

GARWARE-WALL ROPES LIMITED

36th Annual Report 2012-2013



Geared for Growth

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36th Annual General Meeting

Day & Date : Tuesday, 3 September 2013

Time : 10.30 am

Venue :
Auto Cluster Auditorium,
Auto Cluster Development And Research Institute Limited,
H-Block, Plot No. C-181, Off Old Pune-Mumbai Highway,
Chinchwad, Pune - 411 019.

Corporate Information

Founder Chairman

- Late Shri B. D. Garware

Board of Directors

- V. R. Garware - Chairman & Managing Director
- R. B. Garware
- Ms. Diya Garware Ibanez
- P. N. Shah
- R. M. Telang
- S. P. Kulkarni

Company Secretary

- A. M. Boradkar

Bankers

- Bank of India
- Bank of Baroda
- DBS Bank Ltd.
- Citibank NA
- Royal Bank of Scotland N.V.
- HDFC Bank Ltd.
- IDBI Ltd.

Auditors

- Patki & Soman, Chartered Accountants

Solicitors and Advocates

- Talwar Thakore & Associates

Share Transfer Agent

Link Intime India Pvt. Ltd.

202, 2nd Floor, Akshay Complex, Off Dhole Patil Road,
Near Ganesh Temple, Pune - 411 001.

Tel : +91-20-2616 0084, 2616 1629

Telefax : +91-20-2616 3503

Registered Office

Plot No. 11, Block D-1, MIDC, Chinchwad,
Pune - 411 019.

Tel : +91-20-3078 0000 Fax : +91-20-3078 0341

Website : www.garwareropes.com

Mumbai Offices

- Chowpatty Chambers, Sandhurst Bridge,
Mumbai - 400 007. Tel : +91-22-2363 1388

- 39, S. K. Hafizuddin Marg, Byculla,
Mumbai - 400 008.

Tel : +91-22-2309 1164 / 68

Foreign Branch

Narrows Reach Business Centre,
6102 North 9th Street,
Unit#500, Tacoma, WA 98406, U.S.A.





From the Chairman's Desk



Dear Shareholders,

I am pleased to present the Annual Report of Garware-Wall Ropes Limited (GWRL) for the financial year 2012-13.

I am happy to inform you that despite difficult conditions in global and domestic markets, your Company could maintain revenue and profitability.

Your Company earned ₹ 24.67 crores as profit after tax, and keeping in view this and other financials, the Board of Directors has recommended a dividend of 25%.

Your Company's performance is noteworthy considering that demand from the Indian fishing industry, which accounts for a major part of our revenue, was sluggish in FY 2012-13 due to climatic and seasonal factors. Further, the European fishing industry, another major market for your Company, was also significantly affected by the economic difficulties throughout the Eurozone.

Overall, the domestic economy was marked by uncertainty and lack of positive sentiment, which impacted all industrial sectors serviced by your Company, and infrastructure projects in particular.

Your Company tackled the unfavourable macro conditions through realignment of strategies. Slack demand for fishing nets in Europe was offset by increased focus on

new customer development across the globe and specifically in the Far East and South Asia. Innovative aquaculture products were promoted in Europe and North America with significant success. Presence in new business segments was aggressively strengthened. New application areas were developed for existing product lines. Global reach in the sports-goods sector was extended and our products are being used in major sports tournaments across the world. Your Company emerged as the top sports-goods exporter from India.

Increases in raw material prices during the year were largely offset by leveraging our value-added products and through continuous efforts to reduce cost of manufacturing. Hence overall margins could be maintained despite significant inflationary pressures.

Several strategic initiatives have been taken to ensure that we remain firmly on the growth path despite adverse economic conditions. Concerted efforts are being made to address critical concerns of customers through superior technology solutions. Some of these solutions involve in-house research, for finding alternative materials that improve functionality and enable better usage of products. We are moving towards getting international patents for some novel products.

With a wide range of technical textiles for several applications, we are in a position to address many needs of individual customers. This advantage, coupled with systematic efforts to seek new geographies, is expected to fuel the growth momentum.

New opportunity areas are emerging. New fibres developed by your Company have good potential across many sectors. The Government of India's recent defence procurement policy, which emphasises indigenisation, opens a new market for several of your Company's products. We have already been working with defence research organisations for development of specialized solutions. The growing demand for yield-enhancing solutions in the domestic agriculture sector is being aggressively tapped by your Company, and we are gaining a dominant market share position in the solutions we are offering.

Our growth can be ultimately led only by our people. During the year, we initiated several programmes to strengthen our human resources and equip managers across all levels to assume higher levels of responsibility, with greater cross-functional coordination and efficiency. Continued Kaizen initiatives have also helped workmen to upgrade their skills.

I would like to take this opportunity to acknowledge the support we received during the year from all our stakeholders. With support from you all and guidance from the Board, I am confident that your Company can successfully tap current and emerging opportunities in the global and domestic markets for technical textiles.

With warm regards,

V. R. Garware
Chairman & Managing Director



Directors' Report

FOR THE YEAR ENDED 31ST MARCH, 2013

TO THE MEMBERS,

Your Directors have pleasure in presenting the Thirty Sixth Annual Report and Audited Accounts of the Company for the year ended 31st March, 2013.

■ WORKING RESULTS:

	(` in Lacs)	
Particulars	Year ended 2012-2013	Year ended 2011-2012
Profit subject to Depreciation & Taxation	4,972.45	4,807.27
Less: Depreciation, net of transfer from Revaluation Reserve	<u>1,632.44</u>	<u>1,601.92</u>
Profit Before Tax	3,340.01	3,205.35
Less: Provision for Taxation		
Current Tax	851.13	775.00
Deferred Tax	15.40	22.00
Wealth Tax	6.09	5.50
Previous year short tax provision	<u>- -</u> <u>872.62</u>	<u>2.28</u> <u>804.78</u>
Profit After Tax	2,467.39	2,400.57
Add: Profit brought forward from the previous year	<u>11,861.01</u>	<u>10,390.30</u>
Amount available for Appropriation	<u>14,328.40</u>	<u>12,790.87</u>
APPROPRIATIONS		
Proposed Dividend	592.71	592.71
Tax on Proposed Dividend	100.73	96.15
General Reserve	<u>247.00</u> <u>940.44</u>	<u>241.00</u> <u>929.86</u>
Balance in the Statement of Profit & Loss	<u>13,387.96</u> <u>14,328.40</u>	<u>11,861.01</u> <u>12,790.87</u>

■ 2012-2013 THE YEAR UNDER REVIEW:

Your Company earned revenue of ` 603.05 crores for the year ended 31st March, 2013, as against ` 580.82 crores in the previous year. Export sales stood at ` 262.99 crores, whereas domestic sales amounted to ` 340.06 crores for the year ended 31st March, 2013. The year under review was one of the most challenging in recent times, due to rise in raw material costs, increases in power tariffs, manpower and interest costs. These were passed on to customers over the period but impacted margins besides price competitiveness of the Company. The unprecedented economic uncertainty across the globe impacted demand for the Company's products. However, we continue to be one of the largest manufacturers of our products in the world and our marketing strategy aimed at new

products and new markets has enabled growth in market share in the international market. The new business segments of coated fabrics and agri-tech products are showing promising performance.

Despite the constraints and challenging environment, the Company earned the Net Profit after Tax of ` 24.67 crores in the year under review, with a marginal improvement of 2.8%, compared to previous year, even after higher incidence of tax.

■ DIVIDEND:

Your Directors have recommended a dividend at 25% (` 2.50 per share) for the year 2012-2013 for your consideration. The proposed dividend will absorb an amount of ` 693.44 Lacs (including Dividend Tax).

The Dividend, if approved, will be paid to the eligible members within the stipulated time.

■ DIRECTORS:

Mr. S. M. Kuvelker, resigned as Director with effect from 30th October, 2012 and Dr. V. B. Lele, resigned as Director with effect from 27th October, 2012. Consequent to the resignation of Dr. V. B. Lele, Mr. S. N. Talwar, Alternate Director, has ceased to be a Director of the Company. The Board places on record its sincere appreciation of the valuable services rendered by Mr. S. M. Kuvelker, Dr. V. B. Lele and Mr. S. N. Talwar during their tenure as Directors and for their contributions to the deliberations of the Board.

The Board of Directors of the Company appointed Mr. R. B. Garware as an Additional Director, with effect from 5th November, 2012. Consequently, Mr. R. B. Garware has relinquished the position of "Corporate Advisor" of the Company.

The Board of Directors of the Company appointed Mr. P. N. Shah as an Additional Director, with effect from 5th March, 2013.

Pursuant to Article 133 of the Articles of Association of the Company, Mr. S. P. Kulkarni retires by rotation and being eligible, offers himself for re-appointment.

■ DIRECTORS' RESPONSIBILITY STATEMENT:

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

1. that in the preparation of the annual accounts, they have followed the applicable accounting standards;
2. that they have selected such accounting policies and applied them consistently, and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2013 and of the profit of the Company for the year ended 31st March, 2013;
3. that they 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; and
4. that they have prepared annual accounts on a going-concern basis.

■ STATUTORY AUDITORS:

M/s Patki & Soman, Chartered Accountants (F. R. No. 107830W), the Statutory Auditors of the Company, retires at the conclusion of ensuing Annual General Meeting and are eligible for re-appointment.

■ COST AUDIT AND COST COMPLIANCE:

The Central Government has issued industry wide General Cost Audit Order and the Company is covered under the purview of Cost Audit. M/s Joshi Apte & Associates, Cost Accountants, were appointed as Cost Auditors for conducting an audit of Cost Accounting records maintained by the Company, for the financial year 2012-2013. The Audit Report for the Cost Accounting records maintained by the Company, for the financial year 2012-2013, is under preparation and the same will be filed with the Central Government, within the prescribed time limit.

M/s Joshi Apte & Associates, Cost Accountants, the Cost Auditors of the Company, has been re-appointed as Cost Auditors, for conducting an audit of Cost Accounting records maintained by the Company, for the financial year 2013-2014.

■ INFORMATION PURSUANT TO SECTION 217(1)(e) OF THE COMPANIES ACT, 1956:

Information in accordance with 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 the Directors' Report is given at 'Annexure I'.

■ PERSONNEL:

The relations with employees at all levels continued to be cordial throughout the year.

■ PARTICULARS OF EMPLOYEES:

The particulars of employees required to be furnished under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, forms part of the Directors' Report. However, as per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the reports and accounts are being sent to all the Shareholders of the Company excluding the statement of particulars of employees. Any Shareholder interested in obtaining a copy of the said statement may write to the Company Secretary at the Registered Office of the Company.



■ SUBSIDIARY:

Garware Environmental Services Private Ltd., has become a wholly-owned subsidiary of your Company, with effect from 28th November, 2012. This Subsidiary Company is yet to start its commercial operations.

■ CONSOLIDATED FINANCIAL STATEMENTS:

In terms of Section 212(8) of the Companies Act, 1956, read with the General Circular No. 2/2011 dated 8th February, 2011, issued by the Ministry of Corporate Affairs, Government of India, general exemption has been granted to companies from compliance of the provisions of Section 212(1) of the Companies Act, 1956. The Board of Directors of the Company has decided to avail this exemption. Accordingly, the Balance Sheet, Statement of Profit and Loss and other documents of the Subsidiary Company are not attached with the Annual Report of the Company. However, certain key information of the Subsidiary Company as required to be provided in terms of the said Circular, is disclosed in the Annual Report.

The Annual Accounts of the Subsidiary Company and the related detailed information will be made available to any member of the Company/its Subsidiaries who may be interested in obtaining the same. The Annual Accounts of the Subsidiary Company will also be kept for inspection by any member at the Company's Registered Office and that of the Subsidiary Company.

The Annual Report of the Company contains the consolidated Audited Financial Statements.

■ CORPORATE GOVERNANCE:

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, a separate section on Management

Discussion and Analysis, Corporate Governance as well as the Auditor's Certificate regarding compliance of conditions of Corporate Governance is set out in Annexure forming part of this report.

■ CORPORATE SOCIAL RESPONSIBILITY (CSR):

As a part of its social responsibility, your Company continues to be supportive and is actively participating in various activities of social benefits. It has been helping in setting-up ancillary units. The sphere of CSR activities includes organising health camps, blood donations camps, summer vacation camps, cycle rally, tree plantation drive, etc. The Company also supports schools and colleges by providing them educational equipments and Sport Nets manufactured by the Company.

■ ACKNOWLEDGMENT:

Your Directors gratefully acknowledge the support given by Customers, Dealers, Distributors, Suppliers, Bankers, various departments of the Central and State Governments, Local Authorities and also the Shareholders of the Company.

Your Directors would further like to record their appreciation for the unstinted efforts put in by all Employees of the Company during the year.

On behalf of the Board of Directors,

Mumbai,
30th May, 2013

V. R. GARWARE
Chairman & Managing Director

ANNEXURE I TO DIRECTORS' REPORT 2012-13

As per Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended 31st March, 2013.

A. CONSERVATION OF ENERGY:

- i) The Company constantly takes effective steps towards energy conservation. Some of the measures taken by the Company during the year are as under:
 - a) Installation of various energy efficiency devices, such as variable frequency drives on the doubler machines, motion detectors for tube lights, power controller for hot air oven, raw material conveyor system for extrusion machines and variable frequency drive for water pumps,
 - b) Replacement of old motors, energy efficient chilling plants with lower capacity and suction blower by improved water suction blower and
 - c) Optimisation of chilling plant by controlling water temperature.
- ii) The Company is not covered by Schedule of Industries which are required to furnish information in Form 'A'.

B. TECHNOLOGY ABSORPTION:

Efforts made in technology absorption as per "Form 'B'" of the Annexure to the rules:

Research & Development:**1. Specific areas in which R & D activities are carried out by the Company:**

The Company has a well-equipped R & D facilities at Wai and Chinchwad, both recognised by The Department of Scientific and Industrial Research, Ministry of Science and Technology, Government of India. The main thrust of R & D has been development of new products, ropes, nettings and coated fabric with different/new applications.

2. Benefits derived/to be derived as a result of the R & D activities:

New products help the Company to tap new market/customers. It also helps the Company provide solutions meeting customers requirements and delivering greater value addition.

3. Future Plan of Action:

The Company has invested resources in developing sophisticated next generation products which will allow significant fuel savings in fishing applications.

4. Expenditure on R & D:

	(` in lacs)
a) Capital	108.17
b) Revenue/Recurring	226.59
c) Product Development Expenditure	149.78
d) Total	<u>484.54</u>
e) Total of R & D as a percentage of Revenue from Operation	<u>0.80%</u>

Technology Absorption, Adaptation and Innovation:

The Company does not employ any foreign technology, which needs absorption or adaptation. The Company has developed various new products.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO:**1. Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and services and export plans:**

Your Company is the country's largest manufacturer and exporter of Synthetic Cordage and Netting. The Company has earned net foreign exchange of ` 16,114.23 lacs during the year. Your Company is a Government recognised 'Export House' and has received Export Awards for its excellent performance.

2. Total Foreign Exchange earned and used:

	(` in lacs)
A. Total Foreign Exchange earned:	<u>26,299.48</u>
Total value of exports	<u>26,299.48</u>
B. Total Foreign Exchange used:	
a) Import of raw material stores & spares, traded goods and capital goods	8,705.29
b) Expenditure in foreign currencies, for business travel, subscription, professional fees, commission on export sales and overseas branch expenses, etc.	1,523.02
	<u>10,228.31</u>

On behalf of the Board of Directors,

Mumbai,
30th May, 2013

V. R. GARWARE
Chairman & Managing Director



Management Discussion and Analysis

Overview of Company

Your Company, Garware-Wall Ropes Ltd. (GWRL), is one of India's leading players in Technical Textiles. The Company uses an extensive range of polymers to provide application focused solutions for customers around the world in fishing, mooring, sports, habitat, infrastructure, geo-synthetics, agriculture, defence and transportation sectors. Your Company makes ropes, nets and aquaculture cages for capturing and growing fish; nets for sports such as tennis and soccer used in prestigious tournaments across the globe; nets for protected cultivation for high-value agriculture; coated fabrics for hanger covers, awnings, exhibition covers etc.; and soil management products and solutions for infrastructure, waste management, water management and erosion-control projects.

Your Company's customers are located across all continents in over 75 countries. End-users include fishermen, farmers, engineers, oil drillers, packers, transporters, construction companies, municipalities, government organisations, shipping companies, clubs, universities and manufacturing plants. The key to maintaining end-user loyalty and support has been continuous focus on the Company's mission : Provide innovative, application-focused solutions to enhance value of our customers globally.

Your Company's sales are spread across several verticals and geographies, providing stability and hedge against business and economic trends, and thereby a steady stream of revenue and profitability.

Users of your Company products are serviced through branches, depots, dealers, associates and partners located in strategically relevant and in even extremely remote places across the globe. Supply of products and services is done from three large integrated manufacturing facilities in Pune, Wai and Silvassa. Marketing offices in USA, UK, Russia and Canada improve customer responsiveness in their time zones and to local needs.

Your Company has built a strong team of people with domain knowledge and functional specialisation, with sharp customer focus and contact.

During the last decade, your Company has been able to achieve dominant share of markets in India as well as Canada, USA, Great Britain, Norway, New Zealand and Australia, for several products.

Business Environment in FY 2012-13

FY 2012-13 was one of the most turbulent years for the global economy. Unfavourable economic conditions in Europe and USA continued to impact developing countries. Europe is one of the largest markets for your Company's products outside India and the economic difficulties faced by the Eurozone significantly impacted demand for the Company's products. China and India were able to weather the headwinds with heavy fiscal stimuli in 2008-09 and there was strong domestic consumption in India. However, in the year under review, fiscal stimulus was not viable due to inflation, and domestic consumption could not maintain its