

GARWARE-WALL ROPES LIMITED

37th Annual Report 2013-2014



CHANGING PARADIGMS

In Respectful Memory



Ramesh B. Garware

(14th October 1940 – 7th February 2014)

Our visionary former Chairman whose principles and ideals
will continue to guide us in all our endeavours.



GARWARE-WALL ROPES LIMITED

37th Annual General Meeting

Day & Date : Thursday, 25 September 2014

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.

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Building on the internal processes and systems developed during the year, we are determined to deal with challenges and maintain profitable volume growth.

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 2013-14.

On behalf of all members of the GWRL family, I would like to first express deep sorrow on the demise of my father, our former Chairman, Mr. Ramesh Garware, on February 7, 2014. As you know, Mr. Garware was a visionary and dynamic leader, who ably charted the course of your Company for many years and helped it achieve its present stature. On this occasion, I would like to reaffirm our commitment to his values and business principles. Your Company will continue to be guided by his emphasis on three fundamentals: Cost, Quality and Time.

The year under review was one of opportunities and challenges. There was a gradual revival in the global economy, especially in Europe and USA, which constitute your Company's major markets. However, on the domestic front, demand continued to be lukewarm in major industry segments. Inflationary pressures on costs remained significant.

Your Company addressed this situation through a combination of well-planned strategies. Adopting the principles of lean manufacturing and value engineering, we made focused efforts to improve efficiencies and profitability. Internally, we worked



to increase throughput and reduce consumption of materials, power and fuel. On the external front, our efforts included expansion of customer base, widening our distribution reach, securing repeat orders from existing customers, and improving our delivery lead times and responsiveness to customer feedback.

In tune with our mission of providing application-focused solutions to add value to customers' businesses, our R&D team worked to capture the voice of the customer and translate this need into innovative products. Consequently, we successfully launched several new products that redefine paradigms and add value in application sectors such as aquaculture, deep-sea fishing, high-value agriculture and coated fabrics.

Our human resources are our biggest asset and we strengthened this asset during the year by deepening bonds and capabilities across the various layers of the organisation, by building cross-functional teams for the long term, and through a series of training and development programmes.

Through all these initiatives and efforts, your Company registered good performance in FY 2013-14. Our export revenue increased by 29%. Gross revenue increased by 12.4% and profits before tax went up by 17%. Your Board of Directors has recommended a dividend of 27%.

Speaking of the near future, the prospects are encouraging. There are significant signs of revival in the global economy. On the domestic front,

there are strong indications of pro-growth policy initiatives. We expect these indicators to translate into higher demand for your Company's products, though the speed at which this will happen is not clear at this time. We also foresee some challenges. The domestic infrastructure sector is yet to get out of a prolonged lull and may take some time to do so. Inflationary pressures continue to push costs up and passing on these costs is a challenge.

Building on the internal processes and systems developed during the year, we are determined to deal with challenges and maintain profitable volume growth. Our manufacturing team will continue to work on optimisation of costs without compromising on quality. Our focus on new product development will remain strong. Leveraging our considerable exports presence, we will work towards growth across geographies and product segments. We will also take special efforts to attract good new talent and enhance our employee engagement.

I take this opportunity to acknowledge the support we received during the year from all our stakeholders.

On behalf of the entire GWRL team and the Board of Directors, I seek your continued support and goodwill for our efforts.

With warm regards,

V. R. Garware

Chairman & Managing Director



CHANGING PARADIGMS

Corporate Information

Founder Chairman

- Late Mr. B. D. Garware

Chairman Emeritus

- Late Mr. R. B. Garware

Board of Directors

- V. R. Garware - Chairman & Managing Director
- Ms. Diya Garware Ibanez
- Ms. M. V. Garware (w.e.f. 16-8-2014)
- P. N. Shah (Up to 30-6-2014)
- R. M. Telang
- S. P. Kulkarni
- A. D. Goel (w.e.f. 16-8-2014)

Company Secretary

- R. H. Yadav

Bankers

- Bank of India
- Bank of Baroda
- DBS Bank Ltd.
- Citibank NA
- HDFC Bank Ltd.
- IDBI Ltd.
- HSBC Bank Ltd.

Auditors

- Patki & Soman, Chartered Accountants

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
E-mail : pune@linkintime.co.in

Registered Office

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

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

E-mail : pune_admin@garwareropes.com

Website : www.garwareropes.com

CIN : L25209MH1976PLC018939

Mumbai Offices

- Chowpatty Chambers, Sandhurst Bridge,
Mumbai - 400 007. Tel : +91-22-2263 4696/97
E-mail : mum_admin@garwareropes.com

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

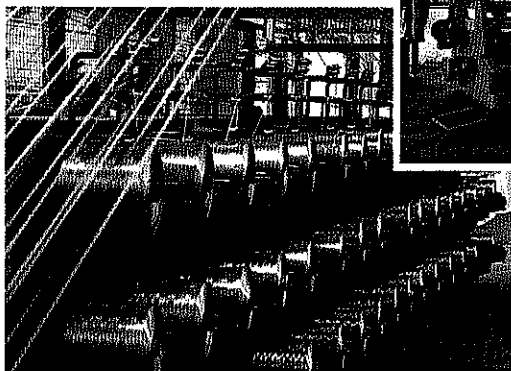
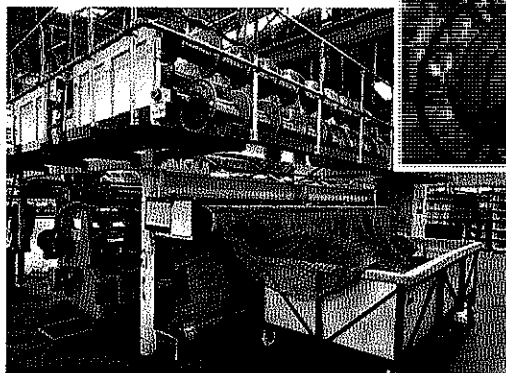
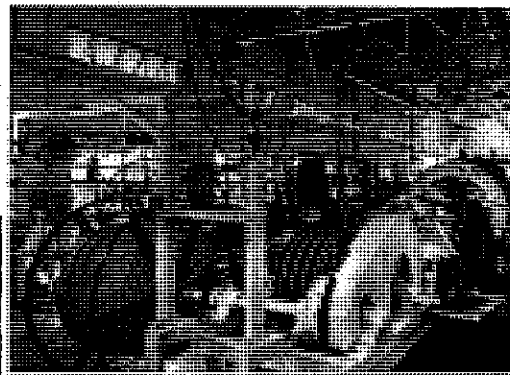
Tel : +91-22-2309 1164 / 68

E-mail : mum_accounts@garwareropes.com

Foreign Branch

Narrows Reach Business Centre,
6102 North 9th Street,
Unit#500, Tacoma, WA 98406, U.S.A.
Tel : 001-25356 40217

E-mail : gwrlusa@garwareropes.com



Directors' Report

FOR THE YEAR ENDED 31ST MARCH, 2014

TO THE MEMBERS,

Your Directors have pleasure in presenting the Thirty Seventh Annual Report and Audited Accounts of the Company for the year ended 31st March, 2014.

■ WORKING RESULTS:

(₹ in Lacs)

Particulars	Year ended 2013-2014		Year ended 2012-2013	
Profit subject to Depreciation & Taxation	5,347.01		4,972.44	
Less: Depreciation, net of transfer from Revaluation Reserve	1,439.33		1,632.44	
Profit Before Tax		3,907.68		3,340.00
Less: Provision for Taxation				
Current Tax	1,017.80		851.13	
Deferred Tax	210.65		15.40	
Wealth Tax	8.50		6.09	
Previous year short tax provision	4.54	1,241.49	--	872.62
Profit After Tax		2,666.19		2,467.38
Add: Profit brought forward from the previous year		13,387.95		11,861.01
Amount available for Appropriation		16,054.14		14,328.39
APPROPRIATIONS				
Proposed Dividend	593.25		592.71	
Tax on Proposed Dividend	100.82		100.73	
General Reserve	267.00	961.07	247.00	940.44
Balance in the Statement of Profit & Loss		15,093.07		13,387.95
		16,054.14		14,328.39

■ 2013-2014 THE YEAR UNDER REVIEW:

Your Company earned revenue of ₹ 688.79 crores for the year ended 31st March, 2014, as against ₹ 603.05 crores of previous year. Domestic Sales stood at ₹ 347.38 crores, whereas Export Sales amounted to ₹ 341.41 crores for the year ended 31st March, 2014. The business environment in the year under review offered opportunities as well as challenges for the growth of your Company. While there was a gradual revival in the global economy, recessionary trends ruled over major domestic industry segment. There was also continued pressure on costs. Your Company successfully navigated through these challenges.

Despite the constraints and challenging environment, your Company earned Net Profit after Tax of ₹ 26.66 crores, in the year under review, with an improvement of 7.50%, compared to previous year, even after higher incidence of tax.

Your Company continues to be the world leader in manufacturing of products in this field. With a strong

Research and Development team, the marketing of new products has enabled growth of market share in the international market. The new business segments of coated fabrics and agri-tech products are showing promising performance. With the budget already in place, there are early indications of a revival in the economy. Recent indicators from the global economy have also been positive. This is expected to have a positive impact on the business of your Company.

■ DIVIDEND:

Your Directors have recommended a Dividend at 27% (₹ 2.70 per share) for the year 2013-2014 for your consideration. The proposed dividend will absorb an amount of ₹ 694.07 lacs (including Dividend Tax).

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

■ DIRECTORS*:

Mr. R. B. Garware, a senior member of Board of Directors, who led the Company for many years,



expired on 7th February, 2014. Under his astute guidance and stewardship, the Company grew exponentially and notched many achievements to its credit. The Company has an uninterrupted profit-making record and enjoys an excellent brand reputation amongst stakeholders. These achievements are reflective of the distinctive and meritorious contribution of Mr. R. B. Garware in the capacity of Chairman from 20.11.1990 till 31.10.2006, as Chairman and Managing Director till 31.10.2011, and thereafter as Chairman Emeritus. The Board places on record its appreciation for the valuable services and contribution of late Mr. R. B. Garware over the last 23 years.

Mr. P. N. Shah, Director resigned from the Board of the Company with effect from 1st July, 2014. Your Directors place on record its appreciation for the services rendered by him.

Ms. Diya Garware Ibanez retires by rotation and being eligible, offers herself for re-appointment.

Pursuant to Section 161 of the Companies Act, 2013 read with Article of Association of the Company, Ms. Mayuri V. Garware was appointed as Director with effect from 16th August, 2014 against casual vacancy of Mr. P. N. Shah. She retires by rotation and being eligible, offers herself for re-appointment.

Pursuant to Section 161 of the Companies Act, 2013 read with Article of Association of the Company, Mr. Ashish D. Goel is appointed as an Additional Director (Independent Director) with effect from 16th August, 2014 and shall hold office up to the date of the ensuing Annual General Meeting.

As per the provisions of the Companies Act, 2013, Independent Directors shall not be liable to retire by rotation. The resolutions proposing appointment of Mr. R. M. Telang, Mr. S. P. Kulkarni, and Mr. Ashish D. Goel, Independent Directors, form part of the Notice of the Annual General Meeting.

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, 2014 and of the profit of the Company for the year ended 31st March, 2014;
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:

Pursuant to the provisions of Section 139 of the Companies Act, 2013 read with the Companies (Audit & Auditors) Rules, 2014 M/s Patki & Soman, Chartered Accountants (F. R. No. 107830W), the Statutory Auditors of the Company, would hold office for a period commencing from the conclusion of the Annual General Meeting till the conclusion of the 40th Annual General Meeting, subject to the ratification of their appointment at every Annual General Meeting of the Company.

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 the 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 2013-2014. The Cost Auditors have completed the Cost Audit for the cost accounting records maintained by the Company, for the financial year 2013-2014 and have submitted the Cost Audit Report. The said Cost Audit Report will be filed with the Central Government, within the prescribed time limit.

SHARE CAPITAL

The share buy-back scheme (the Scheme) announced by the Company was closed on 9th April 2014. The Scheme was successfully completed having bought back 18,26,290 equity shares of ₹ 10/- each for an aggregate consideration of Rs.10,99,99,884.41 as against maximum amount of ₹ 11 crores provided in the Scheme.

The paid up capital of the Company post buyback stands at 2,18,82,060 equity shares of ₹ 10/- each.

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 may write to the Company Secretary at the Registered Office of the Company.

■ SUBSIDIARY:

Garware Environmental Services Private Ltd. is the wholly-owned subsidiary of your Company. 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 benefit. 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. Your 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 the 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,

Pune,
16th August, 2014

V. R. GARWARE
Chairman & Managing Director

* The Board of Directors at its meeting held on 16th August 2014, decided to revise the text of Para as was approved earlier on 29th May 2014 and then authorized afresh Chairman to sign with revised text.

ANNEXURE I TO DIRECTORS' REPORT 2013-14

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, 2014.

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 efficient devices, such as Automatic Voltage Regulator for Transformer, Motion Detector for Tube Lights, Occupancy Sensors for Lightings and Air Conditioners and Pull Cord Switches for Lightings,
 - b) Replacement of existing high power Fluorescent Tube Lights by low power LED Tube Lights, Old Motors, Existing high power Mercury Vapour fitting by low power LED Lamp Fitting and Ring Twister by Winding Machines and
 - c) Temperature optimisation of chilling plant and optimisation of water pump.
- 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:

Your Company has 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 the 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 markets / customers. It also helps the Company to provide solutions meeting customers' requirements and delivering greater value addition to them.

3. Future Plan of Action:

Your 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	205.33
b) Revenue / Recurring	289.87
c) Total	<u>495.20</u>
d) Total of R & D as a percentage of Revenue from Operations	0.72%

Technology Absorption, Adaptation and Innovation:

Your Company does not employ any foreign technology, which needs absorption or adaptation. Your Company has developed its own 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. Your Company has earned net foreign exchange of ₹ 23,858.89 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:	34,140.63
Total value of exports	<u>34,140.63</u>
B. Total Foreign Exchange used:	
a) Import of raw materials stores & spares, traded goods and capital goods	8,454.41
b) Expenditure in foreign currencies for business travel, subscription, professional fees, commission on export sales and overseas branch expenses, etc.	1,827.33
	<u>10,281.74</u>

On behalf of the Board of Directors

Pune,
16th August, 2014

V. R. GARWARE
Chairman & Managing Director