



Garware
Polyester Limited

Annual Report 2002-2003



BOARD OF DIRECTORS	: S.B. GARWARE	<i>Chairman & Managing Director</i>
	S.S. GARWARE (Mrs.)	
	R. P. CHHABRA	
	V.M. KETKAR	<i>Nominee of ICICI Bank</i>
	G.M. YADWADKAR	<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 S. GARWARE (Miss)	<i>Director-International Operations</i>
	A.B. BHALERAU	<i>Director-Technical</i>
	B. MORADIAN	

**GENERAL MANAGER (LEGAL) &
COMPANY SECRETARY**

: V.S. Viswanathan

BANKERS: Indian Overseas Bank
Dena Bank
The Federal Bank Limited
State Bank of Mysore
Bank of India
Standard Chartered Bank
HDFC Bank Limited**AUDITORS**: Shah & Co.
Chartered Accountants**SOLICITORS & ADVOCATES**

: Crawford Bayley & Co.

REGISTERED OFFICE: Naigaon, Post Waluj,
Aurangabad 431 133.**CORPORATE OFFICE**: Garware House,
50-A, Swami Nityanand Marg,
Vile Parle (East),
Mumbai 400 057.**WORKS**: L-5 & L-6, Chikalthana Industrial Area,
Dr. Abasaheb Garware Marg, Aurangabad 431 210.
Waluj, Aurangabad 431 133.
A-1 & A-2, MIDC, Ambad, Nasik 422 010.
50-A, Swami Nityanand Marg,
Vile Parle (East), Mumbai 400 057.
Plot No.449/2, Masat, Silvassa 396 230.**OFFICES**: DSIDC Packaging Complex, B/13, Kirti Nagar,
New Delhi 110 015.
37/1B, Hazra Road, Kolkata 700 029.
Old No. 40, New No. 91,
Shiyali Mudali Street, Pudupet,
Chennai 600 002.**REGISTRARS & TRANSFER AGENTS**

: Intime Spectrum Registry Limited

NOTICE

NOTICE IS HEREBY GIVEN THAT the Forty-sixth Annual General Meeting of the Members of **GARWARE POLYESTER LIMITED** will be held at the Registered Office of the Company at Naigaon, Post Waluj, Aurangabad 431 133 on Monday, the 29th September, 2003 at 11.30 a.m. to transact the following business:

Ordinary Business:

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

Special Business:

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

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and subject to such approvals as may be required, consent of the Company be and it is hereby accorded to the appointment of Mrs. Monika Garware Modi as Joint Managing Director of the Company for a term of five years with effect from 1st July, 2003 and that the draft Agreement between the Company and Mrs. Monika Garware Modi, setting out the terms and conditions, placed before the meeting duly initialled by Mr. R.P. Chhabra, Director of the Company, for the purpose of identification, be and it is hereby approved."

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

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

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

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

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

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

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

By Order of the Board of Directors

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

Mumbai, 31st July, 2003

Registered Office:

Naigaon, Post Waluj,
AURANGABAD 431 133

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND TO VOTE ONLY ON A POLL INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. The instrument appointing proxy should be deposited at the Registered Office of the Company not less than forty-eight hours before the time fixed for the Meeting.
3. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, relating to Item Nos. 5 & 6 of the Notice is annexed hereto.
4. Members desiring any information on the business to be transacted at the Meeting are requested to write to the Company at least 10 days in advance to enable the Management to keep the information, as far as possible, ready at the Meeting.
5. The Register of Members and the Share Transfer Books of the Company will remain closed from Tuesday, the 23rd September, 2003 to Monday, the 29th September, 2003 (both days inclusive).
6. Members are requested to notify immediately any change in their addresses directly to their Depository Participant in case they hold shares in dematerialised form or to the Company's Registrar & Transfer Agents, in case they hold shares in physical form.
7. Pursuant to the provisions of Section 205A of the Companies Act, 1956 all dividends remaining unpaid/unclaimed upto the financial year ended 31st March, 1994 have been transferred to the General Revenue Account of the Central Government. Members who have not encashed dividend warrants pertaining to the said period may submit their claims for dividend to the Registrar of Companies, Maharashtra, at Mumbai.

As per the provisions of Section 205C of the Companies Act, 1956, the Company has transferred the dividend declared for the financial year ended 31st March, 1995 which remained unpaid or unclaimed for a period of seven years to the Investor Education and Protection (IEP) Fund set up by the Central Government. The dividend declared for the financial year ended 31st December, 1995, which remained unpaid or unclaimed for a period of seven years will be transferred to the IEP Fund shortly. Members are requested to claim from the Company their Unclaimed Dividends, if any, in respect of financial year ended 31st December, 1996 at the earliest, as the dividends remaining unclaimed will be transferred to the credit of IEP Fund of the Central Government under the provisions of Section 205C of the Companies Act, 1956, after seven years. It may please be noted that no claims shall lie against the Company or IEP Fund in respect of the said unclaimed dividend amount.

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

Mrs. Monika Garware Modi had been associated with the Company as Whole Time Director from April, 1989 to January, 2002. Thereafter she was appointed as Vice-Chairperson with effect from 21st June, 2002. On account of increase in business activities of the Company, the duties and responsibilities of Shri S.B. Garware, the Chairman & Managing Director of the Company, have increased manifold over the years. In order to enable Shri S. B. Garware to concentrate on policy matters of the Company, it is considered advisable to appoint Mrs. Monika Garware Modi as Joint Managing Director to assist him in discharging his duties more effectively. Mrs. Monika Garware Modi bears an excellent academic career. She graduated from Vassar College, one of the renowned institutions in the U.S.A. and then did her Post Graduation in Advanced Management and Business Administration with specialisation in Marketing and obtained M.B.A. from Lubin Business School, Pace University, New York, U.S.A. She has requisite knowledge and experience to manage the corporate affairs. The term of Mrs. Monika Garware Modi shall be for a period of five years with effect from 1st July, 2003 on the terms set out in the draft Agreement subject to necessary approvals. The draft Agreement between the Company and Mrs. Monika Garware Modi, *inter alia*, contains the following terms and conditions:

Remuneration : Nil

Perquisites : Nil

Mrs. Monika Garware Modi will not, so long as she functions as such, become interested or otherwise concerned directly in any selling agency of the Company in future without the prior approval of the Central Government.

The draft Agreement referred to in the Resolution under Item No.5 of the Notice will be open for inspection by the Members at the Registered Office of the Company on any working day between 11:00 a.m. and 1:00 p.m. prior to the date of the meeting.

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

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

Your Directors recommend this resolution.

Item No. 6

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

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

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

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

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

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

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

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

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

By Order of the Board of Directors

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

Mumbai, 31st July, 2003

Registered Office:

Naigaon, Post Waluj,
AURANGABAD 431 133.

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

Name of Directors	Mrs. S. S. Garware	Mr. R. P. Chhabra
Date of Birth & Age	09.12.1935 (67 Years)	23.03.1940 (63 Years)
Appointed on	04.04.1996	31.07.2001
Qualifications	B.A. (Hons.), B.Ed.	M.A., LL.B., CAIIB (Part I)
Expertise in specific functional areas	• Marketing and Exports • Associated with Charitable and welfare organisations.	• Industrial finance and restructuring and revival packages in respect of sick units. • Term lending arrangements and financial restructuring.
Directorship held on other Companies	• Garware Enterprises Limited	• Garware Chemicals Limited
Chairmanships/ Memberships of Committees across public companies	NIL	• <u>Garware Polyester Limited</u> : (a) Audit Committee – Chairman (b) Remuneration Committee – Chairman (c) Share & Debenture Transactions cum Investors' Grievances Committee – Member • <u>Garware Chemicals Limited</u> : - Audit Committee – Chairman

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

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

Financial Results

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

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

Operations

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

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

Cases before Debts Recovery Tribunal

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

Compromise and Arrangement

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

Subsidiaries

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

Safety, Health & Environmental Protection:

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

Directors' Responsibility Statement

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

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

Directors

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

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

Mrs. S.S. Garware and Mr. R.P. Chhabra retire by rotation and, being eligible, offer themselves for re-appointment.

Audit Committee

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

Remuneration Committee

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

Corporate Governance

As required by Clause 49 of the Listing Agreement with the Stock Exchange, Mumbai, the Report on Management Discussion and Analysis, Corporate Governance as well as Auditors' Certificate regarding compliance of conditions of Corporate Governance, form part of this Report.

Auditors

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

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

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Other Statutory Information

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

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

Industrial Relations

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

Acknowledgements

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

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For and on behalf of the Board of Directors

Mumbai, 12th June, 2003

S. B. GARWARE
Chairman & Managing Director