



Garware

Polyester Limited

Annual Report 2001-2002

BOARD OF DIRECTORS	: S.B. GARWARE	<i>Chairman & Managing Director</i>
	S.S. GARWARE (Mrs.)	
	R. P. CHHABRA	
	V.M. KETKAR	<i>Nominee of ICICI</i>
	G.M. YADWADKAR	<i>Nominee of IDBI</i>
	M. GARWARE MODI (Mrs.)	<i>Vice Chairperson</i>
	SARITA S. GARWARE (Miss)	<i>Jt. Managing Director</i>
	SONIA S. GARWARE (Miss)	<i>Jt. Managing Director</i>
	A. B. BHALERAO	<i>Director-Technical</i>
	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	

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NOTICE

NOTICE IS HEREBY GIVEN THAT the Forty-fifth 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 30th December, 2002 at 11.00 a.m. to transact the following business:

Ordinary Business:

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2002 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 Mr. A.B. Bhalerao, who retires by rotation and, being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. B.Moradian, 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 appoint Miss Sonia S. Garware as a Director of the Company.
6. To consider and if thought fit, to pass with or without modification(s), as a Special Resolution, the following:-

“RESOLVED THAT subject 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 the approval of Central Government and such other approvals as may be required, consent of the Company be and it is hereby accorded to the re-appointment of Mr. S. B. Garware as Managing Director of the Company for a further period of five years with effect from 1st July, 2002, and that the draft Agreement between the Company and Mr. S. B. Garware, setting out the terms and conditions including remuneration 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.”

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

“RESOLVED THAT subject 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 the approval of Central Government and such other approvals as may be required, consent of the Company be and it is hereby accorded to the appointment of Miss Sarita S. Garware as Joint Managing Director of the Company for a term of five years with effect from 1st July, 2002 and that the draft Agreement between the Company and Miss Sarita S. Garware, setting out the terms and conditions including remuneration 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.”

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

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

"RESOLVED THAT subject 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 the approval of Central Government and such other approvals as may be required, consent of the Company be and it is hereby accorded to the appointment of Miss Sonia S. Garware as Joint Managing Director of the Company for a term of five years with effect from 1st July, 2002 and that the draft agreement between the Company and Miss Sonia S. Garware, setting out the terms and conditions including remuneration 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.

RESOLVED FURTHER THAT in the event of loss or inadequacy of profits in any financial year of the Company during the term of office as Joint Managing Director of Miss Sonia S. Garware, the remuneration and perquisites set out in aforesaid draft Agreement be paid to Miss Sonia S. Garware as remuneration provided that the total remuneration by way of salary, perquisites and other allowances shall not exceed the ceiling provided in Schedule XIII to the Companies Act, 1956 as amended from time to time."

By Order of the Board of Directors

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

Mumbai, 27th November, 2002

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 to 8 of the Notice is annexed hereto.
4. Members desiring any information on the business to be transacted at the Meeting are requested to write to the Company at least 10 days in advance to enable the Management to keep the information, as far as possible, ready at the Meeting.
5. The Register of Members and Share Transfer Books of the Company will remain closed from Tuesday, the 24th December, 2002 to Monday, the 30th December, 2002 (both days inclusive).
6. Members are requested to notify immediately any change in their addresses directly to their Depository Participant in case they hold shares in dematerialised form or to the Company's Registrars & Transfer Agents, in case they hold shares in physical form.

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7. Pursuant to the provisions of Section 205A of the Companies Act, 1956 all dividends remaining unpaid/unclaimed upto the financial year 1993-94 have been transferred to the General Revenue Account of the Central Government. Members who have not encashed dividend warrants pertaining to the said period may submit their claims for dividend to the Registrar of Companies, Maharashtra, at Mumbai.

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. Members are requested to claim from the Company their Unclaimed Dividends, if any, in respect of financial years ended 31st December, 1995 and 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.

8. Investors are requested to contact the Company's Registrar & Transfer Agents at any of their addresses given below to take care of all their needs:

INTIME SPECTRUM REGISTRY PRIVATE LIMITED**Unit : Garware Polyester Limited****Office :**

260, Shanti Industrial Estate,
Sarojini Naidu Road,
Mulund (West),
Mumbai - 400 080.
Tel : 2592 3837/2592 3857
Fax : 2567 2693
Email : isrl@vsnl.com

Corporate Office :

201, Daver House,
2nd Floor,
Next to Central Camera,
197/199, D.N. Road,
Fort, Mumbai - 400 001.
Tel : 2261 6858/3909, 2265 6929
Fax : 2261 0721

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

Miss Sonia S. Garware was appointed as an Additional Director on the Board of the Company with effect from 21st June, 2002 under Article 121 of the Articles of the Association of the Company and under Section 260 of the Companies Act, 1956. Miss Sonia S. Garware holds office as an Additional Director upto the date of the ensuing Annual General Meeting of the Company. Notices in writing have been received from some of the Members of the Company under Section 257 of the Companies Act, 1956 signifying their intention to propose Miss Sonia S. Garware as the candidate to the office of the Director of the Company.

Miss Sonia S. Garware is an M.B.A. with triple major in Finance, Marketing & Strategy from Boston College, U.S.A. She has been associated with the Company for the last five years and is the head of the Consumer Products Division (Sun Control, OHP, etc.). Under her stewardship, the performance of Sun Control film division has improved substantially. Miss Sonia S. Garware was instrumental in branding Sun Control film in U.S.A.

It would be in the interest of the Company to continue to avail of her valuable experience and guidance. The Board recommends her appointment as Director of the Company.

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

Item No. 6

At the Annual General Meeting held on 29th June, 1998, Mr. S. B. Garware was re-appointed as Managing Director of the Company by Members for a period of five years with effect from 1st July, 1998. The Central Government has recently amended Schedule XIII to the Companies Act, 1956 and issued revised guidelines on managerial remuneration. On account of continuous expansion and diversification in the activities of the Company, the duties and responsibilities of Mr. S. B. Garware, Chairman & Managing Director of the Company, have substantially increased.

The Remuneration Committee of the Company's Board of Directors reviewed the remuneration package of Mr.S.B.Garware, with a view to align such package with the practices prevailing in the corporate world and came to a conclusion that a revision was called for. After taking appropriate professional advice, the Remuneration Committee decided to revise the remuneration payable to Mr. Garware. In view of such revision, his existing appointment, expiring in June 2003, was mutually terminated and he was re-appointed for a fresh term of five years with effect from 1st July, 2002 on the terms set out in the draft Agreement.

The Board of Directors has, at its meeting held on 21st June, 2002, approved the revised terms of remuneration payable to Mr. S. B. Garware, so as to be commensurate with his duties and responsibilities, subject to necessary approvals.

The draft Agreement between the Company and Mr. S. B. Garware contains, *inter alia*, the following terms and conditions: -

- | | | |
|-----------------------|----|--|
| a) SALARY | : | Rs.3,00,000/- per month in the scale of :
Rs.3,00,000 – 1,00,000 – 5,00,000. |
| b) COMMISSION | : | Mr. S. B. Garware will be paid commission, equivalent to the annual salary, in addition to salary and perquisites, based on net profits of the Company in a particular year in accordance with the provisions of Sections 198 and 309 of the Companies Act, 1956. |
| c) PERQUISITES | : | Mr. S. B. Garware will be entitled to housing accommodation, gas, electricity, water and furnishings and other perquisites such as reimbursement of medical expenses incurred for self and family, leave travel concession for self and family once in a year, club fees, personal accident insurance, provision of a car with driver, telephone at residence, etc. The monetary value of the perquisites will be calculated in accordance with the Income Tax Rules. The aggregate value of the above perquisites shall be restricted to a maximum of 35% of salary.
Mr. S.B. Garware shall also be entitled to the following perquisites which shall not be included in the computation of the ceiling on remuneration: - |
| | i) | Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent these, either singly or put together, are not taxable under the Income Tax Act, 1961. |

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- ii) Gratuity payable at the rate not exceeding half a month's salary for each completed year of service.
- iii) Encashment of leave at the end of his tenure.
- d) Mr. S. B. Garware will be entitled to leave on full remuneration as per the rules of the Company but not exceeding one month's leave for every 11 months of service.
- e) Mr. S. B. Garware will also be entitled to reimbursement of entertainment expenses actually incurred by him in the course of business of the Company.
- f) Mr. S. B. Garware will also be entitled to receive from the Company travelling, hotel and other expenses incurred by him in performance of his duties on behalf of the Company.
- g) Mr. S. B. Garware will not, so long as he functions as such, become interested or otherwise concerned directly in any selling agency of the Company in future without the prior approval of the Central Government.

The remuneration payable to Mr. S.B. Garware as Managing Director has been approved by the Remuneration Committee of the Board of Directors at its meeting held on 21st June, 2002.

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

In terms of Notification dated 16th January, 2002 issued by Department of Company Affairs, the Company has submitted an application to the Central Government seeking its approval for payment of remuneration to the above appointee and its approval is awaited.

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

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

Your Directors recommend this resolution.

Item No. 7

Miss Sarita S. Garware has been associated with the Company as Director since 1993 and was a Whole-time Director of the Company from April, 1994 to March, 1997. She is an M.B.A. from European University in Switzerland with specialisation in Marketing. On account of continuous expansion and diversification in the activities of the Company, the duties and responsibilities of Mr. S. B. Garware have increased manifold over the years. In order to enable the Managing Director to concentrate on policy matters of the Company and implementation of new projects, it is considered advisable to appoint Miss Sarita S. Garware as Joint Managing Director to assist him in discharging his duties more effectively. The term of Miss Sarita S. Garware shall be for a period of five years with effect from 1st July, 2002 on the terms and conditions including remuneration as set out in the draft Agreement, subject to necessary approvals. The draft Agreement between the Company and Miss Sarita S. Garware, *inter alia*, contains the following terms and conditions: -

- a) **SALARY** : Rs. 2,25,000/- per month.
- b) **COMMISSION** : Miss Sarita S. Garware will be paid commission, equivalent to the annual salary, in addition to salary and perquisites, based

on the net profits of the Company in a particular year in accordance with the provisions of Sections 198 and 309 of the Companies Act, 1956.

c) PERQUISITES

: Miss Sarita S. Garware will be entitled to furnished housing accommodation, gas, electricity, water and furnishings and other perquisites such as reimbursement of medical expenses incurred for self and family, leave travel concession for self and family once in a year, club fees, personal accident insurance, provision of a car with driver, telephone at residence etc. The monetary value of the perquisites will be calculated in accordance with the Income Tax Rules. The aggregate value of the above perquisites shall be restricted to a maximum of 30% of salary.

Miss Sarita S. Garware shall also be entitled to the following perquisites which shall not be included in the computation of the ceiling on remuneration: -

- i) Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent these, either singly or put together, are not taxable under the Income Tax Act, 1961.
 - ii) Gratuity payable at the rate not exceeding half a month's salary for each completed year of service.
 - iii) Encashment of leave at the end of her tenure.
- d) Miss Sarita S. Garware will be entitled to leave on full remuneration as per the rules of the Company but not exceeding one month's leave for every 11 months of service.
- e) Miss Sarita S. Garware will also be entitled to reimbursement of entertainment expenses actually incurred by her in the course of business of the Company.
- f) Miss Sarita S. Garware will also be entitled to receive from the Company travelling, hotel and other expenses incurred by her in performance of her duties on behalf of the Company.
- g) Miss Sarita S. Garware will not, so long as she functions as such, become interested or otherwise concerned directly in any selling agency of the Company in future without the prior approval of the Central Government.

The remuneration payable to Miss Sarita S. Garware as Joint Managing Director has been approved by the Remuneration Committee of the Board of Directors at its meeting held on 21st June, 2002.

The draft Agreement referred to in the Resolution under Item No.7 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.

In terms of Notification dated 16th January, 2002 issued by Department of Company Affairs, the Company has submitted an application to the Central Government seeking its approval for payment of remuneration to the above appointee and its approval is awaited.

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

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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. 8

The Board of Directors of the Company at its Meeting held on 21st June, 2002 appointed Miss Sonia S. Garware as Joint Managing Director for a term of five years with effect from 1st July, 2002 on the terms and conditions including remuneration as set out in the draft Agreement, subject to necessary approvals. The draft Agreement between the Company and Miss Sonia S. Garware, *inter alia*, contains the following terms and conditions: -

- a) **SALARY** : Rs. 2,00,000/- per month.
- b) **COMMISSION** : Miss Sonia S. Garware will be paid commission, equivalent to the annual salary, in addition to salary and perquisites, based on the net profits of the Company in a particular year in accordance with the provisions of Sections 198 and 309 of the Companies Act, 1956.
- c) **PERQUISITES** : Miss Sonia S. Garware will be entitled to furnished housing accommodation, gas, electricity, water and furnishing and other perquisites such as reimbursement of medical expenses incurred for self and family, leave travel concessions for self and family once in a year, club fees, personal accident insurance, provision of a car with driver, telephone at residence etc. The monetary value of the perquisites will be calculated in accordance with the Income Tax Rules. The aggregate value of the above perquisites shall be restricted to a maximum of 30% of salary.

Miss Sonia S. Garware shall also be entitled to the following perquisites which shall not be included in the computation of the ceiling on remuneration: -

- i) Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent these, either singly or put together, are not taxable under the Income Tax Act, 1961.
 - ii) Gratuity payable at the rate not exceeding half a month's salary for each completed year of service.
 - iii) Encashment of leave at the end of her tenure.
- d) Miss Sonia S. Garware will be entitled to leave on full remuneration as per the rules of the Company but not exceeding one month's leave for every 11 months of service.
 - e) Miss Sonia S. Garware will also be entitled to reimbursement of entertainment expenses actually incurred by her in the course of business of the Company.
 - f) Miss Sonia S. Garware will also be entitled to receive from the Company travelling, hotel and other expenses incurred by her in performance of her duties on behalf of the Company.
 - g) Miss Sonia S. Garware will not, so long as she functions as such, become interested or otherwise concerned directly in any selling agency of the Company in future without the prior approval of the Central Government.

The remuneration payable to Miss Sonia S. Garware as Joint Managing Director has been approved by the Remuneration Committee of the Board of Directors at its meeting held on 21st June, 2002.

The draft Agreement referred to in the Resolution under Item No.8 of the Notice will be open for inspection by the Members at the Registered Office of the Company on any working day between 11.00 a.m. and 1.00 p.m.

In terms of Notification dated 16th January, 2002 issued by Department of Company Affairs, the Company has submitted an application to the Central Government seeking its approval for payment of remuneration to the above appointee and its approval is awaited.

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

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

Your Directors recommend this resolution.

General Information

- (1) The Company is presently engaged in the manufacture and sale of polyester films of various grades and thickness, which are used in a wide range of industries like packaging, textiles, telecommunications, magnetic media, automobiles and construction. The Company has also been exporting the polyester films to several countries in Europe, Far East and U.S.A.
- (2) **Financial performance of the Company for the last 3 years is as under: -**

(Rs. in Crores)

	1999 – 2000	2000 – 01	2001 – 02
Turnover	303.78	340.81	369.72
PBDIT	41.61	43.44	86.79
Interest	69.21	77.63	51.95
Depreciation	32.04	30.76	32.77
Prior Period Items	0.20	5.46	5.78
Taxation	0.05	0.05	0.04
Net Profit/(Loss)	(59.49)	(59.54)	7.81

(3) **Export Performance for the last 3 years**

1999-2000	–	Rs. 111.68 Crores
2000-2001	–	Rs. 133.77 Crores
2001-2002	–	Rs. 115.70 Crores

(4) **Foreign Investments or allotments:** N. A.

Additional Information about the Appointees

(a) **Mr. S. B. Garware**

Mr. S. B. Garware has been associated with the Company since 1951 after schooling in England. He has completed Senior Business Management Course at the University of Edinburgh and specialised in Sales Management, Market Research and Administration. In the early 70's, under his stewardship, the Company embarked upon a major programme of research and development and perfected technical know-how for manufacture of Polyester Film in India, which proved to be a valuable source of savings

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in foreign exchange of the Country. In recognition thereof, the Government of India gave the highest award, the Gold Shield for import substitution. In 1983, the Company first won 'Top Export Award' for polyester film and thereafter has won the award every year since 1983. The Company has also received ISO 9001 certification for all its plants. The Company has also developed, in-house, Sun Control film based on patented coating process which are used in automobiles and building-windows. The Company is the second company in the world to have technology for manufacture of Sun Control films (the other being Courtalds, USA).

With his academic qualifications, many years of accumulated experience, expertise and commitment, the Board thought that his monetary compensation should be substantial and commensurate.

On his appointment as Managing Director, it is proposed to pay the remuneration of Rs.3,00,000/- per month in the scale of Rs.3,00,000 – 1,00,000 – 5,00,000 plus perquisites.

The aforesaid remuneration has been approved by the Remuneration Committee of Directors at its Meeting held on 21st June, 2002.

Considering the size of the Company, nature of industry and the job profile, the proposed remuneration is in line with the trend in other companies in similar industry.

Mr. S. B. Garware is related to Mrs. S. S. Garware, Mrs. M. Garware Modi, Miss Sarita S. Garware and Miss Sonia S. Garware, Directors of the Company.

(b) Miss Sarita S. Garware

Miss Sarita S. Garware obtained her Bachelor's Degree in the year 1989 from Mount Holyoke College in U.S.A. and did M.B.A. with specialisation in Marketing from the European University, Switzerland. She became a Director in 1993 and presently is in charge of the marketing function.

On her appointment as Joint Managing Director, it is proposed to pay the remuneration of Rs.2,25,000/- per month plus perquisites.

The aforesaid remuneration has been approved by the Remuneration Committee of Directors at its Meeting held on 21st June, 2002.

Considering the size of the Company, nature of industry and the job profile, the proposed remuneration is in line with the trend in other companies in similar industry.

Miss Sarita S. Garware is related to Mr. S. B. Garware, Mrs. S. S. Garware, Mrs. M. Garware Modi and Miss Sonia S. Garware, Directors of the Company.

(c) Miss Sonia S. Garware

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 as Whole-time Director.

On her appointment as Joint Managing Director, it is proposed to pay the remuneration of Rs. 2,00,000/- per month plus perquisites.

The aforesaid remuneration has been approved by the Remuneration Committee of Directors at its Meeting held on 21st June, 2002.

Considering the size of the Company, nature of industry and the job profile, the proposed remuneration is in line with the trend in other companies in similar industry.

Miss Sonia S. Garware is related to Mr. S. B. Garware, Mrs. S. S. Garware, Mrs. M. Garware Modi and Miss Sarita S. Garware, Directors of the Company.

Other information:

The Company has incurred losses during previous 5 years mainly due to –

1. Excess capacity resulting in depressed prices.
2. Fall in the international prices of polyester film following the currency crisis in South East Asia.
3. Anti Dumping Duties resulting in fall of exports and greater price competition in the domestic market.

The remedial steps taken are : -

1. Various value added products have been introduced.
2. New export markets have been explored.
3. Various cost reduction measures have been undertaken.
4. Considerable improvement has been effected in operating performance on account of improvement in input ratios, plant efficiency and better product mix.
5. Restructuring of debt has been approved by Banks/Financial Institutions whereby the rate of interest has been reduced to 12.5% p.a. from an average of 17-18% p.a.

By Order of the Board of Directors

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

Mumbai, 27th November, 2002

Registered Office:
Naigaon, Post Waluj,
AURANGABAD 431 133

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

Name of Directors	Mr. A.B. Bhalerao	Mr. B. Moradian
Date of Birth & Age	15.05.1949 (53 years)	13.11.1950 (52 years)
Appointed on	30.09.1996	29.10.2001
Qualifications	B.E. (Mech.), F.I.E.	B.E.(Mech.) from VJTI, MMS from JBIMS.
Expertise in specific functional areas	<ul style="list-style-type: none"> - Production of Polyester film and allied products - Identification of new product lines - Product developments, R&D etc. - Chairman/Trustee of various Social/Educational Charitable Institutions and organisations. <p>(Total experience in Senior Management – 30 years)</p>	<ul style="list-style-type: none"> - Marketing - Productivity - H.R.D. <p>(Total experience – 28 years)</p>
Directorship held in other companies	<ul style="list-style-type: none"> - Garware Chemicals Limited; and Garware Enterprises Limited 	Garware Enterprises Limited.
Memberships/ Chairmanships of Committees across public companies	<ul style="list-style-type: none"> - Nil 	Garware Polyester Limited: <ul style="list-style-type: none"> - Share & Debenture Transactions cum Investors' Grievances Committee – Chairman - Audit Committee – Member - Remuneration Committee – Member

DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2002
TO THE MEMBERS,

Your Directors present the Forty-fifth Annual Report together with the Audited Statement of Accounts of the Company for the year ended 31st March, 2002.

Financial Results

	<u>2001 – 02</u>	(Rs. in Crores) <u>2000 – 01</u>
Operating Profit before Interest & Depreciation	86.79	43.44
Less: Interest	51.95	77.63
Depreciation	32.77	30.76
Profit / (Loss) before Tax	2.07	(64.95)
Prior period adjustment	5.78	5.46
Income Tax	–	–
Wealth Tax	0.04	0.05
Net Profit / (Loss)	7.81	(59.54)

With a view to conserve resources, your Directors have not recommended any dividend for the year under review.

Your Company's operations substantially turned around in the year under review as compared to the previous three years. Operating profit before interest and depreciation nearly doubled as compared to previous year. This was the result of several corrective measures taken by the management to improve production levels, efficiencies, development of new products and markets. Interest burden also reduced significantly as a result of the Rehabilitation Package extended by Financial Institutions and Banks under the leadership of IDBI, the Lead Institution. The Company's operations and profitability have been as per the profitability projections made by KPMG India Private Limited, the Consultants appointed by IDBI to help prepare the Rehabilitation Package. Your Company has begun to service the loans availed from Financial Institutions and Banks and it has been making regular payments of interest with effect from April, 2001. Repayments of principal and funded interest are to commence from April, 2003 and extend upto 2012 as per the Package. All the Financial Institutions and Banks have agreed to the Rehabilitation Package except UTI with whom efforts are continuing to work out an agreed solution.

Current Year's Working

The performance for the first six months ended 30th September, 2002 is satisfactory and in line with the expectations. The improvement in working witnessed in the first half of the current financial year is likely to be maintained in the second half also.

Cases before DRT

ICICI, EXIM Bank and UTI had filed cases in the Debt Recovery Tribunal (DRT), Mumbai against the Company for recovery of their dues. ICICI and EXIM Bank have now agreed to the Rehabilitation Package proposed by IDBI and the Company is in the process of finalising the Consent Terms to be filed in DRT in their cases. Your Company's efforts to find a solution in UTI's case has so far not borne fruit. However, your Company is continuing its efforts to work out an acceptable solution.

Restructuring of Balance Sheet

At the Extraordinary General Meeting (EGM) of the Company held on August 30, 2002, you have approved a proposal for financial restructuring of the Balance Sheet of the Company as stated in the notice convening

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the said Meeting, with a view to reflect a more realistic picture of the financial position of the Company. The Bombay High Court has approved the Company's Petition in this regard on October 17, 2002 and the Accounts for the year ended March 31, 2002 reflect the effect of this restructuring.

Subsidiaries

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

Garware Chemicals Limited (GCL)

DMT plant of Garware Chemicals Limited commenced operations from May 2000. GCL's financial year has been changed from September ending to March ending and the Annual Accounts for the year ended 30th September, 2001 and for the six-month period October 1, 2001 to March 31, 2002 are annexed.

In view of the accumulated losses and the net worth of GCL being wiped out, it has made an application to BIFR, which has registered the case.

The Company had provided a guarantee for loan of US\$ 6.3 million raised by GCL from Fuji Bank and in respect of which a case was filed in Singapore Court by Fuji Bank against the Company as guarantor and also against GCL for recovery of its dues. The Singapore Court has passed a decree against the Company and GCL, for which execution proceedings have been filed by Fuji Bank in Bombay High Court and the same is pending. However, the Company has been legally advised that the guarantee is not enforceable since GCL is registered as a Sick Unit with BIFR.

Safety, Health & Environmental Protection

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

Directors' Responsibility Statement

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

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

Directors

During the year under review, Mr. B. Moradian was appointed as Director on the Board of the Company with effect from 29th October, 2001 in the casual vacancy caused by the resignation of Mr. S. V. Muzumdar on 17th April, 2001.

Mr. Dilip Thakkar resigned from the Board with effect from 22nd March, 2002. The Board places on record its appreciation of the valuable advice given by him during his tenure as Director of your Company.

Mrs. M. Garware Modi ceased to be a Whole-Time Director. However, she has been appointed as Vice-Chairperson of the Company with effect from 21st June, 2002.

Miss Sarita S. Garware has been elevated to the position of Joint Managing Director of the Company with

effect from 1st July, 2002. Miss Sonia S. Garware was appointed as Director on the Board of the Company with effect from 21st June, 2002 and as Joint Managing Director with effect from 1st July, 2002.

- Mr. A. B. Bhalariao and Mr. B. Moradian retire by rotation and being eligible, offer themselves for re-appointment.

Audit Committee

- The present 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., Chartered Accountants, are eligible for re-appointment and have indicated their willingness to act as Auditors, if appointed. You are requested to appoint Auditors and fix their remuneration.

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

Other Information

There was no employee in respect of whom information is required to be given as per Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975.

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

Industrial Relations

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

Acknowledgements

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

For and on behalf of the Board of Directors

S. B. GARWARE
Chairman & Managing Director

Mumbai, 27th November, 2002

ANNUAL REPORT 2001-2002**ANNEXURE TO DIRECTORS' REPORT**

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

A. CONSERVATION OF ENERGY

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

- (1) At Waluj Central Utility, Cooling Water pump gland packings were replaced with Mechanical seal to reduce the losses.
- (2) At Chikalthana and Waluj, complexes capacitors are installed to improve the power factor. This gives double benefit of reducing the losses and availing the MSEB incentives.
- (3) At Waluj, one number of Oil Fired Boiler was converted to Agro based solid fuel fired boiler along with other waste. This resulted in substantial saving in consumption of furnace oil.
- (4) Chilled water system integration was done at Film Plant, Chikalthana. This resulted in stopping of one chiller.
- (5) At Chikalthana Film Plant, Palletizing Plant Electrical oil heating system was converted to Hot Oil system.
- (6) At Film Plant, Chikalthana, Electrical Furnace Oil Heating system was converted to Steam heating.

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

B. TECHNOLOGY ABSORPTION**I. Research and Development (R&D)****1. Specific areas in which R&D carried out by the Company: -**

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

2. Benefit derived as a 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	7.62
b) Recurring	234.01
c) Total	241.63
d) Total R&D expenditure as a Percentage of total turnover	0.65 %

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

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

2. Benefits derived as a result of above efforts

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

3. Technology imported during the last five years

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

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

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

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

Used	:	19.35
Earned	:	115.70

For and on behalf of the Board of Directors

S.B. GARWARE
Chairman & Managing Director

Mumbai, 27th November, 2002

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CORPORATE GOVERNANCE REPORT

The Code on Corporate Governance introduced by the Securities and Exchange Board of India (SEBI) is required to be implemented by your Company in terms of the listing agreement with the Stock Exchange, Mumbai by 31st March, 2002. The Board of Directors supports the broad principles of Corporate Governance.

COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

The philosophy of the Company is to enhance the long term economic value of the Company, its shareholders, customers and the society 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, 2002)

Name of Director	Executive/ Non Executive/ Independent	No. of other Director- ships 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	2	–
Miss. Sarita S. Garware	Non-Executive	2	1
Mr. G. M. Yadwadkar +	Non-Executive, Independent	–	2
Mr. V. M. Ketkar ++	Non-Executive, Independent	–	
Mr. A. B. Bhalerao	Executive – Director -Technical	1	
Mr. R. P. Chhabra	Non-Executive, Independent	1	2*
Mr. B. Moradian	Non-Executive, Independent	1	2**

+ Nominee, IDBI

++ Nominee, ICICI

* Chairman of Audit Committee

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

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 and such other relevant information.

During the year under review, **five** Board Meetings were held – on 26th June, 2001; 31st July, 2001; 29th October, 2001; 27th December, 2001 and 28th January, 2002.

The last Annual General Meeting (AGM) was held on 29th September, 2001.

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	4	Yes
Mrs. S.S. Garware	-	No
Mrs. M.Garware Modi	1	No
Miss Sarita S. Garware	5	No
Mr. G.M.Yadwadkar	3	No
Mr. V.M. Ketkar	3	No
Mr. Dilip J. Thakkar*	2	No
Mr. A.B. Bhalerao	5	Yes
Mr. R.P. Chhabra**	3	Yes
Mr. B. Moradian***	3	No

* Resigned as Director with effect from 22nd March, 2002.

** Appointed as Director with effect from 31st July, 2001

*** Appointed as Director with effect from 29th October, 2001

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

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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 Department and appraising and reviewing the scope of Internal Audit functions from time to time.
- Interacting effectively with the Statutory Auditors from time to time and discuss about finalisation of annual financial statements.
- Considering any other matter which may be referred to it by the Board.

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

Meetings and attendance during the year:

During the year under review, **three** Audit Committee meetings were held – on 29th October, 2001; 27th December, 2001 and 28th January, 2002.

Name of Members	Audit Committee Meetings attended
Mr. R.P. Chhabra	3
Mr. G.M. Yadwadkar	–
Mr. A.B. Bhalerao*	1
Mr. B. Moradian**	2

* Resigned as Member on 29th October, 2001

** Appointed as Member on 29th October, 2001

(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
Miss Sarita S. Garware	–	Member
Mr. R. P. Chhabra	–	Member

Compliance Officer:

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

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

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

Details of complaints received and redressed during the year from 1st April, 2001 to 31st March, 2002.

During the year, the Company received 107 complaints from shareholders, which were resolved.

Share Transfer Details:

During the year, the Committee met 21 times. As on 31st March, 2002, there were no requests pending for transfer of shares. The details of share transfers are reported to the Board of Directors along with the Minutes of the aforesaid Committee Meetings.

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.

3. REMUNERATION TO DIRECTORS

In terms of the approval accorded by the Board of Directors and by Shareholders, the Managing Director and Director – Technical are paid remuneration as per the Agreements entered into between them and the Company. The remuneration structure of the Managing Director and Director – Technical comprises of Salary, Commission in the event of profits, perquisites and allowances, contributions to Provident Fund, Superannuation Fund and Gratuity. Non-Executive Directors are paid sitting fees of Rs. 2,000/- for every Board Meeting and Rs. 1,000/- for every committee meeting attended by them. The details of remuneration paid to the Directors of the Company for the year ended 31st March, 2002 are given below: -

	Rs. in Lakhs
(a) Salary and Perquisites	45.63
(b) Commission	-
(c) Sitting Fees to Non-Executive Directors	0.88
Total	<u>46.51</u>

Service contract in respect of Managing Director and Director – Technical is for five years and terminable by one month's notice on either side.

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 (separately disclosed in this Report).

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

5. MEANS OF COMMUNICATION

The Board of Directors of the Company approves and takes on record the unaudited financial results in the proforma prescribed by the Stock Exchange, and announces the said financial results to the Stock Exchange, Mumbai where the shares of the Company are listed. Further, the quarterly/half yearly results in the prescribed proforma are published in the leading newspapers. However, there was a delay in publishing the unaudited financial results for the quarter/year ended 31st March, 2002, in view of the Company's Petition submitted to Bombay High Court for financial restructuring.

The Company's website is: www.garwarepoly.com

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

ANNUAL REPORT 2001-2002**6. GENERAL SHAREHOLDER INFORMATION****(a) Registered Office:**

Naigaon, Post Waluj,
Aurangabad – 431 133

(b) Registrars and Share Transfer Agents

Intime Spectrum Registry Limited,
260, Shanti Industrial Estate,
Sarojini Naidu Road, Mulund (West),
Mumbai – 400 080.
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,
260, Shanti Industrial Estate,
Sarojini Naidu Road, Mulund (West),
Mumbai – 400 080.
Tel. No.: 2592 3837/2592 3857
Fax No.: 2567 2693
e-mail : isrl@vsnl.com

(d) Plant Locations : Waluj, Chikalthana, Nasik, Mumbai & 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 2001-2002 to the above Stock Exchange.

(f) Share Price on Bombay Stock Exchange

Month	High (Rs.)	Low (Rs.)
April 2001	4.80	3.80
May 2001	4.80	4.00
June 2001	4.55	3.50
July 2001	4.45	3.20
August 2001	4.50	3.65
September 2001	5.10	3.85
October 2001	4.85	4.00
November 2001	5.75	4.70
December 2001	6.50	5.00
January 2002	6.00	4.70
February 2002	12.75	5.40
March 2002	16.15	12.70

(g) Share Transfer System

The Share Transfer requests received in physical form are registered and transferred within 30 days from the date of lodgement. 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.

Shares of the Company are compulsorily to be delivered in the demat form to the Stock Exchange by all investors. Nearly 70% 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, 2002

No. of Shares held	No. of Shareholders	% of Shareholders	No. of Shares	% Shareholding
1 to 500	49793	96.86	4501246	20.62
501 to 1000	928	1.80	734075	3.36
1001 to 2000	372	0.72	560132	2.56
2001 to 3000	99	0.19	251422	1.15
3001 to 4000	45	0.09	157377	0.72
4001 to 5000	35	0.07	165776	0.76
5001 to 10000	56	0.11	419551	1.92
10001 and above	83	0.16	15051785	68.91
Total	51411	100.00	21841364	100.00

(j) Shareholding Pattern as on 31.03.2002

Sr. No.	Category	No. of Shares held	Percentage of Shareholding
1.	Promoters (S. B. Garware, family and Associates)	6972503	31.92
2.	Other Garware family Members and their Associates	617230	2.83
3.	Mutual Funds and UTI	619955	2.84
4.	Banks, Financial Institutions, Insurance Companies (Central / State Govt. Institutions/Non-Govt. Institutions)	907218	4.15
5.	Private Corporate Bodies	5649866	25.87
6.	Foreign Institutional Investors	8772	0.04
7.	NRIs	16739	0.08
8.	Indian Public	7049081	32.27
	Grand Total	21841364	100.00

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- (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
42nd AGM	28th Sept. 1999	Naigaon, Aurangabad (Regd. Office)	3.30 p.m.
43rd AGM	30th Sept. 2000	As above	3.30 p.m.
44th AGM	29th Sept. 2001	As above	3.30 p.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, 2001 to 31st March, 2002	
Board Meeting for approval of Audited Accounts for the year ended 31st March, 2002.	27th November, 2002
Posting of Annual Reports	On or before 5th December, 2002
Book Closure Dates	24th December, 2002 to 30th December, 2002 (both days inclusive)
Last date for receipt of Proxy Forms	28th December, 2002
45th Annual General Meeting	Date : 30th December, 2002
	Time : 11.00 a.m.
	Venue : Registered Office at Naigaon, Post Waluj, Aurangabad 431 133.
Dividend payment date	Not applicable

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 on 31st March, 2002, as stipulated in Clause 49 of the Listing Agreement entered into with the Stock Exchange.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial 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, 27th November, 2002

REPORT ON MANAGEMENT DISCUSSION AND ANALYSIS

1. Introduction

The Company is engaged in the manufacture of Polyester (PET) film at its plants located at Chikalthana and Waluj, Aurangabad in Maharashtra. The Company also has a metallising plant at Nasik, Maharashtra.

2. Product

The Company produces around 30,000 tons of Polyester Films every year. Polyester film is made from Polyethylene Terephthalate chips which are in turn produced from Di-Methyl Terephthalate (DMT) and Mono Ethylene Glycol (MEG). Main applications of PET film are in:

- (i) Packaging applications :
for flexible packaging
- (ii) Electrical applications :
for motor insulation slot liners, cable wrap, flexible printed circuit boards and power capacitors.
- (iii) Magnetic media :
Base film for audio / video cassettes and computer tapes, floppy discs, etc.
- (iv) Imaging :
OHP/Reprographic film, printing plates, masking and microfilms, Tracing / Drafting film and film for inkjet / laser printers for computers.
- (v) Others :
Labels, holography, hot stamping foils, adhesive tapes, etc.

Sun Control and Window / Safety films are mainly used for providing protection from sunlight, UV rays as also for privacy and safety.

3. Industry Structure and Developments

International :

The industry saw a large capacity build-up worldwide after the shortages of mid 1990s which led to a huge over-supply situation. Intense competition coupled with East Asian currency crisis in 1997-99 caused severe erosion of prices and the industry went through a very difficult period of unprecedented low prices. All the Polyester film producers were affected by the downturn in varying degrees from 1997 to 2001.

During the recent past, the Asian currencies have partially recovered and stabilised and there has been a consolidation among world players with Japanese players emerging as dominant manufacturers in all important markets of the world. The worldwide capacity for Polyester film currently stands at about 1.5 million tons. World production and consumption of Polyester film was about 1.2 million tones in 2001. Most of the developed countries have been showing negligible growth in consumption in recent years and most of the end user segments except packaging have been affected by the slowdown. However, developing countries including India have been logging healthy growth thereby bridging the gap between demand and capacity.

Restrictive Trade actions

European Union (EU) and U.S.A. were two major markets for films. These countries have imposed anti-dumping and anti-subsidy duties against Indian manufacturers. This has adversely affected India's exports.

Domestic:

The domestic manufacturing capacity for Polyester Film is about 1.5 lakhs tons and there has been no capacity addition in the last few years. Current demand is about 80,000 tons per annum, of which about 75% is for thin films (10 and 12 micron) for packaging applications. This market segment has been growing rapidly at around 15-20% per annum in the last few years mainly on account of growth in demand for flexible packaging from food and personal care products sectors.

Demand growth in other sectors like electric motor insulation, cable wrap, magnetic media and imaging sectors has been relatively slow or stagnant on account of industrial recession and technological obsolescence.

4. Current outlook for the Company

Exports – Because of anti-dumping and anti-subsidy duties imposed in USA and minimum price undertaking in EU, the Company's volume of Plain Film exports to these countries has been affected. The Company has tried to lessen the impact by specialising in niche applications in U.S.A. and developing new export markets. Exports of Plain Film to E.U. remain affected by the MIP undertaking. Only next year, it will be possible to seek reviews of anti-dumping measures by both US and EU authorities and get the duties reduced to more manageable levels whereby our legitimate access to these markets is restored. Export of Sun Control Film is maintaining a healthy pace of growth and is a major contributor to the Company's profitability. The Company has established significant presence in markets in Brazil, Indonesia and China for its Sun Control films during the year.

There is no trade restriction on Window Film (SUNCONTROL) manufactured by the Company. The Company continues to export more than 80% of its production.

The Company has set up a 100% subsidiary in U.K. – Garware Polyester International Ltd. (GPIL) to handle the sale of its products in Europe. GPIL has in turn set up a 100% subsidiary in U.S.A. – Global Pet Films Inc., to handle the sale of its products in America. Local presence in these markets and efforts to develop brands called "Global", "Garware" and "Garfilm", are expected to give substantial boost to the Company's business in these markets.

Local – Packaging film segment is expected to grow by 15 to 20 % during the current year. The Company has developed several speciality products which will be introduced in the market in the next 6 to 12 months' time. Overall, while domestic market is expected to remain competitive, the Company would be aiming to consolidate its position in several niche areas.

Sale of Sun Control film in domestic market is now mainly through sale of car kits in different price ranges.

The Company's Safety film has been approved for use in ATM installations by some of the leading banks and demand for this type of film is also increasing because of higher safety consciousness among Embassies and Consular offices. Besides, the Company's products have been approved for use by Organizations like British Council, etc. and such products would increasingly contribute to the Company's profitability in the coming years. This value addition has improved the sales and margins in the domestic market.

5. Opportunities & Threats

There has been no significant capacity addition in Polyester film industry internationally or in India during the last few years. This has enabled the normal demand growth to reduce the supply overhang. The Company's strategy of concentrating on value added products is also paying off. Continuation of this strategy requires strong focus on R & D. The Company has unique strengths in this area and is making all out efforts to bring out new value added products.

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Main threat to the Company's business has come from trade actions initiated by U.S.A. and E.U. and recently by Brazil, which has started anti-dumping investigations against Indian manufacturers since February, 2002. Final determination of measures to be taken by that country is awaited. Changes in input prices especially those of DMT, PTA and MEG would also impact the future profitability of the Company.

6. Risks and Concerns

Demand growth for Polyester films especially from the packaging sector may be impacted by the drought conditions caused by failure of monsoon in certain parts of the country this year. Film sales to telephone cables/magnetic media (audio cassettes) sectors are also subdued due to lack of adequate orders.

The Company has put in place necessary plan and strategy to ensure strong cash flow and profitability, which are needed for servicing loan repayment obligations.

7. Internal Control System and its adequacy

The Company has an internal audit system commensurate with the size of its business and nature of its operations. All internal audit reports are regularly reviewed by the Management and discussed in the Audit Committee Meetings of the Board. Suitable corrective actions are taken wherever necessary.

8. Material Developments in HR and Industrial Relations

The Company continues to have cordial relations with its workers and employees and there has been no industrial unrest at any of the plants of the Company.

9. Cautionary Note

This report has been prepared as required by Clause 49 of the Listing Agreement. However, certain statements in the report may be forward looking. The future working results of the Company may be affected by many factors which could be different from what the directors have envisaged in this report especially in matters pertaining to future performance and outlook. 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, 2002, and also the Profit and Loss Account 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 paragraphs 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 the books.
- (c) The Balance Sheet and the Profit and Loss Account referred to in this report are in agreement with the books of account.
- (d) In our opinion, the Balance Sheet and the Profit and Loss Account 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, 2002 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.21 (b) for non-provision in respect of interest, if any, payable on overdue amounts to SSI suppliers; Note No. K(ii) under Schedule 3 of Secured Loans regarding credit of Rs.120.40 Lakhs in restructured interest 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 :

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- (i) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2002.
and
- (ii) In the case of the Profit and Loss Account, of the '**PROFIT**' of the Company for the year ended on that date.

For SHAH & CO.
Chartered Accountants

INDULAL H. SHAH
Partner

Mumbai : 27th November, 2002

**ANNEXURE TO THE REPORT OF THE AUDITORS TO THE MEMBERS OF
GARWARE POLYESTER LIMITED ON THE ACCOUNTS FOR THE YEAR ENDED
31ST MARCH, 2002 (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. Fixed Assets have been revalued as on 31st March, 2002 as per the Valuation Report dated 5th July, 2002 of Dalal Mott Macdonald Pvt. Ltd. as a part of financial restructuring (Refer Note No.15 in Schedule 12).
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 service 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 through Financial Restructuring (Refer No.15 in Schedule 12).
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 there under 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 its size and nature of its business.
16. The Central Government has not prescribed maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956, for the year under review for any of the products of the Company.
17. According to the records of the Company, Provident Fund and Employees' State Insurance dues have been regularly deposited during the year with appropriate authorities.
18. According to the information and explanations given to us, no undisputed amounts payable in respect of Income tax, Wealth tax, Sales tax, Customs Duty and Excise Duty as at 31st March, 2002 were outstanding for a period of more than six months from the date they became payable.
19. According to the information and explanations given to us, no personal expenses of employees or Directors have been charged to revenue account, other than those payable under contractual obligations or in accordance with generally accepted business practice.
20. The Company is not a Sick Industrial Company within the meaning of Section 3(1)(o) of the Sick Industrial Companies (Special Provisions) Act, 1985.

For SHAH & CO.
Chartered Accountants

INDULAL H. SHAH
Partner

Mumbai: 27th November, 2002

ANNUAL REPORT 2001-2002**BALANCE SHEET AS AT 31ST MARCH, 2002**

	Schedule	As at 31.03.2002 (Rs. in Lakhs)	As at 31.03.2001 (Rs. in Lakhs)
FUNDS EMPLOYED :			
SHAREHOLDERS' FUNDS			
Share Capital	1	2,177.87	2,177.87
Reserves & Surplus	2	1,404.75	15,962.32
		3,582.62	18,140.19
BORROWINGS			
Secured Loans	3A	52,093.74	49,204.10
Unsecured Loans	3B	1,648.58	1,310.51
		53,742.32	50,514.61
TOTAL		57,324.94	68,654.80
APPLICATION OF FUNDS :			
FIXED ASSETS			
Gross Block	4	68,401.94	59,577.13
Less: Depreciation		23,580.63	20,305.27
Net Block		44,821.31	39,271.86
Capital Work in Progress		6.10	82.41
		44,827.41	39,354.27
INVESTMENTS			
	5	242.57	4,709.58
CURRENT ASSETS, LOANS AND ADVANCES			
	6		
Inventories		5,164.44	7,245.91
Sundry Debtors		2,975.74	2,215.94
Cash and Bank Balances		391.07	334.80
Other Current Assets		2,675.60	2,527.04
Loans and Advances		969.26	6,334.17
		12,176.11	18,657.86
Less: CURRENT LIABILITIES AND PROVISIONS	7		
Current Liabilities		2,902.15	10,198.94
Net Current Assets		9,273.96	8,458.92
Deferred Tax Assets		2,981.00	0.00
Profit & Loss Account		0.00	16,132.03
TOTAL		57,324.94	68,654.80

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

For and on behalf of the Board of Directors

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

S. B. GARWARE
Chairman &
Managing Director

A. B. BHALERAO
Director - Technical

INDULAL H. SHAH
Partner

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

Mumbai, 27th November, 2002

Mumbai, 27th November, 2002

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2002

	Schedule	2001-2002 (Rs. in Lakhs)	2000-2001 (Rs. in Lakhs)
INCOME :			
Sales including Excise duty		36,971.61	34,080.89
Inter-Divisional Transfers (as per contra)		19,715.41	19,219.81
Other Income	8	162.82	177.85
Increase / (Decrease) in Finished and Semi-finished Goods	9	(1,352.40)	663.34
		55,497.44	54,141.89
EXPENDITURE :			
Raw Materials consumed	10	12,003.29	13,796.47
Inter-Divisional Transfers (as per contra)		19,715.41	19,219.81
Manufacturing & other expenses	11 A	11,771.75	14,304.97
Excise Duty		3,327.71	2,476.81
Interest (Refer Note No.12 in Schedule 12B)		5,195.22	7,763.38
		52,013.38	57,561.44
Profit/(Loss) before Depreciation		3,484.06	(3,419.55)
Depreciation		3,279.64	3,079.58
Less : Transferred from Captial Reserve		3.15	3.51
		3,276.49	3,076.07
Profit/(Loss) for the year before tax & Prior Period Items		207.57	(6,495.62)
Prior Period Items	11 B	614.81	546.11
Less : Income tax of Prior period (Net)		37.16	0.00
		785.22	(5,949.51)
Less : Wealth Tax paid		4.05	4.50
Net Profit / (Loss)		781.17	(5,954.01)
Balance of Loss brought forward from previous year		(16,132.03)	(10,178.02)
Net loss before financial restructuring		(15,350.86)	(16,132.03)
Add : Loss on valuation of assets and liabilities on financial restructuring (Refer Note No. 15(A) in Schedule - 12B)		(2,184.56)	0.00
		(17,535.42)	(16,132.03)
Less : Utilisation of Reserves and Deferred Tax Credit (Refer Note No.15 (B) in Schedule 12B)		4,568.16	0.00
Net Loss after Financial Restructuring		(12,967.26)	0.00
Transferred from Share Premium Account		12,967.26	0.00
Balance carried to Balance Sheet		0.00	(16,132.03)
Earning per Share (Refer Note No.18 in Schedule 12B) (Rupees)		3.58	(27.26)

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

INDULAL H. SHAH
Partner

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

Mumbai, 27th November, 2002

Mumbai, 27th November, 2002

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SCHEDULES FORMING PART OF THE BALANCE SHEET

	As at 31.03.2002 (Rs. in Lakhs)	As at 31.03.2001 (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><u>2,177.87</u></u>	<u><u>2,177.87</u></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.	963.01	966.52
Balance as per last Balance Sheet	3.15	3.51
Less: Transferred to Profit and Loss Account	<u>959.86</u>	<u>963.01</u>
Less: Utilised for financial restructuring	<u>959.86 *</u>	<u>0.00</u>
	0.00	963.01
Share Premium :		
Balance as per last Balance Sheet	13,015.96	13,015.96
Less: Transferred to Profit & Loss Account for adjustment of the net Loss after financial restructuring	<u>12,967.26 *</u>	<u>0.00</u>
	48.70	13,015.96
Debenture Redemption Reserve :		
Balance as per last Balance Sheet	1,356.05	1,356.05
Investment Allowance (Utilised) Reserve		
Balance as per last Balance Sheet	627.30	627.30
Less: Utilised for financial restructuring	<u>627.30 *</u>	<u>0.00</u>
	0.00	627.30
TOTAL	<u><u>1,404.75</u></u>	<u><u>15,962.32</u></u>

*Refer Note No. 15 in Schedule 12B

SCHEDULES FORMING PART OF THE BALANCE SHEET (Contd.)

		As at 31.03.2002 (Rs. in Lakhs)	As at 31.03.2001 (Rs. in Lakhs)
SCHEDULE 3			
A. SECURED LOANS			
	Notes		
I	Debentures / Bonds (Refer Note No.5 and 6 in Schedule 12B)		
(i)	12.5% Non Convertible / Privately Placed Debentures (earlier 16%/18.5%/15.5% & 0%)	A to D 11,224.31	14,256.75
(ii)	0' Coupon Bonds / Debentures. (earlier 16%/18.5%/15.5% & 0%)	E 6,233.83	600.00
(iii)	Interest accrued and due	665.93	6,493.55
		18,124.07	21,350.30
II	From Banks		
	Cash / Packing Credit Accounts	F 3,644.07	4,330.91
	Working Capital Demand Loan	4,254.91	6,323.13
		7,898.98	10,654.04
III	Term Loans		
(i)	Financial Institutions	G 11,199.66	7,442.10
(ii)	Banks	H 5,094.75	6,289.82
(iii)	Hire Purchase Finance	I 39.30	26.28
(iv)	Interest accrued and due	556.50	3,441.56
		16,890.21	17,199.76
IV	Deferred interest	J 9,180.48	0.00
	TOTAL	52,093.74	49,204.10

Notes :

- (A) 12.5% Non-Convertible Debentures (16%) of Rs.100/- each being 81% of debentures outstanding 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 (18.50%) of Rs.100/- each being 81% of debenture outstanding 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 (15.5%) of Rs.100/- each being 81% of debenture outstanding 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 (0%) of Rs.100/- each being 81% of debenture outstanding 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) 19% of the Non Convertible Debenture / PPD / ZCD / Export advance has been carved out as Zero Coupon Bonds/ Zero Coupon Debentures of Rs.100/- each and are secured on the same lines as the 81% component stated in (A) to (D) above.
- (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.
- (G) The total Term loan (81%)/ Export advance excluding Zero coupon Bond amounts to Rs 11199.66 Lakhs from Financial Institutions;
- (1) Of this amount, Term Loans of Rs.6028.09 lakhs (Previous Year Rs.7442.10 lakhs) to be 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, Vijaya Bank and EXIM Bank for their Term Loans.

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SCHEDULES FORMING PART OF THE BALANCE SHEET (Contd.)

- b) Hypothecation charge ranking *pari passu* with charges created / to be created in favour of IDBI, ICICI, 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 deferred payment facility and,
 - (ii) Specified assets charged to the Company's bankers as security for Term Loans.
- (2) Advance against export of Rs. 5171.57 lakhs (Previous year Rs. 5973.93 lakhs) is restructured whereby it is converted into two portions one which is payable in 24 monthly instalments commencing from November, 2001 and the other portion payable in 28 quarterly instalments commencing from 1st April, 2003 and 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 Loan (81%) amounts to Rs. 5094.75 Lakhs from Banks
- (1) Of this amount, Term Loans of Rs. 1405.09 lakhs (Previous Year Rs.1734.69 lakhs) to be 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, 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, 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 deferred payment facility and,
 - (ii) Specified assets charged to the Company's bankers as security for Term Loans.
 - (2) Term Loans of Rs.3689.66 lakhs (81%) (Previous Year Rs. 4555.13 lakhs) from a bank is secured by a mortgage on Company's immovable property situated at Vile Parle, Mumbai.
- (I) Hire Purchase Finance are secured by hypothecation of specific assets.
- (J) Unpaid interest as on 31st March, 2001 amounting to Rs.9180.48 lakhs has been deferred on interest free basis and is secured by charge / mortgage on the same lines as the loans/debentures.
- (K) (i) Financial Institutions / Banks (except Unit Trust of India, National Insurance Co. Ltd, Oriental Insurance Co. Ltd., United India Insurance Co. Ltd.) constituting 94% of the total outstanding as on 31st March, 2001 have given their sanction for re-structuring of Non-Convertible Debentures / Term Loans including interest accrued and due thereon upto 31st March, 2001. Consent Terms with EXIM Bank/ ICICI are being finalised. Secured Loans have been shown according to the restructuring arrangement.
- (ii) Credit of Rs. 120.40 lakhs has been considered in restructured interest even though the sanctions from financial institutions as referred to above are yet to be received.

	As at 31.03.2002 (Rs. in Lakhs)	As at 31.03.2001 (Rs. in Lakhs)
B. UNSECURED LOANS		
i) Fixed Deposits	0.00	5.57
ii) Interest-free Sales Tax Loans, Interest-free Capital Incentive Loans and Sales Tax Deferral from SICOM for Aurangabad and Nasik Units	873.58	925.14
iii) Term Loan from a Bank (Rs. 75 Lakhs due within a year) (Previous Year Rs 300.00 Lakhs due within a year)	75.00	375.00
iv) Interest accrued and due	0.00	4.80
v) Short Term Loan from others	700.00	0.00
TOTAL	1,648.58	1,310.51

SCHEDULES FORMING PART OF THE BALANCE SHEET (Contd.)
SCHEDULE 4
FIXED ASSETS
(Rs. in Lakhs)

Sr.No.	Description of Assets	GROSS BLOCK				DEPRE- CIATION	NET BLOCK		
		Cost/ Revaluation as at 01.04.2001	Additions during the year	Additions/ deletion due to evaluation*	Sales/ Transfer during the year	Cost- Revaluation/ evaluation as at 31.03.2002	Up to 31.03.2002	As at 31.03.2002	As at 31.03.2001
1	Land (Freehold)	1084.65	0.00	5903.56	0.00	6988.21	0.00	6988.21	1084.65
2	Land (Leasehold)	85.56	0.00	1735.38	0.00	1820.94	0.00	1820.94	85.56
3	Buildings	3435.05	5.12	3708.22	0.00	7148.39	1922.00	5226.39	1679.64
4	Plant & Machinery	48394.90	1932.46	(4871.26)	0.00	45456.10	16949.98	28506.12	34008.19
5	Electrical Installations	2790.33	2.03	(4.74)	0.00	2787.62	1589.03	1198.59	1406.86
6	Moulds	287.83	0.00	(0.29)	0.00	287.54	287.54	0.00	0.48
7	Laboratory Equipments	117.43	0.81	34.42	0.00	152.66	77.19	75.47	46.87
8	Furniture & Fixtures	315.69	2.76	116.76	0.00	435.21	270.40	164.81	58.91
9	Office Equipments	311.54	11.03	42.88	0.00	365.45	217.10	148.35	111.69
10	Vehicles	379.42	64.83	27.59	3.83	468.01	310.80	157.21	92.17
11	Capital Expenditure on Research & Development	183.37	7.62	0.00	0.00	190.99	150.81	40.18	50.98
12	Data Processing Equipments	673.93	37.69	72.83	1.06	783.39	616.46	166.93	104.26
13	Expenditure on Tech. Know-how/Product Development Expenses.	1359.97	0.00	0.00	0.00	1359.97	1031.86	328.11	541.60
14	Copyrights	157.46	0.00	0.00	0.00	157.46	157.46	0.00	0.00
	Total	59577.13	2064.35	6765.35	4.89	68401.94	23580.63	44821.31	39271.86
	Previous Year	56221.52	3412.41	0.00	56.80	59577.13	20305.27	39271.86	38941.17
	Capital Work-in-Progress							6.10	82.41

NOTES :

- 1 Buildings include Rs.0.07 Lakh being value of 136 shares in Co-op. Housing Societies.
- 2 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.
- 3 No Write-off has been made in respect of lease relating to leasehold land.
- 4 Depreciation includes Technical Know-how fees/Product Development Expenses amortised.
- * Refer Note 15 in Schedule 12B

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SCHEDULES FORMING PART OF THE BALANCE SHEET (Contd.)

	As at 31.03.2002 (Rs. in Lakhs)		As at 31.03.2001 (Rs. in Lakhs)	
SCHEDULE 5				
INVESTMENTS (AT COST)				
A. In Government Securities (Unquoted):				
(a) 10 years-8.5% Rural Debentures of Maharashtra State Electricity Board of the face value of Rs. 0.17 Lakh		0.00 #		0.17
(b) 7 years National Savings Certificates of the face value of Rs. 0.03 Lakh (Lodged with the Excise Authorities as Security Deposit)		0.00 #		0.03
		0.00		0.20
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.		0.00 #		55.00
4. 4,00,000 Equity Shares of Garware Wall Ropes Ltd., of the face value of Rs.10/- each, fully paid-up.		56.80 #		260.00
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		341.56
II Unquoted				
1. 2,500 Equity Shares of The New India Co-operative Bank Ltd., Mumbai, of the face value of Rs.10/- each, fully paid-up.		0.25		0.25
2. 2,500 Equity Shares of The North Kanara Goud Saraswat Brahmin Co-operative Bank Ltd., Mumbai, of the face value of Rs.10/- each, fully paid up.		0.25		0.25
3. 500 shares of The Co-operative Stores Ltd., (New Delhi), of the face value of Rs.10/- each, fully paid-up.		0.05		0.05
4. 10,000 Equity Shares of SICOM Ltd., of the face value of Rs.10/- each, fully paid-up		8.00		8.00
5. 4,000 Equity Shares Deogiri Nagari Sahakari Bank Ltd., of the face value of Rs. 25/- each, fully paid-up.		1.00		1.00
6. 4,000 Equity Shares of Vaidyanath Urban Co-op. Bank Ltd., of the face value of Rs. 25/- each, fully paid-up.		1.00		1.00
7. 1,000 Equity Shares of Poornawadi Co-op. Bank Ltd., of the face value of Rs. 100/- each, fully paid-up.		1.00		1.00
		11.55		11.55
III In Subsidiary Companies (Unquoted)				
1. 2,50,000 Ordinary Shares of Garware Polyester International Limited, London, of the face value of £ 1 each, fully paid-up.		133.57		133.57
2. 1,40,75,820 Equity Shares of Garware Chemicals Ltd. of the face value of Rs.10/- each, fully paid-up including four equity shares held by nominees.		14.09 #		4,222.70
		147.66		4,356.27
TOTAL		242.57		4,709.58
		Cost		Cost
		83.36		341.56
		Market Value		Market Value
		85.64		74.41
NOTE : Aggregate amount of company's investments.	Quoted	83.36		341.56
	Unquoted	159.21		4,368.02
TOTAL		242.57		4,709.58

Refer Note No. 15 in Schedule 12B

SCHEDULES FORMING PART OF THE BALANCE SHEET (Contd.)

	As at 31.03.2002 (Rs. in Lakhs)	As at 31.03.2001 (Rs. in Lakhs)
SCHEDULE 6		
CURRENT ASSETS, LOANS & ADVANCES		
A) CURRENT ASSETS:		
I. Inventories :		
[(After adjusting Rs.477.29 Lakhs in Financial Restructuring) (Refer Note No.15 in Schedule 12B)] (As taken, valued & certified by the Management)		
a) Stores, Spare parts & Packing materials (At Cost)	2,369.27	2,604.67
b) Stock-in-trade		
(i) Raw Materials (At cost)	828.40	1,013.32
(ii) Finished goods (At cost or market value whichever is lower)	731.43	1,211.03
(iii) Semi-finished goods (At cost)	1,235.34	2,416.89
	5,164.44	7,245.91
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	230.42	0.00
(ii) Considered Doubtful	517.44	575.21
	747.86	575.21
Less : Provision for Doubtful Debts	517.44	575.21
	230.42	0.00
(b) Other Debts (Refer Note No. 4 in Schedule 12B)	2,745.32	2,215.94
	2,975.74	2,215.94
III. Cash and Bank Balances :		
(a) Cash on hand	29.01	33.32
(b) Bank balances :		
(i) With Scheduled Banks:		
In Current Accounts	142.93	203.15
In Fixed Deposit Accounts	0.00	3.97
In Margin Account	212.66	87.89
(ii) With Non-Scheduled Bank:		
In Post Office (Maximum balance due at any time during the year Rs.6.47 Lakhs Previous Year Rs.6.47 Lakhs)	6.47	6.47
	391.07	334.80
IV. Other Current Assets:		
Other receivable		
(i) Insurance claims	0.00	5.30
(ii) Others	2,675.60	2,521.74
	2,675.60	2,527.04
B) LOANS & ADVANCES:		
(Unsecured, considered good, unless otherwise stated)		
a) Advances recoverable in cash or in kind or for value to be received.	392.24	786.21
b) Promoter's Contribution in Subsidiary Company viz., Garware Chemicals Limited.	0.00	4,744.60
c) Advance against Capital Expenditure	0.75	27.47
d) Deposits with Customs & Excise authorities	210.62	391.08
e) Deposits with others	348.11	328.15
f) Advance Payment of Income Tax, and tax deducted at source	17.54	56.66
	969.26	6,334.17
TOTAL	12,176.11	18,657.86

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SCHEDULES FORMING PART OF THE BALANCE SHEET (Contd.)

	As at 31.03.2002 (Rs. in Lakhs)	As at 31.03.2001 (Rs. in Lakhs)
SCHEDULE 7		
CURRENT LIABILITIES AND PROVISIONS		
Current Liabilities :		
i) Sundry Creditors (Refer Note No. 21 in Schedule 12B)	1,554.86	2,781.13
ii) Other Liabilities (Including Rs. 1.23 Lakhs due to Directors)	993.58	1,202.52
iii) Deposits and advances from customers & others	330.53	186.35
iv) Unclaimed Dividends	14.03	14.10
v) Share & Debenture Application Money Refundable	6.98	6.98
vi) Interest accrued but not due on loans	0.00	20.47
vii) Debenture Redemption Money payable	2.17	13.46
viii) Advance against Export	0.00	5,973.93
TOTAL	2,902.15	10,198.94

SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT

	2001-2002 (Rs. in Lakhs)	2000-2001 (Rs. in Lakhs)
SCHEDULE 8		
OTHER INCOME		
Insurance claims	22.95	23.76
Income from Investments (Gross)	9.10	8.70
Interest on short term deposits with banks and others (Net) (Tax deducted at source Rs.1.09 Lakhs, Previous Year Rs.1.01 Lakhs)	26.16	32.52
Miscellaneous income	27.37	53.74
Profit on sale of fixed assets (Net)	0.54	4.48
Excess Provision for doubtful debts written back	38.95	16.74
Sundry Credit Balance written back	20.04	0.00
	58.99	16.74
Rent (Tax deducted at source Rs.0.37 Lakh, Previous Year Rs.0.40 Lakh)	3.00	3.00
Sales Tax refund	0.59	19.39
Octroi Refund	14.12	15.52
TOTAL	162.82	177.85

SCHEDULE 9

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

Opening Stock:		
Finished goods	1,211.03	1,295.83
Semi finished goods	2,416.89	1,668.75
	3,627.92	2,964.58
Closing Stock:		
Finished goods	739.06	1,211.03
Semi finished goods	1,536.46	2,416.89
	2,275.52	3,627.92
Increase/(Decrease)	(1,352.40)	663.34

SCHEDULE 10

RAW MATERIALS CONSUMED

(Refer Note No. 23D in Schedule 12B)

Opening Stock		685.67	
Add: Purchases and Expenses	1,013.32		
	11,895.96	14,124.12	
Less: Closing Stock			14,809.79
TOTAL	12,909.28		1,013.32
	905.99		13,796.47


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

	2001-2002 (Rs. in Lakhs)	2000-2001 (Rs. in Lakhs)
SCHEDULE 11 A		
MANUFACTURING AND OTHER EXPENSES		
A. Manufacturing Expenses:		
Stores, Spares and Packing Materials consumed (Net)	1,716.02	2,178.59
Power and Fuel	3,281.09	3,838.46
Water Charges	72.52	109.86
Processing Charges	83.31	126.28
	<u>5,152.94</u>	<u>6,253.19</u>
B. Employees' Remuneration & Benefits:		
Salaries, Wages and Bonus (Incl. Rs.40.38 Lakhs for VRS)	1,239.48	1,101.87
Contribution to Provident and other funds	210.49	190.23
Staff Welfare Expenses	164.77	195.52
	<u>1,614.74</u>	<u>1,487.62</u>
C. Administrative, Selling and General Expenses:		
Rent, Hire charges and Compensation (Net)	66.74	80.69
Rates, Taxes and Licence Fees	26.48	72.97
Insurance (Net)	210.47	290.31
Freight and Forwarding (Net)	1,287.20	1,764.99
Research and Development Expenses	234.01	320.91
Repairs and Maintenance of:		
I) Plant and Machinery	96.60	138.21
II) Buildings	106.19	60.74
III) Other Assets	508.59	522.89
	<u>711.38</u>	<u>721.84</u>
Advertisement Expenses	34.70	47.91
Additional Sales Tax/Turnover Tax	11.73	2.64
Travelling & Conveyance	333.30	372.75
Postage, Telegrams & Telephones	142.76	171.42
Lease Rentals	6.49	5.98
Bank Charges	371.33	384.39
Commission on Sales	279.78	231.08
Donations	12.73	2.05
Legal and Professional Charges (Refer Note No.10 in Schedule 12B)	222.01	200.35
Auditors' Remuneration		
(a) Audit fees	2.89	2.10
(b) Tax Audit fees	1.31	1.05
(c) As advisors for taxation matters	0.00	1.28
(d) For certification/others	0.87	0.39
(e) Reimbursement of out of pocket expenses	0.00	0.07
	<u>5.07</u>	<u>4.89</u>
Sundry balances written off (Net)	0.00	0.30
Loss on exchange rate fluctuation	133.89	651.02
Other financial charges	182.52	39.80
Misc. Expenses	680.51	640.11
Provision for Doubtful Debts	4.46	451.44
Bad Debts	0.00	75.16
Less: Provision for Doubtful Debts	0.00	7.36
	<u>4,957.56</u>	<u>6,525.64</u>
D. Managerial Remuneration:		
(a) To Managing Director:		
(i) Salary	12.00	12.00
(ii) Contribution to Provident Fund, Superannuation & Gratuity Scheme	3.46	3.46
(iii) Other Perquisites	6.51	5.68
	<u>21.97</u>	<u>21.14</u>
(b) To Whole Time Directors :		
(i) Salary	17.40	12.00
(ii) Contribution to Provident Fund, Superannuation & Gratuity Scheme	5.02	3.46
(iii) Other Perquisites	1.24	0.91
	<u>23.66</u>	<u>16.37</u>
(c) Directors' sitting fees	0.88	1.01
	<u>46.51</u>	<u>38.52</u>
TOTAL	<u>11,771.75</u>	<u>14,304.97</u>

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

	2001-2002 (Rs. in Lakhs)	2000-2001 (Rs. in Lakhs)
SCHEDULE 11B		
PRIOR PERIOD ITEMS (NET)		
Sundry Credit balance written back (Net)	70.00	322.74
Excess provision of commission on sales written back	0.00	297.08
Interest restructured [Refer Note K(ii) under secured loans]	680.63	0.00
	<u>750.63</u>	<u>619.82</u>
Less: Prior Period Expenses	135.82	73.71
TOTAL	<u>614.81</u>	<u>546.11</u>

SCHEDULE 12

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

- 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/ (loss) 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.
- 8. Retirement Benefits**
Liability towards Superannuation and Gratuity are covered by appropriate schemes with Life Insurance Corporation of India.
- 9. Lease Rentals**
Lease Rentals are accounted on accrual basis over the Lease Term as per the relevant Lease Agreements.
- 10. Contingent Liabilities**
No provision is made for liabilities which are contingent in nature but if material, the same are disclosed by way of notes to the accounts.
- 11. Research and Development**
Revenue expenditure on Research and Development is charged out in the year in which it is incurred. Expenditure which results in creation of assets is included in Fixed Assets and depreciation is provided on such assets as applicable.
- 12. Sales**
Sales include excise duty but exclude sales tax and other charges net of discounts and returns.
- 13. Taxation**
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. 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.1.20 Lakhs (Previous Year Rs. 102.94 Lakhs) against which an advance of Rs.0.75 Lakh (Previous Year Rs.27.47 Lakhs) has been paid.
- 2] The Company has given counter-guarantees for Rs.1,429.90 Lakhs (Previous Year Rs.9,445.39 Lakhs) to Banks in respect of guarantees given by the Banks to third parties for purchase of equipments, supply of goods, clearance of goods from Customs, Excise Bonds, etc.
- 3] Letters of Credit opened on behalf of the Company by Banks for purchase of materials and equipments amount to Rs.3,524.30 Lakhs (Previous Year Rs.5,660.14 Lakhs).
- 4] Bills of Exchange discounted under Bill Marketing Scheme amount to Rs.2,415.15 Lakhs (Previous Year Rs.2,683.17 Lakhs).
- 5] [A] 16% Secured Redeemable Non Convertible Debentures aggregating Rs.1,207.17 Lakhs have been restructured as under:
 - i] 81% amounting to Rs.977.81 Lakhs are redeemable at par in 28 quarterly installments commencing from April 1, 2003 at an interest of 12.5% p.a.
 - ii] 19% amounting to Rs.229.36 Lakhs are redeemable at a premium of Rs.121.55 Lakhs in 24 quarterly installments commencing from April 1, 2006 at an interest rate of 0%.
- [B] 21,00,000 - 18.5% Secured Redeemable Non Convertible Debentures of Rs.100/- each for cash at par issued to the Financial Institutions on Private Placement basis are restructured as under:
 - i] 81% amounting to Rs.1,701 Lakhs are redeemable at par in 28 quarterly installments commencing from April 1, 2003 at an interest of 12.5% p.a.

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- ii] 19% amounting to Rs.399 Lakhs are redeemable at a premium of Rs.211.45 Lakhs in 24 quarterly installments commencing from April 1, 2006 at an interest rate of 0%.
- [C] 99,50,000 - 15.5% Secured Redeemable Non Convertible Debentures of Rs.100/- each for cash at par issued to a Financial Institution on Private Placement basis are restructured as under:
- i] 81% amounting to Rs.8,059.50 Lakhs are redeemable at par in 28 quarterly installments commencing from April 1, 2003 at an interest of 12.5% p.a.
- ii] 19% amounting to Rs.1,890.50 Lakhs are redeemable at a premium of Rs.1,002.04 Lakhs in 24 quarterly installments commencing from April 1, 2006 at an interest rate of 0%.
- [D] 6,00,000 - Secured Redeemable Non Convertible Zero Coupon Debentures of Rs.100/- each for cash at par issued to a Financial Institution on Private Placement basis are restructured as under:
- i] 81% amounting to Rs.486 Lakhs are redeemable at par in 28 quarterly installments commencing from April 1, 2003 at an interest of 12.5% p.a.
- ii] 19% amounting to Rs.114 Lakhs are redeemable at a premium of Rs.60.41 Lakhs in 24 quarterly installments commencing from April 1, 2006 at an interest rate of 0%.
- [E] Advance against exports is restructured whereby it is converted into 3 portions
- i) One portion is payable in 24 monthly installments which has commenced from November, 2001 carrying interest @ 12.5% p.a.
- ii) Of the balance an amount of 81% is payable in 28 quarterly installments commencing from April 1, 2003 and the same carries an interest of 12.5% p.a.
- iii] Of the balance 19% is redeemable in 24 quarterly installments commencing from April 1, 2006 at an interest rate of 0%. The same is redeemable at a premium of Rs 525.69 Lakhs
- [F] Of the above loans/Debentures pertaining to 19% portion, a part of the ZCB / Debentures is repayable in 2003-04 by way of divestment.
- 6] As per the Debenture Trust Deeds executed by and between the Company and the Debenture Trustees, the Company is required to create Debenture Redemption Reserve aggregating to Rs.5,174.47 Lakhs including Rs.4,418.89 Lakhs of prior years. However, no reserve has been created in view of inadequate profit earned during the year.
- 7] Claims against the Company not acknowledged as debts - Rs.8.51 Lakhs (Previous Year Rs.8.17 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.2.14 Lakhs (Previous Year Rs.1.98 Lakhs) paid to some of the Partners of the Auditors for other services.
- 11] The Company has given corporate guarantees on behalf of its subsidiary company, Garware Chemicals Ltd. (GCL), for repayment of term loans, interest and other charges thereon to:-
- (A) IDBI for Rs.17,108.37 Lakhs
- (B) The Fuji Bank Limited for Rs.3,215.75 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:

	2001-2002	2000-2001
	(Rs. in Lakhs)	(Rs. in Lakhs)
On Secured Loans	1387.55	2243.84
On Debentures	1510.88	2968.81
On Fixed Deposits	0.00	4.46
Others	2296.79	2546.27
	5195.22	7763.38



- 13] Export Benefits/Incentives are accounted on accrual basis. Accordingly, estimated benefit under DEPB scheme aggregating to Rs.1388.06 Lakhs (Previous Year Rs.1814.57 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:

	Rs. in Lakhs
Profit before prior period adjustments	207.57
<i>Add:</i>	
a. Remuneration to Directors	45.63
b. Directors' sitting fees	0.88
c. Provision for doubtful debts	4.46
Total	258.54
<i>Less:</i>	
a. Profit on sale of Fixed Assets	0.54
b. Provision for doubtful debts/Sundry Credit balances written back	58.99
Net Profit as per Section 349 of the Companies Act, 1956.	199.01

Due to inadequate profit for the year computed in accordance with Section 349 and 350 of the Companies Act, 1956 the remuneration of Rs. 45.63 Lakhs paid to the Managing Director and Whole Time Directors are as per the terms approved by the members.

- 15] Members of the Company at the Extraordinary 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.

(A) Loss on account of valuation of Assets and Liabilities

		Rs. in Lakhs
i) Negative Impact of Valuation :		
Investments	4467.00	
Inventories	477.29	
Sundry Debtors	515.69	
Other Current Assets	62.21	
Loans and Advances	3713.62	9235.81
<i>Less :</i>		
ii) Positive Impact of Valuation		
Fixed Assets	6765.35	
Current Liabilities	285.90	7051.25
Net Loss on account of valuation		2184.56

(B) Utilisation of Reserves and Deferred Tax Credit.

Capital Reserve	959.86	
Investment Allowance (utilized) Reserve	627.30	
Deferred Tax Credit	2981.00	4568.16

16] Segment Reporting :

- a) The company is in only one line of business namely in 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

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	<u>Within India</u>	<u>Outside India</u>	<u>(Rs in Lakhs)</u> <u>Total</u>
External Revenue:			
Sales including DEPB	23335	13637	36972
Amount of Segment Assets by location of Assets	28506	-	28506
17] Related Party Disclosures			
a) List of Related Parties			
Subsidiaries : Garware Chemicals Limited, Garware Polyester International Limited.			
Fellow Subsidiary: Global Pet Films, Inc.			
Associate Company: Garware Enterprises Limited			
Key Management Personnel: Mr. S.B. Garware			
b) Transactions with Related Parties			
			(Rs. in Lakhs)
i) Sale of Goods			
a) Subsidiary			1510.56
b) Fellow subsidiary			2151.25
c) Associate Company			5.58
ii) Purchase of Materials and Capital Equipments			
a) Subsidiary			8994.22
b) Associate Company			179.62
iii) Services Received			
- Associate Company			74.18
iv) Services Rendered			
a) Subsidiary Company			1006.42
b) Associate Company			8.43
v) Key Management Personnel & Relatives			
Managerial Remuneration Refer Schedule 11A			
18] Earning Per Share			
Profit attributable to equity shareholders			
	<u>2001-02</u>	<u>2000-01</u>	
	(Rs. in Lakhs)	(Rs. in Lakhs)	
Profit for the year	207.57	(6495.62)	
Add: Prior period items	614.81	546.11	
Less: Wealth tax	4.05	4.50	
Less; Income tax previous years (net)	37.16	0.00	
Profit attributable to equity shareholders	781.17	(5954.01)	
No. of Equity Shares of Rs. 10 each fully paid	21841364	21841364	
Earning per share (Rupees)	3.58	(27.26)	

19] **Deferred Tax Assets (Net) :**

- a) Consequent to Accounting Standard 22 "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India being mandatory with effect from April 1, 2001 the company has recognised cumulative deferred tax asset of Rs. 2,981.00 Lakhs for prior years and the same is utilised for adjustment of the loss as part of Financial restructuring.
- b) Major components of deferred tax arising on account of timing differences are :

	Rs. in Lakhs
Deferred Tax Assets:	
Disallowance u/s 43 B of the Income Tax Act, 1961.	3761.00
Unabsorbed Business Losses and Depreciation	7364.00
Others	198.00
(i)	11323.00
Deferred Tax Liabilities:	
Excess of Net Block over WDV as per the provisions of the Income Tax Act, 1961	8342.00
(ii)	8342.00
Deferred Tax Assets (Net)	2981.00

- 20] Inter divisional transfers of goods for internal use as captive consumption are shown as contra items in the Profit and Loss Account to reflect the true economic value of the production inter-se the divisions. This accounting treatment has no impact on the profit for the year.
- 21] (a) Sundry Creditors in Schedule 7 to the accounts include Rs.245.09 Lakhs (Previous Year Rs.551.20 Lakhs) payable to small scale industrial undertakings and Rs.1,309.77 Lakhs (Previous Year Rs.2,229.93 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, 2002 are as under :

M/s. Able Moulders, M/s. Marathwada Packaging Pvt. Ltd., M/s. A.K. Packaging Industries, M/s Nishant Sealing Systems P.Ltd., M/s. Abhishek Enterprises, M/s. National Industries, M/s. Amco Corporation, M/s. Nilesh Enterprises M/s. Air Tech, M/s. Novel Packaging Industries, M/s. Apul Hi-Tech, M/s. New Fire Engineers P.Ltd., M/s. Alashree Associates Pvt. Ltd., M/s. Nikhil Enterprises, M/s. Arvind Footwear Pvt. Ltd., M/s. Perfect Engg. Works, M/s. Chembond Chemicals Ltd., M/s. Poonam Industries, M/s. Commowelt Heaters, M/s. Patidar Wooden Works, M/s Diamond Chemicals, M/s. Prakash Engineering Works, M/s. Dynamic Agencies, M/s. P.C. Wood Industries, M/s. Dilip Gloves Works, M/s. Perfect Engineering Services P. Ltd., M/s. Dear Auto Comps Pvt. Ltd., M/s. Praweg Coveyors, M/s. Deep Enterprises, M/s. Pioneer Packagings, M/s. Devi Engineering, M/s. Pawan Enterprises, M/s. Deogiri Engineers, M/s. Pemco Process Equipment I. P.Ltd., M/s. Disha Industries, M/s. Ramesh Engineering Works, M/s. Ellora Gases, M/s. Rahul Enterprises, M/s. Enertech Additives Pvt.Ltd., M/s. R.D. Engineering, M/s. Flexible Packaging, M/s. Smithshilp Plastic Inds. Pvt. Ltd., M/s. Flexobraid, M/s. Suresh Polymers Pvt.Ltd., M/s. Flexo Film Wraps (India) Ltd., M/s. Super Ammonia Pvt.Ltd., M/s. Fancy Packs, M/s. Shree Bhagwan Tubes & Cont., M/s. G.B. Enterprises, M/s. Swaraj Engineering, M/s. GMP Systech Engineering P. Ltd., M/s. Sumeru Packagings (P) Ltd., M/s. Holkar Industries, M/s. S.S. Suppliers Aurangabad, M/s Ideal Enterprises, M/s. S.S. Controls, M/s. Igel Enterprises M/s. Saras Plastics Pvt. Ltd., M/s. Jain Plastics, M/s. Suyash Industries, M/s. Jainasons, M/s. Sangir Plastic Pvt. Ltd., M/s. Leak Proof Engg Works M/s Tulja Engineerings, M/s. Maharashtra Saw Mill, M/s. Umga Gears Pvt. Ltd., M/s. Modern Precision Industries, M/s. Venkatesh Industries, M/s. Millar Plastics Industries, M/s. Valqua Products M/s. Micron Gauges, M/s. Zambad Industrial Gases, M/s. Mona Rasayan Inds.Pvt.Ltd., M/s. Mansi Paper Products Pvt.Ltd., M/s. M. K. R. Engineering Works, M/s. Maxwell Industries, M/s. Makson Engineering Works.

- (b) No provision of interest, if any, payable on overdue amounts as at 31st March, 2002 to small scale and/or Ancillary Industrial Suppliers has been made as the amount is not determinable.
- 22] No provision has been made for income tax in view of brought forward losses.
- 23] Additional information pursuant to the provisions of paragraphs 3 and 4C of part II of Schedule VI of the Companies Act, 1956.

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(A) Licensed & Installed Capacities:

Product	2001-2002		2000-2001	
	Licensed/ Registered (T.P.A.)	Installed Capacity (T.P.A.)	Licensed/ Registered (T.P.A.)	Installed Capacity (T.P.A.)
	i) Polyester Film	80000	41000	80000
ii) Metallised Film	2210	2210	2210	2210
iii) Polyester Chips	50400	50400	50400	50400

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

(B) Details of Sales

Class of Goods:	2001 – 2002		2000-2001	
	Qty. (MT)	Value (Rs. Lakhs)	Qty. (MT)	Value (Rs. Lakhs)
Polyester films (Plain/Lacquered/ OHP Laminated/Stabilised/ Coloured & Metallised)	25283*	35597	24706*	32980
Others (including Chips)		1375		1101

* Includes internal transfers & free samples.

(C) Actual Production & Stocks

Class of Goods:	2001 – 2002			2000 – 2001		
	Unit	Op. Stock	Prod. Cl. Stock	Op. Stock	Prod. Cl. Stock	Cl. Stock
i) Polyester films (Plain/Lacquered/OHP Laminated/Stabilised/ Coloured & Metallised) (Rs. in Lakhs)	MT	1052.82	24942	712.58	853.28	24906
		1183.86	705.46		1265.49	1183.86
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	27.17		33.60	30.34		27.17

Note: Production includes bought out film of NIL (Previous Year 285 MTS)

(D) Consumption of Raw Materials:

Particulars	2001 – 2002		2000 – 2001	
	Qty. (MT)	*Value (Rs. Lakhs)	Qty. (MT)	*Value (Rs. Lakhs)
i) DMT	26856	6459.80	25522	6758.84
ii) PTA	0	0.00	759	242.58
iii) MEG	9200	2534.86	8978	2936.84
iv) Others		3008.63		3858.21
Total		12003.29		13796.47

* After adjusting sale of raw material amounting to Rs. 2.90 Lakhs (Previous Year Rs. Nil) and Octroi Duty Refund of Rs.292.99 Lakhs (Previous Year Rs.364.63 Lakhs).

(E) Details of imports on CIF basis	2001 – 2002 (Rs. Lakhs)		2000 – 2001 (Rs. Lakhs)	
	i) Raw Materials	1041.20		1825.95
ii) Packing Materials	60.70		107.88	
iii) Components & Spares	212.67		153.59	
iv) Capital Goods	98.66		244.40	

(F) Details of Imported & Indigenous Raw Materials and Spares parts consumed and percentage of each to the total:	2001 – 2002		2000 – 2001	
	Value (Rs. Lakhs)	% of Total	Value (Rs. Lakhs)	% of Total
i) Raw Materials:				
Imported	1581.35	13	2282.14	17
Indigenous	10421.94	87	11514.33	83
Total	<u>12003.29</u>	<u>100</u>	<u>13796.47</u>	<u>100</u>
ii) Stores & Spares:				
Imported	121.84	22	294.19	38
Indigenous	438.57	78	479.91	62
Total	<u>560.41</u>	<u>100</u>	<u>774.10</u>	<u>100</u>

(G) Remittances / Expenditure in Foreign Currency	2001 – 2002 (Rs. Lakhs)		2000 – 2001 (Rs. Lakhs)	
	i) Commission	298.78		42.69
ii) Advertisement	2.78		5.41	
iii) Traveling Expenses	5.08		102.24	
iv) Books, Periodicals & Subscription	4.23		16.10	
v) Technical/Engineering Services	148.97		71.02	
vi) Exhibition	1.81		16.46	
vii) Interest	0.12		431.77	
viii) Recruitment	14.31		12.66	
ix) Branch Office Expenses	36.71		0.00	
x) Others	8.55		8.41	

(H) Earnings in Foreign Exchange:	2001 – 2002 (Rs. Lakhs)	2000 – 2001 (Rs. Lakhs)
Exports (FOB basis)	11569.63	13377.42

24] 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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BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No.	10889	State Code	11
Balance Sheet Date	31.03.2002		

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	5732494	Total Assets	5732494
Sources of Funds			
Paid-up Capital	217787	Reserves & Surplus	140475
Secured Loans	5209374	Unsecured Loan	164858

Application of Funds

Net Fixed Assets	4482741	Investments	24257
Net Current Assets	927396	Misc. Expenditure	-
Deferred Tax Assets	298100		

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

Turnover	5549744	Total Expenditure	5528987
Profit before tax	20757	Profit after tax	20757

+	-
<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	3.58*	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, 2002

		Year ended 31.03.2002 (Rs. in Lakhs)	Year ended 31.03.2001 (Rs. in Lakhs)
A. Cash flow from operating activities:			
Net Profit/(Loss) before extraordinary items	A	785.22	(5,949.51)
Add: Depreciation		3,276.49	3,076.07
Interest expenses		5,195.22	7,763.38
Income Tax Prior Period (Net)		37.16	—
Sub Total	B	8,508.87	10,839.45
Sub Total (A + B)	C	9,294.09	4,889.94
Less: Interest income		26.16	32.52
Profit on sale of fixed assets		0.54	4.48
Dividend received/Income from Investment		9.10	8.70
Sundry balances Written Back (Net)		70.00	619.82
Interest Restructured		680.63	—
Rent		3.00	3.00
Sub Total		789.43	668.52
Operating profit before working capital changes		8,504.66	4,221.42
Adjustments for :			
(Increase)/Decrease in trade/other receivable (Net)		203.70	727.56
(Increase)/Decrease in inventories		1,604.18	(753.40)
Increase/(Decrease) in trade/other payables		(1,005.63)	404.64
Cash generated from operations		9,306.91	4,600.22
Interest paid		(4,046.79)	(3,460.96)
Direct taxes (Net)		(41.21)	(4.50)
Net cash inflow/(outflow) from operations		5,218.91	1,134.76
B. Cash flow from investing activities			
Purchase of fixed assets		(1,988.04)	(800.52)
Sale of fixed assets		1.15	6.62
Interest received		26.16	32.52
Dividend received/Income from Investment		9.10	8.70
Rent		3.00	3.00
Net cash inflow/(outflow) from investing activities		(1,948.63)	(749.68)

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CASH FLOW STATEMENT (Contd.)

	Year ended 31.03.2002 (Rs. in Lakhs)	Year ended 31.03.2001 (Rs. in Lakhs)
C. Cash flow from financing activities		
Repayment of borrowings - secured	(797.03)	(466.69)
Proceeds/(repayments) of borrowings-unsecured	338.08	96.92
Net cash Inflow/(outflow) from financing activities	(458.95)	(369.77)
Net increase/(decrease) in cash and cash equivalents	2,811.33	15.31
Cash and cash equivalents as at opening		
Cash and bank balances	334.80	579.61
Cash credit accounts	(10,654.04)	(10,914.16)
Total I	(10,319.24)	(10,334.55)
Cash and cash equivalents as at closing		
Cash and bank balances	391.07	334.80
Cash credit accounts	(7,898.98)	(10,654.04)
Total II	(7,507.91)	(10,319.24)
Total II-I	2,811.33	15.31

For and on behalf of the Board of Directors

S. B. GARWARE
Chairman &
Managing Director

A. B. BHALERAO
Director - Technical

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

Mumbai, 27th November, 2002

AUDITORS' REPORT

We have examined the above Cash Flow Statement of Garware Polyester Limited for the year ended 31st March, 2002. The statement has been prepared by the Company in accordance with the requirements of clause 32 of the Listing Agreement with the Stock Exchange and is based on and in agreement with the corresponding Profit and Loss Account and Balance Sheet of the Company covered by our report of even date to the Members of the Company.

For SHAH & CO.
Chartered Accountants

Mumbai
Date : 27th November, 2002

INDULAL H. SHAH
Partner

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

A)	Name of the Subsidiary Companies	Garware Chemicals Limited	Garware Chemicals Limited	Garware Polyester International Limited	Garware Pet Films Inc.
B)	Financial Year of the Subsidiary Companies ended on:	30 th September, 2001	31 st March, 2002 (6 months)	31 st December, 2001	31 st December, 2001
C)	Shares of the Subsidiary held by Garware Polyester Limited, on the above dates:				
	(a) Number and Face Value	1,40,75,820 Equity Shares of Rs.10/- each	1,40,75,820 Equity Shares of Rs.10/- each	2,50,000 Equity Shares of Pound 1 each	NIL
	(b) Extent of holding	82 %	82 %	100 %	
D)	The net aggregate of Profit/ (Losses) of the Subsidiary Companies so far as it concerns the members of Garware Polyester Limited.				
	(a) Not dealt with in the accounts Garware Polyester Limited, for the year ended 31.03.2002.				
	(i) For the Subsidiaries' Financial Year ended on the respective dates.	(Rs. in Lakhs) (5047.30)	(Rs. in Lakhs) (2681.41)	(in £) (702045)	N.A.
	(ii) For the previous Financial Years of the Subsidiaries since they became the Holding Company's Subsidiaries	N.A.	N.A.	N.A.	
	(b) Dealt with in the accounts of Garware Polyester Ltd. for the year ended 31.03.2002 amounted to:-				
	(i) For the Subsidiaries' Financial Year ended on the respective dates.	N.A.	N.A.	N.A.	N.A.
	(ii) For the previous Financial Years of the Subsidiaries since they became the Holding Company's Subsidiaries.	N.A.	N.A.	N.A.	N.A.
E)	Changes in the interest of Garware Polyester Ltd. between the end of the Subsidiaries' Financial Year and 31.03.2002.	NIL	NIL	NIL	NIL
F)	Material changes between the end of the Subsidiary's Financial Year and 31.03.2002.	NIL	NIL	NIL	NIL
	(1) Fixed Assets				
	(2) Investments				
	(3) Monies lent by the Subsidiary				
	(4) Monies borrowed by the Subsidiary Company other than for meeting Current Liabilities.				

For and on behalf of the Board of Directors

S. B. GARWARE
Chairman & Managing Director
A. B. BHALEROO
Director - Technical

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

Mumbai, 27th November, 2002

**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 (i) of Schedule 12 of the Consolidated Financial Accounts as at 31st March, 2002 and also the Consolidated Profit and Loss Account for the year then ended.

These financial statements are the responsibility of the Garware Polyester Limited's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in India. These standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with and identified financial reporting framework and are free of material misstatements. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statements of Garware Polyester International Limited and Global Pet Films Inc., whose financial statements reflect total assets of Rs. 1,116.37 Lakhs as at 31st December, 2001 and total revenues of Rs. 3,959.21 Lakhs for the year then ended. These financial statements have been audited by other auditors whose reports have been furnished to us. Unaudited accounts for the period from 1st January, 2002 to 31st March, 2002 of the above referred subsidiaries as furnished by the respective companies and approved by the Board of Directors have been considered for consolidation along with the audited accounts for the year ended 31st December, 2001.

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, except of Garware Chemicals Limited for which legal opinion has been obtained.

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 after necessary adjustments of unaudited accounts for the period from 1st January, 2002 to 31st March, 2002 have been considered for consolidation. The said accounts subject to our Note in Para 4 above:

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.23(b) for non provision in respect of interest, if any, payable on overdue amounts to SSI suppliers; Note No.K(ii) under Schedule 3 of secured loans regarding credit of Rs.120.40 Lakhs in restructured interest 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, 2002; and
- 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 then ended.

For SHAH & CO.,
Chartered Accountants

INDULAL H. SHAH
Partner

Mumbai: 27th November, 2002

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2002

	Schedule		As at 31.03.2002 (Rs. In Lakhs)
FUNDS EMPLOYED :			
SHAREHOLDERS' FUNDS			
Share Capital	1	2,177.87	
Reserves & Surplus	2	<u>1,414.01</u>	
			3,591.88
BORROWINGS			
Secured Loans	3A	52,093.74	
Unsecured Loans	3B	<u>1,648.58</u>	
			53,742.32
TOTAL			<u><u>57,334.20</u></u>
APPLICATION OF FUNDS :			
FIXED ASSETS			
Gross Block	4	68,416.61	
Less: Depreciation		<u>23,583.93</u>	
Net Block		44,832.68	
Capital Work in Progress		<u>6.10</u>	
			44,838.78
INVESTMENTS	5		109.00
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	6	5,583.95	
Sundry Debtors		3,074.06	
Cash and Bank Balances		636.13	
Other Current Assets		2,685.74	
Loans and Advances		<u>970.42</u>	
		12,950.30	
Less: CURRENT LIABILITIES AND PROVISIONS	7		
Current Liabilities		<u>3,544.88</u>	
Net Current Assets			9,405.42
DEFERRED TAX ASSETS			<u>2,981.00</u>
TOTAL			<u><u>57,334.20</u></u>

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

For and on behalf of the Board of Directors

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

S. B. GARWARE
Chairman &
Managing Director

A. B. BHALERAO
Director - Technical

INDULAL H. SHAH
Partner

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

Mumbai, 27th November, 2002

Mumbai, 27th November, 2002

GARWARE POLYESTER LIMITED (Consolidated)

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2002

	Schedule	2001-2002 (Rs.in Lakhs)
INCOME :		
Sales including Excise duty		37,766.35
Inter-Divisional Transfers (as per contra)		19,715.41
Other Income	8	222.58
Increase / (Decrease) in Finished and Semi-finished Goods	9	<u>(1,271.80)</u>
		56,432.54
EXPENDITURE :		
Raw Materials consumed	10	12,326.14
Inter-Divisional Transfers (as per contra)		19,715.41
Manufacturing & other expenses	11 A	12,265.47
Excise duty		3,327.71
Interest (Refer Note No.14 in Schedule 12B)		<u>5,195.22</u>
		52,829.95
Profit before Depreciation		3,602.59
Depreciation		3,283.45
Less : Transferred from Captial Reserve		<u>3.15</u>
		3,280.30
Profit for the year before tax & Prior Period Items		322.29
Prior Period Items	11 B	614.81
Less:- Income tax of Prior period (Net)		37.16
Less :- Adjustment on account of consolidation		<u>46.58</u>
		853.36
Less : Wealth Tax Paid		<u>4.05</u>
Net Profit		849.31
Balance of Loss brought forward from previous year		<u>(16,190.91)</u>
Net loss before financial restructuring		(15,341.60)
Add: Loss on valuation of assets and liabilities on financial restructuring (Refer Note No 17(A) in Schedule - 12B)		<u>(2,184.56)</u>
		(17,526.16)
Less: Utilisation of Reserves and Deferred Tax Credit (Refer Note No 17 (B) in Schedule 12B)		<u>4,568.16</u>
Net Loss after Financial Restructuring		(12,958.00)
Transferred from Share Premium Account		<u>12,967.26</u>
		9.26
Balance carried to Balance Sheet		<u>9.26</u>
Earning per share (Refer Note No. 20 in Schedule 12B)		<u>9.26</u>

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

INDULAL H. SHAH
Partner

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

Mumbai, 27th November, 2002

Mumbai, 27th November, 2002

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

 As at 31.03.2002
 (Rs. in Lakhs)

SCHEDULE 1
SHARE CAPITAL
Authorised:

 2,50,00,000 Equity Shares of Rs.10/- each 2,500.00
Issued, Subscribed and Paid-up:

 2,18,41,364 Equity Shares of Rs.10/- each,
 fully paid-up 2,184.14

 Less: Unpaid Allotment Call money (from others) 6.27
2,177.87
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. 963.01
 Balance as per last Balance Sheet 3.15
 Less: Transferred to Profit and Loss Account

959.86
959.86 *

Less: Utilised for financial restructuring

0.00
Share Premium :

 Balance as per last Balance Sheet 13,015.96

 Less: Transferred to Profit & Loss Account
 for adjustment of the net Loss after
 financial restructuring.

12,967.26 *
48.70
Debenture Redemption Reserve :

 Balance as per last Balance Sheet 1,356.05
Investment Allowance (Utilised) Reserve

 Balance as per last Balance Sheet 627.30

 Less: Utilised for financial restructuring 627.30 *
0.00
Profit & Loss Account
9.26

Total

1,414.01

*Refer Note No. 17 in Schedule 12B

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET (Contd.)As at 31.03.2002
(Rs.in Lakhs)**SCHEDULE 3**

A. SECURED LOANS	Notes		
I Debentures/Bonds (Refer Note Nos. 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	
(ii) 0'Coupon Bonds / Debentures. (earlier 16% / 18.5%/15.5% & 0%)	E	6,233.83	
(iii) Interest accrued and due		<u>665.93</u>	
			18,124.07
II From Banks Cash / Packing Credit Accounts Working Capital Demand Loan	F	3,644.07 <u>4,254.91</u>	
			7,898.98
III Term Loans			
(i) Financial Institutions	G	11,199.66	
(ii) Banks	H	5,094.75	
(iii) Hire Purchase Finance	I	39.30	
(iv) Interest accrued and due		<u>556.50</u>	
			16,890.21
IV Deferred interest	J		<u>9,180.48</u>
TOTAL			<u><u>52,093.74</u></u>

Notes :

- (A) 12.5% Non-Convertible Debentures (16%) of Rs.100/- each being 81% of debentures outstanding 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 (18.50%) of Rs.100/- each being 81% of debenture outstanding 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 (15.5%) of Rs.100/- each being 81% of debenture outstanding 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 (0%) of Rs.100/- each being 81% of debenture outstanding 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) 19% of the Non Convertible Debenture / PPD / ZCD / Export advance has been carved out as Zero Coupon Bonds/ Zero Coupon Debentures of Rs.100/- each and are secured on the same lines as the 81% component stated in (A) to (D) above.
- (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.
- (G) The total Term Loan (81%)/ Export advance excluding Zero coupon Bond amounts to Rs 11199.66 Lakhs from Financial Institutions;

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

- (1) Of this amount, Term Loans of Rs.6028.09 Lakhs (Previous Year Rs.7442.10 Lakhs) to be 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, 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, 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 deferred payment facility and,
 - (ii) Specified assets charged to the Company's bankers as security for Term Loans.
- (2) Advance against export of Rs. 5171.57 Lakhs (Previous year Rs. 5973.93 Lakhs) is restructured whereby it is converted into two portions one which is payable in 24 monthly instalments commencing from November, 2001 and the other portion payable in 28 quarterly instalments commencing from 1st April, 2003 and 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 Loan (81%) amounts to Rs. 5094.75 Lakhs from Banks
- (1) Of this amount, Term Loans of Rs. 1405.09 Lakhs (Previous Year Rs.1734.69 Lakhs) to be 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, 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, 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 deferred payment facility and,
 - (ii) Specified assets charged to the Company's bankers as security for Term Loans.
- (2) Term Loans of Rs.3689.66 Lakhs (81%) (Previous Year Rs. 4555.13 Lakhs) from a bank is secured by a mortgage on Company's immovable property situated at Vile Parle, Mumbai.
- (I) Hire Purchase Finance are secured by hypothecation of specific assets.
- (J) Unpaid interest as on 31st March, 2001 amounting to Rs.9180.48 lakhs has been deferred on interest free basis and is secured by charge/mortgage on the same lines as the loans/debentures.
- (K) (i) Financial Institutions / Banks (except Unit Trust of India, National Insurance Co. Ltd, Oriental Insurance Co. Ltd., United India Insurance Co. Ltd.) constituting 94% of the total outstanding as on 31st March, 2001 have given their sanction for re-structuring of Non-Convertible Debentures / Term Loans including interest accrued and due thereon upto 31st March, 2001. Consent Terms with EXIM Bank/ ICICI are being finalised. Secured Loans have been shown according to the restructuring arrangement.
- (ii) Credit of Rs. 120.40 Lakhs has been considered in restructured interest even though the sanctions from financial institutions as referred to above are yet to be received.

B. UNSECURED LOANS
**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	873.58
ii) Term Loan from a Bank (falling due within a year)	75.00
iii) Short Term Loan from others	700.00
TOTAL	<u>1,648.58</u>

GARWARE POLYESTER LIMITED (Consolidated)

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

Sr. No.	Description of Assets	GROSS BLOCK					DEPRE-	NET	
		Cost/ Revaluation as at 01.04.2001	Additions during the year	Additions/ deletions due to evaluation*	Total Additions	Sales/ Transfer during the year	CIATION Up to 31.3.2002	BLOCK As at 31.3.2002	
1	Land (Freehold)	1084.65	0.00	5903.56	5903.56	0.00	6988.21	0.00	6988.21
2	Land (Leasehold)	85.56	0.00	1735.38	1735.38	0.00	1820.94	0.00	1820.94
3	Buildings	3435.05	5.12	3708.22	3713.34	0.00	7148.39	1922.00	5226.39
4	Plant & Machinery	48396.73	1932.46	(4871.26)	(2938.80)	0.00	45457.93	16950.39	28507.54
5	Electrical Installations	2790.33	2.03	(4.74)	(2.71)	0.00	2787.62	1589.03	1198.59
6	Moulds	287.83	0.00	(0.29)	(0.29)	0.00	287.54	287.54	0.00
7	Laboratory Equipments	117.43	0.81	34.42	35.23	0.00	152.66	77.19	75.47
8	Furniture & Fixtures	322.58	2.76	116.76	119.52	0.00	442.10	271.95	170.15
9	Office Equipments	317.49	11.03	42.88	53.91	0.00	371.40	218.44	152.96
10	Vehicles	379.42	64.83	27.59	92.42	3.83	468.01	310.80	157.21
11	Capital Expenditure on Research & Development	183.37	7.62	0.00	7.62	0.00	190.99	150.81	40.18
12	Data Processing Equipments	673.93	37.69	72.83	110.52	1.06	783.39	616.46	166.93
13	Expenditure on Tech. know-how/Product Development Expenses.	1359.97	0.00	0.00	0.00	0.00	1359.97	1031.86	328.11
14	Copyrights	157.46	0.00	0.00	0.00	0.00	157.46	157.46	0.00
	Total	59591.80	2064.35	6765.35	8829.70	4.89	68416.61	23583.93	44832.68
	Capital Work-in-Progress								6.10

NOTES :

- 1 Buildings include Rs.0.07 Lakh being value of 136 shares in Co-op. Housing Societies.
- 2 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.
- 3 No Write-off has been made in respect of lease relating to lease hold land.
- 4 Depreciation includes Technical Know-how fees / Product Development Expenses amortised.
- * Refer Note 17 in Schedule 12B

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET (Contd.)
SCHEDULE 5
INVESTMENTS (AT COST)
As at 31.03.2002
(Rs.In Lakhs)
A. 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
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
3. 2,80,000 Equity Shares of Garware Marine Industries Ltd., of the face value of Rs.10/- each, fully paid-up	0.00 #
4. 4,00,000 Equity Shares of Garware Wall Ropes Ltd., of the face value of Rs.10/- each, fully paid-up.	56.80 #
5. 58,900 Equity Shares of Bank of India, of the face value Rs.10/- each, fully paid-up.	26.51

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
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
3. 500 shares of The Co-operative Stores Ltd. (New Delhi), of the face value of Rs.10/- each, fully paid-up.	0.05
4. 10,000 Equity Shares of SICOM Ltd., of the face value of Rs.10/- each, fully paid-up	8.00
5. 4,000 Equity Shares Deogiri Nagari Sahakari Bank Ltd., of the face value of Rs 25/- each, fully paid-up.	1.00
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
7. 1,000 Equity Shares of Poornawadi Co-op. Bank Ltd., of the face value of Rs 100/- each, fully paid-up.	1.00

11.55
III In Subsidiary Company (Unquoted)

1. 1,40,75,820 Equity Shares of Garware Chemicals Ltd., of the face value of Rs.10/- each, fully paid-up including four equity shares held by nominees.	14.09#
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TOTAL
109.00
Cost
Market Value

NOTE : Aggregate amount of company's investments.

Quoted	83.36
Unquoted	25.64

85.64
TOTAL
109.00

Refer Note No. 17 in Schedule 12B

GARWARE POLYESTER LIMITED (Consolidated)

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET (Contd.)**SCHEDULE 6****CURRENT ASSETS, LOANS & ADVANCES****As at 31.03.2002
(Rs.in Lakhs)****A) CURRENT ASSETS:**

I. Inventories : [(After adjusting Rs.477.29 Lakhs in Financial Restructuring) (Refer Note No.17 in Schedule 12B)] (As taken, valued & certified by the Management)		
a) Stores, Spare parts & Packing materials (At Cost)	2,369.27	
b) Stock-in-trade		
(i) Raw Materials (At cost)	828.40	
(ii) Finished goods (At cost or market value whichever is lower)	1,150.94	
(iii) Semi-finished goods (At cost)	1,235.34	
	<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	230.35	
(ii) Considered Doubtful	517.44	
	<u>747.79</u>	
Less :Provision for Doubtful Debts	517.44	
	<u>230.35</u>	
(b) Other Debts (Refer Note No.6 in Schedule 12B)	2,843.71	
	<u>3,074.06</u>	
III. Cash and Bank Balances :		
(a) Cash on hand	29.15	
(b) Bank balances :		
(i) With Scheduled Banks:		
In Current Accounts	387.85	
In Margin Account	212.66	
(ii) With Non-Scheduled Bank:		
In Post Office (Maximum balance due at any time during the year Rs.6.47 Lakhs)	6.47	
	<u>636.13</u>	
IV. Other Current Assets: Other receivables		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.	393.40	
b) Advance against Capital Expenditure	0.75	
c) Deposits with Customs & Excise authorities	210.62	
d) Deposits with others	348.11	
e) Advance Payment of Income Tax, and tax deducted at source	17.54	
	<u>970.42</u>	
TOTAL		<u><u>12,950.30</u></u>

SCHEDULE 7**CURRENT LIABILITIES AND PROVISIONS :****Current Liabilities :**

i) Sundry Creditors (Refer Note No. 23 in Schedule 12B)	2,144.16
ii) Other Liabilities (Including Rs. 1.23 Lakhs due to Directors)	1,047.01
iii) Deposits and advances from customers & others	330.53
iv) Unclaimed Dividends	14.03
v) Share & Debenture Application Money Refundable	6.98
vi) Debenture Redemption Money payable	2.17
TOTAL	<u><u>3,544.88</u></u>

SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT & LOSS ACCOUNT

SCHEDULE 8	2001-2002
<u>OTHER INCOME</u>	<u>(Rs.in Lakhs)</u>
Insurance claims	22.95
Income from Investments (Gross)	9.10
Interest on short term deposits with banks and others (Net) (Tax deducted at source Rs.1.09 Lakhs)	32.46
Miscellaneous income	27.37
Profit on sale of fixed assets (Net)	0.54
Credit balances written back	58.99
Bad debts written off recovered	53.46
Rent (Tax deducted at source Rs.0.37 Lakhs)	3.00
Sales Tax refund	0.59
Octroi Refund	14.12
TOTAL	222.58

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

Opening Stock:	
Finished goods	1,636.17
Semi finished goods	2416.89
	<u>4,053.06</u>
Closing Stock:	
Finished goods	1,244.80
Semi finished goods	1,536.46
	<u>2,781.26</u>
Increase / (Decrease)	<u>(1,271.80)</u>

SCHEDULE 10
RAW MATERIALS CONSUMED

Opening Stock	1,013.32	
Add: Purchases and Expenses	12,218.81	
		13,232.13
Less: Closing Stock		905.99
TOTAL		12,326.14

GARWARE POLYESTER LIMITED (Consolidated)

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

SCHEDULE 11 A

MANUFACTURING AND OTHER EXPENSES

2001-2002
(Rs. in Lakhs)

A. Manufacturing Expenses:		
Stores, Spares and Packing Materials consumed (Net)	1,716.02	
Power and Fuel	3,281.34	
Water Charges	72.52	
Processing Charges	83.31	
		5,153.19
B. Employees' Remuneration & Benefits:		
Salaries, Wages and Bonus (Incl. Rs.40.38 Lakhs for VRS)	1,375.27	
Contribution to Provident and other funds	215.25	
Staff Welfare Expenses	165.78	
		1,756.30
C. Administrative, Selling and General Expenses:		
Rent, Hire charges and Compensation (Net)	85.43	
Rates, Taxes and Licence Fees	37.73	
Insurance (Net)	233.69	
Freight and Forwarding (Net)	1,299.70	
Research and Development Expenses	234.01	
		1,890.56
Repairs and Maintenance of:		
I) Plant and Machinery	96.60	
II) Buildings	106.19	
III) Other Assets	512.59	
		715.38
Advertisement Expenses	60.57	
Additional Sales Tax / Turnover Tax	11.73	
Warehouse Expenses	31.44	
Travelling & Conveyance	437.79	
Postage, Telegrams & Telephones	174.04	
Lease Rentals	6.49	
Bank Charges	373.04	
Commission on Sales	217.33	
Donations	12.73	
Legal and Professional charges (Refer Note No.12 in Schedule 12 B)	339.61	
Auditors' Remuneration		
(a) Audit fees	5.32	
(b) Tax Audit fees	1.31	
(c) As advisors for Taxation matters	0.00	
(d) For Certification/Others	0.87	
		7.50
Loss on exchange rate fluctuation	132.45	
Other financial charges	182.52	
Misc. Expenses	711.11	
Provision for Doubtful Debts	4.46	
		3,418.19
D Managerial Remuneration:		
(a) To Managing Director :		
(i) Salary	12.00	
(ii) Contribution to Provident fund, Superannuation & Gratuity Scheme	3.46	
(iii) Other Perquisites	6.51	
		21.97
(b) To Whole Time Directors :		
(i) Salary	17.40	
(ii) Contribution to Provident fund, Superannuation & Gratuity Scheme	5.02	
(iii) Other Perquisites	1.24	
		23.66
(c) Directors' sitting fees	0.88	
		46.51
Preliminary & Share Issue Expenses w/off		0.72
TOTAL		12,265.47

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

SCHEDULE 11 B	2001-2002
PRIOR PERIOD ITEMS (NET)	(Rs. in Lakhs)
Sundry Credit balance written back (Net)	70.00
Interest restructured [Refer Note K (ii) under secured Loans]	680.63
	<u>750.63</u>
Less: Prior Period expense	135.82
Total	<u><u>614.81</u></u>

SCHEDULE - 12
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON CONSOLIDATED FINANCIAL STATEMENTS:
A. SIGNIFICANT ACCOUNTING POLICIES
1. Basis of presentation of Financial Statements

The financial statements are prepared under the historical cost convention modified by revaluation of fixed assets and in accordance with applicable Accounting Standards and relevant presentation requirements of the Companies Act, 1956.

The company generally follows the mercantile system of accounting and recognizes significant items of income and expenditure on accrual basis.

2. Fixed Assets and Depreciation/Amortisation

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

Depreciation / Amortisation is provided as follows:

- On Technical Know-how/Product Development Expenses @ 1/6th 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 Film 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).

5. Foreign Currency Transactions

- 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.

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/(loss) of the Company.

7. Excise Duty

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.

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

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. 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 forceable future.

B. NOTES ON CONSOLIDATED FINANCIAL STATEMENT

1. The subsidiary 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 Subsidiary of wholly owned subsidiary Global Pet Inc.	U.S.A.	99.99%	Jan.-Dec.

As advised, Garware Chemicals Ltd., Indian subsidiary with 82.13% voting power, has not been considered in the consolidated financial statements.

2. Principles of consolidation:

- i) Consolidated financial Statements are done in accordance with the AS 21 by consolidating financial statements of subsidiaries on the reporting period. The consolidation is based on the audited financial statements of subsidiaries for the year ended 31st December, 2001 and necessary adjustments/additions have been incorporated to give effect to all transactions occurred between the said year end and 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, 2002.
 - iv) As the consolidated financial statements have been prepared for the first time, the comparative figures for the previous year have not been disclosed.
 - v) As this is the first year of the adoption of the Accounting Standard - AS 21 on Consolidated Financial Statements, it is not practical to present, consolidated cash flow statement, since the consolidated figures of the previous year were not compiled and hence, the opening balances which are relevant for compilation of this year's cash flow are not available.
3. Estimated amount of contracts remaining to be executed on capital account and not provided for – Rs.1.20 Lakhs against which an advance of Rs.0.75 Lakh has been paid.
 4. The Company has given counter-guarantees for Rs.1429.90 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.3524.30 Lakhs.
6. Bills of Exchange discounted under Bill Marketing Scheme amount to Rs.2415.15 Lakhs.
 7. [A] 16% Secured Redeemable Non Convertible Debentures aggregating Rs.1207.17 Lakhs have been restructured as under:
 - i] 81% amounting to Rs.977.81 Lakhs are redeemable at par in 28 quarterly installments commencing from April 1, 2003 at an interest of 12.5% p.a.
 - ii] 19% amounting to Rs.229.36 Lakhs are redeemable at a premium of Rs.121.55 Lakhs in 24 quarterly installments commencing from April 1, 2006 at an interest rate of 0%.
 - [B] 21,00,000 - 18.5% Secured Redeemable Non Convertible Debentures of Rs.100/- each for cash at par issued to the Financial Institutions on Private Placement basis are restructured as under:
 - i] 81% amounting to Rs.1701 Lakhs are redeemable at par in 28 quarterly installments commencing from April 1, 2003 at an interest of 12.5% p.a.
 - ii] 19% amounting to Rs.399 Lakhs are redeemable at a premium of Rs.211.45 Lakhs in 24 quarterly installments commencing from April 1, 2006 at an interest rate of 0%.
 - [C] 99,50,000 - 15.5% Secured Redeemable Non Convertible Debentures of Rs.100/- each for cash at par issued to a Financial Institution on Private Placement basis are restructured as under:
 - i] 81% amounting to Rs.8059.50 Lakhs are redeemable at par in 28 quarterly installments commencing from April 1, 2003 at an interest of 12.5% p.a.
 - ii] 19% amounting to Rs.1890.50 Lakhs are redeemable at a premium of Rs.1002.04 Lakhs in 24 quarterly installments commencing from April 1, 2006 at an interest rate of 0%.
 - [D] 6,00,000 - Secured Redeemable Non Convertible Zero Coupon Debentures of Rs.100/- each for cash at par issued to a Financial Institution on Private Placement basis are restructured as under:
 - i] 81% amounting to Rs.486 Lakhs are redeemable at par in 28 quarterly installments commencing from April 1, 2003 at an interest of 12.5% p.a.
 - ii] 19% amounting to Rs.114 Lakhs are redeemable at a premium of Rs.60.41 Lakhs in 24 quarterly installments commencing from April 1, 2006 at an interest rate of 0%.
 - [E] Advance against exports is restructured whereby it is converted into 3 portions
 - i) One portion is payable in 24 monthly instalments commencing from November, 2001 carrying interest @ 12.5%
 - ii] Of the balance an amount of 81% is payable in 28 quarterly installments commencing from April 1, 2003 and the same carries an interest of 12.5% p.a.
 - iii] Of the balance 19% is redeemable in 24 quarterly installments commencing from April 1, 2006 at an interest rate of 0%. The same is redeemable at a premium of Rs. 525.69 Lakhs
 - [F] Of the above loans/Debentures pertaining to 19% portion, a part of the ZCB / Debentures is repayable in 2003-04 by way of divestment.
 8. As per the Debenture Trust Deeds executed by and between the Company and the Debentures Trustees, the Company is required to create Debenture Redemption Reserve aggregating to Rs.5174.47 Lakhs including Rs.4418.89 lakhs of prior years. However, no reserve has been created in view of inadequate profit earned during the year.
 9. Claims against the Company not acknowledged as debts – 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.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 subsidiary company, Garware Chemicals Ltd. for repayment of term loans, interest and other charges thereon to:-

(A) IDBI for Rs.17,108.37 Lakhs

(B) The Fuji Bank Limited for Rs.3,215.75 Lakhs

However, the Company has been advised that guarantee is not enforceable at present as Garware Chemicals Ltd. is registered with BIFR under the Sick Industrial Companies (Special Provisions) Act, 1985.

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

	2001-2002
	(Rs.in Lakhs)
On Secured Loans	1387.55
On Debentures	1510.88
Others	2296.79
	5195.22

15. Export Benefits / Incentives are accounted on accrual basis. Accordingly, estimated benefit under DEPB scheme aggregating to Rs.1388.06 Lakhs against export effected during the year has been credited to DEPB Entitlement Earned account.

16. Due to inadequate profit for the year, the remuneration of Rs. 45.63 Lakhs paid to the Managing Director and Whole Time Directors are as per the terms approved by the members.

17. 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

(A) Loss on account of valuation of Assets and Liabilities

i) Negative Impact of Valuation :

	Rs.In Lakhs
Investments	4467.00
Inventories	477.29
Sundry Debtors	515.69
Other Current Assets	62.21
Loans and Advances	3713.62
	9235.81

Less :-

ii) Positive Impact of Valuation

Fixed Assets	6765.35
Current Liabilities	285.90
	7051.25
Net Loss on account of valuation	2184.56

GARWARE POLYESTER LIMITED (Consolidated)

(B) Utilisation of Reserves and Deferred Tax Credit.

Capital Reserve	959.86
Investment Allowance (utilized) Reserve	627.30
Deferred Tax Credit	2981.00
	4568.16

18. Segment Reporting:

- a) The company is in only one line of business namely in 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

	Domestic Operations	International Operations	Total
Segment Revenue	23335	14432	37767
Carrying cost of Segment Assets by Locating of Assets	28506.12	1.42	28507.54

19. Related Party Disclosures:

- a) List of Related Parties.
Subsidiaries
Garware Chemicals Limited, Garware Polyester
International Limited
Fellow Subsidiaries
Global Pet Films, Inc.
Associate Company
Garware Enterprises Limited
Key Management Personnel
Mr.S.B. Garware
- b) Transactions with Related Parties (Rs.in Lakhs)
- i) Sale of Goods
– Associate Company 5.58
- ii) Purchase of Materials and Capital Equipments
– Associate Company 179.62
- iii) Services Received.
– Associate Company 74.18
- iv) Services Rendered
– Associate 8.43
- v) Key Management Personnel & Relatives
Managerial Remuneration Refer Schedule 11A

20. Earning Per Share:

	2001-02
Profit after Tax as per Profit & Loss Account (Rupees in Lakhs)	849.31
No. of Equity Shares of Rs. 10 each fully paid	21841364
Earning per share (Rupees)	3.89

21. Deferred Tax Assets (Net):

In respect of the parent company:
Pursuant to the Accounting Standard AS (22) "Accounting for Taxes on Income" issued by the Institute of Chartered

Accountants of India being mandatory with effect from April 1, 2001 the company has provided for the cumulative deferred tax asset of Rs 2981.00 Lakhs for prior years and the same is utilised for adjustment of the loss as part of Financial restructuring.

Major components of deferred tax arising on account of timing differences are :

		(Rs.in Lakhs)
Deferred Tax Assets:		
Disallowance u/s 43 B of the Income Tax Act, 1961		3761.00
Unabsorbed Business Losses and Depreciation		7364.00
Others		198.00
	(i)	11323.00
Deferred Tax Liabilities:		
Excess of Net Block over WDV as per the provisions of the Income Tax Act 1961.	(ii)	8342.00
Deferred Tax Assets (Net)	(i-ii)	2981.00

22. 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.

23. In respect of Parent Company:

(a) Sundry Creditors in Schedule 7 to the accounts include Rs.245.09 Lakhs (Previous Year Rs.551.20 Lakhs) payable to small scale industrial undertakings and Rs.1309.77 Lakhs (Previous Year Rs.2229.93 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 2002 are as under :

M/s. Able Moulders, M/s. Marathwada Packaging Pvt.Ltd., M/s. A.K. Packaging Industries, M/s Nishant Sealing Systems P. Ltd., M/s. Abhishek Enterprises, M/s. National Industries, M/s. Amco Corporation, M/s. Nilesh Enterprises, M/s. Air Tech, M/s. Novel Packaging Industries, M/s. Apul Hi-Tech, M/s. New Fire Engineers P. Ltd., M/s. Alashree Associates Pvt. Ltd., M/s. Nikhil Enterprises, M/s. Arvind Footwear Pvt. Ltd., M/s. Perfect Engg. Works, M/s. Chembond Chemicals Ltd., M/s. Poonam Industries, M/s. Commowelt Heaters, M/s. Patidar Wooden Works, M/s Diamond Chemicals, M/s Prakash Engineering Works, M/s. Dynamic Agencies, M/s. P.C. Wood Industries, M/s. Dilip Gloves Works, M/s Perfect Engineering Services P. Ltd., M/s. Dear Auto Comps Pvt. Ltd., M/s. Praweg Coveyors, M/s. Deep Enterprises, M/s. Pioneer Packagings, M/s. Devi Engineering, M/s. Pawan Enterprises, M/s. Deogiri Engineers, M/s. Pemco Process Equipment I. P.Ltd., M/s. Disha Industries, M/s. Ramesh Engineering Works, M/s. Ellora Gases, M/s. Rahul Enterprises, M/s. Enertech Additives Pvt.Ltd., M/s. R.D. Engineering, M/s. Flexible Packaging, M/s. Smithshilp Plastic Inds.Pvt.Ltd., M/s. Flexobraid, M/s. Suresh Polymers Pvt.Ltd., M/s. Flexo Film Wraps (India) Ltd., M/s. Super Ammonia Pvt.Ltd., M/s. Fancy Packs, M/s. Shree Bhagwan Tubes & Cont., M/s. G.B. Enterprises, M/s. Swaraj Engineering, M/s. GMP Systech Engineering P. Ltd., M/s. Sumeru Packagings (P) Ltd., M/s. Holkar Industries, M/s. S.S. Suppliers Aurangabad, M/s Ideal Enterprises, M/s. S.S. Controls, M/s. Igel Enterprises, M/s. Saras Plastics Pvt. Ltd., M/s. Jain Plastics, M/s. Suyash Industries, M/s. Jainasons, M/s. Sangir Plastic Pvt. Ltd., M/s. Leak Proof Engg Works, M/s Tulja Engineerings, M/s. Maharashtra Saw Mill, M/s. Umga Gears Pvt. Ltd., M/s. Modern Precision Industries, M/s. Venkatesh Industries, M/s. Millar Plastics Industries, M/s. Valqua Products, M/s. Micron Gauges, M/s. Zambad Industrial Gases, M/s. Mona Rasayan Inds.Pvt.Ltd., M/s. Mansi Paper Products Pvt.Ltd., M/s. M. K. R. Engineering Works, M/s. Maxwell Industries, M/s. Makson Engineering Works.

(b) No provision of interest, if any, payable on overdue amounts as at 31/03/2002 to small scale and / or Ancillary Industrial Suppliers has been made as the amount is not determinable.

24. No provision has been made for income tax in view of brought forward losses.

25. Accounts receivable in respect of the Subsidiary Global Pet Film Inc. M/s Advanced Deposition Technologies (AD Tech), one of the Buyers, has filed for bankruptcy under Chapter 11 of Bankruptcy act, on April 6, 2001. Accounts receivables outstanding from AD Tech are \$223,823.16. Global pet Films, Inc. has recovered \$109,658 from the insurance claim and made a provision for doubtful accounts for \$ 114,165.46. Global Pet films, Inc. has filed claim with U.S. bankruptcy court for the entire amount.

GARWARE CHEMICALS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED SEPTEMBER 30, 2001

TO THE MEMBERS,

Your Directors present the Sixth Annual Report together with the Audited Statement of Accounts of the Company for the year ended 30th September, 2001.

FINANCIAL RESULTS

Particulars	(Rs. in Lakhs)	
	Current Year	Previous Year
Gross Sales	10850.87	3395.00
Profit/(loss) before interest & depreciation	(738.93)	(603.35)
Interest	2955.53	1105.21
Profit/(loss) before depreciation	(3694.46)	(1708.56)
Depreciation	1352.84	566.10
Net Profit/(Loss)	(5047.30)	(2274.66)
Profit/(Loss) brought forward from pervious year	(2274.66)	—
Profit/(Loss) carried to balance sheet	(7321.96)	(2274.66)

PERFORMANCE

Plant has been operating at an average of 56% of the design capacity and the bulk of the production has been consumed by Garware Polyester Limited (GPL), the Company's Holding Company. DMT price continues to remain depressed in tandem with international and domestic PTA price. Moreover, the sluggish demand of polyester fibre and yarn who are the major consumers of DMT has resulted in lesser off-take. During the year under review, the Company incurred a loss of Rs.50.47 crores as against Rs.22.75 crores in the previous year (for five months).

DIVIDEND

Due to losses being incurred, your Directors do not recommend any payment as Dividend.

REFERENCE TO BIFR

As at the close of the financial year ended 30th September, 2001, the total accumulated losses is Rs.73.22 crores which exceeds the entire networth of Rs.52.95 crores. In view of this, the Company has become a 'Sick Industrial Undertaking' in terms of Section 3(1)(c) of Sick Industrial Companies Act, 1985 (SICA). Therefore, as per the provisions of Section 15(1) of SICA, a reference will be made to the Board for Industrial and Financial Reconstruction (BIFR) for determination of the remedial measures which shall be adopted with respect to the Company.

DIRECTORS RESPONSIBILITY STATEMENT

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

- that in the preparation of the annual accounts, the applicable accounting standards have been followed;
- that the directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the loss of the Company for that period;
- 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;
- that the directors have prepared the annual accounts on a going concern basis.

DIRECTORS

Mr. Bana Paranjape resigned from the Board of the Company with effect from 30th June, 2001. The Board places on record its appreciation of the valuable advice given by Mr. Paranjape during his tenure as Director of the Company.

Miss Sonia S. Garware, Mr. R. P. Makhija and Mr. G. B. Doshi retire by rotation and being eligible offer themselves for re-appointment.

AUDITORS

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

OTHER INFORMATION

The information under Section 217 (1)(e), read with Companies (Disclosure of particulars in the report of the Board of Directors) Rules 1988, is given in the Annexure and forms part of this report. There is no employee drawing

salary in excess of Rs.1,00,000/- per month or more through out or part of the financial year under review, hence information as per Section 217 (2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 is not applicable.

INDUSTRIAL RELATIONS

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

ACKNOWLEDGMENTS

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

For and on behalf of the Board of Directors

Mumbai

27th December, 2001

S. B. GARWARE

Chairman & Managing Director

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

(A) CONSERVATION OF ENERGY

a) Energy Conservation Measures taken.

- Optimisation of HP steam pressure for reduction of losses.
- Utilisation of superheated steam for jacketing to minimise condensation and losses.
- DMT plant generates low pressure steam and the maximisation of usage of LP steam by conversion of HP steam ejectors to LP steam ejectors thereby reducing boiler steam consumption.
- DMT transportation in molten form to CP plant, Chikalthana thereby reducing energy required for solidification.
- Optimisation of centrifuge operation for reduction in mother liquor distillation.

b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy

- Modification in steam ejectors and pre-condensers for DMT distillation section.
- Conversion of one of the boilers to solid fuel.

c) Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods.

The above modifications will result in savings of 2 KL of Furnace Oil per day. This will result in saving of about Rs.14,000/- per day.

d) Total energy consumption and energy consumption per unit of production as per prescribed Form A

Not Applicable

(B) TECHNOLOGY ABSORPTION

DMT Plant Process package is supplied by M/s. GTC Technology Corporation U.S.A. The plant is being operated at different capacities and all process parameters are optimised to minimise energy cost without affecting the product quality.

1. Research and Development (R & D)

Not Applicable

2. Technology absorption, adoption and innovation

(i) Efforts made towards Technology absorption, adoption and innovation

Optimisation of energy parameters to achieve minimum energy consumption even at 60% plant capacity.

(ii) Benefits derived as a result of above results

The energy consumed has been optimized and remains steady even at different capacities.

(C) FOREIGN EXCHANGE EARNINGS AND OUTGO :

Total Foreign Exchange used and earned. (Rs. In Crores)

Used : 0.05 Earned : Nil

For and on behalf of Board of Directors

Mumbai

27th December, 2001

S. B. GARWARE

Chairman & Managing Director

AUDITORS' REPORT

We have audited the attached Balance Sheet of GARWARE CHEMICALS LIMITED as at 30th September, 2001 and also the annexed Profit & Loss Account of the Company for the year ended on that date.

1. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure statement on the matters specified in paragraphs 4 & 5 of the said Order.
2. Further to our comments in the Annexure referred to in paragraph (1) above, we report that:
 - a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of audit.
 - b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of such books.
 - c) The Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the Books of Account and comply with the Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956.
 - d) As per the legal opinion obtained by the Company none of the Directors are disqualified as on 30th September, 2001 from being appointed as Director in terms of clause (g) of sub section (1) of Section 274 of the Companies Act, 1956. Accordingly, as informed to us no written representation has been received from any of the Directors and as such we are unable to comment whether they are disqualified from being appointed as Directors under clause (g) of sub section (1) of Section 274 of the Companies Act, 1956.
 - e) In our opinion and to the best of our information and according to the explanations given to us, the said Accounts subject to:

Note No. 3 for Non provision of Rs. 38.80 Lacs in respect of Foreign Technical Services pending RBI approval.

Note No. 7(b) for Non Provision in respect of interest if any, payable on overdue amounts to SSI Suppliers and read together with the other Notes in Schedule 11 give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view:-

 - i) In the case of the Balance Sheet of the state of affairs of the company as at 30th September, 2001.
AND
 - ii) In the case of the Profit & Loss Account of the "Loss" of the Company for the year ended on that date.

For INDULAL SHAH & COMPANY
Chartered Accountants

Place : Mumbai
Dated : 27th December, 2001

INDULAL H. SHAH
Proprietor

ANNEXURE TO THE REPORT OF THE AUDITORS TO THE MEMBERS OF GARWARE CHEMICALS LIMITED ON THE ACCOUNTS FOR THE YEAR ENDED 30TH SEPTEMBER, 2001.

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

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

For INDULAL SHAH & COMPANY
Chartered Accountants

Place : Mumbai
Dated : 27th December, 2001

INDULAL H. SHAH
Proprietor

GARWARE CHEMICALS LIMITED

BALANCE SHEET AS AT 30th SEPTEMBER 2001

Schedule	As at 30.09.2001 (Rs. in Lakhs)	As at 30.09.2000 (Rs. in Lakhs)
FUNDS EMPLOYED:		
SHAREHOLDERS' FUNDS		
Share Capital	1 1713.90	1713.90
Reserves & Surplus	2 3580.90	5294.80
BORROWINGS		
Secured Loans	3 20039.16	16938.53
AMOUNT DUE TO HOLDING COMPANY (Free of Interest)		
TOTAL	28901.01	26977.93

APPLICATION OF FUNDS:

FIXED ASSETS			
Gross Block	4 24098.89	25217.76	
Less: Depreciation	1846.43	588.02	
Net Block	22250.46	24629.74	
Capital Work in Progress	0.00	21.55	24651.29

CURRENT ASSETS, LOANS AND ADVANCES

Inventories	5 694.51	579.68	
Sundry Debtors	90.18	18.67	
Cash and Bank Balances	54.12	212.39	
Other Current Assets	18.59	288.00	
Loans and Advances	157.94	519.09	
	1015.34	1617.83	

Less: CURRENT LIABILITIES AND PROVISIONS

Current Liabilities	6 1706.42	1587.81	
Net Current Assets	(691.08)	30.02	

MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)

Preliminary Expenses & Share Issue expenses	19.67	21.96	
PROFIT & LOSS ACCOUNT	7321.96	2274.66	
TOTAL	28901.01	26977.93	

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

As per our report of even date

for INDULAL SHAH & CO.
Chartered Accountants

S.B. GARWARE
Chairman & Managing Director

INDULAL H. SHAH
Proprietor

Rajesh Rao
Company Secretary

R.P. Chhabra
A.K. Dudhane
Directors

Mumbai, 27th December, 2001

Mumbai, 27th December, 2001

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30.09.2001

Schedule	2000-2001 (Rs. in Lakhs)	1999-2000 (Rs. in Lakhs)
INCOME :		
Sale including Excise Duty	10850.87	3395.00
Other Income	7 72.34	30.70
Increase/(Decrease) in Finished & Semi-finished Goods	8 (61.78)	85.04
	10861.43	3510.74

EXPENDITURE :

Raw Material Consumed	9 6714.23	2276.71	
Excise Duty	2031.76	575.57	
Manufacturing & Other Expenses	10 2854.37	1261.81	
Interest	2955.53	14555.89	1105.21
(Loss)/Profit before Depreciation and taxation	(3694.46)	(1708.56)	
Depreciation	1352.84	568.49	
Less: Capitalised	0.00	1352.84	2.39
(Loss) / Profit for the Year	(5047.30)	(2274.66)	
Add: Balance b/f from Previous Year	(2274.66)		
Balance carried to Balance Sheet.	(7321.96)	(2274.66)	

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

As per our report of even date

for INDULAL SHAH & CO.
Chartered Accountants

S.B. GARWARE
Chairman & Managing Director

INDULAL H. SHAH
Proprietor

Rajesh Rao
Company Secretary

R.P. Chhabra
A.K. Dudhane
Directors

Mumbai, 27th December, 2001

Mumbai, 27th December, 2001

SCHEDULES FORMING PART OF THE BALANCE SHEET

Notes :-

	As at 30.09.2001 (Rs. In Lakhs)	As at 30.09.2000 (Rs. In Lakhs)
SCHEDULE 1		
SHARE CAPITAL		
Authorised:		
30000000 Equity Shares of Rs.10/- each,	<u>3000.00</u>	<u>3000.00</u>
Issued, Subscribed and Paid-up:		
17139000 Equity Shares of Rs.10/-each, fully paid-up	<u>1713.90</u>	<u>1713.90</u>
Out of the above :		
14075820 Equity Shares are held by Garware Polyester Limited, the holding company and its nominees.		

Secured by

- a) A first mortgage and charge in favour of I.D.B.I. of the Company's Leasehold immovable properties both present & future.
- b) A first charge by way of hypothecation in favour of I.D.B.I. of all the company's movables (save and except book debts), including movable machinery, machinery spares, tools and accessories, present and future, subject to prior charges created and / or to be created in favour of the Company's banker on the Company's stocks of Raw material, semi-finished & finished goods, consumables stores and such other movables as may be agreed by I.D.B.I. for securing the borrower's working capital requirement in the ordinary course of business.
- c) Irrevocable and unconditional Corporate guarantee given by Garware Polyester Ltd. In favour of I.D.B.I. for the due repayment of the loan together with interest and other monies payable by the Company.
- d) USD 7.42 Million Loan Received From Fuji Bank Ltd. Singapore as per Agreement and against first pari passu charge with I.D.B.I. It is also secured by a Corporate Guarantee by Garware Polyester Limited to the extent of 70% of the loan amount and interest and other monies payable by the Company and balance 30% is secured by a Guarantee by Sumitomo Corporation. The Bank had invoked the Guarantee against both Garware Polyester Limited and Sumitomo Corporation. The latter has made payment to Fuji Bank Ltd., of their share of Guarantee amount as informed to the company vide their letter dated February 28, 2001.

SCHEDULE 2

RESERVES AND SURPLUS

SHARE PREMIUM :

Balance as per last Balance Sheet	<u>3580.90</u>	<u>3580.90</u>
TOTAL	<u>3580.90</u>	<u>3580.90</u>

SCHEDULE 3

SECURED LOANS

(i) Term Loan from Industrial Development Bank of India (IDBI) (Refer Note (a to c) below)	11225.00	11225.00
Interest accrued and due	4380.22	1695.21
(ii) Foreign Currency Loan (Refer Note (d) below)	3530.44	3402.07
Interest accrued and due	903.50	616.25
TOTAL	<u>20039.16</u>	<u>16938.53</u>

SCHEDULE 4

FIXED ASSETS

(Rs.In Lakhs)

Sr. No.	Description Of Assets	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		Cost As at 01.10.2000	Additions During the year	Sale During the year	Cost As at 30.09.2001	Upto 30.09.2000	For the year	Sale During the year	Total Upto 30.09.2001	As at 31.09.2001	As at 30.09.2000
1.	Building	359.21	5.59	0.00	364.80	15.02	34.64	0.00	49.66	315.14	344.19
2.	Plant & Machinery	24736.74	133.12	1261.27	23608.59	544.46	1303.80	94.43	1753.83	21854.76	24192.28
3.	Laboratory Equipments	82.66	0.00	0.00	82.66	4.81	10.83	0.00	15.64	67.02	77.85
4.	Furniture & Fixtures	7.01	0.00	0.00	7.01	5.27	0.32	0.00	5.59	1.42	1.74
5.	Office Equipments	20.15	0.00	0.00	20.15	9.75	1.45	0.00	11.20	8.95	10.40
6.	Data Processing Equipments	11.99	1.69	0.00	13.68	8.71	1.80	0.00	10.51	3.17	3.28
	TOTAL	25217.76	140.40	1261.27	24096.89	588.02	1352.84	94.43	1846.43	22250.46	24629.74
	Previous year	36.59	25181.17	0.00	25217.76	19.53	568.49	0.00	588.02	24629.74	
	Capital Work-In-Progress									0.00	21.55

- Note :- (1) Depreciation on Plant & Machinery has been provided on Straight Line Method and on other assets on Written Down Value Method as per the rate prescribed under Schedule XIV of the Companies Act 1956.
- (2) Additions to Plant & Machinery and Building Shown Net of deduction of Rs.111.51 Lakhs and Rs.2.73 Lakhs respectively.
- (3) Depreciation for the year Shown Net of Deductions Rs.2.96 Lakhs in respect of Plant & Machinery and Rs.0.14 Lakh for Buildings

GARWARE CHEMICALS LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET

	As at 30.09.2001 (Rs. in Lakhs)	As at 30.09.2000 (Rs. in Lakhs)		
SCHEDULE 5				
CURRENT ASSETS, LOANS & ADVANCES				
A) CURRENT ASSETS				
I. Inventories (As taken, valued & certified by the management)				
(a) Stores, spare parts & Packing materials (At Cost)	326.22	296.88		
(b) Stock-in-Trade				
(i) Raw Materials (At Cost)	345.03	197.76		
(ii) Finished goods (At cost or market value whichever is lower)	23.26	85.04	579.68	
II. Sundry Debtors :				
Other Debts (Less than six months, considered good)	90.18	18.67		
III. Cash and Bank Balances :				
(a) Cash on hand	0.68	0.75		
(b) Bank balances :				
(i) With Scheduled Banks: In Current Accounts	47.14	199.09		
(ii) In Fixed Deposit Account	0.05	0.05		
(iii) In Margin Account	6.25	12.50	212.39	
IV. Other Current Assets				
Other Receivables	18.59	288.00		
B) LOANS & ADVANCES:				
a) Advances recoverable in cash or in kind or for value to be received.	31.97	52.84		
b) Advance against Capital Expenditure.	5.82	5.63		
c) Deposits with Customs & Excise Authorities	109.77	442.96		
d) Deposits with others [Include Rs.6.00 Lakhs (Previous year Rs.6.00 Lakhs) paid to Garware Polyester Ltd. the holding company]	7.62	14.99		
e) Tax deducted at source.	2.76	2.67	519.09	
TOTAL	1015.34	1617.83		

SCHEDULE 6

CURRENT LIABILITIES AND PROVISIONS :

Current Liabilities :				
i) Sundry Creditors [Refer Note No.7 (a) and (b) in schedule 11-B for SSI Units and includes Rs.909.50 Lakhs (Previous year Rs.720.51 Lakhs) due to Garware Polyester Ltd. the holding company]	1563.83	1541.49		
ii) Deposits and Advances from Customers and Others	3.68	16.16		
iii) Other Liabilities [Including Rs. 0.96 Lakh due to Directors (Previous Year Rs.0.50 Lakhs)]	138.91	30.16		
TOTAL	1706.42	1587.81		

SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT

	2000-2001 (Rs. in Lakhs)	1999-2000 (Rs. in Lakhs)		
SCHEDULE 7				
OTHER INCOME				
Interest on short term deposits with banks and others (Gross) (Tax deducted at source Rs. 0.09 Lakhs)	45.24	0.05		
Miscellaneous income	27.10	30.65		
Total	72.34	30.70		
SCHEDULE 8				
INCREASE / (DECREASE) IN FINISHED AND SEMI-FINISHED GOODS				
Opening Stock				
Finished Goods	85.04	0.00	0.00	0.00
Semi-finished Goods	0.00	85.04	0.00	0.00
Closing Stock				
Finished Goods	23.26	85.04	0.00	85.04
Semi-finished Goods	0.00	23.26	0.00	85.04
Increase (Decrease)	(61.78)	85.04		
SCHEDULE 9				
RAW MATERIALS CONSUMED (Refer Note No. 9 (D) In schedule 11 (B))				
Opening Stock	197.76	0.00		
Add: Purchases and Expenses	6861.50	2474.47		
Less: Closing Stock	345.03	197.76		
	6714.23	2276.71		
SCHEDULE 10				
MANUFACTURING AND OTHER EXPENSES				
A. Manufacturing Expenses:				
Stores/Spares and Packing Materials consumed (Net)	105.76	43.67		
Power & Fuel	1701.40	1042.16		
Water Charges	36.16	6.00	1091.83	
B. Employees Remuneration & Benefits:				
Salary, Wages and Bonus Contribution to Provident and other funds	121.17	46.96		
Staff Welfare Expenses	21.44	7.98	60.63	
C. Administrative, Selling and General Expenses:				
Rent, Hire charges and Compensation (Net)	5.53	1.31		
Rates, Taxes and Licence Fees	4.12	0.05		
Insurance	42.33	14.34		
Freight and Forwarding (Net)	23.59	0.20		
Utility Sharing Expenses	671.34	55.97		
Repairs and Maintenance of:				
i) Plant & Machinery	24.58	11.47		
ii) Building	1.35	0.23		
iii) Other Assets	11.11	5.19	16.89	
Bank Charges	2.21	0.47		
Commission on Sales	1.02	0.00		
Travelling and Conveyance	7.30	1.56		
Postage, Telegrams & Telephones	7.11	3.30		
Auditors Remuneration Audit Fees	0.42	0.42		
Less: Capitalised	0	0.24	0.18	
Misc. Expenses	29.56	8.58	102.85	
D. Managerial Remuneration (a) To Whole time Directors :				
(i) Salary	14.82	4.06		
(ii) Contribution to Provident Fund, Superannuation & Gratuity Scheme	3.13	1.04		
(iii) Other Perquisites	1.20	0.35	5.45	
(b) Directors' Sitting Fees [[Including Rs.0.02 Lakhs to Managing Director) (Previous year Rs.0.02 Lakhs)]	0.16	0.10	5.55	
E. Preliminary and Share issue expenses written off				
	2.29	0.95		
Total	2854.37	1261.81		

SCHEDULE 11

NOTES ANNEXED TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 30.09.2001

A. SIGNIFICANT ACCOUNTING POLICIES

1. Basis of presentation

The financial statements have been prepared under the historical cost convention in accordance with applicable accounting standards and relevant presentation requirements of the Companies Act, 1956.

2. Fixed Assets

Fixed assets are stated at cost net of accumulated depreciation.

Cost comprises of the purchase price and any directly attributable costs of bringing the Asset to working condition for its intended use including interest and other incidental and pre-operative expenses upto the date of commercial operations.

3. Depreciation

Depreciation has been provided on Plant & Machinery on Straight Line Method and on other assets on Written Down Value method as per Schedule XIV of the Companies Act, 1956.

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.

5. Foreign Currency Transactions

Foreign currency loan for financing Fixed Assets outstanding at the close of the Financial Year are recognised at appropriate exchange rate at the close of the year. The gain or loss due to decrease/increase in rupee liability due to fluctuations in rates of exchange is adjusted to the cost of assets acquired through these loans.

6. Duties

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

7. Retirement Benefit

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

8. Miscellaneous Expenditure (to the extent not written off or adjusted)

Preliminary and Share issue expenses are to be written off over a period of 10 years.

9. 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.

10. Sales

Sales are inclusive of excise duty but net of returns.

B. OTHER NOTES

- Land is on lease for a term of Ninety nine years on monthly lease rental basis.
- Estimated amounts of contracts remaining to be executed on capital account and not provided for is Rs.5.83 Lakhs (Previous Year Rs.5.63 Lakhs) against which an advance of Rs.5.82 Lakhs (Previous Year Rs.5.63 Lakhs) has been paid.
- No provision has been made of Rs.38.80 Lakhs (USD 81538) [Previous Year 37.38 Lakhs] for Foreign Technical Services (Training & Start-up assistance) being pending for RBI Approval.
- Misc. Expenses includes Rs.0.59 Lakhs (Previous Year Rs.0.27 Lakhs) paid to some of partners of the Auditors for other services.

5. Break up of the Interest on Borrowings is as under.

	2000-01 (Rs. Lakhs)	1999-00 (Rs. Lakhs)
On Secured Loans	2955.29	2523.98
Others	0.24	0.02
	<u>2955.53</u>	<u>2524.00</u>
Less Capitalised	0.00	1418.79
	<u>2955.53</u>	<u>1105.21</u>

6. Computation of net profit as per section 349 read with section 309 (5) and section 198 of the companies Act, 1956 has not been done as commission by way of percentage of net profit is not payable for the year to the Managing Director and the Whole-time-Directors due to loss incurred during the year.

7. (a) Sundry creditors in schedule 6 to the accounts include Rs.6.25 Lakhs (Previous year Rs.6.81 Lakhs) due to small scale industrial undertaking's and Rs. 1557.58 Lakhs (Previous year Rs.1534.68 Lakhs) due to other creditors. The same is disclosed on the basis of information available with the Company regarding the status of suppliers as detailed under Clause (f) of Section 3 of the Industries (Development & Regulation) Act, 1956. The names of the small scale industrial undertakings to whom the Company owes a sum of Rs. 1.00 Lac or more and which is outstanding for more than 30 days are as under:

Patidar Wooden Works
S.S. Industries.
Shankar Plast

(b) No provision of interest, if any, payable on overdue amounts as at 30.09.2001 to Small Scale and or ancillary industrial suppliers has been made as the amount is not determinable.

8. In the opinion of the Board the Current assets, Loans and advances have approximately the value as stated in the Balance Sheet, if realised in the ordinary course of business.

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

(A) Licenced and Installed Capacities.

Product	2000-2001		1999-2000	
	Registered Capacity	Installed Capacity	Registered Capacity	Installed Capacity
Di-Methyle Terephthalate	60000 T.P.A	60000 T.P.A	60000 T.P.A	60000 T.P.A

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

(B) Details of Sales

Class of Goods	2000-2001		1999-2000	
	Qty. (MT)	Value (Rs. Lakhs)	Qty. (MT)	Value (Rs. Lakhs)
Di-Methyle Terephthalate (DMT)	33670	10850.87	11029	3395.00

(C) Actual Production & Stocks

Class of Goods	2000-2001				1999-2000		
	Unit	Open- ing Stock	Produc- tion	Clos- ing Stock	Open- ing Stock	Produc- tion	Closing Stock
Di-Methyle Terephthalate (DMT)	MT	271	33488	89	0	11300	271
Value (Rs. in Lakhs)		85.04	-	23.26	0	-	85.04

GARWARE CHEMICALS LIMITED

(D) Consumption of Raw Materials

Particulars	2000-2001		1999-2000	
	Qty. (MT)	Value (Rs. in Lakhs)	Qty. (MT)	Value (Rs. in Lakhs)
i) Paraxylene	21276.15	5065.91	7253.21	1794.11
ii) Methanol	13310.64	1604.21	4679.18	457.96
iii) Others		44.11		24.64
Total		6714.23		2276.71

E) Details of Imports on CIF basis

	2000-2001 Rs. in Lakhs	1999-2000 Rs. in Lakhs
a. Raw Materials (Through Garware Polyester Ltd.)	0.00	722.37
b. Stores Spares	4.27	2.61

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

a. Raw Materials :	2000-2001		1999-2000	
	Rs. Lakhs	Percentage	Rs. Lakhs	Percentage
Imported	0.00	0	897.08	39
Indigenous	6714.23	100	1379.63	61
Total	6714.23	100	2276.71	100
b. Stores and Spares :				
Imported	0.25	1	3.80	16
Indigenous	48.77	99	20.00	84
Total	49.02	100	23.80	100

G) Remittance / Expenditure in Foreign Currency:

	2000-01 Rs. in Lakhs	1999-00 Rs. in Lakhs
Travelling Expenses	0.00	0.59
Travelling expenses through Garware Polyester Limited	0.16	0.00
Others	0.14	0.00
Total	0.30	0.59
Less Capitalised	0.00	0.59
Total	0.30	0.00

10. Previous year's figures have been rearranged and regrouped wherever necessary to conform to the classification adopted for the current year. Figures for the previous year are for 5 months operations, hence not comparable with the figures of the current year.

As per our report of even date

for INDULAL SHAH & CO.
Chartered Accountants

S.B. GARWARE
Chairman & Managing Director

INDULAL H. SHAH
Proprietor

Rajesh Rao
Company Secretary

R.P. Chhabra
A.K. Dudhane
Directors

Mumbai, 27th December, 2001

Mumbai, 27th December, 2001

Balance Sheet Abstract & Company's General Business Profile

I. Registration Details

Registration No.	90555
State Code	11
Balance Sheet Date	30.09.2001

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

Public Issue	Nil
Rights Issue	Nil
Bonus Issue	Nil
Private Placement	Nil

III. Position of mobilisation and deployment of funds (Amount Rs. in Thousand)

Total Liabilities	2890101
Total Assets	2890101

Sources of Funds :

Paid up Capital	171390
Reserves & Surplus	358090
Secured Loans	2003916
Amount due to Holding Company	356705
Unsecured Loans	Nil

Application of Funds :

Net Fixed Assets	2225046
Investments	Nil
Net Current Assets	(69108)
Miscellaneous Expenditure	1967
Accumulated Losses	732196

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

Turnover	1086143
Total Expenditure	1590873
Loss before Tax	(504730)
Loss after Tax	(504730)
Earning per Share (in Rs.)	Nil
Dividend Rate (in %)	Nil

V. Generic names of Three Principal Products/Services of the Company (as per monetary terms)

Item Code No.	291937
Product Description	Di-Methyl Terephthalate

S.B. GARWARE
Chairman & Managing Director
R.P. Chhabra
A.K. Dudhane
Directors
Rajesh Rao
Company Secretary

Mumbai, 27th December, 2001

DIRECTORS' REPORT FOR THE PERIOD ENDED MARCH 31, 2002**TO THE MEMBERS,**

Your Directors present the Seventh Annual Report together with the Audited Statement of Accounts of the Company for the period ended 31st March, 2002 (6 months).

FINANCIAL RESULTS

Particulars	(Rs. in Lakhs)	
	Current Year (6 months)	Previous Year (12 months)
Gross Sales	4090.48	10850.87
Profit/(loss) before interest & depreciation	(436.66)	(738.93)
Interest	1600.87	2955.53
Profit/(loss) before depreciation	(2037.53)	(3694.46)
Depreciation	643.88	1352.84
Net Profit/(loss)	(2681.41)	(5047.30)
Profit/(Loss) brought forward from previous year	(7321.96)	(2274.66)
Profit/(Loss) carried to balance sheet	(10003.37)	(7321.96)

CHANGE IN THE FINANCIAL YEAR OF THE COMPANY

In order to bring the Accounting Year in line with that of its holding Company, namely, Garware Polyester Limited, the Financial Year of the Company has been changed from October/September to April/March. Therefore, the period under review comprised of six months from 1st October 2001 to 31st March 2002 and the subsequent Financial Years will be from 1st April to 31st March every year.

PERFORMANCE

Plant has been operating at an average of 52% of the design capacity and the bulk of the production has been consumed by Garware Polyester Limited (GPL), the Company's Holding Company. Plant was operated at full capacity during May 2002 and optimisation/tuning of operating parameter for better yield was achieved at higher capacity. DMT price continues to remain depressed. The Company has been aggressively marketing the product but the price demanded by customers are less than the variable cost. On account of the sluggish demand, it was not possible to run the plant at full capacity. During the period under review, the Company incurred a loss of Rs.26.81 crores as against loss of Rs.50.47 crores in the previous year. However, beginning May 2002 onwards, the domestic prices of both PTA and DMT have started showing an uptrend and the Company has been able to compete in the market and during the first four months, the Capacity Utilisation has gone upto 90%.

DIVIDEND

Due to continued losses being incurred, your Directors do not recommend any Dividend for the period under review.

REFERENCE TO BIFR

As the entire net worth of the Company had been eroded by the accumulated losses as at the end of the financial year ended 30th September, 2001, the Company was required to make a reference to the Board for Industrial and Financial Reconstruction (BIFR) under the provisions of Sick Industrial Companies (Special Provisions) Act, 1985. Accordingly, the Company made a reference to BIFR and the same has been registered as case No.243/2002.

AUDIT COMMITTEE

The Audit Committee of the Company comprises of Mr. M. G. Bakre, Mr. R. P. Chhabra and Mr. A. K. Dudhane

DIRECTORS' RESPONSIBILITY STATEMENT

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

- that in the preparation of the annual accounts, the applicable accounting standards have been followed;
- that the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the loss of the Company for that period;
- 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;
- that the Directors have prepared the annual accounts on a going concern basis.

DIRECTORS

Mr. G. B. Doshi resigned from the Board of the Company with effect from 30th March, 2002. Miss Sarita S. Garware and Miss Sonia S. Garware resigned as Directors of the Company with effect from 30th June, 2002. The Board places on record its appreciation of the valuable advice given by Mr. G. B. Doshi, Miss Sarita S. Garware and Miss Sonia S. Garware during their tenure as Directors of the Company.

Consequent to the resignation of Miss Sarita S. Garware as Director of the Company, she ceased to be the Whole-time Director of the Company with effect from that date.

Mr. Hiten Kotak was appointed as Director with effect from 30th March, 2002, in the casual vacancy caused by the resignation of Mr. Bana Paranjape. Sumitomo Corporation, Japan nominated Mr. Junichi Mitsumata as Director with effect from 26th August, 2002 in place of Mr. Takeshi Hirayama.

Mr. A. K. Dudhane and Mr. Hiten Kotak retire by rotation and being eligible offer themselves for re-appointment.

AUDITORS

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

OTHER INFORMATION

The information under Section 217 (1)(e), read with Companies (Disclosure of particulars in the report of the Board of Directors) Rules 1988, is given in the Annexure and forms part of this report. There is no employee in respect of whom information is required to be disclosed under Section 217 (2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975.

INDUSTRIAL RELATIONS

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

ACKNOWLEDGEMENTS

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

For and on behalf of the Board of Directors

Place: Mumbai

Date : 2nd September, 2002

S. B. Garware

Chairman & Managing Director

Information required under the Companies Act (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.**(A) CONSERVATION OF ENERGY :****(a) Energy Conservation Measures taken.**

DMT Plant generates low-pressure steam and the following areas have been identified to save furnace oil by utilising low pressure steam –

- Chilled water Plant based on absorption refrigeration
- Heating of furnace oil tanks and pipelines for boiler and heater
- Heating of boiler feed water
- Operating de-reactor with low pressure steam
- Using low pressure steam for crude methanol distillation.
- Using low pressure steam for nearby Film Plant for heating and flushing requirements

(b) Additional Investments and proposals, if any, being implemented for reduction of consumption of energy

High Pressure Steam ejectors have been replaced by Low Pressure Steam ejectors at an investment outlay of about Rs. 5 lacs.

(b) Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods.

The above modifications will result in savings of 2kl Furnace Oil per day amounting to about Rs. 20,000 / day.

(c) Total energy consumption and energy consumption per unit of production as per prescribed Form A

Not Applicable

B) TECHNOLOGY ABSORPTION**I. Research and Development (R & D)**

- Specific areas in which R & D carried out by the Company.
Nil
- Benefits derived as a result of the above R & D. N. A
- Expenditure on R & D/Product Development (Rs. In lacs)

- Capital
- Recurring Nil
- Total
- Total R & D Expenditure as a percentage Of Total Turnover

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

DMT Plant Process package is supplied by M/s. GTC Technology Corporation U.S.A for manufacture of DMT. Even though the Plant did not for several days run at optimal capacity, quality of DMT was maintained, with insignificant variation in cost of production.

2. Benefits derived as a result of above results

Optimisation of operating parameters and Raw material consumption have remained at design level even at Plant Capacity below 50%.

C) FOREIGN EXCHANGE EARNINGS AND OUTGO :

Total Foreign Exchange used and earned. (Rs. In Crores)

Used : Nil Earned : Nil

For and on behalf of the Board of Directors

Place: Mumbai

Date : 2nd September, 2002

S. B. Garware

Chairman & Managing Director

GARWARE CHEMICALS LIMITED

AUDITORS' REPORT

We have audited the attached Balance Sheet of GARWARE CHEMICALS LIMITED as at 31st March, 2002 and the Profit & Loss Account of the Company for the period ended on that date annexed thereto. These Financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 (Auditor's 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 statement on the matters specified in paragraphs 4 & 5 of the said Order to the extent applicable.

Further to our comments in the Annexure referred to in paragraph (1) above, we report that:

- a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of audit.
- b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of such books.
- c) The Balance Sheet and the Profit and Loss Account referred to in this report are in agreement with the Books of Account.
- d) In our opinion, the Balance Sheet and the Profit & Loss Account 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, 2002 from being appointed as Director in terms of clause (g) of sub section (1) of Section 274 of the Companies Act, 1956. Accordingly, as informed to us no written representation has been received from any of the Directors and as such we are unable to comment whether they are disqualified from being appointed as Directors under clause (g) of sub section (1) of Section 274 of the Companies Act, 1956.
- f) In our opinion and to the best of our information and according to the explanations given to us, the said Accounts subject to:
Note No. B-3 for Non provision of Rs. 38.80 Lacs in respect of Foreign Technical Services pending RBI approval.
Note No. B-7(b) for Non Provision in respect of interest if any, payable on overdue amounts to SSI Suppliers and read together with the other Notes in Schedule 11 give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view 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, 2002.
A N D
 - ii) In the case of the Profit & Loss Account of the "LOSS" of the Company for the period ended on that date.

For INDULAL SHAH & COMPANY
Chartered Accountants

Place : Mumbai
Dated : 4th September, 2002

INDULAL H. SHAH
Proprietor

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in Paragraph 3 of our report of even date)

1. The Company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets. The Management during the period has physically verified major portion of the assets. We are informed that the Management on such verification has noticed no material discrepancies.
2. None of the Fixed Assets have been revalued during the period.
3. The Stock of finished goods, stores, spare parts and raw materials have been physically verified by the management at the end of the period.
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 obtained interest free advance from its holding Company. Apart from this, the Company has not obtained any other loans, secured or unsecured from Companies, Firms or other parties listed in the Register maintained u/s 301 of the Companies Act, 1956 or from Companies under the same management.
8. The Company has not given any loans secured or unsecured to Companies, Firm or other parties listed in the Register maintained u/s 301 of the Companies Act, 1956.
9. The Company has given interest free loans and advances in the nature of loans to employees who are repaying the principal amounts wherever 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 purchases of Stores, raw materials, plant and machinery, equipment and other assets.
11. In our opinion and according to the information and explanations given to us, the transactions of purchases 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 period to Rs. 50,000/- or more in respect of each party have been made at prices which are reasonable having regard to the prevailing market prices for such goods, materials and services or the prices at which the transactions for similar goods or services have been made with other parties.
12. According to the information and explanations given to us, there are no unserviceable or damaged stores, raw materials and finished goods at the end of the period.
13. The Company has not accepted any deposits as defined under section 58-A of the Companies Act, 1956.
14. In our opinion, and as per the information and explanations given to us, reasonable records have been maintained by the Company for the sale and disposal of realisable scrap. As informed to us, the company has no by products.
15. The Company has a formal Internal Audit System which needs to be strengthened considering the size of the Company 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 period under review.
17. According to the records of the company, provident fund dues have been regularly deposited during the period with the appropriate authorities. We are informed that the Employees State Insurance Act is not applicable to the Company.
18. We are informed that there are no undisputed amounts payable in respect of Sales Tax, Custom Duty and Excise Duty which were outstanding for a period of more than six months from the date they became payable, as at the last day of the financial period.
19. According to the information and explanations given to us, no personal expenses of Employees or Directors have been charged to revenue account, other than those payable under contractual obligations or in accordance with generally accepted business practice.
20. The Company is a Sick Industrial Company within the meaning of section 3(1)(o) of the Sick Industrial Companies (Special Provisions) Act, 1985 (Refer Note No. B-9 in Schedule 11).

For INDULAL SHAH & COMPANY
Chartered Accountants

Place : Mumbai
Dated : 4th September, 2002

INDULAL H. SHAH
Proprietor

BALANCE SHEET AS AT 31 st MARCH 2002

Schedule	As at 31.03.2002 (Rs. in Lakhs)	As at 30.09.2001 (Rs. in Lakhs)
FUNDS EMPLOYED:		
SHAREHOLDERS' FUNDS		
Share Capital	1 1713.90	1713.90
Reserves & Surplus	2 3580.90	5294.80
BORROWINGS		
Secured Loans	3 21702.30	20039.16
AMOUNT DUE TO HOLDING COMPANY (Free of Interest)		
	3567.05	3567.05
TOTAL	30564.15	28901.01
APPLICATION OF FUNDS:		
FIXED ASSETS		
Gross Block	4 24174.01	24096.89
Less: Depreciation	2490.31	1846.43
Net Block	21683.70	22250.46
Capital Work in Progress	12.28	0.00
CURRENT ASSETS, LOANS AND ADVANCES		
Inventories	5 396.05	694.51
Sundry Debtors	5.01	90.18
Cash and Bank Balances	92.19	54.12
Other Current Assets	19.21	18.59
Loans and Advances	174.32	157.94
	686.78	1015.34
Less: CURRENT LIABILITIES AND PROVISIONS		
Current Liabilities	6 1840.50	1706.42
Net Current Assets	(1153.72)	(691.08)
MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)		
Preliminary Expenses & Share Issue expenses	18.52	19.67
Profit & Loss Account	10003.37	7321.96
TOTAL	30564.15	28901.01

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

As per our report of even date

for INDULAL SHAH & CO. Chartered Accountants		S.B. GARWARE Chairman & Managing Director
INDULAL H. SHAH Proprietor	RAJESH RAO Company Secretary	R.P. CHHABRA A.K. DUDHANE Directors
Mumbai, 4th September, 2002		Mumbai, 2nd September, 2002

PROFIT AND LOSS ACCOUNT FOR THE PERIOD OF SIX MONTHS FROM 01.10.2001 TO 31.03.2002

Schedule	2001-2002 (6 Months) (Rs. in Lakhs)	2000-2001 (12 Months) (Rs. in Lakhs)
INCOME :		
Sale including Excise Duty	4090.48	10850.87
Other Income	7 21.28	72.34
Increase/ (Decrease) in Finished & Semi-finished Goods	8 (12.09)	(61.78)
	4099.67	10861.43
EXPENDITURE :		
Raw Material Consumed	9 2593.87	6714.23
Excise Duty	785.74	2031.76
Manufacturing & Other Expenses	10 1156.72	2854.37
Interest	1600.87	6137.20
(Loss)/Profit before Depreciation and taxation	(2037.53)	(3694.46)
Depreciation	643.88	1352.84
(Loss) / Profit for the Year	(2681.41)	(5047.30)
Add: Balance b/f from Previous Year	(7321.96)	(2274.66)
Balance carried to Balance Sheet.	(10003.37)	(7321.96)

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

As per our report of even date

for INDULAL SHAH & CO. Chartered Accountants		S.B. GARWARE Chairman & Managing Director
INDULAL H. SHAH Proprietor	RAJESH RAO Company Secretary	R.P. CHHABRA A.K. DUDHANE Directors

Mumbai, 4th September, 2002

Mumbai, 2nd September, 2002

GARWARE CHEMICALS LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET

	As at 31.03.2002 (Rs. in Lakhs)	As at 30.09.2001 (Rs. in Lakhs)
SCHEDULE 1		
SHARE CAPITAL		
Authorised:		
30000000 Equity Shares of Rs.10/-each,	<u>3000.00</u>	<u>3000.00</u>
Issued, Subscribed and Paid-up:		
17139000 Equity Shares of Rs.10/-each, fully paid-up	<u>1713.90</u>	<u>1713.90</u>
Out of the above :		
14075820 Equity Shares are held by Garware Polyester Limited, the holding company and its nominees.		

SCHEDULE 2

RESERVES AND SURPLUS

	As at 31.03.2002 (Rs. in Lakhs)	As at 30.09.2001 (Rs. in Lakhs)
SHARE PREMIUM :		
Balance as per last Balance Sheet	<u>3580.90</u>	<u>3580.90</u>
TOTAL	<u><u>3580.90</u></u>	<u><u>3580.90</u></u>

SCHEDULE 3

SECURED LOANS

(i) Term Loan from Industrial Development Bank of India (IDBI) (Refer Note (a to c) below)	11225.00	11225.00
Interest accrued and due	5883.37	4380.22
(ii) Foreign Currency Loan (Refer Note (d) below)	3585.34	3530.44
Interest accrued and due	1006.59	903.50
TOTAL	<u><u>21702.30</u></u>	<u><u>20039.16</u></u>

SCHEDULE 4

SCHEDULES FORMING PART OF THE BALANCE SHEET

FIXED ASSETS

(Rs. In Lakhs)

Sr. No.	Description Of Assets	GROSS BLOCK			DEPRECIATION			NET BLOCK	
		Cost As at 01.10.2001	Additions During the period	Cost As at 31.03.2002	Upto 30.09.2001	For the period	Total Upto 31.03.2002	As at 31.03.2002	As at 30.09.2001
		1.	Building	364.80	0.00	364.80	49.66	15.71	65.37
2.	Plant & Machinery	23608.59	69.83	23678.42	1753.83	621.60	2375.43	21302.99	21854.76
3.	Laboratory Equipments	82.66	0.00	82.66	15.64	4.64	20.28	62.38	67.02
4.	Furniture & Fixtures	7.01	0.00	7.01	5.59	0.12	5.71	1.30	1.42
5.	Office Equipments	20.15	0.00	20.15	11.20	0.62	11.82	8.33	8.95
6.	Vehicles	0.00	6.88	6.88	0.00	0.47	0.47	6.41	0.00
7.	Data Processing Equipments	13.68	0.41	14.09	10.51	0.72	11.23	2.86	3.17
	TOTAL	24096.89	77.12	24174.01	1846.43	643.88	2490.31	21683.70	22250.46
	Previous year	25217.76	140.40	24096.89	588.02	1352.84	1846.43	22250.46	
	Capital Work-In-Progress							12.28	

Note : (1) Depreciation on Plant & Machinery has been provided on Straight Line Method and on other assets on Written Down Value Method as per the rates prescribed under Schedule XIV of the Companies Act 1956.

SCHEDULE 5 CURRENT ASSETS, LOANS & ADVANCES	As at 31.03.2002 (Rs. in Lakhs)		As at 30.09.2001 (Rs. in Lakhs)	
	A] CURRENT ASSETS			
I. Inventories (As taken, valued & certified by the management)				
(a) Stores, spare parts & Packing materials (At Cost)	299.84		326.22	
(b) Stock-in-Trade				
(i) Raw Materials (At Cost)	85.04		345.03	
(ii) Finished goods (At cost or market value whichever is lower)	11.17	396.05	23.26	694.51
II. Sundry Debtors :				
Other Debts (Unsecured and considered good)		5.01		90.18
III. Cash and Bank Balances :				
(a) Cash on hand	0.62		0.68	
(b) Bank balances :				
(i) With Scheduled Banks: In Current Accounts	85.32		47.14	
(ii) In Fixed Deposit Account	0.00		0.05	
(iii) In Margin Account	6.25	92.19	6.25	54.12
IV. Other Current Assets				
Other Receivables		19.21		18.59
B] LOANS & ADVANCES:				
a) Advances recoverable in cash or in kind or for value to be received.	145.55		31.97	
b) Advance against Capital Expenditure.	7.99		5.82	
c) Deposits with Customs & Excise Authorities	10.40		109.77	
d) Deposits with others [include Rs.6.00 Lacs (Previous year Rs.6.00 Lacs) paid to Garware Polyester Ltd. the holding company]	7.62		7.62	
e) Tax deducted at source.	2.76	174.32	2.76	157.94
TOTAL		<u>686.78</u>		<u>1015.34</u>
SCHEDULE 6				
CURRENT LIABILITIES AND PROVISIONS :				
Current Liabilities :				
i) Sundry Creditors (Refer Note No.7 (a) and (b) in schedule 11-B for SSI Units and includes Rs.1183.43 Lacs (Previous year Rs.909.50 Lacs) due to Garware Polyester Ltd. the holding company]		1821.17		1563.83
ii) Deposits and Advances from Customers and Others		2.54		3.68
iii) Other Liabilities (Including Rs. 1.07 Lac due to Directors (Previous Year Rs.0.96 Lacs))		16.79		138.91
TOTAL		<u>1840.50</u>		<u>1706.42</u>

SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT				
SCHEDULE 7 OTHER INCOME	2001-2002 (6 Months) Rs. in Lakhs		2000-2001 (12 Months) Rs. in Lakhs	
	Interest on short term deposits with banks and others (Gross)	2.01		
(Tax deducted at source Nil Previous year Rs.0.09 Lakhs)				
Miscellaneous income	19.27			27.10
Total	<u>21.28</u>			<u>72.34</u>
SCHEDULE 8				
INCREASE / (DECREASE) IN FINISHED AND SEMI-FINISHED GOODS				
Opening Stock				
Finished Goods	23.26			85.04
Semi-finished Goods	0.00	23.26	0.00	85.04
Closing Stock				
Finished Goods	11.17			23.26
Semi-finished Goods	0.00	11.17	0.00	23.26
Increase (Decrease)		<u>(12.09)</u>		<u>(61.78)</u>
SCHEDULE 9				
RAW MATERIALS CONSUMED				
(Refer Note No. 12 (D) In schedule 11 B				
Opening Stock		345.03		197.76
Add: Purchases and Expenses		2333.88		6861.50
Less: Closing Stock		85.04		345.03
		<u>2593.87</u>		<u>6714.23</u>
SCHEDULE 10				
MANUFACTURING AND OTHER EXPENSES				
A. Manufacturing Expenses:				
Stores/Spare and Packing Materials consumed (Net)	58.23			105.76
Power & Fuel	560.34			1701.40
Water Charges	17.57	636.14		36.16
1843.32				
B. Employees Remuneration & Benefits:				
Salary,Wages and Bonus	61.12			121.17
Contribution to Provident and other funds	8.71			15.27
Staff Welfare Expenses	9.61	79.44		21.44
157.88				
C. Administrative, Selling and General Expenses:				
Rent,Hire charges and Compensation (Net)	5.12			5.53
Rates,Taxes and Licence Fees	1.24			4.12
Insurance	27.94			42.33
Freight and Forwarding (Net)	3.08			23.59
Utility Sharing Expenses	337.65			671.34

GARWARE CHEMICALS LIMITED

Repairs and Maintenance of:				
i) Plant & Machinery	17.78		24.58	
ii) Building	0.92		1.35	
iii) Other Assets	5.26	23.96	11.11	37.04
Bank Charges	0.42		2.21	
Commission on Sales	0.75		1.02	
Travelling and Conveyance	2.47		7.30	
Postage, Telegrams & Telephones	4.25		7.11	
Auditors Remuneration				
Audit Fees	0.42		0.42	
Misc. Expenses	17.78	425.08	29.56	831.57
D. Managerial Remuneration				
(a) To Whole time Directors :				
(i) Salary	11.19		14.82	
(ii) Contribution to Provident Fund, Superannuation & Gratuity Scheme	2.97		3.13	
(iii) Other Perquisites	0.67	14.83	1.20	19.15
(b) Directors' Sitting Fees [(Including Rs.0.00 Lacs to Managing Director) (Previous year Rs. 0.02 Lacs)]	0.08	14.91	0.16	19.31
E. Preliminary and Share issue expenses written off.		1.15		2.29
Total		1156.72		2854.37

SCHEDULE 11

NOTES ANNEXED TO AND FORMING PART OF THE ACCOUNTS FOR THE PERIOD ENDED 31.03.2002

A. SIGNIFICANT ACCOUNTING POLICIES

1. Basis of presentation

The financial statements have been prepared under the historical cost convention in accordance with applicable accounting standards and relevant presentation requirements of the Companies Act, 1956.

2. Fixed Assets

Fixed assets are stated at cost net of accumulated depreciation. Cost comprises of the purchase price and any directly attributable costs of bringing the Asset to working condition for its intended use including interest and other incidental and pre-operative expenses upto the date of commercial operations.

3. Depreciation

Depreciation has been provided on Plant & Machinery on Straight Line Method and on other assets on Written Down Value method as per Schedule XIV of the Companies Act, 1956.

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.

5. Foreign Currency Transactions

Foreign currency loan for financing Fixed Assets outstanding at the close of the Financial Year are recognised at appropriate exchange rate at the close of the year. The gain or loss due to decrease / increase in rupee liability due to fluctuations in rates of exchange is adjusted to the cost of assets acquired through these loans.

6. Duties

Excise duty on finished goods and Custom duty on imported materials lying in Bonded Warehouse have been included in the valuation of inventories to comply with Accounting Standard (AS 2) on "Valuation of inventories" issued by the Institute of Chartered Accountants of India.

7. Retirement Benefit.

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

8. Miscellaneous Expenditure (to the extent not written off or adjusted)

Preliminary and Share issue expenses are to be written off over a period of 10 years from the date of commencement of commercial operations.

9. 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.

10. Sales

Sales are inclusive of excise duty, but net of returns.

B. OTHER NOTES

- Land is on lease for a term of Ninety nine years on monthly lease rental basis.
- Estimated amounts of contracts remaining to be executed on capital account and not provided for is Rs.19.46 Lakhs (Previous Year Rs.5.83 Lakhs) against which an advance of Rs.7.99 Lakhs (Previous Year Rs.5.82 Lakhs) has been paid.
- No provision has been made of Rs.39.40 Lakhs (USD 81538) [Previous Year 38.80 Lakhs] for Foreign Technical Services (Training & Startup assistance) being pending for RBI Approval.
- Misc. Expenses includes Rs.0.90 Lakhs (Previous Year Rs.0.59 Lakhs) paid to some of partners of the Auditors for other services.

5. Break up of the Interest on Borrowings is as under.

	2001-02 (6 Months) (Rs.Lakhs)	2000-01 (12 Months) (Rs.Lakhs)
On Secured Loans	1600.96	2955.29
Others	(0.09)	0.24
	<u>1600.87</u>	<u>2955.53</u>

6. Computation of net profit as per section 349 read with section 309 (5) and section 198 of the companies Act, 1956 has not been done as commission by way of percentage of net profit is not payable for the period to the Managing Director and the Whole-time-Directors due to loss incurred during the period.
7. (a) Sundry creditors in schedule 6 to the accounts include Rs.4.95 Lakhs (Previous year Rs.6.25 Lakhs) due to small scale industrial undertakings and Rs. 1816.22 Lakhs (Previous year Rs.1557.58 Lakhs) due to other creditors. The same is disclosed on the basis of information available with the Company regarding the status of suppliers as detailed under Clause (i) of Section 3 of the Industries (Development & Regulation) Act, 1951. The names of the small scale industrial undertakings to whom the Company owes and which is outstanding for more than 30 days are as under.

Name of the Party	Amt/Rs.Lakhs
G.B.Enterprises	0.32
Lisha Enterprises	0.19
Maharashtra Saw Mill	0.04
Patidar Wooden Works	0.60
Pemco Process Equipment (I) P.Ltd	0.28
S.S.Industries	0.36
Saras Plastics	0.12
Shankar Plast	1.03
Suresh Polymers Pvt. Ltd.	1.64
Vijay Enterprises	0.14
Shree Ram Art Printers	0.23
Total	<u>4.95</u>

- (b) No provision of interest, if any, payable on overdue amounts as at 31.03.2002 to Small Scale and or ancillary industrial suppliers has been made as the amount is not determinable.

8. In the opinion of the Board the Current assets, Loans and advances have approximately the value as stated in the Balance Sheet, if realised in the ordinary course of business.
9. Due to accumulated losses up to 30th September 2001, the entire net worth of the company has eroded and a reference has since been made to the Board for Industrial and Financial Reconstruction (BIFR) under Section 15 of Sick Industrial Companies (Special provisions) Act, 1985. BIFR has registered the case vide its letter dated 21st June 2002. BIFR inter-alia has asked the company to send copy of Form-A along with the enclosures Banks and Financial Institution. The accounts of the Company has been prepared to on "going concern" basis.
10. Earning per Share : (2001-02 Six Months)
- | | | |
|---|--------------|-----------|
| Profit / (Loss) for the period | Rs. in Lakhs | (2681.41) |
| Equity Shares of Rs.10/- each fully paid-up | Numbers | 17139000 |
| Earning Per Share for the Period | Rs. | (15.65) |
11. Deferred tax asset as on 31.03.2002 has not been recognized as per Accounting Standard (AS-22) on accounting for taxes on income in Books of Accounts in view of uncertainty of future taxable income of the company, relying on the concept of prudent accounting norms followed by the company.
12. Additional information pursuant to the provisions of paragraphs 3 and 4C of part II of Schedule VI of the Companies Act, 1956.

(A) Licenced and Installed Capacities.

Product	2001-2002		2000-2001	
	Registered Capacity	Installed Capacity	Registered Capacity	Installed Capacity
Di-Methyl Terephthalate	60000 T.P.A.	60000 T.P.A.	60000 T.P.A.	60000 T.P.A.

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

(B) Details of Sales

Class of Goods	2001-2002 (6 Months)		2000-2001 (12 Months)	
	Qty. (MT)	Value (Rs.Lakhs)	Qty. (MT)	Value (Rs.Lakhs)
Di-methyle Terephthalate (DMT)	15483	4090.48	33670	10850.87

(C) Actual Production & Stocks

Class of Goods	Unit	2001-2002 (6 Months)			2000-2001 (12 Months)		
		Open- ing Stock	Produc- tion	Clos- ing Stock	Open- ing Stock	Produc- tion	Clos- ing Stock
Di-methyle Terephthalate (DMT)	MT	89	15446	52	271	33488	89
Value (Rs.in Lakhs)		23.26	-	11.17	85.04	-	23.26

(D) Consumption of Raw Materials

Particulars	2001-2002 (6 Months)		2000-2001 (12 Months)	
	Qty. (MT)	Value (Rs.Lakhs)	Qty. (MT)	Value (Rs.Lakhs)
i) Paraxylene	9683.33	2045.63	21276.15	5065.91
ii) Methanol	6165.29	528.42	13310.64	1604.21
iii) Others		19.82		44.11
Total		<u>2593.87</u>		<u>6714.23</u>

(E) Details of Imports on CIF basis

	2001-2002 (6 Months)	2000-2001 (12 Months)
	Rs.Lakhs	Rs.Lakhs
a. Stores Spares	0.00	4.27

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

	2001-2002 (6 Months)		2000-2001 (12 Months)	
	Rs.Lakhs	Percentage	Rs.Lakhs	Percentage
a. Raw Materials :				
Imported	0.00	0	0	0
Indigenous	2593.87	100	6714.23	100
Total	2593.87	100	6714.23	100
b. Stores and Spares :				
Imported	0.00	0	0.25	1
Indigenous	30.89	100	48.77	99
Total	30.89	100	49.02	100

G) Remittance / Expenditure in Foreign Currency:

	2001-02 (6 Months)	2000-01 (12 Months)
	Rs. Lakhs	Rs. Lakhs
Traveling expenses through Garware Polyester Limited	0.00	0.16
Others	0.00	0.14
Total	<u>0.00</u>	<u>0.30</u>

13. Previous year's figures have been rearranged and regrouped wherever necessary to conform to the classification adopted for the current period. Figures for the current accounting year are for 6 months, hence not comparable with the figures of the previous year.

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

As per our report of even date

for INDULAL SHAH & CO.
Chartered Accountants

S.B. GARWARE
Chairman & Managing Director

INDULAL H. SHAH
Proprietor

RAJESH RAO
Company Secretary

R.P. CHHABRA
A.K. DUDHANE
Directors

Mumbai, 4th September, 2002

Mumbai, 2nd September, 2002

GARWARE CHEMICALS LIMITED

Balance Sheet Abstract & Company's General Business Profile

I. Registration Details	
Registration No.	90555
State Code	11
Balance Sheet Date	31.03.2002
II. Capital raised during the Accounting Year (Amount Rs. in Thousand)	
Public Issue	Nii
Rights Issue	Nii
Bonus Issue	Nii
Private Placement	Nii
III. Position of mobilisation and deployment of funds (Amount Rs. in Thousand)	
Total Liabilities	3058415
Total Assets	3058415
Sources of Funds :	
Paid up Capital	171390
Reserves & Surplus	350090
Secured Loans	2170230
Amount due to Holding Company	356705
Unsecured Loans	Nii
Application of Funds :	
Net Fixed Assets	2169598
Investments	Nii
Net Current Assets	(115372)
Miscellaneous Expenditure	1852
Accumulated Losses	1000337
IV. Performance of the Company (Amount Rs. in Thousand)	
Turnover	409867
Total Expenditure	678108
Loss before Tax	(268141)
Loss after Tax	(268141)
Earning per Share (in Rs.)	(15.65)
Dividend Rate (in %)	Nii
V. Generic names of Three Principal Products/Services of the Company (as per monetary terms)	
Item Code No.	291937
Product Description	Di-Methyl Terephthalate

S.B. GARWARE
Chairman & Managing Director

RAJESH RAO
Company Secretary

R.P. CHHABRA
A.K. DUDHANE
Directors

Mumbai, 2nd September, 2002

1

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2001

The directors present their report and financial statements for the year ended 31 December 2001.

Principal activities and review of the business

The principal activity of the company was the sale of industrial polyester film.

The results for the period and the financial position at the year end were considered satisfactory by the directors who expect growth in the foreseeable future.

Results and dividends

The results for the year are set out on page 4.

The directors do not recommend payment of an ordinary dividend.

Directors

The following directors have held office since 1 January 2001:

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 2001	1 January 2001
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 company and of the profit or loss of 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 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 company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Mr. A. B. Bhagani
 Director

30 April, 2002

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AUDITORS' REPORT TO THE SHAREHOLDERS OF GARWARE POLYESTER INTERNATIONAL LIMITED

We have audited the financial statements of Garware Polyester International Limited on pages 4 to 16 for the year ended 31 December 2001. These financial statements have been prepared under the historical cost convention and the accounting policies set out on page 10.

Respective responsibilities of directors and auditors

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

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

We report to you our opinion as to whether the Financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we required 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 mis-statements within it.

Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 December 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

MCT Partnership

30 May, 2002

Chartered Accountants
 Registered Auditors

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

GARWARE POLYESTER INTERNATIONAL LIMITED

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GROUP PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2001

	Notes	2001 £	2000 £
Turnover	2	5,696,707	4,616,566
Cost of sales		(5,420,023)	(4,024,846)
Gross Profit		276,684	591,720
Selling and distribution costs		(19,685)	—
Administrative expenses		(965,713)	(456,753)
Operating profit/(loss)	3	(708,714)	134,967
Other interest receivable and similar income		11,550	8,827
Interest payable and similar charges	4	(914)	(183)
(Loss)/profit on ordinary activities before taxation		(698,078)	143,611
Tax on (loss)/profit on ordinary activities	5	(3,967)	3,284
Profit/(profit) on ordinary activities after taxation	12	(702,045)	146,895

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 2001

	2001 £	2000 £
(Loss)/profit for the financial year	(702,045)	146,895
Currency translation differences on foreign currency net investments	10,028	4,058
Total recognised gains and losses relating to the year	(692,017)	150,953

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GROUP BALANCE SHEET AS AT 31 DECEMBER, 2001

	Notes	2001 £	2000 £
Fixed assets			
Tangible assets	6	14,125	8,175
Current assets			
Stocks	8	991,499	716,504
Debtors	9	344,041	627,079
Cash at bank and in hand		256,620	522,566
		1,592,160	1,866,149
Creditors : amounts falling due within one year	10	(1,922,898)	(1,498,920)
Net current (liabilities) assets		(330,738)	367,229
Total assets less current liabilities		(316,613)	375,404
Capital and reserves			
Called up share capital	11	250,000	250,000
Profit and loss account	12	(566,613)	125,404
Shareholders' funds - equity interest	13	(316,613)	375,404

The financial statements were approved by the Board on 30th April, 2002.

Mr A B Bhagani
Director

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COMPANY BALANCE SHEET AS AT 31 DECEMBER 2001

	Notes	2001 £	2000 £
Fixed assets			
Tangible assets	6	14,125	7,127
Investment	7	62,046	62,046
		76,171	69,173
Current assets			
Stocks	8	166,704	33,786
Debtors	9	40,847	122,050
Cash at bank and in hand		155,992	314,440
		363,543	470,276
Creditors : amounts falling due within one year	10	(223,075)	(168,290)
Net current assets		140,468	301,986
Total assets less current liabilities		216,639	371,159
Capital and reserves			
Called up share capital	11	250,000	250,000
Profit and loss account	12	(33,361)	121,159
Shareholders' funds - equity interest	13	216,639	371,159

The financial statements were approved by the Board on 30th April, 2002.

Mr A B Bhagani
Director

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GROUP CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2001

	2001 £	2000 £
Net cash (outflow)/inflow from operating activities	(271,339)	319,567
Returns on investments and servicing of finance		
Interest received	11,550	8,827
Interest paid	(914)	(183)
Net cash inflow for returns on investments and servicing of finance	10,636	8,644
Taxation	(3,967)	—
Capital expenditure		
Payments to acquire tangible assets	(11,707)	(6,581)
Net cash outflow for capital expenditure	(11,707)	(6,581)
Net cash (outflow)/inflow before management of liquid resources and financing	(276,377)	321,630
(Decrease)/increase in cash in the year	(276,377)	321,630

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NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2001

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

	2001 £	2000 £
Operating (loss)/profit	(708,714)	134,967
Depreciation of tangible assets	5,795	7,904
(Increase)/Decrease in stocks	(274,995)	152,466
Decrease/(Increase) in debtors	283,038	(255,936)
Increase in creditors within one year	423,537	280,166
Net cash inflow/(outflow) from operating activities	(271,339)	319,567

2 Analysis of net funds

	1 January 2001 £	Cash flow £	Exchange move- ments £	31 December 2001 £
Net cash:				
Cash at bank and in hand	522,566	(265,946)	—	256,620
Bank overdrafts	(657)	(441)	—	(1,098)
Translation differences	(4,362)	—	(9,990)	(14,352)
	<u>517,547</u>	<u>(266,387)</u>	<u>(9,990)</u>	<u>241,170</u>

3 Reconciliation of net cash flow to movement in net funds

	2001 £	2000 £
Decrease/(increase) in cash in the year	(266,387)	325,992
Translations difference	(9,990)	(4,362)
Movement in net funds	(276,377)	321,630
Opening net funds	517,547	195,917
Closing net funds	241,170	517,547

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2001

1. Accounting policies

1.1 Accounting convention

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

1.2 Basis of consolidation

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

1.3 Turnover

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

1.4 Tangible fixed assets and depreciation

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

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 and work in progress

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

1.7 Deferred taxation

Deferred taxation is provided at appropriate rates on all timing differences using the liability method only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

1.8 Foreign currency translation

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

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	2001 £	2000 £
2 Turnover		
Class of business		
Foreign sales	5,172,668	4,101,180
UK sales	524,039	515,386
	<u>5,696,707</u>	<u>4,616,566</u>
3 Operating profit/(loss)	2001	2000
	£	£
Operating profit/(loss) is stated after charging :		
Depreciation of tangible assets	5,795	7,904
Operating lease rentals	19,966	15,477
Auditors' remuneration	3,500	1,900
	<u>29,261</u>	<u>25,281</u>
4 Interest payable	2001	2000
	£	£
On overdue tax	914	183
	<u>914</u>	<u>183</u>
5 Taxation	2001	2000
	£	£
Prior years		
UK corporation tax	3,967	(3,284)
	<u>3,967</u>	<u>(3,284)</u>

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GROUP	Plant and machinery	Fixtures, Fittings and Equipment	Total £
	£	£	
Cost			
At 1 January 2001	—	25,710	25,710
Exchange differences	—	225	225
Additions	2,730	8,977	11,707
At 31 December 2001	2,730	34,912	37,642
Depreciation			
At 1 January 2001	—	17,535	17,535
Exchange differences	—	187	187
Charge for the year	683	5,112	5,795
At 31 December 2001	683	22,834	23,517
Net book value			
At 31 December 2001	2,047	12,078	14,125
At 31 December 2000	—	8,175	8,175
	<u>2,047</u>	<u>12,078</u>	<u>14,125</u>
COMPANY	Plant and machinery	Fixtures, Fittings and Equipment	Total £
	£	£	£
Cost			
At 1 January 2001	—	16,245	16,245
Additions	2,730	8,977	11,707
At 31 December 2001	2,730	25,222	27,952
Depreciation			
At 1 January 2001	—	9,118	9,118
Charge for the year	683	4,026	4,709
At 31 December 2001	683	13,144	13,827
Net book value			
At 31 December 2001	2,047	12,078	14,125
At 31 December 2000	—	7,127	7,127
	<u>2,047</u>	<u>12,078</u>	<u>14,125</u>

GARWARE POLYESTER INTERNATIONAL LIMITED

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7	Fixed asset investments	Shares in subsidiary undertaking	£
	Cost		
	At 1 January 2001 and at 31 December 2001		<u>62,046</u>

Holdings of more than 20%

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

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

8	Stocks	Group	2001	2000	Company	2001	2000
		£	£	£	£	£	£
	Finished goods and goods for resale	<u>991,499</u>	716,504	<u>166,704</u>	33,786		
9	Debtors	Group	2001	2000	Company	2001	2000
		£	£	£	£	£	£
	Trade debtors	341,685	626,079	37,930	121,050		
	Other debtors	-	-	561	-		
	Prepayments and accrued income	2,356	1,000	2,356	1,000		
		<u>344,041</u>	627,079	<u>40,847</u>	122,050		

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10	Creditors : amounts falling due within one year	Group	2001	2000	Company	2001	2000
		£	£	£	£	£	£
	Bank overdraft	1,098	657	1,098	657		
	Trade creditors	1,660,347	1,296,723	3,913	394		
	Amounts owed to parent company	204,623	151,162	211,271	144,996		
	Other taxes and social security costs	33,207	13,014	-	11,382		
	Accruals and deferred income	23,623	37,364	6,793	10,861		
		<u>1,922,898</u>	1,498,920	<u>223,075</u>	168,290		

11	Share capital	2001	2000
		£	£
	Authorised		
	1,000,000 ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>
	Allotted, called up and fully paid		
	250,000 ordinary shares of £1 each	<u>250,000</u>	<u>250,000</u>

12 Statement of movements on profit and loss account

	Group	Company
	£	£
Balance at 1 January 2001	125,404	121,159
Retained loss for the year	(702,045)	(154,520)
Currency translation differences on foreign currency net investments	10,028	-
Balance at 31 December 2001	<u>(566,613)</u>	<u>(33,361)</u>

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13 Reconciliation of movements in shareholders' funds

	Group	2001	2000	Company	2001	2000
	£	£	£	£	£	£
(Loss)/Profit for the financial year	(702,045)	146,895	(154,520)	47,887		
Other recognised gains and losses	10,028	4,058	-	-		
Net (depletion in)/addition to shareholders' funds	(692,017)	150,953	(154,520)	47,887		
Opening shareholders' funds	375,404	224,451	371,159	323,272		
Closing shareholders' funds	<u>(316,613)</u>	<u>375,404</u>	<u>216,639</u>	<u>371,159</u>		

14 Profit of the parent company - Garware Polyester International Limited

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's loss for the financial year amounted to £154,520 (2000 - Profit £47,887).

15 Employees

	2001	2000
	No.	No.
Number of employees		
The average monthly number of employees (including directors) during the year was :		
Administration and management	<u>9</u>	<u>9</u>
Employment costs	2001	2000
	£	£
Wages and salaries	187,815	150,981
Social security costs	8,986	6,459
	<u>196,801</u>	<u>157,440</u>

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16 Control

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

17 Related party transactions

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

Related Party	Relationship	£
Garware Polyester Limited	Parent company	204,623

INDEPENDENT AUDITOR'S REPORT**The Board of Directors and Stockholders of Global Pet Films, Inc.****Roselle, ILLinois, USA**

We have audited the accompanying balance sheet of **Global Pet Films, Inc.** as of December 31, 2001 and 2000, and the related statements of income, retained earnings, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Global Pet Films, Inc.** as of December 31, 2001 and 2000, 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
March 15, 2002

BALANCE SHEET DECEMBER 31, 2001

Assets	As of Dec. 31, 2001 \$	As of Dec. 31, 2000 \$
Current Assets		
Cash in Bank-First American	22,912	43,486
Cash in Bank-Citibank-GPF	59,338	253,574
Cash in Bank-South Trust Bank	28,321	0
Cash in Bank-Citi Bk-Sun Control	10,140	0
Cash in Bank-Citi Bk-Sun Control	171	0
Cash in Bank-First Am Maxrate	25,572	13,049
Accounts Receivable-Trade-GPF	511,931	803,267
Accounts Receivable-Sun Control	44,318	0
Allowance for doubtful Accts.	(114,165)	(50,772)
Inventory-GPF	852,866	1,017,250
Inventory-Sun Control	347,541	0
Loans Receivable-GPL	18,863	0
Total Current Assets	<u>1,807,808</u>	<u>2,079,854</u>
Fixed Assets		
Fixtures and Equipment	14,102	14,102
Accumulated Depreciation	(14,102)	(12,540)
Total Fixed Assets	<u>0</u>	<u>1,562</u>
Other Assets		
Organization Cost	7,373	7,373
Accumulated Amortization	(5,922)	(4,436)
Total Other Assets	<u>1,451</u>	<u>2,937</u>
Total Assets	<u>1,809,259</u>	<u>2,084,353</u>
Liabilities & Equity		
Current Liabilities		
Accounts Payable - Trade GPF	1,961,545	1,876,696
Accounts Payable - Trade-Sun Control	394,395	0
Accounts Payable GPIL	9,188	9,188
Custom Duties Payable	45,677	0
State Withholding Payable	754	0
Payroll Taxes Payable	2,714	2,050
State Corp. Income Tax Payable	0	79
Federal Corp. Income Tax Payable	0	302
Commission Payable - Intermax	54,834	54,834
Accrued Expenses	24,494	39,489
Total Current Liabilities	<u>2,493,601</u>	<u>1,982,638</u>
Equity		
Common Stock	100,000	100,000
Retained Earnings	1,714	(154,683)
Current Income (Loss)	(786,056)	156,398
Total Equity	<u>(684,342)</u>	<u>101,715</u>
Total Liabilities & Equity	<u>1,809,259</u>	<u>2,084,353</u>

GLOBAL PET FILMS, INC.

INCOME STATEMENT FOR THE PERIOD ENDED DECEMBER 31, 2001

	12 Months Ended Dec. 31 2001 \$	12 Months Ended Dec. 31 2000 \$
Revenue		
Sales	7,093,813	5,800,646
Returns and Allowances	(26,914)	(19,190)
Total Revenue	7,066,899	5,781,456
Cost of Sales		
Purchases	6,324,855	4,628,905
Supplies	52,031	0
Purchase Discounts	0	(72,629)
Custom Duties and Clearance Fee	364,464	215,656
Freight	190,680	150,472
Warehouse Rent	57,382	60,295
Inventory Adjustment	(183,157)	238,735
Total Cost of Sales	6,806,255	5,221,434
Gross Profit	260,644	560,022
Operating Expenses		
Accounting Fees	18,150	5,500
Amortization Organization Cost	1,486	1,475
Advertising	52,714	9,295
Auto & Truck Expense	7,768	4,151
Bad Debts	114,165	50,772
Bank Charges	1,730	3,198
Commissions-Service Centre	73,145	66,950
Credit Card Fees	5,204	0
Consulting Fees	329,916	46,425
Depreciation	1,562	10,048
Dues and Subscriptions	340	214
Employment Agency Fee	0	32,500
Insurance expense	44,391	7,095
Legal Fees	13,942	3,705
Licenses and Fees	313	0
Miscellaneous	2,115	185
Moving Expense-Sales Consultant	44,857	0
Office Expense	41,874	8,719
Postage	7,539	440
Rent-Office	7,288	5,390
Repairs and Maintenance	6,002	366
Salaries	84,714	43,667
Supplies	2,110	0
Taxes-Payroll	8,386	3,663
Taxes-State Income	0	79
Taxes-Federal Income	0	302
Telephone expense	32,488	18,580
Travel & Entertainment	147,226	84,765
Utilities	494	579
Total Expenses	1,049,919	408,063
Operating Income	(789,275)	151,959
Interest Income	3,219	4,439
Total Other Income	3,219	4,439
Net Income (Loss)	(786,056)	156,398

STATEMENT OF CASH FLOWS FOR THE PERIODS ENDED
DECEMBER 31, 2001 AND 2000 INCREASE (DECREASE) IN CASH OR
CASH EQUIVALENTS

	12 Months Ended Dec. 31 2001 \$	12 Months Ended Dec. 31 2000 \$
Cash Flow from Operating Activities		
Net Income (Loss)	(786,056)	156,398
Adjustments to Reconcile Cash Flow		
Depreciation	1,561	10,048
Decrease (Increase) in Current Assets		
Accounts Receivable - Trade	291,336	(194,999)
Accounts Receivable-Sun Control	(44,319)	
Allowance for Doubtful Accounts	63,393	(28,538)
Inventory-GPF	164,383	238,735
Inventory-Sun Control	(347,541)	0
Loans Receivable-GPL	(18,863)	0
Increase (Decrease) in Current Liabilities		
Accounts Payable - Trade - GPF	84,849	(54,256)
Accounts Payable - Trade - Sun Control	394,395	0
Accounts Payable-GPIL	0	(7,271)
Sales Tax Payable	0	(32,031)
Customs Duty Payable	45,677	0
Payroll Taxes Payable	664	(1,763)
State withholding Payable	755	0
State Corp. Income Tax Payable	(79)	79
Federal Corp. Income Tax Payable	(302)	302
Commission Payable-Intermax	0	54,834
Accrued Expenses	(14,994)	33,588
Total Adjustments	620,915	18,728
Cash Provided (used) by Operations	(165,141)	175,126
Cash Flow from Investing Activities		
Sales (Purchase) of Assets		
Office Equipment	0	(8,022)
Accumulated Amortization	1,486	1,475
Cash Provided (used) by Investing	1,486	(6,547)
Cash Flow from Financing Activities		
Cash (Used) or provided by:		
Net Increase (Decrease) in Cash	(163,655)	168,579
Cash at Beginning of the Period	310,109	141,530
Cash at End of the Period	146,454	310,109

See accompanying notes to financial statements

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2001

(1) Description of Business:

Global Pet Films, Inc. was incorporated under the laws of State of Illinois, USA on December 22, 1997. The company is engaged in the business of supply and distribution of polyester films in USA. The company has its place of business at Roselle, Illinois for its industrial polyester film business and has established service center for its Sun Control Window film business at Atlanta, Georgia. Atlanta facility started operations from April 15, 2001.

(2) Significant Accounting Policies:

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

Cash and cash equivalents

cash and cash equivalent include money market instruments

Inventories

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

Depreciation and Amortization

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

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

Revenue Recognition

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

Purchases

Purchases are recorded in books only when received in warehouse.

Use of Estimates

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

(3) Stockholder's Equity

The Company's certificate of incorporation authorizes 1,000,000 shares of capital stock for issuance. As of December 31, 2001, 99,999 shares of capital stock has been issued to Garware Polyester International Ltd., a United Kingdom company in consideration of \$99,999 and 1 share of capital stock has been issued to Ashok Bhagani in consideration of \$1.

(4) Accounts Receivable

M/s Advanced Deposition Technologies (AD Tech), one of the buyers, has filed for bankruptcy under Chapter 11 of Bankruptcy Act, on April 6, 2001. Accounts receivables outstanding from A D Tech are \$223,823.16. Global Pet Films, Inc. has recovered \$109,658 from the insurance claim and made a provision for doubtful accounts for \$114,165.46. Global Pet Films, Inc. has filed claim with U.S. Bankruptcy court for the entire amount.



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

FORTY-FIFTH 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 **45th Annual General Meeting** of the Company held at the Registered Office of the Company at Naigaon, Post Waluj, Aurangabad 431 133 on Monday, the 30th December, 2002 at 11.00 a.m.

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



PROXY FORM



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

I/We
of in the district of being a member/members of
Garware Polyester Limited hereby appoint
of in the district of or failing him
..... of in the district of 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 **45th Annual General Meeting** of
the Company to be held on Monday, the 30th December, 2002 at 11.00 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 2002.

Signature Affix
Revenue
Stamp of
30 Paise

PROXY NO.	REGD. FOLIO	NO. OF SHARES
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Note : This form duly completed and signed as per specimen signature registered with the Company should be deposited at the Registered Office of the Company not less than 48 hours before the time fixed for the commencement of the Meeting.