



Garware

Polyester Limited

Annual Report 2002-2003



BOARD OF DIRECTORS : S.B. GARWARE *Chairman & Managing Director*
S.S. GARWARE (Mrs.)
R. P. CHHABRA
V.M. KETKAR *Nominee of ICICI Bank*
G.M. YADWADKAR *Nominee of IDBI*
M. GARWARE MODI (Mrs.) *Vice-Chairperson & Jt. Managing Director*
SARITA GARWARE (Ms.) *Jt. Managing Director*
SONIA S. GARWARE (Miss) *Director-International Operations*
A.B. BHALERAO *Director-Technical*
B. MORADIAN

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
Standard Chartered Bank
HDFC Bank Limited

AUDITORS

: Shah & Co.
Chartered Accountants

SOLICITORS & ADVOCATES

: Crawford Bayley & Co.

REGISTERED OFFICE

: Naigaon, Post Waluj,
Aurangabad 431 133.

CORPORATE OFFICE

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

WORKS

: L-5 & L-6, Chikalthana Industrial Area,
Dr. Abasaheb Garware Marg, Aurangabad 431 210.
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

: DSIDC Packaging Complex, B/13, Kirti Nagar,
New Delhi 110 015.
37/1B, Hazra Road, Kolkata 700 029.
Old No. 40, New No. 91,
Shiyali Mudali Street, Pudupet,
Chennai 600 002.

REGISTRARS & TRANSFER AGENTS

: Intime Spectrum Registry Limited

NOTICE

NOTICE IS HEREBY GIVEN THAT the Forty-sixth 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 Monday, the 29th September, 2003 at 11.30 a.m. to transact the following business:

Ordinary Business:

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2003 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and the Auditors thereon.
2. To appoint a Director in place of Mrs. S.S. Garware, who retires by rotation and, being eligible, offers herself for re-appointment.
3. To appoint a Director in place of Mr. R.P. Chhabra, who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint Auditors and to fix their remuneration.

Special Business:

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

“RESOLVED THAT pursuant to the provisions of Sections 198, 269, 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 to the appointment of Mrs. Monika Garware Modi as Joint Managing Director of the Company for a term of five years with effect from 1st July, 2003 and that the draft Agreement between the Company and Mrs. Monika Garware Modi, setting out the terms and conditions, placed before the meeting duly initialled by Mr. R.P. Chhabra, Director of the Company, for the purpose of identification, be and it is hereby approved.”

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

“RESOLVED THAT pursuant to the provisions of Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be altered in the manner following :-

Clause (b) of the existing Article 154 be deleted and the following be substituted in place thereof :

- (b) Shri S.B. Garware shall be the Chairman of the Board of Directors so long as he is a Director and Mrs. Monika Garware Modi shall be the Vice-Chairperson of the Board of Directors so long as she is a Director of the Company.

Forthwith upon Shri S.B. Garware ceasing to be a Director of the Company, Mrs. Monika Garware Modi shall be the Chairperson of the Board of Directors so long as she is a Director of the Company and Ms. Sarita Garware shall be the Vice-Chairperson of the Board of Directors of the Company so long as she is a Director of the Company.

Forthwith upon Mrs. Monika Garware Modi ceasing to be a Director of the Company, Ms. Sarita Garware shall be the Chairperson of the Board of Directors of the Company so long as she is a Director of the Company and Miss Sonia S. Garware shall be the Vice-Chairperson of the Board of Directors so long as she is a Director of the Company.

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Forthwith upon Ms. Sarita Garware ceasing to be a Director of the Company, Miss Sonia S. Garware shall be the Chairperson of the Board of Directors so long as she is a Director of the Company".

By Order of the Board of Directors

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

Mumbai, 31st July, 2003

Registered Office:

Naigaon, Post Waluj,
AURANGABAD 431 133

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND TO VOTE ONLY ON A POLL INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. The instrument appointing proxy should be deposited at the Registered Office of the Company not less than forty-eight hours before the time fixed for the Meeting.
3. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, relating to Item Nos. 5 & 6 of the Notice is annexed hereto.
4. Members desiring any information on the business to be transacted at the Meeting are requested to write to the Company at least 10 days in advance to enable the Management to keep the information, as far as possible, ready at the Meeting.
5. The Register of Members and the Share Transfer Books of the Company will remain closed from Tuesday, the 23rd September, 2003 to Monday, the 29th September, 2003 (both days inclusive).
6. Members are requested to notify immediately any change in their addresses directly to their Depository Participant in case they hold shares in dematerialised form or to the Company's Registrar & Transfer Agents, in case they hold shares in physical form.
7. Pursuant to the provisions of Section 205A of the Companies Act, 1956 all dividends remaining unpaid/unclaimed upto the financial year ended 31st 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 year ended 31st March, 1995 which remained unpaid or unclaimed for a period of seven years to the Investor Education and Protection (IEP) Fund set up by the Central Government. The dividend declared for the financial year ended 31st December, 1995, which remained unpaid or unclaimed for a period of seven years will be transferred to the IEP Fund shortly. Members are requested to claim from the Company their Unclaimed Dividends, if any, in respect of financial year ended 31st December, 1996 at the earliest, as the dividends remaining unclaimed will be transferred to the credit of IEP Fund of the Central Government under the provisions of Section 205C of the Companies Act, 1956, after seven years. It may please be noted that no claims shall lie against the Company or IEP Fund in respect of the said unclaimed dividend amount.

ANNEXURE TO THE NOTICE**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956****Item No. 5**

Mrs. Monika Garware Modi had been associated with the Company as Whole Time Director from April, 1989 to January, 2002. Thereafter she was appointed as Vice-Chairperson with effect from 21st June, 2002. On account of increase in business activities of the Company, the duties and responsibilities of Shri S.B. Garware, the Chairman & Managing Director of the Company, have 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 to appoint Mrs. Monika Garware Modi as Joint Managing Director to assist him in discharging his duties more effectively. Mrs. Monika Garware Modi bears an excellent academic career. She graduated from Vassar 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. from Lubin Business School, Pace University, New York, U.S.A. She has requisite knowledge and experience to manage the corporate affairs. The term of Mrs. Monika Garware Modi shall be for a period of five years with effect from 1st July, 2003 on the terms set out in the draft Agreement subject to necessary approvals. The draft Agreement between the Company and Mrs. Monika Garware Modi, *inter alia*, contains the following terms and conditions:

Remuneration : Nil

Perquisites : Nil

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 draft Agreement referred to in the Resolution under Item No.5 of the Notice will be open for inspection by the Members at the Registered Office of the Company on any working day between 11:00 a.m. and 1:00 p.m. 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, Ms. Sarita Garware and Miss Sonia S. 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.

Item No. 6

With a view to ensure smooth functioning and transition over the years, the founder Chairman, late Shri B.D. Garware in his vision and foresight had inserted the existing Article 154(b) of the Articles of Association of the Company, enabling Shri S.B. Garware to be the Chairman of the Board of Directors of the Company during his tenure of directorship in the Company upon Shri B.D. Garware ceasing to be the Director of the Company.

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To carry forward the fine tradition set in by late Shri B.D. Garware, the present Chairman & Managing Director, Shri S.B. Garware has decided to have a similar provision made in the Articles of Association of the Company. Accordingly, it is proposed to amend the existing Article 154 (b) of the Articles of Association of the Company so as to make provision for Mrs. Monika Garware Modi to be the Chairperson of the Board of Directors upon Shri S.B. Garware ceasing to be a Director of the Company. Upon Mrs. Monika Garware Modi ceasing to be the Director of the Company it is proposed that Ms. Sarita Garware shall be the Chairperson of Board of Directors so long as she is the Director of the Company and upon she ceasing to be Director of the Company it is proposed that Miss Sonia S. Garware shall be the Chairperson of the Board of Directors so long as she is the Director of the Company.

Mrs. Monika Garware Modi graduated from Vassar College one of the renowned institutions in the U.S.A. and then did her Post Graduation in Advanced Management and Business Administration with specialization in Marketing and obtained M.B.A. from Lubin Business School, Pace University, New York, U.S.A. She has been working with the Company for the past 14 years and is presently Vice-Chairperson & Joint Managing Director.

Ms. Sarita Garware obtained her Bachelor's Degree from Mount Holyoke College in U.S.A. and did M.B.A. with specialization in Marketing from the European University, Switzerland. She became a Director in 1993 and is presently Joint Managing Director.

Miss Sonia S. Garware has done her M.B.A. with triple major in Finance, Marketing and Strategy from Boston College, U.S.A. She has been associated with the Group since 1997 and is presently Director - International Operations.

The Board of Directors of the Company has approved the amendment to the Article 154(b) of the Articles of the Association of the Company in the manner set out in Item No.6 of the Notice convening this Annual General Meeting, subject to the approval of the members and such other approvals as may be necessary.

Section 31 of the Companies Act, 1956, requires approval of the members by a special resolution to give effect to any amendment to the Articles of Association of the Company. Accordingly the said resolution as set out in the Notice is commended by the Board to the members for approval.

Except Shri S.B. Garware, Mrs. S.S. Garware, Mrs. Monika Garware Modi, Ms. Sarita Garware and Miss Sonia S. Garware, none of the other Directors of the Company is, in any way concerned or interested in the said resolution.

A copy of the existing Articles of Association of the Company with proposed amendment will be available for inspection at the Registered Office of the Company between 11.00 a.m. to 1.00 p.m. on all working days prior to the date of the meeting.

By Order of the Board of Directors

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

Mumbai, 31st July, 2003

Registered Office:

Naigaon, Post Waluj,
AURANGABAD 431 133.

Information on Directors retiring by rotation seeking re-appointment at this Annual General Meeting

Name of Directors	Mrs. S. S. Garware	Mr. R. P. Chhabra
Date of Birth & Age	09.12.1935 (67 Years)	23.03.1940 (63 Years)
Appointed on	04.04.1996	31.07.2001
Qualifications	B.A. (Hons.), B.Ed.	M.A., LL.B., CAIIB (Part I)
Expertise in specific functional areas	<ul style="list-style-type: none"> • Marketing and Exports • Associated with Charitable and welfare organisations. 	<ul style="list-style-type: none"> • Industrial finance and restructuring and revival packages in respect of sick units. • Term lending arrangements and financial restructuring.
Directorship held on other Companies	<ul style="list-style-type: none"> • Garware Enterprises Limited 	<ul style="list-style-type: none"> • Garware Chemicals Limited
Chairmanships/ Memberships of Committees across public companies	NIL	<ul style="list-style-type: none"> • <u>Garware Polyester Limited</u> : <ul style="list-style-type: none"> (a) Audit Committee – Chairman (b) Remuneration Committee – Chairman (c) Share & Debenture Transactions cum Investors' Grievances Committee – Member • <u>Garware Chemicals Limited</u> : <ul style="list-style-type: none"> Audit Committee – Chairman

ANNUAL REPORT 2002-2003**DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2003****TO THE MEMBERS,**

Your Directors present the Forty-sixth Annual Report together with the Audited Statement of Accounts of the Company for the year ended 31st March, 2003.

Financial Results

	2002-03	(Rs. in Crores) 2001-02
Operating Profit before Interest & Depreciation	100.52	86.79
Less: Interest	46.77	51.95
Depreciation	33.08	32.77
Profit before Tax	20.67	2.07
Income Tax	4.18	—
Wealth Tax	0.03	0.04
Net Profit	16.46	2.03

Your Directors have not recommended any dividend for the year under review with a view to conserve resources to meet the Company's commitment to lenders in accordance with Restructuring Package sanctioned by them.

Operations

The improvement in the performance during the year under review is on account of increase in sales. Net sales grew up by 22% from Rs. 336 crores to Rs. 412 crores. Exports grew up from Rs. 116 crores to Rs. 152 crores, representing an increase of 31%. The sales growth has been fuelled by increase in volume as well as improved realization. This achievement is particularly commendable considering the protectionist policy followed by USA and European Union.

The current year's working is in line with the expectations and is satisfactory so far.

Cases before Debts Recovery Tribunal

ICICI Bank, EXIM Bank and Unit Trust of India (UTI) had filed cases in the Debt Recovery Tribunal (DRT), Mumbai against the Company for recovery of their dues. Consequent to granting of Restructuring Package and Consent Terms having been filed before DRT on 28th November, 2002, the original applications filed by EXIM Bank before DRT stand disposed off. The Company is in the process of finalising the Consent Terms with ICICI Bank.

Compromise and Arrangement

The Company has filed a petition under Sections 391 and 394 of the Companies Act, 1956 before the Honourable High Court of Bombay praying for direction to UTI to grant a restructuring package on the terms sanctioned by other lenders pursuant to a Scheme of Compromise and Arrangement. This was preceded by a court convened meeting on 8th March, 2003 of secured creditors classified as 'Non-Convertible Debenture Holders'. In the said meeting a Scheme of Compromise and Arrangement was approved by all debenture holders (except UTI) representing about 90% in value and number.

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

Mrs. Monika Garware Modi, Vice-Chairperson of the Company, was appointed as Joint Managing Director with effect from 1st July, 2003.

Miss Sonia S. Garware, Joint Managing Director of the Company, was re-designated as Director-International Operations with effect from 1st July, 2003. Ms. Sarita Garware, however, continues as Joint Managing Director of the Company.

Mrs. S.S. Garware and Mr. R.P. Chhabra 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. G.M. Yadwadkar.

Remuneration Committee

The Remuneration Committee comprises of three independent Directors viz., Mr. R.P. Chhabra, Mr. B. Moradian and Mr. G.M. Yadwadkar.

Corporate Governance

As required by Clause 49 of the Listing Agreement with the Stock Exchange, Mumbai, the Report 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.

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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.

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

S. B. GARWARE

Chairman & Managing Director

Mumbai, 12th June, 2003

ANNEXURE TO DIRECTORS' REPORT

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

(A) CONSERVATION OF ENERGY

Your Company is focused on energy conservation, as 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 Waluj Central Utility, thermic fluid heater steam atomization is converted to compressed air atomization for burners thereby saving in net energy cost.
- 2] At Chikalhana, the capacity of compacting plant has been increased which has resulted in stopping of one of units thereby saving in electricity.
- 3] At Waluj, residue generated from glycol processing is utilized in boiler for recovering heating value thereby saving in fuel.
- 4] One cooling water circulation pump was stopped by modifying cooling water circuit of Vapour Absorption Heat Pump machine thereby saving in electrical energy.
- 5] At Waluj, the water consumption was substantially reduced by optimizing cooling water blow-down, De-mineralised water and steam utilization.
- 6] At Waluj, electrical heating for steam jet ejector is converted to thermic fluid heating thereby saving in net energy cost.

(B) TECHNOLOGY ABSORPTION

I. Research and Development (R&D)

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

- a) ER – SP film (Synthetic Paper)
- b) High-Shrinkage film (Packaging)
- c) High-Shrinkage film (Electrical)
- d) Heat reflective (Sun-Rays) film
- e) Flame retardant film

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	265.68
c. Total	265.68
d. Total R&D expenditure as a Percentage of total turnover	0.59 %

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II. Technology absorption, adaptation and innovation**1. Efforts made towards technology absorption, adaptation and innovation**

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. New methods adopted to increase recycling efficiency of products.

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) 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 : 30.37

Earned : 151.86

For and on behalf of the Board of Directors

Mumbai, 12th June, 2003

S. B. GARWARE
Chairman & Managing Director

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 the 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 CORPORATE 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 31st March, 2003)

Name of Director	Executive/ Non Executive/ Independent	No. of other Directorships in Public Ltd. Companies	Membership of Board Committees
Mr. S.B.Garware	Executive – Chairman & Managing Director	2	—
Mrs. S.S.Garware	Non-Executive	1	—
Mrs. M.Garware Modi	Non-Executive	5	—
Ms. Sarita Garware	Executive – Joint Managing Director	1	1
Miss Sonia S. Garware	Executive – Joint Managing Director	1	—
Mr.G.M.Yadwadkar +	Non-Executive, Independent	1	2
Mr. V.M. Ketkar ++	Non-Executive, Independent	1	—
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 **

+ Nominee, IDBI

++ Nominee, ICICI

* Chairman of Audit Committee

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

ANNUAL REPORT 2002-2003**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) Audit Committee Meetings, (b) previous Board Meetings, (c) Share & Debenture Transactions cum Investors' Grievances Committee Meetings, (d) Remuneration Committee Meeting and such other relevant information.

During the year under review, seven Board Meetings were held – on 25th April, 2002; 21st June, 2002; 31st July, 2002; 6th November, 2002; 27th November, 2002; 30th December, 2002 and 30th January, 2003.

The last Annual General Meeting (AGM) was held on 30th December, 2002, for which necessary extension of time was granted by the Registrar of Companies, Maharashtra, Mumbai.

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

Name of Directors	Number of Board Meetings attended	Whether present at the previous AGM
Mr. S.B. Garware	7	Yes
Mrs. S.S. Garware	4	No
Mrs. M.Garware Modi	3	No
Ms. Sarita Garware	5	Yes
Miss Sonia S. Garware	2	No
Mr. G.M.Yadwadkar	5	Yes
Mr. V.M. Ketkar	7	Yes
Mr. A.B. Bhalerao	5	Yes
Mr. R.P. Chhabra	7	Yes
Mr. B. Moradian	7	Yes

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. G.M. Yadwadkar	–	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.

Meetings and attendance during the year:

During the year under review, five Audit Committee Meetings were held – on 21st June, 2002; 31st July, 2002; 6th November, 2002; 27th November, 2002 and 30th January, 2003.

Name of Members	Audit Committee Meetings attended
Mr. R.P. Chhabra	5
Mr. G.M. Yadwadkar	3
Mr. B. Moradian	5

(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.

ANNUAL REPORT 2002-2003**Share Transfer Details:**

During the year, the Committee met 24 times. As on 31st March, 2003, there were no requests pending for transfer of shares.

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.

Details of complaints received and redressed during the year from 1st April, 2002 to 31st March, 2003:

During the year, the Company received 331 complaints from shareholders, which were resolved.

(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.G.M. Yadwadkar	- 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 21st June, 2002.

3. REMUNERATION TO DIRECTORS

In terms of the approval accorded by the Board of Directors, Shareholders and Central Government, wherever necessary, the Managing Director, Joint Managing Directors 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 31st March, 2003 are given below: -

	<u>Rs. in Lakhs</u>
(a) Salary and Perquisites	123.54
(b) Commission	68.25
(c) Sitting Fees to Non-Executive Directors	1.36
Total	<u>193.15</u>

Service contract in respect of Managing Director, Joint Managing Directors 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/passed on the Company by Stock Exchange or SEBI or other authority on any matter relating 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

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.: 2592 3837/2592 3857

Fax No.: 2567 2693

e-mail : isrl@vsnl.com

Contact Person: Mr. Mahadevan / Mr. Satyawan

(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

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

Tel. No.:2592 3837/2592 3857

Fax No.: 2567 2693

e-mail : 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 2003-2004 to the above Stock Exchange.

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(f) Share Price on The Stock Exchange, Mumbai

Month	High (Rs.)	Low (Rs.)
April 2002	15.20	13.00
May 2002	16.00	14.70
June 2002	46.20	15.10
July 2002	61.70	36.10
August 2002	39.55	26.00
September 2002	39.95	27.30
October 2002	40.95	34.10
November 2002	38.65	29.70
December 2002	35.60	30.70
January 2003	33.05	19.65
February 2003	24.00	19.05
March 2003	21.80	17.30

(g) Share Transfer System

The Share Transfer requests received in physical form are processed and transferred within 30 days from the date of lodgement by the Registrars and Share Transfer Agents 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 Exchanges by all investors. Nearly 75% 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, 2003

No. of Shares held	No. of Shareholders	% of Shareholders	No. of Shares	% Shareholding
1 to 500	46666	97.00	4116921	18.85
501 to 1000	776	1.61	597792	2.74
1001 to 2000	345	0.72	517063	2.37
2001 to 3000	84	0.18	212313	0.97
3001 to 4000	43	0.09	151980	0.70
4001 to 5000	42	0.09	200751	0.92
5001 to 10000	61	0.13	437444	2.00
10001 and above	88	0.18	15607100	71.45
Total	48105	100.00	21841364	100.00

(j) Shareholding Pattern as on 31st March, 2003

Sr. No.	Category	No. of shares Held	Percentage of Shareholding
1.	Promoters (Shri S. B. Garware, Family and Associates)	7529634	34.47
2.	Other Garware Family Members and their Associates	617330	2.83
3.	Mutual Funds and UTI	348726	1.60
4.	Banks, Financial Institutions, Insurance Companies (Central / State Govt. Institutions/ Non-Govt. Institutions)	928843	4.25
5.	Private Corporate Bodies	5855653	26.81
6.	Foreign Institutional Investors	5797	0.03
7.	NRIs	38771	0.18
8.	Indian Public	6516610	29.83
	Grand Total	21841364	100.00

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

(l) Information on General Body Meetings:

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

	Date	Venue	Time
43 rd AGM	30 th Sept. 2000	Naigon, Aurangabad (Regd. Office)	3:30 p.m.
44 th AGM	29 th Sept. 2001	As above	3.30 p.m.
45 th AGM	30 th Dec. 2002	As above	11.00 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

Financial Year 1st April, 2002 to 31st March, 2003	
Board Meeting for approval of Audited Accounts for the year ended 31 st March, 2003.	12th June, 2003
Posting of Annual Reports	On or before 4th September, 2003
Book Closure Dates	23rd September, 2003 to 29th September, 2003 (both days inclusive)
Last date for receipt of Proxy Forms	27th September, 2003
46 th Annual General Meeting	Date : 29th September, 2003 Time : 11.30 a.m. Venue : Registered Office at Naigaon, Post Waluj, Aurangabad 431 133
Dividend payment date	Not Applicable

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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 31st March, 2003 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 Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements 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, 12th June, 2003

REPORT ON MANAGEMENT DISCUSSION AND ANALYSIS

1. Industry Structure and Development

Polyester films have wide applications in packaging, electricals, 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 not seen noticeable addition in the year 2002-03. Current demand is about 100,000 MT per annum, out of which a major share caters to packaging applications. Packaging market has been showing steady 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.

The restrictive trade actions, as reported in the last year's report, continues to plague the exports of Indian product. With marginal firming up of price in EU and USA, 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.

2. Opportunities and threats

The significant capacity addition in Polyester films next year is expected to result in excess supply and consequent pressure on pricing. The Company is constantly endeavouring to tap opportunities for introducing value added products. With increased focus on R & D, the Company hopes to maintain its growth.

3. Outlook

Exports :

Plain Film : In view of the protectionist policy followed by USA 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 are firming up and the Company has been able to increase its volume of exports by concentrating on Far East and Russian markets.

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

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4. Risks and concerns

Raw material prices are showing an increasing trend. If 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 therefore need to focus on cost control and cost effective measures and also ensure that the marginal exports achieved last year are improved upon.

5. 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 which is commensurate with the size of its business and nature of its operations. The Audit Committee of the Company, which meets at regular intervals, actively reviews the internal control systems which are reflected in the internal audit reports. Suitable corrective actions are initiated wherever necessary.

6. Management Developments in HR

Industrial relations at all the manufacturing Units of the Company remained cordial throughout the year 2002-03. There was no industrial unrest during the year.

7. 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, 2003, 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 Manufacturing and Other Companies (Auditors' Report) Order, 1988, 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 paragraph 4 and 5 of the said Order to the extent applicable.

Further to our comments in the Annexure referred to 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 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, 2003 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 as per the information and according to the explanations given to us, the said Balance Sheet and the Profit and Loss Account subject to :

Note No. 8 for non-provision in respect of Excise Duty of Rs. 27.85 Lakhs of prior years; Note No. 9 for non-provision in respect of Sales Tax of Rs. 9.61 Lakhs; Note No. 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, 2003;

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- (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, 12th June, 2003

**ANNEXURE TO THE REPORT OF THE AUDITORS TO THE MEMBERS OF
GARWARE POLYESTER LIMITED ON THE ACCOUNTS FOR THE YEAR ENDED
31ST MARCH, 2003 (REFERRED TO IN PARAGRAPH 3 THEREOF)**

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



11. In our opinion, the transactions of purchase of goods, materials and services and sale of goods, materials and services made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and aggregating during the year to Rs. 50,000/- or more in respect of each party, have been made at prices which are reasonable having regard to the prevailing market prices for such goods, materials and services or the prices at which transactions for similar goods, materials and services have been made with other parties.
12. As explained to us, unserviceable or damaged stores, raw materials and finished goods are determined by the Company and adequate provision for the loss has been made in the accounts on the items so determined.
13. In our opinion, and according to the information and explanations given to us, the Company has complied with the provisions of Section 58A of the Companies Act, 1956, and the rules framed thereunder with regard to the deposits accepted from the public.
14. In our opinion, the Company is maintaining reasonable records for sale and disposal of realizable scrap and by-products.
15. In our opinion, the Company has an Internal Audit System commensurate with the size and nature of its business.
16. The Central Government has not prescribed maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956, for the year under review for any of the products of the Company.
17. According to the records of the Company, Provident Fund and Employee's State Insurance dues have been regularly deposited during the year with the appropriate authorities.
18. According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty and excise duty as at 31st March, 2003 were outstanding for a period of more than six months from the date they became payable.
19. According to the information and explanation given to us, no personal expenses of employees or directors have been charged to revenue account, other than those payable under contractual obligations or in accordance with generally accepted business practice.
20. The Company is not a sick industrial company within the meaning of Section 3(1)(o) of the Sick Industrial Companies (Special Provisions) Act, 1985.

For SHAH & CO.
Chartered Accountants

INDULAL H. SHAH
Partner

Mumbai, 12th June, 2003

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BALANCE SHEET AS AT 31ST MARCH, 2003

	Schedule	As at 31.03.2003 (Rs. in Lakhs)	As at 31.03.2002 (Rs. in Lakhs)
FUNDS EMPLOYED:			
SHAREHOLDERS' FUNDS			
Share Capital	1	2,177.87	2,177.87
Reserves & Surplus	2	3,050.44	1,404.75
		5,228.31	3,582.62
BORROWINGS			
Secured Loans	3A	51,817.19	52,093.74
Unsecured Loans	3B	1,540.27	1,648.58
		53,357.46	53,742.32
TOTAL		58,585.77	57,324.94
APPLICATION OF FUNDS:			
FIXED ASSETS			
Gross Block	4	69,337.89	68,401.94
Less: Depreciation		26,836.19	23,580.63
Net Block		42,501.70	44,821.31
Capital Work in Progress		43.17	6.10
		42,544.87	44,827.41
INVESTMENTS	5	235.57	242.57
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	6	6,521.58	5,164.44
Sundry Debtors		4,016.82	2,975.74
Cash and Bank Balances		432.26	391.07
Other Current Assets		3,558.41	2,675.60
Loans and Advances		1,495.21	969.26
		16,024.28	12,176.11
Less: CURRENT LIABILITIES AND PROVISIONS			
Current Liabilities	7	2,781.65	2,902.15
Provisions		131.37	0.00
		2,913.02	2,902.15
Net Current Assets		13,111.26	9,273.96
Deferred Tax Assets		2,694.07	2,981.00
TOTAL		58,585.77	57,324.94

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. BHALERAQ R. P. CHHABRA
Director - Technical Director

INDULAL H. SHAH
Partner

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

Mumbai, 12th June, 2003

Mumbai, 12th June, 2003


PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2003

	Schedule	2002-2003 (Rs. in Lakhs)	2001-2002 (Rs. in Lakhs)
INCOME:			
Sales including Excise duty		44,997.26	36,971.61
Inter-Divisional Transfers (as per contra)		24,662.37	19,715.41
Other Income	8	148.52	162.82
Increase / (Decrease) in Finished and Semi-finished Goods	9	70.26	(1,352.40)
		69,878.41	55,497.44
EXPENDITURE:			
Raw Materials consumed	10	17,274.96	12,003.29
Inter-Divisional Transfers (as per contra)		24,662.37	19,715.41
Manufacturing & other expenses	11A	14,083.25	11,771.75
Excise duty		3,805.73	3,327.71
Interest (Refer Note No. 12 in Schedule 12B)		4,676.82	5,195.22
		64,503.13	52,013.38
Profit before Depreciation		5,375.28	3,484.06
Depreciation		3,307.99	3,279.64
Less: Transferred from Capital Reserve		0.00	3.15
		3,307.99	3,276.49
Profit for the year before tax & Prior Period Items		2,067.29	207.57
Prior Period Items	11B	0.00	614.81
Less: Income tax of Prior period (Net)		0.10	37.16
		2,067.19	785.22
Less: Provision for Taxation :			
Deferred Tax		286.93	0.00
Current Tax		131.37	0.00
Wealth Tax		3.20	4.05
Net Profit		1,645.69	781.17
Balance of Loss brought forward from previous year		0.00	(16,132.03)
Net Profit / (Loss) available for appropriation		1,645.69	(15,350.86)
Add: Loss on valuation of assets and liabilities on financial restructuring (Refer Note No. 15 in Schedule 12B)		0.00	(2,184.56)
		1,645.69	(17,535.42)
Less: Utilisation of Reserves and Deferred Tax Credit		0.00	4,568.16
Net Profit / (Loss)		1,645.69	(12,967.26)
Transferred from Share Premium Account		0.00	12,967.26
Balance carried to Balance Sheet		1,645.69	0.00
Earning per share (Refer Note No. 18 in Schedule 12B) (Rupees)		7.53	3.58

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 R. P. CHHABRA
Director - Technical Director

INDULAL H. SHAH
Partner

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

Mumbai, 12th June, 2003

Mumbai, 12th June, 2003

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SCHEDULES FORMING PART OF THE BALANCE SHEET

	As at 31.03.2003 (Rs. in Lakhs)	As at 31.03.2002 (Rs. in Lakhs)
SCHEDULE 1		
SHARE CAPITAL		
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>6.27</u>	<u>6.27</u>
	<u>2,177.87</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.		
SCHEDULE 2		
RESERVES AND SURPLUS		
Capital Reserve:		
On revaluation of certain assets.		
Balance as per last Balance Sheet	0.00	963.01
Less: Transferred to Profit and Loss Account	<u>0.00</u>	<u>3.15</u>
	0.00	959.86
Less: Utilised for financial restructuring	<u>0.00</u>	<u>959.86 #</u>
	0.00	0.00
Share Premium:		
Balance as per last Balance Sheet	48.70	13,015.96
Less: Transferred to Profit & Loss Account for adjustment of the Net Loss after financial restructuring	<u>0.00</u>	<u>12,967.26 #</u>
	48.70 *	48.70 *
Debenture Redemption Reserve:		
Balance as per last Balance Sheet	1,356.05	1,356.05
Investment Allowance (Utilised) Reserve:		
Balance as per last Balance Sheet	0.00	627.30
Less: Utilised for financial restructuring	<u>0.00</u>	<u>627.30 #</u>
	0.00	0.00
Profit & Loss Account	<u>1,645.69</u>	<u>0.00</u>
TOTAL	<u>3,050.44</u>	<u>1,404.75</u>

* Share Premium amount shown above is net of unpaid premium amounting to Rs. 105.75 Lakhs (Previous year Rs. 105.75 Lakhs)

Refer Note No.15 in Schedule 12B

SCHEDULES FORMING PART OF THE BALANCE SHEET (Contd.)

		As at 31.03.2003 (Rs. in Lakhs)	As at 31.03.2002 (Rs. in Lakhs)
SCHEDULE 3			
A. SECURED LOANS			
I	Debentures / Bonds (Refer Note No. 5 and 6 in Schedule 12 B)	Notes	
	(i) 12.5% Non Convertible / Privately Placed Debentures (earlier 16%/ 18.5%/15.5% & 0%)	A to D	11,224.31
	Less: Redemption during the year		367.93
			10,856.38
	(ii) 0' Coupon Bonds / Debentures (earlier 16%/18.5%/15.5% & 0%)	E	6,233.83
	Less: Redemption during the year		2.16
			6,231.67
	(iii) Interest accrued and due		199.27
			17,287.32
II	From Banks		
	Cash / Packing Credit Accounts	F	4,061.48
	Working Capital Demand Loan		6,287.01
			10,348.49
III	Term Loans		
	(i) Financial Institutions	G	10,187.82
	(ii) Banks	H	4,912.44
	(iii) Hire Purchase Finance	I	19.50
	(iv) Interest accrued and due		7.01
			15,126.77
IV	Deferred interest	J	9,054.61
	TOTAL		51,817.19
			18,124.07
			7,898.98
			16,890.21
			9180.48
			52,093.74

Notes:

- (A) 12.5% Non-Convertible Debentures of Rs. 100/- each aggregating to Rs. 964.25 Lakhs (previous year Rs 977.81 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. 1,651.83 Lakhs (previous year Rs. 1,701 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. 7,771.66 Lakhs (previous year Rs. 8,059.50 Lakhs) are secured by charge / mortgage ranking pari passu with mortgage / charge created / to be created on company's movable/immovable properties situated at Aurangabad, Nasik and New Delhi in favour of Financial Institutions / Banks.
- (D) 12.5% Debentures of Rs. 100/- each aggregating to Rs. 468.64 Lakhs (previous year Rs. 486 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. 6,231.67 Lakhs. Of this, Zero Coupon Bonds / Debentures of Rs. 2,631.17 Lakhs are secured on the same lines as referred in A to D above and Rs. 3,600.50 Lakhs are secured on the same lines as referred to in Note No. G(1), G(2), H(1), H(2) below.
- (F) Cash / Packing Credit / Working Capital Demand Loan are secured by Hypothecation of stocks of raw materials, finished goods, semi finished goods, chemicals and book debts of the Company and further secured by a second charge on the movable assets of the Company and immovable properties situated at Aurangabad, Nasik and at New Delhi.

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SCHEDULES FORMING PART OF THE BALANCE SHEET (Contd.)

- (G) The total Term Loans from Financial Institutions aggregating to Rs. 10,187.82 Lakhs (previous year Rs. 11,199.66 Lakhs) are secured as under:
1. An amount of Rs. 5,812.82 Lakhs (Previous Year Rs. 6,028.09 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, 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, 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 is of Rs. 4,375.00 Lakhs (previous year Rs. 5,171.57 Lakhs), of which Rs. 297.35 Lakhs (previous year Rs. 942.89 Lakhs is payable in 24 monthly instalments commencing from November 2001 and Rs. 4,077.65 Lakhs (previous year Rs. 4,228.68 Lakhs) is payable in 28 equal quarterly instalments commencing from 1st April, 2003. The same 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 4,912.44 Lakhs (previous year Rs. 5,094.75 Lakhs) from Banks are secured as under:
1. Term Loans of Rs. 1,354.91 Lakhs (Previous Year Rs. 1,405.09 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, 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, 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. 3,557.53 Lakhs (Previous year Rs. 3,689.66 Lakhs) is secured by a mortgage on Company's immovable property situated at Vile Parle, Mumbai.
- (I) Hire Purchase Finance is secured by hypothecation of specific assets.
- (J) Funded Interest outstanding as on 31st March, 2001 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 31st March, 2001. Consent Terms with Exim Bank have been filed before the Debt Recovery Tribunal at Mumbai. Consent Terms with ICICI Bank are under finalisation. Further, the Company has filed a petition in Bombay High Court under Sections 391/394 for sanctioning a Scheme of Compromise and Arrangement amongst secured creditors classified as "Non Convertible Debenture Holders" which includes UTI. The same is pending with the Court. The interest applied on the debentures is at the restructured rate.

	As at 31.03.2003 (Rs. in Lakhs)	As at 31.03.2002 (Rs. in Lakhs)
B. UNSECURED LOANS		
(i) Interest-free Sales Tax Loans, Interest-free Capital Incentive Loans and Sales Tax Deferral from SICOM for Aurangabad and Nasik Units	831.95	873.58
(ii) Term Loan from a Bank (Previous year Rs 75 Lakhs due within a year)	0.00	75.00
(iii) Short Term Loan from others	700.00	700.00
(iv) Interest Accrued and due	8.32	0.00
TOTAL	1,540.27	1,648.58

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 01.04.2002	Additions during the year	Sales/ Transfer during the year	Cost/ Revaluation As at 31.03.2003	Up to 31.03.2003	As at 31.03.2003	As at 31.03.2002
1.	Land (Freehold)	6988.21	3.92	0.00	6992.13	0.00	6992.13	6988.21
2.	Land (Leasehold)	1820.94	0.00	0.00	1820.94	0.00	1820.94	1820.94
3.	Buildings	7148.39	117.96	0.00	7266.35	2436.82	4829.53	5226.39
4.	Plant & Machinery	45456.10	688.93	0.00	46145.03	19195.46	26949.57	28506.12
5.	Electrical Installations	2787.62	2.51	0.00	2790.13	1757.94	1032.19	1198.59
6.	Moulds	287.54	0.00	0.00	287.54	287.54	0.00	0.00
7.	Laboratory Equipment	152.66	28.33	0.00	180.99	90.18	90.81	75.47
8.	Furniture & Fixtures	435.21	6.96	0.00	442.17	301.88	140.29	164.81
9.	Office Equipment	365.45	31.54	9.44	387.55	235.92	151.63	148.35
10.	Vehicles	468.01	24.36	48.34	444.03	311.07	132.96	157.21
11.	Capital Expenditure on Research & Development	190.99	0.00	0.00	190.99	170.60	20.39	40.18
12.	Data Processing Equipment	783.39	89.22	0.00	872.61	699.95	172.66	166.93
13.	Expenditure On Tech. know-how/Product Development	1359.97	0.00	0.00	1359.97	1191.37	168.60	328.11
14.	Copyrights	157.46	0.00	0.00	157.46	157.46	0.00	0.00
	Total	68401.94	993.73	57.78	69337.89	26836.19	42501.70	44821.31
	Previous Year	59577.13	8829.70**	4.89	68401.94	23580.63	44821.31	39271.86
	Capital Work-in-Progress						43.17	6.10

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 Leased period.
 - No Write-off has been made in respect of lease relating to lease hold land.
 - Depreciation includes Technical Know-how fees / Product Development Expenses amortised.
- ** Includes Rs. 6,765.35 Lakhs on account of Evaluation of assets. Refer Note 15 in Schedule 12B.

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SCHEDULES FORMING PART OF THE BALANCE SHEET (Contd.)

	As at 31.03.2003 (Rs. in Lakhs)		As at 31.03.2002 (Rs. in Lakhs)	
SCHEDULE 5				
INVESTMENTS (AT COST)				
A. In Government Securities (Unquoted):				
(a) 10 years - 8.5% Rural Debentures of Maharashtra State Electricity Board of the face value of Rs. 0.17 Lakh	-		- #	
(b) 7 years National Savings Certificates of the face value of Rs. 0.03 lakh (Lodged with the Excise Authorities as Security Deposit)	-		- #	
B. In Shares:				
I. Quoted				
1. 50 Equity Shares of M.M. Rubber Ltd. of the face value of Rs. 10/- each, fully paid-up.	0.01		0.01	
2. 1,410 Equity Shares (including 1,255 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 Limited 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	
		83.36		83.36
II. Unquoted				
1. 2,500 Equity Shares of The New India Co-operative Bank Ltd. Mumbai, of the face value of Rs. 10/- each, fully paid-up.	0.25		0.25	
2. 2,500 Equity Shares of The North Kanara Goud Saraswat Brahmin Co-operative Bank Ltd., Mumbai of the face value of Rs. 10/- each, fully paid up.	0.25		0.25	
3. 500 Shares of The Co-operative Stores Ltd. (New Delhi) of the face value of Rs. 10/- each, fully paid up.	0.05		0.05	
4. 10,000 Equity Shares of SICOM Ltd., of the face value of Rs. 10/- each fully paid-up	8.00		8.00	
5. 4,000 Equity Shares of Deogiri Nagari Sahakari Bank Ltd. of the face value of Rs. 25/- each fully paid up.	1.00		1.00	
6. 4,000 Equity Shares of Vaidyanath Urban Co-op. Bank Ltd. of the face value of Rs 25/- each fully paid-up.	1.00		1.00	
7. 1,000 Equity Shares of Poornawadi Co-op. Bank Ltd. of the face value of Rs. 100/- each fully paid-up.	1.00		1.00	
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. (70,00,000 Equity Shares sold during the year)	7.09		14.09 #	
		18.64		25.64
III. In Subsidiary Companies (Unquoted)				
1. 2,50,000 Ordinary Shares of Garware Polyester International Limited, London, of the face value of Pound 1/- each, fully paid-up.	133.57		133.57	
		133.57		133.57
TOTAL		235.57		242.57
	Cost	Market Value	Cost	Market Value
NOTE: Aggregate amount of company's investments				
Quoted	83.36	103.04	83.36	85.64
Unquoted	152.21		159.21	
TOTAL	235.57		242.57	

Refer Note No.15 in Schedule 12B

SCHEDULES FORMING PART OF THE BALANCE SHEET (Contd.)

	As at 31.03.2003 (Rs. in Lakhs)	As at 31.03.2002 (Rs. in Lakhs)
SCHEDULE 6		
CURRENT ASSETS, LOANS & ADVANCES		
A) CURRENT ASSETS:		
I. Inventories:		
(As taken, valued & certified by the Management)		
a) Stores, Spare parts & Packing materials (At Cost)	2,571.63	2,369.27
b) Stock-in-trade		
(i) Raw Materials (At cost)	1,912.92	828.40
(ii) Finished goods (At cost or market value whichever is lower)	548.63	731.43
(iii) Semi-finished goods (At cost)	1,486.40	1,235.34
	6,521.58	5,164.44
II. Sundry Debtors:		
(Unsecured, considered good, unless otherwise stated excluding Bills Receivable discounted)		
a) Debts outstanding for a period exceeding six months		
(i) Considered Good	1.01	230.42
(ii) Considered Doubtful	538.07	517.44
	539.08	747.86
Less: Provision for Doubtful Debts	538.07	517.44
	1.01	230.42
b) Other Debts (including Rs. 13.21 Lakhs due from Associate Company)	4,015.81	2,745.32
	4,016.82	2,975.74
III. Cash and Bank Balances:		
a) Cash on hand	28.16	29.01
b) Bank balances:		
(i) With Scheduled Banks:		
In Current Accounts	276.95	142.93
In Margin Account	127.15	212.66
(Including Rs. 123.38 Lakhs as Term Deposit)		
(ii) With Non-Scheduled Bank:		
In Post Office (Maximum balance due at any time during the year Rs. 6.47 Lakhs Previous year Rs. 6.47 Lakhs)	0.00	6.47
	432.26	391.07
IV. Other Current Assets:		
Other receivables	3,558.41	2,675.60
B) LOANS & ADVANCES:		
(Unsecured, considered good, unless otherwise stated)		
a) Advances recoverable in cash or in kind or for value to be received. (Including Rs. 102.83 lakhs due from Associate Company)	690.46	392.24
b) Advance against Capital Expenditure	11.86	0.75
c) Deposits with Customs & Excise authorities	275.28	210.62
d) Deposits with others	363.77	348.11
e) Advance Payment of Income Tax, and tax deducted at source	153.84	17.54
	1,495.21	969.26
TOTAL	16,024.28	12,176.11

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SCHEDULES FORMING PART OF THE BALANCE SHEET (Contd.)

	As at 31.03.2003 (Rs. in Lakhs)	As at 31.03.2002 (Rs. in Lakhs)
SCHEDULE 7		
CURRENT LIABILITIES AND PROVISIONS		
A) Current Liabilities:		
(i) Sundry Creditors (Refer Note No. 21 in Schedule 12B)	1,726.10	1,554.86
(ii) Other Liabilities (Including Rs. 77.25 Lakhs due to Directors)	924.40	993.58
(iii) Deposits and advances from customers & others	108.67	330.53
(iv) Unclaimed Dividends	10.44	14.03
(v) Share & Debenture Application Money Refundable	6.98	6.98
(vi) Debenture Redemption Money payable	2.16	2.17
(vii) Interest accrued but not due on Loans	2.90	0.00
	2,781.65	2,902.15
B) Provision for Taxation	131.37	0.00
TOTAL	2,913.02	2,902.15

SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT

	2002-2003 (Rs. in Lakhs)	2001-2002 (Rs. in Lakhs)
SCHEDULE 8		
OTHER INCOME		
Insurance claims	20.44	22.95
Income from Investments (Gross)		
(Tax deducted at source Rs. 1.08 Lakhs, Previous year Rs. Nil)	10.54	9.10
Interest on short term deposits with banks and others (Gross)		
(Tax deducted at source Rs. 2.99 Lakhs, Previous year Rs. 1.09 Lakhs)	21.13	26.16
Miscellaneous income	28.81	27.37
Profit on sale of fixed assets (Net)	4.22	0.54
Excess Provision for doubtful debts written back	3.38	38.95
Sundry Credit Balance written back	39.34	20.04
Rent (Tax deducted at source Rs. 0.38 Lakhs, Previous year Rs. 0.37 Lakhs)	3.00	3.00
Sales Tax refund	6.80	0.59
Octroi refund	10.86	14.12
TOTAL	148.52	162.82

SCHEDULE 9

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

Opening Stock:		
Finished goods	731.43	1,211.03
Semi finished goods	1,235.34	2,416.89
	1,966.77 @	3,627.92
Closing Stock:		
Finished goods	548.63	739.06
Semi finished goods	1,488.40	1,536.46
	2,037.03	2,275.52
Increase / (Decrease)	70.26	(1,352.40)

@ After adjusting Rs. 308.75 Lakhs in Financial Restructuring effected during the previous year.

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

	2002-2003 (Rs. in Lakhs)	2001-2002 (Rs. in Lakhs)
SCHEDULE 10		
RAW MATERIALS CONSUMED		
Opening Stock	828.40 #	1,013.32
Add: Purchases and Expenses	18,359.48	11,895.96
	19,187.88	12,909.28
Less: Closing Stock	1,912.92	905.99
TOTAL	17,274.96	12,003.29

After adjusting Rs. 77.59 Lakhs in Financial Restructuring effected during the previous year.

SCHEDULE 11A
MANUFACTURING AND OTHER EXPENSES
A) Manufacturing Expenses:

Stores, Spares and Packing Materials consumed (Net)	2,019.83	1,716.02
Power and Fuel	3,283.36	3,281.09
Water Charges	152.83	72.52
Processing Charges	395.04	83.31
	5,851.06	5,152.94

B) Employees' Remuneration & Benefits:

Salaries, Wages and Bonus	1,454.47	1,239.48
Contribution to Provident and other funds	239.25	210.49
Staff Welfare Expenses	192.45	164.77
	1,886.17	1,614.74

C) Administrative, Selling and General Expenses:

Rent, Hire charges and Compensation (Net)	58.98	66.74
Rates, Taxes and Licence Fees	36.89	26.48
Insurance (Net)	288.59	210.47
Freight and Forwarding (Net)	1,327.65	1,287.20
Research and Development Expenses	265.68	234.01
Repairs and Maintenance of:		
(i) Plant and Machinery	438.02	316.67
(ii) Buildings	160.22	140.29
(iii) Other Assets	321.69	254.42
	919.93	711.38
Advertisement Expenses	58.41	34.70
Additional Sales Tax / Turnover Tax	157.98	11.73
Travelling & Conveyance	586.78	333.30
Postage, Telegrams & Telephones	126.44	142.76
Lease Rentals	8.41	6.49
Bank Charges	386.08	371.33
Commission on Sales	551.87	279.78
Donations	3.55	12.73
Legal and Professional charges (Refer Note No. 10 in Schedule 12B)	456.21	222.01

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

	2002-2003 (Rs. in Lakhs)	2001-2002 (Rs. in Lakhs)
SCHEDULE 11A (Contd.)		
Auditors' Remuneration		
a) Audit fees	5.25	2.89
b) Tax Audit fees	2.36	1.31
c) As adviser for Taxation matters	2.10	0.00
d) For Certification / Others	0.89	0.87
e) Reimbursement of out of pocket Expenses	0.25	0.00
	<u>10.85</u>	5.07
Loss on exchange rate fluctuation	0.00	133.89
Other financial charges	83.16	182.52
Misc. Expenses	801.40	680.51
Provision for Doubtful Debts	24.01	4.46
	<u>6,152.87</u>	<u>4,957.56</u>
D) Managerial Remuneration:		
a) To Managing Director & Joint Managing Directors:		
(i) Salary	68.25	12.00
(ii) Contribution to Provident fund, Superannuation & Gratuity Scheme	19.66	3.46
(iii) Other Perquisites.	15.42	6.51
	<u>103.33</u>	21.97
b) To Whole Time Directors:		
(i) Salary	14.40	17.40
(ii) Contribution to Provident fund, Superannuation & Gratuity Scheme	4.15	5.02
(iii) Other Perquisites	1.66	1.24
	<u>20.21</u>	23.66
c) Directors' Commission	68.25	0.00
d) Directors' sitting fees	1.36	0.88
	<u>193.15</u>	46.51
TOTAL	<u><u>14,083.25</u></u>	<u><u>11,771.75</u></u>
SCHEDULE 11B		
<u>PRIOR PERIOD ITEMS (NET)</u>		
Sundry Credit balance written back (Net)	0.00	70.00
Interest restructured	0.00	680.63
	<u>0.00</u>	<u>750.63</u>
Less: Prior Period Expenses	0.00	135.82
TOTAL	<u><u>0.00</u></u>	<u><u>614.81</u></u>

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

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 rupee liability due to fluctuations in rates of exchange is adjusted to the cost of assets acquired through these loans.
- Investments in shares of foreign subsidiary company are expressed in Indian Currency at the rate of exchange prevailing at the time when the original investments were made.

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 custom 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.

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

13. Taxation

- a) Deferred Tax is recognized considering the timing differences, which arise during the year & 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.

B) NOTES ANNEXED TO AND FORMING PART OF THE ACCOUNTS:

1. Estimated amount of contracts remaining to be executed on capital account and not provided for Rs. 70.83 Lakhs (Previous Year Rs. 1.20 Lakhs) against which an advance of Rs. 11.86 Lakhs (Previous Year Rs. 0.75 Lakhs) has been paid.
2. The Company has given counter-guarantees for Rs. 583.65 Lakhs (Previous Year Rs. 1,429.90 Lakhs) to Banks in respect of guarantees given by the Banks to third parties for purchase of equipment, 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 equipment amount to Rs. 5,690.19 Lakhs (Previous Year Rs. 3,524.30 Lakhs).
4. Bills of Exchange discounted under Bill Marketing Scheme amount to Rs. 2,518.37 Lakhs (Previous Year Rs. 2,415.15 Lakhs).
5. Secured Loans:
 - (i) During the previous year, 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 Rs. 10,856.38 lakhs are redeemable at par in 28 quarterly instalments commencing from 1st April, 2003.
 - (iii) Zero Coupon Bonds/Debentures aggregate Rs. 6,231.67 lakhs are repayable at a premium of Rs. 3,282.52 lakhs in 24 quarterly instalments commencing from 1st April, 2006, after adjusting a part of it by way of divestment in 2003-04.
6. The Company has executed a Debenture Trust Deed by and between the Company and the Debenture Trustees. The debentures covered under this trust 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; hence the Company does not require to create Debenture Redemption Reserve on the debentures restructured.
7. Claims against the Company not acknowledged as debts Rs. 12.41 Lakhs (Previous Year Rs. 8.51 Lakhs).
8. No provision has been made for reversal of MODVAT claim of Rs. 27.85 Lakhs made in December, 1997 as the matter is in dispute and is pending before the Excise Authorities.
9. No provision has been made for Sales Tax claim for Rs. 9.61 Lakhs for the year 1991-92 and 1992-93 as the matter is in dispute and pending before Allahabad High Court against which stay-order has been obtained. The Company is legally advised that the claim on the above matter may not be payable.
10. Legal and Professional Charges include Rs. 8.60 Lakhs (Previous Year Rs. 2.14 Lakhs) paid to some of the Partners of the Auditors for other services.

SCHEDULE 12 (Contd.)

11. The Company has given corporate guarantees on behalf of its associated company viz. Garware Chemicals Ltd. (GCL) for repayment of term loans, interest and other charges thereon to:

- (A) IDBI for Rs. 20,551.15 Lakhs
 (B) Mizuho Corporate Bank Limited (formerly 'The Fuji Bank Limited') for Rs. 3,275.12 Lakhs (being 70% of the total loan amount of Rs. 4,678.74 Lakhs).

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.

12. Break up of Interest on Borrowings is as under:

	2002-03 (Rs. in Lakhs)	2001-02 (Rs. in Lakhs)
On Secured Loans	1,417.30	1,387.55
On Debentures	1,452.81	1,510.88
Others	1,806.71	2,296.79
Total	4,676.82	5,195.22

13. Export Benefits / Incentives are accounted on accrual basis. Accordingly, estimated benefit under DEPB scheme aggregating to Rs. 1,970.90 Lakhs (Previous Year Rs. 1,388.06 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.

	2002-03 (Rs. in Lakhs)	2001-02 (Rs. in Lakhs)
Profit before prior period adjustments	2,067.29	207.57
<i>Add:</i>		
a) Remuneration to Directors	191.79	45.63
b) Directors sitting fees	1.36	0.88
c) Provision for doubtful debts	24.01	4.46
Total	2,284.45	258.54
<i>Less:</i>		
a) Profit on sale of Fixed Assets	4.22	0.54
b) Provision for doubtful debts & sundry credit balances written back	42.72	58.99
Net Profit as per Sec. 349 of Companies Act, 1956	2,237.51	199.01
Remuneration including commission @ 10% on Rs. 2,237.51 Lakhs	223.75	
Commission Provided as approved by the members	68.25	

15. During the previous year, the members of the Company at the Extra-ordinary General Meeting held on 30th August, 2002 approved, and the High Court of Judicature at Mumbai vide its Order passed on 17th October, 2002, confirmed in accordance with the provisions of Section 78 read with section 100 of the Companies Act, 1956, the utilization of share premium account for adjustment of the loss as a part of financial restructuring arrived at after adjustment of debit balance in Profit and Loss Account arising from valuation of Fixed Assets, Investments, Current Assets and Loans and Advances and Liabilities in the Balance Sheet as at 31st March, 2002 at their fair value.

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.

	2002-03			2001-02		
	Within India	Outside India	Total	Within India	Outside India	Total
Sales including DEPB	26,937	18,060	44,997	23,335	13,637	36,972
Amount of Segment Assets by location of Assets	26,950	—	26,950	28,506	—	28,506

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SCHEDULE 12 (Contd.)

17. Related Party Disclosures:

a) List of Related Parties.

Subsidiaries	:	Garware Polyester International Limited
Fellow Subsidiary	:	Global Pet Films, Inc.
Associate Company	:	Garware Enterprises Limited and Garware Chemicals Limited.
Key Management Personnel	:	1. Shri S. B. Garware
		2. Ms. Sarita Garware
		3. Miss Sonia S. Garware

b) Transaction with Related Parties

	2002-03 (Rs. in Lakhs)	2001-02 (Rs. in Lakhs)
(i) Sale of Goods:		
a) Subsidiary	593.27	542.55
b) Fellow Subsidiary	2,059.55	2,151.25
c) Associate Company	2,455.10	973.59
(ii) Purchase of Materials and Capital Equipment:		
Associate Company	12,426.19	9,173.84
(iii) Services Received:		
a) Subsidiary	118.22	0.00
b) Fellow Subsidiary	221.69	0.00
c) Associate Company	26.45	74.18
(iv) Services Rendered:		
Associate Company	2,011.15	1,014.85
(v) Key Management Personnel & Relatives Managerial Remuneration refer Schedule 11A		

18. Earning Per Share:

	2002-03 (Rs. in Lakhs)	2001-02 (Rs. in Lakhs)
Profit for the year	2,067.29	207.57
Add: Prior period items	0.00	614.81
Less: Income-tax of prior period (net)	0.10	37.16
Less: Deferred Tax	286.93	0.00
Less: Current Tax	131.37	0.00
Less: Wealth Tax	3.20	4.05
Profit attributable to equity shareholders	1,645.69	781.17
No. of Equity Shares of Rs. 10 each	21841364	21841364
Earning per share (Rupees)	7.53	3.58

19. Deferred Tax:

- a) Deferred Tax Liabilities of Rs. 286.93 Lakhs is provided for, during the current year, as per the requirement of Accounting Standard 22 "Accounting for Taxes on Income".
- b) Major components of deferred tax arising as at 31st March, 2003 are given here below.

Deferred Tax Assets:	(Rs. in Lakhs)
Disallowance u/s 43B of the Income Tax Act, 1961	3,689.00
Unabsorbed Business Losses & Depreciation	7,134.07
Others	278.00
	(i) <u>11,101.07</u>
Less: Deferred Tax Liabilities:	
Excess of Net Block over WDV as per the provisions of the Income Tax Act, 1961	(ii) <u>8,407.00</u>
Deferred Tax Assets (Net)	(i)-(ii) <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.

SCHEDULE 12 (Contd.)

21. (a) Sundry Creditors in Schedule 7 to the accounts include Rs. 127.01 Lakhs (Previous Year Rs. 245.09 Lakhs) payable to small scale industrial undertakings and Rs. 1,599.09 Lakhs (Previous Year Rs. 1,309.77 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 31st March, 2003 are as under:

M/s. A.K. Packaging Industries, M/s. Mansi Paper Products Pvt. Ltd., M/s. Abhishek Enterprises, M/s. Marathwada Packaging Pvt. Ltd., M/s. Able Moulders, M/s. Micron Gauges, M/s. Ajay Packaging, M/s. Milar Plastic Industries, M/s. Alankar Engineering Co., M/s. Modern Precision Industries, M/s. Apul Hi-Tech, M/s. Mona Rasayan Industries Pvt. Ltd., M/s. Chembond Chemicals Ltd., M/s. Nishant Seals, M/s. Commonwealth Electrical Industries, M/s. Novel Packaging Industries, M/s. Dear Auto Comps Pvt. Ltd., M/s. P.C. Wood Industries, M/s. Deep Enterprises, M/s. Patidar Wooden Works, M/s. Devi Engineering, M/s. Perfect (Nasik) Engg. Serv. Pvt. Ltd., M/s. Diamond Chemicals, M/s. Pioneer Packagings, M/s. Dilip Gloves Works, M/s. Poonam Industries, M/s. Dinamic Industries, M/s. R.D. Engineering, M/s. Disha Industries, M/s. S.S. Controls, M/s. Electromates, M/s. S.S. Supplier Aurangabad, M/s. Ellora Gases, M/s. Smitshilp Plastic Inds. Pvt. Ltd., M/s. Flu-Tef Corporation, M/s. Sumeru Packaging (P) Ltd., M/s. G.B. Enterprises, M/s. Super Ammonia Pvt. Ltd., M/s. GMP Systech Engg. Pvt. Ltd., M/s. Suresh Polymers Pvt. Ltd., M/s. Holkar Industries, M/s. Swaraj Engineering, M/s. Jain Chemicals & Gases Pvt. Ltd., M/s. Tulja Engineering, M/s. Jain Plastics, M/s. Venkatesh Industries, M/s. Jaina Sons, M/s. Zambad Industrial Gases (P) Ltd., M/s. MKR Engineering.

- (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, if any, does not arise.
22. 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	2002-03		2001-02	
	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.

(B) Details of Sales

Class of Goods:	2002-03		2001-02	
	Qty. (MT)	Value (Rs. in Lakhs)	Qty. (MT)	Value (Rs. in Lakhs)
i) Polyester films (Plain / Lacquered / OHP / Laminated / Stabilised / Coloured & Metallised)	29849*	41,720	25283*	35,597
ii) Others (including Chips)		3,277		1,375

* Includes internal transfers & free samples.

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SCHEDULE 12 (Contd.)

(C) Actual Production & Stocks

	Unit	2002-03			2001-02		
		Op. Stock	Production	Cl. Stock	Op. Stock	Production	Cl. Stock
Class of Goods:							
(i) Polyester films (Plain / Lacquered / OHP / Laminated / Stabilised / Coloured & Metallised)	MT	712.58	29572.31	436.21	1052.82	24942	712.58
(Rs. in Lakhs)		697.83*		507.70	1183.86		705.46
(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		33.60		40.93	27.17		33.60

Note: * After adjusting Rs. 7.63 Lakhs in financial restructuring effected during the previous year.

(D) Consumption of Raw Materials:

	2002-03		2001-02	
	Qty. (MT)	*Value (Rs. in Lakhs)	Qty. (MT)	*Value (Rs. in Lakhs)
(i) DMT	33536	9,970.53	26856	6,459.80
(ii) MEG	11486	3,761.92	9200	2,534.86
(iii) Others		3,542.51		3,008.63
Total		17,274.96		12,003.29

* After adjusting sale of raw material amounting to Rs. 826.98 Lakhs (Previous Year Rs. 2.90 Lakhs) and Octroi Duty Refund of Rs. 431.50 Lakhs (Previous Year Rs. 292.99 Lakhs).

(E) Details of imports on CIF basis

	2002-03 (Rs. in Lakhs)	2001-02 (Rs. in Lakhs)
(i) Raw Materials	1,482.67	1,041.20
(ii) Packing Materials	42.43	60.70
(iii) Components & Spares	353.88	212.67
(iv) Capital Goods	197.29	98.66

(F) Details of Imported & Indigenous Raw Materials and Spare Parts consumed and percentage of each to the total

	2002-03		2001-02	
	Value (Rs. in Lakhs)	% of Total	Value (Rs. in Lakhs)	% of Total
(i) Raw Materials:				
— Imported	1,821.13	10	1,581.35	13
— Indigenous	15,453.83	90	10,421.94	87
Total	17,274.96	100	12,003.29	100
(ii) Stores & Spares:				
— Imported	216.61	26	121.84	22
— Indigenous	605.43	74	438.57	78
Total	822.04	100	560.41	100


SCHEDULE 12 (Contd.)
(G) Remittances / Expenditure in Foreign Currency:

	2002-03 (Rs. in Lakhs)	2001-02 (Rs. in Lakhs)
(i) Commission	298.93	298.78
(ii) Advertisement/Marketing Expenses	47.10	2.78
(iii) Travelling Expenses	230.98	5.08
(iv) Books, Periodicals & Subscription	18.66	4.23
(v) Technical / Engg. Services/Professional Charges	214.75	148.97
(vi) Exhibition Expenses	30.56	1.81
(vii) Interest	0.00	0.12
(viii) Recruitment Expenses	0.00	14.31
(ix) Branch Office Expenses	115.43	36.71
(x) Others	4.54	8.55

(H) Earnings in Foreign Exchange:

	2002-03 (Rs. in Lakhs)	2001-02 (Rs. in Lakhs)
Exports (FOB basis)	15,186.18	11,569.63

23. 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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24. BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No.	10889	State Code	11
Balance Sheet Date	31.03.2003		

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

Public Issue	NIL	Rights Issue	NIL
Bonus Issue	NIL	Private Placement	NIL

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

Total Liabilities	5858577	Total Assets	5858577
Sources of Funds			
Paid-up Capital	217787	Reserves & Surplus	305044
Secured Loans	5181719	Unsecured Loan	154027

Application of Funds

Net Fixed Assets	4254487	Investments	23557
Net Current Assets	1311126	Misc. Expenditure	-
Deferred Tax Assets	269407		

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

Turnover	6987841	Total Expenditure	6781112
Profit before tax	206729	Profit after tax	164569

+	-
<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.)	7.53*	Dividend rate %	-
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V. Generic Names of Three Principal Products/Services of Company (as per monetary term)

Item Code No.	39206909	39206903	39206904
Product Description	POLYESTER FILM	PACKAGING POLYESTER FILM	SUN CONTROL FILM

* Refer Note No. 18 in Schedule 12B

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2003

		Year ended 31.03.2003 (Rs. in Lakhs)	Year ended 31.03.2002 (Rs. in Lakhs)
A. Cash flow from operating activities:			
Net Profit/(Loss) before tax and extraordinary items	A	2,067.19	785.22
Add: Depreciation		3,307.99	3,276.49
Interest expenses – gross		4,676.82	5,195.22
Income Tax Prior period (Net)		0.10	37.16
Sub total	B	<u>7,984.91</u>	<u>8,508.87</u>
Sub total A+B		10,052.10	9,294.09
Less: Interest income		21.13	26.16
Profit on sale of fixed assets		4.22	0.54
Dividend received/Income from Investment		10.54	9.10
Sundry balances Written Back (Net)		42.72	70.00
Interest restructured		0.00	680.63
Rent		3.00	3.00
Sub total		<u>81.61</u>	<u>789.43</u>
Operating profit before working capital changes		9,970.49	8,504.66
Adjustments for:			
(Increase)/Decrease in trade/other receivable (Net)		(2,437.34)	203.70
(Increase)/Decrease in inventories		(1,357.14)	1,604.18
Increase/(Decrease) in trade/other payables		53.59	(1,005.63)
Cash generated from operations		6,229.60	9,306.91
Interest paid		(5,810.52)	(4,046.79)
Direct taxes refund/(paid)(Net)		(134.67)	(41.21)
Net cash inflow/(outflow) from operations		284.41	5,218.91
B. Cash flow from investing activities :			
Purchase of fixed assets		(1,030.80)	(1,988.04)
Sale of Investments		7.00	0.00
Sale of fixed assets		9.58	1.15
Interest received		8.62	26.16
Dividend received/Income from Investment		10.54	9.10
Rent		3.00	3.00
Net cash inflow/(outflow) from investing activities		(992.06)	(1,948.63)

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CASH FLOW STATEMENT (Contd.)

	Year ended 31.03.2003 (Rs. in Lakhs)	Year ended 31.03.2002 (Rs. in Lakhs)
C. Cash flow from financing activities :		
Repayment of borrowings – secured	(1,584.04)	(797.03)
Proceeds/(repayments) of borrowings – unsecured	(116.63)	338.08
Net cash inflow/(outflow) from financing activities	<u>(1,700.67)</u>	<u>(458.95)</u>
Net increase/(decrease) in cash and cash equivalent	<u>(2,408.32)</u>	<u>2,811.33</u>
Cash and cash equivalents as at opening		
Cash and bank balances	391.07	334.80
Cash credit accounts	(7,898.98)	(10,654.04)
Total I	(7,507.91)	(10,319.24)
Cash and cash equivalents as at closing		
Cash and bank balances	432.26	391.07
Cash credit accounts	(10,348.49)	(7,898.98)
Total II	<u>(9,916.23)</u>	<u>(7,507.91)</u>
Total II - I	<u>(2,408.32)</u>	<u>2,811.33</u>

For and on behalf of the Board of Directors

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

INDULAL H. SHAH
Partner

Mumbai, 12th June, 2003

S. B. GARWARE
Chairman &
Managing Director

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

A. B. BHALERAO
Director - Technical

R. P. CHHABRA
Director

Mumbai, 12th June, 2003

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

A)	Name of the Subsidiary Companies	Garware Polyester International Limited	Global Pet Films, Inc.
B)	Financial Year of the Subsidiary Companies ended on:	31 st December, 2002	31 st December, 2002
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 31.03.2003.		
	(i) For the Subsidiaries' Financial Year ended on the respective dates.	(in £) 474965	N.A.
	(ii) For the previous Financial Years of the Subsidiaries since they became the Holding Company's Subsidiaries	(91648)	N.A.
	(b) Dealt with in the accounts of Garware Polyester Ltd. for the year ended 31.03.2003 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 31.03.2003.	NIL	NIL
F)	Material changes between the end of the Subsidiary's Financial Year and 31.03.2003.	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, 12th June, 2003

ANNUAL REPORT 2002-2003**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, 2003, and also the Consolidated Profit and Loss Account and the Cash Flow Statement for the year then ended.

These financial statements are the responsibility of 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 an 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. 10 for non provision in respect of Excise Duty of Rs. 27.85 Lakhs of prior years, Note No.11 for non provision in respect of Sales Tax of Rs. 9.61 Lakhs, 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 state that:-

- (a) The Consolidated Balance Sheet gives a true and fair view of the consolidated state of affairs of Garware Polyester Limited and its subsidiaries as at 31st March, 2003;
- (b) The Consolidated Profit and Loss Account gives a true and fair view 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 Flow Statement of the Consolidated Cash Flows for the year ended on that date.

For SHAH & CO.
Chartered Accountants

INDULAL H. SHAH
Partner

Mumbai, 12th June, 2003

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH , 2003

	Schedule	As at 31.03.2003 (Rs. in Lakhs)	As at 31.03.2002 (Rs. in Lakhs)
FUNDS EMPLOYED:			
SHAREHOLDERS' FUNDS			
Share Capital	1	2,177.87	2,177.87
Reserves & Surplus	2	3,364.20	1,414.01
		5,542.07	3,591.88
BORROWINGS			
Secured Loans	3A	51,817.19	52,093.74
Unsecured Loans	3B	1,540.27	1,648.58
		53,357.46	53,742.32
TOTAL		58,899.53	57,334.20
APPLICATION OF FUNDS :			
FIXED ASSETS			
Gross Block	4	69,348.71	68,416.61
Less: Depreciation		26,842.89	23,583.93
Net Block		42,505.82	44,832.68
Capital Work in Progress		43.17	6.10
		42,548.99	44,838.78
INVESTMENTS	5	102.00	109.00
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	6	7,113.33	5,583.95
Sundry Debtors		3,401.96	3,074.06
Cash and Bank Balances		763.47	636.13
Other Current Assets		3,558.41	2,685.74
Loans and Advances		1,537.68	970.42
		16,374.85	12,950.30
<i>Less: CURRENT LIABILITIES AND PROVISIONS</i>	7		
Current Liabilities		2,689.01	3,544.88
Provisions		131.37	0.00
		2,820.38	3,544.88
Net Current Assets		13,554.47	9,405.42
DEFERRED TAX ASSETS		2,694.07	2,981.00
TOTAL		58,899.53	57,334.20

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, 12th June, 2003

Mumbai, 12th June, 2003

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CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH , 2003

	Schedule	2002-2003 (Rs. in Lakhs)	2001-2002 (Rs. in Lakhs)
INCOME:			
Sales including Excise duty		46,029.82	37,766.35
Inter-Divisional Transfers (as per contra)		24,662.37	19,715.41
Other Income	8	160.82	222.58
Increase / (Decrease) in Finished and Semi-finished Goods	9	242.50	(1,271.80)
		71,095.51	56,432.54
EXPENDITURE :			
Raw Materials consumed	10	17,818.00	12,326.14
Inter-Divisional Transfers (as per contra)		24,662.37	19,715.41
Manufacturing & other expenses	11A	14,451.44	12,265.47
Excise duty		3,805.73	3,327.71
Interest (Refer Note No.14 in Schedule 12B)		4,676.82	5,195.22
		65,414.36	52,829.95
Profit before Depreciation		5,681.15	3,602.59
Depreciation		3,309.36	3,283.45
Less : Transferred from Capital Reserve		0.00	3.15
		3,309.36	3,280.30
Profit for the year before tax & Prior Period Items		2,371.79	322.29
Prior Period Items	11B	0.00	614.81
Less:- Income tax of Prior period (Net)		0.10	37.16
Less:- Adjustment on account of consolidation		-	46.58
		2,371.69	853.36
Less : Provision for Taxation			
Deferred Tax		286.93	0.00
Current Tax		131.37	0.00
Wealth Tax		3.20	4.05
Net Profit		1,950.19	849.31
Balance of Profit/(Loss) brought forward from previous year		9.26	(16,190.91)
Net Profit / (Loss) available for appropriation		1,959.45	(15,341.60)
Add: Loss on valuation of assets and liabilities on financial restructuring (Refer Note No.16 in Schedule 12B)		0.00	(2,184.56)
		1,959.45	(17,526.16)
Less: Utilisation of Reserves and Deferred Tax Credit		0.00	4,568.16
Net Profit / (Loss)		1,959.45	(12,958.00)
Transferred From Share Premium Account		0.00	12,967.26
Balance carried to Balance Sheet		1,959.45	9.26
Earning per Share (Refer Note No.19 in Schedule 12B) (Rupees)		8.93	3.89

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, 12th June, 2003

Mumbai, 12th June, 2003

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

	As at 31.03.2003 (Rs. in Lakhs)	As at 31.03.2002 (Rs. in Lakhs)
SCHEDULE 1		
SHARE CAPITAL		
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>6.27</u>	<u>6.27</u>
	<u>2,177.87</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.		
SCHEDULE 2		
RESERVES AND SURPLUS		
Capital Reserve :		
On revaluation of certain assets.		
Balance as per last Balance Sheet	0.00	963.01
Less: Transferred to Profit and Loss Account	<u>0.00</u>	<u>3.15</u>
	0.00	959.86
Less: Utilised for financial restructuring	<u>0.00</u>	<u>959.86 #</u>
	0.00	0.00
Share Premium :		
Balance as per last Balance Sheet	48.70	13,015.96
Less: Transferred to Profit & Loss Account for adjustment of the net Loss after financial restructuring.	<u>0.00</u>	<u>12,967.26 #</u>
	48.70*	48.70*
Debenture Redemption Reserve :		
Balance as per last Balance Sheet	1,356.05	1,356.05
Investment Allowance (Utilised) Reserve		
Balance as per last Balance Sheet	0.00	627.30
Less: Utilised for financial restructuring	<u>0.00</u>	<u>627.30 #</u>
	0.00	0.00
Profit & Loss Account		
	1,959.45	9.26
Total	<u>3,364.20</u>	<u>1,414.01</u>

* Share Premium amount shown above is net of unpaid premium amounting to Rs. 105.75 Lakhs (Previous year Rs. 105.75 Lakhs).

Refer Note No. 16 in Schedule 12B.

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

		As at 31.03.2003 (Rs. in Lakhs)		As at 31.03.2002 (Rs. in Lakhs)	
SCHEDULE 3					
A. SECURED LOANS					
I	Debentures / Bond (Refer Note No. 7 and 8 in Schedule 12B)				
	(i) 12.5% Non Convertible / Privately Placed Debentures (earlier 16%/ 18.5%/15.5% & 0%)	A to D	11,224.31	11,224.31	
	Less: Redemption during the year		367.93	0.00	
			<u>10,856.38</u>	<u>11,224.31</u>	
	(ii) 0' Coupon Bonds / Debentures (earlier 16% / 18.5%/15.5% & 0%)	E	6,233.83	6,233.83	
	Less: Redemption during the year		2.16	0.00	
			<u>6,231.67</u>	<u>6,233.83</u>	
	(iii) Interest accrued and due		199.27	665.93	
			<u>17,287.32</u>	<u>18,124.07</u>	
II	From Banks				
	Cash / Packing Credit Accounts	F	4,061.48	3,644.07	
	Working Capital Demand Loan		6,287.01	4,254.91	
			<u>10,348.49</u>	<u>7,898.98</u>	
III	Term Loans				
	(i) Financial Institutions	G	10,187.82	11,199.66	
	(ii) Banks	H	4,912.44	5,094.75	
	(iii) Hire Purchase Finance	I	19.50	39.30	
	(iv) Interest accrued and due		7.01	556.50	
			<u>15,126.77</u>	<u>16,890.21</u>	
IV	Deferred interest	J	9,054.61	9180.48	
	TOTAL		<u><u>51,817.19</u></u>	<u><u>52,093.74</u></u>	

Notes :

- (A) 12.5% Non-Convertible Debentures of Rs.100/- each aggregating to Rs. 964.25 Lakhs (previous year Rs 977.81 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.1,651.83 Lakhs (previous year Rs. 1,701 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. 7,771.66 Lakhs (previous year Rs. 8,059.50 Lakhs) are secured by charge / mortgage ranking pari-passu with mortgage/charge created / to be created on company's movable / immovable properties situated at Aurangabad, Nasik and New Delhi in favour of Financial Institutions / Banks.
- (D) 12.5% Debentures of Rs.100/- each aggregating to Rs. 468.64 Lakhs (previous year Rs. 486 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.6231.67 Lakhs. Of this, Zero Coupon Bonds/Debentures of Rs. 2,631.17 Lakhs are secured on the same lines as referred in A to D above and Rs. 3,600.50 Lakhs are secured on the same lines as referred to No. G(1), G(2), H(1), H(2) below.
- (F) Cash / Packing Credit / Working Capital Demand Loan are secured by Hypothecation of stocks of raw materials, finished goods, semi finished goods, chemicals and book debts of the Company and further secured by a second charge on the movable assets of the Company and immovable properties situated at Aurangabad, Nasik and at New Delhi.

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

- (G) The total Term Loans from Financial Institutions aggregating to Rs.10,187.82 Lakhs (previous year Rs.11,199.66 Lakhs) are secured as under:
- 1] An amount of Rs. 5,812.82 Lakhs (Previous Year Rs. 6,028.09 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, 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, 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 is of Rs.4,375.00 Lakhs (previous year Rs.5,171.57 Lakhs), of which Rs.297.35 Lakhs (previous year Rs.942.89 Lakhs is payable in 24 monthly installments commencing from November 2001 and Rs.4,077.65 Lakhs (previous year Rs.4,228.68 Lakhs) is payable in 28 equal quarterly installments commencing from 1st April, 2003. The same 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 4,912.44 Lakhs (previous year Rs.5,094.75 Lakhs) from Banks are secured as under:
- (1) Term Loans of Rs.1,354.91 Lakhs (Previous Year Rs.1,405.09 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, 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, 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.3,557.53 Lakhs (Previous year Rs. 3,689.66 Lakhs) is secured by a mortgage on Company's immovable property situated at Vile Parle, Mumbai.
- (I) Hire Purchase Finance is secured by hypothecation of specific assets.
- (J) Funded Interest outstanding as on 31st March, 2001 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 31st March, 2001. Consent Terms with Exim Bank have been filed before the Debt Recovery Tribunal at Mumbai. Consent Terms with ICICI Bank are under finalisation. Further, the Company has filed a petition in Bombay High Court under Sections 391/394 for sanctioning a Scheme of Compromise and Arrangement amongst secured creditors classified as "Non Convertible Debenture Holders" which includes UTI. The same is pending with the Court. The interest applied on the debentures is at the restructured rate.

B. UNSECURED LOANS

	As at 31.03.2003 (Rs. in Lakhs)	As at 31.03.2002 (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	831.95	873.58
(ii) Term Loan from a Bank (Previous year Rs 75 Lakhs due within a year)	0.00	75.00
(iii) Short Term Loan from others	700.00	700.00
(iv) Interest Accrued and due	8.32	0.00
TOTAL	1,540.27	1,648.58

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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	Additions during the year	Sales/Transfer	Cost/Revaluation	Up to 31.3.2003	As at 31.3.2003	As at 31.3.2002
1	Land (Freehold)	6988.21	3.92	0.00	6992.13	0.00	6992.13	6988.21
2	Land (Leasehold)	1820.94	0.00	0.00	1820.94	0.00	1820.94	1820.94
3	Buildings	7148.39	117.96	0.00	7266.35	2436.82	4829.53	5226.39
4	Plant & Machinery	45457.93	688.93	0.00	46146.86	19195.46	26951.40	28507.54
5	Electrical Installations	2787.62	2.51	0.00	2790.13	1757.94	1032.19	1198.59
6	Moulds	287.54	0.00	0.00	287.54	287.54	0.00	0.00
7	Laboratory Equipments	152.66	28.33	0.00	180.99	90.18	90.81	75.47
8	Furniture & Fixtures	442.10	6.96	0.00	449.06	301.88	147.18	170.15
9	Office Equipments	371.40	31.54	13.29	389.65	242.62	147.03	152.96
10	Vehicles	468.01	24.36	48.34	444.03	311.07	132.96	157.21
11	Capital Expenditure On Research & Development	190.99	0.00	0.00	190.99	170.60	20.39	40.18
12	Data Processing Equipments	783.39	89.22	0.00	872.61	699.95	172.66	166.93
13	Expenditure On Tech. know-how/Product Development Expenses.	1359.97	0.00	0.00	1359.97	1191.37	168.60	328.11
14	Copyrights	157.46	0.00	0.00	157.46	157.46	0.00	0.00
	Total	68416.61	993.73	61.63	69348.71	26842.89	42505.82	44832.68
	Previous year	59591.80	8829.70*	4.89	68416.61	23583.93	44832.68	
	Capital Work-in-Progress						43.17	6.10

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 Leased period.
 - No Write-off has been made in respect of lease relating to lease hold land.
 - Depreciation includes Technical Know-how fees / Product Development Expenses amortised.
- * Includes Rs. 6765.37 Lakhs on account of Evaluation of Assets. Refer Note 16 in Schedule 12B.


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

	As at 31.03.2003 (Rs. in Lakhs)		As at 31.03.2002 (Rs. in Lakhs)	
SCHEDULE 5				
INVESTMENTS (AT COST)				
A. In Government Securities (Unquoted):				
(a) 10 years - 8.5% Rural Debentures of Maharashtra State Electricity Board of the face value of Rs. 0.17 Lakh	-		- #	
(b) 7 years National Savings Certificates of the face value of Rs. 0.03 lakh (Lodged with the Excise Authorities as Security Deposit)	-		- #	
B. In Shares:				
I. Quoted				
1. 50 Equity Shares of M.M. Rubber Ltd. of the face value of Rs.10/- each, fully paid-up.	0.01		0.01	
2. 1,410 Equity Shares [including 1,255 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	
		83.36		83.36
II. Unquoted				
1. 2,500 Equity Shares of The New India Co-operative Bank Ltd. Mumbai, of the face value of Rs.10/- each, fully paid-up.	0.25		0.25	
2. 2,500 Equity Shares of The North Kanara Goud Saraswat Brahmin Co-operative Bank Ltd., Mumbai of the face value of Rs.10/- each, fully paid up.	0.25		0.25	
3. 500 Shares of The Co-operative Stores Ltd. (New Delhi) of the face value of Rs.10/- each, fully paid up.	0.05		0.05	
4. 10,000 Equity Shares of SICOM Ltd., of the face value of Rs.10/- each fully paid-up	8.00		8.00	
5. 4,000 Equity Shares of Deogiri Nagari Sahakari Bank Ltd. of the face value of Rs 25/- each fully paid up.	1.00		1.00	
6. 4,000 Equity Shares of Vaidyanath Urban Co-op. Bank Ltd of the face value of Rs 25/- each fully paid-up.	1.00		1.00	
7. 1,000 Equity Shares of Poornawadi co-op Bank Ltd of the face value of Rs 100/- each fully paid-up.	1.00		1.00	
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. (70,00,000 Equity Shares sold during the year)	7.09		14.09 #	
		18.64		25.64
TOTAL		102.00		109.00
		Cost		Cost
		Market Value		Market Value
NOTE : Aggregate amount of company's investments - Quoted	83.36	103.04	83.36	85.64
- Unquoted	18.64		25.64	
TOTAL		102.00		109.00

Refer Note No. 16 in Schedule 12B.

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

	As at 31.03.2003 (Rs. in Lakhs)	As at 31.03.2002 (Rs. in Lakhs)
SCHEDULE 6		
CURRENT ASSETS, LOANS & ADVANCES		
A) CURRENT ASSETS:		
I. Inventories :		
(As taken, valued & certified by the Management)		
a) Stores, Spare parts & Packing materials (At Cost)	2,571.63	2,369.27
b) Stock-in-trade		
(i) Raw Materials (At cost)	1,912.92	828.40
(ii) Finished goods (At cost or market value whichever is lower)	987.00	1,150.94
(iii) Semi-finished goods (At cost)	1,488.40	1,235.34
(iv) Stock in transit	153.38	0.00
	<u>7,113.33</u>	<u>5,583.95</u>
II. Sundry Debtors :		
(Unsecured, considered good, unless otherwise stated excluding Bills Receivable discounted)		
(a) Debts outstanding for a period exceeding six months.		
(i) Considered Good	1.01	230.35
(ii) Considered Doubtful	538.07	517.44
	<u>539.08</u>	<u>747.79</u>
Less :Provision for Doubtful Debts	538.07	517.44
	1.01	230.35
(b) Other Debts (Including Rs.13.21 Lakhs due from Associate Company)	3,400.95	2,843.71
	<u>3,401.96</u>	<u>3,074.06</u>
III. Cash and Bank Balances :		
(a) Cash on hand	28.38	29.15
(b) Bank balances :		
(i) With Scheduled Banks:		
In Current Accounts	469.32	387.85
In Fixed Deposit Accounts	138.61	-
In Margin Account (Including Rs.123.38 Lakhs as Term Deposit)	127.15	212.66
(ii) With Non-Scheduled Bank:		
In Post Office (Maximum balance due at any time during the year Rs.6.47 Lakhs Previous year Rs.6.47 Lakhs)	0.00	6.47
	<u>763.47</u>	<u>636.13</u>
IV. Other Current Assets:		
Other receivables	3,558.41	2,685.74
B) LOANS & ADVANCES:		
(Unsecured, considered good, unless otherwise stated)		
a) Advances recoverable in cash or in kind or for value to be received. (Including Rs.102.83 lakhs due from Associate Company)	732.43	393.40
b) Advance against Capital Expenditure	11.86	0.75
c) Deposits with Customs & Excise authorities	275.28	210.62
d) Deposits with others	364.27	348.11
e) Advance Payment of Income Tax, and tax deducted at source	153.84	17.54
	<u>1,537.68</u>	<u>970.42</u>
TOTAL	<u><u>16,374.85</u></u>	<u><u>12,950.30</u></u>

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

	As at 31.03.2003 (Rs. in Lakhs)	As at 31.03.2002 (Rs. in Lakhs)
SCHEDULE 7		
CURRENT LIABILITIES AND PROVISIONS :		
A: Current Liabilities :		
i) Sundry Creditors (Refer Note No.22 in Schedule 12B)	1,726.10	2,144.16
ii) Other Liabilities (Including Rs.77.25 Lakhs due to Directors)	831.75	1,047.01
iii) Deposits and advances from customers & others	108.67	330.53
iv) Unclaimed Dividends	10.44	14.03
v) Share & Debenture Application Money Refundable	6.98	6.98
vi) Debenture Redemption Money payable	2.16	2.17
vii) Interest accrued but not due on Loans	2.90	0.00
	<u>2,689.01</u>	<u>3,544.88</u>
B: Provision for Taxation	131.37	0.00
TOTAL	<u>2,820.38</u>	<u>3,544.88</u>

SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT & LOSS ACCOUNT

	2002-2003 (Rs. in Lakhs)	2001-2002 (Rs. in Lakhs)
SCHEDULE 8		
OTHER INCOME		
Insurance claims	20.44	22.95
Income from Investments (Gross)	10.54	9.10
(Tax deducted at source Rs.1.08 Lakhs, Previous year Rs. Nil)		
Interest on short term deposits with banks and others (Gross)		
(Tax deducted at source Rs.2.99 Lakhs, Previous year Rs.1.09 Lakhs)	23.85	32.46
Miscellaneous income	28.96	27.37
Profit on sale of fixed assets (Net)	4.22	0.54
Excess Provision for doubtful debts written back	3.38	38.95
Sundry Credit Balance written back	39.34	20.04
	<u>42.72</u>	<u>58.99</u>
Bad Debts written off recovered	0.00	53.46
Rent	3.00	3.00
(Tax deducted at source Rs.0.38 Lakhs, Previous year Rs.0.37 Lakhs)		
Sales Tax refund	6.80	0.59
Octroi refund	10.86	14.12
Customs refund	9.43	0.00
TOTAL	<u>160.82</u>	<u>222.58</u>

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

Opening Stock:		
Finished goods	1,150.94	1,636.17
Semi finished goods	1,235.34	2,416.89
	<u>2,386.28@</u>	<u>4,053.06</u>
Closing Stock:		
Finished goods	987.00	1,244.80
Semi finished goods	1,641.78	1,536.46
	<u>2,628.78</u>	<u>2,781.26</u>
Increase / (Decrease)	<u>242.50</u>	<u>(1,271.80)</u>

@ After adjusting Rs.308.75 Lakhs in Financial Restructuring effected during the previous year.

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

	2002-2003 (Rs.in Lakhs)	2001-2002 (Rs.in Lakhs)
SCHEDULE 10		
RAW MATERIALS CONSUMED		
Opening Stock	828.40 #	1,013.32
Add: Purchases and Expenses	<u>18,902.52</u>	<u>12,218.81</u>
	19,730.92	13,232.13
Less: Closing Stock	<u>1,912.92</u>	<u>905.99</u>
TOTAL	<u>17,818.00</u>	<u>12,326.14</u>
# After adjusting Rs.77.59 Lakhs in Financial Restructuring effected during the previous year.		
SCHEDULE 11A		
MANUFACTURING AND OTHER EXPENSES		
A. Manufacturing Expenses:		
Stores, Spares and Packing Materials consumed (Net)	2,032.14	1,716.02
Power and Fuel	3,283.71	3,281.34
Water Charges	152.83	72.52
Processing Charges	<u>395.04</u>	<u>83.31</u>
	5,863.72	5,153.19
B. Employees' Remuneration & Benefits:		
Salaries, Wages and Bonus	1,601.48	1,375.27
Contribution to Provident and other funds	239.25	215.25
Staff Welfare Expenses	<u>192.45</u>	<u>165.78</u>
	2,033.18	1,756.30
C. Administrative, Selling and General Expenses:		
Rent, Hire charges and Compensation (Net)	86.52	85.43
Rates, Taxes and Licence Fees	37.27	37.73
Insurance (Net)	324.54	233.69
Freight and Forwarding (Net)	1,330.32	1,299.70
Research and Development Expenses	<u>265.68</u>	<u>234.01</u>
	2,044.33	1,890.56
Repairs and Maintenance of:		
I) Plant and Machinery	438.02	316.67
II) Buildings	160.22	140.29
III) Other Assets	<u>323.67</u>	<u>258.42</u>
	921.91	715.38
Advertisement Expenses	84.73	60.57
Additional Sales Tax / Turnover Tax	157.98	11.73
Warehouse Expenses	44.54	31.44
Travelling & Conveyance	638.77	437.79
Postage, Telegrams & Telephones	172.06	174.04
Lease Rentals	8.41	6.49
Loss on sale of Assets	7.83	0.00
Bank Charges	398.18	373.04
Commission on Sales	269.03	217.33
Donations	3.55	12.73
Legal and Professional charges	484.99	339.61
(Refer Note No.12 in Schedule 12B)		


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

	2002-2003 (Rs.in Lakhs)	2001-2002 (Rs.in Lakhs)
SCHEDULE 11A (Contd.)		
Auditors' Remuneration		
(a) Audit fees	16.09	5.32
(b) Tax Audit fees	2.36	1.31
(c) As advisor for Taxation matters	2.10	0.00
(d) For Certification / Others	0.89	0.87
(e) Reimbursement of out of pocket expenses	0.25	0.00
	<u>21.69</u>	7.50
Loss on exchange rate fluctuation	6.91	132.45
Other financial charges	83.16	182.52
Misc. Expenses	987.87	711.11
Provision for Doubtful Debts	24.94	4.46
	<u>4,316.55</u>	<u>3,418.19</u>
D. Managerial Remuneration:		
(a) To Managing Director & Joint Managing Directors:		
(i) Salary	68.25	12.00
(ii) Contribution to Provident fund, Superannuation & Gratuity Scheme	19.66	3.46
(iii) Other Perquisites.	15.42	6.51
	<u>103.33</u>	21.97
(b) To Whole Time Directors :		
(i) Salary	14.40	17.40
(ii) Contribution to Provident fund, Superannuation & Gratuity Scheme	4.15	5.02
(iii) Other perquisites	1.66	1.24
	<u>20.21</u>	23.66
(c) Directors' Commission	68.25	0.00
(d) Directors' sitting fees	1.36	0.88
	<u>193.15</u>	46.51
Preliminary & Share Issue Expenses w/off	0.51	0.72
TOTAL	<u><u>14,451.44</u></u>	<u><u>12,265.47</u></u>
SCHEDULE 11B		
<u>PRIOR PERIOD ITEMS (NET)</u>		
Sundry Credit balance written back (Net)	0.00	70.00
Interest restructured	0.00	680.63
	<u>0.00</u>	<u>750.63</u>
Less: Prior Period Expenses	0.00	135.82
Total	<u><u>0.00</u></u>	<u><u>614.81</u></u>

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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**

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

In respect of the 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 and machinery	- 25% reducing balance
Fixtures, 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 the useful lives of the assets and assets purchased in previous year were expense under Sec. 179 of Internal Revenue Code.

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

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).


SCHEDULE -12 (Contd.)
5. Foreign Currency Transactions

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

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 custom 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. Provision for Excise duty on finished goods inventory is made on notional basis.

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.

In respect of the subsidiary GPIL, rentals payable under operating leases are charged against income on a 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 include excise duty but exclude sales tax and other charges net of discounts and returns.

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

13. Taxation

- a) Deferred Tax is recognised considering the timing differences which arise during the year & reverse in subsequent periods. The deferred tax charge or credit is recognised using current tax rates.
- b) Current taxes are also provided based on taxable income as per 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 the extent that in the opinion of the Directors there is a reasonable probability that, the liability or asset will crystallise in foreseeable future.

B. NOTES ON CONSOLIDATED FINANCIAL STATEMENT

- 1) The subsidiaries companies considered in the consolidated financial statements are:-

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

ANNUAL REPORT 2002-2003**SCHEDULE -12 (Contd.)**

- 2) Principles of consolidation:-
- i) Consolidated financial Statements are done in accordance with the AS 21 by consolidating financial statement of subsidiaries on the reporting period. The consolidation is based on the audited financial statement of subsidiaries for period ended 31st December, 2002 and necessary adjustments/additions have been incorporated and 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 31st March, 2003.
- 3) Estimated amount of contracts remaining to be executed on capital account and not provided for Rs.70.83 Lakhs (Previous Year Rs.1.20 Lakhs) against which an advance of Rs.11.86 Lakhs (Previous Year Rs.0.75 Lakhs) has been paid.
- 4) The Company has given counter-guarantees for Rs.583.65 Lakhs (Previous Year Rs.1,429.90 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.5,690.19 Lakhs (Previous Year Rs.3,524.30 Lakhs).
- 6) Bills of Exchange discounted under Bill Marketing Scheme amount to Rs.2,518.37 Lakhs (Previous Year Rs.2,415.15 Lakhs).
- 7) Secured Loans:
- (i) During the previous year, 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 Rs.10,856.38 Lakhs are redeemable at par in 28 quarterly installments commencing from 1st April, 2003.
 - (iii) Zero Coupon Bonds/Debentures aggregate Rs.6,231.67 Lakhs are repayable at a premium of Rs.3,282.52 Lakhs in 24 quarterly installments commencing from 1st April, 2006, after adjusting a part of it by way of divestment in 2003-04.
- 8) The company has executed a Debenture Trust Deed by and between the Company and the Debenture Trustees. The debentures covered under this trust have been restructured. Redemption of 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, hence the company does not require to create Debenture Redemption Reserve on the Debentures restructured.
- 9) Claims against the Company not acknowledged as debts Rs.12.41 Lakhs (Previous Year Rs.8.51 Lakhs).
- 10) No provision has been made for reversal of MODVAT claim of Rs.27.85 Lakhs made in December 1997 as the matter is in dispute and is pending before the Excise Authorities.
- 11) No provision has been made for Sales Tax claim for Rs.9.61 Lakhs for the year 1991-92 and 1992-93 as the matter is in dispute and pending before Allahabad High Court against which stay-order has been obtained. The company is legally advised that the claim on the above matter may not be payable.
- 12) Legal and Professional Charges include Rs.8.60 Lakhs (Previous Year Rs.2.14 Lakhs) paid to some of the Partners of the Auditors for other services.
- 13) The Company has given corporate guarantees on behalf of its associated company viz. Garware Chemicals Ltd. (GCL) for repayment of term loans, interest and other charges thereon to:-
- (A) IDBI for Rs.20,551.15 Lakhs
 - (B) Mizuho Corporate Bank Limited (formerly 'The Fuji Bank Limited') for Rs.3,275.12 Lakhs (being 70% of the total loan amount of Rs.4,678.74 Lakhs).

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.


SCHEDULE -12 (Contd.)

14) Break up of Interest on Borrowings is as under:

	2002-03 Rs. in Lakhs	2001-02 Rs. in Lakhs
On Secured Loans	1,417.30	1,387.55
On Debentures	1,452.81	1,510.88
Others	1,806.71	2,296.79
Total	4,676.82	5,195.22

15) Export Benefits / Incentives are accounted on accrual basis. Accordingly, estimated benefit under DEPB scheme aggregating to Rs.1,970.90 Lakhs (Previous Year Rs.1,388.06 Lakhs) against export effected during the year has been credited to DEPB Entitlement Earned account..

 16) During the previous year, the members of the Company at the Extra-ordinary General Meeting held on 30th August, 2002 approved, and the High Court of Judicature at Mumbai vide its order passed on 17th October, 2002, confirmed in accordance with the provisions of section 78 read with section 100 of the Companies Act, 1956, the utilization of share premium account for adjustment of the loss as a part of financial restructuring arrived at after adjustment of debit balance in Profit and Loss Account arising from valuation of Fixed Assets, Investments, Current Assets and Loans and Advances and Liabilities in the Balance Sheet as at 31st March, 2002 at their fair value

17) 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.

(Rs.in Lakhs)

	2002-03			2001-02		
	Domestic Operations	International Operations	Total	Domestic Operations	International Operations	Total
Sales including DEPB	26,937	19,093	46,030	23,335	14,432	37,767
Amount of Segment Assets by location of Assets	26,950	4	26,954	28,506	2	28,508

18) Related Party Disclosures:

a) List of Related Parties:

Associate Company : Garware Enterprises Limited and Garware Chemicals Limited.

 Key Management Personnel: 1) Shri S. B. Garware
 2) Ms. Sarita Garware
 3) Miss Sonia S. Garware

b) Transactions with Related Parties:

	2002-03 Rs. in Lakhs	2001-02 Rs. in Lakhs
i] Sale of Goods: Associate Company	2,455.10	973.59
ii] Purchase of Materials and Capital Equipments: Associate Company	12,426.19	9,173.84
iii] Services Received: Associate Company	26.45	74.18
iv] Services Rendered: Associate Company	2,011.15	1,014.85
v] Key Management Personnel & Relatives Managerial Remuneration refer Schedule 11A		

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SCHEDULE -12 (Contd.)

19) Earning Per Share:

	2002-03 Rs. in Lakhs	2001-02 Rs. in Lakhs
Profit for the year	2,371.79	322.29
Add: Prior period items	0.00	614.81
Less: Income-tax of prior period (net)	0.10	37.16
Less: Adjustment on account of consolidation	—	46.58
Less: Deferred Tax	286.93	0.00
Less: Current Income Tax	131.37	0.00
Less: Wealth Tax	3.20	4.05
Profit attributable to equity shareholders	1,950.19	849.31
No. of Equity Shares of Rs.10 each	21841364	21841364
Earning per share (Rupees)	8.93	3.89

20) Deferred Tax :

- a) Deferred Tax Liabilities of Rs.286.93 Lakhs is provided for, during the current year, as per the requirement of Accounting Standard 22 "Accounting for Taxes on Income".
- b) Major components of deferred tax arising as at 31st March, 2003 are given here below:

Deferred Tax Assets:	Rs. in Lakhs
Disallowance u/s 43B of the Income Tax Act, 1961	3,689.00
Unabsorbed Business Losses & Depreciation	7,134.07
Others	278.00
	11,101.07
Less: Deferred Tax Liabilities:	(i)
Excess of Net Block over WDV as per the provisions of the Income Tax Act, 1961	(ii)
	8,407.00
Deferred Tax Assets (Net)	(i)-(ii)
	2,694.07

- 21) 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.

22) In respect of Parent Company:

- a) Sundry Creditors in Schedule 7 to the accounts include Rs.127.01 Lakhs (Previous Year Rs.245.09 Lakhs) payable to small scale industrial undertakings and Rs.1,599.09 Lakhs (Previous Year Rs.1,309.77 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 31st March, 2003 are as under:

M/s. A.K. Packaging Industries, M/s.Mansi Paper Products Pvt.Ltd., M/s.Abhishek Enterprises, M/s.Marathwada Packaging Pvt.Ltd., M/s.Able Moulders, M/s.Micron Gauges, M/s.Ajay Packaging, M/s.Milar Plastic Industries, M/s.Alankar Engineering Co., M/s.Modern Precision Industries, M/s.Apul Hi-Tech, M/s.Mona Rasayan Inds Pvt.Ltd., M/s.Chembond Chemicals Ltd., M/s.Nishant Seals, M/s.Commonwealth Electrical Industries, M/s.Novel Packaging Industries, M/s.Dear Auto Comps Pvt.Ltd., M/s.P.C. Wood Industries, M/s.Deep Enterprises, M/s.Patidar Wooden Works, M/s.Devi Engineering, M/s.Perfect (Nasik)Engg.Serv.Pvt.Ltd., M/s.Diamond Chemicals, M/s.Pioneer Packagings, M/s.Dilip Gloves Works, M/s.Poonam Industries, M/s.Dinamic Industries, M/s.R.D. Engineering, M/s.Disha Industries, M/s.S.S. Controls, M/s.Electromates, M/s.S.S. Supplier Aurangabad, M/s.Ellora Gases, M/s.Smitship Plastic Inds.Pvt.Ltd., M/s.Flu-Tef Corporation, M/s.Sumeru Packaging (P) Ltd., M/s.G.B. Enterprises, M/s.Super Ammonia Pvt.Ltd., M/s.GMP Systech Engg. Pvt.Ltd., M/s.Suresh Polymers Pvt.Ltd., M/s.Holkar Industries, M/s.Swaraj Engineering, M/s.Jain Chemicals & Gases Pvt.Ltd., M/s.Tulja Engineering, M/s. Jain Plastics, M/s.Venkatash Industries, M/s.Jaina Sons, M/s.Zambad IndustrialGases (P) Ltd., M/s.MKR Engineering.

- 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, if any, does not arise.

- 23) 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, 2003

		Year ended 31.03.2003 (Rs. in Lakhs)
A. Cash flow from operating activities:		
Net Profit/(Loss) before tax and extraordinary items	A	2,371.69
Add: Depreciation		3,309.36
Interest expenses – gross		4,676.82
Income Tax Prior period (Net)		0.10
Sub total	B	<u>7,986.08</u>
Sub total A+B		<u>10,357.77</u>
Less: Interest income		23.85
Profit on sale of fixed assets (Net)		4.22
Dividend received/Income from Investment		10.54
Sundry balances Written Back (Net)		42.72
Rent		<u>3.00</u>
Sub total		<u>84.33</u>
Operating profit before working capital changes		<u>10,273.44</u>
Adjustments for:		
(Increase)/Decrease in trade/other receivable (Net)		(1,749.35)
(Increase)/Decrease in inventories		(1,529.38)
Increase/(Decrease) in trade/other payables		(681.69)
Cash generated from operations		<u>6,313.02</u>
Interest paid		(5,810.52)
Direct taxes refund/(paid)(Net)		(134.67)
Net cash inflow/(outflow) from operations		<u>367.83</u>
B. Cash flow from investing activities :		
Purchase of fixed assets		(1,030.80)
Sale of Investments		7.00
Sale of fixed assets		9.58
Interest received		11.34
Dividend received/Income from Investment		10.54
Rent		3.00
Net cash inflow/(outflow) from investing activities		<u>(989.34)</u>
C. Cash flow from financing activities :		
Repayment of borrowings – secured		(1,584.04)
Proceeds/(repayments) of borrowings – unsecured		(116.63)
Net cash inflow/(outflow) from financing activities		<u>(1,700.67)</u>
Net increase/(decrease) in cash and cash equivalents		<u>(2,322.18)</u>
Cash and cash equivalents as at opening		
Cash and bank balances		636.13
Cash credit accounts		<u>(7,898.98)</u>
Total I		<u>(7,262.85)</u>
Cash and cash equivalents as at closing		
Cash and bank balances		763.46
Cash credit accounts		<u>(10,348.49)</u>
Total II		<u>(9,585.03)</u>
Total II – I		<u>(2,322.18)</u>

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, 12th June, 2003

Mumbai, 12th June, 2003

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DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2002

The directors present their report and financial statements for the year ended 31 December 2002.

Principal activities and review of the business

The principal activity of the Group continued to be that of distribution of industrial ployester 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 3.

The Directors do not recommend payment of a dividend.

Directors

The following directors have held office since 1 January 2002:

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 2002	1 January 2002
Mr. A B Bhagani	—	—
Mr. S Garware	—	—
Ms. S Garware	—	—

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.

2

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the group and the company 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

5th June, 2003

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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 3 to 15 for the year ended 31 December 2002. 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 1 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 statement 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 director in the preparation of the financial statement, 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 statement.

Opinion

In our opinion the financial statement give a true and fair view of the state of the group and the company's affairs as at 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

MCT Partnership

6th June, 2003

Chartered Accountants
Registered Auditors

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

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GROUP PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2002

Notes	2002 £	2001 £	
Turnover	2	4,969,153	5,696,707
Cost of sales		(4,281,765)	(5,420,023)
Gross Profit		687,388	276,684
Distribution costs		(54,177)	(19,685)
Administrative expenses		(603,411)	(965,713)
Other operating income		438,995	—
Operating profit/(loss)	3	468,795	(708,714)
Other interest receivable and similar income		2,203	11,550
Interest payable and similar charges	4	—	(914)
Profit/(loss) on ordinary activities before taxation		470,998	(698,078)
Tax on profit/(loss) on ordinary activities	5	3,967	(3,967)
Profit/(loss) on ordinary activities after taxation	12	474,965	(702,045)

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 2002

	2002 £	2001 £
Profit/(Loss) for the financial year	474,965	(702,045)
Currency translation differences on foreign currency net investments	20,500	10,028
Total recognised gains and losses relating to the year	495,465	(692,017)

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GROUP BALANCE SHEET AS AT 31 DECEMBER, 2002

Notes	2002 £	2001 £	
Fixed assets			
Tangible assets	6	5,505	14,125
Current assets			
Stocks	8	790,719	991,499
Debtors	9	387,845	344,041
Cash at bank and in hand		259,011	256,620
		1,437,575	1,592,160
Creditors : amounts falling due within one year	10	(1,264,228)	(1,922,898)
Net current assets/(liabilities)		173,347	(330,738)
Total assets less current liabilities		178,852	(316,613)
Capital and reserves			
Called up share capital	11	250,000	250,000
Other reserves	12	20,500	10,028
Profit and loss account	12	(91,648)	(576,641)
Shareholders' funds - equity interests	14	178,852	(316,613)

The financial statements were approved by the Board on 5th June, 2003.

Mr A B Bhagani
Director

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COMPANY BALANCE SHEET AS AT 31 DECEMBER 2002

Notes	2002 £	2001 £	
Fixed assets			
Tangible assets	6	5,505	14,125
Investment	7	62,046	62,046
		67,551	76,171
Current assets			
Stocks	8	244,086	166,704
Debtors	9	72,017	40,847
Cash at bank and in hand		146,606	155,992
		462,709	363,543
Creditors : amounts falling due within one year	10	(342,786)	(223,075)
Net current assets/(liabilities)		119,923	140,468
Total assets less current liabilities		187,474	216,639
Capital and reserves			
Called up share capital	11	250,000	250,000
Profit and loss account	12	(62,526)	(33,361)
Shareholders' funds - equity interest	14	187,474	216,639

The financial statements were approved by the Board on 5th June, 2003.

Mr A B Bhagani
Director

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GROUP CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2002

	2002 £	2001 £
Net cash outflow from operating activities	(139,532)	(261,349)
Returns on investments and servicing of finance		
Interest received	2,203	11,550
Interest paid	—	(914)
Net cash inflow for returns on investments and servicing of finance	2,203	10,636
Taxation	—	(3,967)
Capital expenditure		
Payments to acquire tangible assets	(3,668)	(11,707)
Net cash outflow for capital expenditure	(3,668)	(11,707)
Net cash outflow before management of liquid resources and financing	(140,997)	(266,387)
Decrease in cash in the year	(140,997)	(266,387)

GARWARE POLYESTER INTERNATIONAL LIMITED

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NOTES TO THE GROUP CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2002**1 Reconciliation of operating profit/(loss) to net cash outflow from operating activities**

	2002	2001
	£	£
Operating profit/(loss)	468,795	(708,714)
Depreciation of tangible assets	1,834	5,795
Loss on disposal of tangible assets	10,454	—
Decrease/(Increase) in stocks	200,780	(274,995)
(Increase)/decrease in debtors	(39,837)	283,038
(Decrease)/Increase in creditors		
within one year	(802,058)	423,537
Net effect of foreign exchange differences	20,500	9,990
Net cash inflow/(outflow) from operating activities	(139,532)	(261,349)

2 Analysis of net funds

	1 January 2002	Cash flow	Other non-cash changes	31 December 2002
	£	£	£	£
Net cash:				
Cash at bank and in hand	256,620	2,391	—	259,011
Bank overdrafts	(1,098)	(143,388)	—	(144,486)
Net funds	255,522	(140,997)	—	114,525

3 Reconciliation of net cash flow to movement in net funds

	2002	2001
	£	£
Decrease in cash in the year	(140,997)	(266,387)
Movement in net funds in the year	(140,997)	(266,387)
Opening net funds	255,522	521,909
Closing net funds	114,525	255,522

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002**1. Accounting policies****1.1 Accounting convention**

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

1.2 Basis of consolidation

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

1.3 Turnover

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

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost 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

1.5 Leasing

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

1.6 Stock

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

1.7 Deferred taxation

The accounting policy in respect of deferred tax has been changed to reflect the requirements of FRS19: Deferred tax. Deferred tax is provided in full in respect of taxation deferred by timing differences

between the treatment of certain items for taxation and accounting purposes.

The above amounts to a change in accounting policy. The previous policy was to provide deferred tax only to the extent that it was probable that liabilities would crystallise in the foreseeable future.

The directors have considered the effect of deferred tax.

The deferred tax arising from timing differences is not material in either this or the previous period, therefore no provision has been made.

1.8 Foreign currency translation

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

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2 Turnover

	2002	2001
	£	£
Class of business		
Foreign sales	4,445,309	5,172,668
UK sales	523,844	524,039
	4,969,153	5,696,707

3 Operating profit/(loss)

	2002	2001
	£	£
Operating profit/(loss) is stated after charging:		
Depreciation of tangible assets	1,834	5,795
Operating lease rentals - other	32,885	19,966
Auditors' remuneration	3,750	3,500

4 Interest payable

	2002	2001
	£	£
Other interest	—	914

5 Taxation

Adjustment for prior years	(3,967)	3,967
Current tax charge	(3,967)	3,967

On the basis of these financial statements, no provision for taxation has been made.

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6 Tangible fixed assets

Group	Plant and Machinery	Fixtures, Fittings and Equipment	Total
	£	£	£
Cost			
At 1 January 2002	2,730	34,912	37,642
Exchange differences	—	(885)	(885)
Additions	97	3,571	3,668
Disposals	—	(19,630)	(19,630)
At 31 December 2002	2,827	17,968	20,795
Depreciation			
At 1 January 2002	683	22,834	23,517
Exchange differences	—	(885)	(885)
On disposals	—	(9,176)	(9,176)
Charge for the year	536	1,298	1,834
At 31 December 2002	1,219	14,071	15,290
Net book value			
At 31 December 2002	1,608	3,897	5,505
At 31 December 2001	2,047	12,078	14,125

GARWARE POLYESTER INTERNATIONAL LIMITED

Company	Plant and machinery £	Fixtures, Fittings and Equipment £	Total £
Cost			
At 1 January 2002	2,730	25,222	27,952
Additions	97	3,571	3,668
Disposals	—	(19,630)	(19,630)
At 31 December 2002	<u>2,827</u>	<u>9,163</u>	<u>11,990</u>
Depreciation			
At 1 January 2002	683	13,144	13,827
On disposals	—	(9,176)	(9,176)
Charge for the year	536	1,298	1,834
At 31 December 2002	<u>1,219</u>	<u>5,266</u>	<u>6,485</u>
Net book value			
At 31 December 2002	1,608	3,897	5,505
At 31 December 2001	2,047	12,078	14,125

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Fixed asset investments	Shares in subsidiary undertakings £
Cost	
At 1 January 2002 and 31 December 2002	62,046

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	Class	Shares held	%
Subsidiary undertakings				
Global PET Films, Inc.	USA	Common stock	100	

3 Stocks

	Group		Company	
	2002 £	2001 £	2002 £	2001 £
Finished goods and goods for resale	790,719	991,499	244,086	166,704

1 Debtors

	Group		Company	
	2002 £	2001 £	2002 £	2001 £
Trade debtors	351,588	341,685	60,395	37,930
Corporation tax	3,967	—	3,967	—
Other debtors	652	—	—	561
Prepayments and accrued income	31,638	2,356	7,655	2,356
	<u>387,845</u>	<u>344,041</u>	<u>72,017</u>	<u>40,847</u>

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10 Creditors : amounts falling due within one year

	Group		Company	
	2002 £	2001 £	2002 £	2001 £
Bank overdraft	144,486	1,098	78,994	1,098
Trade creditors	840,294	1,660,347	13,447	3,913
Amount owed to parent undertaking	222,432	204,623	216,695	211,271
Amount owed to subsidiary undertakings	—	—	10,792	—
Tax and social security costs	44,854	33,207	15,441	—
Other creditors	92	—	92	—
Accruals and deferred income	12,070	23,623	7,325	6,793
	<u>1,264,228</u>	<u>1,922,898</u>	<u>342,786</u>	<u>223,075</u>

11 Share capital

	2002 £	2001 £
Authorised		
1,000,000 ordinary shares of £1 each	1,000,000	1,000,000
Allotted, called up and fully paid		
250,000 ordinary shares of £1 each	250,000	250,000

12 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 2002	—	(566,613)	(33,361)
Retained profit/(loss) for the year	—	4,74,965	(29,165)
Foreign Currency transaction difference	20,500	—	—
Balance at 31 December 2002	<u>20,500</u>	<u>(91,648)</u>	<u>(62,526)</u>

13 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 loss for the financial year amounted to £29,165 (2001 – Loss £154,520).

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14 Reconciliation of movements in shareholders' funds

	Group		Company	
	2002 £	2001 £	2002 £	2001 £
Profit/(Loss) for the financial year	474,965	(702,045)	(29,165)	(154,520)
Other recognised gains and losses	20,500	10,028	—	—
Net addition to/(depletion in) shareholders' funds	495,465	(692,017)	(29,165)	(154,520)
Opening shareholders' funds	(316,613)	375,404	216,639	371,159
Closing shareholders' funds	<u>178,852</u>	<u>(316,613)</u>	<u>187,474</u>	<u>216,639</u>

GARWARE POLYESTER INTERNATIONAL LIMITED

15 Financial commitments

As 31 December 2002 the group and the company had annual commitments under non-cancellable operating leases as follows:

	Group		Company	
	Land and buildings 2002	2001	Land and buildings 2002	2001
	£	£	£	£
Expiry date:				
Between two and five years	14,300	—	14,300	—
In over five years	—	14,300	—	14,300
	<u>14,300</u>	<u>14,300</u>	<u>14,300</u>	<u>14,300</u>

16**16 Employees****Number of employees**

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

	Group		Company	
	2002 Number	2001 Number	2002 Number	2001 Number
Administration and management	7	7	5	5
Distribution	2	2	1	1
	<u>9</u>	<u>9</u>	<u>6</u>	<u>6</u>

Employment costs

	£	£	£	£
Wages and salaries	194,698	187,815	136,847	123,086
Social security costs	9,934	8,986	9,934	8,986
	<u>204,632</u>	<u>196,801</u>	<u>146,781</u>	<u>132,072</u>

17 Ultimate parent company and control

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

18 Related party transactions

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

Related Party	Relationship	2002 £	2001 £
Garware Polyester Limited	Parent company	222,432	204,623

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, 2002 and 2001, 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 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 statement referred to above present fairly, in all material respects, the financial position of Global Pet Films, Inc. as of December 31, 2002 and 2001, 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 2, 2003

BALANCE SHEET DECEMBER 31, 2002 AND 2001

Assets		As of	As of
	Dec. 31, 2002	Dec. 31, 2002	Dec. 31, 2001
	\$	\$	\$
Current Assets			
Cash in Bank – First American	176,912		22,912
Cash in Bank – Citibank – GPF	(77,197)		59,338
Cash in Bank – South Trust Bank	106		28,321
Cash in Bank – Citibank – Sun Control	609		10,140
Cash in Bank – Citibank – Sun Control	(27,695)		171
Cash in Bank – First Am Maxrate	2,400		25,572
Accounts Receivable – GPF	457,456		511,931
Accounts Receivable – Miami Location	8,920		0
Accounts Receivable – Sun Control WD	2,721		44,318
Allowance for Doubtful Accts.	0		(114,165)
Inventory – GPF	421,540		852,866
Inventory – Sun Control	364,495		347,541
Inventory – Miami Location	89,453		0
Prepaid Expenses	38,411		0
Loans Receivables	—		18,863
Total Current Assets	<u>1,458,131</u>		<u>1,807,808</u>
Fixed Assets			
Office Equipment	14,102		14,102
Accumulated Depreciation	(14,102)		(14,102)
Other Assets			
Organization Cost	7,373		7,373
Rent Deposit – Miami Office	1,044		0
Accum. Amortization – Organi. Cost	(7,373)		(5,922)
Total Other Assets	<u>1,044</u>		<u>1,451</u>
Total Assets	<u>1,459,175</u>		<u>1,809,259</u>
Liabilities & Equity			
	As of	As of	
	Dec. 31, 2002	Dec. 31, 2001	
	\$	\$	
Current Assets			
Accounts Payable - Trade GPF	768,803		1,961,545
Accounts Payable - Trade Miami	76,211		0
Accounts Payable - Trade Sun Control	479,264		394,395
Accounts Payable - GPIL	0		9,188
Commission Payable - Intermax	0		54,834
Custom Duties Payable	45,677		45,677
Payroll Tax Payable	1,050		2,714
State Withholding Payable	379		754
Accrued Expenses	7,600		24,494
Total Current Liabilities	<u>1,378,984</u>		<u>2,493,601</u>
Long Term Liabilities			
Equity			
Common Stock	100,000		100,000
Retained Earnings	(784,342)		1,714
Current Income (Loss)	764,533		(786,056)
Total Equity	<u>80,191</u>		<u>(684,342)</u>
Total Liabilities & Equity	<u>1,459,175</u>		<u>1,809,259</u>

GLOBAL PET FILMS, INC.

INCOME STATEMENT FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

	12 Months Ended Dec. 31, 2002 \$	12 Months Ended Dec. 31, 2001 \$
Revenue		
Sales	6,136,372	7,093,813
Commission Income	576,762	0
Customs GSP Refund	19,887	0
Returns and Allowances	<u>(64,274)</u>	<u>(26,914)</u>
Total Revenue	<u>6,668,747</u>	<u>7,066,899</u>
Cost of Sales		
Purchases	3,846,968	6,324,855
Supplies	14,597	52,031
Custom Duties & Clearance Fee	796,285	364,464
Freight charges	219,838	190,680
Warehouse Rent	83,235	57,382
Inventory (Begin & End) Adjust	<u>324,919</u>	<u>(183,157)</u>
Total Cost of Sales	<u>5,285,842</u>	<u>6,806,255</u>
Gross Profit	<u>1,382,905</u>	<u>260,644</u>
Operating Expenses		
Accounting & Auditing fees	15,716	18,150
Amortization Org. Cost	1,451	1,486
Advertising expense	48,728	52,714
Auto and Truck Expense	4,251	7,768
Bad Debts	0	114,165
Bank Charges	1,446	1,730
Commissions - Service Center	171,914	73,145
Credit Card Fees	13,598	5,204
Consulting Fees	48,773	329,916
Depreciation	0	1,562
Dues and Subscriptions	329	340
Insurance expense	29,058	44,391
Legal expense	3,805	13,942
Licenses and Fees	270	313
Miscellaneous expense	0	2,115
Moving Expense- Sales Consultation	0	44,857
Office Expense	16,724	41,874
Postage	11,575	7,539
Rent - Office	8,691	7,288
Repairs and Maintenance	1,917	6,002
Salaries and Wages	80,982	84,714
Supplies	0	2,110
Taxes - Payroll	7,339	8,386
Telephone expense	41,506	32,488
Travel & Entertainment expense	110,098	147,226
Utilities	553	494
Total Expenses	<u>618,724</u>	<u>1,049,919</u>
Operating Income	<u>764,181</u>	<u>(789,275)</u>
Interest Income	<u>352</u>	<u>3,219</u>
Total Other Income	<u>352</u>	<u>3,219</u>
Net Income (Loss)	<u><u>764,533</u></u>	<u><u>(786,056)</u></u>

STATEMENT OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001 INCREASE/(DECREASE) IN CASH OR CASH EQUIVALENTS

	12 Months Ended Dec. 31, 2002 \$	12 Months Ended Dec. 31, 2001 \$
Cash Flow from Operating Activities		
Net Income (Loss)	764,533	(786,056)
Adjustments to Reconcile Cash Flow		
Depreciation	0	1,561
Decrease (Increase) in Currents Assets		
Accounts Receivable - Trade	54,475	291,336
Accounts Receivable - Sun Control	41,597	(44,319)
Accounts Receivable - Miami	(8,920)	-
Allowance for Doubtful Accts.	(114,165)	63,393
Inventory - GPF	431,326	164,383
Inventory - Sun Control	(16,954)	(347,541)
Inventory - Miami	(89,453)	-
Loans Receivables - GPL	18,863	(18,863)
Rent Deposit - Miami Office	(1,044)	-
Prepaid expenses	(38,411)	-
Increase (Decrease) in Current Liabilities		
Accounts Payable - Trade - GPF	(1,192,742)	84,849
Accounts Payable - Trade - Sun Control	84,869	394,395
Accounts Payable - Miami	76,211	-
Accounts Payable - GPL	(9,188)	0
Customs Duty Payable	-	45,677
Payroll Taxes Payable	(1,664)	664
State Withholding Payable	(375)	755
State Corp. Income Tax Payable	-	(79)
Federal Corp. Income Tax Payable	-	(302)
Commission Payable - Intermax	(54,834)	0
Accrued Expenses	(16,894)	(14,994)
Total Adjustments	<u>(837,302)</u>	<u>620,915</u>
Cash Provided (Used) by Operations	<u>(72,769)</u>	<u>(165,141)</u>
Cash Flow from Investing Activities		
Sales (Purchases) of Assets		
Accumulated Amortization	1,451	1,486
Cash Provided (Used) by Investing	<u>1,451</u>	<u>1,486</u>
Cash Flow From Financing Activities		
Cash (Used) or provided by:		
Net Increase (Decrease) in Cash	(71,319)	(163,655)
Cash at Beginning of Period	<u>146,454</u>	<u>310,109</u>
Cash at End of Period	<u><u>75,135</u></u>	<u><u>146,454</u></u>

See Accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS**(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 has discontinued its Service Centre for its Window Film Business at Atlanta, Georgia effective October 2002.

(2) Significant Accounting Policies:

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

Cash and Cash equivalents

Cash and cash equivalents include money market instruments

Inventories

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

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

Revenue Recognition

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

Purchases

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual result 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 Bhaḡani in consideration of \$1.

(4) Accounts Receivable

The accounts receivable balance (Gross) as of December 31, 2002 was \$469,097. The Company has collected majority of its receivables from January 1, 2003 through March 31, 2003. The Company carries Receivables Insurance on its accounts receivable.

(5) Accounts Payable

The Accounts payable balance of \$1,324,278 as of December 31, 2002 represents balance owed to Garware Polyester Ltd., India, for trade purchases.

Garware
Polyester Limited



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

FORTY-SIXTH 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 **46th Annual General Meeting** of the Company held at the Registered Office of the Company at Naigaon, Post Waluj, Aurangabad 431 133 on Monday, the 29th September, 2003 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

Garware
Polyester Limited



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

I/We
of in the district of being a member/members of
Garware Polyester Limited hereby appoint
of in the district of or failing him
..... of in the district of 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 **46th Annual General Meeting** of the Company to be held on Monday, the 29th September, 2003 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 2003.

Signature

Affix
Revenue
Stamp of
30 Paise

PROXY NO.

REGD. FOLIO

NO. OF SHARES

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