



Garware

Polyester Limited

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Annual Report 2000-2001

BOARD OF DIRECTORS	: S.B. GARWARE	<i>Chairman & Managing Director</i>
	S.S. GARWARE (Mrs.)	
	DILIP J. THAKKAR	
	R. P. CHHABRA	
	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. BHALERAO	<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 Bank of India Standard Chartered Bank BNP Paribas HDFC Bank Limited	
AUDITORS	: Shah & Co. Chartered Accountants	
SOLICITORS & ADVOCATES	: Crawford Bayley & Co.	
REGISTERED OFFICE	: Naigaon, Post Waluj, Aurangabad 431 133.	
CORPORATE OFFICE	: Garware House, 50-A, Swami Nityanand Marg, Vile Parle (East), Mumbai 400 057.	
WORKS	: L-5 & L-6, Chikalthana Industrial Area, Dr. Abasaheb Garware Marg, Aurangabad 431 133. 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. Old No. 40, New No. 91, Shiyali Mudali Street, Pudupet Chennai 600 002.	
REGISTRARS & TRANSFER AGENTS	: Intime Spectrum Registry Pvt. Ltd.	

ANNUAL REPORT 2000-2001**NOTICE**

NOTICE IS HEREBY GIVEN THAT the Forty-fourth 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 Saturday, the 29th September, 2001 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 2001 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and the Auditors thereon.
2. To appoint a Director in place of Mrs. S. S. Garware, who retires by rotation and, being eligible, offers herself for re-appointment.
3. To appoint a Director in place of Mrs. M. Garware Modi, who retires by rotation and, being eligible, offers herself for re-appointment.
4. To appoint Auditors and to fix their remuneration.

Special Business:

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

"RESOLVED THAT subject 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 it is hereby accorded to the re-appointment 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 July, 2001 and that the draft agreement between the Company and Mrs. M. Garware Modi placed before the meeting duly initialled by Mr. A. B. Bhalerao, 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."

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

"RESOLVED THAT subject 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 it is hereby accorded to the re-appointment of Mr. A. B. Bhalerao to the office of Whole-time Director of the Company designated as Director – Technical for a further term of five years with effect from 1st October, 2001 and that the draft agreement between the Company and Mr. A. B. Bhalerao, placed before the meeting duly initialled 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. A. B. Bhalerao, the remuneration and

perquisites set out in aforesaid draft 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."

By Order of the Board of Directors

B. D. DOSHI
*Vice President &
 Company Secretary*

Mumbai, 31st July, 2001

Registered Office:
 Naigaon, Post Waluj
 AURANGABAD - 431 133

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND TO VOTE ONLY ON A POLL INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. The instrument appointing proxy should be deposited at the Registered Office of the Company not less than forty-eight hours before the time fixed for the Meeting.
3. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 relating to item nos. 5 & 6 of the Notice is annexed hereto.
4. Members desiring any information on the business to be transacted at the Meeting are requested to write to the Company at least 10 days in advance to enable the Management to keep the information, as far as possible, ready at the Meeting.
5. The Register of Members and the Share Transfer Books of the Company will remain closed from Tuesday, the 25th September, 2001 to Saturday, the 29th September, 2001 (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 upto the financial year 1993-94 have been transferred to the General Revenue Account of the Central Government. Members who have not encashed dividend warrants pertaining to the said period may submit their claims for dividend to the Registrar of Companies, Maharashtra, at Mumbai.

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 Sections 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 & 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:-

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INTIME SPECTRUM REGISTRY PRIVATE LIMITED

Unit : Garware Polyester Limited

Office :

260, Shanti Industrial Estate
Sarojini Naidu Road
Mulund (West)
Mumbai 400 080
Tel. : 564 7731/567 2716
Fax: 567 2693
Email: isrl@vsnl.com

Corporate Office :

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

ANNEXURE TO THE NOTICE

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956

Item No. 5

There has been a recent amendment to Schedule XIII of the Companies Act, 1956, which governs the appointment, re-appointment and remuneration payable to Managing / Whole-time Directors. Mrs. M. Garware Modi was appointed as Whole-time Director on 1st April, 1999 for a term of five years. In order to bring the terms of appointment and remuneration payable to Mrs. M. Garware Modi in accordance with the Schedule XIII as amended, the Board of Directors at its Meeting held on 31st July, 2001 determined the existing tenure of Mrs. M. Garware Modi on 30th June, 2001 and re-appointed her as Whole-time Director of the Company with effect from 1st July, 2001 for a further period of five years, on the terms and conditions including remuneration as set out in the draft agreement, subject to the necessary approvals.

The salient features of draft agreement between the Company and Mrs. M. Garware Modi are set out below:-

- (a) **SALARY** : Rs.12,00,000/- per annum or Rs.1,00,000/- 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, 309 and Schedule XIII of 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 the ceiling on remuneration:

- (i) Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
- (ii) Gratuity payable at the rate not exceeding half a month's salary for each completed year of service.
- (iii) Encashment of leave at the end of her tenure.
- (d) Mrs. 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.5 of the Notice will be open for inspection by the Members at the Registered Office of the Company on any working day between 11.00 a.m. and 1.00 p.m.

Mrs. M. Garware Modi is concerned or interested in the resolution. Mr. S. B. Garware, Mrs. S. S. Garware, 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 your approval.

Item No. 6

Mr. A. B. Bhalerao was appointed as Whole-time Director, designated as Director-Technical, on 1st October 1996 for a tenure of five years. As such, his term expires on 30th September, 2001. The Board of Directors of the Company at its meeting held on 31st July, 2001 re-appointed Mr. A. B. Bhalerao as a Whole-time Director of the Company, designated as Director – Technical, for a further term of five years with effect from 1st October, 2001, on the same 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. A. B. Bhalerao, are set out below: -

- (a) **SALARY** : Rs. 85,000/- per month or higher amount as may be approved by the Board of Directors or its Committee from time to time not exceeding Rs.1,20,000/- 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

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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.

Mr. A. B. Bhalerao shall also be entitled to the following perquisites which shall not be included in the computation of the ceiling on remuneration:

- (i) Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
- (ii) Gratuity payable at the rate not exceeding half a month's salary for each completed year of service.
- (iii) Encashment of leave at the end of 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.

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.

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

By Order of the Board of Directors

B. D. DOSHI
Vice President &
Company Secretary

Mumbai, 31st July, 2001
Registered Office:
Naigaon, Post Waluj
AURANGABAD - 431 133

DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2001

TO THE MEMBERS,

Your Directors present the Forty-fourth Annual Report together with the Audited Statement of Accounts of the Company for the year ended 31st March, 2001.

Financial Results

During the year under review, the performance of your Company has resulted in a loss of Rs.59.49 crores as against loss of Rs.59.44 crores in the previous year. The recessionary trend and over-capacity situation in the Polyester Film industry continue in the local, as well as overseas markets. Hence, the prices of Polyester Film both in Domestic and International markets remained depressed. In addition, Anti-Dumping Duties levied by the European Countries on Indian film exports to Europe has further affected the exports. Efforts are, however, being made to explore new markets.

Your Directors have not recommended any payment of Dividend on Equity Shares.

Due to cash losses, your Company has not been in a position to pay interest/principal to the Institutions and Banks. IDBI, therefore, had appointed KPMG, a world renowned consultant, to suggest restructuring package. KPMG, after reviewing the future business plans of the Company, has opined that since your Company is the largest manufacturer of polyester film in India, manufacturing films in various grades and thickness which are used in a wide range of industries and as these films are well accepted in the international markets with export constituting 45% of the turnover, the potential for the Company is very high and after a suitable financial restructuring as envisaged by the said Report, your Company will once again start making profits. The Report is under consideration of the Institutions and the Banks. Initially, Banks and Institutions were inclined to support the Company in its revival efforts. However, ICICI and Exim Bank have subsequently filed proceedings in Debt Recovery Tribunal for recovery of their dues and the proceedings are being attended to by the Company.

In respect of Corporate Guarantee provided by your Company to Fuji Bank Limited for loan availed by Garware Chemicals Limited (GCL), Fuji Bank Limited has filed proceedings in Singapore against your Company as Guarantor as well as against GCL as principal debtor for recovery of their dues.

After reporting erosion of 50% of peak net worth to BIFR in the previous year, your Company has been taking all remedial steps towards improvement of its operational efficiency and reduction of costs.

The performance for the first quarter ended 30th June, 2001 has improved as compared to corresponding period last year.

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 loss of the Company for that period;
- (iii) that the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) that the directors have prepared the annual accounts on a going concern basis.

Directors

Mrs. S. S. Garware and Mrs. M. Garware Modi retire by rotation and being eligible, offer themselves for re-appointment.

During the year under review, Mr. S. N. Talwar, Mr. Bana Paranjape and Mr. S. V. Muzumdar resigned from the Board with effect from 10th January 2001, 16th January 2001 and 17th April 2001 respectively. The Board places on record its appreciation of the valuable advice given by them during their tenure as Directors of your Company.

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Mr. R. P. Chhabra was appointed as Director on the Board of the Company with effect from 31st July, 2001 in casual vacancy caused by the resignation of Mr. S. N. Talwar.

Mr. V. J. B. Andrews, Nominee Director of Unit Trust of India on the Board of your Company passed away on 11th October, 2000. The Board places on record its sincere appreciation of the valuable guidance given by Mr. Andrews during his tenure as Director of your Company.

Constitution of Audit Committee

As required by the provisions of Section 292 A of the Companies Act, 1956, the Board of Directors has constituted Audit Committee comprising of three Directors viz. Mr. G. M. Yadwadkar, Mr. A. B. Bhalerao and Mr. R. P. Chhabra.

Corporate Governance

As per the amended Listing Agreement with the Stock Exchange, your Company is required to comply with the requirements of Corporate Governance during the year 2001-2002.

Auditors

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

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

Subsidiaries

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

Garware Chemicals Limited

DMT Plant has commenced the commercial production in May, 2000. The performance of the Plant is satisfactory and bulk of the production is being consumed by your company for the film production. A small quantity of DMT has also been sold in the domestic market where the quality has been well accepted. Efforts are being made to market DMT in local as well as international markets so that the plant runs its full capacity.

Other Information

Information as per Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 form part of this Report. However, as per the provisions of Section 219(1)(b)(iv), of the Companies Act, 1956, the Report and Accounts is 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 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,
Date: 31st July, 2001

S. B. GARWARE
Chairman & Managing Director

ANNEXURE TO DIRECTORS' REPORT

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

A. CONSERVATION OF ENERGY

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

- 1) At Waluj Central Utility, Primary Santotherm Pump Impeller trimming was carried out to optimize the santotherm flow.
- 2) Optimization of cooling water flow at Central Utility at Waluj.
- 3) Re-engineering of Cooling water and chilled water system at CP Plant.
- 4) Conversion of some of the electrical heating system to oil heating system.

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

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

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

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

- These products give increased value addition

3. Expenditure on R&D / Product Development

	(Rs.in Lakhs)
a) Capital	3.91
b) Recurring	320.91
c) Total	324.82
d) Total R&D expenditure as a Percentage of total turnover	0.95%

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

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