



Garware

Polyester Limited



Annual Report 1998-99

BOARD OF DIRECTORS	: S.B. GARWARE	<i>Chairman & Managing Director</i>
	S.S. GARWARE (Mrs.)	
	S.N. TALWAR	
	BANA PARANJAPE	
	V.J.B. ANDREWS	<i>Nominee of UTI</i>
	S.V. MUZUMDAR	
	DILIP J. THAKKAR	
	V.M. KETKAR	<i>Nominee of ICICI</i>
	G.M. YADWADKAR	<i>Nominee of IDBI</i>
	M. GARWARE MODI (Mrs.)	<i>Whole-time Director</i>
	SARITA S. GARWARE (Miss)	
	A.B. BHALEROO	<i>Director-Technical</i>
VICE PRESIDENT & COMPANY SECRETARY	: B.D. Doshi	
BANKERS	: Indian Overseas Bank Dena Bank The Federal Bank Limited State Bank of Mysore Standard Chartered Bank Bank of India Banque Nationale de Paris The Times Bank Limited	
AUDITORS	: Shah & Co. Chartered Accountants	
SOLICITORS & ADVOCATES	: Crawford Bayley & Co.	
REGISTERED OFFICE	: Naigaon, Post Waluj, Aurangabad 431 133.	
CORPORATE OFFICE	: Garware House, 50-A, Swami Nityanand Marg, Vile Parle (East), Mumbai 400 057.	
WORKS	: L-5 & L-6, Chikalthana Industrial Area, Dr. Abasaheb Garware Marg, Aurangabad 431 133. Waluj, Aurangabad 431 133. A-1 & A-2, MIDC, Ambad, Nasik 422 010. 50-A, Swami Nityanand Marg, Vile Parle (East), Mumbai 400 057. Plot No.449/2 Masat, Silvassa 396 230.	
OFFICES	: 807, Bhikaji Cama Bhawan, Bhikaji Cama Place, New Delhi 110 066. 37/1B, Hazra Road, Calcutta 700 029. 19, Cassa Major Road, Egmore, Chennai 600 008.	
REGISTRARS & TRANSFER AGENTS	: Intime Spectrum Registry Pvt. Ltd.	

ANNUAL REPORT 1998-99**NOTICE**

NOTICE IS HEREBY GIVEN THAT the Forty-second 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 28th September, 1999 at 3.30 p.m. to transact the following business :-

Ordinary Business :

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 1999 and the Profit and Loss Account for the accounting year of fifteen months ended on that date and the Report of the Directors and the Auditors thereon.
2. To appoint a Director in place of Mrs.S.S. Garware, who retires by rotation and, being eligible, offers herself for re-appointment.
3. To appoint a Director in place of Mr.S.V. Muzumdar, who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr.A.B. Bhalerao, who retires by rotation and, being eligible, offers himself for re-appointment.
5. To appoint Auditors and to fix their remuneration.

Special Business :

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

"RESOLVED THAT subject to the provisions of Sections 198, 269 and 309 read with Schedule XIII, as amended and other applicable provisions, if any, of the Companies Act, 1956, and subject to such other approvals as may be necessary, consent of the Company be and it is hereby accorded to the reappointment of Mrs.M. Garware Modi to the office of Whole-time Director of the Company for a further term of five years with effect from 1st April, 1999 and that the draft agreement between the Company and Mrs.M. Garware Modi, setting out the terms and conditions including remuneration, placed before this meeting, duly initialled by Mr.S.N. Talwar, Director of the Company, for the purpose of identification, be and it is hereby approved."

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

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

"RESOLVED THAT pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956 and the provisions of other statutes as applicable and subject to such approvals, consents, permissions and sanctions as may be necessary from appropriate authorities, the Articles of Association of the Company be and are hereby altered as follows :-

- A. In Article 2 of the Articles of Association, the definition of 'Member' shall be altered as follows :-

"Member' means the duly registered holder from time to time of the shares of the Company and includes the subscribers of the Memorandum of the Company and the Beneficial Owner(s)."

B. Insert the following Article as Article 23A after Article 23 :-

Article 23A

DEMATERIALISATION OF SECURITIES

i) Definitions

For the purpose of this Article :-

'Beneficial Owner' means a person or persons whose name is recorded as such with a depository;

'SEBI' means the Securities and Exchange Board of India;

'Depositories Act' means the Depositories Act, 1996 and includes any Statutory modifications or re-enactment thereof;

'Depository' means a Company formed and registered under the Companies Act, 1956 and which has been granted a certificate of registration to act as a depository under the Securities and Exchange Board of India Act, 1992; and

'Security' means such security as may be specified by SEBI from time to time.

ii) Dematerialisation of Securities

Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialise its existing securities, rematerialise its securities held in Depository(s) and/or to offer its fresh securities in a dematerialised form pursuant to the Depositories Act, and the rules framed thereunder.

iii) Options for Investors

Every person subscribing to securities offered by the Company shall have the option either to receive security certificates or to hold the securities with a Depository. Such a person who is the Beneficial Owner of the securities can at any time opt out of a Depository, if permitted by the law, in respect of any security in the manner provided by the Depositories Act and the Company shall, in the manner and within the time prescribed, in the Depositories Act, issue to the Beneficial Owner the required certificates of securities.

If a person opts to hold his security with a Depository, the Company shall intimate such Depository the details of allotment of the security and on receipt of the information, the depository shall enter in its record the name of the allottee as the beneficial owner of that security.

iv) Securities in Depositories to be in fungible form

All securities held by a Depository shall be dematerialised and be in fungible form. Nothing contained in Sections 153, 153A, 153B, 187B, 187C and 372A of the Act shall apply to a Depository in respect of the securities held by it on behalf of the Beneficial Owners.

v) Rights of depositories and Beneficial Owners

a. Notwithstanding anything to the contrary contained in the Act or these Articles, a Depository shall be deemed to be the registered owner for the purposes of effecting transfer of ownership of security on behalf of the Beneficial Owner.

b. Save as otherwise provided in (a) above, the Depository as the registered owner of the securities shall not have any voting rights or any other rights in respect of the securities held by it.

c. Every person holding securities of the Company and whose name is entered as the Beneficial Owner in the records of the Depository shall be deemed to be a Member of the Company. The

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beneficial Owner of securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his securities which are held by a Depository.

vi) **Service of Documents**

Notwithstanding anything contained in the Act or these Articles to the contrary, where securities are held in a Depository, the records of the beneficial ownership may be served by such Depository on the Company by means of electronic mode or by delivery of floppies or discs.

vii) **Transfer of Securities**

Nothing contained in Section 108 of the Act or these Articles shall apply to a transfer of securities effected by a transferor and transferee both of whom are entered as Beneficial Owners on the records of a Depository.

viii) **Allotment of Securities dealt with in a Depository**

Notwithstanding anything contained in the Act or these Articles, where securities are dealt with by a Depository, the Company shall intimate the details thereof to the Depository immediately on allotment of such securities.

ix) **Distinctive numbers of Securities held in a Depository**

Nothing contained in the Act or these Articles regarding the necessity of having distinctive numbers for securities issued by the Company, shall apply to securities held with a Depository.

x) **Register and Index of Beneficial Owners**

The Register and Index of Beneficial Owners maintained by a Depository under the Depositories Act shall be deemed to be the Register and Index of Members and Security holders for the purposes of these Articles.

C. Insert the following Article as Article 63A after Article 63 :-

Article 63A

Nomination

Notwithstanding anything stated in Articles 60 and 63, a holder or joint holders of Shares or Debentures, may nominate, in accordance with the provisions of Section 109A of the Act and in the manner prescribed thereunder, a person to whom all the rights in the Shares or Debentures of the Company shall vest in the event of death of such holder/s. Any nominations so made shall be dealt with by the Company in accordance with the provisions of section 109A and 109B of the Act."

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

"RESOLVED THAT pursuant to Section 372A and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of the financial institutions/banks and such other approvals as may be necessary, consent of the Company be and it is hereby accorded to the Board of Directors of the Company to invest upto Rs.46 Crore to acquire equity shares of Garware Chemicals Limited (GCL), a subsidiary of the Company by converting the promoters contribution by way of application money made by the Company, in addition to equity shares already held in GCL notwithstanding that the aggregate of the loans and investments so far made in or to be made in and the guarantee so far given or to be given and the security so far provided or to be provided to all bodies corporate exceeds the limits laid down by the Companies Act, 1956."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and they are hereby authorised to take from time to time all decisions and steps necessary or expedient or proper in respect of the

above investments including the timing, the amount and other terms and conditions of such investments and varying the same through transfer, sale, disinvestments or otherwise either in part or in full as it may in its absolute discretion deem appropriate."

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

"RESOLVED THAT pursuant to Section 372A and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of the financial institutions/banks and such other approvals as may be necessary, consent of the Company be and it is hereby accorded to the Board of Directors of the Company to invest upto Rs.5. 50 Crore to acquire equity shares of Garware Chemicals Limited (GCL), a subsidiary of the Company, by subscription or otherwise in addition to securities already held in GCL notwithstanding that the aggregate of the loans and investments so far made in or to be made in and the guarantee so far given or to be given and the security so far provided or to be provided to all Bodies Corporate exceeds the limits laid down by the Companies Act, 1956."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and they are hereby authorised to take from time to time all decisions and steps necessary or expedient or proper in respect of the above investments including the timing, the amount and other terms and conditions of such investments and varying the same through transfer, sale, disinvestments or otherwise either in part or in full as it may in its absolute discretion deem appropriate."

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

"RESOLVED THAT pursuant to Section 372A and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of the financial institutions/banks and such other approvals as may be necessary, consent of the Company be and it is hereby accorded to the Board of Directors of the Company to give further guarantees, in addition to the guarantees already given by the Company to secure the loans already given by financial institution and bank, in connection with loans made by financial institutions and banks to Garware Chemicals Limited (GCL), a subsidiary of the Company, so that the aggregate of such guarantees at any point of time shall not exceed Rs.150 Crore notwithstanding that the aggregate of the loans and investments so far made in or to be made in and the guarantees so far given or to be given or security so far provided or to be provided to all bodies corporate exceeds the limits laid down by the Companies Act, 1956."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and they are hereby authorised to take from time to time all decisions and steps necessary or expedient in respect of the aforesaid guarantee including issuance, modification, renewal, cancellation, timing, the amount and other terms and conditions of each guarantee subject to the limits specified above."

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

"RESOLVED THAT pursuant to Section 372A and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of the financial institutions/banks and such other approvals as may be necessary, consent of the Company be and it is hereby accorded to the Board of Directors of the Company to provide security in such form and in such manner as may be decided by the Board of Directors, in connection with loans made by financial institutions and banks to Garware Chemicals Limited (GCL), a subsidiary of the Company, so that the aggregate of such security at any point of time shall not exceed Rs.100 Crore notwithstanding that the aggregate of the loans and investments so far made in or to be made in and the guarantees so far given or to be given or security so far provided or to be provided to all bodies corporate exceeds the limits laid down by the Companies Act, 1956."

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"RESOLVED FURTHER THAT the Board of Directors of the Company be and they are hereby authorised to take from time to time all decisions and steps necessary or expedient in respect of providing aforesaid security and other terms and conditions of such security subject to the limits specified above."

By Order of the Board of Directors

B.D. DOSHI
Vice President &
Company Secretary

Mumbai, 24th August, 1999

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. An Explanatory Statement relating to the Special Business under Item Nos.6 to 11 of the Notice pursuant to Section 173(2) of the Companies Act, 1956 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 Thursday, the 23rd September, 1999 to Tuesday, the 28th September, 1999 (both days inclusive).
6. Members are requested to notify immediately any change in their addresses to the Company, quoting Folio No. and giving complete address in capitals with the pin code of the district.
7. Pursuant to the provisions of Section 205A of the Companies Act, 1956 all dividends remaining unpaid/unclaimed for the financial year 1993-94 have been transferred to the General Revenue Account of the Central Government. Members who have not encashed dividend warrants pertaining to the said period may submit their claims for dividend to the Registrar of Companies, Maharashtra, at Mumbai.

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

8. The Company has appointed registrars and transfer agents to take care of all the needs of the Investors. Investors are, therefore, requested to contact them at any of their addresses given below :-

INTIME SPECTRUM REGISTRY PVT. LTD.

Unit : Garware Polyester Limited

Registered Office :

Shree Ganesh Industrial House
 1st Floor, Near Amar Cinema
 W.T. Patil Marg,
 Chembur
 Mumbai 400 071
 Tel. : 558 1215
 Fax : 558 1214
 Email : isrl@vsnl.com

Corporate Office :

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

9. While opening a depository account with participants of NSDL, Members may give their bank account details, which will be used by the Company for printing on dividend warrants. This ensures that the dividend warrants, even if lost or stolen, cannot be used for any purpose other than for depositing the money in the account specified on the dividend warrant. This ensures safety for investors. However, Members may want to receive Dividend in an account other than the one specified, while opening the depository account. If so, they may change/correct bank account details with their depository participant. Members are also requested to kindly give MICR code of their bank to their depository participant.



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ANNEXURE TO THE NOTICE

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

Item No.6

The present term of office of Mrs.M. Garware Modi as Whole-time Director expired on 31st March, 1999. The Directors of the Company on 25th February, 1999 re-appointed Mrs.M. Garware Modi as a Whole-time Director for a further term of five years with effect from 1st April, 1999 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 Mrs.M. Garware Modi, are set out below :-

- (a) **SALARY** : Rs.6,00,000/- per annum or Rs.50,000/- per month.
- (b) **COMMISSION** : Mrs.M. Garware Modi will be paid commission, in addition to salary and perquisites, subject to a maximum of Rs.6,00,000/- per annum based on the net profits of the Company in a particular year in accordance with the provisions of Sections 198 and 309 and Schedule XIII to the Companies Act, 1956.
- (c) **PERQUISITES** : Mrs.M. Garware Modi will, in addition to salary and commission, be entitled to furnished housing accommodation, gas, electricity, water and furnishings and other perquisites such as reimbursement of medical expenses incurred for self and family, leave travel concession for self and family once in a year, club fees, personal accident insurance, provision of a car with driver, telephone at residence, etc. Perquisites shall be evaluated as per Income Tax Rules, wherever applicable.
 Mrs.M. Garware Modi shall also be entitled to the following perquisites which shall not be included in the computation of ceiling on remuneration :-
 - (i) Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
 - (ii) Gratuity payable at the rate not exceeding half a month's salary for each completed year of service.
 - (iii) Encashment of leave at the end of her tenure.
- (d) Mrs.M. Garware Modi will be entitled to leave on full remuneration, as per the rules of the Company but not exceeding one month's leave for every 11 months of service.
- (e) Mrs.M. Garware Modi will also be entitled to reimbursement of entertainment expenses actually incurred by her in the course of business of the Company.
- (f) Mrs.M. Garware Modi will also be entitled to receive from the Company travelling, hotel and other expenses incurred in performance of the duties on behalf of the Company.
- (g) *In the event of any dispute or difference arising at any time between Mrs.M. Garware Modi and the Company in respect of the agreement or the construction thereof, the same shall be submitted to and be decided by arbitration in accordance with the provisions of the Arbitration and Conciliation Act, 1996.*
- (h) Mrs.M. Garware Modi will not, so long as she functions as such, become interested or otherwise concerned, directly or through her husband, in any selling agency of the Company in future without the prior approval of the Company Law Board.

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

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

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

Your Directors recommend this resolution, for the approval of the Members.

Item No.7

- A. With the enactment of the Depositories Act, 1996 and the introduction of the depository system, some of the provisions of the Act relating to the issue, holding, transfer, transmission of shares and other securities have been amended to facilitate the implementation of the new system. The depository system of holding securities in an electronic form is a far safer and more convenient method for holding and trading in the securities of a Company. Your Company has also joined a Depository and its securities can be dematerialised and it is, therefore, proposed that the Company's Articles of Association be suitably altered as set out in Item No.7 of the Notice to reflect the provisions introduced by the Depositories Act, 1996 and to set out the rights of the beneficial owners of securities in such a system.
- B. The Companies (Amendment) Act, 1998 has, inter alia, made amendments in the Companies Act, 1956 whereby a holder or joint holders of shares/debentures can nominate a person to whom all the rights in the shares or debentures of a company shall vest in the event of the death of such holder/s. Such a nominee can elect either to be registered himself as the holder of the share or debentures or make such transfer of the shares or debentures as the deceased holder/s of shares or debentures could have made. It is, therefore, proposed to incorporate a new article in the Articles of Association of the Company providing for nomination facility in accordance with the provisions of Section 109A and 109B of the Companies Act, 1956.

None of the Directors of the Company is interested in the resolution.

Your Directors recommend this resolution for the approval of the Members.

A copy of the Articles of Association of your Company together with the proposed alterations is available for inspection by the Members of the Company at its Registered Office between 11.00 a.m. and 1.00 p.m. on any working day of the Company.

Item Nos.8 to 11

The Company's subsidiary Garware Chemicals Limited (GCL) having its registered office at Naigaon, Post Waluj, Aurangabad 431 133, is setting up a plant for manufacture of Di-methyl Terephthalate (DMT) with an annual capacity of 60000 tonnes. GCL has so far incurred an expenditure of about Rs.220 Crore for the said project and the plant is ready for commissioning. Due to developments in the international polyester sector, the plant could not go on stream earlier and there has been a cost and time overrun.

Industrial Development Bank of India (IDBI) and Fuji Bank have already granted a financial assistance by way of Term Loan of Rs.78 Crore and Foreign Currency Term Loan of US \$ 7.42 Million respectively for the Project. The Company has already given a Corporate Guarantee to IDBI for its entire Term Loan as also to Fuji Bank to the extent of 70% of their Foreign Currency Loan.

Your Company has already invested from its own resources/ borrowing about Rs.88 Crore in the said project being a project for backward integration out of which an amount of Rs.42.22 Crore has already been converted into equity shares of Rs.10/- each at a premium of Rs.20/- per share. The balance amount of about Rs.46 Crore is lying as promoters contribution by way of application money. The Board of Directors in their meeting held on 7th July, 1999 had passed a resolution for acquiring of shares of GCL against the application money at such price as may be mutually agreed between the Company, GCL and Sumitomo Corporation, Japan, the other joint venture partner in GCL.