



BOARD OF DIRECTORS	:	S. B. GARWARE	<i>Chairman & Managing Director</i>
	:	S. S. GARWARE (Mrs.)	
	:	DILIP J. THAKKAR	
	:	N. P. CHAPALGAONKAR	
	:	NIMISH G. PANDYA	
	:	GAUTAM DOSHI	
	:	S. N. BAHETI	<i>Nominee of IDBI</i>
	:	M. GARWARE MODI (Mrs.)	<i>Vice Chairperson & Jt. Managing Director</i>
	:	SARITA GARWARE (Ms.)	<i>Jt. Managing Director</i>
	:	SONIA GARWARE (Ms.)	
	:	B. MORADIAN	
	:	M. S. ADSUL	<i>Director - Technical</i>
COMPANY SECRETARY & GENERAL MANAGER (LEGAL)	:	S. Chakraborty	
BANKERS	:	Indian Overseas Bank Dena Bank The Federal Bank Limited State Bank of Mysore Bank of India Punjab National Bank	
AUDITORS	:	Shah & Co. Chartered Accountants	
SOLICITORS & ADVOCATES	:	Crawford Bayley & Co.	
REGISTERED OFFICE	:	Naigaon, Post Waluj, Aurangabad - 431 133.	
CORPORATE OFFICE	:	Garware House, 50-A, Swami Nityanand Marg, Vile Parle (East), Mumbai 400 057.	
WORKS	:	L-5 & L-6, Chikalthana Industrial Area, Dr. Abasaheb Garware Marg, Aurangabad 431 210. Naigaon, Post Waluj, Aurangabad 431 133. A-1 & A-2, MIDC, Ambad, Nasik 422 010. 50-A Swami Nityanand Marg, Vile Parle (East), Mumbai 400 057. Plot No. 103, Masat, Silvassa 396 230.	
OFFICES	:	403, Madam Bhikaji Cama Bhawan, 11, Bhikaji Cama Place, New Delhi 110 066. 37/1B, Hazra Road, Kolkata 700 029. Old No. 40, New No. 91, Shiyali Mudali Street, Pudupet, Chennai 600 002.	
REGISTRARS & TRANSFER AGENTS	:	Intime Spectrum Registry Limited.	

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NOTICE

NOTICE IS HEREBY GIVEN THAT the Fiftieth Annual General Meeting of the Members of **GARWARE POLYESTER LIMITED** will be held at the Registered Office of the Company at Naigaon, Post Waluj, Aurangabad 431 133 on Tuesday, the 18th December, 2007 at 11.30. a. m. to transact the following business:

Ordinary Business:

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2007 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and the Auditors thereon.
2. To appoint a Director in place of Mrs. M. Garware Modi, who retires by rotation and, being eligible, offers herself for re-appointment.
3. To appoint a Director in place of Mr. Gautam Doshi, who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. N. P. Chapalgaonkar, who retires by rotation and, being eligible, offers himself for re-appointment.
5. To appoint Auditors and to fix their remuneration.

Special Business:

6. To appoint Ms. Sonia Garware as a director of the Company, who was previously appointed as an Additional Director of the Company by the Board of Directors at their Meeting held on 31st January, 2007, pursuant to Article 121 of the Articles of Association of the Company and under Section 260 of the Companies Act, 1956 and in respect of whom notices in writing have been received by the Company from some members proposing her candidature for the office of a director and, to consider and if thought fit, to pass with or without modification as an Ordinary Resolution, the following:-
"RESOLVED THAT due notice signifying the intension of the members to propose Ms. Sonia Garware as a director, having been received pursuant to section 257 of the Companies Act, 1956, Ms. Sonia Garware be and is hereby appointed as a director of the Company, liable to retire by rotation."
7. To appoint Mr. Dilip J. Thakkar as a director of the Company, who was previously appointed as an Additional Director of the Company by the Board of Directors at their Meeting held on 30th April, 2007, pursuant to Article 121 of the Articles of Association of the Company and under Section 260 of the Companies Act, 1956 and in respect of whom notices in writing have been received by the Company from some members proposing his candidature for the office of a director and, to consider and if thought fit, to pass with or without modification as an Ordinary Resolution, the following:-
"RESOLVED THAT due notice signifying the intension of the members to propose Mr. Dilip J. Thakkar as a director, having been received pursuant to section 257 of the Companies Act, 1956, Mr. Dilip J. Thakkar be and is hereby appointed as a director of the Company, liable to retire by rotation."
8. To appoint Mr. Nimish G. Pandya as a director of the Company, who was previously appointed as an Additional Director of the Company by the Board of Directors at their Meeting held on 31st October, 2007 pursuant to Article 121 of the Articles of Association of the Company and under Section 260 of the Companies Act, 1956 and in respect of whom notices in writing have been received by the Company from some members proposing his candidature for the office of a director and, to consider and if thought fit, to pass with or without modification as an Ordinary Resolution, the following:-
"RESOLVED THAT due notice signifying the intension of the members to propose Mr. Nimish G. Pandya as a director, having been received pursuant to section 257 of the Companies Act, 1956, Mr. Nimish G. Pandya be and is hereby appointed as a director of the Company, liable to retire by rotation."
9. To consider and if thought fit, to pass with or without modification(s), as an Ordinary Resolution, the following :-
" RESOLVED THAT pursuant to the provisions of Sections 198,269, and 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and subject to other approvals as may be required, consent of the Company be and is hereby accorded to the re-appointment of Mr. A. B. Bhalerao to the office of Whole-Time Director of the Company designated as

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Director-Technical for a period commencing from 1st October, 2006 to 31st May, 2007 being the date of his retirement from the Company, upon the terms and subject to the conditions as set out in the explanatory statement and in accordance with the provisions as contained in Scheduled XIII of the Companies Act, 1956, as amended from time to time and as per the agreement between the Company and Mr. A. B. Bhalerao placed before the meeting duly initialed by Shri S. B. Garware, Chairman & Managing Director of the Company, for the purpose of identification, which be and is hereby specifically approved.

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

10. To appoint Mr. M. S. Adsul as a director of the Company, who was previously appointed as an Additional Director of the Company by the Board of Directors at their Meeting held on 31st July, 2007, pursuant to Article 121 of the Articles of Association of the Company and under Section 260 of the Companies Act, 1956 and in respect of whom notices in writing have been received by the Company from some members proposing his candidature for the office of a director and, to consider and if thought fit, to pass with or without modification as an Ordinary Resolution, the following:-

“RESOLVED THAT due notice signifying the intension of the members to propose Mr. M. S. Adsul as a director, having been received pursuant to section 257 of the Companies Act, 1956, Mr. M. S. Adsul be and is hereby appointed as a director of the Company, liable to retire by rotation.”

“RESOLVED FURTHER THAT pursuant to the provisions of Sections 198,269, and 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and subject to other approvals as may be required, consent of the Company be and is hereby accorded to the appointment of Mr. M. S. Adsul to the office of Whole-Time Director of the Company designated as Director- Technical for a period from 1st August 2007 for a tenure of five years upon the terms and subject to the conditions as set out in the draft agreement, with further liberty to the Board of Directors to alter and vary the said terms and conditions from time to time, in such manner as may be agreed upon between the Board of Directors and Mr. M. S. Adsul in the best interest of the Company but subject to the provisions contained in Scheduled XIII of the Companies Act, 1956, as amended from time to time and draft agreement between the Company and Mr. M. S. Adsul placed before the meeting duly initialed by Mr. S. B. Garware, Chairman & Managing Director of the Company, for the purpose of identification, be and it is hereby approved.

“RESOLVED FURTHER THAT in the event of loss or inadequacy of profits in any financial year of the Company during the term of office as Whole-Time Director of Mr. M. S. Adsul, the remuneration and perquisites set out in aforesaid draft agreement be paid to Mr. M. S. Adsul 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.”

11. To consider and, if thought fit, to pass with or without modification, the following as a Special Resolution:

“RESOLVED THAT pursuant to section 31 of the Companies Act, 1956, in terms of sections 258 and 259 of the Act and subject to the approval of the Central Government, Article 117 (b) of the Articles of Association of the Company be altered by substituting the word “twelve” with the words “fifteen”.

“RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all such deeds, acts and things as may be necessary and expedient to give effect to the resolution.

By Order of the Board of Directors

S. Chakraborty
Company Secretary &
General Manager (Legal)

Mumbai, 31st October, 2007

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 no. 6 to 11 of the Notice is annexed hereto.
4. Members desiring any information on the business to be transacted at the Meeting are requested to write to the Company at least 10 days in advance to enable the Management to keep the information, as far as possible, ready at the Meeting.
5. The Register of Members and the Share Transfer Books of the Company will remain closed from Tuesday, December 11, 2007 to Tuesday, December 18, 2007 (both days inclusive).
6. Members are requested to notify immediately any change in their addresses directly to their Depository Participant in case they hold shares in dematerialised form or to the Company's Registrars & Transfer Agents, in case they hold shares in physical form.
7. Pursuant to the provisions of Section 205A of the Companies Act, 1956, all dividends remaining unpaid / unclaimed up-to the financial year ended 31st March, 1994 have been transferred to the General Reserve Account of the Central Government. Members who have not en-cashed dividend warrants pertaining to the said period may submit their claims for dividend to the Registrar of Companies, Maharashtra, at Mumbai.

As per the provisions of Section 205C of the Companies Act, 1956, the Company has transferred the dividend declared for the financial years ended 31st March, 1995, 31st December, 1995 and 31st December, 1996 which remained unpaid or unclaimed for a period of seven years to the Investor Education and Protection Fund (IEPF) set up by the Central Government. It may be noted that no claims shall lie against the Company or IEP Fund in respect of the said unclaimed dividend amount.

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

INTIME SPECTRUM REGISTRY LIMITED
(Unit: Garware Polyester Limited)
C-13, Pananal Silk Mill Compound,
L.B.S. Marg, Bhandup (West),
Mumbai - 400 078.
Tel. No. 2596 3838
Fax : 2596 2691

ANNUAL REPORT 2006-2007**ANNEXURE TO THE NOTICE
EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.****Item No. 6**

Ms. Sonia Garware was appointed as an Additional Director on the Board of the Company with effect from 31st January, 2007 under Article 121 of the Articles of the Association of the Company and under Section 260 of the Companies Act, 1956. Ms. Sonia Garware holds office as an Additional Director up to 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 Ms. Sonia Garware as the candidate to the office of the Director of the Company.

Ms. Sonia Garware has to her credit MBA from Boston College, USA with majors in Marketing, Human Resource Management and Strategic Management. She had joined Garware Polyester Limited in the year 1997. She is a Director on the Board of other companies also.

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

Ms. Sonia Garware is concerned or interested in the resolution. Shri S. B. Garware, Mrs. S. S. Garware, Mrs. Monika Garware Modi and Ms. Sartia Garware, Directors of the Company, being related to Ms. Sonia 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.

Item No. 7

Mr. Dilip J. Thakkar was appointed as an Additional Director on the Board of the Company with effect from 30th April, 2007 under Article 121 of the Articles of the Association of the Company and under Section 260 of the Companies Act, 1956. Mr. Dilip J. Thakkar 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 Mr. Dilip J. Thakkar as the candidate to the office of the Director of the Company.

Mr. Dilip J. Thakkar is B.Com., L.L.B., F.C.A. He is a rank holder in Final C.A. Examination of the Institute of Chartered Accountants of India. He is Director of several Public and Private Limited Companies & Trustee of several Public Trusts.

It would be in the interest of the Company to avail of the valuable experience and guidance of Mr. Dilip J. Thakkar. The Board recommends the appointment of Mr. Dilip J. Thakkar as Director of the Company.

Mr. Dilip J. Thakkar is concerned or interested in the Resolution under Item 7 of the Notice. Save as aforesaid, none of the other Directors of the Company is, in any way, concerned or interested in this Resolution.

Item No. 8

Mr. Nimish G. Pandya was appointed as an Additional Director on the Board of the Company with effect from 31st October, 2007 under Article 121 of the Articles of the Association of the Company and under Section 260 of the Companies Act, 1956. Mr. Nimish G. Pandya 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 Mr. Nimish G. Pandya as the candidate to the office of the Director of the Company.

Mr. Nimish G. Pandya has completed his graduation from Pune University and obtained his Bachelor's Degree in Law from Bombay University. Having enrolled at the Bar Council of Maharashtra, Mr. Nimish G. Pandya has had a successful career since then. He was appointed as a Notary Public by the Government of Maharashtra.

It would be in the interest of the Company to avail of the valuable experience and guidance of Mr. Nimish G. Pandya. The Board recommends the appointment of Mr. Nimish G. Pandya as Director of the Company.

**Item No. 9**

Mr. A. B. Bhalerao was appointed as Whole-Time Director, designated as Director-Technical, from 1st October, 1996 for two tenure of five years each. As such, his term expires on 30th September, 2006. The Remuneration Committee and the Board of Directors of the Company at its meeting held on 31st October, 2006, re-appointed Mr. A. B. Bhalerao as Whole-Time Director of the Company, designated as Director-Technical, for a further term of five years with effect from 1st October, 2006, on the terms and conditions including remuneration as set out in the agreement subject to the necessary approvals.

The Company has received approval of the Central Government under section 269 & 198(4)/309(3) and 637AA of the Companies Act, 1956 vide its letter dated 25th September, 2007, re-appointing Mr. A. B. Bhalerao as Whole-Time Director, designated as Director-Technical w.e.f 1st October, 2006 till ensuing General Meeting of the Company and also remuneration payable to him.

However Mr. A. B. Bhalerao has retired from the Company w.e.f 31.05.2007 and thus ceases to be Whole-Time Director of the Company. The Remuneration Committee and the Board of Directors at their respective meeting held on 28.07.2007 and 31.07.2007 re-appointed Mr. A. B. Bhalerao only for a period of 8 months from 1st October 2006 to 31.05.2007 on the same terms and conditions as approved earlier.

The salient features of the agreement between the Company and Mr. A. B. Bhalerao, are set out below:-

- (a) SALARY : Rs. 1, 20,000/- per month or higher amount as may be approved by the Board of Directors or its Committee from time to time not exceeding Rs. 1,70,000/- per month.
- (b) PERQUISITES : Mr. A. B. Bhalerao will, in addition to salary be entitled to housing accommodation or house rent allowance and other perquisites such as reimbursement of medical expenses incurred for self and family, leave travel concession for self and family once in a year, provisions of a car with driver, telephone at residence and, other allowances as per the rules of the Company. Perquisites shall be evaluated as per Income -Tax rules, wherever applicable.
 - (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) En-cashment of leave at the end of his tenure.
- (c) Mr. A. B. Bhalerao will be entitled to leave on full remuneration, as per the rules of the Company, but not exceeding one month's leave for every 11 months of service.
- (d) Mr. A. B. Bhalerao will also be entitled to reimbursement of entertainment expenses actually incurred by him in the course of business of the Company.
- (e) Mr. A. B. Bhalerao will also be entitled to receive from the Company travelling, hotel and other expenses incurred in performance of the duties on behalf of the Company.
- (f) In the event of any dispute or difference arising at any time between Mr. A. B. Bhalerao and the Company in respect of the Agreement or the construction thereof, the same shall be submitted to and be decided by arbitration in accordance with the provisions of the Arbitration and Conciliation Act, 1996.
- (g) Mr. A. B. Bhalerao will not, so long as he functions as such, become interested or otherwise concerned directly in any selling agency of the company in future without the prior approval of the Company Law Board.
- (h) In the event of inadequacy or absence of profit, his remuneration shall be governed by the provisions of Schedule XIII of the Companies Act, 1956.
- (i) In the event of any dispute or difference arising at any time between Mr. A. B. Bhalerao and the Company in respect of this Agreement or the construction thereof, the same shall be submitted to and be decided by arbitration in accordance with the provisions of the Arbitration & Conciliation Act, 1996.
- (j) This Agreement can be terminated by giving one month's Notice on either side.

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- (k) Indemnity: Subject to the provisions of the Companies Act, 1956, the Articles of Association of the Company and any other statutory provisions in this regard, Mr. A. B. Bhalerao shall be indemnified and be kept indemnified by the Company against all costs, charges, losses, remedies, actions and consequences which he may incur or become liable to, in the course of or arising out of, performance of his duties under this Agreement or otherwise, for any act, deed, matter or thing done, concurred in or omitted by him in any way, in or about the execution or performance or discharge of his duties, generally without in any way limiting the scope of this indemnity.

The Draft Agreement referred to in the resolution under item No. 9 of the Notice will be open for inspection by the Members at the Registered Office of the Company on any working day between 11.00 a.m. and 1.00 p.m.

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

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

Your Directors recommend this resolution for your approval.

Item No. 10

Mr. M. S. Adsul was first appointed as an Additional Director and then as Whole-Time Director, designated as Director-Technical on the Board of the Company with effect from 1st August, 2007 under Article 121 of the Articles of the Association of the Company and under Section 260 of the Companies Act, 1956. Mr. M. S. Adsul 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 Mr. M. S. Adsul as the candidate to the office of the Director of the Company.

Mr. M. S. Adsul is B.Sc.-Technical in Plastics from Bombay University and DBM from Marathawada University. He has been working in Garware Polyester Limited from 1979 in various areas such as Research and Development, Production and Technical. Prior to this directorship, Mr. M. S. Adsul was Vice-President of the Company and it would be in the interest of the Company to avail of the valuable experience and guidance of Mr. M. S. Adsul.

The Remuneration Committee and the Board of Directors of the Company at its respective meetings held on 28th July, 2007 and 31st July, 2007 appointed Mr. M. S. Adsul as a Whole-Time Director of the Company, designated as Director-Technical, for a term of five years with effect from 1st August, 2007, on the terms and conditions including remuneration as set out in the draft agreement subject to the necessary approvals. The salient features of the draft agreement between the Company and Mr. M. S. Adsul, are set out below:-

- (a) SALARY : Rs. 95,000/- per month or higher amount as may be approved by the Board of Directors or its Committee from time to time not exceeding Rs. 1,50,000/- per month.
- (b) PERQUISITES : Mr. M. S. Adsul will, in addition to salary be entitled to housing accommodation or house rent allowance 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, provisions of a car with driver, telephone at residence and, other allowances as per the rules of the Company. Perquisites shall be evaluated as per Income-Tax rules, wherever applicable.
- (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) En-cashment of leave at the end of his tenure.
- (c) Mr. M. S. Adsul will be entitled to leave on full remuneration, as per the rules of the Company, but not exceeding one month's leave for every 11 months of service.



- (d) Mr. M. S. Adsul will also be entitled to reimbursement of entertainment expenses actually incurred by him in the course of business of the Company.
- (e) Mr. M. S. Adsul will also be entitled to receive from the Company travelling, hotel and other expenses incurred in performance of the duties on behalf of the Company.
- (f) In the event of any dispute or difference arising at any time between Mr. M. S. Adsul and the Company in respect of the Agreement or the construction thereof, the same shall be submitted to and be decided by arbitration in accordance with the provisions of the Arbitration and Conciliation Act, 1996.
- (g) Mr. M. S. Adsul will not, so long as he functions as such, become interested or otherwise concerned directly in any selling agency of the company in future without the prior approval of the Company Law Board.
- (h) In the event of inadequacy or absence of profit, his remuneration shall be governed by the provisions of Schedule XIII of the Companies Act, 1956.
- (i) In the event of any dispute or difference arising at any time between Mr. M. S. Adsul and the Company in respect of this Agreement or the construction thereof, the same shall be submitted to and be decided by arbitration in accordance with the provisions of the Arbitration & Conciliation Act, 1996.
- (j) This Agreement can be terminated by giving one month's Notice on either side.
- (k) Indemnity: Subject to the provisions of the Companies Act, 1956, the Articles of Association of the Company and any other statutory provisions in this regard, Mr. M. S. Adsul shall be indemnified and be kept indemnified by the Company against all costs, charges, losses, remedies, actions and consequences which he may incur or become liable to, in the course of or arising out of, performance of his duties under this Agreement or otherwise, for any act, deed, matter or thing done, concurred in or omitted by him in any way, in or about the execution or performance or discharge of his duties, generally without in any way limiting the scope of this indemnity.

The Draft Agreement referred to in the resolution under item No. 9 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.

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

Mr. M. S. Adsul is concerned or interested in the Resolution under Item 9 of the Notice. Save as aforesaid, none of the other Directors of the Company is, in any way, concerned or interested in this Resolution.

Your Directors recommend this resolution for your approval.

Item No. 11

The Article 117(b) of the Articles of Association of the Company provides for the appointment of 12 directors on the Board of the Company. At present there are 12 Directors on the Board of the Company, including a nominee of Industrial Development Bank of India Limited (IDBI). With the purpose of better Corporate Governance, your Board of Directors desires to induct few Independent Directors on the Board of the Company thereby increasing the strength from twelve to fifteen.

As the said alteration would require the approval of the Central Government, the Company will make necessary applications to the Central Government seeking it's approvals and the proposed resolution will have effect only on the receipt of approval from them.

The resolution is commended for your approval.

The draft of altered Articles of Association is available for inspection at the registered office on all days except Sundays and holidays during office hours between 10.00 a.m. to 5.00 p.m.

None of the Directors is concerned or interested in the said resolution.

By Order of the Board of Directors

S. Chakraborty
Company Secretary &
General Manager (Legal)

Mumbai, 31st October, 2007

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 the Directors	Mrs. M. Garware Modi	Mr. Gautam Doshi	Mr. N.P. Chapalgaonkar
Date of Birth & Age	04.06.1963 (44 years)	23.12.1952 (55 years)	10.04.1937 (70 years)
Appointed on	31.03.1989	29.01.2004	23.10.2003
Qualifications	M.B.A (U.S.A)	M.Com, C.A	M.A. & L.L.B
Expertise in specific functional areas	<ul style="list-style-type: none"> ● Marketing 	<ul style="list-style-type: none"> ● Chartered Accountant 	<ul style="list-style-type: none"> ● Ex-Judge of Bombay High Court
Directorship held in other Companies	<ol style="list-style-type: none"> 1. Garware Industries Ltd. 2. Cadila Pharmaceuticals Ltd. 3. Casil Health Products Ltd. 4. Casil Industries Ltd. 5. IRM Ltd. 6. Karnavati Engineering Ltd. 	<ol style="list-style-type: none"> 1. Sterlite Industries (India) Ltd. 2. Kojam Fininvest Ltd. 3. Sonata Investments Ltd. 4. Reliance Communication Infrastructures Ltd. 5. Reliance Life Insurance Co. Ltd. 6. Adlabs Films Ltd. 7. Reliable Internet Services Ltd. 8. Reliance Telecom Ltd. 9. Reliance Asset Reconstruction Co. Ltd. 	—
Chairmanships / Memberships of Committees across public companies	—	<ol style="list-style-type: none"> 1. Sterlite Industries (India) Ltd. 2. Kojam Fininvest Ltd. 3. Sonata Investments Ltd. 4. Reliance Communication Infrastructures Ltd. 5. Reliance Life Insurance Company Ltd. 6. Adlabs Films Ltd. 7. Reliance Asset Reconstruction Co. Ltd. 8. Reliable Internet Services Ltd. 9. Reliance Telecom Ltd. 	—



DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2007

TO THE MEMBERS

Your Directors present the Fiftieth Annual Report together with the Audited Statement of Accounts of the Company for the year ended 31st March, 2007.

Financial Results

		2006-07	(Rs. in Crores)	
			2005-06	
Operating Profit before Interest & Depreciation		82.56		86.16
<i>Less</i> : Interest & Financial Charges	46.30		44.96	
Depreciation	31.14	77.44	30.38	75.34
Profit for the year before Tax		5.12		10.82
<i>Less</i> : Income Tax	2.95		5.54	
Wealth Tax	0.04	2.99	0.04	5.58
Profit After Tax		2.13		5.24
<i>Add</i> : Income Tax Refund of Prior Years		0.00		0.41
Net Profit		2.13		5.65
<i>Add</i> : Balance brought forward from previous year		56.33		50.68
Balance available for Appropriation		58.46		56.33

Your Directors have not recommended any dividend for the year under review with a view to conserve resources.

Operations

Gross sales increased by 7% from Rs. 846 crores to Rs. 909 crores. Local sales increased by 12%, whereas, exports declined marginally by 3% from Rs. 271 Crores to Rs. 263 crores. In local market there is pressure on prices and margins due to excess supply situation, rise in crude oil prices leading to increase in raw material cost. Your Company was in a position to increase the sales and mitigate the pressure on margin to some extent.

Sun Control films are being exported to more than 50 countries and during the year focus was to further penetrate into lucrative markets like USA, UK, Russia, Australia etc. In local market the strategy of focusing on value added segments viz. car kits and OEM tie-ups have improved sales and looks promising.

Future outlook

Growth of Polyester film in international market continues at an estimated rate of 6% p.a. In local market too, growth is continuing at an estimated rate of 15% p.a. The adverse demand / supply equation which prevailed during major part of last financial year is showing a positive trend and the prices seem to be firming up. Such an opportunity augurs well with the Company's plans for the future particularly due to its initiatives in research and new product development.

Company is strengthening its presence in lucrative markets like China, Korea, Brazil, Australia and Middle East in addition to its existing strong market position in the developed markets like USA. Response to Company's new products is highly encouraging and its policy of focusing on niche products in remunerative markets will boost gross margins in future.

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Financial Restructuring

In order to improve its debt profile and have healthier balance sheet, your Company has undertaken financial restructuring of its liabilities. Towards this, your Company was successful in obtaining sanction for settlement proposal from one of the major lenders and is in negotiation with few others for settlement. With the proposed restructuring and other waivers obtain by the Company, the balance sheet ratios will substantially improve, strengthening the financial health of the Company.

Research & Development

Company's R & D Center is accredited by the Department of Scientific and Industrial Research, Ministry of Science and Technology, Government of India, and is engaged in research on new applications as well as development of new products, improvement of manufacturing processes and de-bottlenecking activities. Your Company's thrust on R & D activities has paid rich dividends.

Awards and Recognition:

Your Company have received Top Exporters award from PLEXCONCIL, for past several years. Apart from this, your Company have received Safety Awards from National Safety Council of India (National Level Awards) for the year 2006.

Subsidiaries

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

Safety, Health & Environmental Protection:

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

Directors' Responsibility Statement

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

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

Directors

Mrs. M. Garware Modi, Mr. Gautam Doshi, and Mr. N. P. Chapalgaonkar retire by rotation and being eligible, offer themselves for re-appointment.

The Board appointed Ms. Sonia Garware, Mr. Dilip J. Thakkar, Mr. M. S. Adsul and Mr. Nimish G. Pandya as additional directors, whose term would, expire on the conclusion of the next AGM. The Company received notices in writing from some members proposing their candidature as director of the Company.



Mr. A. B. Bhalerao retired from the services of the Company as Director-Technical w.e.f 31.05.2007. At the request of the Board he continued as a Director till 31.07.2007. Dr. A. M. Naik resigned from the directorship of the company w.e.f. 31.10.2007. The Board places on record its sincere appreciation of the valuable guidance given by Mr. A. B. Bhalerao and Dr. A. M. Naik during their tenure as Directors of your Company.

Audit Committee

The Audit Committee comprises of three independent Directors viz., Mr. B. Moradian, Mr. S. N. Baheti and Mr. Nimish G. Pandya.

Remuneration Committee

The Remuneration Committee comprises of three independent Directors, viz., Mr. B. Moradian, Mr. S. N. Baheti & Mr. Nimish G. Pandya.

Corporate Governance

A Reports on Management Discussion and Analysis, Corporate Governance as well as Auditors' Certificate regarding compliance of clause 49 of the listing agreement form part of this Report.

Extension of time to hold Annual General Meeting.

The Company has received approval from the Registrar of Companies, Maharashtra for extension of time to hold its Annual General Meeting by three months upto December 31, 2007.

Auditors

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

Other Statutory Information

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

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

Industrial Relations

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

Acknowledgements

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

For and on behalf of the Board of Directors

Mumbai, 31st October, 2007

S. B. GARWARE
Chairman & Managing Director

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ANNEXURE TO DIRECTORS' REPORT

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

(A) CONSERVATION OF ENERGY

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

1. Efficiency improvement for thermic heaters to reduce FO Consumption at Chikalthana.
2. High efficiency pumps installation for condenser cooling water and chilled water at Chikalthana.
3. Reduction of raw water system at Waluj complex.
4. Main cooling tower pump impeller trimming.
5. High efficiency pump installation for chilled water at Waluj.
6. Power factor and load factor improvement at Waluj and Chikalthana complex.

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

- (a) Development of new heavy metal free polyester chips.
- (b) Development of sealable and peelable film.

Research and Development (R & D) – CPD

Use of nano particles for making window film.

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

These products give increased contribution.

3. Expenditure on R & D / Product Development

	(Rs. in Lakhs)
(a) Capital (Excl. CWIP)	37.85
(b) Recurring	251.18
Total	289.03
Total R & D expenditure as a percentage to total turnover.	0.55%



II. Technology absorption, adaptation and innovation

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

- (a) New coating machine imported from USA for improving optical properties of suncontrol film.
- (b) Installed 150 TPD Batch Polymerization plant for reducing the cost of PET chips production.
- (c) Installed complete clean room for Super Clear film production.

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

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

3. Technology imported during the last five years:-

SRC (hard-coat) formulations

(C) FOREIGN EXCHANGE EARNING AND OUTGO

I. Activities relating to exports, initiatives taken to increase export markets for products and services and export plans.

1. The export marketing activities are being consolidated to maintain the share of exports in the total production. Newer markets are being explored.
2. Constant endeavour is being made to establish the products in specific overseas regional markets and to accomplish the same, individuals with knowledge and experience of these markets are appointed to service the customers.
3. The Company has established warehousing and marketing outfits in USA and UK.

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

Used	:	46.69
Earned (FOB)	:	245.24

For and on behalf of the Board of Directors

Mumbai, 31st October, 2007

S. B. GARWARE
Chairman & Managing Director

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CORPORATE GOVERNANCE REPORT

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

Company's philosophy on Code of Governance

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

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

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

1. Composition of the Board of Directors (as on 31st March, 2007)

Category	Name of the Director	No. of Shares held as on 31st March 2007	No. of Directorship in Public Limited Companies*	No. of Chairmanships of Committees (Both Listed/Unlisted Public Companies) #	Committee memberships #
Non-Independent Executive	1. Shri S. B. Garware	14,48,890	4	—	—
	2. Mrs. M. Garware Modi	5,04,430	5	—	—
	3. Ms. Sarita Garware	4,59,345	2	—	1
	4. Mr. A. B. Bhalerao	1,015	2	—	—
Independent Non-Executive	1. Mr. S. N. Baheti +	—	3	—	1
	2. Dr. A. M. Naik **	—	5	1	1
	3. Mr. B. Moradian ***	—	3	1	1
	4. Mr. N. P. Chapalgaonkar	—	1	—	—
	5. Mr. Gautam Doshi	—	10	1	9
Non-Independent Non-Executive	1. Mrs. S. S. Garware	1,06,528	3	—	—
	2. Ms. Sonia Garware	4,12,514	2	—	—

+ Nominee, IDBI

** Chairman of Audit Committee

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

* This excludes directorship held in Private Companies, Foreign Companies, Companies formed under section 25 of the Companies Act, 1956 and directorship held as an alternate director but includes directorship in Garware Polyester Limited.

Committee of Directors include Audit Committee and Shareholders / Investor Grievance Committee of Directors only. This include membership / Chairmanship in Committee of Directors of Garware Polyester Limited.



BOARD MEETINGS

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

During the year under review, five Board Meetings were held as per details given below:

Board Meetings

Sr.No.	Date	Board Strength	No. of Directors Present
1	28.04.2006	10	6
2	31.07.2006	10	7
3	17.08.2006	10	7
4	31.10.2006	10	6
5	31.01.2007	11	7

The last Annual General Meeting (AGM) was held on 29th September, 2006.

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
Shri S. B. Garware	5	No
Mrs. S. S. Garware	3	No
Mrs. M. Garware Modi	1	No
Ms. Sarita Garware	4	No
Ms. Sonia Garware*	0	No
Mr. S. N. Baheti	2	No
Mr. A. B. Bhalerao	5	Yes
Mr. B. Moradian	5	No
Mr. N. P. Chapalgaonkar	4	Yes
Mr. Gautam Doshi	0	No
Dr. A. M. Naik	4	No

* Ms. Sonia Garware joined on the Board w.e.f. 31st January, 2007.

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BRIEF RESUME OF PERSONS PROPOSED TO BE APPOINTED AS DIRECTOR OF THE COMPANY AT THE ANNUAL GENERAL MEETING.

Name of the Directors	Ms. Sonia Garware	Mr. Dilip J. Thakkar	Mr. M. S. Adsul	Mr. Nimish G. Pandya
Date of Birth	24.07.1971	01.10.1936	01.06.1955	14.09.1953
Appointed on	31.01.2007	23.04.2007	01.08.2007	31.10.2007
Qualifications	M.B.A - U.S.A	B.Com, L.L.B, C.A	B.SC. (Tech.)	B.A., L.L.B
Expertise in specific functional areas	Marketing, H.R & Strategic Management	Chartered Accountant	Research & Development	Law
Directorship held in other Companies	Garware Industries Ltd.	1. Omega Management Services Ltd. 2. Wearology Ltd. 3. Pnasonic Battery India Co. Ltd. 4. Essar Oil Ltd. 5. Thirumalai Chemicals Ltd. 6. The Ruby Mills Ltd. 7. PAE Ltd. 8. Himatsingka Seide Ltd. 9. Indo Count Industries Ltd. 10. Walchandnagar Industries Ltd. 11. Garware Offshore Ltd.	—	1. Lip Data Systems Ltd. 2. Kewal Kiran Clothing Ltd.
Chairmanships / Memberships of Committee	—	1. Panasonic Battery India Co. Ltd. 2. Essar Oil Ltd. 3. Thirumalai Chemicals Ltd. 4. PAE Ltd. 5. Himatsingka Seide Ltd. 6. Walchandnagar Industries Ltd.		

2. COMMITTEE 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:

Dr. A. M. Naik	—	Chairman
Mr. B. Moradian	—	Member
Mr. S. N. Baheti	—	Member

The Company Secretary, Mr. S. Chakraborty acts as the Secretary to the Committee.

Brief description of terms of reference are:

- Overseeing and ensuring the adequacy and compliance of internal control systems.
- Reviewing the quarterly, half-yearly and annual financial statements with special emphasis on accounting policies and practices, compliance with accounting standards and other legal requirements concerning financial statements before submission to the Board.



- Reviewing the adequacy of the Audit and Compliance, including their policies, procedures, techniques and other regulatory requirements.
- Undertaking periodical review of Internal Audit Reports and appraising and reviewing the scope of Internal Audit functions from time to time.
- Interacting effectively with the Statutory Auditors from time to time and discuss about finalisation of annual financial statements.
- Considering any other matter, which may be referred to it by the Board.

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

Meetings and attendance during the year:

During the year under review, five Audit Committee meetings were held as per details given below.

Sr.No.	Date	Strength	No. of Members Present.
1	28.04.2006	3	2
2	31.07.2006	3	2
3	17.08.2006	3	3
4	31.10.2006	3	2
5	31.01.2007	3	2

The attendance of Members at the Committee Meetings was as under:

Name of Members	Audit Committee Meetings Attended
Dr. A. M. Naik	3
Mr. S. N. Baheti	3
Mr. B. Moradian	5

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

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

Mr. B. Moradian	—	Chairman
Ms. Sarita Garware	—	Member
Dr. A. M. Naik	—	Member

The Company Secretary, Mr. S. Chakraborty acts as the Compliance Officer.

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 shareholder's / investor's complaints relating to transfer of shares / debentures, non-receipt of annual report, dividends, transmission, transposition, splitting, consolidation and dematerialisation of shares, interest on debentures, etc.

ANNUAL REPORT 2006-2007**Details of complaints received and redressed during the year from 1st April, 2006 to 31st March, 2007.**

As per information received from Registrar M/s. Intime Spectrum Registry Limited, during the year, the Company received 134 complaints from shareholders, which were resolved. The details are as under:

Nature of - Complaint	No. of Complaints	No. of Complaints Resolved	No. of Pending Complaints on 31.03.2007
Transfer of - Shares/ Debentures	32	32	Nil
Dividend	43	43	Nil
Others	59	59	Nil
Total	134	134	Nil

Share Transfer Details:

During the year, the Committee met 22 times. As on 31st March, 2007, there were no requests pending for transfer of shares. The details of share transfers are reported to the Board of Directors along with the Minutes of the aforesaid Committee Meetings. The attendance of Members at the aforesaid Committee Meetings was as under:

Name of Members	Meetings Attended
Mr. B. Moradian	15
Ms Sarita Garware	16
Dr. A. M. Naik	17

Investors' Grievances:

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

(c) Remuneration Committee

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

Dr. A. M. Naik	—	Chairman
Mr. B. Moradian	—	Member
Mr. S. N. Baheti	—	Member

The terms of reference of the above committee are to review the remuneration payable to Managing / Wholetime Directors. The Committee met once on 31.10.2006.

3. REMUNERATION TO DIRECTORS:

The Managing Director, Joint Managing Directors and Director-Technical are paid remuneration as per the Agreements entered into / to be entered into between them and the Company, subject to necessary approvals. Non-Executive Directors are paid sitting fees of Rs.5,000/- for every Board Meeting with effect from January, 2005 and Rs. 1000/- for every Committee Meeting attended by them.

The details of remuneration paid to the Directors of the Company for the year ended 31st March, 2007, are given below: -



	Rs. in Lakhs
(a) Salary and Perquisites	559.12
(b) Commission	—
(c) Sitting Fees to Non-Executive Directors	1.48
Total	<u>560.60</u>

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

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

4. DISCLOSURES:

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

(b) Your company recognizes the “Risk Management” as an integrated, forward-looking process oriented approach for managing “Enterprise Wide Risks”.

The company manages its risk under following broad category:

1. Strategic and Business Risk.
2. Operation and Implementation Risks
3. Financial Risks
4. Risk related to Human Resources

The management of the company headed by Executive Committee under over all supervision of Board of Directors. The Executive Committee periodically reviews the plans of the company, taking into account the changes in the global industry scenario and advises the operational management on various strategic issue.

Your company with a view to adopt Standard Operating Procedures to facilitate ownership and accountability in all functional areas has engaged a renowned consulting group for in-depth study of its processes from a risk perspective and advise the company on how to strengthen internal controls and standardize the procedures to mitigate associated risks.

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

5. MEANS OF COMMUNICATION

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

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

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

6. GENERAL SHAREHOLDER INFORMATION

(a) **Registered Office:**
 Naigaon, Post Waluj,
 Aurangabad - 431 133

ANNUAL REPORT 2006-2007**(b) Registrars and Share Transfer Agents :**

Intime Spectrum Registry Limited,
C-13, Pannalal Silk Mill Compound,
L.B.S. Marg, Bhandup (West),
Mumbai - 400 078.
Tel. No.: 2596 3838
Fax No.: 2596 2691
e-mail : isrl@vsnl.com
Contact Person: Mr. Mahadevan / Mr. Mangesh Gomane

(c) Address for Correspondence

Garware Polyester Limited,
Garware House,
50-A, Swami Nityanand Marg,
Vile Parle (East), Mumbai - 400 057.
Tel No: 6698 8000 – 15
Fax No: 2824 8155 / 66
e-mail: schakraborty@garwarepoly.com

Intime Spectrum Registry Limited,
C-13, Pannalal Silk Mill Compound,
L.B.S. Marg, Bhandup (West),
Mumbai - 400 078.
Tel. No.: 2596 3838
Fax No.: 2596 2691
e-mail : isrl@vsnl.com

(d) PLANTS LOCATIONS : Waluj, Chikalthana,
Nasik, and Silvassa.**(e) LISTING ON STOCK EXCHANGE**

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

The Company has paid Annual Listing Fees for the year 2006-07 to the above Stock Exchange. The Company has also paid custodial charges to National Securities Depository Limited and Central Depository Securities Limited for 2006-2007.

(f) Share price Data on The Stock Exchange, Mumbai

Month	Share Price Data		BSE Sensex	
	High (Rs.)	Low (Rs.)	High	Low
April 2006	59.55	46.70	12102.00	11008.43
May 2006	58.30	40.30	12671.11	9826.91
June 2006	45.10	33.85	10626.84	8799.01
July 2006	39.15	33.60	10940.45	9875.35
August 2006	42.25	35.60	11794.43	10645.99
Sept. 2006	55.35	40.80	12485.17	11444.18
October 2006	50.05	45.75	13075.85	12178.83
Nov., 2006	47.90	42.50	13799.08	12937.30
Dec., 2006	44.40	39.70	14035.30	12801.65
January 2007	68.80	44.05	14325.92	13303.22
February 2007	55.00	45.45	14723.88	12800.91
March 2007	45.90	38.25	13386.95	12316.10

**(g) Share Transfer System**

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

(h) Dematerialisation of Shares and Liquidity

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

The Shares of the Company are compulsorily to be delivered in the demat form to the Stock Exchanges by all investors. Nearly 87% 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, 2007

No. of Shares held	No. of share-holders	% of Share-holders	No. of Shares	% share-holding
1 to 500	33,603	96.52	29,81,613	13.65
501 to 1000	644	1.85	5,11,221	2.34
1001 to 2000	262	0.75	3,99,129	1.83
2001 to 3000	91	0.26	2,28,674	1.05
3001 to 4000	39	0.11	1,40,532	0.64
4001 to 5000	29	0.08	1,40,440	0.64
5001 to 10000	54	0.16	4,01,152	1.84
10001 and above	94	0.27	1,70,38,603	78.01
Total	34,816	100.00	2,18,41,364	100.00

(j) Categories of shareholding as on 31st March, 2007.

Sr. No.	Category	No. of shares held	Percentage of Shareholding
1.	Promoters (Shri S. B. Garware, family and Associates)	1,01,00,526	46.24
2.	Other Garware family Members and their Associates	3,50,157	1.60
3.	Mutual Funds and UTI	16,401	0.08
4.	Banks, Financial Institutions, Insurance Companies (Central / State Govt. Institutions/ Non-Govt. Institutions)	8,55,421	3.92
5.	Private Corporate Bodies	36,83,348	16.86
6.	Foreign Institutional Investors	1,02,355	0.47
7.	NRIs	8,16,469	3.74
8.	Indian Public	59,16,687	27.09
	Grand Total	2,18,41,364	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) **Reappointment / Appointment of Directors**

Mrs. M.Garware Modi, Mr. Gautam Doshi and Mr. N.P.Chapalgaonkar, Directors are retiring by rotation and being eligible, offers themselves for re-appointment. Brief resumes of these Directors are given in the Notice of the 50th Annual General Meeting.

(m) **Code of Conduct**

The Company has always encouraged and supported ethical business practice in personal and corporate behaviour by its directors and employees. The Company has in place a Code of Conduct for the members of the Board of Directors and Senior Management personnel of the Company. In addition to that a special Code of Conduct for dealing in equity shares and other listed securities of the Company is also in place.

(n) **Information on General Body Meetings:**

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

	Date	Venue	Time
47 th AGM	28 th Sep., 2004	Registered Office : Naigaon, Post Waluj, Auranga-bad-431 133	11.30 a.m.
48 th AGM	29 th Sep., 2005	As above	11.30 a.m.
49 th AGM	29 th Sep., 2006	As above	11.30 a.m.

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

No special resolution for this year is required to be passed through postal ballot.

(o) **Financial Calendar**

Financial Year 1st April, 2006 to 31st March, 2007	
Board Meeting for approval of Audited Accounts for the year ended 31 st March, 2007.	31st October, 2007
Posting of Annual Reports	On or before 24th November, 2007
Book Closure Dates	11th December, 2007 to 18th December, 2007 (both days inclusive)
Last date for receipt of Proxy Forms	16th December, 2007
50 th Annual General Meeting	Date : 18th December, 2007 Time : 11.30 a.m. Venue : Registered Office at Naigaon, Post Waluj, Aurangabad 431 133.



AUDITORS' REPORT ON CORPORATE GOVERNANCE

THE MEMBERS, GARWARE POLYESTER LIMITED

We have examined the compliance of conditions of Corporate Governance by GARWARE POLYESTER LIMITED for the year ended 31st March 2007, as stipulated in Clause 49 of the Listing Agreement entered into with the Stock Exchange.

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

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

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

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

For SHAH & CO.
Chartered Accountants

INDULAL H. SHAH
Partner

Mumbai, 31st October, 2007

ANNUAL REPORT 2006-2007**CHIEF EXECUTIVE OFFICER (CEO) AND
CHIEF FINANCIAL OFFICER (CFO) CERTIFICATION**

To,

The Board of Directors,
GARWARE POLYESTER LIMITED

We, the undersigned, in our respective capacities as **Chairman and Managing Director and Chief Financial Officer** of Garware Polyester Limited ("the Company") to the best of our knowledge and belief certify that:

- (a) We have reviewed the financial statements and the cash flow statement for the year ended on March 31, 2007 and based on our knowledge and belief, we state that:
- (i) these statements do not contain any materially untrue statement or omit any material fact or contain any statement that might be misleading;
 - (ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- (b) We further state that to the best of our knowledge and belief, there are no transactions entered into by the Company during the year, which are fraudulent, illegal or violative of the Company's code of conduct.

We hereby declare that all the members of the Board of Directors and Management Committee have confirmed compliance with the Code of Conduct as adopted by the Company.

- (c) We are responsible for establishing and maintaining internal controls and evaluating the effectiveness of the same over the financial reporting of the Company and have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- (d) We have indicated, based on our most recent evaluation, wherever applicable, to the Auditors and Audit Committee:
- (i) significant changes, if any, in the internal control over financial reporting during the year.
 - (ii) significant changes, if any, in the accounting policies made during the year and that the same has been disclosed in the notes to the financial statements; and
 - (iii) instances of significant fraud of which we have become aware and involvement therein, if any, of the management of and employee having significant role in the Company's internal control system over financial reporting.

B. N. Somani
Chief Financial Officer

S. B. Garware
Chairman and Managing Director

Mumbai, 31st October, 2007.



REPORT ON MANAGEMENT DISCUSSION AND ANALYSIS

1. Industry Structure and Developments

Polyester films have wide applications in flexible packaging, electrical magnetic media, imaging, etc. The worldwide capacity for this product currently stands at about 2.42 million MT.

The restrictive trade practices continue to hamper the export in EU and US. We are continuously developing alternative markets viz. China, Far East, Middle East and Mexico to compensate loss of sale in EU and US.

2. Opportunities and threats

The volatile crude oil prices has pushed up the input cost significantly. On the other hand, excess polyester film capacity have resulted in excess supply in the domestic market. Both factors put together have built tremendous pressure on the margins. The Company is constantly endeavoring to explore newer opportunities by introducing value added products. Some of the value added products, recently developed, have found good acceptability both in the domestic and export markets. With increased focus on R & D, the Company hopes to maintain its growth.

3. Outlook

Exports:

Plain Film:

The Company continues to look at export of high value products in USA and EU. We expect rising business with new customers / products in coming days. Development of new markets in China, Mexico & Far East would help in increasing volume.

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

Sun Control Film:

Exports of Sun Control films continue to grow rapidly contributing substantially to Company's profitability. During the year, the focus was on penetration into lucrative markets viz. USA, EU, Australia, Russia, Far East and Middle East Markets. Sun Control films are now exported to 52 countries worldwide. Growing demand and production of automobiles coupled with high growth in the building industry offer good prospects in future for Sun Control films especially in emerging economies viz. India, Brazil, Russia, China, Middle East etc.

Local:

The strategy of focusing on value added segments viz. car kits and OEM tie-ups has ensured robust growth for Sun Control films in the domestic market. Increased usage of Window films, Safety and Security films in offices, commercial buildings and malls is adding to the growth of Company's business in the premium segment of Window films.

4. Review of Operations

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

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The abridged Profit & Loss statement for the financial year ended 31st March, 2007 is as follows :

(Rs. in lakhs)

	2006-07	2005-06	% change
Gross Sales	90,925.47	84,575.08	7.50
Net Sales	52,372.02	49,101.70	6.66
Other Income	335.64	436.66	(23.13)
Profit before Interest, Depreciation & Tax	8,256.47	8,615.56	(4.16)
Interest & Financial Charges	4,630.06	4,496.36	2.97
Depreciation	3,114.45	3,037.41	2.54
Profit before Tax	511.96	1,081.79	(52.67)
Provision for Tax	299.41	557.92	(46.33)
Profit after Tax	212.55	523.87	(59.43)
Income Tax Refund of prior years	0.00	41.71	(100.00)
Net Profit	212.55	565.58	(62.42)
Earnings per share (Rs.)	0.97	2.59	(62.55)
Market Capitalization	9,189.75	9,648.44	(4.75)

5. Risks and concerns

Due to steep increase in crude oil prices, the raw material prices during the year under review had been exhibiting an increasing trend. Though the Company has been in a position to partly pass on the increases, there has always been a time lag for export markets. In view of excess supplies it has sometimes not been possible to fully pass on the same to the consumers. There will therefore be pressures on the profitability.

The Company will continue to focus on cost control and cost effective measures and give dedicated and specified thrust to exports.

Some of the Company's products are commodity grade and are to a large extent fungible with competitors' products. Demand for the Company's products is sensitive to changes in industry capacity and output levels, cyclical changes in regional and global economic conditions and changes in consumer demand.

Taxes and other levies imposed by the Central or State governments in India that affect the industry include customs duties, excise duties, sales tax, income tax and other taxes, duties or surcharges introduced on a permanent or temporary basis from time to time.

The central and state tax scheme in India is extensive and subject to change from time to time. Any adverse changes in any of the taxes levied by the central or state governments may adversely affect the Company's competitive position and profitability.

The Company is a large exporter of films to many countries, and for the year ended March 31, 2007, nearly 89% of revenue from exports were denominated in U.S. Dollars and 11% were denominated in Euros and other currencies. The volatile foreign exchange market is a concern particularly with appreciating Rupee as the decline in realization is affecting the margins. Your company have a sound hedging policy and has been able to hedge the reduction in realization to a large extent.

The Company is subject to risks arising from interest rate fluctuations which could adversely affect its business operational results. The Company has endeavoured to monitor and mitigate these risks.



6. Internal control systems and their adequacy

The Company has put in place sound systems of internal control and checks, which are supplemented by a regular internal audit commensurate to the size of its business and nature of its operations. The Audit Committee of the Board meets at regular intervals and actively reviews the internal control systems, which are reflected in the internal audit reports. Suitable corrective actions are initiated wherever necessary. The Company has engaged a renowned consulting group for suggestions on improving internal control systems.

7. Material Developments in HR / Industrial Relations.

Your Company has a well-qualified and experienced team of professionals who have contributed to the performance of the Company. Labour relations at all the manufacturing Units of the Company continued to remain cordial throughout the year 2006-07. There was no industrial unrest during the year.

8. Cautionary statement

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

ANNUAL REPORT 2006-2007**AUDITORS' REPORT**

TO THE MEMBERS OF GARWARE POLYESTER LIMITED

We have audited the attached Balance Sheet of GARWARE POLYESTER LIMITED as at 31st March 2007, and also the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

- (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
- (b) In our Opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
- (c) The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement referred to in this report are in agreement with the books of account.
- (d) In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956.
- (e) On the basis of written representations received from the directors and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2007 from being appointed as a Director in terms of Clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956 as on the said date.
- (f) In our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet and the Profit and Loss read together with the notes in Schedule 12 give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.
 - (i) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2007.
 - (ii) In the case of the Profit and Loss Account, of the "**PROFIT**" of the Company for the year ended on that date.; and
 - (iii) In the case of the Cash Flow Statement of the Cash Flows for the year ended on that date.

For SHAH & CO.
Chartered Accountants

INDULAL H. SHAH
Partner
Membership No. 798

Mumbai, 31st October, 2007



ANNEXURE TO THE AUDITORS' REPORT

(REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE)

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) A major portion of the assets has been physically verified by the Management during the year. We are informed that no material discrepancies have been noticed by the Management on such verification.
- (c) The company has not disposed off substantial part of fixed assets during the year. According to the information and explanations given to us, we are of the opinion that the disposal of fixed assets has not affected the going concern status of the company.
- (ii) (a) The Inventories have been physically verified during the year by the Management. In our opinion the frequency of verification is reasonable.
- (b) The procedures of physical verification of inventories followed by the Management are reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) The company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material in relation to the operations of the company and have been properly dealt with in the books of account.
- (iii) (a) The company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Hence the provisions of Clause 4(iii)(b), (c) and (d) of the order are not applicable for the year under report.
- (b) The company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained Under Section 301 of the Companies Act, 1956. Hence the provisions of clauses 4 (iii) (f) and (g) of the order are not applicable for the year under report.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods and services. During the course of audit, we have not observed any continuing failure to correct major weaknesses in internal controls.
- (v) (a) In our opinion and according to the information and explanations given to us the transactions that need to be entered in the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- (b) According to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of rupees five lakhs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time in the opinion of the Management.
- (vi) According to the information and explanations given to us, the company has not accepted during the year any deposits from the public as per the provisions of Sections 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975. To the best of our knowledge and according to the information and explanations given to us, no order has been passed by the

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Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.

- (vii) In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
- (viii) The Central Govt. has not prescribed maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 in the year under review for any of the products of the company.
- (ix) (a) According to the information and explanations given to us, the company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education protection fund, employees state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues applicable to it. As explained to us, no undisputed amounts payable in respect of above were in arrears as at 31st March, 2007 for a period of more than six months from the date they became payable.
- (b) The following dues have not been deposited on account of dispute :

Nature of dues	Financial Year to Which the Dispute Pertains	Amount (Rs. In Lakhs)	Forum where dispute is pending
Income Tax	2002-03	13.61	Commissioner of Income Tax, Mumbai.
Excise Duty	1994-95	7.21	Customs, Excise and Service Tax Appellate Tribunal, Mumbai.
	2001-02	31.40	
Excise Duty	1989-90	0.41	High Court, Mumbai
Sales Tax	1982-83	4.88	Deputy Commissioner, Delhi.
Sales Tax	1984-85	6.00	Sales Tax Assessing Officer, Delhi & Noida
	1993-94	6.25	

- (x) The company does not have accumulated losses at the end of the financial year and has not incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.
- (xi) According to the information and explanations given to us, the company has not defaulted in repayment of dues to financial institutions, banks or debenture holders, as these have been requested for deferment.
- (xii) According to the information and explanations given to us, the company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) As the company is not a chit fund or a nidhi, mutual benefit fund or society, the provisions of clause 4(xiii) of the Companies (Auditors' report) Order, 2003 are not applicable to the company.
- (xiv) As the company is not dealing in or trading in shares, securities, debentures and other investments, the provisions of clause 4(xiv) of the Companies (Auditors' report) Order, 2003 are not applicable to the company.
- (xv) In our opinion, the term loans on which the company has given guarantees for loans taken by others from banks or financial institutions are not prejudicial to the interest of the company.
- (xvi) In our opinion, the term loans have been earmarked to be applied for the purpose for which they were raised.



- (xvii) According to the information and explanations given to us, the company has not applied short term borrowings for long term use.
- (xviii) According to the information and explanations given to us, the company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
- (xix) The company has not issued any debentures during the year.
- (xx) The company has not raised any money by way of public issue during the year.
- (xxi) According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the year.

For SHAH & CO.
Chartered Accountants

INDULAL H. SHAH
Partner
Membership No. 798

Mumbai, 31st October, 2007

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BALANCE SHEET AS AT 31ST MARCH, 2007

	Schedule	As at 31.03.2007 (Rs. in Lakhs)	As at 31.03.2006 (Rs.in Lakhs)
FUNDS EMPLOYED :			
SHAREHOLDERS' FUNDS			
Share Capital	1	2,177.93	2,177.93
Reserves & Surplus	2	15,860.09	10,710.26
		18,038.02	12,888.19
LOAN FUNDS			
Secured Loans	3A	51,547.27	52,845.27
Unsecured Loans	3B	983.76	1,018.75
		52,531.03	53,864.02
TOTAL		70,569.05	66,752.21
APPLICATION OF FUNDS :			
FIXED ASSETS			
Gross Block	4	84,218.12	73,042.79
Less: Depreciation		39,081.50	36,006.88
Net Block		45,136.62	37,035.91
Capital Work in Progress		464.75	1,616.74
		45,601.37	38,652.65
INVESTMENTS	5	3,780.02	3,776.02
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	6	7,245.42	7,996.46
Sundry Debtors		8,855.19	6,629.43
Cash and Bank Balances		334.28	455.97
Other Current Assets		3,678.80	4,486.04
Loans and Advances		4,770.62	7,984.92
		24,884.31	27,552.82
Less: CURRENT LIABILITIES AND PROVISIONS			
Current Liabilities	7	2,967.98	2,796.21
Provisions		908.78	796.14
		3,876.76	3,592.35
Net Current Assets		21,007.55	23,960.47
Deferred Tax Asset		180.11	363.07
TOTAL		70,569.05	66,752.21

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

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

INDULAL H. SHAH
Partner

Mumbai, 31st October, 2007

S. B. GARWARE
Chairman &
Managing Director

B. N. SOMANI
Chief Financial Officer

For and on behalf of the Board of Directors

M. S. ADSUL
Director - Technical

B. MORADIAN
Director

S. CHAKRABORTY
Company Secretary &
General Manager (Legal)

Mumbai, 31st October, 2007


PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007

	Schedule	2006-2007 (Rs. in Lakhs)	2005-2006 (Rs.in Lakhs)
INCOME :			
Sales including Excise duty		56,693.16	52,710.42
Inter-Divisional Transfers (as per contra)		34,232.31	31,864.66
Gross Sales		90,925.47	84,575.08
Less: Excise duty		4,321.14	3,608.72
Net Sales		86,604.33	80,966.36
Other Income	8	335.64	436.66
Increase / (Decrease) in Finished and Semi-finished Goods	9	(31.58)	40.54
		86,908.39	81,443.56
EXPENDITURE :			
Raw Materials consumed	10	27,050.78	24,092.21
Inter-Divisional Transfers (as per contra)		34,232.31	31,864.66
Manufacturing & other expenses	11	17,368.83	16,871.13
Interest & Financial charges (Refer Note No.10 in schedule 12B)		4,630.06	4,496.36
		83,281.98	77,324.36
Profit before Depreciation and Tax		3,626.41	4,119.20
Depreciation		3,114.45	3,037.41
Profit before Tax		511.96	1,081.79
Less : Provision for Taxation :			
Deferred Tax		182.96	367.00
Current Tax		48.13	86.00
Fringe Benefit Tax		64.51	101.00
Wealth Tax		3.81	3.92
Profit after Tax		212.55	523.87
Add : Income Tax Refund of prior years		0.00	41.71
Net Profit		212.55	565.58
Add: Balance brought forward from previous year		5,633.46	5,067.88
Profit available for appropriation		5,846.01	5,633.46
Balance carried to Balance sheet		5,846.01	5,633.46
Earning per Share {(Basic/Diluted) (Rupees) (Face value of Rs.10/-each)} (Refer Note No.15 in Schedule 12B)		0.97	2.59

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

M. S. ADSUL
Director - Technical

B. MORADIAN
Director

INDULAL H. SHAH
Partner

B. N. SOMANI
Chief Financial Officer

S. CHAKRABORTY
Company Secretary &
General Manager (Legal)

Mumbai, 31st October, 2007

Mumbai, 31st October, 2007

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SCHEDULES FORMING PART OF THE BALANCE SHEET

	As at 31.03.2007 (Rs. in Lakhs)	As at 31.03.2006 (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>6.21</u>	<u>6.21</u>
	<u>2,177.93</u>	<u>2,177.93</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 Limited (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		
Share Premium :		
Balance as per last Balance Sheet	48.70	48.70
Debenture Redemption Reserve :		
Balance as per last Balance Sheet	1,356.05	1,356.05
Revaluation Reserve :		
On Revaluation of Land and Building at Vile Parle, Mumbai (Refer Note No.9 in Schedule 12B)	4,584.49	0.00
General Reserve :		
Balance as per Last Balance Sheet	3,672.05	3,672.05
Add: Waiver of Principal loan amount from a Bank (OTS) (Refer Note No.5 (iii) In schedule 12B)	<u>352.79</u>	<u>0.00</u>
	4,024.84	3,672.05
	4,024.84	3,672.05
Profit & Loss Account	5,846.01	5,633.46
TOTAL	<u>15,860.09</u>	<u>10,710.26</u>


SCHEDULES FORMING PART OF THE BALANCE SHEET (Contd.)

		As at 31.03.2007 (Rs. in Lakhs)		As at 31.03.2006 (Rs. in Lakhs)	
SCHEDULE-3					
A SECURED LOANS					
I.	Debtures / Bonds (Refer Note No.5 and 6 in Schedule 12B)				
(i)	12.5% Non Convertible / Privately Placed Debentures	A TO D	6,735.16	7,970.94	
	Less : Redeemed during the year		115.72	1,235.78	
			6,619.44		6,735.16
(ii)	0'Coupon Bonds / Debentures.	E	3,662.51	3,928.56	
	Less : Redeemed during the year		409.35	266.05	
			3,253.16		3,662.51
(iii)	Interest accrued and due		310.35	340.65	
			10,182.95		10,738.32
II.	From Banks				
	Cash / Packing Credit Accounts	F	6,877.40	5,335.07	
	Working Capital Demand Loan		11,632.53	12,923.25	
			18,509.93		18,258.32
III.	Term Loans				
(i)	Financial Institutions	G			
a)	Rupee Loan		1,391.75	1,466.75	
b)	Foreign Currency Loan		5,714.44	5,996.34	
			7,106.19		7,463.09
(ii)	Banks	H			
a)	Rupee Loan		4,053.83	4,437.29	
b)	Foreign Currency Loan		3,535.16	3,525.54	
c)	Interest Accrued & due		112.10	139.03	
			7,701.09		8,101.86
(iii)	Hire Purchase / Vehicle Finance	I	14.73	22.97	
			14,822.01		15,587.92
IV.	Deferred interest	J	8,032.38		8,260.71
	TOTAL		51,547.27		52,845.27

Notes:

- (A) 12.5% Non-Convertible Debentures of Rs. 100/- each aggregating to Rs. 589.27 Lakhs (Previous year Rs. 589.27 Lakhs) are secured by way of a second / subservient mortgage / charge of the present and future movable / immovable properties situated at Aurangabad and Nasik, subject to mortgage / charge already created / to be created in favour of Financial Institutions / Banks.
- (B) 12.5% Privately Placed Non-Convertible Debentures of Rs. 100/- each aggregating to Rs. 911.26 Lakhs (Previous year Rs. 992.25 Lakhs) are secured by first charge mortgage ranking pari passu with mortgage / charge created / to be created on company's immovable properties situated at Aurangabad and Nasik in favour of Financial Institutions / Banks.
- (C) 12.5% Privately Placed Non Convertible Debentures of Rs. 100/- each aggregating to Rs. 4,893.27 Lakhs (Previous year Rs. 4,893.27 Lakhs) are secured by first charge/mortgage ranking pari-passu with mortgage/charge created/to be created on company's movable / immovable properties situated at Aurangabad, Nasik and New Delhi in favour of Financial Institutions / Banks.
- (D) 12.5% Debentures of Rs. 100/- each aggregating to Rs. 225.64 Lakhs (Previous year Rs. 260.37 Lakhs) are to be secured by mortgage / charge ranking pari passu with mortgage / charge created / to be created on company's movable / immovable properties situated at Aurangabad, Nasik and New Delhi in favour of Financial Institutions / Banks.
- (E) The Zero Coupon Bonds / Debentures of Rs.100/- each aggregate Rs. 3,253.16 Lakhs (Previous year Rs. 3,662.51 Lakhs). Of this, Zero Coupon Bonds / Debentures of Rs.1,947.62 Lakhs (Previous year Rs. 1,967.27 Lakhs) are secured / to be secured on the same lines as referred in A to D above and Rs. 1,305.54 Lakhs (Previous year Rs.1,695.25 Lakhs) are secured / to be secured on the same lines as referred in G(1), G(2), H(1), H(2), H(3) below.
- (F) Cash / Packing Credit / Working Capital Demand Loan are secured by Hypothecation of stores, spares & packing materials and stock-in-trade and book debts of the Company and further secured by a second charge on the movable assets of the Company & immovable properties situated at Aurangabad, Nasik and at New Delhi.
- (G) The total Term Loans from Financial Institutions aggregating to Rs. 7,106.19 Lakhs (Previous year Rs. 7,463.09 Lakhs) are secured / to be secured as under:
- 1] An amount of Rs. 2,637.37 Lakhs (Previous year Rs. 2,713.33 Lakhs) is secured by:

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- (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 Industrial Development Bank of India Limited, ICICI Bank Limited, EXIM Bank for their Term Loans.
- (b) Hypothecation charge ranking pari passu with charges created / to be created in favour of Industrial Development Bank of India Limited, ICICI Bank Limited and EXIM Bank for their Term Loans of all the movable properties of the Company including movable Plant & Machinery, Spares, Tools & Accessories, present and future (save and except Book Debts) at Nasik and Aurangabad, subject to prior charge created and / or to be created in favour of the Company's bankers on:
- (i) Specified movables for securing borrowings for the Company's Working Capital Requirements and,
- (ii) Specified assets charged to the Company's bankers as security for Term Loans.
- 2] Advance against export is of Rs. 2,829.69 Lakhs (Previous year Rs. 3,002.26 Lakhs) is secured by a second charge by way of hypothecation of the company's movable fixed assets and mortgage of company's immovable properties situated at Aurangabad and Nasik subject to prior charges created and / or to be created in favour of Financial Institutions / Banks.
- 3] Exim Bank Working Capital loan of Rs. 1,639.13 Lakhs (Previous year Rs. 1,672.50 Lakhs) which is in foreign currency is secured by Hypothecation of stores, spares & packing materials & stock-in-trade and book debts of the Company and further secured by a second charge on the movable assets of the Company and immovable properties situated at Aurangabad, Nasik and at New Delhi.
- (H) The total Term Loans of Rs. 7,588.99 Lakhs (Previous year Rs. 7,962.83 Lakhs) from Banks are secured as under :
- (1) Term Loans of Rs. Nil (Previous year Rs. 853.09 Lakhs) is secured by :
- (a) A mortgage ranking pari passu with mortgage created / to be created on Company's immovable properties situated at Aurangabad, Nasik and New Delhi in favour of Industrial Development Bank of India Limited, ICICI Bank Limited, Vijaya Bank and EXIM Bank for their Term Loans.
- (b) Hypothecation charge ranking pari passu with charge created / to be created in favour of Industrial Development Bank of India Limited, ICICI Bank Limited, Vijaya Bank and EXIM Bank for their Term Loans of all the movable properties of the Company including movable Plant & Machinery, Spares, Tools and Accessories, present and future (save and except Book Debts) at Nasik and Aurangabad, subject to prior charges created and / or to be created in favour of the Company's bankers on:
- (i) Specified movables for securing borrowings for the Company's Working Capital Requirements; and
- (ii) Specified assets charged to the Company's bankers as security for Term Loans.
- (2) Term Loans of Rs. 1,355.88 Lakhs out of Rs. 1,384.19 Lakhs (Previous year Rs. 1,886.58 Lakhs out of Rs. 1,925.18 Lakhs) is a Foreign currency loan. The said loan is secured by a mortgage on Company's immovable property situated at Vile Parle, Mumbai.
- (3) Term Loans of Rs. 874.20 Lakhs out of Rs. 4,899.72 Lakhs (Previous year Rs. Nil out of Rs. 3,545.60 Lakhs) is a Foreign currency loan. The said loan is secured by charge on the project assets and also by way of collateral of the Company's immovable property situated at Vile Parle, Mumbai.
- (4) Term Loan of Rs. 1,305.08 Lakhs (Previous Year Rs. 1,638.96 Lakhs) is a foreign currency loan. The same is secured by:
- (a) A mortgage ranking pari passu with mortgage created / to be created on Company's immovable properties situated at Aurangabad, Nasik and New Delhi in favour of Industrial Development Bank of India Limited, ICICI Bank Limited and EXIM Bank for their Term Loans.
- (b) Hypothecation / charge ranking pari passu with charges created / to be created in favour of Industrial Development Bank of India Limited, ICICI Bank Limited and EXIM Bank for their Term Loans of all the movable properties of the Company including movable Plant & Machinery, Spares, Tools and Accessories, present and future (save and except Book Debts) at Nasik and Aurangabad, subject to prior charge created and / or to be created in favour of the Company's bankers on:
- (i) Specified movables for securing borrowings for the Company's Working Capital Requirements and,
- (ii) Specified assets charged to the Company's bankers as security for Term Loans.
- (I) Hire Purchase Finance is secured by hypothecation of specific assets.
- (J) Funded interest outstanding as on 31st March, 2007 has been deferred on interest free basis and is secured by charge / mortgage on the same lines as referred to the loans / debentures above.

	As at 31.03.2007 (Rs. in Lakhs)	As at 31.03.2006 (Rs. in Lakhs)
B UNSECURED LOANS		
(i) Interest-free Sales Tax Loans, Interest-free Capital Incentive Loans and Sales Tax Deferral from SICOM for Aurangabad and Nasik Units	333.76	468.75
(ii) Short Term Loan from others	650.00	550.00
TOTAL	983.76	1,018.75


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

Sr. No.	Description of Assets	GROSS BLOCK					DEPRECIATION	NET BLOCK	
		Cost/Revaluation As at 01.04.2006	Additions during the year	Additions due to Revaluation	Sales/Transfer during the year	Cost/Revaluation As at 31.03.2007	Up to 31.03.2007	As at 31.03.2007	As at 31.03.2006
1.	Land (Freehold)	6,992.13	0.00	# 4,584.49	0.00	11,576.62	0.00	11,576.62	6,992.13
2.	Land (Leasehold)	1,863.81	4.84	0.00	0.00	1,868.65	0.00	1,868.65	1,863.81
3.	Buildings	7,606.62	138.79	0.00	0.00	7,745.41	4,118.14	3,627.27	3,860.73
4.	Plant & Machinery	48,950.10	6,206.73	0.00	11.24	55,145.59	28,541.63	26,603.96	22,841.33
5.	Electrical Installations	2,833.11	161.54	0.00	0.00	2,994.65	2,240.73	753.92	694.24
6.	Moulds	287.54	0.00	0.00	0.00	287.54	287.54	0.00	0.00
7.	Laboratory Equipments	320.44	10.36	0.00	0.00	330.80	155.02	175.78	192.94
8.	Furniture & Fixtures	484.48	14.73	0.00	0.00	499.21	401.29	97.92	104.73
9.	Office Equipments	453.38	28.78	0.00	0.00	482.16	328.71	153.45	147.73
10.	Vehicles	354.15	0.77	0.00	28.59	326.33	270.79	55.54	80.88
11.	Capital Expenditure On Research & Development	209.58	6.83	0.00	0.00	216.41	199.02	17.39	17.96
12.	Data Processing Equipments	1,113.97	55.16	0.00	12.60	1,156.53	994.01	162.52	198.77
13.	Expenditure On Tech. know-how/Product Development	1,416.02	14.74	0.00	0.00	1,430.76	1,387.16	43.60	40.66
14.	Copyrights	157.46	0.00	0.00	0.00	157.46	157.46	0.00	0.00
	Total	73,042.79	6,643.27	4,584.49	52.43	84,218.12	39,081.50	45,136.62	37,035.91
	Previous Year	71,717.69	1,395.63	0.00	70.53	73,042.79	36,006.88	37,035.91	38,703.68
	Capital Work-in-Progress							464.75	1,616.74

NOTES :

- Building include Rs. 0.07 Lakh being value of 136 shares in Co-op. Housing Societies.
 - Depreciation has been provided as follows:
 - on Capital Expenditure on R & D and on Assets other than Plant & Machinery on Written Down Value Method as per rates prescribed under Schedule XIV of the Companies Act, 1956.
 - on Plant & Machinery acquired before 02.04.1987, on Straight Line Method as per rates prevalent at the time of acquisition of Assets on single shift basis.
 - on Plant & Machinery acquired after 02.04.1987, on Straight Line Method as per rates prescribed under Schedule XIV of the Companies Act, 1956.
 - No Write-off has been made in respect of lease relating to Leasehold Land.
 - Depreciation includes Technical Know-how fees / Product Development Expenses amortised.
 - The Gross block includes Rs. 6,765.35 Lakhs on account of Evaluation of certain Assets as at 31st March, 2002.
- # Refer Note No.9 in schedule 12 B.

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SCHEDULES FORMING PART OF THE BALANCE SHEET (Contd.)

	As at 31.03.2007 (Rs. in Lakhs)	As at 31.03.2006 (Rs. in Lakhs)
SCHEDULE-5		
INVESTMENTS (AT COST)		
LONG TERM INVESTMENTS		
A. In Government Securities (Unquoted) :		
1. 10 Years-8.5% Rural Debentures of Maharashtra State Electricity Board of the face value of Rs. 0.17 Lakh	—	—
2. 7 Years National Savings Certificates of the face value of Rs. 0.03 Lakh (Lodged with the Excise Authorities as Security Deposit)	—	—
	—	—
B. 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. 2,80,000 Equity Shares of Garware Marine Industries Ltd, of the face value of Rs.10/- each, fully paid-up	—	—
3. 4,00,000 Equity Shares of Garware Wall Ropes Limited, of the face value of Rs.10/- each, fully paid-up.	56.80	56.80
	56.81	56.81
II. Unquoted		
1. 2,500 Equity Shares of The New India Co-operative Bank Ltd. Mumbai, of the face value of Rs. 10/- each, fully paid-up.	0.25	0.25
2. 2,500 Equity Shares of The North Kanara Goud Saraswat Brahmin Co-operative Bank Ltd., Mumbai, of the face value of Rs. 10/- each, fully paid up.	0.25	0.25
3. 500 shares of The Co-operative Stores Ltd. (New Delhi) of the face value of Rs. 10/- each, fully paid up.	0.05	0.05
4. 10,000 Equity Shares of S I C O M Ltd., of the face value of Rs. 10/- each fully paid-up	8.00	8.00
5. 20,000 Equity Shares (Previous Year 4000 Equity Shares) of Deogiri Nagari Sahakari Bank Ltd. of the face value of Rs. 25/- each fully paid up.	5.00	1.00
6. 4,000 Equity Shares of Vaidyanath Urban Co-op. Bank Ltd of the face value of Rs. 25/- each fully paid-up.	1.00	1.00
7. 1,000 Equity Shares of Poornawadi co-op Bank Ltd of the face value of Rs. 100/- each fully paid-up.	1.00	1.00
8. 2,97,76,820 Equity Shares (Previous Year 1,77,76,820 Equity Shares) of Garware Chemicals Ltd of the face value of Rs. 10/- each fully paid-up including four equity shares held by nominees.	2,277.19	1,077.19
9. 1,29,69,000 - 0.01 % Optional Convertible Cumulative redeemable Preference Shares (Previous year 2,49,69,000 OCCRP Shares) of Garware Chemicals Ltd. of the face value of Rs. 10/-each, fully paid up.	1,296.90	2,496.90
	3,589.64	3,585.64
III. In Subsidiary Company (Unquoted)		
2,50,000 ordinary Shares of Garware Polyester International Limited, London, of the face value of Pound 1/- each, fully paid-up.	133.57	133.57
TOTAL	3,780.02	3,776.02
	Cost	Cost
	Market value	Market value
NOTE : Aggregate amount of company's investments.	Quoted 56.81 386.96	56.81 191.40
	Unquoted 3,723.21	3,719.21
TOTAL	3,780.02	3,776.02


SCHEDULES FORMING PART OF THE BALANCE SHEET (Contd.)

	As at 31.03.2007 (Rs. in Lakhs)	As at 31.03.2006 (Rs. in Lakhs)
SCHEDULE-6		
CURRENT ASSETS, LOANS & ADVANCES		
A) CURRENT ASSETS :		
I. Inventories :		
(As taken, valued & certified by the Management)		
(a) Stores, Spare parts & Packing materials (At Cost)	2,203.14	2,646.80
(b) Stock-in-trade		
(i) Raw Materials (At cost)	990.15	1,265.95
(ii) Finished goods (At cost or market value whichever is lower)	994.74	821.04
(iii) Semi-finished goods (At cost)	3,057.39	3,262.67
	7,245.42	7,996.46
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	6.37	20.75
(ii) Considered Doubtful	504.43	503.05
	510.80	523.80
Less : Provision for Doubtful Debts	504.43	503.05
	6.37	20.75
(b) Other Debts (Including Rs. 538.84 Lakhs due from subsidiary companies previous year Rs. 537.13 Lakhs) and Rs. 4,237.93 Lakhs from Associate Company (Garware Chemicals Ltd.) Previous year Rs. 2,301.95 Lakhs)	8,848.82	6,608.68
	8,855.19	6,629.43
III. Cash and Bank Balances :		
(a) Cash on hand	23.63	22.29
(b) Bank balances :		
With Scheduled Banks:		
In Current Accounts	166.51	255.49
In Margin Accounts	144.14	21.19
In Deposit Accounts	0.00	157.00
	334.28	455.97
IV. Other Current Assets:		
(a) Export benefits / Incentives receivable (At realisable value or face value of licences, whichever is lower)	1,080.04	1,332.61
(b) Other receivables	2,598.76	3,153.43
	3,678.80	4,486.04
B) LOANS & ADVANCES:		
(Unsecured, considered good, unless otherwise stated)		
(i) Advances recoverable in cash or in kind or for value to be received (Including Rs.150.00 Lakhs due from Associate Company previous year Rs.145.83 Lakhs)	912.84	1,109.71
(ii) Short Term Deposit with Banks (Earmarked for specific projects)	2,022.33	3,863.86
(iii) Sacrifice / Premium on restructured Term loans	224.00	224.00
(iv) Advance against Capital Expenditure	24.74	818.32
(v) Deposits with Customs & Excise authorities	261.00	753.38
(vi) Deposits with others	305.22	401.11
(vii) Advance Payment of Income Tax / Fringe Benefit Tax and Tax Deducted at Source	1,020.49	814.54
	4,770.62	7,984.92
TOTAL	24,884.31	27,552.82

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SCHEDULES FORMING PART OF THE BALANCE SHEET (Contd.)

	As at 31.03.2007 (Rs. in Lakhs)	As at 31.03.2006 (Rs. in Lakhs)
SCHEDULE-7		
CURRENT LIABILITIES AND PROVISIONS		
A) Current Liabilities :		
(i) Sundry Creditors (Refer Note No. 18 in Schedule 12 B) Including Rs. 52.98 lakhs, (Previous year Rs. Nil) due to Associate Company	2,135.68	1,963.62
(ii) Other Liabilities (Including Rs. 73.48 Lakhs due to Subsidiary Companies, Previous year Rs. 73.48 Lakhs)	678.21	612.56
(iii) Deposits and advances from customers & others	142.11	203.82
(iv) Unclaimed Dividend	9.84	10.43
(v) Unclaimed Debenture and Interest	2.14	5.23
(vi) Unclaimed Matured Deposits	0.00	0.55
	<u>2,967.98</u>	<u>2,796.21</u>
B) Provisions :		
(i) Provision for Taxation	743.27	695.14
(ii) Provision for Fringe Benefit Tax	165.51	101.00
	<u>908.78</u>	<u>796.14</u>
TOTAL	<u><u>3,876.76</u></u>	<u><u>3,592.35</u></u>

SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT

	2006-2007 (Rs. in Lakhs)	2005-2006 (Rs. in Lakhs)
SCHEDULE-8		
OTHER INCOME		
Insurance claims	20.14	11.01
Income from Investments (Gross)	10.32	10.93
Interest on short term deposits with banks and others (Gross) (TDS Rs. 4.54 Lakhs, Previous year Rs. 1.79 Lakhs)	21.22	67.96
Miscellaneous income	72.49	73.64
Profit on sale of fixed assets (Net)	2.14	3.90
Profit on sale of Investments	0.00	49.40
Excess Provision / Sundry Credit Balances written back	44.79	99.08
Rent (TDS Rs. 0.40 Lakh Previous year Rs. 0.40 Lakh)	4.20	4.20
Sales Tax / Income Tax / Excise refund	0.23	116.54
Gain on Exchange Rate Fluctuations	160.11	0.00
TOTAL	<u><u>335.64</u></u>	<u><u>436.66</u></u>

SCHEDULE-9

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

Opening Stock :		
Finished goods	821.04	617.04
Semi finished goods	3,262.67	3,426.13
	<u>4,083.71</u>	<u>4,043.17</u>
Closing Stock:		
Finished goods	994.74	821.04
Semi finished goods	3,057.39	3,262.67
	<u>4,052.13</u>	<u>4,083.71</u>
Increase / (Decrease)	<u><u>(31.58)</u></u>	<u><u>40.54</u></u>

SCHEDULE-10

RAW MATERIALS CONSUMED

Opening Stock	1,265.95	1,939.29
Add: Purchases and Expenses	26,774.98	23,418.87
	<u>28,040.93</u>	<u>25,358.16</u>
Less: Closing Stock	990.15	1,265.95
TOTAL	<u><u>27,050.78</u></u>	<u><u>24,092.21</u></u>


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

	2006-2007 (Rs. in Lakhs)	2005-2006 (Rs. in Lakhs)
SCHEDULE-11		
MANUFACTURING AND OTHER EXPENSES		
A. Manufacturing Expenses:		
Stores, Spares and Packing Materials consumed (Net)	2,557.48	2,685.39
Power and Fuel (Net)	5,002.10	4,006.67
Processing Charges	1,265.14	928.65
Water Charges	77.63	84.29
	8,902.35	7,705.00
B. Employees' Remuneration & Benefits:		
Salaries, Wages and Bonus	2,001.53	1,847.31
Contribution to Provident and Other Funds	398.84	303.24
Staff Welfare Expenses	235.54	239.27
	2,635.91	2,389.82
Less: Surrender Value of Keyman Insurance	106.25	0.00
	2,529.66	2,389.82
C. Administrative, Selling and General Expenses:		
Rent, Hire charges and Compensation (Net)	30.58	27.97
Rates, Taxes and Licence Fees	29.28	25.34
Insurance (Net)	383.06	515.80
Freight and Forwarding (Net)	1,626.22	1,702.60
Research and Development Expenses	251.18	429.80
Repairs and Maintenance of:		
(i) Plant and Machinery	511.15	523.00
(ii) Buildings	256.55	230.96
(iii) Other Assets	446.43	424.68
	1,214.13	1,178.64
Advertisement Expenses	58.36	35.82
Sales Tax / VAT	117.45	128.12
Travelling & Conveyance	412.32	482.15
Postage, Telegrams & Telephones	110.34	112.34
Lease Rentals	55.49	57.12
Commission on Sales	131.21	210.63
Donations	45.77	27.21
Legal and Professional charges (Refer Note No. 8 in Schedule 12 B)	472.84	601.12
Auditors' Remuneration :		
(i) Audit Fees	7.00	7.00
(ii) Tax Audit Fees	3.60	3.00
(iii) For Certification / Others	4.10	2.03
(iv) Reimbursement of out of pocket Expenses	0.24	0.30
	14.94	12.33
Miscellaneous Expenses	873.05	808.38
Provision for Doubtful Debts	1.38	0.00
Loss on Swap / Exchange Rate Fluctuations	0.00	199.60
	5,827.60	6,554.97

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

		2006-2007 (Rs. in Lakhs)	2005-2006 (Rs. in Lakhs)
SCHEDULE-11 (contd.)			
D. Managerial Remuneration:			
(a) To Managing Director & Joint Managing Directors:			
(i) Salary	328.00		128.00
(ii) Contribution to Provident Fund, Superannuation & Gratuity Scheme	101.68		36.86
(iii) Other Perquisites	104.56		32.27
		534.24	197.13
(b) To Whole Time Director :			
(i) Salary	15.00		14.40
(ii) Contribution to Provident Fund, Superannuation & Gratuity Scheme	5.15		4.16
(iii) Other Perquisites	4.73		4.17
		24.88	22.73
		559.12	219.86
Less: Surrender Value of Keyman Insurance		451.38	0.00
		107.74	219.86
(c) Directors' Sitting Fees		1.48	1.48
		109.22	221.34
TOTAL		17,368.83	16,871.13



SCHEDULE-12:

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES AND NOTES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

A. SIGNIFICANT ACCOUNTING POLICIES

1. Basis of presentation of Financial Statements

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

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

2. Fixed Assets and Depreciation / Amortisation

Fixed Assets are stated at cost net of MODVAT / CENVAT and includes amounts added on revaluation, less accumulated depreciation. Cost comprises of the purchase price and any directly attributable cost of bringing the assets to working condition for its intended use including interest and other incidental and trial run expenses up to the date of commercial production. When fixed assets were revalued, surplus on revaluation was credited to Capital / Revaluation 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.
- 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).

5. Foreign Currency Transactions

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

6. Inter-divisional Transfers

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

7. Duties

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

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SCHEDULE-12 (Contd.)

8. Retirement Benefits

Liability towards Superannuation and Gratuity are covered by appropriate schemes with Life Insurance Corporation of India. The Company provides for Leave Encashment not being in the nature of post employment benefit, based on actuals.

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. Revenue Recognition

(i) Sales:

Sales are accounted for inclusive of excise duty and VAT / sales tax (wherever not charged separately), and are net of discounts and returns.

(ii) Export Benefits:

Export entitlements under the Duty Entitlement Pass Book (DEPB) scheme are recognised as income when the right to receive credit as per the terms of the scheme is established in respect of the exports made and where there is no significant uncertainty regarding the ultimate collection of the relevant export proceeds.

13. Taxation

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

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

(iii) Provision for fringe benefit tax (FBT) is computed as per the provisions of Income Tax Act, 1961.

14. Deferred Revenue Expenditure:

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

15. Borrowing Cost:

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

16. Impairment of assets

The company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash-generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the profit and loss account. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.

B. NOTES:-

1. Estimated amount of contracts remaining to be executed on capital account and not provided for Rs. 473.35 Lakhs (Previous year Rs. 4,163.73 Lakhs) against which an advance of Rs. 24.74 Lakhs (Previous year Rs. 818.32 Lakhs) has been paid.
2. The Company has given counter-guarantees for Rs. 952.97 Lakhs (Previous year Rs. 442.29 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. 9,564.97 Lakhs (Previous year Rs. 10,668.29 Lakhs).
4. Bills of Exchange discounted under Bill Marketing Scheme amount to Rs. 5,294.41 Lakhs (Previous year Rs. 4,868.73 Lakhs).
5. Secured Loans:
 - (i) 12.5% Secured Redeemable Non Convertible Debentures aggregating Rs. 10,856.38 Lakhs are redeemable at par in 28 quarterly installments commencing from 1st April 2003 out of which Rs. 115.72 Lakhs was redeemed during the current year (Previous year Rs. 1,235.79 Lakhs).



SCHEDULE-12 (Contd.)

- (ii) Zero Coupon Bonds aggregating to Rs. 3,253.16 Lakhs are payable as under:
Amount of Rs. 890.54 Lakhs is payable to Exim Bank in quarterly instalments till 1st January, 2010 and balance of Rs. 2,362.62 Lakhs is payable with premium of Rs. 2,030.37 Lakhs till 1st January, 2012.
- (iii) Company has done One Time Settlement (OTS) with one of the Banks by paying Rs. 700 Lakhs against dues of Rs. 1,281.12 Lakhs towards Term Loan, Zero Coupon Bonds and Deferred Interest.
- (iv) Amount of Term Loans / Debentures/ Zero Coupon Bond, repayable within one year is Rs. 8,120.08 Lakhs (Previous year Rs. 5,982.41 Lakhs).
- (v) The sacrifice amount in respect of Industrial Development Bank of India Limited has been negotiated and Industrial Development Bank of India Limited has agreed in principle to settle the same vide its letter dated 27th August, 2005. As the Modifications / Amendments in the terms and conditions of sanction relating to sacrifice / premium is still in progress, the sacrifice / premium of Rs. 224 Lakhs paid to Industrial Development Bank of India Limited is treated as advance and shown under Loans & Advance in Schedule 6.

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

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

7. Contingent liability not provided for :

	2006-07 (Rs. in Lakhs)	2005-06 (Rs. in Lakhs)
a] Disputed matters in appeal / contested in respect of:		
Income Tax	13.61	40.83
Excise Duty	39.02	7.21
Sales Tax	17.13	17.13
b] Claims against the company not acknowledged as debts	0.00	8.51

8. Legal and Professional Charges include Rs. 5.09 Lakhs (Previous year Rs. 3.55 Lakhs) paid to some of the Partners of the Auditors for other services.
9. Land and building at Vile Parle, Mumbai was revalued as per valuation carried out by M/s BEST Mulyankan Consultants Ltd., Certified Valuer vide their Valuation Report dt. 30th November, 2006 which has resulted in land and building being revalued at Rs. 10,500.00 Lakhs. The consequent appreciation in net value amounting to Rs. 4,584.49 Lakhs has been transferred to Revaluation Reserve Account.
10. Break up of Interest and Financial charges are:

	2006-07 (Rs. in Lakhs)	2005-06 (Rs. in Lakhs)
On Secured Loans*	648.10	742.42
On Debentures	834.95	929.57
Other Interest (Net) #	2,504.54	2,268.84
Financial Charges	642.47	555.53
Total	4,630.06	4,496.36

* After adjusting waiver of interest on one time settlement (OTS) from a Bank amounting to Rs. 228.33 Lakhs. (Refer Note No.5 (iii) above)

After adjusting capitalisation of interest for project amounting to Rs. 95.89 Lakhs.

11. Export Benefits / Incentives are accounted on accrual basis. Accordingly, net estimated benefit aggregating to Rs. 896.42 Lakhs (Previous year Rs. 1,704.33 Lakhs) against export effected during the year has been credited to Export Benefits earned account, which has been included in sales.

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SCHEDULE-12 (Contd.)

12. Computation of net profit as per section 349 read with section 309 (5) and 198 of the Companies Act, 1956 is as under.

	2006 - 07 (Rs. in Lakhs)	2005 - 06 (Rs. in Lakhs)
Profit before prior period adjustments	511.96	1,081.79
Add:		
(i) Remuneration to Directors@1	559.12	219.86
(ii) Directors sitting fees	1.48	1.48
(iii) Provision for doubtful debts.	1.38	0.00
Total	1,073.94	1,303.13
Less:		
(i) Profit on sale of Fixed Assets	2.14	3.90
(ii) Profit on sale of Investments	0.00	49.40
(iii) Provision for doubtful debts & sundry credit balances written back	44.79	99.08
Net Profit as per Sec. 349 of the Companies Act, 1956	1,027.01	1,150.75
@2 Remuneration including commission @ 10% on Rs. 1,027.01 Lakhs (Previous year Rs. 1,150.75 Lakhs)	102.70	115.08

@1 The remuneration of Rs. 534.24 Lakhs (Including arrears of Rs. 167.10 Lakhs) paid to the Managing Director and Joint Managing Director is as per sanction letter dated 10th August 2006 received on 23rd August 2006 from Central Government.

@2 In view of above, no provision for commission was made.

13. Segment Reporting:

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

	2006 - 07 (Rs. in Lakhs)			2005 - 06 (Rs. in Lakhs)		
	Within India	Outside India	Total	Within India	Outside India	Total
Sales	30,349.35	26,343.81	56,693.16	25,536.19	27,174.23	52,710.42
Amount of Segment Assets by location of assets. (Net Value)	26,603.96	—	26,603.96	22,841.33	—	22,841.33

14. Related Party Disclosures:

- (a) List of Related Parties.

Subsidiary	:	Garware Polyester International Limited
Fellow Subsidiary	:	Global Pet Films, Inc.
Associate Company	:	Garware Industries Limited & Garware Chemicals Limited
Key Management Personnel	:	1) Shri. S. B. Garware 2) Mrs. Monika Garware Modi 3) Ms. Sarita Garware 4) Ms. Sonia Garware


SCHEDULE-12 (Contd.)

(b) Transaction with Related Parties	2006-07 (Rs. in Lakhs)	2005-06 (Rs. in Lakhs)
(i) Sale of Goods :		
a] Subsidiary	1,029.75	932.36
b] Fellow Subsidiary	6,082.37	5,185.97
c] Associate Company	1,481.28	2,501.65
(ii) Purchase of Materials and Capital items:		
Associate Company	9,953.64	15,841.23
(iii) Services Received / Processing Charges :		
a] Subsidiary	0.00	0.00
b] Fellow Subsidiary	0.00	16.34
c] Associate Company	1,196.89	721.17
(iv) Services Rendered:		
Associate Company	1,331.27	1,296.39
(v) Balances [Dr. / (Cr.)]		
a] Subsidiary	107.96	37.06
b] Fellow Subsidiary	357.41	426.59
c] Associate Company	4,334.95	2,447.78
(vi) Key Management Personnel & Relatives Managerial Remuneration (Refer Schedule 11)		

15. Earning Per Share :

	2006-07 (Rs. in Lakhs)	2005-06 (Rs. in Lakhs)
Profit for the year	511.96	1,081.79
Add: Income Tax Refund of Prior years	0.00	41.71
Less: Deferred Tax	182.96	367.00
Less: Current Income Tax	48.13	86.00
Less: Fringe Benefit Tax	64.51	101.00
Less: Wealth Tax	3.81	3.92
Profit attributable to equity shareholders	212.55	565.58
No. of Equity Shares of Rs.10 each fully paid	2,18,41,364	2,18,41,364
Earning per share (Rupees)	0.97	2.59

16. Deferred Tax :

- (a) Deferred Tax Liability of Rs.182.96 Lakhs is provided in the current year, (Previous Year Rs. 367.00 Lakhs) as per requirement of Accounting Standard 22 "Accounting for Taxes on Income".
- (b) Major components of deferred tax arising as at 31st March 2007 are given here below.

Deferred Tax Assets	2006-07 (Rs. in Lakhs)	2005-06 (Rs. in Lakhs)
Disallowance U/s 43B of the Income Tax Act, 1961	2,926.74	2,942.02
Unabsorbed Business Losses, Depreciation & Capital Losses	3,322.92	3,904.80
Others	222.16	243.76
Deferred Tax Asset (i)	6,471.82	7,090.58
Less: Deferred Tax Liability: Excess of Net Block over WDV as per the provisions of the Income Tax Act, 1961 (ii)	6,291.71	6,727.51
Deferred Tax Asset (Net) (i)-(ii)	180.11	363.07

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SCHEDULE-12 (Contd.)

17. 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.
18. (a) Sundry Creditors in Schedule 7 to the accounts include Rs. 339.33 Lakhs (Previous Year Rs. 76.00 Lakhs) payable to small scale industrial undertakings and Rs. 1796.35 Lakhs (Previous Year Rs. 1,887.62 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 2007 are as under:

M/s. Abhishek Enterprises	M/s. Peekay Enterprises
M/s. Able Moulders	M/s. P.C. Wood Industries Pvt.Ltd.
M/s. Aditya Packaging	M/s. Perfect Engg. Services (Nasik)
M/s. Aditya Polymers	M/s. Pioneers Packagings
M/s. Aqura	M/s. Rahul Industrial Engineering
M/s. Aerocool Engineers	M/s. Rishi Enterprises
M/s. Ellora Gases Pvt. Ltd.	M/s. Smitshilp Plastics Industries Pvt. Ltd.
M/s. Ganesh Industries	M/s. Suresh Polymers Pvt. Ltd.
M/s. Holkar Industries	M/s. Shree Krishna Vijay Saw Mills
M/s. Infinity Engineering	M/s. Sangir Plastics (P) Ltd.
M/s. Maharashtra Saw Mills	M/s. Secure Polymers Pvt. Ltd.
M/s. Mansi Paper Products Pvt.Ltd.	M/s. Shree Samarth Traders
M/s. Multipower Marketing & Services	M/s. Umasons Steelfab Pvt. Ltd.
M/s. Novel Packaging Industries	M/s. Universal Enterprises (Aurangabad)
M/s. Patidar Wooden Works	

- (b) There is no obligation for payment of interest on overdue amounts, if any, as per the terms of supplies. Thus, the question of providing interest does not arise.
- (c) The company has not received any intimation from suppliers regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosures, if any, relating to amount unpaid as at the year end together with interest paid / payable as required under the said Act have not been given.
19. In accordance with Accounting Standard 28 (AS 28) issued by the Institute of Chartered Accountants of India on Impairment of Assets, the company has appointed professional consultancy firm as the valuers to assess impairment of each cash generating unit (CGU) by taking market value and its potential capacity to generate cash flows. According to the valuers report there is no impairment to any of the assets as such no provision for impairment of assets is required to be made in the accounts.
20. The significant leasing arrangements of the company are in respect of operating leases for premises and vehicles. These leasing arrangements ranges between 11 months and 5 years and are usually renewable by mutual consent on mutually agreeable terms. The agreeable lease rental payable are charged to Profit and Loss account and shown under administrative, selling and general expenses in appropriate heads.
21. The break up of Expenses capitalised and shown under Capital Work in Progress (Pending Allocation) as on 31.03.2007 is as under:

Particulars	2006-07 (Rs.in Lakhs)	2005-06 (Rs.in Lakhs)
Salary / Wages	0.00	50.08
Interest	0.00	88.95
Bank / Financial Charges	0.00	13.33
Insurance Premium	0.00	10.51
Travelling Expenses	0.00	4.43
Others	0.00	2.36
Total	0.00	169.66

**SCHEDULE-12 (Contd.)**

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

(A) Licensed & Installed Capacities :

Product	2006 – 07		2005 – 06	
	Licensed / Registered (T.P.A.)	Installed Capacity (T.P.A.)	Licensed/ Registered (T.P.A.)	Installed Capacity (T.P.A.)
(i) Polyester Film	80,000	41,000	80,000	41,000
(ii) Metallised Film	2,210	2,210	2,210	2,210
(iii) Polyester Chips	104,400	104,400	50,400	50,400

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:	2006 – 07		2005 – 06	
	Qty. (MT)	Value (Rs. in Lakhs)	Qty. (MT)	Value (Rs. in Lakhs)
(i) Polyester films (Plain / Lacquered / OHP / Laminated / Stabilised / Coloured & Metallised)	35,447*	55,326	34,655*	50,746
(ii) Others (including Chips)		1,367		1,964

* Includes internal transfers and free samples.

(C) Actual Production & Stocks

Class of Goods	Unit	2006– 07			2005 – 06		
		Op. Stock	Production	Cl. Stock	Op. Stock	Production	Cl. Stock
(i) Polyester films (Plain / Lacquered / OHP / Laminated / Stabilised / Coloured & Metallised)	MT (Rs. in Lakhs)	585.40 754.11	35,550.22	688.23 935.72	342.97 571.76	34,897.70	585.40 754.11
(ii) Chips (excluding conversion)		NA	Produced for captive use in the manufacture of films	NA	Produced for captive use in the manufacture of films		
(iii) Others	(Rs. in Lakhs)	66.93		59.02	45.28		66.93

(D) Consumption of Raw Materials:

	2006 – 07		2005 – 06	
	Qty. (MT)	Value (Rs. in Lakhs)	Qty. (MT)	Value (Rs. in Lakhs)
(i) DMT	18,372	8,536.69	34,928	13,083.69
(ii) PTA	13,761	6,147.78	00.00	00.00
(iii) MEG	12,176	5,547.95	12,229	5,500.32
(iv) Others		6,818.36		5,508.20
Total		*27,050.78		*24,092.21

** After adjusting sale of raw material amounting to Rs. 179.49 Lakhs (Previous year Rs. 454.72 Lakhs) and Octroi Duty Refund of Rs. 274.39 Lakhs (Previous year Rs. 325.24 Lakhs).

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SCHEDULE-12 (Contd.)

(E) Details of imports on CIF basis

	2006-07 (Rs. in Lakhs)	2005-06 (Rs. in Lakhs)
(i) Raw Materials	2,461.86	2,150.14
(ii) Packing Materials	103.54	98.57
(iii) Components & Spares	314.00	263.61
(iv) Capital Goods	1,011.23	423.40

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

	2006 – 07		2005 – 06	
	Value (Rs. in Lakhs)	% of Total	Value (Rs. in Lakhs)	% of Total
(i) Raw Materials:				
– Imported	2,859.12	11	2,478.76	10
– Indigenous	24,191.66	89	2,1613.45	90
Total	27,050.78	100	24,092.21	100
(ii) Stores & Spares:				
– Imported	185.01	24	278.95	30
– Indigenous	594.65	76	662.27	70
Total	779.66	100	941.22	100

(G) Remittances / Expenditure in Foreign Currency:

	2006-07 (Rs. in Lakhs)	2005-06 (Rs. in Lakhs)
(i) Commission	119.44	193.98
(ii) Advertisement/Marketing Expenses	189.77	158.98
(iii) Traveling Expenses	100.95	131.11
(iv) Books, Periodicals & Subscription	7.99	18.06
(v) Technical / Engg. Services/Professional Charges	100.88	187.01
(vi) Exhibition Expenses	11.08	9.32
(vii) Interest	245.52	174.44
(viii) Recruitment Expenses	0.31	9.44
(ix) Others	2.16	2.03

(H) Earnings in Foreign Exchange:

	2006-07 (Rs. in Lakhs)	2005-06 (Rs. in Lakhs)
Exports (FOB basis)	24,523.65	24,626.41

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


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

Registration No.	10889	State Code	11
Balance Sheet Date	31.03.2007		

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	7056905	Total Assets	7056905
Sources of Funds			
Paid-up Capital	217793	Reserves & Surplus	1586009
Secured Loans	5154727	Unsecured Loan	98376

Application of Funds

Net Fixed Assets	4560137	Investments	378002
Net Current Assets	2100755	Misc. Expenditure	0
Deferred Tax Assets	18011		

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

Turnover	9122953	Total Expenditure	9071757
Profit before tax	51196	Profit after tax	21255

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

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

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

Earning per share (Rs.)	0.97*	Dividend rate %	Nil
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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. 15 in Schedule 12B

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CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2007

	Year ended 31.03.2007 (Rs.in Lakhs)	Year ended 31.03.2006 (Rs.in Lakhs)
A. Cash flow from operating activities:		
Net Profit before tax and extraordinary items	511.96	1,081.79
<i>Add</i> : Depreciation	3,114.45	3,037.41
Interest expenses - Gross	4,630.06	4,496.36
Loss on Exchange Rate Fluctuations	0.00	199.60
Extra-ordinary Items @	352.79	0.00
Income Tax Prior period Refund (Net)	0.00	41.71
Sub Total	<u>8,097.30</u>	<u>7,775.08</u>
Total	<u>8,609.26</u>	<u>8,856.87</u>
<i>Less</i> : Interest income	21.22	67.96
Gain on Exchange Rate Fluctuations	160.11	0.00
Profit on sale of Investment	0.00	49.40
Profit on sale of fixed assets	2.14	3.90
Dividend received / Income from Investment	10.32	10.93
Sundry balances Written Back (Net)	44.79	99.08
Rent	4.20	4.20
Sub total	<u>242.78</u>	<u>235.47</u>
Operating profit before working capital changes	8,366.48	8,621.40
Adjustments For :		
(Increase) / Decrease in trade / other receivable (Net)	2,001.73	(7,342.60)
(Increase) / Decrease in inventories	751.04	765.75
Increase / (Decrease) in trade / other payables	220.79	311.18
Cash generated from operations	11,340.04	2,355.73
Direct taxes refund / (paid) (Net)	<u>(209.76)</u>	<u>(216.90)</u>
Net cash inflow / (outflow) from operations	<u>11,130.28</u>	<u>2,138.83</u>
B. Cash flow from investing activities :		
Purchase of fixed assets	(5,491.28)	(2,607.98)
Purchases of Investments	(4.00)	0.00
Sale of fixed assets	14.74	29.89
Interest received	21.22	67.96
Gain on Exchange Rate Fluctuations	160.11	0.00
Loss on Exchange Rate Fluctuations	0.00	(199.60)
Sale of Investments	0.00	75.95
Dividend received / Income from Investment	10.32	10.93
Rent	4.20	4.20
Net cash inflow / (outflow) from investing activities	<u>(5,284.69)</u>	<u>(2,618.65)</u>


CASH FLOW STATEMENT (Contd.)

	Year ended 31.03.2007 (Rs.in Lakhs)	Year ended 31.03.2006 (Rs.in Lakhs)
Interest / Financial Charges	(4,690.38)	(4,586.46)
Repayment of borrowings – Secured @	(1,492.38)	2,623.98
Proceeds / (repayments) of borrowings – Unsecured	(34.99)	207.07
Cash credit accounts	251.61	2,498.72
Dividend paid / Unclaimed Dividend Paid	(1.14)	(212.20)
Dividend Tax Paid	0.00	(30.63)
Net cash inflow / (outflow) from financing activities	(5,967.28)	500.48
Net increase / (decrease) in cash and cash equivalents	(121.69)	20.66
Cash and cash equivalents as at opening		
Cash and bank balances	455.97	435.31
Cash and cash equivalents as at closing		
Cash and bank balances	334.28	455.97
	(121.69)	20.66
@ Waiver of Principal Loan Amount Under OTS from a Bank (Refer Note No 5 (iii) in Schedule 12B)		

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

M. S. ADSUL
Director - Technical

B. MORADIAN
Director

INDULAL H. SHAH
Partner

B. N. SOMANI
Chief Financial Officer

S. CHAKRABORTY
Company Secretary &
General Manager (Legal)

Mumbai, 31st October, 2007

Mumbai, 31st October, 2007

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

A)	Name of the Subsidiary Companies	Garware Polyester International Limited	Global Pet Films Inc.
B)	Financial Year of the Subsidiary Companies ended on :	31st March, 2007	31st March, 2007
C)	Shares of the Subsidiary held by Garware Polyester Limited, on the above dates :		
	(a) Number and Face Value	2,50,000 Equity Shares of Pound 1 each	NIL
	(b) Extent of holding	100%	
D)	The net aggregate of Profit / (Loss) of the Subsidiary Companies so far as it concerns the members of Garware Polyester Limited		
	(a) Not dealt with in the accounts Garware Polyester Limited, for the year ended 31/03/2007.		
	(i) For the Subsidiaries' Financial period ended on the respective dates	(in £) 14756	N.A.
	(ii) For the previous Financial Years of the Subsidiaries since they became the Holding Company's Subsidiaries	(in £) 127162	N.A.
	(b) Dealt with in the accounts of Garware Polyester Limited, for the year ended 31/03/2007 amounted to:-		
	(i) For the Subsidiaries' Financial Year ended on the respective dates	N.A.	N.A.
	(ii) For the previous Financial Years of the Subsidiaries since they became the Holding Company's Subsidiaries	(in £) 25000	N.A.
E)	Changes in the interest of Garware Polyester Ltd. between the end of the Subsidiaries' Financial year and 31/03/2007	NIL	NIL
F)	Material changes between the end of the Subsidiary's Financial year and 31/03/2007	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

M. S. ADSUL
Director - Technical

B. MORADIAN
Director

B. N. SOMANI
Chief Financial Officer

S. CHAKRABORTY
Company Secretary &
General Manager (Legal)

Mumbai, 31st October, 2007



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

We have examined the attached consolidated Balance Sheet of Garware Polyester Limited and its subsidiaries as mentioned in Note B(1) of Schedule 12 of the Consolidated Financial Accounts as at 31st March, 2007 and also the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto.

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

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

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

On the basis of the information and explanations given to us, and on the consideration of the separate audit reports on individual audited financial statements of Garware Polyester Limited and its subsidiaries the said accounts read together with the notes in Schedule 12, we are of the opinion that the attached Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India.

- (a) In the case of the Consolidated Balance Sheet of the Consolidated State of affairs of Garware Polyester Limited and its subsidiaries as at 31st March, 2007;
- (b) In the case of the Consolidated Profit and Loss Account of the consolidated results of operations of Garware Polyester Limited and its subsidiaries for the year ended on that date; and
- (c) In the case of the Consolidated Cash Flows Statement of the Consolidated Cash Flows for the year ended on that date.

For SHAH & CO.
Chartered Accountants

Mumbai, 31st October, 2007

INDULAL H. SHAH
Partner
Membership No. 798

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CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2007

	Schedule	As at 31.03.2007 (Rs. in Lakhs)	As at 31.03.2006 (Rs. in Lakhs)
FUNDS EMPLOYED :			
SHAREHOLDERS' FUNDS			
Share Capital	1	2,177.93	2,177.93
Reserves & Surplus	2	15,482.11	10,226.39
		17,660.04	12,404.32
LOAN FUNDS			
Secured Loans	3A	51,550.52	52,858.32
Unsecured Loans	3B	983.76	1,018.75
		52,534.28	53,877.07
TOTAL		70,194.32	66,281.39
APPLICATION OF FUNDS :			
FIXED ASSETS			
Gross Block	4	84,245.06	73,069.74
Less: Depreciation		39,096.69	36,018.15
Net Block		45,148.37	37,051.59
Capital Work in Progress		464.75	1,616.74
		45,613.12	38,668.33
INVESTMENTS			
	5	3,646.45	3,642.45
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	6	8,265.31	9,396.97
Sundry Debtors		8,995.01	6,040.60
Cash and Bank Balances		1,031.55	1,084.07
Other Current Assets		3,809.58	4,491.68
Loans and Advances		4,777.65	7,993.08
		26,879.10	29,006.40
Less: CURRENT LIABILITIES AND PROVISIONS			
Current Liabilities	7	5,213.68	4,602.72
Provisions		910.78	796.14
		6,124.46	5,398.86
Net Current Assets		20,754.64	23,607.54
Deferred Tax Asset		180.11	363.07
TOTAL		70,194.32	66,281.39

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

M. S. ADSUL
Director - Technical

B. MORADIAN
Director

INDULAL H. SHAH
Partner

B. N. SOMANI
Chief Financial Officer

S. CHAKRABORTY
Company Secretary &
General Manager (Legal)

Mumbai, 31st October, 2007

Mumbai, 31st October, 2007


CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007

	Schedule	2006-2007 (Rs. in Lakhs)	2005-2006 (Rs. in Lakhs)
INCOME :			
Sales including Excise duty		58,245.12	52,844.41
Inter-Divisional Transfers (as per contra)		34,232.31	31,864.66
Gross Sales		92,477.43	84,709.07
Less: Excise duty		4,321.14	3,608.72
Net Sales		88,156.29	81,100.35
Other Income	8	354.24	442.32
Increase / (Decrease) in Finished and Semi-finished Goods	9	(412.20)	644.34
		88,098.33	82,187.01
EXPENDITURE :			
Raw Materials consumed	10	27,258.22	24,493.48
Inter-Divisional Transfers (as per contra)		34,232.31	31,864.66
Manufacturing & other expenses	11	18,188.22	17,650.23
Interest & Financial charges (Refer Note No 12 in Schedule 12B)		4,726.87	4,548.88
		84,405.62	78,557.25
Profit before Depreciation and Tax		3,692.71	3,629.76
Depreciation		3,117.50	3,042.38
Profit before Tax		575.21	587.38
Less : Provision for Taxation			
Deferred Tax		182.96	367.00
Current Tax		48.13	86.00
Fringe Benefit Tax		64.51	101.00
Wealth Tax		3.81	3.92
Profit after Tax		275.80	29.46
Add : Income Tax Refund of prior years		0.00	41.71
Net Profit		275.80	71.17
Add : Balance brought forward from previous year		5,006.37	4,935.20
Profit available for appropriations		5,282.17	5,006.37
Balance carried to Balance sheet		5,282.17	5,006.37
Earning per Share {(Basic / Diluted) (Rupees) (Face value of Rs. 10/- each)} (Refer Note No. 16 in Schedule 12B)		1.26	0.33

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

M. S. ADSUL
Director - Technical

B. MORADIAN
Director

INDULAL H. SHAH
Partner

B. N. SOMANI
Chief Financial Officer

S. CHAKRABORTY
Company Secretary &
General Manager (Legal)

Mumbai, 31st October, 2007

Mumbai, 31st October, 2007

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SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

	As at 31.03.2007 (Rs. in Lakhs)	As at 31.03.2006 (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>6.21</u>	<u>6.21</u>
	<u>2,177.93</u>	<u>2,177.93</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		
Share Premium :		
Balance as per last Balance Sheet	48.70	48.70
Debenture Redemption Reserve :		
Balance as per last Balance Sheet	1,356.05	1,356.05
Revaluation Reserve :		
On Revaluation of Land and Building at Vile Parle, Mumbai (Refer Note No.11 in Schedule 12B)	4,584.49	0.00
General Reserve :		
Balance as per last Balance Sheet	3,672.05	3,672.05
Add : Waiver of Principal loan amount from a bank (OTS) (Refer Note No 7(iii) in Schedule 12B)	<u>352.79</u>	<u>0.00</u>
	4,024.84	3,672.05
Foreign Currency Translation Reserve		
Balance as per last Balance Sheet	143.22	193.18
Addition / (deduction) during the year	<u>42.64</u>	<u>(49.96)</u>
	185.86	143.22
Profit & Loss Account		
	<u>5,282.17</u>	<u>5,006.37</u>
TOTAL	<u>15,482.11</u>	<u>10,226.39</u>


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

	Notes	As at 31.03.2007 (Rs. in Lakhs)	As at 31.03.2006 (Rs. in Lakhs)
SCHEDULE-3			
A. SECURED LOANS			
I. Debentures / Bonds (Refer Note No.7 and 8 in Schedule 12 B)			
(i) 12.5% Non Convertible / Privately Placed Debentures	A TO D	6,735.16	7,970.94
Less : Redeemed during the year		115.72	1,235.78
		6,619.44	6,735.16
(ii) 0'Coupon Bonds / Debentures	E	3,662.51	3,928.56
Less : Redeemed during the year		409.35	266.05
		3,253.16	3,662.51
(iii) Interest accrued and due		310.35	340.65
		10,182.95	10,738.32
II. From Banks			
Cash / Packing Credit Accounts	F	6,880.65	5,348.12
Working Capital Demand Loan		11,632.53	12,923.25
		18,513.18	18,271.37
III. Term Loans			
(i) Financial Institutions	G	7,106.19	7,463.09
(ii) Banks (Rs)	H	4,053.83	4,437.29
(iii) Banks (Foreign currency)	H	3,535.16	3,525.54
(iv) Interest accrued & due (Bank)		112.10	139.03
(v) Hire Purchase / Vehicle Finance	I	14.73	22.97
		14,822.01	15,587.92
IV. Deferred Interest	J	8,032.38	8260.71
TOTAL		51,550.52	52,858.32

Notes:

- (A) 12.5% Non-Convertible Debentures of Rs. 100/- each aggregating to Rs. 589.27 Lakhs (Previous year Rs. 589.27 Lakhs) are secured by way of a second / subservient mortgage / charge of the present and future movable / immovable properties situated at Aurangabad and Nasik, subject to mortgage / charge already created / to be created in favour of Financial Institutions / Banks.
- (B) 12.5% Privately Placed Non-Convertible Debentures of Rs. 100/- each aggregating to Rs. 911.26 Lakhs (Previous year Rs. 992.25 Lakhs) are secured by first charge mortgage ranking pari passu with mortgage / charge created / to be created on company's immovable properties situated at Aurangabad and Nasik in favour of Financial Institutions / Banks.
- (C) 12.5% Privately Placed Non Convertible Debentures of Rs. 100/- each aggregating to Rs. 4,893.27 Lakhs (Previous year Rs. 4,893.27 Lakhs) are secured by first charge/mortgage ranking pari-passu with mortgage/charge created / to be created on company's movable/immovable properties situated at Aurangabad, Nasik and New Delhi in favour of Financial Institutions/ Banks.
- (D) 12.5% Debentures of Rs. 100/- each aggregating to Rs. 225.64 Lakhs (Previous year Rs. 260.37 Lakhs) are to be secured by mortgage / charge ranking pari passu with mortgage / charge created / to be created on company's movable / immovable properties situated at Aurangabad, Nasik and New Delhi in favour of Financial Institutions / Banks.
- (E) The Zero Coupon Bonds / Debentures of Rs. 100/- each aggregate Rs. 3,253.16 Lakhs (Previous year Rs. 3,662.51 Lakhs). Of this, Zero Coupon Bonds / Debentures of Rs. 1,947.62 Lakhs (Previous year Rs. 1,967.27 Lakhs) are secured / to be secured on the same lines as referred in A to D above and Rs. 1,305.54 Lakhs (Previous year Rs. 1,695.25 Lakhs) are secured / to be secured on the same lines as referred in G(1), G(2), H(1), H(2), H(3) below.
- (F) Cash / Packing Credit / Working Capital Demand Loan are secured by Hypothecation of stores, spares & packing materials and stock-in-trade and book debts of the Company and further secured by a second charge on the movable assets of the Company & immovable properties situated at Aurangabad, Nasik and at New Delhi.
- (G) The total Term Loans from Financial Institutions aggregating to Rs. 7,106.19 Lakhs (Previous year Rs. 7,463.09 Lakhs) are secured / to be secured as under:
- 1] An amount of Rs. 2,637.37 Lakhs (Previous year Rs. 2,713.33 Lakhs) is secured by:
 - (a) A mortgage ranking pari passu with mortgage created / to be created on Company's immovable properties situated at Aurangabad, Nasik and New Delhi in favour of Industrial Development Bank of India Limited, ICICI Bank Limited, EXIM Bank for their Term Loans.

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

- (b) Hypothecation charge ranking pari passu with charges created / to be created in favour of Industrial Development Bank of India Limited, ICICI Bank Limited and EXIM Bank for their Term Loans of all the movable properties of the Company including movable Plant & Machinery, Spares, Tools & Accessories, present and future (save and except Book Debts) at Nasik and Aurangabad, subject to prior charge created and/or to be created in favour of the Company's bankers on:
- Specified movables for securing borrowings for the Company's Working Capital Requirements and,
 - Specified assets charged to the Company's bankers as security for Term Loans.
- 2] Advance against export is of Rs. 2,829.69 Lakhs (Previous year Rs. 3,002.26 Lakhs) is secured by a second charge by way of hypothecation of the company's movable fixed assets and mortgage of company's immovable properties situated at Aurangabad and Nasik subject to prior charges created and / or to be created in favour of Financial Institutions / Banks.
- 3] Exim Bank Working Capital loan of Rs. 1,639.13 Lakhs (Previous year Rs. 1,672.50 Lakhs) which is in foreign currency is secured by Hypothecation of stores, spares & packing materials & stock-in-trade and book debts of the Company and further secured by a second charge on the movable assets of the Company and immovable properties situated at Aurangabad, Nasik and at New Delhi.
- (H) The total Term Loans of Rs. 7,588.99 Lakhs (Previous year Rs. 7,962.83 Lakhs) from Banks are secured as under :
- Term Loans of Rs. Nil (Previous year Rs. 853.09 Lakhs) is secured by :
 - A mortgage ranking pari passu with mortgage created / to be created on Company's immovable properties situated at Aurangabad, Nasik and New Delhi in favour of Industrial Development Bank of India Limited, ICICI Bank Limited, Vijaya Bank and EXIM Bank for their Term Loans.
 - Hypothecation charge ranking pari passu with charge created / to be created in favour of Industrial Development Bank of India Limited, ICICI Bank Limited, Vijaya Bank and EXIM Bank for their Term Loans of all the movable properties of the Company including movable Plant & Machinery, Spares, Tools and Accessories, present and future (save and except Book Debts) at Nasik and Aurangabad, subject to prior charges created and / or to be created in favour of the Company's bankers on:
 - Specified movables for securing borrowings for the Company's Working Capital Requirements; and
 - Specified assets charged to the Company's bankers as security for Term Loans.
 - Term Loans of Rs. 1,355.88 Lakhs out of Rs. 1,384.19 Lakhs (Previous year Rs. 1,886.58 Lakhs out of Rs. 1,925.18 Lakhs) is a Foreign currency loan. The said loan is secured by a mortgage on Company's immovable property situated at Vile Parle, Mumbai.
 - Term Loans of Rs. 874.20 Lakhs out of Rs. 4,899.72 Lakhs (Previous year Rs. Nil out of Rs. 3,545.60 Lakhs) is a Foreign currency loan. The said loan is secured by charge on the project assets and also by way of collateral of the Company's immovable property situated at Vile Parle, Mumbai.
 - Term loan of Rs. 1,305.08 Lakhs (Previous year Rs. 1,638.96 Lakhs) is a foreign currency loan. The same is secured by:
 - A mortgage ranking pari passu with mortgage created / to be created on Company's immovable properties situated at Aurangabad, Nasik and New Delhi in favour of Industrial Development Bank of India Limited, ICICI Bank Limited and EXIM Bank for their Term Loans.
 - Hypothecation / charge ranking pari passu with charges created / to be created in favour of Industrial Development Bank of India Limited, ICICI Bank Limited and EXIM Bank for their Term Loans of all the movable properties of the Company including movable Plant & Machinery, Spares, Tools and Accessories, present and future (save and except Book Debts) at Nasik and Aurangabad, subject to prior charge created and / or to be created in favour of the Company's bankers on:
 - Specified movables for securing borrowings for the Company's Working Capital Requirements and,
 - Specified assets charged to the Company's bankers as security for Term Loans.
- (I) Hire Purchase Finance is secured by hypothecation of specific assets.
- (J) Funded interest outstanding as on 31st March, 2007 has been deferred on interest free basis and is secured by charge / mortgage on the same lines as referred to the loans / debentures above.

	As at 31.03.2007 (Rs. in Lakhs)	As at 31.03.2006 (Rs. in Lakhs)
B UNSECURED LOANS		
(i) Interest-free Sales Tax Loans, Interest-free Capital Incentive Loans and Sales Tax Deferral from SICOM for Aurangabad and Nasik Units	333.76	468.75
(ii) Short Term Loan from others	650.00	550.00
TOTAL	983.76	1,018.75


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

Sr. No.	Description of Assets	GROSS BLOCK					DEPRECIATION	NET BLOCK	
		Cost/Revaluation As at 01.04.2006	Additions during the year	Additions due to Revaluation	Sales/Transfer during the year	Cost/Revaluation As at 31.03.2007	Up to 31.03.2007	As at 31.03.2007	As at 31.03.2006
1.	Land (Freehold)	6,992.13	0.00	# 4,584.49	0.00	11,576.62	0.00	11,576.62	6,992.13
2.	Land (Leasehold)	1,867.95	4.84	0.00	0.00	1,872.79	0.00	1,872.79	1,867.95
3.	Buildings	7,607.45	138.79	0.00	0.00	7,746.24	4,123.36	3,622.88	3,861.56
4.	Plant & Machinery	48,950.52	6,206.73	0.00	11.24	55,146.01	28,541.63	26,604.38	22,841.75
5.	Electrical Installations	2,833.11	161.54	0.00	0.00	2,994.65	2,240.73	753.92	694.24
6.	Moulds	287.54	0.00	0.00	0.00	287.54	287.54	0.00	0.00
7.	Laboratory Equipments	320.44	10.36	0.00	0.00	330.80	155.02	175.78	192.94
8.	Furniture & Fixtures	502.57	14.73	0.00	0.00	517.30	401.29	116.01	117.85
9.	Office Equipments	456.85	28.77	0.00	0.00	485.62	338.68	146.94	144.90
10.	Vehicles	354.15	0.77	0.00	28.59	326.33	270.79	55.54	80.88
11.	Capital Expenditure On Research & Development	209.58	6.83	0.00	0.00	216.41	199.02	17.39	17.96
12.	Data Processing Equipments	1,113.97	55.16	0.00	12.60	1,156.53	994.01	162.52	198.77
13.	Expenditure On Tech. know-how/Product Development	1,416.02	14.74	0.00	0.00	1,430.76	1,387.16	43.60	40.66
14.	Copyrights	157.46	0.00	0.00	0.00	157.46	157.46	0.00	0.00
	Total	73,069.74	6,643.26	4,584.49	52.43	84,245.06	39,096.69	45,148.37	37,051.59
	Previous Year	71,732.83	1,407.44	0.00	70.53	73,069.74	36,018.15	37,051.59	38,712.58
	Capital Work-in-Progress							464.75	1,616.74

NOTES :

- Building include Rs. 0.07 Lakh being value of 136 shares in Co-op. Housing Societies.
 - Depreciation has been provided as follows:
 - on Capital Expenditure on R & D and 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.
 - No Write-off has been made in respect of lease relating to Leasehold Land.
 - Depreciation includes Technical Know-how fees / Product Development Expenses amortised.
 - The Gross block includes Rs. 6,765.35 Lakhs on account of Evaluation of certain Assets as at 31st March 2002.
- # Refer Note No. 11 in Schedule 12 B.

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

	As at 31.03.2007 (Rs. in Lakhs)	As at 31.03.2006 (Rs. in Lakhs)
SCHEDULE-5		
INVESTMENTS (AT COST)		
LONG TERM INVESTMENT		
A. In Government Securities (Unquoted) :		
1. 10 years-8.5% Rural Debentures of Maharashtra State Electricity Board of the face value of Rs. 0.17 Lakh	—	—
2. 7 years National Savings Certificates of the face value of Rs. 0.03 Lakh (Lodged with the Excise Authorities as Security Deposit)	—	—
	<u>—</u>	<u>—</u>
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. 2,80,000 Equity Shares of Garware Marine Industries Ltd, of the face value of Rs. 10/- each, fully paid-up	—	—
3. 4,00,000 Equity Shares of Garware Wall Ropes Limited, of the face value of Rs. 10/- each, fully paid-up.	56.80	56.80
	<u>56.81</u>	<u>56.81</u>
II Unquoted		
1. 2,500 Equity Shares of The New India Co-operative Bank Ltd. Mumbai, of the face value of Rs. 10/- each, fully paid-up.	0.25	0.25
2. 2,500 Equity Shares of The North Kanara Goud Saraswat Brahmin Co-operative Bank Ltd., Mumbai of the face value of Rs. 10/- each, fully paid up.	0.25	0.25
3. 500 shares of The Co-operative Stores Ltd. (New Delhi) of the face value of Rs. 10/- each, fully paid up.	0.05	0.05
4. 10,000 Equity Shares of S I C O M Ltd., of the face value of Rs. 10/- each fully paid-up	8.00	8.00
5. 20,000 Equity Shares (Previous year 4,000 Equity Shares) of Deogiri Nagari Sahakari Bank Ltd. of the face value of Rs. 25/- each fully paid up.	5.00	1.00
6. 4,000 Equity Shares of Vaidyanath Urban Co-op. Bank Ltd of the face value of Rs. 25/- each fully paid-up.	1.00	1.00
7. 1,000 Equity Shares of Poornawadi Co-op Bank Ltd of the face value of Rs. 100/- each fully paid-up.	1.00	1.00
8. 2,97,76,820 Equity Shares (Previous Year 1,77,76,820 equity shares)of Garware Chemicals Ltd.of the face value of Rs. 10/- each, fully paid-up including four equity shares held by nominees.	2,277.19	1,077.19
9. 1,29,69,000 - 0.01% Optional convertible Cumulative Redeemable Preference shares (Previous Year 2,49,69,000 OCCRP shares) of Garware Chemicals Ltd., of the face value of Rs. 10/- each, fully paid up.	1,296.90	2,496.90
	<u>3,589.64</u>	<u>3,585.64</u>
TOTAL	<u>3,646.45</u>	<u>3,642.45</u>
	Market value	Market value
NOTE : Aggregate amount of company's investments.	Cost	Cost
	Quoted	56.81
	Unquoted	3,589.64
	<u>3,646.45</u>	<u>3,642.45</u>
TOTAL	<u>3,646.45</u>	<u>3,642.45</u>
	Market value	Market value
	56.81	191.40
	3,585.64	3,642.45
	<u>3,642.45</u>	<u>3,642.45</u>


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

	As at 31.03.2007 (Rs. in Lakhs)	As at 31.03.2006 (Rs. in Lakhs)
SCHEDULE-6		
CURRENT ASSETS, LOANS & ADVANCES		
A. CURRENT ASSETS :		
I. Inventories :		
(As taken, valued & certified by the Management)		
(a) Stores, Spare parts & Packing materials (At Cost)	2,203.14	2,646.80
(b) Stock-in-trade		
(i) Raw Materials (At cost)	990.15	1,265.95
(ii) Finished goods (At cost or market value whichever is lower)	1,892.91	1,731.23
(iii) Semi-finished goods (At cost)	3,057.39	3,262.67
(iv) Stock in Transit	121.72	490.32
	8,265.31	9,396.97
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	6.37	20.75
(ii) Considered Doubtful	504.43	503.05
	510.80	523.80
Less : Provision for Doubtful Debts	504.43	503.05
	6.37	20.75
(b) Other Debts (Including Rs. 4,237.93 Lakhs due from Associated Company (Garware Chemicals Ltd.) Previous year Rs. 2,301.95 Lakhs)	8,988.64	6,019.85
	8,995.01	6,040.60
III. Cash and Bank Balances :		
(a) Cash on hand	23.63	22.29
(b) Bank balances :		
With Scheduled Banks:		
In Current Accounts	863.78	883.59
In Fixed Deposit Accounts	0.00	157.00
In Margin Account	144.14	21.19
	1,031.55	1,084.07
IV. Other Current Assets:		
(a) Export benefits / Incentives receivable (At realisable value or face value of licences, whichever is lower)	1,080.04	1,332.61
(b) Other receivables	2,729.54	3,159.07
	3,809.58	4,491.68
B. LOANS & ADVANCES:		
(Unsecured, considered good, unless otherwise stated)		
(i) Advances recoverable in cash or in kind or for value to be received (Including Rs. 150.00 Lakhs due from Associate Company, Previous year Rs. 145.83 Lakhs)	919.87	1,116.55
(ii) Short Term Deposit with Bank (Earmarked for Specific Project)	2,022.33	3,863.86
(iii) Sacrifice / Premium on restructured Term loans	224.00	224.00
(iv) Advance against Capital Expenditure	24.74	818.32
(v) Deposits with Customs & Excise authorities	261.00	753.38
(vi) Deposits with others	305.22	401.11
(vii) Advance Payment of Income Tax / Fringe Benefit Tax and Tax Deducted at Source	1,020.49	815.86
	4,777.65	7,993.08
TOTAL	26,879.10	29,006.40

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

	As at 31.03.2007 (Rs. in Lakhs)	As at 31.03.2006 (Rs. in Lakhs)
SCHEDULE-7		
CURRENT LIABILITIES AND PROVISIONS		
A. Current Liabilities :		
(i) Sundry Creditors Including Rs. 52.98 Lakhs, (Previous year - Rs. Nil) due to Associate Company	4,344.60	3,753.01
(ii) Other Liabilities	714.99	629.68
(iii) Deposits and advances from customers & others	142.11	203.82
(iv) Unclaimed Dividend	9.84	10.43
(v) Unclaimed Debenture & Interest	2.14	5.23
(vi) Unclaimed Matured Deposits	0.00	0.55
	5,213.68	4,602.72
B. Provision :		
(i) Provision for Taxation	745.27	695.14
(ii) Provision for Fringe Benefit Tax	165.51	101.00
	910.78	796.14
TOTAL	6,124.46	5,398.86

SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT & LOSS ACCOUNT

	2006-2007 (Rs. in Lakhs)	2005-2006 (Rs. in Lakhs)
SCHEDULE-8		
OTHER INCOME		
Insurance claims	20.14	11.01
Income from Investments (Gross)	28.70	16.59
Interest on short term deposits with banks and others (Gross) (Tax deducted at source Rs. 4.54 Lakhs, Previous year Rs. 1.79 Lakhs)	21.22	67.96
Miscellaneous income	72.71	73.64
Profit on sale of fixed assets (Net)	2.14	3.90
Profit on sale of Investments	0.00	49.40
Excess Provision / Sundry Credit Balances written back	44.79	99.08
Rent (Tax deducted at source Rs. 0.40 Lakh Previous year Rs. 0.40 Lakh)	4.20	4.20
Sales Tax / Income Tax / Excise refund	0.23	116.54
Gain on Exchange Rate Fluctuations	160.11	0.00
TOTAL	354.24	442.32
SCHEDULE-9		
INCREASE / (DECREASE) IN FINISHED AND SEMI-FINISHED GOODS		
Opening Stock:		
Finished goods	2,221.55	1,413.75
Semi finished goods	3,262.67	3,426.13
	5,484.22	4,839.88
Closing Stock:		
Finished goods	2,014.63	2,221.55
Semi finished goods	3,057.39	3,262.67
	5,072.02	5,484.22
Increase / (Decrease)	(412.20)	644.34


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

	2006-2007 (Rs. in Lakhs)	2005-2006 (Rs. in Lakhs)
SCHEDULE-10		
RAW MATERIALS CONSUMED		
Opening Stock	1,265.95	1,939.29
Add: Purchases and Expenses	<u>26,982.42</u>	<u>23,820.14</u>
	28,248.37	25,759.43
Less: Closing Stock	<u>990.15</u>	<u>1,265.95</u>
TOTAL	<u>27,258.22</u>	<u>24,493.48</u>
SCHEDULE-11		
MANUFACTURING AND OTHER EXPENSES		
A. Manufacturing Expenses :		
Stores, Spares and Packing Materials Consumed (Net)	2,557.48	2,685.39
Power and Fuel (Net)	5,002.65	4,007.09
Processing Charges	1,265.14	928.65
Water Charges	<u>77.63</u>	<u>84.29</u>
	8,902.90	7,705.42
B. Employees' Remuneration & Benefits :		
Salaries, Wages and Bonus	2,175.62	1,990.58
Contribution to Provident and Other Funds	398.84	303.24
Staff Welfare Expenses	<u>235.54</u>	<u>239.27</u>
	2,810.00	2,533.09
Less : Surrender value of Keyman insurance	<u>106.25</u>	<u>0.00</u>
	2,703.75	2,533.09
C. Administrative, Selling and General Expenses :		
Rent, Hire charges and Compensation (Net)	85.76	91.14
Rates, Taxes and Licence Fees	46.07	31.67
Insurance (Net)	432.50	563.62
Freight and Forwarding (Net)	1,733.37	1,791.96
Research and Development Expenses	251.18	429.80
Repairs and Maintenance of :		
(i) Plant and Machinery	511.15	523.00
(ii) Buildings	256.55	230.96
(iii) Other Assets	<u>448.28</u>	<u>427.57</u>
	1,215.98	1,181.53
Advertisement Expenses	194.06	129.65
Sales Tax / VAT	117.45	128.12
Travelling & Conveyance	488.50	589.34
Postage, Telegrams & Telephones	160.62	161.26
Lease Rentals	55.49	57.12
Commission on Sales	131.21	194.29
Donations	45.77	27.21
Legal and Professional Charges (Refer Note No. 10 in Schedule 12 B)	<u>497.63</u>	<u>626.56</u>

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

	2006-2007 (Rs. in Lakhs)	2005-2006 (Rs. in Lakhs)
SCHEDULE-11 (Contd.)		
Auditors' Remuneration:		
(i) Audit Fees	21.82	20.06
(ii) Tax Audit Fees	3.60	3.00
(iii) For Certification / Others	4.10	2.03
(iv) Reimbursement of out of pocket Expenses	0.24	0.30
	<u>29.76</u>	<u>25.39</u>
Miscellaneous Expenses	913.33	887.24
Provision for doubtful debts	1.38	0.00
Loss on Swap / Exchange Rate Fluctuations	0.00	199.60
	<u>6,400.06</u>	<u>7,115.50</u>
D. Managerial Remuneration :		
(a) To Managing Director & Joint Managing Directors :		
(i) Salary	328.00	128.00
(ii) Contribution to Provident Fund, Superannuation & Gratuity Scheme	101.68	36.86
(iii) Other Perquisites	104.56	32.27
	<u>534.24</u>	<u>197.13</u>
(b) To Whole Time Director :		
(i) Salary	87.29	89.28
(ii) Contribution to Provident Fund, Superannuation & Gratuity Scheme	5.15	4.16
(iii) Other Perquisites	4.73	4.17
	<u>97.17</u>	<u>97.61</u>
	<u>631.41</u>	<u>294.74</u>
Less : Surrender value of Keyman insurance	451.38	0.00
	<u>180.03</u>	<u>294.74</u>
(c) Directors' Sitting Fees	1.48	1.48
	<u>181.51</u>	<u>296.22</u>
TOTAL	<u><u>18,188.22</u></u>	<u><u>17,650.23</u></u>

**SCHEDULE-12:****STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES AND NOTES ANNEXED TO AND FORMING PART OF THE 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 cost of bringing the assets to working condition for its intended use including interest and other incidental and trial run expenses up to the date of commercial production. When fixed assets were revalued, surplus on revaluation was credited to Capital / Revaluation 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.
- No write-off is being made in respect of leasehold land.

In respect of subsidiaries :**- Garware Polyester International Ltd. (GPIL)**

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

- | | |
|-----------------------------------|------------------------|
| Plant & Machinery | - 25% reducing balance |
| Furniture, Fitting and equipments | - 25% reducing balance |

- Global Pet Films, Inc. (GPF)

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

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

3. Investments

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

4. Inventories

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

In respect of subsidiary Garware Polyester International Ltd, stock is valued at the lower of cost and net realisable value.

In respect of fellow subsidiary Global Pet films Inc. inventories are stated at the lower of cost (determined by average cost method) or market value (net realizable) value.

5. Foreign Currency Transactions

- During the year, foreign currency transactions relating to purchases and sales of goods and services are translated at the rate prevailing at the time of settlement of the transactions.
- Amounts remaining unsettled on these transactions at the Balance Sheet date are translated at the contracted rates (where applicable) or at the exchange rates prevailing at the end of the Accounting Year. The net loss/ gain, arising from such transaction, is charged to the relevant revenue heads in the Profit and Loss Account.

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SCHEDULE-12 (Contd.)

- Foreign Currency loans for financing fixed assets outstanding at the close of the financial year are recognized at the contracted and/or appropriate exchange rates at the close of the year. The gain or loss due to decrease / increase in liability due to fluctuations in rates of exchange is adjusted to the cost of assets acquired through these loans.
 - Working capital rupee currency term loans converted in foreign currency loans and outstanding at the close of the financial year are translated at the exchange rates prevailing at the close of the accounting year. The net gain / loss arising on such loans is charged to the profit and loss account.
 - Investments in shares of foreign subsidiary company are expressed in Indian Currency at the rate of exchange prevailing at the time when the original investments were made.
 - In case of Garware Polyester International Ltd., monetary assets and liabilities denominated in foreign currencies are translated in to sterling at the rates of exchange ruling at the balance sheet date. The transactions in foreign currencies are recorded at the rate ruling at the date of transactions. All differences are taken to Profit and Loss accounts.
- 6. Inter-divisional Transfers**
Inter-divisional transfers of goods for internal use as captive consumption are shown as contra items in the Profit & Loss Account to reflect the true economic value of the production inter-se the divisions. This accounting treatment has no impact on the profit of the Company.
- 7. Duties**
Excise duty on finished goods and custom duty on imported materials has been accounted on the basis of payments made in respect of goods cleared as also provision made for goods lying in Bonded Warehouse.
- 8. Retirement Benefits**
Liability towards Superannuation and Gratuity are covered by appropriate schemes with Life Insurance Corporation of India. The Company provides for Leave Encashment not being in the nature of post employment benefit, based on actuals.
- 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 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. Revenue Recognition**
- (i) Sales**
Sales are accounted for inclusive of excise duty and VAT / sales tax (wherever not charged separately), and are net of discounts and returns.
In respect of subsidiaries turnover represents amount receivable for goods and services net of VAT and trade discounts. In respect of Global Pet Films Inc., revenues from product sales to customers are recognised when products are shipped to customers.
- (ii) Export Benefits**
Export entitlements under the Duty Entitlement Pass Book (DEPB) scheme are recognised as income when the right to receive credit as per the terms of the scheme is established in respect of the exports made and where there is no significant uncertainty regarding the ultimate collection of the relevant export proceeds.
- 13. Taxation**
- (i) Deferred Tax is recognised considering the timing differences, which arise during the year & reversed in subsequent periods. The deferred tax charge or credit is recognised using current tax rates by charging to Profit & Loss Account.
- (ii) Current Taxes are also provided based on taxable income as per the provisions of Income Tax Act, 1961.
- (iii) Provision for Fringe Benefit Tax (FBT) is computed as per the provisions of Income Tax Act, 1961.
- (iv) In respect of subsidiary GPIL, the accounting policy in respect of deferred tax has been charged to reflect the requirements of FRS19-Deferred Tax. Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. On the basis of these financial statements no provision has been made for deferred tax.



SCHEDULE-12 (Contd.)

14. Deferred Revenue Expenditure

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

15. Borrowing Cost

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

16. Impairment of assets

The company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash-generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the profit and loss account. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.

17. Purchases

In case Global Pet Films Inc., purchases are recorded only when received in company warehouse.

18. Use of Estimates

In case of Global Pet Films Inc, the preparation of financial statements in conformity with generally accepted accounting principals 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.

19. Accounts Receivable

In case of Global Pet Films Inc, the company carries receivable insurance on its accounts receivable.

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%	April 06-Mar 07
Indirect Subsidiary Subsidiary of wholly owned subsidiary Global Pet Films, Inc.	U.S.A.	100%	April 06-Mar 07

2. Principles of Consolidation :

- 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 statement of Garware Polyester International Ltd. for the period ended 31ST March, 2007 and necessary adjustments / additions that have been incorporated to give effect to all transaction occurred between the reporting period of the parent company.
 - 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.
 - 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, 2007.
- Estimated amount of contracts remaining to be executed on capital account and not provided for Rs. 473.35 Lakhs (Previous year Rs. 4,163.73 Lakhs) against which an advance of Rs. 24.74 Lakhs (Previous year Rs. 818.32 Lakhs) has been paid.
 - The Company has given counter-guarantees for Rs. 952.97 Lakhs (Previous year Rs. 442.29 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.
 - Letters of Credit opened on behalf of the Company by Banks for purchase of materials and equipments amount to Rs. 9,564.97 Lakhs (Previous year Rs. 10,668.29 Lakhs).
 - Bills of Exchange discounted under Bill Marketing Scheme amount to Rs. 5,294.41Lakhs (Previous year Rs. 4,868.73 Lakhs).

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SCHEDULE-12 (Contd.)

7. Secured Loans :
- 12.5% Secured Redeemable Non Convertible Debentures aggregating Rs. 10,856.38 Lakhs are redeemable at par in 28 quarterly installments commencing from 1st April 2003 out of which Rs. 115.72 Lakhs was redeemed during the current year (Previous year Rs. 1,235.79 Lakhs).
 - Zero Coupon Bonds aggregating to Rs. 3,253.16 Lakhs are payable as under:
Amount of Rs. 890.54 Lakhs is payable to Exim Bank in quarterly instalments till 1st January, 2010 and balance of Rs. 2362.62 Lakhs is payable with premium of Rs. 2030.37 Lakhs till 1st January, 2012.
 - Company has done One Time Settlement (OTS) with one of the Banks by paying Rs. 700 Lakhs against dues of Rs. 1,281.12 Lakhs towards Term Loan, Zero Coupon Bonds and Deferred Interest.
 - Amount of Term Loans / Debentures/ Zero Coupon Bond, repayable within one year is Rs. 8,120.08 Lakhs (Previous Year Rs. 5,982.41 Lakhs).
 - The sacrifice amount in respect of Industrial Development Bank of India Limited has been negotiated and Industrial Development Bank of India Limited has agreed in principle to settle the same vide its letter dated 27th August, 2005. As the Modifications / Amendments in the terms and conditions of sanction relating to sacrifice / premium is in progress, the sacrifice / premium of Rs. 224 Lakhs paid to Industrial Development Bank of India Limited is treated as advance and shown under Loans & Advance in Schedule 6.
8. The Company has executed a Debenture Trust Deed by and between the Company and the Debenture Trustees. The debentures covered under this trust have been restructured. Redemption of the debentures is partly in 28 quarterly installments commencing from 2003-04 and partly commencing from 2006-07.
As per the legal opinion obtained by the company, Debenture Redemption Reserve is to be created proportionately, spread over the redemption period. However, the company has not appropriated any amount towards the Debenture Redemption Reserve during the year, as the balance in the Debenture Redemption Reserve account will meet the requirement.
9. Contingent liability not provided for :

	2006-07 (Rs in Lakhs)	2005-06 (Rs. in Lakhs)
a] Disputed matters in appeal / contested in respect of:		
Income Tax	13.61	40.83
Excise Duty	39.02	7.21
Sales Tax	17.13	17.13
b] Claims against the company not acknowledged as debts	0.00	8.51

10. Legal and Professional Charges include Rs.5.09 Lakhs (Previous year Rs.3.55 Lakhs) paid to some of the Partners of the Auditors for other services.
11. Land and building at Vile Parle, Mumbai was revalued as per valuation carried out by M/s BEST Mulyankan Consultants Ltd., Certified Valuer vide their Valuation Report dt. 30th November 2006 which has resulted in land and building being revalued at Rs.10,500.00 Lakhs. The consequent appreciation in net value amounting to Rs.4,584.49 Lakhs has been transferred to Revaluation Reserves Account.
12. Break up of Interest and Financial charges are:

	2006 - 07 (Rs. in Lakhs)	2005 - 06 (Rs. In Lakhs)
On Secured Loans *	648.10	742.42
On Debentures	834.95	929.57
Other Interest (Net) #	2,601.35	2,321.36
Financial Charges	642.47	555.53
Total	4,726.87	4,548.88

* After adjusting waiver of interest on one time settlement (OTS) from a bank amounting to Rs. 228.33 Lakhs. (Refer note No. 7 (iii) above)

After adjusting capitalisation of interest for project amounting to Rs. 95.89 Lakhs.

13. Export Benefits / Incentives are accounted on accrual basis. Accordingly, net estimated benefit aggregating to Rs. 896.42 Lakhs (Previous year Rs. 1,704.33 Lakhs) against export effected during the year has been credited to Export Benefits earned account, which has been included in sales.

**SCHEDULE-12 (Contd.)****14. Segment Reporting:**

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

	2006 - 07 (Rs. in Lakhs)			2005 - 06 (Rs. in Lakhs)		
	Within India	Outside India	Total	Within India	Outside India	Total
Sales	30,349	27,896	58,245	25,536	27,308	52,844
Amount of Segment Assets by location of assets.(Net Value)	26,604	313	26,917	22,841	262	23,103

15. Related Party Disclosures :

- (a) List of Related Parties.

Associate Company	:	Garware Industries Limited & Garware Chemicals Limited,
Key Management Personnel	:	1) Shri S. B. Garware 2) Mrs. Monika Garware Modi 3) Ms. Sarita Garware 4) Ms. Sonia Garware

- (b) Transaction with Related Parties

	2006-07 (Rs. in Lakhs)	2005-06 (Rs. in Lakhs)
(i) Sale of Goods:		
Associate Company	1,481.28	2,501.65
(ii) Purchase of Materials and Capital items:		
Associate Company	9,953.64	15,841.23
(iii) Services Received / Processing Charges :		
Associate Company	1,196.89	721.17
(iv) Services Rendered:		
Associate Company	1,331.27	1,296.39
(v) Balances [Dr. / (Cr.)]		
Associate Company	4,334.95	2,447.78
(vi) Key Management Personnel & Relatives Managerial Remuneration (Refer Schedule 11)		

16. Earning Per Share :

	2006-07 (Rs. in Lakhs)	2005-06 (Rs. in Lakhs)
Profit for the year	575.21	587.38
Add: Income Tax Refund of Prior years	0.00	41.71
Less: Deferred Tax	182.96	367.00
Less: Current Income Tax	48.13	86.00
Less: Fringe Benefit Tax	64.51	101.00
Less: Wealth Tax	3.81	3.92
Profit attributable to equity shareholders	275.80	71.17
No. of Equity Shares of Rs.10 each fully paid	2,18,41,364	2,18,41,364
Earning per share (Rupees)	1.26	0.33

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SCHEDULE -12 (Contd.)

17. Deferred Tax :

- (a) Deferred Tax Liability of Rs. 182.96 Lakhs is provided in the current year, (Previous year Rs. 367.00 Lakhs) as per requirement of Accounting Standard 22 "Accounting for Taxes on Income".
- (b) Major components of deferred tax arising as at 31st March 2007 are given here below.

Deferred Tax Assets	2006-07 (Rs. in Lakhs)	2005-06 (Rs. in Lakhs)
Disallowance U/s 43B of the Income Tax Act, 1961	2,926.74	2,942.02
Unabsorbed Business Losses, Depreciation & Capital Losses	3,322.92	3,904.80
Others	222.16	243.76
Deferred Tax Assets (i)	6,471.82	7,090.58
Less: Deferred Tax Liability : Excess of Net Block over WDV as per the provisions of the Income Tax Act, 1961 (ii)	6,291.71	6,727.51
Deferred Tax Assets (Net) (i)-(ii)	180.11	363.07

18. 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.
19. In accordance with Accounting Standard 28 (AS 28) issued by the Institute of Chartered Accountants of India on Impairment of Assets, the company has appointed professional consultancy firm as the valuers to assess impairment of each cash generating unit (CGU) by taking market value and its potential capacity to generate cash flows. According to the valuers report there is no impairment to any of the assets as such no provision for impairment of assets is required to be made in the accounts.
20. The significant leasing arrangements of the company are in respect of operating leases for premises and vehicles. These leasing arrangements ranges between 11 months and 5 years and are usually renewable by mutual consent on mutually agreeable terms. The agreeable lease rental payable are charged to Profit and Loss account and shown under administrative, selling and general expenses in appropriate heads.
21. The break up of Expenses capitalized and shown under Capital Work in Progress (Pending Allocation) as on 31.03.2007 is as under:

Particulars	2006-07 (Rs. in Lakhs)	2005-06 (Rs. in Lakhs)
Salary / Wages	0.00	50.08
Interest	0.00	88.95
Bank / Financial Charges	0.00	13.33
Insurance Premium	0.00	10.51
Travelling Expenses	0.00	4.43
Others	0.00	2.36
Total	0.00	169.66

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


CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2007

		Year ended 31.03.2007 (Rs. in Lakhs)	Year ended 31.03.2006 (Rs. in Lakhs)
A. Cash flow from operating activities :			
Net Profit before tax and extraordinary items	A	575.21	587.38
<i>Add:</i> Depreciation		3,117.50	3,042.38
Interest expenses - Gross		4,726.87	4,548.88
Loss on Exchange Rate Flutuations		0.00	199.60
Extra-ordinary Item @		352.79	0.00
Income Tax Prior period refund (Net)		0.00	41.71
Sub Total	B	8,197.16	7,832.57
Sub Total A + B	C	8,772.37	8,419.95
<i>Less:</i> Interest income		21.22	67.96
Gain on Exchange Rate Flutuations		160.11	0.00
Profit on sale of fixed assets		2.14	3.90
Profit on sale of Investments		0.00	49.40
Dividend received / Income from Investment		28.70	16.59
Sundry balances Written Back (Net)		44.79	99.08
Rent		4.20	4.20
Sub Total		261.16	241.13
Operating profit before working capital changes		8,511.21	8,178.82
Adjustments for :			
Transfer to foreign currency translation reserve		42.64	(49.96)
Increase) / Decrease in trade / other receivable (Net)		1,147.75	(6,775.94)
(Increase) / Decrease in inventories		1,131.66	161.95
Increase / (Decrease) in trade / other payables		661.98	837.20
Cash generated from operations		11,495.24	2,352.07
Direct taxes refund / (paid) (Net)		(208.44)	(218.23)
Net cash inflow / (outflow) from operations		11,286.80	2,133.84
B. Cash flow from investing activities :			
Purchase of fixed assets		(5,490.40)	(2,619.79)
Purchases of Investments		(4.00)	0.00
Sale of fixed assets		14.73	29.90
Sales of Investments		0.00	75.95
Interest received		21.22	67.96
Loss on Exchange Rate Flutuations		0.00	(199.60)
Gain on Exchange Rate Flutuations		160.11	0.00
Dividend received / Income from Investment		28.70	16.59
Rent		4.20	4.20
Net cash inflow / (outflow) from investing activities		(5,265.44)	(2,624.79)
C. Cash flow from financing activities :			
Interest / Financial Charges		(5,015.52)	(4,638.98)
Repayment of borrowings – Secured @		(1,264.05)	2,646.86
Proceeds / (repayments) of borrowings – Unsecured		(35.54)	207.07
Cash credit accounts		241.82	2,488.89
Dividend paid / Unclaimed Dividend paid		(0.59)	(242.83)
Net cash inflow / (outflow) from financing activities		(6,073.88)	461.01
Net increase / (decrease) in cash and cash equivalents		(52.52)	(29.94)
Cash and cash equivalents as at opening			
Cash and bank balances		1,084.07	1,114.01
Cash and cash equivalents as at closing		1,031.55	1,084.07
Cash and bank balances		(52.52)	(29.94)

Note : @ Waiver of Principal Loan Amount under OTS from a Bank
(Refer Note No.7 (iii) in Schedule 12B)

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

M. S. ADSUL
Director - Technical

B. MORADIAN
Director

INDULAL H. SHAH
Partner

B. N. SOMANI
Chief Financial Officer

S. CHAKRABORTY
Company Secretary &
General Manager (Legal)

Mumbai, 31st October, 2007

Mumbai, 31st October, 2007



Garware

Polyester Limited

Annual Report 2006-2007