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Garware
Polyester Limited

Annual Report 2005-2006

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BOARD OF DIRECTORS	:	S. B. GARWARE	*Chairman & Managing Director*
	:	S. S. GARWARE (Mrs.)	
	:	N. P. CHAPALGAONKAR	
	:	DR. A.M. NAIK	
	:	GAUTAM DOSHI	
	:	S. N. BAHETI	*Nominee of IDBI*
	:	M. GARWARE MODI (Mrs.)	*Vice Chairperson & Jt. Managing Director*
	:	SARITA GARWARE (Ms.)	*Jt.Managing Director*
	:	B. MORADIAN	
	:	A. B. BHALERAO	*Director - Technical*
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. 449/2, 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 Forty-Ninth 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 Friday, the 29th September, 2006 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, 2006 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 Ms. Sarita Garware, who retires by rotation and, being eligible, offers herself 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 appoint a Director in place of Dr. A. M. Naik, who was appointed as an Additional Director of the Company by the Board of Directors at their Meeting held on 30th January, 2006, 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 Dr. A. M. Naik, be and is hereby appointed as a Director of the Company."

By Order of the Board of Directors

S. Chakraborty
Company Secretary &
General Manager (Legal)

Mumbai, 17th August, 2006

Registered Office :
Naigaon, Post Waluj,
Aurangabad 431 133

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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 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 Friday, September 22nd, 2006 to Friday, September 29, 2006 (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 ended 31st March, 1994 have been transferred to the General Reserve 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 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, Pannalal Silk Mill Compound,
   L.B.S. Marg, Bhandup (West),
   Mumbai – 400 078.
   Tel No. 2596 3838
   Fax : 2596 2691

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ANNEXURE TO THE NOTICE

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

Item Nos. 6

Dr. A.M. Naik was appointed as Additional Director on the Board of the Company with effect from 30th January, 2006 under Article 121 of the Articles of the Association of the Company and under Section 260 of the Companies Act, 1956. Dr. A.M. Naik 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 Dr. A.M. Naik as the candidate to the office of the Director of the Company.

Dr. A. M. Naik has to his credit PG Diploma in Management from IIM Kolkata and Ph.D. from University of Mumbai (Doctoral Thesis on Turnaround Strategies). Currently he is a Management Consultant and is on the Board of various companies.

It would be in the interest of the Company to avail of the valuable experience and guidance of Dr. A.M. Naik. The Board recommends the appointment of Dr. A.M. Naik as Director of the Company.

Dr. A.M. Naik is concerned or interested in the Resolution under Item 6 of the Notice. Save as aforesaid, none of the other Directors of the Company is, in any way, concerned or interested in this Resolution.

By Order of the Board of Directors

S. Chakraborty
Company Secretary &
General Manager (Legal)

Mumbai, 17th August, 2006

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. S.S. Garware	Ms. Sarita Garware	Mr. A. B. Bhalerao
Date of Birth & Age	09.12.1935 (70 years)	25.10.1967 (38 years)	15.05.1949 (57 years)
Appointed on	04.04.1996	24.12.1993	30.09.1996
Qualifications	B.A. (Hons.) B.Ed.	M.B.A. from European University in Switzerland	B.E. (Mech.), F.I.E.
Expertise in specific functional areas	• Marketing and Exports • Associated with Charitable and Welfare Organisations	• Specialisation in Marketing (Total Managerial experience 13 years)	• Production of Polyester film and allied products identification of new product lines, product developments. R & D etc. • Chairman / Trustee of various Social, Educational Charitable Institutions and organisations. (Total Managerial experience 33 years.)
Directorship held in other Companies	Garware Industries Limited	Garware Industries Limited	Garware Chemicals Ltd. Garware Industries Ltd.
Chairmanships / Memberships of Committees across public companies	Nil	Garware Polyester Limited – Member, Share & Debenture Transaction cum Investor Grievances Committee.	Garware Chemicals Ltd. – Member, Remuneration Committee

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DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2006

TO THE MEMBERS,

Your Directors present the Forty-Ninth Annual Report together with the Audited Statement of Accounts of the Company for the year ended 31st March, 2006.

Financial Results

(Rs. in Crores)

		2005-06		2004-05
Operating Profit before Interest & Depreciation		**86.16**		111.01
Less : Interest & Financial Charges	**44.96**		44.36	
Depreciation	**30.38**	**75.34**	31.05	75.41
Profit for the year before Tax		**10.82**		35.60
Less : Income Tax	**5.54**		15.03	
Wealth Tax	**0.04**	**5.58**	0.03	15.06
Profit after Tax		**5.24**		20.54
Add : Income Tax Refund of prior years		**0.41**		0.00
Net Profit		**5.65**		20.54
Add : Balance brought forward from previous year		**50.68**		33.19
Balance available for Appropriation		**56.33**		53.73
Appropriations :				
Proposed Dividend		**0.00**		2.18
Tax on Dividend		**0.00**		0.31
Education cess on Dividend Tax of previous year		**0.00**		0.01
Transferred to General Reserve		**0.00**		0.55
Balance carried to Balance Sheet		**56.33**		50.68
		56.33		53.73

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

Gross sales declined by 5.37% from Rs. 894 crores to Rs. 846 crores. Exports rose marginally from Rs. 237 crores to Rs. 246 crores an increase of 3.80%. Export sales growth was driven by an increase in volume of Sun Control film as well as improved realizations. In local market, however, there was pressure on prices and margins due to excess supply situation. The stiff rise of oil prices continued to put pressure on margins. Your Company has consciously focussed on exports and on a diversified portfolio of value added products, viz. Sun Control films, Speciality thick films, etc. to insulate the company from competitive pressures in the commodity segments of the business. This strategy has helped your company to partially overcome the

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cost pressure and post net profit. However, the pressure on margins is likely to continue for some more time until prices of oil and major raw materials stabilize at reasonable levels.

The current year's working is in line with expectations.

Future outlook

Growth of Polyester film in international market continues at an estimated rate of 8 to 10% p.a. In local market too, growth is continuing at an estimated rate of 12 to 15% p.a. The adverse demand/supply equation which prevailed during major part of last financial year and first quarter of this 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, Brazil, Japan and Australia 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.

Research & Development

Company's R & D Centre 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 debottlenecking activities. Your Company's thrust on R & D activities has paid rich dividends.

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. S. S. Garware, Ms Sarita Garware and Mr. A. B. Bhalerao retire by rotation and being eligible, offer themselves for re-appointment.

Mr. R. P. Chhabra resigned from the Board of the Company with effect from 20th February, 2006. The Board places on record its appreciation of the valuable advice given by him during his tenure as Director of your

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Company. The Board appointed Dr. A. M. Naik as additional director, whose term would expire on the conclusion of next AGM. The Company received notices in writing from some members proposing his candidature as director of the Company.

Audit Committee

The Audit Committee comprises of three independent Directors viz., Mr. B. Moradian Mr. S.N. Baheti and Dr. A.M. Naik.

Remuneration Committee

The Remuneration Committee comprises of three independent Directors, viz., Mr. B. Moradian, Mr. S.N. Baheti & Dr. A.M. Naik.

Corporate Governance

As required by Clause 49 of the Listing Agreement with the Stock Exchange, Mumbai, the Reports 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.

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

S. B. GARWARE
Chairman & Managing Director

Mumbai, August 17, 2006

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