



# **Garware**

## **Polyester Limited**

**BOARD OF DIRECTORS** : S.B. GARWARE *Chairman & Managing Director*  
  
S.S. GARWARE (Mrs.)  
R.P. CHHABRA  
S.N. BAHETI *Nominee of IDBI*  
M. GARWARE MODI (Mrs.) *Vice Chairperson & Jt. Managing Director*  
  
SARITA GARWARE (Ms.) *Jt. Managing Director*  
A.B. BHALERAO *Director-Technical*  
B. MORADIAN  
N.P. CHAPALGAONKAR  
GAUTAM DOSHI

**GENERAL MANAGER (LEGAL) & COMPANY SECRETARY** : V.S. Viswanathan

**BANKERS** : Indian Overseas Bank  
Dena Bank  
The Federal Bank Limited  
State Bank of Mysore  
Bank of India

**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 431 210.  
  
Naigaon, Post 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** : 403, Madam Bhikaji Cama Bhawan,  
11, Bhikaji Cama Place, New Delhi 110 066.  
  
37/1B, Hazra Road, Kolkata 700 029.  
  
Old No. 40, New No. 91,  
Shiyali Mudali Street, Pudupet,  
Chennai 600 002.

**NOTICE**

NOTICE IS HEREBY GIVEN THAT the Forty-seventh 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 Tuesday, the 28<sup>th</sup> September, 2004 at 11.30 a.m. to transact the following business:

**Ordinary Business:**

1. To receive, consider and adopt the audited Balance Sheet as at 31<sup>st</sup> March, 2004 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 declare a dividend.
3. To appoint a Director in place of Ms. Sarita Garware, who retires by rotation and, being eligible, offers herself for re-appointment.
4. To appoint a Director in place of Mr. A.B. Bhalerao, who retires by rotation and, being eligible, offers himself for re-appointment.
5. To appoint Auditors and to fix their remuneration.

**Special Business:-**

6. To appoint a director in place of Mr. N.P. Chapalgaonkar, who was appointed as an Additional Director of the Company by the Board of Directors at their Meeting held on 23<sup>rd</sup> October, 2003, pursuant to Article 121 of the Articles of Association of the Company and under Section 260 of the Companies Act, 1956 and in respect of whom notices in writing have been received by the Company from some members proposing his candidature for the office of a director and, to consider and if thought fit, to pass with or without modification(s), as an Ordinary Resolution, the following:-

“RESOLVED THAT Mr. N.P. Chapalgaonkar be and is hereby appointed a Director of the Company.”

7. To appoint a director in place of Mr. Gautam Doshi, who was appointed as an Additional Director of the Company by the Board of Directors at their Meeting held on 29<sup>th</sup> January, 2004, pursuant to Article 121 of the Articles of Association of the Company and under Section 260 of the Companies Act, 1956 and in respect of whom notices in writing have been received by the Company from some members proposing his candidature for the office of a director and, to consider and if thought fit, to pass with or without modification(s), as an Ordinary Resolution, the following :-

“RESOLVED THAT Mr. Gautam Doshi be and is hereby appointed a Director of the Company.”

8. To consider and if thought fit, to pass with or without modification(s), as a Special Resolution, the following:-

“RESOLVED THAT in partial modification of resolution passed at the Annual General Meeting held on 29<sup>th</sup> September, 2003, and pursuant 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 such approvals as may be required, consent of the Company be and it is hereby accorded for payment of remuneration to Mrs. Monika Garware Modi, the Joint Managing Director of the Company, with effect from 1<sup>st</sup> July, 2004, as set out in the draft Agreement to be executed between the Company and Mrs. Monika Garware Modi, placed before the meeting and duly initialled by Mr. R.P.Chhabra, Director of the Company, and the said draft Agreement be and it is hereby approved.

RESOLVED FURTHER THAT in case of inadequacy or absence of profit in any financial year of the Company during the term of office as the Joint Managing Director of Mrs. Monika Garware Modi, the

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remuneration and perquisites set out in the draft agreement be paid to Mrs. Monika Garware Modi as minimum remuneration, provided that the total remuneration by way of salary, perquisites and other allowances shall not exceed the ceiling provided in Schedule XIII of the Companies Act, 1956, as amended from time to time."

By Order of the Board of Directors

**V. S. Viswanathan**  
*General Manager (Legal) &  
Company Secretary*

Mumbai, 29<sup>th</sup> June, 2004

**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. 6, 7 and 8 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 14<sup>th</sup> September, 2004 to Tuesday, the 28<sup>th</sup> September, 2004 (both days inclusive).
6. The Dividend as recommended by the Directors, if declared at the Annual General Meeting, will be paid to those Members whose names appear in the Register of Members of the Company on 28<sup>th</sup> September, 2004, in respect of shares held in physical form and in respect of shares held in the electronic form, to those 'Deemed Members' whose names appear in the statement of Beneficial Ownership furnished by the National Securities Depository Ltd. (NSDL) and the Central Depository Services (India) Ltd. (CDSL) at the end of business hours on 13<sup>th</sup> September, 2004.
7. 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.
8. Pursuant to the provisions of Section 205A of the Companies Act, 1956, all dividends remaining unpaid/unclaimed upto the financial year ended 31<sup>st</sup> March, 1994 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.

As per the provisions of Section 205C of the Companies Act, 1956, the Company has transferred the dividend declared for the financial years ended 31<sup>st</sup> March, 1995 and 31<sup>st</sup> December, 1995 which



remained unpaid or unclaimed for a period of seven years to the Investor Education and Protection Fund (IEPF) set up by the Central Government. The Dividend declared for the financial year ended 31<sup>st</sup> December, 1996 which remains unpaid or unclaimed for a period of seven years will be transferred to the IEPF shortly. It may be noted that no claims shall lie against the Company or IEP Fund in respect of the said unclaimed dividend amount.

9. Members holding shares in physical form are requested to forward all applications for transfers and all other shares related correspondence, including intimation for change of address, if any, to the Registrar and Share Transfer Agents of the Company at the following address:

**INTIME SPECTRUM REGISTRY LIMITED**

(Unit: Garware Polyester Limited)

C-13, Pannalal Silk Mill Compound,  
L.B.S. Marg, Bhandup (West),  
Mumbai – 400 078.

Tel.: 5555 5454 / 2592 3837

Fax: 5555 5353 / 2567 2693

10. In terms of the Regulations of NSDL & CDSL, the Bank Account details of Beneficial Owners of shares in demat form will be printed on the dividend warrants as furnished by the Depository Participants (DP). The Company will not entertain any request for change of bank details printed on their dividend warrants. In case of any changes in your bank details, please inform your DP immediately.
11. To prevent fraudulent encashment of dividend warrants, members are requested to provide their Bank Account details (if not provided earlier) to the Company (if shares held in physical form) or to DP (if shares held in demat form), as the case may be, for printing of the same on their dividend warrants.

**ANNUAL REPORT 2003-2004****ANNEXURE TO THE NOTICE****EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.****Item Nos. 6 & 7**

Mr. N.P.Chapalgaonkar and Mr. Gautam Doshi were appointed as Additional Directors on the Board of the Company with effect from 23<sup>rd</sup> October, 2003 and 29<sup>th</sup> January, 2004 respectively under Article 121 of the Articles of Association of the Company and under Section 260 of the Companies Act, 1956. Mr. N.P. Chapalgaonkar and Mr. Gautam Doshi hold offices as Additional Directors upto the date of the ensuing Annual General Meeting of the Company. Notices in writing have been received from some of the members of the Company under Section 257 of the Companies Act, 1956 signifying their intention to propose Mr. N.P. Chapalgaonkar and Mr. Gautam Doshi as the candidates to the offices of the Directors of the Company.

Mr. N.P. Chapalgaonkar is a retired Judge of Bombay High Court and has practised earlier as an Advocate for 28 years and he has been associated with the publication of various books.

Mr. Gautam Doshi is a Chartered Accountant and partner of RSM & Co., a reputed firm of Chartered Accountants. He is also associated as a Director with various public limited companies. He has been in public practice since 1975.

It would be in the interest of the Company to avail of the valuable experience and guidance of Mr. N.P. Chapalgaonkar and Mr. Gautam Doshi. The Board recommends the appointment of Mr. N.P. Chapalgaonkar and Mr. Gautam Doshi as Directors of the Company.

Mr. N.P.Chapalgaonkar is concerned or interested in the Resolution under Item No. 6 of the Notice. Mr. Gautam Doshi is concerned or interested in the Resolution under Item No. 7 of the Notice. Save as aforesaid, none of the other Directors of the Company is, in any way, concerned or interested in these Resolutions.

**Item No. 8**

Mrs. Monika Garware Modi has been associated with the Company from April, 1989. She was appointed as Vice-Chairperson with effect from 21<sup>st</sup> June, 2002. She was appointed as Joint Managing Director of the Company by the members at the Annual General Meeting held on 29<sup>th</sup> September, 2003 for a period of five years with effect from 1<sup>st</sup> July, 2003. On account of increase in the business activities of the Company, the duties and responsibilities of Shri S.B. Garware, the Chairman & Managing Director of the Company, has increased manifold over the years. In order to enable Shri S.B. Garware to concentrate on policy matters of the Company, it is considered advisable that Mrs. Monika Garware Modi should assist Shri S.B. Garware in discharging his duties more effectively. Mrs. Monika Garware Modi bears an excellent academic career. She graduated from Vasaar College, one of the renowned institutions in the U.S.A. and then did her Post Graduation in Advanced Management and Business Administration with specialisation in Marketing and obtained M.B.A. degree from Lubin Business School, Pace University, New York, U.S.A. She has requisite knowledge and experience to manage the corporate affairs. The Board of Directors has, subject to the approval of the members and such other approvals as may be required, accorded its consent to pay remuneration and perquisites to Mrs. Monika Garware Modi, with effect from 1<sup>st</sup> July, 2004, on the terms set out in the draft Agreement. The draft Agreement between the Company and Mrs. Monika Garware Modi, inter alia, contains the following terms and conditions :

- a) Salary : Rs. 2,50,000/- per month.
- b) Commission : Mrs. Monika Garware Modi will be paid commission, equivalent to the annual salary, in addition to salary and perquisites, based on the net profits of the Company in a particular year in accordance with the provisions of Sections 198 and 309 of the Companies Act, 1956.

- c) Perquisites : Mrs. Monika Garware Modi will 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. The monetary value of the perquisites will be calculated in accordance with the Income Tax Rules. The aggregate value of the above perquisites shall be restricted to a maximum of 30% of salary.
- Mrs. Monika 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. Monika Garware Modi will be entitled to leave on full remuneration as per the rules of the Company but not exceeding one month's leave.
- e) Mrs. Monika 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. Monika Garware Modi will also be entitled to receive from the Company travelling, hotel and other expenses incurred by her in performance of her duties on behalf of the Company.
- g) Mrs. Monika Garware Modi will not, so long as she functions as such, become interested or otherwise concerned directly in any selling agency of the Company in future without the prior approval of the Central Government.

The remuneration payable to Mrs. Monika Garware Modi as Joint Managing Director has been approved by the Remuneration Committee of the Board of Directors at its meeting held on 29<sup>th</sup> June, 2004.

The draft Agreement and the Resolution of the Annual General Meeting referred to in the Resolution under Item No.8 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 01:00 p.m., prior to the date of the meeting.

Mrs. Monika Garware Modi is concerned or interested in the Resolution. Shri S. B. Garware, Mrs. S. S. Garware and Ms. Sarita Garware, Directors of the Company, being related to Mrs. Monika Garware Modi, may be deemed to be concerned or interested in the Resolution. Save as aforesaid, none of the other 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.

By Order of the Board of Directors

**V. S. Viswanathan**  
General Manager (Legal) &  
Company Secretary

Mumbai, 29<sup>th</sup> June, 2004

**Registered Office:**  
Naigaon, Post Waluj,  
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**Information on Directors retiring by rotation seeking re-appointment at this Annual General Meeting**

<b>Name of the Directors</b>	Ms. Sarita Garware	Mr. A.B. Bhalerao
<b>Date of Birth</b>	25.10.1967	15.05.1949
<b>Appointed on</b>	24.12.1993	30.09.1996
<b>Qualifications</b>	M.B.A. from European University in Switzerland.	B.E. (Mech.), F.I.E.
<b>Expertise in specific functional areas</b>	<ul style="list-style-type: none"> <li>● Specialisation in Marketing (Total managerial experience – 11 years)</li> </ul>	<ul style="list-style-type: none"> <li>● Production of Polyester film and allied products Identification of new product lines, product developments, R&amp;D etc.</li> <li>● Chairman/Trustee of various Social, Educational Charitable Institutions and organisations. (Total managerial experience – 31 years).</li> </ul>
<b>Directorship held in other public companies</b>	Garware Industries Limited	Garware Chemicals Limited Garware Industries Limited
<b>Memberships/ Chairmanships of Committees across public companies</b>	Garware Polyester Limited - Member, Share & Debenture Transactions cum Investors' Grievance Committee.	Garware Chemicals Limited – Member, Remuneration Committee




**DIRECTORS' REPORT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2004**
**TO THE MEMBERS,**

Your Directors present the Forty-seventh Annual Report together with the Audited Statement of Accounts of the Company for the year ended 31<sup>st</sup> March, 2004.

**Financial Results**

		(Rs. in Crores)	
		<u>2003-04</u>	<u>2002-03</u>
Operating Profit before Interest & Depreciation		<b>109.45</b>	105.21
Less: Interest & Financial Charges	<b>48.22</b>		51.46
Depreciation	<b>32.29</b>		33.08
		<b>80.51</b>	84.54
Profit before Tax and prior period item		<b>28.94</b>	20.67
Add: Prior period item		<b>0.17</b>	0.00
		<b>29.11</b>	20.67
Less: Income Tax	<b>9.39</b>		4.18
Wealth Tax	<b>0.03</b>		0.03
		<b>9.42</b>	4.21
Net Profit for the year		<b>19.69</b>	16.46
Add: Balance brought forward from previous year		<b>16.46</b>	0.00
<b>Balance available for Appropriation</b>		<b>36.15</b>	16.46
<b>Appropriation :</b>			
Proposed Dividend		<b>2.19</b>	0.00
Tax on Dividend		<b>0.28</b>	0.00
Transferred to General Reserve		<b>0.50</b>	0.00
Balance carried to Balance Sheet		<b>33.18</b>	16.46
		<b>36.15</b>	16.46

**Dividend**

Your Directors recommend for consideration at the Annual General Meeting, declaration of dividend of Re. 1/- (10%) per share, on 2,18,41,364 Equity Shares for the year ended 31<sup>st</sup> March, 2004, which will absorb Rs. 2.47 crores (including Tax). The requisite provision for dividend has been made in the accounts for the year ended 31<sup>st</sup> March, 2004.

**Operations**

The improvement in the performance during the year under review is on account of increase in sales. Gross sales grew up by 8.5% from Rs. 697 crores to Rs. 756 crores. Exports grew up from Rs. 152 crores to Rs. 161 crores, representing an increase of 6%. The sales growth has been fuelled by increase in volume as well as improved realization. This achievement is particularly satisfying considering the protection policy followed by U.S.A. and European Union.

The current year's working is in line with the expectations.

**ANNUAL REPORT 2003-2004****Late Dr. B.D. Garware, the Founder Chairman**

Your Directors are happy to inform you that, in recognition of the services of Padma Bhushan, Late Dr. B.D. Garware, the Founder Chairman of the Company, Government of India, Department of Posts released a commemorative postal stamp at Mumbai on 6th February, 2004 during his birth centenary year. Your Directors continue to imbibe inspiration from his extraordinary vision, which will pave the way for our commitment to achieve greater heights and remain a Pioneer in our field.

**Future outlook**

In view of the international prices showing an uptrend, your Company expects substantial increase in export volumes particularly in speciality segment. Your Company's popular brands, such as 'Garfilm' and 'Global Window Film' have been receiving reasonably good response in the international markets and hence the business is expected to receive substantial boost. With the anticipated robust growth in packaging films segment, the prices in local markets are expected to remain firm. Sun Control films in domestic markets will be continued to be sold in different ranges in the form of car kits. Your Company's safety films will also continue to contribute to the operations.

**Legal cases**

In response to the Petition filed by the Company under Sections 391 and 394 of the Companies Act, 1956 before the Bombay High Court for sanctioning a Scheme of Compromise and Arrangement amongst secured creditors classified as 'Non-Convertible Debenture holders', which includes Unit Trust of India (UTI), the Hon'ble Court passed an Order confirming the Petition. Although your Company offered to make payment to UTI as per the Scheme, UTI filed an appeal before the Division Bench of Bombay High Court; however, the same was dismissed. Exim Bank, ICICI Bank Ltd. and UTI had filed applications against the Company in Debts Recovery Tribunal (DRT) prior to the restructuring of their debts. In the case of Exim Bank, Consent terms were filed before DRT and hence the application filed by them stands disposed off. In the case of ICICI Bank Ltd., the consent terms for disposal of the application before DRT are being finalised. In the case of UTI, the matter has been adjourned *sine die* by DRT.

**Subsidiaries**

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

**Safety, Health & Environmental Protection:**

Your Company has initiated various measures on safety awareness including safety audits, providing health care to its employees, maintaining ecological balance in and around the units and undertaking periodical environmental audits.

**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 profit of the Company for that year;
- 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

During the year under review, Mr. N.P. Chapalgaonkar and Mr. Gautam Doshi were appointed as Additional Directors on the Board of the Company with effect from 23<sup>rd</sup> October, 2003 and 29<sup>th</sup> January, 2004 respectively. Mr. N.P. Chapalgaonkar is a retired Judge of Bombay High Court and has practised earlier as an Advocate for 28 years and he has been associated with the publication of various books. Mr. Gautam Doshi is a Chartered Accountant and partner of RSM & Co., a reputed firm of Chartered Accountants. He is also associated as a Director with various public limited companies. He has been in public practice since 1975.

ICICI Bank Ltd. withdrew the nomination of Mr. V.M. Ketkar from the Board of the Company.

Mr. S.N. Baheti, Chief General Manager of Industrial Development Bank of India (IDBI), was nominated by IDBI as a Director on the Board of the Company with effect from 9<sup>th</sup> September, 2003 in place of Mr. G.M. Yadwadkar, Deputy General Manager of IDBI.

Miss Sonia S. Garware has been assigned the task of international marketing of the Company's products and accordingly she is appointed as Director-International Operations of the subsidiary company, Garware Polyester International Limited, London. Accordingly, she has ceased to be a director of the Company from 10<sup>th</sup> June, 2004.

Your Directors place on record their sincere appreciation for the valuable contributions made by Miss Sonia S. Garware, Mr. V.M. Ketkar and Mr. G.M. Yadwadkar to the Company during their tenure as Directors of the Company.

Ms. Sarita Garware and Mr. A.B. Bhalerao retire by rotation and, being eligible, offer themselves for re-appointment.

## Audit Committee

The Audit Committee comprises of three independent Directors viz., Mr. R.P. Chhabra, Mr. B. Moradian and Mr. S.N. Baheti.

## Remuneration Committee

The Remuneration Committee comprises of three independent Directors viz., Mr. R.P. Chhabra, Mr. B. Moradian and Mr. S.N. Baheti.

## Corporate Governance

As required by Clause 49 of the Listing Agreement with the Stock Exchange, Mumbai, the Reports on Management Discussion and Analysis, Corporate Governance as well as Auditors' Certificate regarding compliance of conditions of Corporate Governance, form part of this Report.

## 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.

## Other Statutory Information

The information required under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 forms part of this Report. However, as per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Report and Accounts are 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 the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of this Report is annexed.

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**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, 29th June, 2004*

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

- 1) At Batch Polymerisation Plant,
  - (a) Glycol recovery heating system has been changed over from Steam heating to Thermic Fluid heating thereby saving in energy cost.
  - (b) Partial replacement by PSA Nitrogen instead of high purity Nitrogen is being done thereby saving in cost towards Nitrogen generation.
  - (c) Fanless-cooling tower has been installed thereby saving in energy cost towards fans.
- 2) At Continuous Polymerisation Plant, variable speed A C drives have been installed for Post Reactor Bottom Pump thereby saving in electrical energy.
- 3) At Chikalthana Film Line 2, melt line heating system has been converted from electrical heating to oil heating thereby saving in energy cost.

### (B) TECHNOLOGY ABSORPTION

#### I. Research and Development (R&D)

1. **Specific areas in which R&D carried out by the Company:-**
  - a. Heat-seal antifog film
  - b. High-slip metalised film
  - c. Direct holographic film
  - d. RTI rating & approval from UL, USA for EM-6 & EM 6 L.O. Film.
  - e. HR film (Heat Reflective) – Ice Cool film.
  - f. Coated film for Digital Printing.
2. **Benefit derived as result of the above R & D:-**  
 These products give increased contribution due to value addition.
3. **Expenditure on R & D/Product Development:-**

	(Rs. in lakhs)
a. Capital	0.00
b. Recurring	214.73
c. Total	214.73
d. Total R&D expenditure as a percentage to total turnover	0.49%

## II. Technology absorption, adaptation and Innovation

### 1. Efforts made towards technology absorption, adaptation and innovation:-

The productivity of film line V increased by increasing output. This innovation without affecting film quality is a major break through.

The product mix vis-à-vis line capability is reviewed to maximize the overall output of products. Manufacturing process is modified to achieve better process efficiency, product quality and yield.

### 2. Benefits derived as a result of above efforts:-

Above efforts have resulted in improvement of product output, quality and reduction in wastage.

### 3. Technology imported during the last five years:-

- a. Laser drafting film.
- b. Coated OHP film
- c. SRC (hard-coat) formulations

## (C) FOREIGN EXCHANGE EARNING 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. Constant endeavour is being made to establish the products in specific overseas regional markets and to accomplish the same, individuals with knowledge and experience of these markets are appointed to service the customers.
3. Recently, the Company has opened warehousing and marketing outfits in Miami (USA) and UK.

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

Used	:	37.73
Earned (FOB) }	:	161.28

*For and on behalf of the Board of Directors*

**S.B. GARWARE**  
Chairman & Managing Director

Mumbai, 29th June, 2004



## CORPORATE GOVERNANCE REPORT

The Code on Corporate Governance introduced by the Securities and Exchange Board of India (SEBI) has already been implemented by your Company in terms of the listing agreement with Stock Exchange, Mumbai. The Board of Directors supports the broad principles of Corporate Governance and accordingly implemented the same from financial year 2001-2002.

### Company's philosophy on Code of Governance

The philosophy of the Company is to enhance the long term economic value of the Company, its shareholders at large by adopting better corporate practices in fair and transparent manner. Given below is the report on corporate governance:

The Report on Corporate Governance is divided into six parts: -

- (1) Board of Directors – Composition
- (2) Committees of the Board
- (3) Remuneration of Directors
- (4) Disclosures
- (5) Means of Communication
- (6) Shareholder information

### 1. COMPOSITION OF THE BOARD OF DIRECTORS (as on 31<sup>st</sup> March, 2004)

Name of Director	Executive/ Non Executive/ Independent	No. of other Directorships in Public Ltd. Companies	Membership of Board Committees
Shri S.B. Garware	Executive – Chairman & Managing Director	-2	—
Mrs. S.S. Garware	Non-Executive	1	—
Mrs. M. Garware Modi	Executive – Vice Chairperson & Joint Managing Director	5	—
Ms. Sarita Garware	Executive – Joint Managing Director	1	1
Miss Sonia S. Garware	Executive – Director – International Operations	1	—
Mr.S.N. Baheti +	Non-Executive, Independent	1	2
Mr. A.B. Bhalerao	Executive, Director – Technical	2	—
Mr. R.P. Chhabra	Non-Executive, Independent	1	4 *
Mr. B. Moradian	Non-Executive, Independent	1	3 **
Mr. N.P. Chapalgaonkar	Non-Executive, Independent	—	—
Mr. Gautam Doshi	Non-Executive, Independent	8	6

+ Nominee, IDBI

\* Chairman of Audit Committee

\*\* Chairman of Share & Debenture Transactions cum Investors' Grievances Committee

**ANNUAL REPORT 2003-2004****BOARD MEETINGS**

The Company places before the Board all the relevant and necessary data/information at its meetings such as production, sales, exports, review of business, any legal proceedings by/against the Company, share transfers, quarterly financial results, minutes of: (a) previous Board Meetings, (b) Audit Committee Meetings, (c) Share & Debenture Transactions cum Investors' Grievances Committee Meetings, (d) Remuneration Committee Meeting and such other relevant information.

During the year under review, six Board Meetings were held – on 30<sup>th</sup> May, 2003; 12<sup>th</sup> June, 2003; 31<sup>st</sup> July, 2003; 23<sup>rd</sup> October, 2003; 29<sup>th</sup> January, 2004 and 26<sup>th</sup> March, 2004.

The last Annual General Meeting (AGM) was held on 29<sup>th</sup> September, 2003.

The attendance of Directors at the Board Meetings, and at the aforesaid Annual General Meeting was as under:

<b>Name of Directors</b>	<b>Number of Board Meetings attended</b>	<b>Whether present at the previous AGM</b>
Shri S.B. Garware	6	Yes
Mrs. S.S. Garware	5	No
Mrs. M. Garware Modi	2	No
Ms. Sarita Garware	6	Yes
Miss Sonia S. Garware	4	Yes
Mr. S.N. Baheti	1	No
Mr. A.B. Bhalerao	4	Yes
Mr. R.P. Chhabra	6	Yes
Mr. B. Moradian	4	Yes
Mr. N.P. Chapalgaonkar	2	N.A *
Mr. Gautam Doshi	1	N.A *
Mr. G.M. Yadwadkar	1	N.A **
Mr. V.M. Ketkar	3	No ***

\* Appointed after last Annual General Meeting.

\*\* Nomination withdrawn by IDBI before last Annual General Meeting.

\*\*\* Nomination withdrawn by ICICI Bank Ltd.

**2. COMMITTEES OF THE BOARD**

The Board has constituted Committees of Directors to take informed decisions and to oversee the activities falling within the purview of their terms of reference. The following are the various Committees of the Board:

**(a) Audit Committee**

The Board of the Company has constituted an Audit Committee comprising of the following Independent Directors:

Mr. R.P. Chhabra	–	Chairman
Mr. B. Moradian	–	Member
Mr. S.N. Baheti	–	Member

Mr. V. S. Viswanathan, General Manager (Legal) & Company Secretary, acts as the Secretary to the Committee.



**Brief description of terms of reference are:**

- Overseeing and ensuring the adequacy and compliance of internal control systems.
- Reviewing the quarterly, half-yearly and annual financial statements with special emphasis on accounting policies and practices, compliance with accounting standards and other legal requirements concerning financial statements before submission to the Board.
- Reviewing the adequacy of the Audit and compliance, including their policies, procedures, techniques and other regulatory requirements.
- Undertaking periodical review of Internal Audit Reports and appraising and reviewing the scope of Internal Audit functions from time to time.
- Interacting effectively with the Statutory Auditors from time to time and discuss about finalisation of annual financial statements.
- Considering any other matter which may be referred to it by the Board.

The Minutes of the Audit Committee Meetings are placed at the Meeting of the Board of Directors.

**Meetings and attendance during the year:**

During the year under review, four Audit Committee meetings were held – on 12<sup>th</sup> June, 2003; 31<sup>st</sup> July, 2003; 23<sup>rd</sup> October, 2003 and 29<sup>th</sup> January, 2004.

Name of Members	Audit Committee Meetings attended
Mr. R.P. Chhabra	4
Mr. G.M. Yadwadkar	1*
Mr. B. Moradian	4
Mr. S.N. Baheti	NIL**

\* Nomination withdrawn by IDBI w.e.f. 09.09.2003.

\*\* Appointed as IDBI Nominee w.e.f. 09.09.2003.

**(b) Share & Debenture Transactions cum Investors' Grievances Committee**

The Board of the Company has constituted a Share & Debenture Transactions cum Investors' Grievances Committee comprising of the following Directors:

Mr. B. Moradian	– Chairman
Ms. Sarita Garware	– Member
Mr. R. P. Chhabra	– Member

**Compliance Officer:**

Mr. V.S. Viswanathan, General Manager (Legal) & Company Secretary

The terms of reference of the above Committee are as follows:

- To consider and approve transfer of shares and debentures, issuance of duplicate share/debenture certificates etc.
- Redressal of shareholders'/investors' complaints relating to transfer of shares/debentures, non-receipt of annual report, dividends, transmission, transposition, splitting, consolidation and dematerialisation of shares, interest on debentures, etc.

**Details of complaints received and redressed during the year from 1<sup>st</sup> April, 2003 to 31<sup>st</sup> March, 2004.**

As per information received from Registrar, M/s. Intime Spectrum Registry Limited, during the year, the Company received 205 complaints from shareholders, which were resolved.

**Share Transfer Details:**

During the year, the Committee met 22 times. As on 31<sup>st</sup> March, 2004, there were no requests pending for transfer of shares. The details of share transfers are reported to the Board of Directors along with the Minutes of the aforesaid Committee Meetings. The attendance of Directors at the aforesaid Committee Meeting was as under:

Name of Members	Meetings attended
Mr. B. Moradian	22
Ms. Sarita Garware	22
Mr. R.P. Chhabra	22

**Investors' Grievances:**

The Registrars and Transfer Agents, viz. Intime Spectrum Registry Limited under supervision of the Secretarial Department of the Company redresses the Investors' grievances.

**(c) Remuneration Committee**

The Board of the Company has constituted a Remuneration Committee comprising of the following Directors:-

Mr. R.P. Chhabra	– Chairman
Mr. B. Moradian	– Member
Mr. S.N. Baheti	– Member

The terms of reference of the above committee are to review the remuneration payable to Managing / Whole time Directors. The Committee met once on 21<sup>st</sup> June, 2002. No Meetings were held during the year.

**3. REMUNERATION TO DIRECTORS:**

In terms of the approval accorded by the Board of Directors, by the Shareholders and by the Central Government, wherever necessary, the Managing Director, Joint Managing Director, Director-International Operations and Director-Technical are paid remuneration as per the Agreements entered into between them and the Company. Non-Executive Directors are paid sitting fees of Rs.2,000/- for every Board meeting and Rs.1000/- for every committee meeting attended by them.

The details of remuneration paid to the Directors of the Company for the year ended 31<sup>st</sup> March, 2004, are given below: -

	Rs. in Lakhs
(a) Salary and Perquisites	157.68
(b) Commission	90.00
(c) Sitting Fees to Non-Executive Directors	1.03
Total	<u>248.71</u>

Service contract in respect of Managing Director, Joint Managing Director, Director-International Operations and Director-Technical is for five years.

Performance-linked Bonus	:	Nil
Stock option details, if any	:	Nil

**4. DISCLOSURES**

Disclosures on materially significant related party transactions i.e. transactions of the Company of material nature, with its promoters, directors or the management, their subsidiaries or relatives etc. that may have potential conflicts with the interest of the Company at large are separately disclosed in this Report.

No penalties/strictures have been imposed on the Company by Stock Exchange or SEBI or other authority on any matter related to capital markets, during last three years.

**5. MEANS OF COMMUNICATION**

The Board of Directors of the Company approves and takes on record the unaudited financial results in the proforma prescribed by the Stock Exchange, and announces the said financial results to the Stock Exchange, Mumbai where the shares of the Company are listed. Further, the quarterly/half yearly results in the prescribed proforma are published in the leading newspapers.

The Company's website is: [www.garwarepoly.com](http://www.garwarepoly.com)

Report on Management Discussion and Analysis forms part of this Annual Report.

**6. GENERAL SHAREHOLDER INFORMATION****(a) Registered Office:**

Naigaon, Post Waluj,  
Aurangabad – 431 133

**(b) Registrars and Share Transfer Agents :**

Intime Spectrum Registry Limited,  
C-13, Pannalal Silk Mill Compound,  
L.B.S. Marg, Bhandup (West),  
Mumbai-400 078.

Tel. No.: 5555 5454

Fax No.: 5555 5353

e-mail : [isrl@vsnl.com](mailto:isrl@vsnl.com)

Contact Person: Mr. Mahadevan

**(c) Address for Correspondence**

Garware Polyester Limited,  
Garware House,  
50-A, Swami Nityanand Marg,  
Vile Parle (East), Mumbai-400 057.

Tel. No: 5698 8000 – 15

Fax No: 2824 8155 / 66

e-mail:[vsv@garwarepoly.com](mailto:vsv@garwarepoly.com)

Intime Spectrum Registry Limited,  
C-13, Pannalal Silk Mill Compound,  
L.B.S. Marg, Bhandup (West),  
Mumbai-400 078.

Tel. No.:5555 5454 / 2592 3837

Fax No.: 5555 5353 / 2567 2693

e-mail : [isrl@vsnl.com](mailto:isrl@vsnl.com)

**(d) Plant Locations**

: Waluj, Chikalthana, Nasik,  
Mumbai and Silvassa.

**(e) Listing on Stock Exchange**

Shares of the Company are listed on the Stock Exchange, Mumbai, under Stock Code No.500655, ISIN No. for dematerialised shares is INE 291A01017.

The Company has paid Annual Listing Fees for the year 2004-05 to the above Stock Exchange.

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**(f) Share Price Data on The Stock Exchange, Mumbai**

Month	High (Rs.)	Low (Rs.)	BSE Sensex
April 2003	30.25	19.10	2959.79
May 2003	34.95	27.15	3180.75
June 2003	37.75	31.65	3607.13
July 2003	41.30	31.15	3792.61
August 2003	37.25	32.50	4244.73
September 2003	35.70	28.25	4453.24
October 2003	32.90	27.85	4906.87
November 2003	51.65	33.00	5044.82
December 2003	65.65	45.60	5838.96
January 2004	56.95	37.80	5695.67
February 2004	39.90	33.15	5667.51
March 2004	35.30	24.50	5590.60

**(g) Share Transfer System**

The Share Transfer requests received in physical form are registered and transferred within 30 days from the date of lodgement by the Registrars and Share Transfer Agents if the same are clear in all respects and thereafter the same are duly approved by Share & Debenture Transactions cum Investors' Grievances Committee. Since the Company's shares are compulsorily traded in demat segment on the Stock Exchange, Mumbai, bulk of the transfers takes place in electronic form.

**(h) Dematerialisation of Shares and Liquidity**

The Company's shares are available for dematerialisation on both the Depositories viz. National Securities Depository Limited (NSDL) and Central Depository Services Limited (CDSL), for which purpose the Company has entered into Agreements with the respective Institutions.

The Shares of the Company are compulsorily to be delivered in the demat form to the Stock Exchange by all investors. Nearly 82% of the equity shares of the Company have been dematerialised by investors and bulk of transfers take place in the demat form.

**(i) Distribution of Shareholdings as on 31st March, 2004**

No. of Shares held	No. of Shareholders	% of Shareholders	No. of Shares	% Shareholding
1 to 500	42,580	96.17	38,78,820	17.76
501 to 1000	906	2.05	7,18,614	3.29
1001 to 2000	413	0.93	6,18,467	2.83
2001 to 3000	121	0.27	3,12,700	1.43
3001 to 4000	53	0.12	1,89,561	0.87
4001 to 5000	42	0.10	2,01,065	0.92
5001 to 10000	75	0.17	5,64,267	2.58
10001 and above	85	0.19	1,53,57,870	70.32
<b>Total</b>	<b>44,275</b>	<b>100.00</b>	<b>2,18,41,364</b>	<b>100.00</b>

**(j) Categories of Shareholding as on 31st March, 2004**

Sr. No.	Category	No. of Shares held	Percentage of Shareholding
1.	Promoters (Shri S. B. Garware, family and Associates)	75,29,634	34.47
2.	Other Garware family Members and their Associates	6,17,330	2.83
3.	Mutual Funds and UTI	31,986	0.15
4.	Banks, Financial Institutions, Insurance Companies (Central / State Govt. Institutions/Non-Govt. Institutions)	8,57,510	3.93
5.	Private Corporate Bodies	60,32,570	27.62
6.	Foreign Institutional Investors	56,324	0.25
7.	NRIs	3,01,014	1.38
8.	Indian Public	64,14,996	29.37
	<b>Grand Total</b>	<b>2,18,41,364</b>	<b>100.00</b>

**(k) Outstanding GDRs/ADRs/Warrants or any convertible instruments and conversion date and likely impact on equity** : Not Applicable

**(l) Information on Annual General Meetings:**

Details of the last 3 Annual General Meetings (AGM) held by the Company are as under:

	Date	Venue	Time
44 <sup>th</sup> AGM	29 <sup>th</sup> Sept., 2001	Naigaon, Post Waluj, Aurangabad-431 133	3.30 p.m.
45 <sup>th</sup> AGM	30 <sup>th</sup> Dec., 2002	As above	11.00 a.m.
46 <sup>th</sup> AGM	29 <sup>th</sup> Sept., 2003	As above	11.30 a.m.

None of the Special Resolutions passed during the last three AGMs were required to be passed through postal ballot.

No Special Resolution for this year is required to be passed through postal ballot.

**(m) Financial Calendar**

<b>Financial Year</b> <b>1st April, 2003 to 31st March, 2004</b>	
Board Meeting for approval of Audited Accounts for the year ended 31 <sup>st</sup> March, 2004.	29 <sup>th</sup> June, 2004
Posting of Annual Reports	On or before 3 <sup>rd</sup> September, 2004
Book Closure Dates	14 <sup>th</sup> September, 2004 to 28 <sup>th</sup> September, 2004 (both days inclusive)
Last date for receipt of Proxy Forms.	26 <sup>th</sup> September, 2004
47 <sup>th</sup> Annual General Meeting	Date : 28 <sup>th</sup> September, 2004 Time : 11.30 a.m. Venue : Registered Office at Naigaon, Post Waluj, Aurangabad 431 133
Dividend payment date	On or after 28 <sup>th</sup> September, 2004.

## **AUDITORS' REPORT ON CORPORATE GOVERNANCE**

TO THE MEMBERS OF GARWARE POLYESTER LIMITED

We have examined the compliance of conditions of Corporate Governance by GARWARE POLYESTER LIMITED for the year ended 31<sup>st</sup> March 2004, as stipulated in Clause 49 of the Listing Agreement entered into with the Stock Exchange.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statement of the Company.

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned listing agreement.

We state that no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the Shareholders/Investors Grievance Committee.

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

For SHAH & CO.  
*Chartered Accountants*

INDULAL H. SHAH  
*Partner*

*Mumbai, 29th June, 2004*

## REPORT ON MANAGEMENT DISCUSSION AND ANALYSIS

### 1. Industry Structure and Development

Polyester films have wide applications in flexible packaging, electrical magnetic media, imaging, etc. The worldwide capacity for the product stands at 1.6 million MT as against the consumption of approximately 1.2 million MT. The domestic manufacturing capacity has seen installation and commissioning of two new plants adding up almost 35,000 MT a year as additional capacity towards end of 2003-04. Another line of 20,000 MT capacity is expected to go on stream in the year 2004-05 while the processing Industry where a sizable quantities of Polyester Films are used is showing reasonable growth. On account of general industrial recession and technological obsolescence, the demand growth in other sectors like motor insulation, cable wrap, magnetic media and imaging sectors has been relatively slow. The inflow of additional capacity of the films expected from some of the manufacturers who have set up plants abroad is likely to enhance the overall production and supplies thus putting pressure on prices.

The restrictive trade actions, as reported in the last Annual Report, continues to plague the exports of Indian product. With marginal firming up of price in EU and U.S.A., the two major markets for films, low quantity of exports have been made. Besides, China is another country where export potentials appear to be taking off.

The additional material from the new lines will be available in the market in the financial year 2004-05. The demand for polyester film in packaging segment showed robust and healthy growth and it is expected that a part of the additional supplies will be absorbed in the domestic market.

### 2. Opportunities and threats

The significant additions to capacity in Polyester films next year is expected to result in excess supply and consequent pressure on pricing. The Company is constantly endeavoring to tap opportunities for introducing value added products some of the value added products being EM6 – L.O. and Holographic Film did find good acceptability both in the domestic and export markets. With increased focus on R & D, the Company hopes to maintain its growth and add further to value addition.

### 3. Outlook

#### Exports :

##### Plain Film :

In view of the protectionist policy followed by U.S.A. and EU, the volume of exports of plain film to these countries has been adversely affected. We need to await review of the anti-dumping measures by these countries so that our access to these markets is restored. However, international prices have shown uptrend and are expected to remain firm during the year and the Company expects substantial increase in export volumes particularly in speciality segment.

##### Sun Control Film :

Export of Sun Control Films has been steadily growing, thereby contributing to the Company's profitability substantially. The Company has been able to successfully make its presence felt by penetrating into new countries such as Indonesia, China, etc. More than 80% of production of Sun Control films is exported.

The Company's wholly owned subsidiary in UK, viz., Garware Polyester International Limited (GPIL) which is handling Europe markets and Global Pet Films, Inc. (GPF), a wholly owned subsidiary of GPIL, which is handling American markets, are expected to perform well, given the response to the Company's popular brands, such as 'Garfilm', and 'Global Window Film'. Substantial boost to the Company's business in these markets is expected.

##### Local :

With the anticipated robust growth in packaging film segment, the prices in local markets are expected to hold firm. Sun control films in domestic market will be continued to be sold in different price ranges in the form of car kits. Besides, the Company's safety films which are widely used in banks, Embassy

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offices, Consular offices, etc., being basically value-added products, will continue to contribute increasingly to the Company's operations.

**4. Review of Operations**

The financial statements have been prepared in compliance with the requirements of the Companies Act, 1956 and the applicable accounting standards.

The abridged Profit & Loss statement for the financial year ended 31<sup>st</sup> March, 2004 is as follows :

	(Rs. in lakhs)		
	<b>2003-04</b>	<b>2002-03</b>	<b>% change</b>
Net Sales	43,901.96	41,191.53	6.6%
Other Income	266.18	137.66	93.4%
Profit before Interest, Depreciation & Tax	10,945.02	10,521.34	4.0%
Interest & Financial Charges	4,821.98	5,146.06	(6.3%)
Depreciation	3,228.48	3,307.99	(2.4%)
Prior period item	16.55	(0.10)	
Profit before Tax	2,911.11	2,067.19	40.8%
Provision for Tax	942.26	421.50	123.5%
Profit after Tax	1,968.85	1,645.69	19.6%
Earnings per share (Rs.)	9.01	7.53	19.7%
Market Capitalisation	7,710.00	4,761.42	61.9%

**5. Risks and concerns**

Raw material prices during the year under review had been showing an increasing trend. Though the Company has been in a position to pass on the increases, there always is a time lag between the two. If due to increased supplies, the increase in the said prices cannot be fully passed on to the consumers, there will be a pressure on the profitability.

The Company will continue to focus on cost control and cost effective measures and also ensure that the exports achieved last year are improved upon.

**6. Internal control systems and efficiency**

The Company has already put in place a system of internal controls and checks which are supplemented by a regular internal audit procedure commensurate with the size of its business and nature of its operations. The Audit Committee of the Board meets at regular intervals and actively reviews the intervals control systems which are reflected in the internal audit reports. Suitable corrective actions are initiated wherever necessary.

**7. Management Developments in HR**

Your Company has a well qualified and experienced team of professionals who have contributed to the performance of the Company. Labour relations at all the manufacturing units of the Company continued to remain cordial throughout the year 2003-04. There was no industrial unrest during the year.

**8. Cautionary statement**

The statements in report of the Board of Directors and the Management Discussion & Analysis Report describing the Company's outlook, estimates or predictions may be forward looking statements within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied since the Company's operations are influenced by many external and internal factors beyond the control of the Company. The Company takes no responsibility for keeping the members updated on changes in these factors except as may be statutorily required from time to time.



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

We have audited the attached Balance Sheet of GARWARE POLYESTER LIMITED as at 31st March, 2004, and also the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to in paragraph (3) above, we state that:

- (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
- (b) In our Opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
- (c) The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement referred to in the report are in agreement with the books of account.
- (d) In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956.
- (e) As per the legal opinion obtained by the Company, none of the Directors are disqualified as on 31st March, 2004 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.
- (f) In our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet and the Profit and Loss Account subject to:  
Note No. K under Schedule 3 of Secured Loans regarding interest applied at the restructured rate on the debentures with Unit Trust of India (UTI) 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 in conformity with the accounting principles generally accepted in India:
  - (i) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2004;
  - (ii) In the case of the Profit and Loss Account, of the '**PROFIT**' of the Company for the year ended on that date; and
  - (iii) In the case of the Cash Flow Statement of the Cash Flows for the year ended on that date.

For SHAH & CO.  
*Chartered Accountants*

INDULAL H. SHAH  
*Partner*

Mumbai, 29th June, 2004

**ANNEXURE TO THE REPORT OF THE AUDITORS  
(REFERRED TO IN PARAGRAPH 3 OF OUR REPORT EVEN DATE)**

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) 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.
- (c) The company has not disposed off substantial part of fixed assets during the year. According to the information and explanations given to us, we are of the opinion that the disposal of fixed assets has not affected the going concern status of the company.
- (ii) (a) The inventories have been physically verified during the year by the Management in our opinion the frequency of verification is reasonable.
- (b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) The company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material in relation to the operations of the company and have been properly dealt with in the books of account.
- (iii) (a) The company has not taken any loans secured or unsecured from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- (b) The company has not granted any loans during the year to the parties covered in the register maintained u/s 301 of the companies Act, 1956, but the loan of Rs. 3567.05 Lakhs which was written off in prior year has been reinstated in case of one party covered in the register maintained under section 301 of the Companies Act, 1956 (Refer Note No. 11 in Schedule 12.B). Sub clause (c) and (d) are not applicable for the year under report.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods. During the course of audit, we have not observed any continuing failure to correct major weaknesses in internal controls.
- (v) (a) In our opinion and according to the information and explanations given to us the transactions that need to be entered in the register maintained under section 301 of the companies Act, 1956 have been so entered.
- (b) According to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of rupees five lakhs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time in the opinion of the management.
- (vi) According to the information and explanations given to us, the company has not accepted during the year any deposits from the public as per the provisions of sections 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975.
- (vii) In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
- (viii) The Central Government has not prescribed maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 in the year under review for any of the products of the company.

(ix) (a) According to the records of the company, Provident Fund, Investor Education & Protection Fund, Employees State Insurance, Income Tax, Sales Tax, Wealth Tax, Custom Duty, Excise Duty, cess and other material statutory dues applicable to it have been generally regularly deposited during the year with the appropriate authorities. According to the information and explanations given to us, no undisputed amounts payable in respect of above were in arrears as at 31st March, 2004 for a period of more than six months from the date they became payable.

(b) The following dues have not been deposited on account of dispute.

<u>Nature of dues</u>	<u>Amount</u>	<u>Forum where dispute is pending</u>
Sales Tax	Rs. 14.07 Lakhs	Allahabad High Court

(x) The company does not have accumulated losses at the end of the financial year and has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.

(xi) According to the information and explanations given to us, the company has not defaulted in repayment of dues to financial institutions, banks or debenture holders, except a sum of Rs. 199.60 lakhs payable to Unit Trust of India (UTI) (Refer Note No. K under Schedule 3 of Secured Loans).

(xii) According to the information and explanations given to us, the company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiii) As the company is not a chit fund or a nidhi, mutual benefit fund or society, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.

(xiv) As the company is not dealing in or trading in share, securities, debentures and other investments, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.

(xv) In our opinion, the term loans on which the company has given guarantees for loans taken by others from banks or financial institutions are not prejudicial to the interest of the company.

(xvi) In our opinion, the term loans have been applied for the purpose for which they were raised.

(xvii) According to the information and explanations given to us, the company has not applied short term borrowings for long term use and vice versa.

(xviii) According to the information and explanations given to us, the company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act.

(xix) The company has not issued any debentures during the year.

(xx) The company has not raised any money by way of public issue during the year.

(xxi) According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the year.

For SHAH & CO.  
Chartered Accountants

INDULAL H. SHAH  
Partner

Mumbai, 29th June, 2004

## ANNUAL REPORT 2003-2004

## BALANCE SHEET AS AT 31ST MARCH, 2004

	Schedule	As at 31.03.2004 (Rs. in Lakhs)	As at 31.03.2003 (Rs. in Lakhs)
<b>FUNDS EMPLOYED :</b>			
<b>SHAREHOLDERS' FUNDS</b>			
Share Capital	1	2,177.88	2,177.87
Reserves & Surplus	2	8,339.95	3,050.44
		<b>10,517.83</b>	<b>5,228.31</b>
<b>BORROWINGS</b>			
Secured Loans	3A	48,292.71	51,810.18
Unsecured Loans	3B	1,078.86	1,540.27
		<b>49,371.57</b>	<b>53,350.45</b>
<b>TOTAL</b>		<b>59,889.40</b>	<b>58,578.76</b>
<b>APPLICATION OF FUNDS :</b>			
<b>FIXED ASSETS</b>			
Gross Block	4	70,529.31	69,337.89
Less: Depreciation		30,046.30	26,836.19
Net Block		40,483.01	42,501.70
Capital Work in Progress		81.70	43.17
		<b>40,564.71</b>	<b>42,544.87</b>
<b>INVESTMENTS</b>	5	<b>235.57</b>	<b>235.57</b>
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>			
Inventories	6	7,022.51	6,521.58
Sundry Debtors		3,749.55	4,016.82
Cash and Bank Balances		485.45	432.26
Other Current Assets		2,512.69	3,558.41
Loans and Advances		5,810.19	1,495.21
		<b>19,580.39</b>	<b>16,024.28</b>
<b>Less: CURRENT LIABILITIES AND PROVISIONS</b>	7	<b>2,388.52</b>	<b>2,788.66</b>
Current Liabilities		577.72	131.37
Provisions		2,966.24	2,920.03
<b>Net Current Assets</b>		<b>16,614.15</b>	<b>13,104.25</b>
Deferred Tax Assets		1,955.05	2,694.07
Deferred Revenue Expenditure		519.92	0.00
<b>TOTAL</b>		<b>59,889.40</b>	<b>58,578.76</b>

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

R. P. CHHABRA  
Director

INDULAL H. SHAH  
Partner

V. S. Viswanathan  
General Manager (Legal) &  
Company Secretary

Mumbai, 29th June, 2004

Mumbai, 29th June, 2004

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2004**

	Schedule	2003-2004 (Rs. in Lakhs)	2002-2003 (Rs. in Lakhs)
<b>INCOME :</b>			
Sales including Excise duty		48,040.16	44,997.26
Inter-Divisional Transfers (as per contra)		27,558.83	24,662.37
Gross Sales		<u>75,598.99</u>	<u>69,659.63</u>
Less: Excise duty		4,138.20	3,805.73
Net Sales		71,460.79	65,853.90
Other Income	8	266.18	137.66
Increase / (Decrease) in Finished and Semi-finished Goods	9	935.17	70.26
		<u>72,662.14</u>	<u>66,061.82</u>
<b>EXPENDITURE :</b>			
Raw Materials consumed	10	20,145.46	17,274.96
Inter-Divisional Transfers (as per contra)		27,558.83	24,662.37
Manufacturing & other expenses	11	14,012.83	13,603.15
Interest & financial charges (Refer Note No.12 in Schedule 12 B)		4,821.98	5,146.06
		<u>66,539.10</u>	<u>60,686.54</u>
<b>Profit before Depreciation</b>		6,123.04	5,375.28
Depreciation		3,228.48	3,307.99
<b>Profit for the year before tax &amp; Prior Period items</b>		2,894.56	2,067.29
Add:- Prior Period Items (Net)		16.56	0.00
Less:- Income tax of Prior period (Net)		0.01	0.10
<b>Profit before Tax</b>		2,911.11	2,067.19
Less: Provision for Taxation:			
Deferred Tax		739.02	286.93
Current Tax		199.96	131.37
Wealth Tax		3.28	3.20
<b>Profit after Tax</b>		1,968.85	1,645.69
Add: Balance brought forward from previous year		1,645.69	0.00
<b>Profit available for appropriation</b>		3,614.54	1,645.69
<b>APPROPRIATIONS :</b>			
Proposed Dividend		218.41	0.00
Tax on Dividend		27.98	0.00
Transfer to General Reserve		50.00	0.00
		<u>296.39</u>	<u>0.00</u>
<b>Balance carried to Balance Sheet</b>		3,318.15	1,645.69
Earning per Share (Refer Note No. 17 in Schedule 12 B) (Rupees)		9.01	7.53

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  
Director - Technical

R. P. CHHABRA  
Director

INDULAL H. SHAH  
Partner

V. S. Viswanathan  
General Manager (Legal) &  
Company Secretary

Mumbai, 29th June, 2004

Mumbai, 29th June, 2004

## ANNUAL REPORT 2003-2004

## SCHEDULES FORMING PART OF THE BALANCE SHEET

	As at 31.03.2004 (Rs. in Lakhs)	As at 31.03.2003 (Rs. in Lakhs)
<b>SCHEDULE 1</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised:</b>		
2,50,00,000 Equity Shares of Rs. 10/- each	<u>2,500.00</u>	<u>2,500.00</u>
<b>Issued, Subscribed and Paid-up:</b>		
2,18,41,364 Equity Shares of Rs. 10/- each fully paid-up	<u>2,184.14</u>	<u>2,184.14</u>
Less: Unpaid Allotment Call money (from others)	<u>6.26</u>	<u>6.27</u>
	<u>2,177.88</u>	<u>2,177.87</u>
<b>Out of the above:</b>		
(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 (IDBI) 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.		
<b>SCHEDULE 2</b>		
<b>RESERVES AND SURPLUS</b>		
<b>Share Premium :</b>		
Balance as per last Balance Sheet	48.70	48.70
<b>Debenture Redemption Reserve :</b>		
Balance as per last Balance Sheet	1,356.05	1,356.05
<b>General Reserve :</b>		
Balance as per last Balance Sheet	0.00	0.00
Add: Loan to Garware Chemicals Ltd. (GCL) written off in prior years now brought back as per GCL's offer in terms of IDBI's letter dated 24th June, 2004 (Refer Note No. 11 in Schedule 12 B)	3,567.05	0.00
Transfer from Profit and Loss Account	<u>50.00</u>	<u>0.00</u>
	3,617.05	0.00
<b>Profit &amp; Loss Account</b>	<u>3,318.15</u>	<u>1,645.69</u>
<b>TOTAL</b>	<u>8,339.95</u>	<u>3,050.44</u>


**SCHEDULES FORMING PART OF THE BALANCE SHEET (Contd.)**

		As at 31.03.2004 (Rs. in Lakhs)	As at 31.03.2003 (Rs. in Lakhs)
<b>SCHEDULE 3</b>			
<b>A. SECURED LOANS</b>			
I.	Debentures / Bonds	Notes	
	(Refer Note No.5 and 6 in Schedule 12 B)		
	(i) 12.5% Non Convertible / Privately Placed Debentures	A to D	
	Less : Redeemed during the year	<u>10,856.38</u> <u>1,442.73</u>	11,224.31 367.93
		<b>9,413.65</b>	<b>10,856.38</b>
	(ii) 0'Coupon Bonds / Debentures.	E	
	Less : Restructured / Redeemed during the year	<u>6,231.67</u> <u>1,264.10</u>	6,233.83 2.16
		<b>4,967.57</b>	<b>6,231.67</b>
	(iii) Interest accrued and due	<u>404.32</u>	<u>199.27</u>
		<b>14,785.54</b>	<b>17,287.32</b>
II.	From Banks		
	Cash / Packing Credit Accounts	F	
	Working Capital Demand Loan	<u>3,701.66</u> <u>7,673.47</u>	4,061.48 6,287.01
		<b>11,375.13</b>	<b>10,348.49</b>
III.	Term Loans		
	(i) Financial Institutions	G	
	(ii) Banks		
	a) Rupee Loan	H	
	b) Foreign Currency Loan	H	
		<u>1,667.08</u> <u>4,494.12</u>	6,719.86 0.00
		<b>6,161.20</b>	<b>6,719.86</b>
	(iii) Hire Purchase/Vehicle Finance	I	
		<u>25.72</u>	<u>19.50</u>
		<b>13,871.33</b>	<b>15,119.76</b>
IV.	Deferred interest	J	
		<u>8,260.71</u>	<u>9,054.61</u>
	<b>TOTAL</b>	<b><u>48,292.71</u></b>	<b><u>51,810.18</u></b>

**Notes:**

- (A) 12.5% Non-Convertible Debentures of Rs.100/- each aggregating to Rs. 939.05 Lakhs (Previous year Rs. 964.25 Lakhs) 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 mortgage / charge already created / to be created in favour of Financial Institutions / Banks.
- (B) 12.5% Privately Placed Non-Convertible Debentures of Rs.100/- each aggregating to Rs.1,455.11 Lakhs (Previous year Rs. 1,651.83 Lakhs) are secured by mortgage ranking pari passu with mortgage / charge created / to be created on company's immovable properties situated at Aurangabad and Nasik in favour of Financial Institutions / Banks.
- (C) 12.5% Privately Placed Non Convertible Debentures of Rs.100/- each aggregating to Rs. 6,620.28 Lakhs (Previous year Rs. 7,771.66 Lakhs) are secured by 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) 12.5% Debentures of Rs.100/- each aggregating to Rs.399.21 Lakhs (Previous year Rs. 468.64 Lakhs) 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) The Zero Coupon Bonds/Debentures of Rs.100/- each aggregate Rs.4,967.57 Lakhs (Previous year Rs.6,231.67 Lakhs). Of this, Zero Coupon Bonds/Debentures of Rs.2,074.32 Lakhs (Previous year Rs.2,631.17 Lakhs) are secured / to be secured on the same lines as referred in A to D above and Rs.2,893.25 Lakhs (Previous year Rs.3,600.50 Lakhs) are secured / to be secured on the same lines as referred to in Note No. G(1), G(2), H(1), H(2), H(3) below.
- (F) Cash / Packing Credit / Working Capital Demand Loan are secured by Hypothecation of stores, spares & packing materials, stock-in-trade 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.
- (G) The total Term Loans from Financial Institutions aggregating to Rs.7,684.41 Lakhs (Previous year Rs.8,380.40 Lakhs) are secured as under:
- (1) An amount of Rs.3,713.01 Lakhs (Previous year Rs.4,005.40 Lakhs) is secured by:
- (a) A mortgage ranking pari passu with mortgage created /to be created on Company's immovable properties situated at Aurangabad, Nasik and New Delhi in favour of IDBI, ICICI Bank Ltd., Vijaya Bank and EXIM Bank for their Term Loans.



## ANNUAL REPORT 2003-2004

## SCHEDULES FORMING PART OF THE BALANCE SHEET (Contd.)

- (b) Hypothecation charge ranking pari passu with charges created / to be created in favour of IDBI, ICICI Bank Ltd., Vijaya Bank and EXIM Bank for their Term Loans on all the movable properties of the Company including movable Plant & Machinery, Spares, Tools and Accessories, present and future (save and except Book Debts) at Nasik and Aurangabad, subject to prior charge created and / or to be created in favour of the Company's bankers on:
- Specified movables for securing borrowings for the Company's Working Capital requirements; and
  - Specified assets charged to the Company's bankers as security for Term Loans.
- (2) Advance against export of Rs.3,971.40 Lakhs (Previous year Rs.4,375.00 Lakhs) is secured by a second charge by way of hypothecation of the Company's movable fixed assets and mortgage of Company's immovable properties situated at Aurangabad and Nasik subject to prior charges created and / or to be created in favour of Financial Institutions / Banks.
- (H) The total Term Loans of Rs. 6,161.20 Lakhs (Previous year Rs.6,719.86 Lakhs) from Banks are secured as under:
- Term Loans of Rs.1,154.18 Lakhs (Previous year Rs.1,354.91 Lakhs) is secured by :
    - A mortgage ranking pari passu with mortgage created /to be created on Company's immovable properties situated at Aurangabad, Nasik and New Delhi in favour of IDBI, ICICI Bank Ltd., Vijaya Bank and EXIM Bank for their Term Loans.
    - Hypothecation charge ranking pari passu with charge created / to be created in favour of IDBI, ICICI Bank Ltd., Vijaya Bank and EXIM Bank for their Term Loans of all the movable properties of the Company including movable Plant & Machinery, Spares, Tools and Accessories, present and future (save and except Book Debts) at Nasik and Aurangabad, subject to prior charges created and / or to be created in favour of the Company's bankers on:
      - Specified movables for securing borrowings for the Company's Working Capital requirements, and
      - Specified assets charged to the Company's bankers as security for Term Loans.
  - Term Loans of Rs.2,868.76 Lakhs out of Rs.2,927.96 Lakhs (Previous year Rs. 3,557.53 Lakhs) has been converted into foreign currency loan. These are secured by a mortgage on Company's immovable property situated at Vile Parle, Mumbai.
  - Term Loan of Rs. 1,625.36 Lakhs out of Rs 2,079.06 Lakhs (Previous year Rs.1,807.42 Lakhs) has been converted into foreign currency loan. The same is secured by:
    - A mortgage ranking pari passu with mortgage created / to be created on the Company's immovable properties situated at Aurangabad, Nasik and New Delhi in favour of IDBI, ICICI Bank Ltd., Vijaya Bank and EXIM Bank for their Term Loans.
    - Hypothecation / charge ranking pari passu with charges created / to be created in favour of IDBI, ICICI Bank Ltd., Vijaya Bank and EXIM Bank for their Term Loans, of all the movable properties of the Company including movable Plant & Machinery, Spares, Tools and Accessories, present and future (save and except Book Debts) at Nasik and Aurangabad, subject to prior charge created and / or to be created in favour of the Company's bankers on:
      - Specified movables for securing borrowings for the Company's Working Capital requirements; and
      - Specified assets charged to the Company's bankers as security for Term Loans.
- (I) Hire Purchase Finance is secured by hypothecation of specific assets.
- (J) Funded Interest outstanding has been deferred on interest free basis and is secured by charge / mortgage on the same lines as referred to the loans/debentures above.
- (K) All the Financial Institutions/Banks except Unit Trust of India (UTI) have given their sanctions for restructuring of Non-Convertible Debentures/Term Loans including unpaid interest thereon as on 31<sup>st</sup> March, 2001. Consent Terms with Exim Bank have been filed before the Debt Recovery Tribunal at Mumbai. Consent Terms with ICICI Bank Ltd. are under finalisation. Further, the Petition filed by the Company in Bombay High Court under Sections 391/394 of the Companies Act, 1956 for sanctioning a Scheme of Compromise and Arrangement amongst secured creditors classified as "Non-Convertible Debenture holders" which includes UTI, has been approved by the Bombay High Court. The said Scheme is also binding on UTI. The Interest applied on the debentures is at the restructured rate.

## B UNSECURED LOANS

	As at 31.03.2004 (Rs. in Lakhs)	As at 31.03.2003 (Rs. in Lakhs)
(i) Interest-free Sales Tax Loans, Interest-free Capital Incentive Loans and Sales Tax Deferral from SICOM for Aurangabad and Nasik Units	678.61	831.95
(ii) Short Term Loan from others	400.00	700.00
(iii) Interest accrued and due	0.25	8.32
TOTAL	1,078.86	1,540.27



**SCHEDULES FORMING PART OF THE BALANCE SHEET (Contd.)**
**SCHEDULE 4**
**FIXED ASSETS**

(Rs. in Lakhs)

Sr. No.	Description of Assets	GROSS BLOCK				DEPRECIATION	NET BLOCK	
		Cost/Revaluation As at 01.04.2003	Additions during the year	Sales/Transfer during the year	Cost/Revaluation As at 31.03.2004	Up to 31.03.2004	As at 31.03.2004	As at 31.03.2003
1.	Land (Freehold)	6,992.13	0.00	0.00	6,992.13	0.00	<b>6,992.13</b>	6,992.13
2.	Land (Leasehold)	1,820.94	0.00	0.00	1,820.94	0.00	<b>1,820.94</b>	1,820.94
3.	Buildings	7,266.35	18.51	0.00	7,284.86	2,912.04	<b>4,372.82</b>	4,829.53
4.	Plant & Machinery	46,145.03	1,064.11	7.11	47,202.03	21,485.00	<b>25,717.03</b>	26,949.57
5.	Electrical Installations	2,790.13	2.22	0.00	2,792.35	1,901.91	<b>890.44</b>	1,032.19
6.	Moulds	287.54	0.00	0.00	287.54	287.54	<b>0.00</b>	0.00
7.	Laboratory Equipments	180.99	0.00	0.00	180.99	102.81	<b>78.18</b>	90.81
8.	Furniture & Fixtures	442.17	6.11	0.00	448.28	328.22	<b>120.06</b>	140.29
9.	Office Equipments	387.55	10.64	1.00	397.19	257.74	<b>139.45</b>	151.63
10.	Vehicles	444.03	36.92	14.79	466.16	332.46	<b>133.70</b>	132.96
11.	Capital Expenditure On Research & Development	190.99	0.00	0.00	190.99	184.87	<b>6.12</b>	20.39
12.	Data Processing Equipments	872.61	57.66	0.00	930.27	781.81	<b>148.46</b>	172.66
13.	Expenditure On Tech. know-how/Product Development	1,359.97	18.15	0.00	1,378.12	1,314.44	<b>63.68</b>	168.60
14.	Copyrights	157.46	0.00	0.00	157.46	157.46	<b>0.00</b>	0.00
	<b>Total</b>	<b>69,337.89</b>	<b>1,214.32</b>	<b>22.90</b>	<b>70,529.31</b>	<b>30,046.30</b>	<b>40,483.01</b>	<b>42,501.70</b>
	Previous Year	68,401.94	993.73	57.78	69,337.89	26,836.19	42,501.70	44,821.31
	Capital Work-in-Progress						<b>81.70</b>	43.17

**NOTES :**

- Building include 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 Lease period.
- No write-off has been made in respect of lease relating to Leasehold land.
- Depreciation includes Technical Know-how fees / Product Development Expenses amortised.
- The Gross Block includes Rs.6,765.35 Lakhs on account of Evaluation of certain Assets as at 31st March, 2002

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## SCHEDULES FORMING PART OF THE BALANCE SHEET (Contd.)

	As at 31.03.2004 (Rs. in Lakhs)		As at 31.03.2003 (Rs. in Lakhs)	
<b>SCHEDULE 5</b>				
<b>INVESTMENTS (AT COST)</b>				
<b>A. In Government Securities (Unquoted) :</b>				
1.	10 years-8.5% Rural Debentures of Maharashtra State Electricity Board of the face value of Rs.0.17 Lakh	-	-	-
2.	7 years National Savings Certificates of the face value of Rs.0.03 Lakh (Lodged with the Excise Authorities as Security Deposit)	-	-	-
<b>B. In Shares :</b>				
<b>I. Quoted :</b>				
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	-	-	
4.	4,00,000 Equity Shares of Garware Wall Ropes Limited, of the face value of Rs.10/- each, fully paid-up.	56.80	56.80	
5.	58,900 Equity Shares of Bank of India, of the face value Rs.10/- each, fully paid-up.	26.51	26.51	
		<b>83.36</b>	<b>83.36</b>	
<b>II. Unquoted :</b>				
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 SICOM Ltd., of the face value of Rs.10/- each fully paid-up	8.00	8.00	
5.	4,000 Equity Shares 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	
8.	70,75,820 Equity Shares of Garware Chemicals Ltd. of the face value of Rs.10/- each, fully paid-up including four equity shares held by nominees.	7.09	7.09	
		<b>18.64</b>	<b>18.64</b>	
<b>III. In Subsidiary Company (Unquoted) :</b>				
1.	2,50,000 ordinary Shares of Garware Polyester International Limited, London, of the face value of Pound 1/- each, fully paid-up.			
		<b>133.57</b>	<b>133.57</b>	
	<b>TOTAL</b>	<b>235.57</b>	<b>235.57</b>	
		<b>Cost</b>	<b>Market value</b>	<b>Cost</b> <b>Market value</b>
NOTE : Aggregate amount of company's investments :				
	Quoted	<b>83.36</b>	<b>138.53</b>	83.36      103.04
	Unquoted	<b>152.21</b>		152.21
	<b>TOTAL</b>	<b>235.57</b>		<b>235.57</b>

**SCHEDULES FORMING PART OF THE BALANCE SHEET (Contd.)**

	As at 31.03.2004 (Rs. in Lakhs)	As at 31.03.2003 (Rs. in Lakhs)
<b>SCHEDULE 6</b>		
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>		
<b>A) CURRENT ASSETS:</b>		
<b>I. Inventories :</b>		
(As taken, valued & certified by the Management )		
(a) Stores, Spare parts & Packing materials (At Cost)	2,475.23	2,571.63
(b) Stock-in-trade		
(i) Raw Materials (At cost)	1,575.08	1,912.92
(ii) Finished goods (At cost or market value whichever is lower)	549.94	548.63
(iii) Semi-finished goods (At cost )	<u>2,422.26</u>	<u>1,488.40</u>
	<b>7,022.51</b>	<b>6,521.58</b>
<b>II. Sundry Debtors :</b>		
(Unsecured, considered good, unless otherwise stated excluding Bills Receivable discounted)		
(a) Debts outstanding for a period exceeding six months.		
(i) Considered Good	0.70	1.01
(ii) Considered Doubtful	<u>538.07</u>	<u>538.07</u>
	<u>538.77</u>	<u>539.08</u>
Less : Provision for Doubtful Debts	<u>538.07</u>	<u>538.07</u>
	<u>0.70</u>	<u>1.01</u>
(b) Other Debts (Including Rs. Nil due from Associate Company, Previous year Rs.13.21 Lakhs and Rs.310.90 Lakhs due from subsidiary companies, Previous year Rs.27.36 Lakhs)	<u>3,748.85</u>	<u>4,015.81</u>
	<b>3,749.55</b>	<b>4,016.82</b>
<b>III. Cash and Bank Balances :</b>		
(a) Cash on hand	28.41	28.16
(b) Bank balances :		
With Scheduled Banks:		
In Current Accounts	300.14	276.95
In Margin Account (Including Rs.142.99 Lakhs as Term Deposit, Previous year Rs.123.38 Lakhs)	<u>156.90</u>	<u>127.15</u>
	<b>485.45</b>	<b>432.26</b>
<b>IV. Other Current Assets:</b>		
(i) DEPB receivable (At realisable value or face value of licences, whichever is lower)	834.42	1,025.56
(ii) Other receivables	<u>1,678.27</u>	<u>2,532.85</u>
	<b>2,512.69</b>	<b>3,558.41</b>
<b>B) LOANS &amp; ADVANCES:</b>		
(Unsecured, considered good, unless otherwise stated)		
(i) Advances recoverable in cash or in kind or for value to be received. (Including Rs. 42.62 Lakhs due from Associate Company, Previous year Rs.102.83 Lakhs)	892.52	690.46
(ii) Sacrifice / Premium on restructured Term loans	410.45	0.00
(iii) Advance against Capital Expenditure	0.54	11.86
(iv) Deposits with Customs & Excise authorities	223.94	275.28
(v) Deposits with others	378.06	363.77
(vi) Advance Payment of Income Tax and TDS	337.63	153.84
(vii) Loan to Associate Company viz Garware Chemicals Ltd. (Refer Note No.11 in Schedule 12 B)	<u>3,567.05</u>	<u>0.00</u>
	<b>5,810.19</b>	<b>1,495.21</b>
<b>TOTAL</b>	<b><u>19,580.39</u></b>	<b><u>16,024.28</u></b>

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## SCHEDULES FORMING PART OF THE BALANCE SHEET (Contd.)

	As at 31.03.2004 (Rs. in Lakhs)	As at 31.03.2003 (Rs. in Lakhs)
<b>SCHEDULE 7</b>		
<b>CURRENT LIABILITIES AND PROVISIONS</b>		
<b>A) Current Liabilities :</b>		
(i) Sundry Creditors (Refer Note No. 20 in Schedule 12 B)	1,480.91	1,726.10
(ii) Other Liabilities (Including Rs.90 Lakhs due to Directors, Previous year Rs.77.25 Lakhs)	744.32	924.40
(iii) Deposits and advances from customers & others	134.46	108.67
(iv) Unclaimed Dividend	6.87	10.44
(v) Share & Debenture Application Money Refundable	6.98	6.98
(vi) Debenture Redemption Money payable	1.99	2.16
(vii) Interest accrued but not due on Loans	12.99	9.91
	<u>2,388.52</u>	<u>2,788.66</u>
<b>B) Provisions:</b>		
(i) Provision for Taxation	331.33	131.37
(ii) Provision for Proposed Dividend	218.41	0.00
(iii) Tax on Dividend	27.98	0.00
	<u>577.72</u>	<u>131.37</u>
<b>TOTAL</b>	<u><u>2,966.24</u></u>	<u><u>2,920.03</u></u>

## SCHEDULES FORMING PART OF THE PROFIT &amp; LOSS ACCOUNT

	2003-2004 (Rs. in Lakhs)	2002-2003 (Rs. in Lakhs)
<b>SCHEDULE 8</b>		
<b>OTHER INCOME</b>		
Insurance claims	19.74	20.44
Income from Investments (Gross) (TDS Rs. Nil, Previous year Rs.1.08 Lakhs)	12.06	10.54
Interest on short term deposits with banks and others (Gross) (TDS Rs. 5.65 Lakhs, Previous year Rs.2.99 Lakhs)	39.89	21.13
Miscellaneous income	29.91	28.81
Profit on sale of fixed assets (Net)	1.79	4.22
Excess Provision for doubtful debts written back	0.00	3.38
Excess Provision / Sundry Credit Balances written back	21.32	39.34
	<u>21.32</u>	<u>42.72</u>
Rent (TDS Rs. 0.38 Lakhs, Previous year Rs.0.38 Lakhs)	3.00	3.00
Sales Tax refund	3.34	6.80
Profit on Exchange Rate Fluctuations	135.13	0.00
<b>TOTAL</b>	<u><u>266.18</u></u>	<u><u>137.66</u></u>

## SCHEDULE 9

## INCREASE/(DECREASE) IN FINISHED AND SEMI-FINISHED GOODS

<b>Opening Stock:</b>		
Finished goods	548.63	731.43
Semi finished goods	1,488.40	1,235.34
	<u>2,037.03</u>	<u>1,966.77</u>
<b>Closing Stock:</b>		
Finished goods	549.94	548.63
Semi finished goods	2,422.26	1,488.40
	<u>2,972.20</u>	<u>2,037.03</u>
Increase / (Decrease)	<u><u>935.17</u></u>	<u><u>70.26</u></u>

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

	2003-2004 (Rs. in Lakhs)	2002-2003 (Rs. in Lakhs)
<b>SCHEDULE 10</b>		
<b>RAW MATERIALS CONSUMED</b>		
Opening Stock	1,912.92	828.40
Add: Purchases and Expenses	19,807.62	18,359.48
	<b>21,720.54</b>	<b>19,187.88</b>
Less: Closing Stock	1,575.08	1,912.92
<b>TOTAL</b>	<b>20,145.46</b>	<b>17,274.96</b>
<b>SCHEDULE 11</b>		
<b>MANUFACTURING AND OTHER EXPENSES</b>		
<b>A. Manufacturing Expenses:</b>		
Stores, Spares and Packing Materials consumed (Net)	1,976.28	2,019.83
Power and Fuel	3,773.75	3,283.36
Processing Charges	558.17	395.04
Water Charges	90.11	152.83
	<b>6,398.31</b>	<b>5,851.06</b>
<b>B. Employees' Remuneration &amp; Benefits:</b>		
Salaries, Wages and Bonus	1,424.90	1,454.47
Contribution to Provident and other funds	222.89	239.25
Staff Welfare Expenses	212.26	192.45
	<b>1,860.05</b>	<b>1,886.17</b>
<b>C. Administrative, Selling and General Expenses:</b>		
Rent, Hire charges and Compensation (Net)	50.95	58.98
Rates, Taxes and Licence Fees	37.87	36.89
Insurance (Net)	529.50	288.59
Freight and Forwarding (Net)	1,299.68	1,316.79
Research and Development Expenses	214.73	265.68
Repairs and Maintenance of:		
(i) Plant and Machinery	463.04	438.02
(ii) Buildings	172.17	160.22
(iii) Other Assets	270.60	321.69
	<b>905.81</b>	<b>919.93</b>
Advertisement Expenses	132.15	58.41
Additional Sales Tax / Turnover Tax	94.95	157.98
Travelling & Conveyance	444.96	586.78
Postage, Telegrams & Telephones	117.59	126.44
Lease Rentals	63.70	8.41
Commission on Sales	270.58	551.87
Donations	1.00	3.55
Legal and Professional charges (Refer Note No.9 in Schedule 12 B)	522.03	456.21
Auditors' Remuneration :		
(i) Audit fees	6.63	5.25
(ii) Tax Audit fees	3.30	2.36
(iii) For Certification / Others	3.86	2.99
(iv) Reimbursement of out of pocket Expenses	0.59	0.25
	<b>14.38</b>	<b>10.85</b>
Miscellaneous Expenses	805.88	801.40
Provision for Doubtful Debts	0.00	24.01
	<b>5,505.76</b>	<b>5,672.77</b>

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

	2003-2004 (Rs. in Lakhs)		2002-2003 (Rs. in Lakhs)	
<b>D. Managerial Remuneration:</b>				
(a) To Managing Director & Joint Managing Directors :				
(i) Salary	90.00		68.25	
(ii) Contribution to Provident Fund, Superannuation & Gratuity Scheme	25.92		19.66	
(iii) Other Perquisites	21.28		15.42	
		137.20		103.33
(b) To Whole Time Director :				
(i) Salary	14.40		14.40	
(ii) Contribution to Provident Fund, Superannuation & Gratuity Scheme	4.15		4.15	
(iii) Other Perquisites	1.93	20.48	1.66	20.21
(c) Directors' Commission	90.00		68.25	
(d) Directors' sitting fees	1.03		1.36	
		248.71		193.15
TOTAL		14,012.83		13,603.15

**SCHEDULE 12:**
**STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES AND NOTES ANNEXED TO AND FORMING PART OF THE ACCOUNTS**
**A. 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 and Depreciation / Amortisation**

Fixed Assets are stated at cost net of MODVAT / CENVAT 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.

Depreciation / Amortisation is provided as follows:

- On Technical Know-how/Product Development Expenses @ 1/6<sup>th</sup> per annum.
- On Copyright Expenditure @ 1/5<sup>th</sup> 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, on the basis of lease period.
- No write-off is being made in respect of leasehold land.

**3. 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.

**4. 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).

**5. Foreign Currency Transactions**

- During the year, foreign currency transactions relating to purchase and sale 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 liability due to fluctuations in rates of exchange is adjusted to the cost of assets acquired through these loans.
- Working capital rupee currency loans converted into foreign currency loans and outstanding at the close of the financial year are translated at the exchange rates prevailing at the close of the accounting year. The net gain / loss arising on such loans is charged to the Profit and Loss Account.
- 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.

**6. 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 profit of the Company.

**SCHEDULE 12 (Contd.)****7. Duties**

Excise duty on finished goods and customs duty on imported materials has been accounted on the basis of payments made in respect of goods cleared as also provision made for goods lying in Bonded Warehouse.

**8. Retirement Benefits**

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

**9. Lease Rentals**

Lease Rentals are accounted on accrual basis over the Lease Term as per the relevant Lease Agreements.

**10. 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.

**11. 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.

**12. Sales**

Sales are accounted for inclusive of excise duty and sales tax, and are net of discounts and returns.

**13. Taxation**

- (a) Deferred Tax is recognized considering the timing differences, which arise during the year and reversed in subsequent periods. The deferred tax charge or credit is recognized using current tax rates by charging to Profit & Loss Account.
- (b) Current Taxes are also provided based on taxable income as per the provisions of Income Tax Act, 1961.

**14. Deferred Revenue Expenditure**

Amount settled on account of sacrifice and premium with Financial Institutions is treated as Deferred Revenue Expenditure and is being written off over the life of the loan.

**15. Borrowing Costs**

Borrowing costs specifically relatable to the acquisition of fixed assets are capitalized as part of the cost of fixed assets, other borrowing costs are charged to revenue.

**B. NOTES:**

1. Estimated amount of contracts remaining to be executed on capital account and not provided for Rs.111.46 Lakhs (Previous year Rs.70.83 Lakhs) against which an advance of Rs.0.54 Lakhs (Previous year Rs.11.86 Lakhs) has been paid.
2. The Company has given counter-guarantees for Rs.292.07 Lakhs (Previous year Rs.583.65 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.6,082.53 Lakhs (Previous year Rs.5,690.19 Lakhs).
4. Bills of Exchange discounted under Bill Marketing Scheme amount to Rs.2,677.08 Lakhs (Previous year Rs.2,518.37 Lakhs).
5. Secured Loans:
  - (i) All the Secured Loans have been restructured after obtaining the consent of all Financial Institutions, except UTI (Refer Note No. K of Schedule 3).
  - (ii) 12.5% Secured Redeemable Non-Convertible Debentures aggregating to Rs.10,856.38 Lakhs are redeemable at par in 28 quarterly instalments commencing from 1<sup>st</sup> April, 2003 out of which Rs.1,442.73 Lakhs was redeemed during the current year.
  - (iii) Zero Coupon Bonds aggregating to Rs.4,967.57 Lakhs are payable as under:
    - Amount of Rs.1,399.54 Lakhs is payable in 24 quarterly instalments commencing from 1<sup>st</sup> April, 2004.
    - Amount of Rs.770.00 Lakhs is payable in 2004-05.
    - A sum of Rs.99.60 Lakhs on the said account represents the amount of overdue payable to UTI, and balance of Rs.2,698.42 Lakhs is payable with premium of Rs.2,293.66 Lakhs from 1<sup>st</sup> April, 2006.
  - (iv) The amount settled on account of sacrifice and premium with respect to EXIM Bank and ICICI Bank Ltd. is being written off over the life of the loan.
  - (v) Amount of Term Loans / Debentures repayable within one year is Rs.4,926.34 Lakhs.
  - (vi) An amount of Rs.561.82 Lakhs being the difference between the amount settled and that in the books in respect of deferred interest has been treated as Prior period income.
  - (vii) As per the sanction letters of EXIM Bank and ICICI Bank Ltd., the sacrifice and premium are rescheduled. Accordingly, proportionate amount of Rs.545.26 Lakhs out of Rs.1,475.62 Lakhs on account of sacrifice and premium has been written off and the same has been treated as Prior period expense.



**SCHEDULE 12 (Contd.)**

(viii) Amount of sacrifice mentioned in the sanction letters of all Financial Institutions / Banks, other than those of ICICI Bank Ltd. (term loan) and EXIM Bank is being negotiated and obligation under the same will be accounted in the books as and when settled.

6. The Company has executed a Debenture Trust Deed by and between the Company and the Debenture Trustees. The debentures covered under this Trust Deed have been restructured. Redemption of the debentures is partly in 28 quarterly instalments commencing from 2003-04 and partly commencing from 2006-07.

As per the legal opinion obtained by the Company, Debenture Redemption Reserve is to be created proportionately, spread over the redemption period. However, the company has not appropriated any amount towards the Debenture Redemption Reserve during the year, as the balance in the Debenture Redemption Reserve account will meet the requirement.

7. Claims against the Company not acknowledged as debts Rs.13.16 Lakhs (Previous year Rs.12.41 Lakhs).
8. Contingent liability not provided for in respect of Sales Tax Rs.14.07 Lakhs and Excise Duty Rs.3.63 Lakhs.
9. Legal and Professional Charges include Rs.4.67 Lakhs (Previous year Rs.8.60 Lakhs) paid to some of the Partners of the Auditors for other services.
10. The Company has given corporate guarantees on behalf of its Associate Company viz., Garware Chemicals Limited (GCL) for repayment of term loans, interest and other charges thereon to:-
- (a) IDBI for Rs.13,794.27 Lakhs (as rescheduled by IDBI vide their letter dated 23<sup>rd</sup> April, 2004).
- (b) Mizuho Corporate Bank Ltd. for Rs.3,190.57 Lakhs (being 70% of the total loan amount of Rs.4,557.95 Lakhs). Mizuho Corporate Bank Ltd. has filed a case in Bombay High Court with regard to guarantee given, however, the Company has been advised that guarantee is not enforceable at present as GCL is registered with BIFR under Sick Industrial Companies (Special Provisions) Act, 1985.
11. As per the restructuring package of Garware Chemicals Limited (GCL) sanctioned by IDBI, GCL has offered to convert loan amount into equity shares at the option of the Company. As a result, the loan amount of Rs.3,567.05 Lakhs which was written off in prior years has been brought back by giving suitable credit to General Reserve Account.
12. Break up of Interest and financial charges are:

	2003 - 04 (Rs. in Lakhs)	2002 - 03 (Rs. in Lakhs)
On Secured Loans	1,097.15	1,417.30
On Debentures	1,395.42	1,452.81
Other Interest	1,782.59	1,806.71
Financial Charges	546.82	469.24
	<u>4,821.98</u>	<u>5,146.06</u>

13. Export Benefits / Incentives are accounted on accrual basis. Accordingly, net estimated benefit under DEPB scheme aggregating to Rs.1,866.57 Lakhs (Previous year Rs.1,908.82 Lakhs) against export effected during the year has been credited to DEPB Entitlement Earned account.
14. Computation of net profit as per Section 349 read with Sections 309 (5) and 198 of the Companies Act, 1956 is as under:-

	2003-04 (Rs. in Lakhs)	2002-03 (Rs. in Lakhs)
Profit before prior period adjustments	2,894.56	2067.29
Add:		
(a) Remuneration to Directors	247.68	191.79
(b) Directors' sitting fees	1.03	1.36
(c) Provision for doubtful debts	0.00	24.01
	<u>3,143.27</u>	<u>2,284.45</u>
Less:		
(a) Profit on sale of Fixed Assets	1.79	4.22
(b) Provision for doubtful debts & sundry credit balances written back	21.32	42.72
Net Profit as per Section 349 of the Companies Act, 1956	<u>3,120.16</u>	<u>2,237.51</u>
Remuneration including commission @ 10% on Rs.3,120.16 Lakhs (Previous year Rs. 2,237.51 Lakhs)	312.02	223.75
Commission provided as approved by the members	<u>90.00</u>	<u>68.25</u>

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## SCHEDULE 12 (Contd.)

## 15. Segment Reporting:

- (a) The Company is only in one line of business namely - Polyester film.  
 (b) The Segment Revenue in the Geographical segment considered for disclosure are as follows:-  
 (i) Revenue within India includes sales to customers located within India.  
 (ii) Revenue outside India includes sales to customers located outside India including DEPB.

	2003 - 04 (Rs. in Lakhs)			2002 - 03 (Rs. in Lakhs)		
	Within India	Outside India	Total	Within India	Outside India	Total
Sales including DEPB	29,300.78	18,739.38	48,040.16	26,937.49	18,059.77	44,997.26
Amount of Segment Assets by location of Assets	25,717.03	—	25,717.03	26,949.57	—	26,949.57

## 16. Related Party Disclosures:-

- (a) List of Related Parties :
- |                          |   |
|--------------------------|---|
| Subsidiaries             | : Garware Polyester International Limited   |
| Fellow Subsidiary        | : Global Pet Films, Inc.  |
| Associate Company        | : Garware Industries Limited and Garware Chemicals Limited.   |
| Key Management Personnel | : 1. Shri S. B. Garware<br>2. Mrs. Monika Garware Modi<br>3. Ms. Sarita Garware<br>4. Miss Sonia S. Garware |

(b) Transactions with Related Parties :	2003-04 (Rs. in Lakhs)	2002-03 (Rs. in Lakhs)
(i) Sale of Goods:		
(a) Subsidiary	725.34	593.27
(b) Fellow Subsidiary	2,543.14	2,059.55
(c) Associate Company	3,214.29	2,455.10
(ii) Purchase of Materials and Capital Equipments:		
Associate Company	13,374.57	12,426.19
(iii) Services Received:		
(a) Subsidiary	150.61	118.22
(b) Fellow Subsidiary	0.00	221.69
(c) Associate Company	25.56	26.45
(iv) Services Rendered:		
Associate Company	1,264.51	2,011.15
(v) Balances [Dr. / (Cr.)]		
(a) Subsidiary	(8.54)	(93.30)
(b) Fellow Subsidiary	242.54	(6.63)
(c) Associate Company	3,614.47	122.81
(vi) Guarantee on behalf of Associate Company (Refer Note No.10 in Schedule 12B)		
(vii) Key Management Personnel & Relatives Managerial Remuneration (refer Schedule 11)		

## 17. Earning Per Share :

	2003-04 (Rs. in Lakhs)	2002-03 Rs. in Lakhs
Profit for the year	2,894.56	2,067.29
Add: Prior period items	16.56	0.00
Less: Income Tax of Prior period (net)	0.01	0.10
Less: Deferred Tax	739.02	286.93
Less: Current Tax	199.96	131.37
Less: Wealth Tax	3.28	3.20
Profit attributable to equity shareholders	1,968.85	1,645.69
No. of Equity Shares of Rs.10 each	2,18,41,364	2,18,41,364
Earning per share (Rupees)	9.01	7.53

**SCHEDULE 12 (Contd.)**
**18. Deferred Tax :**

- (a) Deferred Tax Liability of Rs.739.02 Lakhs is provided for, during the current year, (Previous year Rs. 286.93 Lakhs) as per the requirement of Accounting Standard 22 "Accounting for Taxes on Income".
- (b) Major components of deferred tax arising as at 31<sup>st</sup> March, 2004 are given below :

<b>Deferred Tax Assets :</b>	<b>2003-04</b> <b>(Rs. in Lakhs)</b>	<b>2002-03</b> <b>(Rs. in Lakhs)</b>
Disallowance u/s 43B of the Income Tax Act, 1961	<b>3,389.17</b>	3,689.00
Unabsorbed Business Losses & Depreciation	<b>6,260.48</b>	7,134.07
Others	<b>232.49</b>	278.00
	<b>(i) 9,882.14</b>	11,101.07
Less: Deferred Tax Liability:		
Excess of Net Block over WDV as per the provisions of the Income Tax Act, 1961	<b>(ii) 7,927.09</b>	8,407.00
Deferred Tax Assets (Net)	<b>(i)-(ii) 1,955.05</b>	2,694.07

19. 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 profit for the year.

20. (a) Sundry Creditors in Schedule 7 to the accounts include Rs.120.72 Lakhs (Previous year Rs.127.01 Lakhs) payable to small scale industrial undertakings and Rs.1,360.19 Lakhs (Previous year Rs.1,599.09 Lakhs) payable 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 sums outstanding for more than 30 days as on 31<sup>st</sup> March, 2004 are as under:

M/s. Abhishek Enterprises, M/s. Able Moulders, M/s. Apul Hi-tech, M/s. Aditya Packaging, M/s. Chembond Chemicals Ltd., M/s. Dear Auto Comps Pvt.Ltd., M/s. Deep Enterprises, M/s. Devi Engineering, M/s. Diamond Chemicals, M/s. Dinamic Industries, M/s. Disha Industries, M/s. Ellora Gases, M/s. Elu-Tef Corporation, M/s. Ellora Fit Forge Pvt.Ltd., M/s. G.B. Enterprises, M/s. Holkar Industries, M/s. Impact Packaging, M/s. Jain Plastics, M/s. Jainasons, M/s. Modern Precision Industries, M/s. Millar Plastics Industries, M/s. Micron Gauges, M/s. Makson Engineering Works, M/s. Marathwada Packaging Pvt.Ltd., M/s. Nath Wirecut Pvt.Ltd., M/s. Novel Packaging Industries, M/s. Nath Industries, M/s. OM Graphics, M/s. Poonam Industries, M/s. Patidar Wooden Works, M/s. Pravin Industries, M/s. Pressure Tag India, M/s. P.C. Wood Industries, M/s. Perfect (Nasik) Engg.Services Pvt.Ltd., M/s. Pioneer Packagings, M/s. R.N. Industries, M/s. Rahul Industrial Engineering, M/s. R.D. Engineering., M/s. Smitshilp Plastic Industries Pvt.Ltd., M/s. Suresh Polymers Pvt.Ltd., M/s. Super Ammonia Pvt.Ltd., M/s. Swaraj Engineering, M/s. S.S.Supplier, Aurangabad, M/s. S.S. Controls, M/s. Mona Rasayan Industries Pvt. Ltd., M/s. Sangir Plastics Pvt.Ltd., M/s. Mansi Paper Products Pvt.Ltd., M/s. Triumph Pack Pvt.Ltd., M/s. M.K.R. Engineering Works, M/s. Tulja Engineering, M/s. Multipower Marketing & Services, M/s. Venus Industries, M/s. Zambad Industrial Gases (P) Ltd.

- (b) There is no obligation for payment of interest on overdue amounts, if any, as per the terms of supplies. Thus, the question of providing interest does not arise.

21. 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	2003 - 04		2002 - 03	
	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	41000
(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.

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## SCHEDULE 12 (Contd.)

## (B) Details of Sales

	2003 - 04		2002 - 03	
	Qty. (MT)	Value (Rs. in Lakhs)	Qty. (MT)	Value (Rs. in Lakhs)
Class of Goods:				
(i) Polyester films (Plain / Lacquered / OHP / Laminated / Stabilised / Coloured & Metallised)	30733*	45,614	29849*	41,720
(ii) Others (including Chips)		2,426		3,277

\* Includes internal transfers & free samples.

## (C) Actual Production &amp; Stocks

	2003 - 04				2002 - 03		
	Unit	Op. Stock	Production	Cl. Stock	Op. Stock	Production	Cl. Stock
Class of Goods :							
(i) Polyester films (Plain / Lacquered / OHP / Laminated / Stabilised / Coloured & Metallised)	MT	436.21	30735.16	438.50	712.58	29572.31	436.21
	(Rs. in Lakhs)	507.70		480.81	697.83		507.70
(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		40.93		69.13	33.60		40.93

## (D) Consumption of Raw Materials

	2003 - 04		2002 - 03	
	Qty. (MT)	Value (Rs. in Lakhs)	Qty. (MT)	Value (Rs. in Lakhs)
(i) DMT	35218	11,423.23	33536	9,970.53
(ii) MEG	11902	4,970.87	11486	3,761.92
(iii) Others		*3,751.36		*3,542.51
Total		<u>20,145.46</u>		<u>17,274.96</u>

\* After adjusting sale of raw material amounting to Rs.1,569.78 Lakhs (Previous year Rs.826.98 Lakhs) and Octroi Duty Refund of Rs.267.04 Lakhs (Previous year Rs.431.50 Lakhs).

## (E) Details of imports on CIF basis

	2003-04 (Rs. in Lakhs)	2002-03 (Rs. in Lakhs)
(i) Raw Materials	2,321.46	1,482.67
(ii) Packing Materials	51.22	42.43
(iii) Components & Spares	340.87	353.88
(iv) Capital Goods	265.87	197.29

**SCHEDULE 12 (Contd.)**
**(F) Details of Imported & Indigenous Raw Materials and Spares Parts consumed and percentage of each to the total**

	2003 - 04		2002 - 03	
	Value (Rs. in Lakhs)	% of Total	Value (Rs. in Lakhs)	% of Total
(i) Raw Materials:				
– Imported	1,708.36	8	1,821.13	10
– Indigenous	18,437.10	92	15,453.83	90
Total	<u>20,145.46</u>	<u>100</u>	<u>17,274.96</u>	<u>100</u>
(ii) Stores & Spares:				
– Imported	294.90	34	216.61	26
– Indigenous	561.08	66	605.43	74
Total	<u>855.98</u>	<u>100</u>	<u>822.04</u>	<u>100</u>

**(G) Remittances / Expenditure in Foreign Currency**

	2003-04 (Rs. in Lakhs)	2002-03 (Rs. in Lakhs)
(i) Commission	255.13	298.93
(ii) Advertisement/Marketing Expenses	196.57	47.10
(iii) Travelling Expenses	106.96	230.98
(iv) Books, Periodicals & Subscription	21.87	18.66
(v) Technical / Engg. Services/Professional Charges	101.84	214.75
(vi) Exhibition Expenses	10.47	30.56
(vii) Interest	84.02	0.00
(viii) Recruitment Expenses	7.40	0.00
(ix) Branch Office Expenses	8.99	115.43
(x) Others	0.00	4.54

**(H) Earnings in Foreign Exchange**

	2003-04 (Rs. in Lakhs)	2002-03 (Rs. in Lakhs)
Exports (FOB basis)	16,128.00	15,186.18

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

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## 23. 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="31.03.2004"/>		

## 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="5988940"/>	Total Assets	<input type="text" value="5988940"/>
Sources of Funds			
Paid-up Capital	<input type="text" value="217788"/>	Reserves & Surplus	<input type="text" value="833995"/>
Secured Loans	<input type="text" value="4829271"/>	Unsecured Loan	<input type="text" value="107886"/>

## Application of Funds

Net Fixed Assets	<input type="text" value="4056471"/>	Investments	<input type="text" value="23557"/>
Net Current Assets	<input type="text" value="1661415"/>	Misc. Expenditure	<input type="text" value="51992"/>
Deferred Tax Assets	<input type="text" value="195505"/>		

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

Turnover	<input type="text" value="7680034"/>	Total Expenditure	<input type="text" value="7388923"/>
Profit before tax	<input type="text" value="291111"/>	Profit after tax	<input type="text" value="196885"/>

+	-
<input checked="" type="checkbox"/>	<input type="checkbox"/>

+	-
<input checked="" type="checkbox"/>	<input type="checkbox"/>

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

Earning per share (Rs.)	<input type="text" value="9.01*"/>	Dividend rate %	<input type="text" value="10"/>
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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"/>

\* Refer Note No. 17 in Schedule 12B

**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2004**

		Year ended 31.03.2004 (Rs. in Lakhs)	Year ended 31.03.2003 (Rs. in Lakhs)
<b>A. Cash flow from operating activities:</b>			
Net Profit before tax and extraordinary items	A	2,911.11	2,067.19
Add: Depreciation		3,228.48	3,307.99
Interest expenses - gross		4,821.98	5,146.06
Income Tax Prior period (Net)		0.01	0.10
Prior Period Items		<u>(16.56)</u>	0.00
Sub total	B	<u>8,033.91</u>	<u>8,454.15</u>
Sub total A + B	C	<u>10,945.02</u>	<u>10,521.34</u>
Less: Interest income		39.89	21.13
Profit on sale of fixed assets		1.79	4.22
Dividend received/Income from Investment		12.06	10.54
Profit on Exchange Rate Fluctuations		135.13	0.00
Sundry balances written back (Net)		21.32	42.72
Rent		<u>3.00</u>	<u>3.00</u>
Sub total		<u>213.19</u>	<u>81.61</u>
<b>Operating profit before working capital changes</b>		<u>10,731.83</u>	<u>10,439.73</u>
Adjustments for :			
(Increase)/Decrease in trade/other receivable (Net)		748.85	(2,437.34)
(Increase)/Decrease in inventories		(500.93)	(1,357.14)
Increase/(Decrease) in trade/other payables		(381.90)	53.59
<b>Cash generated from operations</b>		<u>10,597.85</u>	<u>6,698.84</u>
Interest / Financial Charges		(4,621.92)	(6,279.76)
Direct taxes refund/(paid)(Net)		(187.06)	(134.67)
<b>Net cash inflow/(outflow) from operations</b>		<u>5,788.87</u>	<u>284.41</u>
<b>B. Cash flow from investing activities :</b>			
Purchase of fixed assets		(1,252.85)	(1,030.80)
Sale of Investments		(0.00)	7.00
Sale of fixed assets		6.31	9.58
Interest received		39.89	8.62
Prior period Items		16.56	0.00
Profit on Exchange Rate Fluctuations		135.13	0.00
Dividend received/Income from Investment		12.06	10.54
Rent		<u>3.00</u>	<u>3.00</u>
<b>Net cash inflow/(outflow) from investing activities</b>		<u>(1,039.90)</u>	<u>(992.06)</u>

**CASH FLOW STATEMENT (Contd.)**

	Year ended 31.03.2004 (Rs. in Lakhs)	Year ended 31.03.2003 (Rs. in Lakhs)
<b>C. Cash flow from financing activities :</b>		
Repayment of borrowings - secured	(5,269.08)	(1,584.04)
Proceeds/(repayments) of borrowings-unsecured	(453.34)	(116.63)
Cash credit accounts	1,026.64	2,449.51
<b>Net cash inflow/(outflow) from financing activities</b>	<b>(4,695.78)</b>	<b>748.84</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>53.19</b>	<b>41.19</b>
<b>Cash and cash equivalents as at opening</b>		
Cash and bank balances	432.26	391.07
<b>Cash and cash equivalents as at closing</b>		
Cash and bank balances	485.45	432.26
	<b>53.19</b>	<b>41.19</b>

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

R. P. CHHABRA  
Director

INDULAL H. SHAH  
Partner

V. S. Viswanathan  
General Manager (Legal) &  
Company Secretary

Mumbai, 29th June, 2004

Mumbai, 29th June, 2004



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

A)	Name of the Subsidiary Companies	Garware Polyester International Limited	Garware Pet Films, Inc.
B)	Financial Year of the Subsidiary Companies ended on:	31 <sup>st</sup> December, 2003	31 <sup>st</sup> December, 2003
C)	Shares of the Subsidiary held by Garware Polyester Limited, on the above dates:		
	(a) Number and Face Value	2,50,000 Equity Shares of Pound 1 each	NIL
	(b) Extent of holding	100 %	
D)	The net aggregate of Profit/ (Loss) 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 31.03.2004.		
	(i) For the Subsidiaries' Financial Year ended on the respective dates.	(in £) 262583	N.A.
	(ii) For the previous Financial Years of the Subsidiaries since they became the Holding Company's Subsidiaries	166435	N.A.
	(b) Dealt with in the accounts of Garware Polyester Ltd. for the year ended 31.03.2004 amounted to:-		
	(i) For the Subsidiaries' Financial Year ended on the respective dates.	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.
E)	Changes in the interest of Garware Polyester Ltd. between the end of the Subsidiaries' Financial Year and 31.03.2004.	NIL	NIL
F)	Material changes between the end of the Subsidiary's Financial Year and 31.03.2004.	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

R. P. CHHABRA  
Director

V. S. Viswanathan  
General Manager (Legal) &  
Company Secretary

Mumbai, 29th June, 2004

**AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF GARWARE POLYESTER LIMITED  
ON THE CONSOLIDATED FINANCIAL STATEMENTS OF GARWARE POLYESTER LIMITED  
AND ITS SUBSIDIARIES**

We have examined the attached consolidated Balance Sheet of Garware Polyester Limited and its subsidiaries as mentioned in Note B(1) of Schedule 12 of the Consolidated Financial Accounts as at 31st March, 2004, and also the Consolidated Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto.

These financial statements are the responsibility of the Garware Polyester Limited's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in India. These standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects in accordance with and identified financial reporting framework and are free of material misstatements. 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 management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statements of Garware Polyester International Limited and Global Pet Films, Inc. These financial statements have been audited by other auditors whose reports have been furnished to us and our opinion in so far as it relates to the amounts included in respect of subsidiaries is based solely on the reports of the other auditors.

We report that the Consolidated Financial Statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21 'Consolidated Financial Statements' issued by the Institute of Chartered Accountants of India on the basis of the separate audited financial statements of Garware Polyester Limited and its subsidiaries included in the Consolidated Financial Statements.

On the basis of the information and explanations given to us, and on the consideration of the separate audit reports on individual audited financial statements of Garware Polyester Limited and its subsidiaries the said accounts subject to Note No. K under Schedule 3 of secured loans regarding interest applied at the restructured rate on the debentures with Unit Trust of India (UTI) and read together with the other notes in Schedule 12, we are of the opinion that the attached Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India.

- a) In the case of the Consolidated Balance Sheet of the consolidated state of affairs of Garware Polyester Limited and its subsidiaries as at 31st March, 2004;
- b) In the case of the Consolidated Profit and Loss Account of the consolidated results of operations of Garware Polyester Limited and its subsidiaries for the year ended on that date; and
- c) In the case of the Consolidated Cash Flows Statement of the Consolidated Cash Flows for the year ended on that date.

For SHAH & CO.  
Chartered Accountants

INDULAL H. SHAH  
Partner

Mumbai, 29th June, 2004


**CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH , 2004**

	Schedule	As at 31.03.2004 (Rs. in Lakhs)	As at 31.03.2003 (Rs. in Lakhs)
<b>FUNDS EMPLOYED :</b>			
<b>SHAREHOLDERS' FUNDS</b>			
Share Capital	1	2,177.88	2,177.87
Reserves & Surplus	2	8,380.77	3,364.20
		<b>10,558.65</b>	<b>5,542.07</b>
<b>BORROWINGS</b>			
Secured Loans	3A	48,292.71	51,810.18
Unsecured Loans	3B	1,078.86	1,540.27
		<b>49,371.57</b>	<b>53,350.45</b>
<b>TOTAL</b>		<b>59,930.22</b>	<b>58,892.52</b>
<b>APPLICATION OF FUNDS :</b>			
<b>FIXED ASSETS</b>			
Gross Block	4	70,538.95	69,348.71
Less: Depreciation		30,052.54	26,842.89
Net Block		40,486.41	42,505.82
Capital Work in Progress		81.70	43.17
		<b>40,568.11</b>	<b>42,548.99</b>
<b>INVESTMENTS</b>	5	<b>102.00</b>	<b>102.00</b>
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>			
Inventories	6	7,527.05	7,113.33
Sundry Debtors		3,945.45	3,401.96
Cash and Bank Balances		787.30	763.47
Other Current Assets		2,534.64	3,558.41
Loans and Advances		5,818.98	1,537.68
		<b>20,613.42</b>	<b>16,374.85</b>
<b>Less: CURRENT LIABILITIES AND PROVISIONS</b>			
Current Liabilities	7	3,250.56	2,696.02
Provisions		577.72	131.37
		<b>3,828.28</b>	<b>2,827.39</b>
<b>Net Current Assets</b>		<b>16,785.14</b>	<b>13,547.46</b>
Deferred Tax Assets		1,955.05	2,694.07
Deferred Revenue Expenditure		519.92	0.00
<b>TOTAL</b>		<b>59,930.22</b>	<b>58,892.52</b>

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

R. P. CHHABRA  
Director

INDULAL H. SHAH  
Partner

V. S. Viswanathan  
General Manager (Legal) &  
Company Secretary

Mumbai, 29th June, 2004

Mumbai, 29th June, 2004

## ANNUAL REPORT 2003-2004

## CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH , 2004

	Schedule	2003-2004 (Rs. in Lakhs)	2002-2003 (Rs. in Lakhs)
<b>INCOME :</b>			
Sales including Excise duty		48,624.66	46,029.82
Inter-Divisional Transfers (as per contra)		27,558.83	24,662.37
Gross Sales		76,183.49	70,692.19
Less: Excise duty		4,138.20	3,805.73
Net Sales		72,045.29	66,886.46
Other Income	8	271.60	149.96
Increase / (Decrease) in Finished and Semi-finished Goods	9	1,022.37	242.50
		73,339.26	67,278.92
<b>EXPENDITURE :</b>			
Raw Materials consumed	10	20,319.09	17,818.00
Inter-Divisional Transfers (as per contra)		27,558.83	24,662.37
Manufacturing & other expenses	11	14,567.51	13,959.24
Interest & financial charges (Refer Note No. 14 in Schedule 12 B)		4,821.98	5,158.16
		67,267.41	61,597.77
<b>Profit before Depreciation</b>		6,071.85	5,681.15
Depreciation		3,229.33	3,309.36
<b>Profit for the year before tax &amp; Prior Period items</b>		2,842.52	2,371.79
Add:- Prior Period Items (Net)		16.56	0.00
Less:- Income tax of Prior period (Net)		0.01	0.10
<b>Profit Before Tax</b>		2,859.07	2,371.69
Less : Provision for Taxation :			
Deferred Tax		739.02	286.93
Current Tax		199.96	131.37
Wealth Tax		3.28	3.20
<b>Profit after Tax</b>		1,916.81	1,950.19
Balance brought forward from previous year		1,959.45	9.26
Less: Exchange rate difference on opening balance		270.59	0.00
		1,688.86	9.26
<b>Profit available for appropriation</b>		3,605.67	1,959.45
<b>APPROPRIATIONS :</b>			
Proposed Dividend		218.41	0.00
Tax on Dividend		27.98	0.00
Transfer to General Reserve		50.00	0.00
		296.39	0.00
<b>Balance carried to Balance Sheet</b>		3,309.28	1,959.45
Earning per Share (Refer Note No.18 in Schedule 12 B) (Rupees)		8.78	8.93

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  
Director - Technical

R. P. CHHABRA  
Director

INDULAL H. SHAH  
Partner

V. S. Viswanathan  
General Manager (Legal) &  
Company Secretary

Mumbai, 29th June, 2004

Mumbai, 29th June, 2004

**SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET**

	As at 31.03.2004 (Rs. in Lakhs)	As at 31.03.2003 (Rs. in Lakhs)
<b>SCHEDULE 1</b>		
<b><u>SHARE CAPITAL</u></b>		
Authorised:		
2,50,00,000 Equity Shares of Rs. 10/- each	<u>2,500.00</u>	<u>2,500.00</u>
Issued, Subscribed and Paid-up:		
2,18,41,364 Equity Shares of Rs. 10/- each fully paid-up	2,184.14	2,184.14
Less: Unpaid Allotment Call money (from others)	<u>6.26</u>	<u>6.27</u>
	<u>2,177.88</u>	<u>2,177.87</u>
Out of the above :		
(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 (IDBI) 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.		
<b>SCHEDULE 2</b>		
<b><u>RESERVES AND SURPLUS</u></b>		
<b>Share Premium :</b>		
Balance as per last Balance Sheet	48.70	48.70
<b>Debenture Redemption Reserve :</b>		
Balance as per last Balance Sheet	1,356.05	1,356.05
<b>General Reserve :</b>		
Balance As per Last Balance Sheet	0.00	0.00
Add: Loan to Garware Chemicals Ltd. (GCL) written off in prior years now brought back as per GCL's offer in terms of IDBI's letter dated 24th June, 2004 (Refer Note No. 13 in Schedule 12 B)	3,567.05	0.00
Transfer from Profit and Loss Account	<u>50.00</u>	<u>0.00</u>
	3,617.05	0.00
<b>Foreign Currency Translation Reserve</b>	49.69	0.00
<b>Profit &amp; Loss Account</b>	<u>3,309.28</u>	<u>1,959.45</u>
<b>TOTAL</b>	<u>8,380.77</u>	<u>3,364.20</u>

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## SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET (Contd.)

		As at 31.03.2004 (Rs. in Lakhs)		As at 31.03.2003 (Rs. in Lakhs)
<b>SCHEDULE 3</b>				
<b>A. SECURED LOANS</b>				
<b>I. Debentures / Bonds</b>				
(i)	12.5% Non Convertible / Privately Placed Debentures	A to D	10,856.38	11,224.31
	Less : Redeemed during the year		1,442.73	367.93
			9,413.65	10,856.38
(ii)	0'Coupon Bonds / Debentures.	E	6,231.67	6,233.83
	Less : Restructured / Redeemed during the year		1,264.10	2.16
			4,967.57	6,231.67
(iii)	Interest accrued and due		404.32	199.27
			14,785.54	17,287.32
<b>II. From Banks</b>				
	Cash / Packing Credit Accounts	F	3,701.66	4,061.48
	Working Capital Demand Loan		7,673.47	6,287.01
			11,375.13	10,348.49
<b>III. Term Loans</b>				
(i)	Financial Institutions	G	7,684.41	8,380.40
(ii)	Banks			
	a) Rupee Loan	H	1,667.08	6,719.86
	b) Foreign Currency Loan	H	4,494.12	0.00
			6,161.20	6,719.86
(iii)	Hire Purchase / Vehicle Finance	I	25.72	19.50
			13,871.33	15,119.76
<b>IV. Deferred interest</b>				
		J	8,260.71	9,054.61
	<b>TOTAL</b>		<b>48,292.71</b>	<b>51,810.18</b>

**Notes :**

- (A) 12.5% Non-Convertible Debentures of Rs.100/- each aggregating to Rs. 939.05 Lakhs (Previous year Rs 964.25 Lakhs) 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 mortgage / charge already created / to be created in favour of Financial Institutions / Banks.
- (B) 12.5% Privately Placed Non-Convertible Debentures of Rs.100/- each aggregating to Rs.1,455.11 Lakhs (Previous year Rs. 1,651.83 Lakhs) are secured by mortgage ranking pari passu with mortgage / charge created / to be created on company's immovable properties situated at Aurangabad and Nasik in favour of Financial Institutions / Banks.
- (C) 12.5% Privately Placed Non Convertible Debentures of Rs.100/- each aggregating to Rs. 6,620.28 Lakhs (Previous year Rs. 7,771.66 Lakhs) are secured by 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) 12.5% Debentures of Rs.100/- each aggregating to Rs.399.21 Lakhs (Previous year Rs. 468.64 Lakhs) 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) The Zero Coupon Bonds/Debentures of Rs.100/- each aggregate Rs.4,967.57 Lakhs (Previous year Rs.6,231.67 Lakhs).Of this, Zero Coupon Bonds/Debentures of Rs.2,074.32 Lakhs (Previous year Rs.2,631.17 Lakhs) are secured / to be secured on the same lines as referred in A to D above and Rs.2,893.25 Lakhs (Previous year Rs.3,600.50 Lakhs) are secured / to be secured on the same lines as referred to No. G(1), G(2), H(1), H(2), H(3) below.
- (F) Cash / Packing Credit / Working Capital Demand Loan are secured by Hypothecation of stores, spares & packing materials, stock-in-trade 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.
- (G) The total Term Loans from Financial Institutions aggregating to Rs.7,684.41 Lakhs (Previous year Rs.8,380.40 Lakhs) are secured as under:

**SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET (Contd.)**

- 1) An amount of Rs.3,713.01 Lakhs (Previous year Rs.4,005.40 Lakhs) is secured by:
- (a) A mortgage ranking pari passu with mortgage created /to be created on Company's immovable properties situated at Aurangabad, Nasik and New Delhi in favour of IDBI, ICICI Bank Ltd., Vijaya Bank and EXIM Bank for their Term Loans.
- (b) Hypothecation/charge ranking pari passu with charges created / to be created in favour of IDBI, ICICI Bank Ltd., Vijaya Bank and EXIM Bank for their Term Loans of all the movable properties of the Company including movable Plant & Machinery, Spares, Tools and Accessories, present and future (save and except Book Debts) at Nasik and Aurangabad, subject to prior charge 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
- (ii) Specified assets charged to the Company's bankers as security for Term Loans.
- 2) Advance against export of Rs.3,971.40 Lakhs (Previous year Rs.4,375.00 Lakhs) is secured by a second charge by way of hypothecation of the Company's movable fixed assets and mortgage of Company's immovable properties situated at Aurangabad and Nasik subject to prior charges created and / or to be created in favour of Financial Institutions / Banks.
- (H) The total Term Loans of Rs. 6,161.20 Lakhs (Previous year Rs.6,719.86 Lakhs) from Banks are secured as under:
- (1) Term Loans of Rs.1,154.18 Lakhs (Previous year Rs.1,354.91 Lakhs) is secured by :
- (a) A mortgage ranking pari passu with mortgage created /to be created on Company's immovable properties situated at Aurangabad, Nasik and New Delhi in favour of IDBI, ICICI Bank Ltd., Vijaya Bank and EXIM Bank for their Term Loans.
- (b) Hypothecation charge ranking pari passu with charge created / to be created in favour of IDBI, ICICI Bank Ltd., Vijaya Bank and EXIM Bank for their Term Loans of all the movable properties of the Company including movable Plant & Machinery, Spares, Tools and Accessories, present and future (save and except Book Debts) at Nasik and 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
- (ii) Specified assets charged to the Company's bankers as security for Term Loans.
- (2) Term Loans of Rs.2,868.76 Lakhs out of Rs.2,927.96 Lakhs (Previous year Rs. 3,557.53 Lakhs) has been converted into foreign currency loan. These are secured by a mortgage on Company's immovable property situated at Vile Parle, Mumbai.
- (3) Term Loan of Rs. 1,625.36 Lakhs out of Rs 2,079.06 Lakhs (Previous year Rs.1,807.42 Lakhs) has been converted into foreign currency loan. The same is secured by:
- (a) A mortgage ranking pari passu with mortgage created /to be created on the Company's immovable properties situated at Aurangabad, Nasik and New Delhi in favour of IDBI, ICICI Bank Ltd., Vijaya Bank and EXIM Bank for their Term Loans.
- (b) Hypothecation / charge ranking pari passu with charges created / to be created in favour of IDBI, ICICI Bank Ltd., Vijaya Bank and EXIM Bank for their Term Loans, of all the movable properties of the Company including movable Plant & Machinery, Spares, Tools and Accessories, present and future (save and except Book Debts) at Nasik and Aurangabad, subject to prior charge 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
- (ii) Specified assets charged to the Company's bankers as security for Term Loans.
- (I) Hire Purchase Finance is secured by hypothecation of specific assets.
- (J) Funded Interest outstanding has been deferred on interest free basis and is secured by charge / mortgage on the same lines as referred to the loans/debentures above.
- (K) All the Financial Institutions/Banks except Unit Trust of India (UTI) have given their sanctions for restructuring of Non-Convertible Debentures/Term Loans including unpaid interest thereon as on 31<sup>st</sup> March, 2001. Consent Terms with Exim Bank have been filed before the Debt Recovery Tribunal at Mumbai. Consent Terms with ICICI Bank Ltd. are under finalisation. Further, the Petition filed by the Company in Bombay High Court under Sections 391/394 of the Companies Act, 1956, for sanctioning a Scheme of Compromise and Arrangement amongst secured creditors classified as "Non-Convertible Debenture holders", which includes UTI, has been approved by the Bombay High Court. The said Scheme is also binding on UTI. The Interest applied on the debentures is at the restructured rate.

	As at 31.03.2004 (Rs. in Lakhs)	As at 31.03.2003 (Rs. in Lakhs)
<b>B. UNSECURED LOANS</b>		
(i) Interest-free Sales Tax Loans, Interest-free Capital Incentive Loans and Sales Tax Deferral from SICOM for Aurangabad and Nasik Units	678.61	831.95
ii) Short Term Loan from others	400.00	700.00
iii) Interest accrued and due	0.25	8.32
TOTAL	<u>1,078.86</u>	<u>1,540.27</u>

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## SCHEDULE FORMING PART OF THE CONSOLIDATED BALANCE SHEET (Contd.)

## SCHEDULE 4

## FIXED ASSETS

(Rs. in Lakhs)

Sr. No.	PARTICULARS	GROSS BLOCK				DEPRECIATION	NET BLOCK	
		Cost/ Revaluation As at 01.04.2003	Additions during the year	Sales/ Transfer during the year	Cost/ Revaluation As at 31.03.2004	Up to 31.3.2004	As at 31.3.2004	As at 31.3.2003
1.	Land (Freehold)	6,992.13	0.00	0.00	6,992.13	0.00	6,992.13	6,992.13
2.	Land (Leasehold)	1,820.94	0.00	0.00	1,820.94	0.00	1,820.94	1,820.94
3.	Buildings	7,266.35	18.51	0.00	7,284.86	2,912.04	4,372.82	4,829.53
4.	Plant & Machinery	46,145.68	1,064.11	7.11	47,202.68	21,485.00	25,717.68	26,949.57
5.	Electrical Installations	2,790.13	2.22	0.00	2,792.35	1901.91	890.44	1,032.19
6.	Moulds	287.54	0.00	0.00	287.54	287.54	0.00	0.00
7.	Laboratory Equipments	180.99	0.00	0.00	180.99	102.81	78.18	90.81
8.	Furniture & Fixtures	449.06	6.11	0.00	455.17	328.22	126.95	140.29
9.	Office Equipments	389.65	10.64	1.00	399.29	263.98	135.31	151.63
10.	Vehicles	444.03	36.92	14.79	466.16	332.46	133.70	132.96
11.	Capital Expenditure On Research & Development	190.99	0.00	0.00	190.99	184.87	6.12	20.39
12.	Data Processing Equipments	872.61	57.66	0.00	930.27	781.81	148.46	172.66
13.	Expenditure On Tech. know-how/Product Development	1,359.97	18.15	0.00	1,378.12	1,314.44	63.68	168.60
14.	Copyrights	157.46	0.00	0.00	157.46	157.46	0.00	0.00
	<b>Total</b>	<b>69,347.53</b>	<b>1,214.32</b>	<b>22.90</b>	<b>70,538.95</b>	<b>30,052.54</b>	<b>40,486.41</b>	<b>42,501.70</b>
	Previous Year	68,416.61	993.73	61.63	69,348.71	26,842.89	42,505.82	44,832.68
	Capital Work-in-Progress						81.70	43.17

## NOTES :

- Building include 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 Lease period.
- No write-off has been made in respect of lease relating to leasehold land.
- Depreciation includes Technical Know-how fees / Product Development Expenses amortised.
- The Gross Block includes Rs.6,765.35 Lakhs on account of Evaluation of certain Assets as at 31st March, 2002.




**SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET (Contd.)**

	As at 31-03-2004 (Rs. in Lakhs)		As at 31-03-2003 (Rs. in Lakhs)	
<b>SCHEDULE 5</b>				
<b>INVESTMENTS (AT COST)</b>				
<b>A. In Government Securities (Unquoted) :</b>				
1. 10 years-8.5% Rural Debentures of Maharashtra State Electricity Board of the face value of Rs.0.17 Lakh	-	-	-	-
2. 7 years National Savings Certificates of the face value of Rs.0.03 lakh (Lodged with the Excise Authorities as Security Deposit)	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>B. In Shares :</b>				
<b>i. Quoted :</b>				
1. 50 Equity Shares of M.M. Rubber Ltd. of the face value of Rs.10/- each, fully paid-up.	0.01	0.01	0.01	0.01
2. 1,410 Equity Shares [including 1,255 Bonus Shares] of Colgate Palmolive India Ltd. of the face value of Rs.10/- each, fully paid-up .	0.04	0.04	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	-	-	-	-
4. 4,00,000 Equity Shares of Garware Wall Ropes Limited, of the face value of Rs.10/- each, fully paid-up.	56.80	56.80	56.80	56.80
5. 58,900 Equity Shares of Bank of India, of the face value Rs.10/- each, fully paid-up.	26.51	26.51	26.51	26.51
	<u>83.36</u>	<u>83.36</u>	<u>83.36</u>	<u>83.36</u>
<b>ii. Unquoted :</b>				
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	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	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	0.05	0.05
4. 10,000 Equity Shares of SICOM Ltd., of the face value of Rs.10/- each fully paid-up	8.00	8.00	8.00	8.00
5. 4,000 Equity Shares Deogiri Nagari Sahakari Bank Ltd. of the face value of Rs. 25/- each fully paid up.	1.00	1.00	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	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	1.00	1.00
8. 70,75,820 Equity Shares of Garware Chemicals Ltd. of the face value of Rs.10/- each, fully paid-up including four equity shares held by nominees.	7.09	7.09	7.09	7.09
	<u>18.64</u>	<u>18.64</u>	<u>18.64</u>	<u>18.64</u>
<b>TOTAL</b>	<u><u>102.00</u></u>	<u><u>102.00</u></u>	<u><u>102.00</u></u>	<u><u>102.00</u></u>
	<b>Cost</b>	<b>Market value</b>	<b>Cost</b>	<b>Market value</b>
<b>NOTE : Aggregate amount of company's investments :</b>				
Quoted	83.36	138.53	83.36	103.04
Unquoted	18.64		18.64	
<b>TOTAL</b>	<u><u>102.00</u></u>		<u><u>102.00</u></u>	

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## SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET (Contd.)

	As at 31.03.2004 (Rs. in Lakhs)	As at 31.03.2003 (Rs. in Lakhs)
<b>SCHEDULE 6</b>		
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>		
<b>A) CURRENT ASSETS:</b>		
<b>I. Inventories :</b>		
(As taken, valued & certified by the Management )		
(a) Stores, Spare parts & Packing materials (At Cost)	2,475.23	2,571.63
(b) Stock-in-trade		
(i) Raw Materials (At cost)	1,575.08	1,912.92
(ii) Finished goods (At cost or market value whichever is lower)	1,054.48	987.00
(iii) Semi-finished goods (At cost )	2,422.26	1,488.40
(iv) Stock in Transit	0.00	153.38
	<u>7,527.05</u>	<u>7,113.33</u>
<b>II. Sundry Debtors :</b>		
(Unsecured, considered good, unless otherwise stated excluding Bills Receivable discounted)		
(a) Debts outstanding for a period exceeding six months.		
(i) Considered Good	0.70	1.01
(ii) Considered Doubtful	538.07	538.07
	<u>538.77</u>	<u>539.08</u>
Less :Provision for Doubtful Debts	538.07	538.07
	<u>0.70</u>	<u>1.01</u>
(b) Other Debts (Including Rs. Nil due from Associate Company, Previous year Rs.13.21 Lakhs)	3,944.75	3,400.95
	<u>3,945.45</u>	<u>3,401.96</u>
<b>III. Cash and Bank Balances :</b>		
(a) Cash on hand	28.41	28.38
(b) Bank balances :		
With Scheduled Banks:		
In Current Accounts	601.99	469.33
In Fixed Deposits	0.00	138.61
In Margin Account (Including Rs.142.99 Lakhs as Term Deposit, Previous year Rs.123.38 Lakhs)	156.90	127.15
	<u>787.30</u>	<u>763.47</u>
<b>IV. Other Current Assets:</b>		
(i) DEPB receivable (At realisable value or face value of licences, whichever is lower)	834.42	1,025.56
(ii) Other receivables	1,700.22	2,532.85
	<u>2,534.64</u>	<u>3,558.41</u>
<b>B) LOANS &amp; ADVANCES:</b>		
(Unsecured, considered good, unless otherwise stated)		
(i) Advances recoverable in cash or in kind or for value to be received. (Including Rs.42.62 Lakhs due from Associate Company, Previous year Rs.102.83 Lakhs)	898.68	732.43
(ii) Sacrifice / Premium on restructured Term loans	410.45	0.00
(iii) Advance against Capital Expenditure	0.54	11.86
(iv) Deposits with Customs & Excise authorities	223.94	275.28
(v) Deposits with others	380.69	364.27
(vi) Advance Payment of Income Tax and TDS	337.63	153.84
(vii) Loan to Associate Company viz. Garware Chemicals Ltd. (Refer Note No. 13 in Schedule 12 B)	3,567.05	0.00
	<u>5,818.98</u>	<u>1,537.68</u>
<b>TOTAL</b>	<u><u>20,613.42</u></u>	<u><u>16,374.85</u></u>


**SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET (Contd.)**

	As at 31.03.2004 (Rs. in Lakhs)	As at 31.03.2003 (Rs. in Lakhs)
<b>SCHEDULE 7</b>		
<b>CURRENT LIABILITIES AND PROVISIONS :</b>		
<b>A) Current Liabilities :</b>		
(i) Sundry Creditors	2,188.08	1,726.10
(ii) Other Liabilities (Including Rs.90 Lakhs due to Directors, Previous year Rs.77.25 Lakhs)	899.19	831.76
(iii) Deposits and advances from customers & others	134.46	108.67
(iv) Unclaimed Dividend	6.87	10.44
(v) Share & Debenture Application Money Refundable	6.98	6.98
(vi) Debenture Redemption Money payable	1.99	2.16
(vii) Interest accrued but not due on Loans	12.99	9.91
	<b>3,250.56</b>	<b>2,696.02</b>
<b>B) Provisions:</b>		
(i) Provision for Taxation	331.33	131.37
(ii) Provision for Proposed Dividend	218.41	0.00
(iii) Tax on Dividend	27.98	0.00
	<b>577.72</b>	<b>131.37</b>
<b>TOTAL</b>	<b>3,828.28</b>	<b>2,827.39</b>

**SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT & LOSS ACCOUNT**

	2003-2004 (Rs. in Lakhs)	2002-2003 (Rs. in Lakhs)
<b>SCHEDULE 8</b>		
<b>OTHER INCOME</b>		
Insurance claims	19.74	20.44
Income from Investments (Gross) (TDS Rs. Nil, Previous year Rs.1.08 Lakhs)	17.48	10.54
Interest on short term deposits with banks and others (Gross) (TDS Rs. 5.65 Lakhs, Previous year Rs.2.99 Lakhs)	39.89	23.85
Miscellaneous income	29.91	28.96
Profit on sale of fixed assets (Net)	1.79	4.22
Excess Provision for doubtful debts written back	0.00	3.38
Excess Provision / Sundry Credit Balances written back	21.32	39.34
	<b>21.32</b>	<b>42.72</b>
Rent (TDS Rs. 0.38 Lakhs, Previous year Rs.0.38 Lakhs)	3.00	3.00
Sales Tax refund	3.34	6.80
Profit on Exchange Rate Fluctuations	135.13	0.00
Customs Refund	0.00	9.43
<b>TOTAL</b>	<b>271.60</b>	<b>149.96</b>

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

<b>Opening Stock:</b>		
Finished goods	965.97	1,150.94
Semi finished goods	1,488.40	1,235.34
	<b>2,454.37</b>	<b>2,386.28</b>
<b>Closing Stock:</b>		
Finished goods	1,054.48	987.00
Semi finished goods	2,422.26	1,641.78
	<b>3,476.74</b>	<b>2,628.78</b>
Increase / (Decrease)	<b>1,022.37</b>	<b>242.50</b>

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## SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT &amp; LOSS ACCOUNT (Contd.)

	2003-2004 (Rs.in Lakhs)	2002-2003 (Rs.in Lakhs)
<b>SCHEDULE 10</b>		
<b>RAW MATERIALS CONSUMED</b>		
Opening Stock	1,912.92	828.40
Add: Purchases and Expenses	19,981.25	18,902.52
	<u>21,894.17</u>	<u>19,730.92</u>
Less: Closing Stock	1,575.08	1,912.92
TOTAL	<u>20,319.09</u>	<u>17,818.00</u>
<b>SCHEDULE 11</b>		
<b>MANUFACTURING AND OTHER EXPENSES</b>		
<b>A. Manufacturing Expenses:</b>		
Stores, Spares and Packing Materials consumed (Net)	1,976.28	2,032.14
Power and Fuel	3,773.91	3,283.71
Processing Charges	558.17	395.04
Water Charges	90.11	152.83
	<u>6,398.47</u>	<u>5,863.72</u>
<b>B. Employees' Remuneration &amp; Benefits:</b>		
Salaries, Wages and Bonus	1,610.24	1,601.48
Contribution to Provident and other funds	222.89	239.25
Staff Welfare Expenses	212.26	192.45
	<u>2,045.39</u>	<u>2,033.18</u>
<b>C. Administrative, Selling and General Expenses:</b>		
Rent, Hire charges and Compensation (Net)	65.36	86.52
Rates, Taxes and Licence Fees	65.06	37.27
Insurance (Net)	544.27	324.54
Freight and Forwarding (Net)	1,345.44	1,319.46
Research and Development Expenses	214.73	265.68
Repairs and Maintenance of:		
i) Plant and Machinery	463.04	438.02
ii) Buildings	172.17	160.22
iii) Other Assets	270.83	323.67
	<u>906.04</u>	<u>921.91</u>
Advertisement Expenses	183.65	84.73
Additional Sales Tax / Turnover Tax	94.95	157.98
Warehouse expenses	0.00	44.54
Travelling & Conveyance	513.03	638.77
Postage, Telegrams & Telephones	160.11	172.06
Lease Rentals	63.70	8.41
Bank charges	10.68	0.00
Loss on exchange rate fluctuation	0.00	6.91
Loss on sale of Assets	0.00	7.83
Commission on Sales	251.18	269.03
Donations	1.00	3.55
Legal and Professional charges	564.05	484.99
(Refer Note No. 11 in Schedule 12 B)		

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

	2003-2004 (Rs.in Lakhs)	2002-2003 (Rs.in Lakhs)
<b>SCHEDULE 11 (Contd.)</b>		
Auditors' Remuneration:		
(i) Audit fees	19.58	16.09
(ii) Tax Audit fees	3.30	2.36
(iii) For Certification / Others	3.86	2.99
(iv) Reimbursement of out of pocket Expenses	0.59	0.25
	<u>27.33</u>	21.69
Miscellaneous Expenses	864.36	987.87
Provision for Doubtful Debts	0.00	24.94
	<u>5,874.94</u>	5,868.68
<b>D. Managerial Remuneration:</b>		
(a) To Managing Director & Joint Managing Directors:		
(i) Salary	90.00	68.25
(ii) Contribution to Provident Fund, Superannuation & Gratuity Scheme	25.92	19.66
(iii) Other Perquisites	21.28	15.42
	<u>137.20</u>	103.33
(b) To Whole Time Director:		
(i) Salary	14.40	14.40
(ii) Contribution to Provident Fund, Superannuation & Gratuity Scheme	4.15	4.15
(iii) Other Perquisites	1.93	1.66
	<u>20.48</u>	20.21
(c) Directors' Commission	90.00	68.25
(d) Directors' sitting fees	1.03	1.36
	<u>248.71</u>	193.15
Preliminary & Share Issue Expenses written off	0.00	0.51
<b>TOTAL</b>	<u><u>14,567.51</u></u>	<u><u>13,959.24</u></u>

## ANNUAL REPORT 2003-2004

## SCHEDULE 12

## STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON CONSOLIDATED FINANCIAL STATEMENTS:

## A. 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 and Depreciation / Amortisation

Fixed Assets are stated at cost net of MODVAT / CENVAT 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.

Depreciation / Amortisation is provided as follows:

- On Technical Know-how/Product Development Expenses @ 1/6<sup>th</sup> per annum.
- On Copyright Expenditure @ 1/5<sup>th</sup> 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, on the basis of lease period.
- No write-off is being made in respect of leasehold land.

## In respect of subsidiaries:

## - Garware Polyester International Ltd. (GPIL)

The 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.

Plant & machinery - 25% reducing balance

Furniture, fittings and equipment - 25% reducing balance

## - Global Pet Films, Inc.

Equipments are stated at cost less accumulated depreciation. Assets are depreciated using Straight Line MACRS method over used lives of the assets and assets purchased in previous year were expense under Sec. 179 of Internal Revenue Code.

Legal cost for organisation of business is capitalised and is carried at cost less accumulated amortization which is being provided on straight line basis over the economic useful life of 5 years.

## 3. 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.

## 4. 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).

## 5. Foreign Currency Transactions

- During the year, foreign currency transactions relating to purchase and sale of goods and services are translated at the rate prevailing at the time of settlement of the transactions.

**SCHEDULE -12 (Contd.)**

- 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 liability due to fluctuations in rates of exchange is adjusted to the cost of assets acquired through these loans.
- Working capital rupee currency loans converted into foreign currency loans and outstanding at the close of the financial year are translated at the exchange rates prevailing at the close of the accounting year. The net gain / loss arising on such loans is charged to the Profit and Loss Account.
- 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.

**6. 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 profit of the Company.

**7. Duties**

Excise duty on finished goods and Customs duty on imported materials has been accounted on the basis of payments made in respect of goods cleared as also provision made for goods lying in Bonded Warehouse.

**8. Retirement Benefits**

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

**9. Lease Rentals**

Lease Rentals are accounted on accrual basis over the lease term as per relevant lease agreements.

In respect of the subsidiary GPIL, rentals payable under operating leases are charged against income on straight line basis over the lease term.

**10. 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.

**11. 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.

**12. Sales**

Sales are accounted for inclusive of excise duty and sales tax and are net of discounts and returns.

In respect of subsidiaries turnover represents amount receivable for goods and services net of VAT.

**13. Taxation**

(a) Deferred Tax is recognized considering the timing differences, which arise during the year and reversed in subsequent periods. The deferred tax charge or credit is recognized using current tax rates by charging to Profit & Loss Account.

(b) Current Taxes are also provided based on taxable income as per the provisions of Income Tax Act, 1961.

(c) In respect of the subsidiary GPIL, deferred taxes provided at appropriate rates on all timing differences using the liability method only to extent that in the opinion of the Directors there is a reasonable probability that, the liability or assets will crystallise in forceable future.

**14. Deferred Revenue Expenditure**

Amount settled on account of sacrifice and premium with Financial Institutions is treated as Deferred Revenue Expenditure and is being written off over the life of the loan.

**15. Borrowing Costs**

Borrowing costs specifically relatable to the acquisition of fixed assets are capitalized as part of the cost of fixed assets other borrowing costs are charged to revenue.

## ANNUAL REPORT 2003-2004

## SCHEDULE -12 (Contd.)

## B. NOTES ON CONSOLIDATED FINANCIAL STATEMENTS :-

1. The subsidiary companies considered in the Consolidated Financial Statements are:-

Name of the Company	Country of Incorporation	Percentage of voting Power	Financial year
<b>Direct Subsidiary</b> Garware Polyester International Ltd.	United Kingdom	100%	Jan-Dec
<b>Indirect Subsidiary</b> Subsidiaries of wholly owned subsidiary Global Pet Films, Inc.	U.S.A.	100 %	Jan-Dec

2. Principles of consolidation:

- (i) Consolidated financial statements are done in accordance with the AS 21 by consolidating financial statements of subsidiaries on the reporting period. The consolidation is based on the audited financial statements of subsidiaries for the period ended 31<sup>st</sup> December, 2003 and necessary adjustments / additions have been incorporated to give effect to all transactions occurred between the reporting period of the parent company.
  - (ii) The financial statements of the Company and the subsidiaries have been combined to the extent possible on a line-by-line basis, by adding together like items of assets, liabilities, income and expenses. All significant intra-group balances and transactions have been eliminated on consolidation.
  - (iii) In respect of subsidiaries, transactions of Profit and Loss Account and the assets and items of the Balance sheet have been translated into Indian Rupees at the closing exchange rate of respective currencies prevailing as at 31<sup>st</sup> March, 2004.
3. Estimated amount of contracts remaining to be executed on capital account and not provided for Rs.111.46 Lakhs (Previous year Rs.70.83 Lakhs) against which an advance of Rs.0.54 Lakhs (Previous year Rs.11.86 Lakhs) has been paid.
  4. The Company has given counter-guarantees for Rs.292.07 Lakhs (Previous year Rs.583.65 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.
  5. Letters of Credit opened on behalf of the Company by Banks for purchase of materials and equipments amount to Rs.6,082.53 Lakhs (Previous year Rs.5,690.19 Lakhs).
  6. Bills of Exchange discounted under Bill Marketing Scheme amount to Rs.2,677.08 Lakhs (Previous Year Rs.2,518.37 Lakhs).
  7. Secured Loans:
    - (i) All the Secured Loans have been restructured after obtaining the consent of all Financial Institutions, except UTI (Refer Note No. K of Schedule 3).
    - (ii) 12.5% Secured Redeemable Non Convertible Debentures aggregating to Rs.10,856.38 Lakhs are redeemable at par in 28 quarterly instalments commencing from 1<sup>st</sup> April, 2003, out of which Rs.1,442.73 Lakhs was redeemed during the current year.
    - (iii) Zero Coupon Bonds aggregating to Rs.4,967.57 Lakhs are payable as under:
      - Amount of Rs.1,399.54 Lakhs is payable in 24 quarterly instalments commencing from 1<sup>st</sup> April, 2004.
      - Amount of Rs.770.00 Lakhs is payable in 2004-05.
      - A sum of Rs.99.60 Lakhs on the said account represents the amount of overdue payable to UTI and the balance of Rs.2,698.42 Lakhs is payable with premium of Rs.2,293.66 Lakhs from 1<sup>st</sup> April, 2006.
    - (iv) The amount settled on account of sacrifice and premium with respect to EXIM Bank and ICICI Bank Ltd., is being written off over the life of the loan.
    - (v) Amount of Term Loans / Debentures repayable within one year is Rs.4,926.34 Lakhs.
    - (vi) An amount of Rs.561.82 Lakhs being the difference between the amount settled and that in the books in respect of deferred interest has been treated as Prior period income.
    - (vii) As per the sanction letters of EXIM Bank and ICICI Bank Ltd., the sacrifice and premium are rescheduled. Accordingly, proportionate amount of Rs.545.26 Lakhs out of Rs.1,475.62 Lakhs on account of sacrifice and premium has been written off and the same has been treated as Prior period expense.
    - (viii) Amount of sacrifice mentioned in the sanction letters of all Financial Institutions / Banks, other than those of ICICI Bank Ltd. (term loan) and EXIM Bank is being negotiated and obligation under the same will be accounted in the books as and when settled.



**SCHEDULE -12 (Contd.)**

8. The Company has executed a Debenture Trust Deed by and between the Company and the Debenture Trustees. The debentures covered under this Trust Deed have been restructured. Redemption of the debentures is partly in 28 quarterly instalments commencing from 2003-04 and partly commencing from 2006-07.

As per the legal opinion obtained by the Company, Debenture Redemption Reserve is to be created proportionately, spread over the redemption period. However, the company has not appropriated any amount towards the Debenture Redemption Reserve during the year, as the balance in the Debenture Redemption Reserve account will meet the requirement.

9. Claims against the Company not acknowledged as debts Rs.13.16 Lakhs (Previous year Rs.12.41 Lakhs).
10. Contingent liability not provided for in respect of Sales Tax Rs.14.07 Lakhs and Excise Duty Rs.3.63 Lakhs.
11. Legal and Professional Charges include Rs.4.67 Lakhs (Previous year Rs. 8.60 Lakhs) paid to some of the Partners of the Auditors for other services.
12. The Company has given corporate guarantees on behalf of its Associate Company viz., Garware Chemicals Limited (GCL) for repayment of term loans, interest and other charges thereon to:-
- (a) IDBI for Rs.13,794.27 Lakhs (as rescheduled by IDBI vide their letter dated 23<sup>rd</sup> April, 2004)
- (b) Mizuho Corporate Bank Ltd. for Rs.3,190.57 Lakhs (being 70% of the total loan amount of Rs.4,557.95 Lakhs). Mizuho Corporate Bank Ltd. has filed a case in Bombay High Court with regard to guarantee given, however, the Company has been advised that guarantee is not enforceable at present as GCL is registered with BIFR under Sick Industrial Companies (Special Provisions) Act, 1985.
13. As per the restructuring package of Garware Chemicals Limited (GCL) sanctioned by IDBI, GCL has offered to convert loan amount into equity shares at the option of the Company. As a result, the loan amount of Rs.3,567.05 Lakhs which was written off in prior years has been brought back by giving suitable credit to General Reserve Account.
14. Break up of Interest and financial charges are as under:

	2003 - 04 (Rs. in Lakhs)	2002 - 03 (Rs. in Lakhs)
On Secured Loans	1,097.15	1,417.30
On Debentures	1,395.42	1,452.81
Other Interest	1,782.59	1,806.71
Financial Charges	546.82	481.34
	<b>4,821.98</b>	<b>5,158.16</b>

15. Export Benefits / Incentives are accounted on accrual basis. Accordingly, net estimated benefit under DEPB scheme aggregating to Rs.1,866.57 Lakhs (Previous Year Rs.1,908.82 Lakhs) against export effected during the year has been credited to DEPB Entitlement Earned account

**16. Segment Reporting:**

- (a) The company is only in one line of business namely - Polyester film.
- (b) The Segment Revenue in the Geographical segment considered for disclosure are as follows:-
- (i) Revenue within India includes sales to customers located within India.
- (ii) Revenue outside India includes sales to customers located outside India including DEPB.

	2003 - 04 (Rs. in Lakhs)			2002 - 03 (Rs. in Lakhs)		
	Domestic Operations	International Operations	Total	Domestic Operations	International Operations	Total
Sales including DEPB	29,301	19,324	48,625	26,937	19,093	46,030
Amount of Segment Assets by location of Assets	25,717	3	25,720	26,950	4	26,954

**17. Related Party Disclosures :**

- (a) List of Related Parties :

Associate Company : Garware Industries Limited and Garware Chemicals Limited.

Key Management Personnel :-1 Shri S. B. Garware

2. Mrs. Monika Garware Modi

3. Ms. Sarita Garware

4. Miss Sonia S. Garware

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## SCHEDULE -12 (Contd.)

## (b) Transaction with Related Parties :

	2003-04 (Rs. in Lakhs)	2002-03 (Rs. in Lakhs)
(i) Sale of Goods: Associate Company	3,214.29	2,455.10
(ii) Purchase of Materials and Capital Equipments: Associate Company	13,374.57	12,426.19
(iii) Services Received: Associate Company	25.56	26.45
(iv) Services Rendered: Associate Company	1,264.51	2,011.15
(v) Balances [Dr. / (Cr.)] Associate Company	3,614.47	122.81
(vi) Key Management Personnel & Relatives Managerial Remuneration (refer Schedule 11)		

## 18. Earning Per Share:

	2003-04 (Rs. in Lakhs)	2002-03 (Rs. in Lakhs)
Profit for the year	2,842.52	2,371.79
Add: Prior period items	16.56	0.00
Less: Income Tax of Prior period (net)	0.01	0.10
Less: Deferred Tax	739.02	286.93
Less: Current Tax	199.96	131.37
Less: Wealth Tax	3.28	3.20
Profit attributable to equity shareholders	1,916.81	1,950.19
No. of Equity Shares of Rs.10 each	2,18,41,364	2,18,41,364
Earning per share (Rupees)	8.78	8.93

## 19. Deferred Tax:

(a) Deferred Tax Liability of Rs.739.02 Lakhs is provided in the current year, (Previous year Rs. 286.93 Lakhs) as per requirement of Accounting Standard 22 "Accounting for Taxes on Income".

(b) Major components of deferred tax arising as at 31<sup>st</sup> March, 2004 are given here below.

Deferred Tax Assets	2003-04 Rs. in Lakhs	2002-03 Rs. in Lakhs
Disallowance u/s 43B of the Income Tax Act, 1961	3,389.17	3,689.00
Unabsorbed Business Losses & Depreciation	6,260.48	7,134.07
Others	232.49	278.00
	(i) <u>9,882.14</u>	<u>11,101.07</u>
Less: Deferred Tax Liability: Excess of Net Block over WDV as per the provisions of the Income Tax Act, 1961	(ii) <u>7,927.09</u>	<u>8,407.00</u>
Deferred Tax Assets (Net)	(i)-(ii) <u>1,955.05</u>	<u>2,694.07</u>

20. 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 profit for the year.

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


**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2004**

		Year ended 31.03.2004 (Rs. in Lakhs)	Year Ended 31.03.2003 (Rs. in Lakhs)
<b>A. Cash flow from operating activities :</b>			
Net Profit before tax and extraordinary items	A	2,859.07	2,371.69
Add: Depreciation		3,229.33	3,309.36
Interest expenses - gross		4,821.98	5,158.16
Income Tax Prior period (Net)		0.01	(0.10)
Prior Period Items		(16.56)	0.00
Sub total	B	8,034.76	8,467.42
Sub total A + B		10,893.83	10,839.11
Less: Interest income		39.89	23.85
Profit on sale of fixed assets		1.79	4.22
Dividend received/Income from Investment		17.48	10.54
Profit on Exchange Rate Fluctuations		135.13	0.00
Sundry balances written back (Net)		21.32	42.72
Rent		3.00	3.00
Sub total		218.61	84.33
<b>Operating profit before working capital changes</b>		<b>10,675.22</b>	<b>10,754.78</b>
Adjustments for :			
Transfer to foreign currency translation reserve		49.69	0.00
Transfer to P & L (foreign currency translations)		(270.59)	0.00
(Increase)/Decrease in trade/other receivable (Net)		(50.18)	(1,749.35)
(Increase)/Decrease in inventories		(413.72)	(1,529.38)
Increase/(Decrease) in trade/other payables		572.79	(681.69)
<b>Cash generated from operations</b>		<b>10,563.21</b>	<b>6,794.36</b>
Interest / Financial Charges paid		(4,621.91)	(6,291.86)
Direct taxes refund/(paid) (Net)		(187.05)	(134.67)
<b>Net cash inflow/(outflow) from operations</b>		<b>5,754.25</b>	<b>367.83</b>
<b>B. Cash flow from investing activities :</b>			
Purchase of fixed assets		(1,252.85)	(1,030.80)
Sale of Investments		0.00	7.00
Sale proceeds of fixed assets		6.16	9.58
Interest received		39.89	11.34
Prior period Items		16.56	0.00
Profit on Exchange Rate Fluctuations		135.13	0.00
Dividend received/Income from Investment		17.48	10.54
Rent		3.00	3.00
<b>Net cash inflow/(outflow) from investing activities</b>		<b>(1,034.63)</b>	<b>(989.34)</b>
<b>C. Cash flow from financing activities :</b>			
Repayment of borrowings - secured		(5,269.08)	(1,584.04)
Proceeds/(repayments) of borrowings-unsecured		(453.34)	(116.63)
Cash credit accounts		1,026.64	2,449.51
<b>Net cash inflow/(outflow) from financing activities</b>		<b>(4,695.78)</b>	<b>748.84</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>23.84</b>	<b>127.33</b>
<b>Cash and cash equivalents as at opening</b>			
Cash and bank balances		763.46	636.13
<b>Cash and cash equivalents as at closing</b>			
Cash and bank balances		787.30	763.46
		23.84	127.33

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

INDULAL H. SHAH  
Partner

Mumbai, 29th June, 2004

S. B. GARWARE  
Chairman &  
Managing Director

V. S. Viswanathan  
General Manager (Legal) &  
Company Secretary

For and on behalf of the Board of Directors

A. B. BHALERAO  
Director - Technical

R. P. CHHABRA  
Director

Mumbai, 29th June, 2004

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## DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER, 2003

The directors present their report and financial statements for the year ended 31 December, 2003.

### Principal activities and review of the business

The principal activity of the Group continued to be that of distribution of industrial polyester film.

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.

The Directors recommend payment of an ordinary dividend amounting to £25,000.

### Directors

The following directors have held office since 1 January, 2003:

**Mr. A B Bhagani**

**Mr. S Garware**

**Ms. S Garware**

### Directors' interests

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

	Ordinary shares of £1 Each	
	31 December, 2003	1 January, 2003
<b>Mr. A B Bhagani</b>	-	-
<b>Mr. S Garware</b>	-	-
<b>Ms. S Garware</b>	-	-

### Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution proposing that MCT Partnership be reappointed as auditors of the company will be put to the Annual General Meeting.

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### 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 and of the profit or loss of the group and the company for that period. 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;
- 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 the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the board

Mr. A. B. Bhagani  
Director

7th June, 2004

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## INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF GARWARE POLYESTER INTERNATIONAL LIMITED

We have audited the financial statements of Garware Polyester International Limited on pages 4 to 16 for the year ended 31 December, 2003. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

### Respective responsibilities of the directors and auditors

As described in the statement of directors' responsibilities on page 2 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors remuneration and transactions with the company is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatement within it.

### Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 statement. 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 group and 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 the group and the company's affairs as at 31 December, 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

MCT Partnership

7th June, 2004

Chartered Accountants  
Registered Auditors

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

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**GROUP PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER, 2003**

	Notes	2003		2002	
		£	£	£	£
Turnover	2	4,885,902	4,969,153		
Cost of sales		(4,122,578)	(4,281,765)		
<b>Gross Profit</b>		<b>763,324</b>	<b>687,388</b>		
Distribution costs		(125,635)	(86,094)		
Administrative expenses		(455,419)	(571,493)		
Other operating income		91,569	438,994		
<b>Operating profit</b>	3	<b>273,839</b>	<b>468,795</b>		
Other interest receivable and similar income		5,363	2,203		
Interest payable and similar charges	4	(38)	—		
<b>Profit on ordinary activities before taxation</b>		<b>279,164</b>	<b>470,998</b>		
Tax on profit on ordinary activities	5	(16,581)	3,967		
<b>Profit on ordinary activities after taxation</b>		<b>262,583</b>	<b>474,965</b>		
Dividends	6	(25,000)	—		
<b>Retained profit for the year</b>	13	<b>237,583</b>	<b>474,965</b>		

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

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**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER, 2003**

	2003		2002	
	£	£	£	£
<b>Profit for the financial year</b>	<b>262,583</b>	<b>474,965</b>		
Currency translation differences on foreign currency net investments	(12,700)	20,500		
<b>Total recognised gains and losses relating to the year</b>	<b>249,883</b>	<b>495,465</b>		

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**GROUP BALANCE SHEET AS AT 31 DECEMBER, 2003**

	Notes	2003		2002	
		£	£	£	£
<b>Fixed assets</b>					
Tangible assets	7	4,186	5,505		
<b>Current assets</b>					
Stocks	9	955,169	790,719		
Debtors	10	251,957	387,845		
Cash at bank and in hand		708,125	259,011		
		1,915,251	1,437,575		
<b>Creditors : amounts falling due within one year</b>	11	<b>(1,515,702)</b>	<b>(1,264,228)</b>		
<b>Net current assets</b>		<b>399,549</b>	<b>175,347</b>		
<b>Total assets less current liabilities</b>		<b>403,735</b>	<b>178,852</b>		
<b>Capital and reserves</b>					
Called up share capital	12	250,000	250,000		
Other reserves	13	(12,700)	20,500		
Profit and loss account	13	166,435	(91,648)		
<b>Shareholders' funds - equity interests</b>	15	<b>403,735</b>	<b>178,852</b>		

The financial statements were approved by the Board on 7th June, 2004.

Mr A B Bhagani  
Director

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**COMPANY BALANCE SHEET AS AT 31 DECEMBER, 2003**

	Notes	2003		2002	
		£	£	£	£
<b>Fixed assets</b>					
Tangible assets	7	4,186	5,505		
Investments	8	62,046	62,046		
		66,232	67,551		
<b>Current assets</b>					
Stocks	9	268,171	244,086		
Debtors	10	161,625	72,017		
Cash at bank and in hand		364,651	146,606		
		794,447	462,709		
<b>Creditors : amounts falling due within one year</b>	11	<b>(467,494)</b>	<b>(342,786)</b>		
<b>Net current assets</b>		<b>326,953</b>	<b>119,923</b>		
<b>Total assets less current liabilities</b>		<b>393,185</b>	<b>187,474</b>		
<b>Capital and reserves</b>					
Called up share capital	12	250,000	250,000		
Profit and loss account	13	143,185	(62,526)		
<b>Shareholders' funds - equity interest</b>	15	<b>393,185</b>	<b>187,474</b>		

The financial statements were approved by the Board on 7th June, 2004.

Mr A B Bhagani  
Director

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**GROUP CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER, 2003**

	2003			2002		
	£	£	£	£	£	£
<b>Net cash inflow/(outflow) from operating activities</b>	<b>584,384</b>					(139,532)
<b>Returns on investments and servicing of finance</b>						
Interest received	5,363		2,203			
Interest paid	(38)		—			
<b>Net cash inflow for returns on investments and servicing of finance</b>		<b>5,325</b>				2,203
<b>Taxation</b>	<b>3,967</b>					—
<b>Capital expenditure</b>						
Payments to acquire tangible assets	(76)		(3,668)			
<b>Net cash outflow for capital expenditure</b>		<b>(76)</b>				(3,668)
<b>Net cash inflow/(outflow) before management of liquid resources and financing</b>		<b>593,600</b>				(140,997)
<b>Increase/(Decrease) in cash in the year</b>		<b>593,600</b>				(140,997)

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## NOTES TO THE GROUP CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER, 2003

### 1 Reconciliation of operating profit to net cash inflow/(outflow) from operating activities

	2003	2002
	£	£
Operating profit	273,839	468,795
Depreciation of tangible assets	1,395	1,834
Loss on disposal of tangible assets	—	10,454
(Increase)/Decrease in stocks	(164,450)	200,780
Decrease/(Increase) in debtors	131,921	(39,837)
Increase/(Decrease) in creditors within one year	354,379	(802,058)
Net effect of foreign exchange differences	(12,700)	20,500
<b>Net cash inflow/(outflow) from operating activities</b>	<b>584,384</b>	<b>(139,532)</b>

### 2 Analysis of net funds

	1 January 2003	Cash flow	Other non-cash changes	31 December 2003
	£	£	£	£
<b>Net cash:</b>				
Cash at bank and in hand	259,011	449,114	—	708,125
Bank overdrafts	(144,486)	144,486	—	—
<b>Net funds</b>	<b>114,525</b>	<b>593,600</b>	<b>—</b>	<b>708,125</b>

### 3 Reconciliation of net cash flow to movement in net funds

	2003	2002
	£	£
Increase/(decrease) in cash in the year	593,600	(140,997)
<b>Movement in net funds in the year</b>	<b>593,600</b>	<b>(140,997)</b>
Opening net funds	114,525	255,522
<b>Closing net funds</b>	<b>708,125</b>	<b>114,525</b>

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2003

### 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 Turnover

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

#### 1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost 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:

Plant and machinery	25% Reducing balance
Fixtures, fittings and equipment	25% Reducing balance

#### 1.4 Leasing

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

#### 1.5 Stock

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

### 2 Turnover

	2003	2002
	£	£
<b>Class of business</b>		
Foreign sales	4,165,702	4,445,309
UK sales	720,200	523,844
	<b>4,885,902</b>	<b>4,969,153</b>

### 3 Operating profit

	2003	2002
	£	£
<b>Operating profit is stated after charging :</b>		
Depreciation of tangible assets	1,395	1,834
Operating lease rentals - other	45,070	32,885
Auditors' remuneration	5,000	3,750

### 4 Interest payable

	2003	2002
	£	£
On bank overdrafts	38	—

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### 5 Taxation

	2003	2002
	£	£
<b>Domestic current year tax</b>		
U.K. corporation tax	16,581	—
Adjustment for prior years	—	(3,967)
<b>Current tax charge</b>	<b>16,581</b>	<b>(3,967)</b>

#### Factors affecting the tax charge for the year

Profit on ordinary activities before taxation	279,164	470,998
---	---------	---------

Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 19.00% (2002: 0.00%)

	53,041	—
--	--------	---

#### Effects of:

Depreciation add back	265	—
Capital allowances	(218)	—
Tax losses utilised	(36,507)	—
Adjustments to previous periods	—	(3,967)
	(36,460)	(3,967)

#### Current tax charge

	16,581	(3,967)
--	--------	---------

### 6 Dividends

	2003	2002
	£	£
Ordinary final proposed	25,000	—

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### 7 Tangible fixed assets

Group	Plant and Machinery	Fixtures, Fittings and Equipment	Total
	£	£	£
<b>Cost</b>			
At 1 January, 2003	2,827	17,968	20,795
Exchange differences	—	(748)	(748)
Additions	—	76	76
<b>At 31 December, 2003</b>	<b>2,827</b>	<b>17,296</b>	<b>20,123</b>
<b>Depreciation</b>			
At 1 January, 2003	1,219	14,071	15,290
Exchange differences	—	(748)	(748)
Charge for the year	402	993	1,395
<b>At 31 December, 2003</b>	<b>1,621</b>	<b>14,316</b>	<b>15,937</b>
<b>Net book value</b>			
At 31 December, 2003	1,206	2,980	4,186
At 31 December, 2002	1,608	3,897	5,505

## GARWARE POLYESTER INTERNATIONAL LIMITED

Company	Plant and machinery £	Fixtures, Fittings and Equipment £	Total £
<b>Cost</b>			
At 1 January, 2003	2,827	9,163	11,990
Additions	—	76	76
<b>At 31 December, 2003</b>	<u>2,827</u>	<u>9,239</u>	<u>12,066</u>
<b>Depreciation</b>			
At 1 January, 2003	1,219	5,266	6,485
Charge for the year	402	993	1,395
<b>At 31 December, 2003</b>	<u>1,621</u>	<u>6,259</u>	<u>7,880</u>
<b>Net book value</b>			
At 31 December, 2003	<u>1,206</u>	<u>2,980</u>	<u>4,186</u>
At 31 December, 2002	<u>1,608</u>	<u>3,897</u>	<u>5,505</u>

## 13

8 Fixed asset investments	Shares in subsidiary undertakings £
<b>Cost</b>	
At 1 January, 2003 and 31 December, 2003	<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	%
<b>Subsidiary undertakings</b>			
Global PET Films, Inc.	USA	Common stock	100

## 9 Stocks

	Group		Company	
	2003 £	2002 £	2003 £	2002 £
Finished goods and goods for resale	<u>955,169</u>	<u>790,719</u>	<u>268,171</u>	<u>244,086</u>

## 10 Debtors

	Group		Company	
	2003 £	2002 £	2003 £	2002 £
Trade debtors	<u>238,644</u>	<u>351,588</u>	<u>15,736</u>	<u>60,395</u>
Amounts owed by parent and fellow subsidiary undertakings	—	—	<u>134,831</u>	—
Corporation tax	—	3,967	—	3,967
Other debtors	<u>7,927</u>	<u>652</u>	<u>5,672</u>	—
Prepayments and accrued income	<u>5,386</u>	<u>31,638</u>	<u>5,386</u>	<u>7,655</u>
	<u>251,957</u>	<u>387,845</u>	<u>161,625</u>	<u>72,017</u>

## 14

## 11 Creditors : amounts falling due within one year

	Group		Company	
	2003 £	2002 £	2003 £	2002 £
Bank overdraft	—	144,486	—	78,994
Trade creditors	<u>5,426</u>	<u>840,294</u>	<u>5,424</u>	<u>13,447</u>
Amounts owed to parent undertaking	<u>1,426,530</u>	<u>222,432</u>	<u>406,490</u>	<u>216,695</u>
Amounts owed to subsidiary undertakings	—	—	—	10,792
Corporation tax	<u>16,581</u>	—	<u>16,581</u>	—
Other taxes and social security costs	<u>29,494</u>	<u>44,854</u>	<u>1,328</u>	<u>15,441</u>
Other creditors	<u>4</u>	<u>92</u>	<u>4</u>	<u>92</u>
Accruals and deferred income	<u>12,667</u>	<u>12,070</u>	<u>12,667</u>	<u>7,325</u>
Proposed dividend	<u>25,000</u>	—	<u>25,000</u>	—
	<u>1,515,702</u>	<u>1,264,228</u>	<u>467,494</u>	<u>342,786</u>

## 12 Share capital

	2003 £	2002 £
<b>Authorised</b>		
1,000,000 ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>
<b>Allotted, called up and fully paid</b>		
250,000 ordinary shares of £1 each	<u>250,000</u>	<u>250,000</u>

## 13 Statement of movements on Profit and Loss Account

	Group Other reserves (see below) £	Profit and loss account £	Company Profit and loss account £
Balance at 1 January, 2003	—	(71,148)	(62,526)
Retained profit/(loss) for the year	—	237,583	205,711
Foreign Currency transaction difference	<u>(12,700)</u>	—	—
<b>Balance at 31 December, 2003</b>	<u>(12,700)</u>	<u>166,435</u>	<u>143,185</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/(loss) for the financial year amounted to £ 230,711 [2002 – (£ 29,165)].

## 15

## 15 Reconciliation of movements in shareholders' funds

	Group		Company	
	2003 £	2002 £	2003 £	2002 £
Profit for the financial year	<u>262,583</u>	<u>474,965</u>	<u>230,711</u>	<u>(29,165)</u>
Dividends	<u>(25,000)</u>	—	<u>(25,000)</u>	—
	<u>237,583</u>	<u>474,965</u>	<u>205,711</u>	<u>(29,165)</u>
Other recognised gains and losses	<u>(12,700)</u>	<u>20,500</u>	—	—
Net addition to shareholders' funds	<u>224,883</u>	<u>495,465</u>	<u>205,711</u>	<u>(29,165)</u>
Opening shareholders' funds	<u>178,852</u>	<u>(316,613)</u>	<u>187,474</u>	<u>216,639</u>
<b>Closing shareholders' funds</b>	<u>403,735</u>	<u>178,852</u>	<u>393,185</u>	<u>187,474</u>

## GARWARE POLYESTER INTERNATIONAL LIMITED

**16 Financial commitments**

At 31 December, 2003 the group and the company had annual commitments under non-cancellable operating leases as follows:

	Group		Company	
	Land and buildings 2003 £	2002 £	Land and buildings 2003 £	2002 £
Expiry date:				
Between two and five years	—	14,300	—	14,300

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**17 Employees****Number of employees**

The average monthly number of employees (including directors) during the year was :

	Group		Company	
	2003 Number	2002 Number	2003 Number	2002 Number
Administration and management	4	7	2	5
Distribution	1	2	1	1
	<u>5</u>	<u>9</u>	<u>3</u>	<u>6</u>

**Employment costs**

	£	£	£	£
Wages and salaries	255,555	194,698	101,785	136,847
Social security costs	6,852	9,934	6,852	9,934
	<u>262,407</u>	<u>204,632</u>	<u>108,637</u>	<u>146,781</u>

**18 Ultimate parent company and control**

The ultimate parent company is Garware Polyester Limited, a company registered in India.

**19 Related party transactions**

The following related party transactions were undertaken in the ordinary course of business:

Related Party	Relationship	2003 £	2002 £
Purchase of goods and services:			
Garware Polyester Limited	Parent company	3,675,818	843,223
Bhagani & Co.	Common interest	24,000	24,000

Bhagani & Co. is controlled by Mr. A.B. Bhagani the director of the company. The amounts charged represent the provision of office accommodation, bookkeeping and accountancy charges.

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

Related Party	Relationship	2003 £	2002 £
Garware Polyester Limited	Parent company	1,451,530	222,432



**INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying balance sheets of **Global Pet Films, Inc.** as of December 31, 2003 and 2002, and the related statements of income, retained earnings, and cash flows for the years then ended. 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 audits.

We conducted our audits 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 audits 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, 2003 and 2002, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Khushal Vira  
Certified Public Accountant  
Homewood, Illinois, USA

April 20, 2004

**BALANCE SHEET DECEMBER 31, 2003 & 2002**

	As of Dec. 31, 2003 \$	As of Dec. 31, 2002 \$
<b>Assets</b>		
<b>Current Assets</b>		
Cash in Bank – First American	442,971	176,912
Cash in Bank – Citibank – GPF	135,087	(77,197)
Cash in Bank – South Trust Bank	0	106
Cash in Bank – Citibank – Sun Control	322	609
Cash in Bank – Citibank – Sun Control	14,513	(27,695)
Cash in Bank – First Am Maxrate	8,297	2,400
Accounts Receivable – GPF	390,161	457,456
Accounts Receivable – Miami	0	8,920
Accounts Receivable – Sun Control W.D.	0	2,721
Inventory – GPF	705,322	421,540
Inventory – Sun Control	312,829	364,495
Inventory – Miami	184,315	89,453
Prepaid Expenses	0	38,411
Total Current Assets	<u>2,193,817</u>	<u>1,458,131</u>
<b>Fixed Assets</b>		
Office Equipment	14,102	14,102
Accumulated Depreciation	(14,102)	(14,102)
<b>Other Assets</b>		
Organization Cost	7,373	7,373
Rent Deposit – Miami	5,938	1,044
Accumulated Amortization	(7,373)	(7,373)
Total Other Assets	<u>5,938</u>	<u>1,044</u>
Total Assets	<u>2,199,755</u>	<u>1,459,175</u>
<b>Liabilities &amp; Equity</b>		
	As of Dec. 31, 2003 \$	As of Dec. 31, 2002 \$
<b>Current Liabilities</b>		
Accounts Payable - Trade GPF	1,207,325	768,803
Accounts Payable - Trade Miami	389,057	76,211
Accounts Payable - Trade Sun Control	189,018	479,264
Custom Duties Payable	45,677	45,677
FICA/Wh Tax Payable	4,781	1,050
State Withholding Payable	830	379
Accrued Expenses	246,000	7,600
Total Current Liabilities	<u>2,082,688</u>	<u>1,378,984</u>
<b>Long Term Liabilities</b>		
<b>Equity</b>		
Common Stock	100,000	100,000
Retained Earnings	(19,809)	(784,342)
Current Income (Loss)	36,876	764,533
Total Equity	<u>117,067</u>	<u>80,191</u>
Total Liabilities & Equity	<u>2,199,755</u>	<u>1,459,175</u>

See Accompanying Notes to Financial Statements

## GLOBAL PET FILMS, INC.

## INCOME STATEMENT FOR THE YEARS ENDED DECEMBER 31, 2003 &amp; 2002

	12 Months Ended Dec. 31, 2003 \$	12 Months Ended Dec. 31, 2002 \$
<b>Revenue</b>		
Sales	5,975,796	6,136,372
Commissions Income	17,077	576,762
Customs GSP Refund	0	19,887
Returns and Allowances	(1,327)	(64,274)
<b>Total Revenue</b>	<b>5,991,546</b>	<b>6,668,747</b>
<b>Cost of Sales</b>		
Purchases	4,382,861	3,846,968
Supplies	0	14,597
Custom Duties & Clearance Fee	770,317	796,285
Freight	143,592	219,838
Warehouse Rent	98,441	83,235
Inventory Adjust (Begin & End)	(326,978)	324,919
<b>Total Cost of Sales</b>	<b>5,068,233</b>	<b>5,285,842</b>
<b>Gross Profit</b>	<b>923,313</b>	<b>1,382,905</b>
<b>Operating Expenses</b>		
Accounting & Auditing fees	18,900	15,716
Amortization Org. Cost	0	1,451
Advertising Expense	98,911	48,728
Auto and Truck Expense	5,656	4,251
Bank Charges	1,961	1,446
Commissions - Service Center	0	171,914
Credit Card Fees	21,470	13,598
Consulting Fees	0	48,773
Dues and Subscriptions	334	329
Insurance Expense	48,977	29,058
Legal Fees	11,458	3,805
Licenses and Fees	1,224	270
Management Fees	240,000	0
Miscellaneous Expense	909	0
Office Expense	81,918	16,724
Professional Fees	5,900	0
Postage & Delivery	19,039	11,575
Rent - Office	13,676	8,691
Repairs and Maintenance	0	1,917
Salaries and Wages	159,660	80,982
Taxes - Payroll	13,815	7,339
Telephone Expense	51,035	41,506
Travel & Entertainment Expense	91,541	110,098
Utilities	643	553
<b>Total Expenses</b>	<b>887,027</b>	<b>618,724</b>
<b>Operating Income</b>	<b>36,286</b>	<b>764,181</b>
<b>Interest Income</b>	<b>590</b>	<b>352</b>
<b>Total Other Income</b>	<b>590</b>	<b>352</b>
<b>Net Income (Loss)</b>	<b>36,876</b>	<b>764,533</b>

STATEMENT OF CASH FLOWS FOR THE YEARS ENDED  
DECEMBER 31, 2003 AND 2002 INCREASE/(DECREASE)  
IN CASH OR CASH EQUIVALENTS

	12 Months Ended Dec. 31, 2003 \$	12 Months Ended Dec. 31, 2002 \$
<b>Cash Flow from Operating Activities</b>		
Net Income (Loss)	36,876	764,533
Adjustments to Reconcile Cash Flow		
Depreciation	0	0
Decrease (Increase) in Currents Assets		
Accounts Receivable – Trade	67,295	54,475
Accounts Receivable – Sun Control	2,721	41,597
Accounts Receivable – Miami	8,920	(8,920)
Allowance for Doubtful Accts.	0	(114,165)
Inventory – GPF	(283,782)	431,326
Inventory – Sun Control	51,666	(16,954)
Inventory – Miami	(94,862)	(89,453)
Loans Receivable – GPL	0	18,863
Prepaid Expenses	38,411	(38,411)
Increase (Decrease) in Current Liabilities		
Accounts Payable – Trade – GPF	438,522	(1,192,742)
Accounts Payable – Trade – Sun Control	(290,246)	84,869
Accounts Payable – Miami	312,846	76,211
Accounts Payable – GPIL	0	(9,188)
Customs Duty Payable	0	0
Payroll Taxes Payable	3,731	(1,664)
State Withholding Payable	451	(375)
State Corp. Income Tax Payable	0	0
Federal Corp. Income Tax Payable	0	0
Commission Payable – Intermax	0	(54,834)
Accrued Expenses	238,400	(16,894)
<b>Total Adjustments</b>	<b>494,073</b>	<b>(836,258)</b>
<b>Cash Provided (Used) by Operations</b>	<b>530,949</b>	<b>(71,725)</b>
<b>Cash Flow from Investing Activities</b>		
Sales (Purchases) of Assets		
Rent Deposit-Miami Office	(4,894)	(1,044)
Accumulated Amortization		1,451
<b>Cash Provided (Used) by Investing</b>	<b>(4,894)</b>	<b>407</b>
<b>Cash Flow From Financing Activities</b>		
Cash (Used) or provided by:		
Net Increase (Decrease) in Cash	526,054	(71,319)
Cash at Beginning of Period	75,135	146,454
<b>Cash at End of Period</b>	<b>601,190</b>	<b>75,135</b>

See Accompanying Notes to Financial Statements

See Accompanying Notes to Financial Statements

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2003

**(1) Description of Business**

Global Pet Films, Inc. was incorporated on December 22, 1997 under the laws of State of Illinois, USA. The company is engaged in the business of supply and distribution of polyester films in USA. The company has its place of business at Roselle, Illinois for its industrial polyester film business and has established operative office at Miami, Florida, for its window and tinted film business. The Company is in process of consolidating all its operations with its office in Florida, 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.

**(a) Cash and Cash equivalents**

Cash and cash equivalents include money market instruments

**(b) Inventories**

Inventories are stated at the lower of cost (determined by average cost method) or market (net realizable) value.

**(c) Depreciation and Amortization**

Equipments are stated at cost less accumulated depreciation. Some assets are depreciated using straight line MACRS method over the useful lives of the assets and some other assets are expensed under Sec. 179 of Internal Revenue Code.

Legal cost of 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.

**(d) Revenue Recognition**

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

**(e) Purchases**

Purchases are recorded in books only when received in company warehouse.

**(f) 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, 2002, 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) Accounts Receivable**

The accounts receivable balance (Gross) as of December 31, 2003 was \$390,161. The Company has collected all of its accounts receivables by April 20, 2004. The Company carries Receivables Insurance on its accounts receivable.

**(5) Accounts Payable**

The Accounts payable balance of \$1,785,400 as of December 31, 2003 represents balance owed to Garware Polyester Ltd., India, for trade purchases.

**(6) Accrued Expenses**

Accrued expenses include management fees in the amount of \$240,000 payable to Garware Polyester International Ltd. U.K.



**FORTY-SEVENTH 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 **47th Annual General Meeting** of the Company held at the Registered Office of the Company at Naigaon, Post Waluj, Aurangabad 431 133 on Tuesday, the 28th September, 2004 at 11.30 a.m.

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



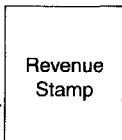
**PROXY FORM**



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 ..... 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 **47th Annual General Meeting** of the Company to be held on Tuesday, the 28th September, 2004 at 11.30 a.m. at the Registered Office of the Company at Naigaon, Post Waluj, Aurangabad 431 133 and at any adjournment thereof.

Signed this ..... day of ..... 2004.

Signature .....



<b>PROXY NO.</b>	<b>REGD. FOLIO</b>	<b>NO. OF SHARES</b>
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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.