, the same are disclosed by way of notes to the accounts.
- Sales** Sales are inclusive of excise duty but net of returns.

B. OTHER NOTES

- Land is on lease for a term of Ninety nine years on monthly lease rental basis.
- Estimated amounts of contracts remaining to be executed on capital account and not provided for is Rs.5.63 Lakhs (Previous Year Rs.19.61 Lakhs) against which an advance of Rs.5.63 Lakhs (Previous Year Rs.8.79 Lakhs) has been paid.
- No provision has been made of Rs.37.38 Lakhs (USD 81538) for Foreign Technical Services (Training & Startup assistance) being pending for RBI Approval.
- Administrative and other expenses shown under pre-operative expenses & capitalised includes Rs.0.27 Lakhs (Previous year Rs.0.10 Lakhs) paid to some of partners of the Auditors for other services.
- Break up of the Interest on Borrowings is as under.

	1999-2000	1998-99
	Rs. Lakhs	Rs. Lakhs
On Secured Loans	2523.98	2035.64
Others	0.02	7.87
	<u>2524.00</u>	<u>2043.51</u>
Less Capitalised	1418.79	2043.51
	<u>1105.21</u>	<u>0.00</u>

GARWARE CHEMICALS LIMITED

6. Computation of net profit as per section 349 read with section 309(5) and section 198 of the companies Act, 1956 has not been done as commission by way of percentage of net profit is not payable for the year to the Managing Director and the Whole-time-Directors due to loss incurred during the year.
7. The company has valued inventories of basic Raw materials at weighted average cost so as to conform to the revised accounting standards on valuation of inventories(AS 2) issued by the Institute of Chartered Accountants of India which became effective from 1st April, 1999.
8. The Company has not faced any problems to company's business activities on account of Y2K and incurred Rs.8.05 Lakhs on Y2K Compliance against Rs.7.00 Lakhs Estimation.
9. The Company has provided for Excise duty payable on Finished Goods aggregating to Rs.11.58 Lakhs in respect of materials lying in Bonded warehouse at the close of the year which has no impact on the loss for the year.
10. (a) Sundry creditors in schedule 6 to the accounts include Rs.6.81 Lakhs (Previous year Rs.17.10 Lakhs) due to small scale industrial undertaking's and Rs.1534.68 Lakhs (Previous year Rs.728.33 Lakhs) due to other creditors. The same is disclosed on the basis of information available with the Company regarding the status of suppliers as detailed under Clause (i) of Section 3 of the Industries (Development & Regulation) Act, 1951. The names of the small scale industrial undertakings to whom the Company owes a sum of Rs.1.00 Lakhs or more and which is outstanding for more than 30 days are as under:

Gujrat Engineering Co. Pemco Process Equipment (I) Pvt.Ltd.
S.S.Industries.

10. (b) No provision of interest, if any, payable on overdue amounts as at 30.09.2000 to Small Scale and/or ancillary industrial suppliers has been made as the amount is not determinable.
11. In the opinion of the Board the Current assets, Loans and advances have approximately the value as stated in the Balance Sheet, if realised in the ordinary course of business.
12. Additional information pursuant to the provisions of paragraphs 3 and 4C of part II of Schedule VI of the Companies Act, 1956.

(A) Licenced and Installed Capacities.

Product	1999-2000		1998-1999	
	Registered Capacity	Installed Capacity	Registered Capacity	Installed Capacity
Di-Methyl Terephthalate	60000	60000	60000	Under Implementation
	T.P.A.	T.P.A.	T.P.A.	

Note: Installed Capacities and Registered capacities are as per the certificate given by The Director-Technical on which Auditors have relied.

(B) Details of Sales

Class of Goods	1999-2000	
	Qty (M.T.)	Value Rs.Lakhs
Di-methyle Terephthalate (DMT)	11029	3395.00

(C) Actual Production & Stocks

Class of Goods	Unit	1999-2000		
		Opening Stock	Production	Closing Stock
Di-methyle Terephthalate (DMT)	M.T.	0.00	11300	271

(D) Consumption of Raw Materials

Particulars	Quantity	Value
	M.T.	Rs.Lakhs
i) Paraxylene	7253.21	1794.11
ii) Methanol	4679.18	457.96
iii) Others		24.64
TOTAL		2276.71

(E) Details of Imports on CIF basis

1999-2000

	Rs.Lakhs
a. Raw Materials (Through Garware Polyester Ltd)	722.37
b. Stores Spares	2.61

(F) Details of Imported and Indegenous Raw Material and Spares Parts Consumed and percentage of each to the total:

	1999-2000	Percentage
	Rs.Lakhs	
a. Raw Materials :		
Imported	897.08	39
Indegenous	1379.63	61
Total	2276.71	100
b. Stores Spares :		
Imported	3.80	16
Indegenous	20.00	84
TOTAL	23.80	100

(G) Remittance / Expenditure in foreign Currency:

	1999-2000	1998-1999
	RS.Lakhs	Rs.Lakhs
Travelling Expenses	0.59	0.00
Travelling expenses through Garware Polyester Limited	0.00	0.43
Others	0.00	0.08
TOTAL (Capitalised)	0.59	0.51

13. Previous Year's figures have been rearranged and regrouped wherever necessary to conform to the classification adopted for the current year. The company has started commercial production with effect from 01.05.2000, the figures are for the period of five months and not comparable as the Profit and Loss Account was not there in the previous year.

The notes in Schedule 11 and schedules referred to herein form an integral part of the Balance Sheet and Profit and Loss Account.

As per our report of even date

for INDULAL SHAH & CO.
Chartered Accountants

S.B. GARWARE
Chairman & Managing Director

(INDULAL H. SHAH)
Proprietor

RAJESH RAO
Company Secretary

A.K. DUDHANE
Director

Mumbai, 29th March, 2000

Mumbai, 29th March, 2000

GARWARE CHEMICALS LIMITED

Balance Sheet Abstract & Company's General Business Profile

I. Registration Details	
Registration No.	90555
State Code	11
Balance Sheet Date	30.09.2000
II. Capital raised during the Accounting Year (Amount Rs. in Thousand)	
Public Issue	Nil
Rights Issue	Nil
Bonus Issue	Nil
Private Placement	Nil
III. Position of mobilisation and deployment of funds (Amount Rs. in Thousand)	
Total Liabilities	2697793
Total Assets	2697793
Sources of Funds :	
Paid up Capital	171390
Promoter's Contribution	474460
Reserves & Surplus	358090
Secured Loans	1693853
Unsecured Loans	Nil
Application of Funds :	
Net Fixed Assets	2465129
Investments	Nil
Net Current Assets	3002
Miscellaneous Expenditure	2196
Accumulated Losses	227466
IV. Performance of the Company (Amount Rs. in Thousand)	
Turnover	351074
Total Expenditure	578540
Loss before Tax	-227466
Loss after Tax	-227466
Earning per Share (in Rs.)	Nil
Dividend Rate (in %)	Nil
V. Generic names of Three Principal Products/Services of the Company (as per monetary terms)	
Item Code No.	291937
Product Description	Di-Methyl Terephthalate

S.B. GARWARE
Chairman & Managing Director

RAJESH RAO
Company Secretary

A.K. DUDHANE
Director

Mumbai, 29th March, 2000

GARWARE POLYESTER INTERNATIONAL LIMITED

1

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2000

The directors present their report and financial statements for the year ended 31 December 2000.

Principal activities and review of the business

The principal activity of the Group continued to be that of acting as an agent to the Indian parent company.

The results for the year and the financial position at the year end were considered satisfactory by the directors.

Results and dividends

The results for the year are set out on page 4 of the financial statements. The directors do not recommend payment of a dividend.

Directors

The following directors have held office since 1 January 2000:

Mr. A B Bhagani
Mr. S Garware
Ms. S Garware

Directors' interests

The directors' beneficial interests in the shares of the company were as stated below:

	Ordinary shares of £1 Each	
	31 December 2000	1 January 2000
Mr. A B Bhagani	-	-
Mr. S Garware	-	-
Ms. S Garware	-	-

Auditors

MCT Partnership were appointed auditors to the company and in accordance with Section 385 of the Companies Act 1985, a resolution proposing that they be re-appointed will be put to the Annual General Meeting.

2

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and the company as at the end of the financial year and of the profit or loss of the Group and the company for that year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the board

Mr. A. B. Bhagani
Director

20th June, 2001

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AUDITORS' REPORT TO THE SHAREHOLDERS OF GARWARE POLYESTER INTERNATIONAL LIMITED

We have audited the financial statements on pages 4 to 16 which have been prepared under the historical cost convention and the accounting policies set out on page 10.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the Group as at 31 December 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

MCT Partnership

20th June, 2001

Chartered Accountants
Registered Auditors

1 Warner House
Harrovia Business Village
Bessborough Road
Harrow Middlesex HA1 3EX

GARWARE POLYESTER INTERNATIONAL LIMITED

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GROUP PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2000

	Notes	2000 £	1999 £
Turnover	2	4,616,566	2,390,851
Cost of sales		(4,024,846)	(1,942,855)
Gross Profit		591,720	447,996
Administrative expenses		(456,753)	(473,862)
Operating profit/(loss)	3	134,967	(25,866)
Other interest receivable and similar income		8,827	15,902
Interest payable and similar charges	4	(183)	-
Profit/(loss) on ordinary activities before taxation		143,611	(9,964)
Tax on profit/(loss) on ordinary activities	5	3,284	-
Profit/(loss) on ordinary activities after taxation	12	146,895	(9,964)

The profit and loss account has been prepared on the basis that all operations are continuing operations.

5

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2000

	2000 £	1999 £
Profit/(Loss) for the financial year	146,895	(9,964)
Currency translation differences on foreign currency net investments	4,058	-
Total recognised gains and losses relating to the year	150,953	(9,964)

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GROUP BALANCE SHEET AS AT 31 DECEMBER, 2000

	Notes	2000 £	1999 £
Fixed assets			
Tangible assets	6	8,175	9,802
Current assets			
Stocks	8	716,504	868,970
Debtors	9	627,079	371,143
Cash at bank and in hand		522,566	195,917
		<u>1,866,149</u>	<u>1,436,030</u>
Creditors : amounts falling due within one year	10	(1,498,920)	(1,221,381)
Net current assets		367,229	214,649
Total assets less current liabilities		375,404	224,451
Capital and reserves			
Called up share capital	11	250,000	250,000
Profit and loss account	12	125,404	(25,549)
Shareholders' funds - equity interest	13	375,404	224,451

The financial statements were approved by the Board on 20th June, 2001.

Mr A B Bhagani
Director

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COMPANY BALANCE SHEET AS AT 31 DECEMBER 2000

	Notes	2000 £	1999 £
Fixed assets			
Tangible assets	6	7,127	7,655
Investment	7	62,046	62,046
		<u>69,173</u>	<u>69,701</u>
Current assets			
Stocks	8	33,786	88,855
Debtors	9	122,050	72,705
Cash at bank and in hand		314,440	108,010
		<u>470,276</u>	<u>269,570</u>
Creditors : amounts falling due within one year	10	(168,290)	(15,999)
Net current assets		301,986	253,571
Total assets less current liabilities		371,159	323,272
Capital and reserves			
Called up share capital	11	250,000	250,000
Profit and loss account	12	121,159	73,272
Shareholders' funds - equity interest	13	371,159	323,272

The financial statements were approved by the Board on 20th June, 2001.

Mr A B Bhagani
Director

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GROUP CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2000

	2000 £	1999 £
Net cash inflow/(outflow) from operating activities	319,567	(595,294)
Returns on investments and servicing of finance		
Interest received	8,827	15,902
Interest paid	(183)	-
Net cash inflow for returns on investments and servicing of finance	8,644	15,902
Taxation		(7,532)
Capital expenditure		
Payments to acquire tangible assets	(6,581)	(3,265)
Receipts from sales of tangible assets	-	401
Net cash outflow for capital expenditure	(6,581)	(2,864)
Net cash inflow/(outflow) before management of liquid resources and financing	321,630	(589,788)
Increase/(decrease) in cash in the year	321,630	(589,788)

GARWARE POLYESTER INTERNATIONAL LIMITED

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NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2000**1 Reconciliation of operating loss to net cash inflow/(outflow) from operating activities**

	2000	1999
	£	£
Operating profit/(loss)	134,967	(25,866)
Depreciation of tangible assets	7,904	3,698
Decrease/(Increase) in stocks	152,466	(656,033)
Increase in debtors	(255,936)	(8,634)
Increase in creditors within one year	280,166	91,541
Net cash inflow/(outflow) from operating activities	319,567	(595,294)

2 Analysis of net funds

	1 January 2000	Cash flow	Other non-cash changes	31 December 2000
	£	£	£	£
Net cash:				
Cash at bank and in hand	195,917	326,649		522,566
Bank overdrafts	-	(657)		(657)
	<u>195,917</u>	<u>325,992</u>		<u>521,909</u>

3 Reconciliation of net cash flow to movement in net funds

	2000	1999
	£	£
Increase/(decrease) in cash in the year	325,992	(589,788)
Translations difference	(4,362)	-
Movement in net funds in the year	321,630	(589,788)
Opening net funds	195,917	785,705
Closing net funds	517,547	195,917

10

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2000**1. Accounting policies****1.1 Accounting convention**

The financial statements are prepared under the historical cost convention and in accordance with the Companies Act 1985 and applicable Accounting Standards.

1.2 Basis of consolidation

The Group financial statements incorporate the financial statements of the company and its subsidiary. Accounting policies for the subsidiary follow those of the company.

1.3 Turnover

Turnover represents amounts receivable for goods and services net of VAT.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life as follows:

Fixtures, fittings and equipment - 25% Reducing balance

1.5 Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.6 Stock and work in progress

Stock and work in progress are valued at the lower of cost and net realisable value.

1.7 Deferred taxation

Deferred taxation is provided at appropriate rates on all timing differences using the liability method only to the extent that, in the

opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

1.8 Foreign currency translation

For consolidation purposes, the assets and liabilities of the overseas subsidiary undertaking is translated at the closing exchange rate. The profit and loss account is consolidated at the average rate of exchange prevailing during the year.

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	2000	1999
	£	£
2 Turnover		
Class of business		
Foreign sales	4,101,180	2,271,697
UK sales	515,386	119,154
	<u>4,616,566</u>	<u>2,390,851</u>
3 Operating profit/(loss)	2000	1999
	£	£
Operating loss is stated after charging:		
Depreciation of tangible assets	7,904	3,698
Operating lease rentals	15,477	12,383
Auditors' remuneration	1,900	3,050
	<u>25,281</u>	<u>19,131</u>
4 Interest payable	2000	1999
	£	£
On overdue tax	183	-
	<u>183</u>	<u>-</u>
5 Taxation	2000	1999
	£	£
Prior years		
UK corporation tax	(3,284)	-
	<u>(3,284)</u>	<u>-</u>

12

	Fixtures, Fittings and Equipment (Group)	Fixtures, Fittings and Equipment (Company)
	£	£
6 Tangible fixed assets		
Cost		
At 1 January 2000	19,015	15,352
Exchange differences	113	-
Additions	6,581	893
At 31 December 2000	25,709	16,245
Depreciation		
At 1 January 2000	9,213	7,697
Exchange differences	417	-
Charge for the year	7,904	1,421
At 31 December 2000	17,534	9,118
Net book value		
At 31 December 2000	8,175	7,127
At 31 December 1999	9,802	7,655

GARWARE POLYESTER INTERNATIONAL LIMITED

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7	Fixed asset investments		Shares in subsidiary undertakings
			£
	Cost		
	At 1 January 2000 and at 31 December 2000		<u>62,046</u>

Holdings of more than 20%

The company holds more than 20% of the share capital of the following company:

Company	Country of registration or incorporation	Shares held	
		Class	%
Subsidiary undertakings			
Global PET Films Inc	USA	Common stock	100

8 **Stocks**

	Group		Company	
	2000	1999	2000	1999
	£	£	£	£
Finished goods and goods for resale	<u>716,504</u>	<u>868,970</u>	<u>33,786</u>	<u>38,855</u>

9 **Debtors**

	Group		Company	
	2000	1999	2000	1999
	£	£	£	£
Trade debtors	<u>626,079</u>	<u>334,122</u>	<u>121,050</u>	<u>25,472</u>
Other debtors	-	476	-	476
Prepayments and accrued income	<u>1,000</u>	<u>1,948</u>	<u>1,000</u>	<u>1,948</u>
Amounts owed by parent and fellow subsidiary undertaking	-	34,597	-	44,809
	<u>627,079</u>	<u>371,143</u>	<u>122,050</u>	<u>72,705</u>

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10 **Creditors: amounts falling due within one year**

	Group		Company	
	2000	1999	2000	1999
	£	£	£	£
Bank overdraft	<u>657</u>	-	<u>657</u>	-
Trade creditors	<u>1,296,723</u>	<u>1,203,738</u>	<u>394</u>	<u>4,389</u>
Amount owed to parent and fellow subsidiary undertakings	<u>151,162</u>	-	<u>144,996</u>	-
Corporation tax	-	3,284	-	3,284
Other taxes and social security costs	<u>13,014</u>	<u>2,368</u>	<u>11,382</u>	-
Accruals and deferred income	<u>37,364</u>	<u>11,991</u>	<u>10,861</u>	<u>8,326</u>
	<u>1,498,920</u>	<u>1,221,381</u>	<u>168,290</u>	<u>15,999</u>

11 **Share capital**

	2000	1999
	£	£
Authorised		
1,000,000 ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>
Allotted, called up and fully paid		
250,000 ordinary shares of £1 each	<u>250,000</u>	<u>250,000</u>

12 **Statement of movements on profit and loss account**

	Group	Company
	£	£
Balance at 1 January 2000	<u>(25,549)</u>	<u>73,272</u>
Retained profit for the year	<u>146,895</u>	<u>47,887</u>
Currency translation differences on foreign currency net investments	<u>4,058</u>	-
Balance at 31 December 2000	<u><u>125,404</u></u>	<u><u>121,159</u></u>

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13 **Reconciliation of movements in shareholders' funds**

	Group		Company	
	2000	1999	2000	1999
	£	£	£	£
Profit/(Loss) for the financial year	<u>146,895</u>	<u>(9,964)</u>	<u>47,887</u>	<u>(23,444)</u>
Other recognised gains and losses	<u>4,058</u>	-	-	-
Net addition to/(depletion in) shareholder funds	<u>150,953</u>	<u>(9,964)</u>	<u>47,887</u>	<u>(23,444)</u>
Opening shareholders' funds	<u>224,451</u>	<u>234,415</u>	<u>323,272</u>	<u>346,716</u>
Closing shareholders' funds	<u><u>375,404</u></u>	<u><u>224,451</u></u>	<u><u>371,159</u></u>	<u><u>323,272</u></u>

14 **Profit of the parent company - Garware Polyester International Limited**

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's profit for the financial year amounted to £47,887 (1999-loss £23,444).

16

15 **Employees**

	2000	1999
	No.	No.
Number of employees		
The average monthly number of employees (including directors) during the year was:		
Administration and management	<u>9</u>	<u>8</u>
Employment costs		
	2000	1999
	£	£
Wages and salaries	<u>150,981</u>	<u>213,920</u>
Social security costs	<u>6,459</u>	<u>6,542</u>
	<u>157,440</u>	<u>220,462</u>

16 **Control**

Due to the diverse number of shareholders in the ultimate parent company, Garware Polyester Limited (India), it is not known who the controlling party is.

17 **Related party transactions**

The following amount was owed to related parties at the balance sheet date:

Related Party	Relationship	£
Garware Polyester Limited	Parent company	151,162

GLOBAL PET FILMS, INC.

**The Board of Directors and Stockholders of Global
Pet Films, Inc.
Roselle, ILLinois, USA**

We have audited the accompanying balance sheet of **Global Pet Films, Inc.** as of December 31, 2000, and the related statements of income, retained earnings, and cash flows for the year ended December 31, 2000. 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.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Global Pet Films, Inc. as of December 31, 2000, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Khushal Vira
Certified Public Accountant
Homewood, Illinois, USA
June 7, 2001

BALANCE SHEET DECEMBER 31, 2000 AND 1999

Assets		
	Dec. 31, 2000	Dec. 31, 1999
	\$	\$
Current Assets		
Cash and Cash Equivalents	310,109	141,530
Accounts Receivable - Trade	803,267	608,268
Allowance for Doubtful Accts.	(50,773)	(79,310)
Inventory	1,017,250	1,255,985
Total Current Assets	<u>2,079,853</u>	<u>1,926,473</u>
Fixed Assets		
Fixtures and Equipment	14,102	6,080
Accumulated Depreciation	(12,540)	(2,492)
Total Fixed Assets	<u>1,562</u>	<u>3,588</u>
Other Assets		
Organization Cost	7,373	7,373
Accumulated Amortization	(4,436)	(2,961)
Total Assets	<u>2,084,352</u>	<u>1,934,473</u>
Liabilities & Equity		
Current Liabilities		
Accounts Payable - Trade	1,876,696	1,930,952
Accounts Payable GPIL	9,188	16,459
Sales Refund Payable	0	32,031
Payroll Taxes Payable	2,050	3,813
State Corp. Income Tax Payable	79	0
Federal Corp. Income Tax Payable	302	0
Commission Payable - Intermax	54,834	0
Accrued Expenses	39,489	5,900
Total Current Liabilities	<u>1,982,638</u>	<u>1,989,155</u>
Equity		
Common Stock	100,000	100,000
Retained Earnings	1,714	(154,682)
Total Equity	<u>101,714</u>	<u>(54,682)</u>
Total Liabilities & Equity	<u>2,084,352</u>	<u>1,934,473</u>

INCOME STATEMENT FOR THE YEARS ENDED DECEMBER 31, 2000
AND 1999

	Dec. 31 2000 \$	Dec. 31 1999 \$
Revenue		
Sales	5,900,646	3,249,593
Returns and Allowances	(19,190)	0
Total Revenue	<u>5,781,456</u>	<u>3,249,593</u>
Cost of Sales		
Purchases	4,828,905	2,594,121
Purchases Discounts	(72,629)	0
Custom Duties and Clearance Fee	215,656	114,896
Freight	150,472	0
Warehouse Rent	60,295	49,417
Inventory Adjustment	238,735	0
Total Cost of Sales	<u>5,221,434</u>	<u>2,758,434</u>
Gross Profit	560,022	491,159
Operating Expenses		
Accounting Fees	5,500	0
Amortization Organization Cost	1,475	1,486
Advertising	9,295	0
Auto Expense	4,151	17,256
Bad Debts	50,772	79,310
Bank Charges	3,198	12,043
Commissions	66,950	0
Consulting Fees	46,425	6,000
Depreciation	10,048	1,688
Dues and Subscriptions	214	1,379
Employment Agency Fee	32,500	0
Insurance	7,095	0
Legal Fees	3,705	0
Licenses and Fees	0	125
Miscellaneous	184	401
Office Expense	8,721	3,550
Professional Fees	0	13,293
Postage & Freight	440	1,237
Rent-Office	5,390	628
Repairs and Maintenance	366	0
Salaries-Sales	43,667	208,000
Taxes-Payroll	3,663	8,209
Taxes-State Income	79	0
Taxes-Federal Income	302	0
Telephone	18,580	22,019
Travel & Entertainment	84,765	89,900
Utilities	579	397
Total Expenses	<u>408,064</u>	<u>466,921</u>
Operating Income	151,958	24,238
Interest Income	4,439	1,616
Total Other Income	4,439	1,616
Net Income (Loss)	<u>156,397</u>	<u>25,854</u>

STATEMENT OF CASH FLOWS FOR THE YEARS ENDED
DECEMBER 31, 2000 AND 1999

	Dec. 31, 2000 \$	Dec. 31, 1999 \$
Cash Flow from Operating Activities		
Net Income (Loss)	156,397	25,854
Adjustments to Reconcile Cash Flow		
Depreciation	10,048	3,174
Decrease (Increase) in Current Assets		
Accounts Receivable - Trade	(194,998)	(277,263)
Allowance for Doubtful Accounts	(28,537)	79,310
Inventory	238,735	(902,510)
Subscription Receivable	0	35,257
Increase (Decrease) in Current Liabilities		
Accounts Payable - Trade	(54,256)	1,086,975
Accounts Payable GPIL	(7,271)	16,459
Sales Refund Payable	(32,031)	32,031
Payroll Taxes Payable	(1,763)	(1,328)
State Corp. Income Tax Payable	79	0
Federal Corp. Income Tax Payable	302	0
Commission Payable-Intermax	54,834	0
Accrued Expenses	33,589	(4,356)
Total Adjustments	<u>18,729</u>	<u>67,749</u>
Cash Provided (used) by Operations	175,126	93,603
Cash Flow from Investing Activities		
Sales (Purchase) of Assets		
Office Equipment	(8,022)	0
Accumulated Amortization	1,475	0
Cash Provided (used) by Investing	<u>(6,547)</u>	<u>0</u>
Cash Flow from Financing Activities		
Cash (Used) or provided by:		
Net Increase (Decrease) in Cash	168,579	93,603
Cash at Beginning of the year	141,530	47,927
Cash at End of the year	<u>310,109</u>	<u>141,530</u>

GLOBAL PET FILMS, INC.

NOTES TO FINANCIAL STATEMENTS

(1) Description of Business:

Global Pet Films, Inc. was incorporated under the laws of State of Illinois, USA on December 22, 1997. The company is engaged in the business of supply and distribution of polyester films in USA.

(2) Significant Accounting Policies:

The significant accounting policies of Global Pet Films, Inc. which are summarized below are consistent with accounting principles generally accepted in the United States of America and reflect practices appropriate to the business in which they operate.

Cash and cash equivalents

cash and cash equivalent include money market instruments

Inventories

Inventories are stated at the lower of cost (determined by the first-in, first-out method) or market (net realizable value).

Depreciation and Amortization

Equipments are stated at cost less accumulated depreciation. Assets purchased in prior years are depreciated using Straight Line MACRS method over the useful lives of the assets and assets purchased in current year are expensed under Sec. 179 of Internal Revenue Code.

Legal cost for organization of business is capitalized and is carried at cost less accumulated amortization, which is being provided on a straight-line basis over the economic useful life of 5 years.

Revenue Recognition

Revenues from product sales to customers are recognized when products are shipped to customers.

Purchases

Purchases are recorded in books only when received in warehouse.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

(3) Stockholder's Equity

The Company's certificate of incorporation authorizes 1,000,000 shares of capital stock for issuance. As of December 31, 2000, 99,999 shares of capital stock has been issued to Garware Polyester International Ltd., a United Kingdom company in consideration of \$99,999 and 1 share of capital stock has been issued to Ashok Bhagani in consideration of \$1.

(4) Subsequent Events

M/s Advanced Deposition Technologies (AD Tech), one of the buyers, has filed for bankruptcy under Chapter 11 of Bankruptcy Act, on April 6, 2001. As of December 31, 2000, Global Pet Films, Inc. had a receivable of \$168,320.41 from M/S Advanced deposition Technologies which have been paid in full by AD tech. Sales made to AD Tech between January 11, 2001 to February 28, 2001 totalling \$223,823.46 have not been paid.

Global Pet Films, Inc. has an insurance coverage of \$125,000 (Deductible of \$15000) against M/S AD Tech. The company (GPL) has filed a claim with insurance company and is likely to recover \$110,000 from the insurance company. The effect of this event will be given in the financial statements for the year 2001.



Regd. Office : Naigaon, Post Waluj, Aurangabad 431 133

FORTY-FOURTH ANNUAL GENERAL MEETING ATTENDANCE SLIP

PLEASE COMPLETE THIS ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE HALL
I/We hereby record my/our presence at the **44th Annual General Meeting** of the Company held at the Registered Office of the Company at Naigaon, Post Waluj, Aurangabad 431 133 on Saturday, the 29th September, 2001 at 3.30 p.m.

NAME OF THE SHAREHOLDER OR PROXY (IN BLOCK LETTERS)	REGD. FOLIO NO.
SIGNATURE OF THE SHAREHOLDER OR PROXY	



PROXY FORM



Regd. Office : Naigaon, Post Waluj, Aurangabad 431 133

I/We
of in the district of being a member/members of
Garware Polyester Limited hereby appoint
of in the district of or failing him
..... of in the district of
as my/our proxy to attend and vote for me/us on my/our behalf at the **44th Annual General Meeting** of the Company to be held on Saturday, the 29th September, 2001 at 3.30 p.m. at the Registered Office of the Company at Naigaon, Post Waluj, Aurangabad 431 133 and at any adjournment thereof.

Signed this day of 2000.

Signature

Affix Revenue Stamp of 30 Paise
--

PROXY NO.	REGD. FOLIO	NO. OF SHARES

Note : This form duly completed and signed as per specimen signature registered with the Company should be deposited at the Registered Office of the Company not less than 48 hours before the time fixed for the commencement of the Meeting.