



**Garware**  
**Polyester Limited**

**ANNUAL REPORT**  
**2009-2010**



**Garware**  
**Polyester Limited**

**BOARD OF DIRECTORS** : S. B. GARWARE *Chairman & Managing Director*  
: S. S. GARWARE (Mrs.)  
: DILIP J. THAKKAR  
: N. P. CHAPALGAONKAR  
: M. GARWARE MODI (Mrs.) *Vice Chairperson & Jt. Managing Director*  
: SARITA GARWARE (Ms.) *Jt. Managing Director*  
: SONIA GARWARE (Ms.)  
: B. MORADIAN  
: M. S. ADSUL *Director – Technical*  
: M. C. AGARWAL (Dr.)  
: RAMESH P. MAKHIJA

**COMPANY SECRETARY & GENERAL MANAGER** : Manoj Koul

**BANKERS** : Indian Overseas Bank  
Dena Bank  
The Federal Bank Limited  
State Bank of Mysore  
Bank of India  
Punjab National Bank  
Export – Import Bank of India

**AUDITORS** : Shah & Co.  
Chartered Accountants  
  
Bhandari Dastur Gupta & Associates  
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.

**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 & SHARE TRANSFER AGENTS** : Link Intime India Private Limited.



**NOTICE**

NOTICE IS HEREBY GIVEN THAT the Fifty Third Annual General Meeting of the members of **GARWARE POLYESTER LIMITED** will be held at the Registered Office of the Company on Wednesday, 29<sup>th</sup> September, 2010 at 11.30 a.m. at Naigaon, Post Waluj, Aurangabad - 431133, to transact the following businesses:

**Ordinary Business:**

1. To receive, consider and adopt the audited Balance Sheet as at 31<sup>st</sup> March, 2010 and the Profit and Loss Account for the six months period ended on that date and the reports of the Board of Directors and the Auditors thereon.
2. To declare a dividend on preference and equity shares.
3. To appoint a Director in place of Mr. Dilip J. Thakkar, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Dr. M. C. Agarwal, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. M. S. Adsul, who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint the retiring auditors as auditors of the Company to hold the office from the conclusion of this annual general meeting till the conclusion of the next annual general meeting and fix their remuneration.

By Order of the Board of Directors

**Manoj Koul**  
*Company Secretary &  
General Manager*

Mumbai  
05<sup>th</sup> August, 2010

**Registered Office:**

Naigaon, Post Waluj,  
AURANGABAD - 431 133.

**NOTES:**

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING (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. 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.
4. The Register of Members and the Share Transfer Books of the Company will remain closed from Saturday, 18<sup>th</sup> September 2010 to Wednesday, 29<sup>th</sup> September 2010 (both days inclusive).
5. The Dividend as recommended by the Directors, if declared at the Meeting, will be paid to those members whose names appear in the Register of Members of the Company on 29<sup>th</sup> September, 2010, in respect of shares held in physical form and in respect of shares

held in the electronic form, to those 'Deemed Members' whose names appear in the statement of Beneficial Ownership furnished by the National Securities Depository Services Ltd. (NSDL) and the Central Depository Services (India) Ltd. (CDSL) at the end of business hours on 17<sup>th</sup> September, 2010.

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 & Share Transfer Agents, in case they hold shares in physical form.
7. Pursuant to the provisions of Sections 205A and 205C of the Companies Act, 1956, the dividend which remains unclaimed / unpaid for a period of seven years from the date of transfer to the respective unpaid dividend accounts, is required to be transferred to the Investor Education and Protection Fund (IEPF) of the Central Government.
8. Unclaimed dividend for the Financial Years 2003-04 and 2004-05 is still lying in the respective unpaid dividend accounts of the Company. Members who have not encashed the dividend warrants for the said Financial Years, are requested to contact the Company's Registrars and Share Transfer Agents, Link Intime India Private Limited.
9. Unclaimed dividend for the Financial Year 2003-04 is due for transfer to the IEPF in the year 2011. Kindly note that no claims shall lie against the Company or the IEPF after such transfer.
10. 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 Registrars and Share Transfer Agents of the Company at the following address:

**LINK INTIME INDIA PRIVATE LIMITED**

(Unit: Garware Polyester Limited)  
C-13, Pannalal Silk Mill Compound, L.B.S. Marg,  
Bhandup (West), Mumbai - 400 078.  
Tel. No. 022-2594 6970, Fax : 022-2594 6969.

11. In terms of the Regulations of NSDL & CDSL, the Bank Account details of Beneficial Owners of Shares in demat form will be printed on the dividend warrants as furnished by the Depository Participants (DP). The Company will not entertain any request for change of bank details printed on their dividend warrants. In case of any changes in your bank details, please inform your DP immediately.
12. To prevent fraudulent encashment of dividend warrants, members are requested to provide their Bank Account Detail(s) (if not provided earlier) to the Company (if shares held in physical form) or to DP (if shares held in demat form), as the case may be, for printing of the same on their dividend warrants.

By Order of the Board of Directors

Mumbai  
05<sup>th</sup> August, 2010

**Manoj Koul**  
*Company Secretary &  
General Manager*

## Information on Directors seeking re-election/appointment at this Annual General Meeting. [Pursuant to Clause 49(IV)(G) of the Listing Agreement]

Name of the Director	Mr. Dilip Thakkar	Dr. M. C. Agarwal	Mr. M. S. Adsul
Date of Birth & Age	01.10.1936 (74 years)	23.10.1946 (64 years)	01.06.1955 (55 years)
Appointed on	30.04.2007	29.04.2009	31.07.2007
Qualifications	Chartered Accountant	Masters in Psychology. Ph. D	B.Sc. (Tech.) in plastics & DBM
Expertise in specific functional areas	Taxation & Foreign Exchange Regulation	HRD	Product Development & Production
Directorship(s) held in other public companies	<ol style="list-style-type: none"> <li>1. Poddar Developers Ltd.,</li> <li>2. Panasonic Energy India Co. Ltd.</li> <li>3. Essar Oil Ltd.</li> <li>4. Thirumalai Chemicals Ltd.</li> <li>5. The Ruby Mills Ltd.</li> <li>6. PAE Ltd.</li> <li>7. Himatsingka Seide Ltd.</li> <li>8. Indo Count Industries Ltd.</li> <li>9. Walchandnagar Industries Ltd.</li> <li>10. Essar Shipping Ports &amp; Logistics Ltd.</li> <li>11. Modern India Ltd.</li> <li>12. Aegis Ltd.</li> <li>13. Premier Ltd.</li> </ol>	–	<ol style="list-style-type: none"> <li>1. Garware Chemicals Ltd.</li> <li>2. Garware Industries Ltd.</li> </ol>
Memberships / Chairmanships of Committees across public companies	<ol style="list-style-type: none"> <li>1. Panasonic Energy India Co. Ltd.</li> <li>2. Essar Oil Ltd.</li> <li>3. Thirumalai Chemicals Ltd.</li> <li>4. PAE Ltd.</li> <li>5. Himatsingka Seide Ltd.</li> <li>6. Walchandnagar Industries Ltd.</li> </ol>	<ol style="list-style-type: none"> <li>1. Garware Polyester Ltd.</li> </ol>	<ol style="list-style-type: none"> <li>1. Garware Polyester Ltd.</li> <li>2. Garware Chemicals Ltd.</li> <li>3. Garware Industries Ltd.</li> </ol>
Shareholding in the Company.	NIL	NIL	-75-

**DIRECTORS' REPORT FOR THE PERIOD ENDED MARCH 31, 2010**

**TO THE MEMBERS,**

Your Directors present the Fifty-Third Annual Report together with the Audited Statement of Accounts of the Company for the year (six months period) ended 31<sup>st</sup> March, 2010.

**Financial Results**

(Rs. in Crores)

	<b>October 2009- March 2010 (6 months)</b>		<b>October 2008-September 2009 (12 months)</b>	
Operating Profit before interest & Depreciation		<b>57.85</b>		108.04
Less: Interest & Financial Charges	<b>16.34</b>		52.59	
Depreciation	<b>16.09</b>	<b>32.43</b>	<u>32.47</u>	<u>85.06</u>
Profit for the period before Tax		<b>25.42</b>		22.98
Less: Income Tax	<b>0.00</b>		12.30	
Wealth Tax	<b>0.05</b>	<b>0.05</b>	<u>0.05</u>	<u>12.35</u>
Profit after Tax		<b>25.37</b>		10.63
Add: Balance brought forward from previous year		<b>75.79</b>		<u>67.87</u>
<b>Balance available for Appropriation</b>		<b>101.16</b>		<u>78.50</u>
<b>Appropriation:</b>				
Transfer to General Reserve		<b>1.30</b>		0.00
Dividend on Redeemable Preference Shares (*Rs. 27,230/-)		<b>0.00 *</b>		0.01
Proposed Dividend - Equity Shares		<b>3.46</b>		2.31
Tax on Dividend		<b>0.58</b>		0.39
<b>Balance carried to Balance Sheet</b>		<b>95.82</b>		<u>75.79</u>
		<b>101.16</b>		<u>78.50</u>

**Dividend**

Your Directors recommend for consideration at the Annual General Meeting, declaration of dividend for the year (six months period) ended 31<sup>st</sup> March, 2010 as under :

- On 54,46,000 0.01% Cumulative Redeemable Preference Shares of Rs.100/-each and
  - On 2,30,60,386 equity shares of Rs.10/- each @ 15% (i.e. Rs.1.50/- per equity share).
- The above will absorb Rs. 403.68 lakhs (including Tax).

**Operations**

Local sales increased by 5.43%, and exports have increased by 24.45% (on annualized basis) due to improved demand of Plain Polyester Film in domestic market with specific improved demand in automobile sector and improved global economic conditions. The Company had taken several cost control measures to reduce operating costs, which are giving sustained results. The Company has also reduced the financial cost and as a combine results of all efforts, your Company has performed better and the net profit has increased substantially in the current year.

**Future outlook**

Growth in retail sector, liberalization, growing middle class, rising purchases of packaged foods and goods, growing demand for polyester films in applications such as electrical cables, motor insulators, lamination for automobiles and building glass windows is expected to fuel growth of polyester films. In International market, it is expected at 4-6% per annum. Local market growth is estimated at the rate of 10-14% per annum. The growth in domestic market is expected to be

higher due to boom in retail outlets. The market scenario is positive and offers possibilities for increasing the sales in value added products. Your Company has successfully created new markets and additional business in specialty film in Europe, China, USA, Australia, New-Zealand, Brazil, Mexico, Africa and Middle East. With an aggressive marketing approach and offering of value added products the Company could come out with excellent results.

Various new products such as Nano, Ceramic and IR films launched in the market have revealed wide acceptance worldwide. The local market continues to show robust growth due to car kits.

**Research & Development**

Company's R&D Center 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.

**Information Technology**

Company believes that IT is a strategic tool for excellence in customer service and sustainable business growth. With this end in view, the Company has implemented SAP for better business integration by replacing legacy standalone systems. To start with some of the modules are being implemented which will be extended further in due course of time.

The Company has implemented centralized email system with cluster solution for efficient working.

## Awards and Recognitions

During the period, your Company has been awarded highest recognition for Top Exporter of Polyester Film for the year 2007-08 and 2008-09 by Plastic Export Promotion Council (Plexcouncil), sponsored by the Ministry of Commerce and Industry, Government of India.

During the period, your Company has received the highest recognition of National Energy Conservation award first prize from the Ministry of Power, Government of India in appreciation of achievements in energy conservation in Plastic sector for the year 2009.

## Human Resource Development

The Company's HR policies and processes are aligned to effectively drive its business and other emerging opportunities. This has been achieved by continuously investing in learning and development programs, creating appropriate work environment and maintaining a structured recognition system. The Company helps employees to build new skills and competencies and promote knowledge sharing and team building.

## Manufacturing and Quality Initiatives

With innovative approaches in manufacturing techniques and product optimization, the productivity in the manufacturing segment has significantly gone up. The quality culture of your Company ensures that the products are benchmarked as best in class by the customers. Our quest for excellence both in Manufacturing and Quality continues as before. Your Company is regarded as best in class for quality and reliability.

## Corporate Social Responsibility

Corporate social responsibility in your Company is aligned with 'Garware' tradition of creating wealth in the community with focus on health, education and safety.

## 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

Being a Responsible Corporate Citizen, your Company has continued to sustain various initiatives for the continual improvement in Safety, Environment and Health (SEH) at the works and surroundings. Some of the prominent activities include - Internal Safety Audit of plants (as per Indian Standard on Occupational Safety and Health Audit: IS-14489), periodical SEH inspections and trainings, schemes on the efficient usage of energy and the conservation of natural resources, activities for the enhancement of employee participation in SEH and the support in emergency management operations at public places. Your Company has brought various safety laurels from the Government authorities on the state and national level in this period. Security system has been upgraded, like awareness training, evacuation drills to meet the new challenges.

## 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 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 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

Mr. Dilip Thakkar, Dr. M. C. Agarwal and Mr. M. S. Adsul, retire by rotation and being eligible, offer themselves for re-appointment.

## Audit Committee

Besides Mr. M. S. Adsul, the Audit Committee comprises of two independent Directors viz. Mr. B. Moradian and Dr. M. C. Agarwal. Mr. B. Moradian, who is an independent non-executive director, acts as chairman of Audit Committee meetings.

## Corporate Governance

A Report on Management Discussion and Analysis, Corporate Governance as well as Auditor's Certificate regarding compliance of Clause 49 of the listing agreement form part of this Report.

## Change in Financial Year

Company has been following the financial year from 1st October to 30th September. In order to be in line with accounting year under the Income Tax Act, 1961, the Company has changed the financial year from (1st October - 30th September) to (1st April - 31st March). Due to this change, the reporting financial year of the Company comprises of six months period from 1st October 2009 till 31st March 2010.

## Auditors

The retiring joint auditors, M/s. Shah & Co., and M/s. Bhandari Dastur Gupta & Associates are eligible for re-appointment and have indicated their willingness to act as auditors, if appointed. The Company has received letters from both the auditors to the effect that their re-appointment, if made, would be within the prescribed limits under Section 224(1B) of the Companies Act, 1956 and they are not disqualified for re-appointment within the meaning of Section 226 of the said Act. The observations made in the Auditor's 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.



**Group**

The names of the Promoters and entities comprising “Group” as defined under the Monopolies and Restrictive Trade Practices (“MRTP”) Act, 1969 are disclosed as under for the purpose of Regulation 3(1) (e)(i) of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

**Name**

- Shri S. B. Garware
- Mrs. S. S. Garware
- Mrs. Monika Garware Modi
- Ms. Sarita Garware
- Ms. Sonia Garware
- Monika Holdings Pvt. Limited.
- Sarita Garware Investments Consultants Pvt. Limited.
- Soniya Holdings Pvt. Limited.
- Garware Industries Limited
- Garware Chemicals Limited
- Shashvat Investments Consultancy & Properties Private Limited
- Lucky Trading & Exports Limited
- Great Design Properties Private Limited
- Envision Properties Private Limited
- Best Design Properties Private Limited
- Via Investment Consultants Private Limited
- Naigaon Chemicals Private Limited
- Garware Polyester International Limited

- Global Pet Films Inc.
- B. D. Garware Research Center
- Garware Charitable Trust
- S. B. Garware Family Trust
- Sheela Garware Family Trust
- Monika Garware Modi Benefit Trust
- Sarita Garware Benefit Trust
- Sonia Garware Benefit Trust

**Industrial Relations**

The relations between the Employees and the Management remained cordial during the period 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 wholehearted co-operation received by the Company from the various departments of the Central & State Governments, Company’s Bankers and Financial & Investment Institutions during the period under review.

For and on behalf of the Board of Directors

Mumbai  
05<sup>th</sup> August, 2010

**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 :**

Following successful energy conservation efforts were made during the year under review ;

1. Thermic heater efficiency optimization carried out in Central Utility and started using cooling water in the place of chilled water in some areas.
2. Commissioning of Biomass fired Boiler.
3. Use of emulsified furnace oil for thermic fluid heater.
4. Provision of VFD to TDO oven blower.
5. Secondary hot oil pump impeller trimming in Film Plant.

**(B) TECHNOLOGY ABSORPTION**

**I. Research and Development (R&D) –**

**1. Specific areas in which R&D carried out by the Company.**

- a) Development of coated products for enhanced adhesion to various inks- (e.g.UV, PVB, thermal, toner based and laminating adhesives)
- b) Development of catalyst and thermal stabilizers for PET film to make it FDA approved
- c) Development of speciality polymer as import substitute.

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

Value added products developed

**3. Expenditure on R&D / Product Development**

	(Rs. in Lakhs)
a. Capital (Excl. CWIP)	Nil
b. Recurring	104.70
Total	104.70

Total R&D expenditure as a percentage to total turnover: 0.33 %

**II. Technology absorption, adaptation and innovation**

1. Efforts made towards technology absorption, adaptation and innovation:
  - a. Developed technique to disperse nano particles
  - b. Developed non-fading nano particle based Solar Control film
2. Benefits derived as a result of above efforts:
 

Above efforts have resulted in improvement of product output, quality and reduction in wastage.
3. Technology imported during the last five years:
 

No Technology has been imported during the last 5 years

**(C) FOREIGN EXCHANGE EARNINGS AND OUTGO:**

**I. Activities relating to exports, initiatives taken to increase export markets for products and services and export plans.**

1. The export marketing activities are being consolidated to maintain the share of exports in total production. Newer markets are being explored.
2. Constant endeavour is being made to establish the products in specific overseas regional markets and to accomplish the same, individuals with knowledge and experience of these markets are appointed to service the customers.
3. The Company has established warehousing and marketing outfits in USA and UK.

**II. Total Foreign Exchange used and earned**

	(Rs. in Crores)
Used	: 13.05
Earned (FOB)	: 118.80

For and on behalf of the Board of Directors

Mumbai  
05<sup>th</sup> August, 2010

**S. B. GARWARE**  
*Chairman & Managing Director*

# ANNUAL REPORT 2009-10

## CORPORATE GOVERNANCE REPORT

In compliance with Clause 49 of the Listing Agreement with the Bombay Stock Exchange Limited.

### Company's philosophy on Code of Governance

The philosophy of the Company is to enhance the long-term economic value of the Company, its shareholders at large by adopting better corporate practices in fair and transparent manner. The Company recognises effective corporate governance as critical to achieving corporate goals and increasing the Company's value.

The Report on Corporate Governance is divided into six parts:

- |                                      |                                     |
|--------------------------------------|-------------------------------------|
| (1) Board of Directors – Composition | (2) Committees of the Board         |
| (3) Remuneration of Directors        | (4) Disclosures                     |
| (5) Means of Communication           | (6) General Shareholder information |

### 1. COMPOSITION OF THE BOARD OF DIRECTORS

Category	Name of the Director	No. of Shares held as on 31st March 2010	No. of Directorship (s) in Public Limited Companies**	No. of Chairmanship (s), of Committees (Both Listed/Unlisted Public Companies)#	Committee membership s) #
Non – Independent Executive	1. Shri S. B. Garware	14,48,890	4	–	–
	2. Mrs. M. Garware Modi	5,04,430	7	–	–
	3. Ms. Sarita Garware	4,59,345	2	–	1
	4. Mr. M. S. Adsul	75	3	–	1
Independent Non- Executive	1. Mr. Dilip J. Thakkar	–	14	5	5
	2. Mr. B. Moradian *	–	2	2	–
	3. Mr. N. P. Chapalgaonkar	–	1	–	–
	4. Dr. M. C. Agarwal	–	1	–	2
	5. Mr. Ramesh P. Makhija	–	2	–	–
Non-Independent Non-Executive	1. Mrs. S. S. Garware	1,06,528	3	–	–
	2. Ms. Sonia Garware	4,12,514	2	–	–

\* Chairman of Audit Committee and Share & Debenture Transactions cum Investors' Grievances Committee.

\*\* This excludes directorship held in Private Companies, Foreign Companies, and Companies formed under section 25 of the Companies Act, 1956 and directorship held as an alternate director but includes directorship in Garware Polyester Limited.

# Committee of Directors include Audit Committee and Shareholders/ Investor Grievance Committee of Directors only. This include membership/ chairmanship in Committee of Directors of Garware Polyester Limited.

### BOARD MEETINGS

The Company places before the Board all the relevant and necessary data/ information at its meetings such as production, sales, exports, review of business, any legal proceedings by/against the Company, share transfers, quarterly financial results, minutes of: (a) previous Board Meetings, (b) Audit Committee Meetings, (c) Share & Debenture Transactions cum Investors' Grievances Committee Meetings, (d) Remuneration Committee Meeting and such other relevant information.

During the period under review commencing w.e.f 1<sup>st</sup> October, 2009 two Board Meetings were held as per details given below:

#### Board Meetings

Sr. No.	Date	Board Strength	No. of Directors Present
1.	12.11.2009	11	8
2.	28.01.2010	11	7

The previous Annual General Meeting (AGM) was held on 28<sup>th</sup> December 2009.

The attendance of Directors at the Board Meetings, and at the aforesaid Annual General Meeting was as under:

Name of Directors	Number of Board Meetings attended	Whether present at the previous AGM
Shri S. B. Garware	2	NO
Mrs. S. S. Garware	2	NO
Mrs. M. Garware Modi	–	NO
Ms. Sarita Garware	2	NO
Ms. Sonia Garware	2	NO
Mr. M. S. Adsul	1	YES
Mr. Dilip J. Thakkar	–	NO
Mr. B. Moradian	2	YES
Mr. N. P. Chapalgaonkar	1	YES
Dr. M. C. Agarwal	2	NO
Mr. Ramesh P. Makhija	1	NO

## 2. COMMITTEES OF THE BOARD

The Board has constituted Committees of Directors to take informed decisions and to oversee the activities falling within the purview of their terms of reference. The following are the various Committees of the Board:

### (a) Audit Committee

The Board of the Company has constituted an Audit Committee comprising of the following Directors:

Mr. B. Moradian	–	Chairman
Mr. M. S. Adsul	–	Member
Dr. M. C. Agarwal	–	Member

The Company Secretary, Mr. Manoj Koul acts as the Secretary to the Committee.

### Brief description of terms of reference are:

- Overseeing and ensuring the adequacy and compliance of internal control systems.
- Reviewing the quarterly, half-yearly and annual financial statements with special emphasis on accounting policies and practices, compliance with accounting standards and other legal requirements concerning financial statements before submission to the Board.
- Reviewing the adequacy of the Audit and Compliance, including their policies, procedures, techniques and other regulatory requirements.
- Undertaking periodical review of Internal Audit Reports and appraising and reviewing the scope of Internal Audit functions from time to time.
- Interacting effectively with the Statutory Auditors from time to time to discuss about finalisation of annual financial statements.
- Considering any other matter, which may be referred to it by the Board.
- The Minutes of the Audit Committee Meetings are placed at the Meeting of the Board of Directors.

### Meetings and attendance during the period.

During the period under review, two Audit Committee meetings were held as per details given below.

Sr. No.	Date	Strength	No. of Members Present
1.	12.11.2009	3	3
2.	28.01.2010	3	2

The attendance of Members at the Committee Meetings was as under:

Name of Members	Audit Committee Meetings Attended
Mr. B. Moradian	2
Mr. M. S. Adsul	1
Dr. M. C. Agarwal	2

### (b) Share & Debenture Transactions cum Investors' Grievances Committee

The Board of the Company has constituted a Share & Debenture Transactions cum Investor's Grievances Committee comprising of the following Directors:

Mr. B. Moradian	–	Chairman
Ms. Sarita Garware	–	Member
Dr. M. C. Agarwal	–	Member

The Company Secretary, Mr. Manoj Koul, acts as the Compliance Officer.

Brief descriptions of terms of reference are;

- To consider and approve transfer of shares, issuance of duplicate share certificates etc.
- Redressal of shareholder's/investor's complaints relating to transfer of shares, non-receipt of annual report, dividends, transmission, transposition, splitting, consolidation and dematerialisation of shares, etc.

### Details of complaints received and redressed during the period from 1<sup>st</sup> October, 2009 to 31<sup>st</sup> March, 2010.

As per information received from Registrar M/s. Link Intime India Private Limited, during the period, the Company received 50 complaints from shareholders, which were resolved. The details are as under:

Nature of Complaint	No. of Complaints	No. of Complaints Resolved	No. of Pending Complaints 31.03.2010
Transfer of Shares	15	15	Nil
Dividend	23	23	Nil
Others	12	12	Nil
<b>Total</b>	<b>50</b>	<b>50</b>	<b>Nil</b>

### Share Transfer Details:

During the period, the Committee met 13 times. As on 31<sup>st</sup> March, 2010, there were no requests pending for transfer of shares. The details of share transfers are reported to the Board of Directors along with the Minutes of the aforesaid Committee Meetings. The attendance of Members at the aforesaid Committee Meetings was as under:

Name of Members	Meetings Attended
Ms. Sarita Garware	13
Mr. B. Moradian	6
Dr. M. C. Agarwal	7

### Investor's Grievances:

The Registrars and Share Transfer Agents, viz. Link Intime India Private Limited under supervision of the Secretarial Department of the Company redresses the Investor's grievances.

### (c) Remuneration Committee:

The Board of the Company has constituted a Remuneration Committee comprising of the following Directors:

Mr. B. Moradian	–	Member
Mr. M. S. Adsul	–	Member
Dr. M. C. Agarwal	–	Member

The terms of reference of the above committee are to review the remuneration payable to Managing / Wholtime Directors.

## 3. REMUNERATION TO DIRECTORS:

The remuneration to Managing Director, Joint Managing Directors and Director- Technical is paid as per the Agreements entered into between them and the Company. Wherever necessary, Company seeks approval of Central Government for their remuneration. Non-Executive Directors are paid sitting fees of Rs.5,000/- for every board meeting and Rs. 1000/- for every Committee Meeting attended by them.

The details of remuneration paid to the Directors of the Company during the period (1<sup>st</sup> October, 2009 to 31<sup>st</sup> March, 2010) are given below :

	(Rs. in Lakhs)
a) Salary and Perquisites	– 237.74
b) Commission	– 31.00
c) Sitting Fees to Non-Executive Directors	– 00.68
<b>Total</b>	<b>– 269.42</b>

Service contract in respect of Managing Director, Joint Managing Directors and Director-Technical is for five years.

Performance-linked Bonus : Nil  
Stock option details, if any : Nil

#### 4. DISCLOSURES:

- Disclosures on materially significant related party transactions i.e. transactions of the Company of material nature, with its promoters, directors or the management, their subsidiaries or relatives etc. that may have potential conflicts with the interest of the Company at large are separately disclosed in this Annual Report (Refer Note No. 12 in Schedule 12 B).
- Your Company recognizes the "Risk Management" as an integrated, forward-looking process oriented approach for managing "Enterprise Wide Risks".

The Company manages its risk under following broad category:

- Strategic and Business Risk
- Operation and implementation Risks
- Financial Risks
- Risk related to Human Resources

Management recognises that risk management encompasses three processes : risk assessment, risk mitigation and evaluation and assessment.

For the risk assessment, the management of the Company headed by Executive Committee under over all supervision of Board of Directors regularly reviews and assesses the plans of the Company, taking into account the changes in the global industry scenario and advises the operational management on various strategic issues.

For risk mitigation, the Company has adopted Standard Operating Procedures devised by M/s. PricewaterhouseCoopers Pvt. Ltd. to strengthen it's internal controls and standardise the procedures.

The Company has this year successfully implemented SAP in place of existing ERP system to accelerate business innovation, unleash growth and create significant new values for all stakeholders. This new system will also help Company in protecting valuable data, eliminating need for multiple systems and automate key compliance activities such as data collection, retention and analysis.

- No penalties/strictures have been imposed on the Company by Stock Exchange or SEBI or other authority on any matter related to capital markets, during last three years.

#### 5. MEANS OF COMMUNICATION

The Board of Directors of the Company approves and takes on record the unaudited quarterly financial results in the format prescribed by the Stock Exchange, and discloses the said financial results to the Bombay Stock Exchange Limited, where the shares of the Company are listed. Further, the said results in the prescribed format are published in the leading newspapers.

The Company's website is: [www.garwarepoly.com](http://www.garwarepoly.com)

Report on Management Discussion and Analysis forms part of this Annual Report.

#### 6. GENERAL SHAREHOLDER INFORMATION

##### (a) Registered Office:

Naigaon, Post Waluj,  
Aurangabad - 431 133

##### (b) Registrars and Share Transfer Agents :

Link Intime India Private Limited,  
C-13, Pannalal Silk Mill Compound,  
L.B.S. Marg, Bhandup (West), Mumbai - 400 078.  
Tel. No.: 022 - 25946970 Fax No.: 022 - 25946969  
e-mail : [helpline@linkintime.co.in](mailto:helpline@linkintime.co.in)  
Contact Person: Mr. Mahesh Masurkar

##### (c) Address for Correspondence:

Garware Polyester Limited,  
Garware House,  
50-A, Swami Nityanand Marg,  
Vile Parle (East), Mumbai-400 057.  
Tel No: 022-6698 8000 – 15  
Fax No: 022-2824 8155 / 66  
e-mail: [manojkoul@garwarepoly.com](mailto:manojkoul@garwarepoly.com)

##### (d) Plants Locations :

Waluj, Chikalthana,  
and Nasik.

##### (e) Listing on Stock Exchange

Shares of the Company are listed on the Stock Exchange, Mumbai, under Stock Code No.500655,

ISIN No. for dematerialised shares is INE 291A01017.

The Company has paid Annual Listing Fees for the year 2010- 11 to the above Stock Exchange. The Company has also paid custodial charges to National Securities Depository Limited and Central Depository Services (India) Limited for 2010-2011.

##### (f) Share price Data on The Stock Exchange, Mumbai

Month	Share Price Data		BSE Sensex	
	High (Rs.)	Low (Rs.)	High	Low
October 2009	39.50	35.10	17,326.01	15,896.28
November 2009	41.55	29.90	17,198.95	15,404.94
December 2009	49.95	42.85	17,401.56	16,601.20
January 2010	53.55	44.65	17,701.13	16,289.82
February 2010	55.05	46.65	16,496.05	15,790.93
March 2010	62.15	50.35	17,711.35	16,772.56

##### (g) Share Transfer System

The Share Transfer requests received in physical form are registered and transferred within 30 days from the date of lodgement by the Registrars and Share Transfer Agents if the same are valid and complete in all respects and thereafter the same are duly approved by Share & Debenture Transactions cum Investors' Grievances Committee. Since the Company's shares are compulsorily traded in demat segment on the Stock Exchange, Mumbai, bulk of the transfers takes place in electronic form.

##### (h) Dematerialisation of Shares and Liquidity

The Company's shares are available for dematerialisation on both the Depositories viz. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL), for which purpose the Company has entered into Agreements with the respective Institutions. The Shares of the Company are compulsorily to be delivered in the demat form to the Stock Exchanges by all investors. Nearly 88.44% of the equity shares of the Company have been dematerialised by investors and bulk of transfers take place in the demat form.

##### (i) Distribution of Shareholdings as on 31st March, 2010

No. of Shares held	No. of Shareholders	% of Shareholders	No. of Shares	% Shareholding
1 to 500	31679	96.10	2798565	12.14
501 to 1000	635	1.93	509819	2.21
1001 to 2000	293	0.89	449340	1.95
2001 to 3000	91	0.27	236643	1.02
3001 to 4000	46	0.14	170218	0.74
4001 to 5000	47	0.14	226163	0.98
5001 to 10000	72	0.22	520154	2.26
10001 and above	103	0.31	1814984	78.70
<b>Total</b>	<b>32966</b>	<b>100.00</b>	<b>23060386</b>	<b>100.00</b>

**(j) Categories of shareholding as on 31st March, 2010**

Sr. No.	Category	No. of shares held	% shareholding
1.	Promoters (Shri S. B. Garware, family and Associates)	1,32,54,596	57.48
2.	Mutual Funds and UTI	1,59,118	0.69
3.	Banks, Financial Institutions, Insurance Companies (Central / State Govt. Institutions/ Non-Govt. Institutions)	9,95,450	4.32
4.	Private Corporate Bodies	8,90,576	3.86
5.	Foreign Institutional Investors	2,355	0.01
6.	NRIs	8,15,749	3.54
7.	Indian Public	69,42,542	30.10
	<b>Grand Total</b>	<b>2,30,60,386</b>	<b>100.00</b>

**(k) Outstanding GDRs/ADRs/**

**Warrants or any convertible instruments and conversion date and likely impact on equity** : **Not Applicable**

**(l) Reappointment / Appointment of Directors**

Mr. Dilip Thakkar, Dr. M. C. Agarwal and Mr. M. S. Adsul Directors are retiring by rotation and being eligible, offer themselves for re-appointment.

**(m) Code of Conduct**

The Company has always encouraged and supported ethical business practice in personal and corporate behaviour by its directors and employees. The Company has framed a specific Code of Conduct for the members of the Board of Directors and Senior Management personnel of the Company. In addition to that a special Code of Conduct for dealing in equity shares and other listed securities of the Company is also in place.

**(n) CEO/CFO Certification**

The Chairman & Managing Director and the Chief Financial Officer of the Company give annual certification on financial reporting and internal controls to the Board in terms of Clause 49. The Chief Financial Officer also give quarterly certification on financial results while placing the financial results before the Board in terms of Clause 41.

**(o) Information on General Body Meetings**

Details of the last 3 Annual General Meetings (AGM) held by the Company are as under:

	Date	Venue	Time
50 <sup>th</sup> AGM	18.12.2007	Registered Office: Naigaon, post Waluj, Aurangabad-431133	11.30 a.m.
51 <sup>st</sup> AGM	23.12.2008	As above	11.30 a.m.
52 <sup>nd</sup> AGM	28.12.2009	As above	11.30 a.m.

None of the Special Resolutions passed during the last three AGMs were required to be passed through postal ballot. No special resolution for this period is required to be passed through postal ballot.

**(p) Financial Calendar**

Current Financial Year	1 <sup>st</sup> October, 2009 to 31 <sup>st</sup> March, 2010
Unaudited Financial Results for the Quarter ending: 30 <sup>th</sup> June 2010, 30 <sup>th</sup> September 2010, 31 <sup>st</sup> December 2010 and 31 <sup>st</sup> March 2011.	Within 45 days form the end of reporting quarter.
Annual General Meeting for year ending 31 <sup>st</sup> March 2011.	Before the end of September 2011.
Date of Book Closure for the current financial year	18 <sup>th</sup> September, 2010 to 29 <sup>th</sup> September, 2010 (both days inclusive)
Dividend payment date	On or after 29 <sup>th</sup> September, 2010.
Email address for Investor Complaints	manojkoul@garwarepoly.com

**AUDITORS' REPORT ON CORPORATE GOVERNANCE**

TO  
THE MEMBERS OF  
**GARWARE POLYESTER LIMITED**

We have examined the compliance of conditions of Corporate Governance by GARWARE POLYESTER LIMITED for the period of six months from 01-10-2009 to 31-03-2010, as stipulated in Clause 49 of the Listing Agreement entered into with the Stock Exchange.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statement of the Company.

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the Shareholders/Investors Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **Shah & Co.**  
*Chartered Accountants*  
(Registration No. 109430W)

For **Bhandari Dastur Gupta & Associates**  
*Chartered Accountants*  
(Registration No. 119739W)

**(Indulal H. Shah)**  
*Partner*  
Membership No. : 798

**(Sunil Bhandari)**  
*Partner*  
Membership No. : F-047981

Mumbai,  
05<sup>th</sup> August, 2010

## REPORT ON MANAGEMENT DISCUSSION AND ANALYSIS

### Overview

Garware Polyester Limited (GPL) is a pioneer in manufacture of polyester films in India and the largest exporter of polyester films. It is the only Company, which manufactures quality Sun Control Film in India and one out of the only two companies in the world to manufacture Dyed Polyester Films.

#### 1. Industry Structure and Developments

Polyester films have wide applications in flexible packaging, electrical magnetic media, imaging etc. The Company has well-developed marketing network throughout the world, some of the major countries being EU, USA, Far East, Middle East, Africa, South America etc.

The Company has developed a wide network of dedicated customers in Europe, USA, Far East, Middle East, Brazil, Australia, China, New Zealand, Eastern Europe, Mexico, and Africa. The quality of our products is rated amongst the best in the world and with a very high level of customer service, the customer base is consistent and stable.

#### 2. Opportunities and threats

The supply demand situation for Polyester films is favorable with the demand exceeding supplies and is likely to continue in a similar fashion at least for next two quarters. The Company has evolved several new strategies in product branding as well as with increased focus on R & D several new products like Nano technology based films, Ceramic films and IR (Infra-red) films have been introduced in the solar film market. The Company therefore hopes to rapidly grow its market share in Solar films.

#### 3. Outlook

##### Exports:

##### Plain Film:

With the variety and high quality of our product offerings, the Company is fully confident of maintaining its strong position in exports. Presently Company products are being successfully sold in EU, USA, South America, Africa, Middle East, Far East etc.

The Company has successfully launched its brand of High Shrink films globally, with its high value addition this product will substantially add to the profitability.

The Company's wholly owned subsidiary in UK, viz. Garware Polyester International Limited (GPIL) is handling European markets and Global Pet Films (GPF), a wholly owned subsidiary of GPIL, is handling American markets. We expect these subsidiaries to grow their business further, given the response to the Company's popular brands, such as 'Garfilm' and 'Global Window Film'.

##### Sun Control Film:

Sun Control films have shown a major growth in the current year. The Company has successfully launched multiple brands, new products and with aggressive and innovative marketing strategies the major growth in Sun Control films will be sustained during the year. Sun Control films are presently being marketed throughout the world. Both our quality as well as customer orientation is highly valued in the industry.

##### Local:

The "Global brand" has been launched in India and the response of the market has been overwhelming. Our focus on car kits and OEM tie-ups is helping us to maintain our dominant position in the domestic market.

Increased usage of Window films in offices, commercial buildings and malls continues to add to the growth of Company's business in the premium segment of Window films.

#### 4. Review of Operations

The financial statements have been prepared in compliance with the requirements of the Companies Act, 1956 and the applicable accounting standards.

(Rs. in lakhs)

	2009-10 06 months	2008-09 12 months	% change on annualized basis
Gross Sales	52,736.55	91,466.16	15%
Net Sales	31,269.12	55,467.95	13%
Other Income	136.93	200.01	37%
Profit before Interest, Depreciation & Tax	5,785.21	10,804.07	7%
Interest & Financial Charges	1,633.74	5,259.16	(38)%
Depreciation	1,609.39	3,247.09	(1)%
Profit before Tax	2,542.08	2,297.82	121%
Provision for Tax	4.75	1,234.46	(99)%
Profit after Tax	2,537.33	1,063.36	377%
Earnings per share (Rs.)	11.00	4.61	377%
Market Capitalization	14,332.03	8,878.25	223%

#### 5. Internal Control Systems and their Adequacy

The Company has sound systems of internal control and checks, which are supplemented by a regular internal audit commensurate with the size of its business and nature of its operations. The Audit Committee of the Board meets at regular intervals and actively reviews the internal control systems, which are reflected in the internal audit reports. Suitable corrective actions are initiated wherever necessary.

#### 6. Material Developments in HR / Industrial Relations

Your Company has a well-qualified and experienced team of professionals who have contributed to the performance of the Company. Labour relations at all the manufacturing units of the Company continued to remain cordial throughout the six-month period. There was no industrial unrest during the period under review.

#### 7. Risks and Concerns

Due to volatility of crude oil prices, the raw material prices during the period under review have been exhibiting volatile trend. The volatility of Rupee has added further uncertainty. Though the Company has been in a position to pass on the increase, there has always been a time lag for passing the increase in export markets.

The Company will continue to focus on cost control and cost effective measures and give dedicated and specified thrust to exports.

Demand for the Company's products is sensitive to changes in industry capacity and output levels, cyclical changes in regional and global economic conditions and changes in consumer demand. Significant addition in capacities by competitors has heated the competition.

The central and state tax scheme in India is extensive and subject to change from time to time. Any adverse changes in any of the taxes levied by the central or state governments may adversely affect the Company's competitive position and profitability.

The Government of Maharashtra has amended the MVAT Act in retrospect and the Company has filed a Writ Petition for the same before the Hon'ble Bombay High Court.

The Company is subject to risks arising from volatile foreign exchange market as well as interest rate fluctuations, which could adversely affect its business operational results. The Company has endeavoured to monitor and mitigate these risks.

#### 8. Cautionary Statement

The statements in report of the Board of Directors and the Management Discussion & Analysis Report describing the Company's outlook, estimates or predictions may be forward looking statements within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied since the Company's operations are influenced by many external and internal factors beyond the control of the Company. The Company takes no responsibility for keeping the members updated on changes in these factors except as may be statutorily required from time to time.

**AUDITORS' REPORT**

TO  
THE MEMBERS OF  
**GARWARE POLYESTER LIMITED**

We have audited the attached Balance Sheet of **GARWARE POLYESTER LIMITED** as at 31<sup>st</sup> March 2010, and also the Profit and Loss Account and the Cash Flow Statement of the Company for the period ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditors' Report) Order, 2003, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.

Further to our comments in the Annexure referred to in Paragraph (3) above, we state that:

- a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
- b) In our Opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
- c) The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement referred to in this report are in agreement with the books of account.

- d) In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956.
  - e) On the basis of written representations received from the directors and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31<sup>st</sup> March, 2010 from being appointed as a Director in terms of Clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956 as on the said date.
  - f) In our opinion and to the best of our information and according to the explanations given to us, the said Accounts read with Note No. 14 regarding Deferred Tax liability and read together with the other notes in Schedule 12 give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.
    - i. In the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March, 2010.
    - ii. In the case of the Profit and Loss Account, of the "PROFIT" of the Company for the period ended on that date.
- AND
- iii. In the case of the Cash Flow Statement of the Cash Flows for the period ended on that date.

For **Shah & Co.**  
*Chartered Accountants*  
(Registration No. 109430W)

**(Indulal H. Shah)**  
*Partner*  
Membership No. : 798

Mumbai,  
05<sup>th</sup> August, 2010

For **Bhandari Dastur Gupta & Associates**  
*Chartered Accountants*  
(Registration No. 119739W)

**(Sunil Bhandari)**  
*Partner*  
Membership No. : F-047981

## ANNEXURE TO THE AUDITORS' REPORT

(REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE)

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) A major portion of the assets has been physically verified by the management during the period. We are informed that no material discrepancies have been noticed by the management on such verification.
- (c) The Company has not disposed off substantial part of its fixed assets during the period. According to the information and explanations given to us, we are of the opinion that the disposal of fixed assets has not affected the going concern status of the Company.
- (ii) (a) The Inventories have been physically verified during the period by the Management. In our opinion the frequency of verification is reasonable.
- (b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material in relation to the operations of the Company and have been properly dealt with in the books of account.
- (iii) (a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Hence the provisions of Clause 4(iii) b, (c) and (d) of the order are not applicable for the period under report.
- (b) The Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained u/s 301 of the Companies Act, 1956. Hence the provisions of clauses 4 (iii) (f) and (g) of the order are not applicable for the year under report.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods and services. During the course of audit, we have not observed any continuing failure to correct major weaknesses in internal controls.
- (v) (a) In our opinion and according to the information and explanations given to us the transactions that need to be entered in the register maintained under section 301 of the companies Act, 1956 have been so entered.
- (b) According to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of rupees five lakhs in respect of any party during the period have been made at prices which are reasonable having regard to prevailing market prices at the relevant time in the opinion of the management.
- (vi) According to the information and explanations given to us, the Company has not accepted during the period any deposits from the public as per the provisions of Sections 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975. To the best of our knowledge and

according to the information and explanations given to us, no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.

- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) The Central Govt. has not prescribed maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 in the period under review for any of the products of the Company.
- (ix) (a) According to the information and explanation given to us, the Company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues applicable to it. As explained to us, no undisputed amounts payable in respect of above were in arrears as at 31st March, 2010 for a period of more than six months from the date they became payable.
- (b) The following dues have not been deposited on account of dispute:

Nature of Dues	Financial Year to which the Dispute pertains	Amount (Rs. in Lakhs)	Forum where dispute is pending
Income Tax	2003-04	18.30	Commissioner of Income Tax, Mumbai
Income Tax	2005-06	02.28	
Excise Duty	1994-95	07.21	Customs, excise and Service Tax Appellate Tribunal Mumbai
	2001-02	31.40	High Court, Aurangabad
		04.92	
Excise Duty	1989-90	0.41	High Court, Mumbai
Sales Tax	1982-83	4.88	Deputy Commissioner, Delhi
Sales Tax	1984-85	6.00	Sales Tax Assessing Officer, Delhi & Noida
	1993-94	6.25	

- (x) The Company does not have accumulated losses at the end of the accounting year and has not incurred cash losses during the financial period covered by our audit and in the immediately preceding financial year.
- (xi) According to the information and explanations given to us, the Company has not defaulted in repayment of dues to financial institutions, banks or debenture holders.
- (xii) According to the information and explanations given to us, the Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) As the Company is not a chit fund or a nidhi, mutual benefit fund or society, the provisions of clause 4(xiii) of the Companies (Auditors' report) Order, 2003 are not applicable to the Company.
- (xiv) As the Company is not dealing in or trading in shares, securities, debentures and other investments, the provisions of clause 4(xiv) of the Companies (Auditors' report) Order, 2003 are not applicable to the Company.



- (xv) The Company has given guarantees for loans taken by Associate Company. According to the information and explanations given to us, we are of the opinion that the terms and conditions thereof are not prima facie prejudicial to the interest of the Company.
- (xvi) According to the information and explanations given to us, the Company has applied the term loans for the purpose for which they were obtained.
- (xvii) According to the information and explanations given to us, the Company has not applied short term borrowings for long term use.
- (xviii) According to the information and explanations given to us, the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
- (xix) The Company has not issued any debentures during the period.

- (xx) The Company has not raised any money by way of public issue during the period.
- (xxi) According to the information and explanations given to us, no material fraud on or by the Company has been noticed or reported during the period.

For **Shah & Co.**  
*Chartered Accountants*  
(Registration No. 109430W)

For **Bhandari Dastur Gupta & Associates**  
*Chartered Accountants*  
(Registration No. 119739W)

**(Indulal H. Shah)**  
*Partner*  
Membership No. : 798

**(Sunil Bhandari)**  
*Partner*  
Membership No. : F-047981

Mumbai,  
05<sup>th</sup> August, 2010

# ANNUAL REPORT 2009-10

## BALANCE SHEET AS AT 31ST MARCH, 2010

	Schedule		As at 31.03.2010 (Rs. in Lakhs)	As at 30.09.2009 (Rs. in Lakhs)
<b>FUNDS EMPLOYED :</b>				
<b>SHAREHOLDERS' FUNDS</b>				
Share Capital	1	7,745.83		7,745.83
Reserves & Surplus	2	19,609.24		17,475.59
			<b>27,355.07</b>	25,221.42
<b>LOAN FUNDS</b>				
Secured Loans	3A	29,922.67		32,095.25
Unsecured Loans	3B	30.56		93.25
			<b>29,953.23</b>	32,188.50
Deferred Tax Liability			<b>1,444.24</b>	1,444.24
<b>TOTAL</b>			<b>58,752.54</b>	<b>58,854.16</b>
<b>APPLICATION OF FUNDS :</b>				
<b>FIXED ASSETS</b>				
Gross Block	4	86,435.22		86,101.72
Less: Depreciation		48,737.51		47,167.27
Net Block		37,697.71		38,934.45
Capital Work in Progress		331.96		222.22
			<b>38,029.67</b>	39,156.67
<b>INVESTMENTS</b>	5		<b>3,810.02</b>	3,810.02
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>				
Inventories		5,448.98		5,677.87
Sundry Debtors		10,653.93		9,864.50
Cash and Bank Balances		996.60		952.29
Other Current Assets		2,148.24		2,162.47
Loans and Advances		1,921.65		1,359.55
		21,169.40		20,016.68
<b>Less: CURRENT LIABILITIES AND PROVISIONS</b>	7			
Current Liabilities		2,744.07		2,838.74
Provisions		1,518.31		1,305.22
		4,262.38		4,143.96
<b>Net Current Assets</b>			<b>16,907.02</b>	15,872.72
Miscellaneous Expenditure (To the extent not Written off)				
Share Issue Expenses.			<b>5.83</b>	14.75
<b>TOTAL</b>			<b>58,752.54</b>	<b>58,854.16</b>

The notes in Schedule 12 and Schedules referred to herein form an integral part of the Balance Sheet

As per our report of even date

For **SHAH & CO.**  
Chartered Accountants

For **BHANDARI DASTUR GUPTA & ASSOCIATES**  
Chartered Accountants

**INDULAL H. SHAH**  
Partner

**SUNIL BHANDARI**  
Partner

Mumbai, 05<sup>th</sup> August, 2010

For and on behalf of the Board of Directors

**S. B. GARWARE** – Chairman & Managing Director

**B. MORADIAN** – Director

**M. S. ADSUL** – Director – Technical

**L. M. AGRAWAL** – Chief Financial Officer

**MANOJ KOUL** – Company Secretary & General Manager

**PROFIT AND LOSS ACCOUNT FOR THE PERIOD OCTOBER 1, 2009 TO MARCH 31, 2010**

	Schedule	2009-2010 (6 Months) (Rs. in Lakhs)	2008-2009 (12 Months) (Rs. in Lakhs)
<b>INCOME:</b>			
Sales including Excise duty		<b>32,922.34</b>	58,821.98
Inter-Divisional Transfers (as per contra)		<b>19,814.21</b>	32,644.18
Gross Sales		<b>52,736.55</b>	91,466.16
Less: Excise duty		<b>1,653.22</b>	3,354.03
Net Sales		<b>51,083.33</b>	88,112.13
Other Income	8	<b>136.93</b>	200.01
Increase / (Decrease) in Finished and Semi-finished Goods	9	<b>(208.07)</b>	(1,604.21)
		<b>51,012.19</b>	86,707.93
<b>EXPENDITURE :</b>			
Raw Materials consumed	10	<b>14,823.41</b>	25,033.20
Inter-Divisional Transfers (as per contra)		<b>19,814.21</b>	32,644.18
Manufacturing & other expenses	11	<b>10,589.36</b>	18,226.48
Interest & financial charges (Refer Note No.8 in Schedule 12B)		<b>1,633.74</b>	5,259.16
		<b>46,860.72</b>	81,163.02
<b>Profit before Depreciation and Tax</b>		<b>4,151.47</b>	5,544.91
Depreciation		<b>1,609.39</b>	3,247.09
<b>Profit before Tax</b>		<b>2,542.08</b>	2,297.82
Less: Provision for Taxation :			
Deferred Tax		<b>0.00</b>	1,193.75
Current Tax		<b>430.00</b>	467.77
Less : MAT Credit Entitlement		<b>(430.00)</b>	(467.77)
Fringe Benefit Tax		<b>0.00</b>	35.80
Wealth Tax		<b>4.75</b>	4.91
<b>Profit after Tax</b>		<b>2,537.33</b>	1,063.36
Add: Balance brought forward from previous year		<b>7,578.91</b>	6,786.53
<b>Profit available for appropriation</b>		<b>10,116.24</b>	7,849.89
<b>APPROPRIATIONS :</b>			
Dividend Payable on Preference Shares		<b>0.27</b>	1.02
Proposed Dividend on Equity Shares		<b>345.91</b>	230.60
Tax on Dividend		<b>57.50</b>	39.36
Transfer to General Reserve		<b>130.00</b>	0.00
		<b>533.68</b>	270.98
<b>Balance carried to Balance sheet</b>		<b>9,582.56</b>	7,578.91
Earning per Share {(Basic/Diluted) (Rupees) (Face value of Rs.10/- each)} (Not Annualised for current period) (Refer Note No. 13 in Schedule 12B)		<b>11.00</b>	4.61

The notes in Schedule 12 and Schedules referred to herein form an integral part of the Profit & Loss Account

As per our report of even date

For **SHAH & CO.**  
Chartered Accountants

For **BHANDARI DASTUR GUPTA & ASSOCIATES**  
Chartered Accountants

**INDULAL H. SHAH**  
Partner

**SUNIL BHANDARI**  
Partner

Mumbai, 05<sup>th</sup> August, 2010

For and on behalf of the Board of Directors

**S. B. GARWARE** – Chairman & Managing Director

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**M. S. ADSUL** – Director – Technical

**L. M. AGRAWAL** – Chief Financial Officer

**MANOJ KOUL** – Company Secretary & General Manager

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## SCHEDULES FORMING PART OF THE BALANCE SHEET

### SCHEDULE – 1

	As at 31.03.2010 (Rs. in Lakhs)	As at 30.09.2009 (Rs. in Lakhs)
<b>SHARE CAPITAL</b>		
<b>Authorised:</b>		
4,00,00,000 Equity Shares of Rs. 10/- each	4,000.00	4,000.00
60,00,000 Preference Shares of Rs.100/- each	6,000.00	6,000.00
	<u>10,000.00</u>	<u>10,000.00</u>
<b>Issued, Subscribed and Paid-up:</b>		
2,30,60,386 Equity Shares of Rs. 10/- each fully paid-up (Previous year 2,28,60,386)	2,306.04	2,286.04
Nil (2,00,000 Equity shares of Rs. 10/- each issued during the previous year) (Refer Note - (vi) below)	0.00	20.00
	<u>2,306.04</u>	<u>2,306.04</u>
Less: Unpaid allotment call money (from others)	6.21	6.21
	<u>2,299.83</u>	2,299.83
54,46,000 0.01% Cumulative Redeemable Preference Shares of Rs.100/-each (Previous year 54,46,000) (Refer Note - (vii) below)	5,446.00	5,446.00
TOTAL	<u>7,745.83</u>	<u>7,745.83</u>

#### Out of the above :

- (i) 16,50,600 Equity Shares of Rs.10/- each were allotted as fully paid-up Bonus Shares by Capitalisation of Reserves (Previous year 16,50,600)
- (ii) 6,60,000 Equity Shares of Rs.10/- each were allotted as fully paid-up pursuant to a scheme of amalgamation without payment being received in cash (Previous year 6,60,000)
- (iii) 64,860 Equity Shares of Rs.10/- each were allotted as fully paid-up to Industrial Development Bank of India Limited (IDBI) at a premium of Rs. 40/- per share in consideration of conversion of a part of the loan amount of Rs. 32.43 Lakhs (Previous year 64,860)
- (iv) 47,80,799 Equity Shares of Rs.10/- each were allotted as fully paid up at a premium of Rs. 40/- per share against 23,90,400 detachable warrants (Previous year 47,80,799)
- (v) 10,19,022 Equity shares of Rs.10/- each were allotted as fully paid up to IDBI at a premium of Rs.48.88 per share on 7th November 2007 as per arrangement.
- (vi) 2,00,000 Equity shares of Rs.10/- each were allotted as fully paid up to various schemes operating under UTI Assets Management Company Limited at a premium of Rs.22.67 per share on 23rd December 2008 as per arrangement.
- (vii) 54,46,000 0.01% Cumulative Redeemable Preference Shares of Rs. 100/- each were allotted as fully paid up to IDBI at par (49,54,000 on 7th November 2007 and 4,92,000 on 19th June 2008) as per arrangement. The preference shares amounting to Rs. 4954.00 Lakhs shall be redeemed in 3 equal installments from 1st April 2014 to 1st April 2016 and Rs. 492.00 Lakhs shall be redeemed in single installment on 1st April 2016.

### SCHEDULE – 2

#### RESERVES AND SURPLUS

##### Share Premium :

Balance as per last Balance Sheet	592.14	546.80
Add: On Equity Shares issued to Unit Trust of India (UTI) under its various schemes. (Refer Note Sr.no. (vi) in Schedule 1)	0.00	45.34
	<u>592.14</u>	592.14
<b>Debenture Redemption Reserve :</b>		
Balance as per last Balance Sheet	1,356.05	1,356.05
<b>Revaluation Reserve :</b>		
Balance As per last Balance Sheet	4,584.49	4,584.49
<b>General Reserve :</b>		
Balance As per last Balance Sheet	3,364.00	3,313.24
Add: Loss on exchange rate fluctuation on Foreign Currency Loans for the financial year 2007-08 transferred to Fixed Asset (Ref Note No.5 In schedule 12 A)	0.00	50.76
Transferred from Profit & Loss Account	130.00	0.00
	<u>3,494.00</u>	3,364.00
<b>Profit &amp; Loss Account</b>	<u>9,582.56</u>	7,578.91
TOTAL	<u>19,609.24</u>	<u>17,475.59</u>

**SCHEDULES FORMING PART OF THE BALANCE SHEET (Contd.)**
**SCHEDULE – 3**

		As at 31.03.2010 (Rs. in Lakhs)		As at 30.09.2009 (Rs. in Lakhs)	
<b>A. SECURED LOANS</b>					
I.	Debentures / Bonds				
	Zero Coupon Bonds	A	195.00	785.84	
	Less: Redeemed during the period		<u>44.00</u>	590.84	
			<u>151.00</u>		195.00
			<b>151.00</b>		195.00
II.	From Banks				
	(i) Cash / Packing Credit Accounts	B	1,983.81	3,269.63	
	(ii) Working Capital Loans		<u>14,771.79</u>	13,024.75	
			<b>16,755.60</b>		16,294.38
III.	Term Loans				
	(i) Financial Institutions				
	a) Rupee Loan		0.00	847.48	
	b) Foreign Currency Loan		<u>0.00</u>	397.35	
			<b>0.00</b>		1,244.83
	(ii) Banks	C			
	a) Rupee Loan		0.00	1,843.00	
	b) Foreign Currency Loan		<u>12,850.39</u>	12,334.43	
			<b>12,850.39</b>		14,177.43
	(iii) Vehicle Finance	D	<u>165.68</u>	89.75	
			<b>13,016.07</b>		15,512.01
IV.	Deferred Interest		<u>0.00</u>		93.86
	TOTAL		<u><b>29,922.67</b></u>		<u><b>32,095.25</b></u>
	(Refer Note No.5 Schedule 12B)				

**Notes:**

- (A) Zero Coupon Bonds of Rs. 100/- each aggregating to Rs. 151.00 Lakhs (Previous year Rs. 195.00 Lakhs) are secured by a mortgage on Company's immovable property situated at Vile Parle, Mumbai.
- (B) Cash / Packing Credit / Working Capital Loan are secured by hypothecation of stores, spares & packing materials and stock-in-trade and book debts of the Company and further secured by a second charge on the movable assets of the Company & immovable properties situated at Aurangabad and Nasik.
- (C) Term Loans of Rs. 12,850.39 Lakhs (Previous year Rs. 14,177.43 Lakhs) are secured as under:
- (1) Term Loans of Rs. 11,123.39 Lakhs from Indian Overseas Bank (Previous year Rs. 11,671.67 Lakhs) are secured by a mortgage on Company's immovable property situated at Vile Parle, Mumbai.
  - (2) Term Loans of Rs. 1,727.00 Lakhs from Indian Overseas Bank (Previous year Rs. 2,323.67 Lakhs) are secured by charge on the Project assets and also by way of collateral of the Company's immovable property situated at Vile Parle, Mumbai.
  - (3) Term Loans of Rs. Nil from Indian Overseas Bank (Previous year Rs. 71.60 Lakhs) was secured by a mortgage on Company's immovable property situated at Vile Parle, Mumbai.
  - (4) Term loan of Rs. Nil from ICICI Bank Limited (Previous year Rs.110.49 Lakhs) was secured by:
    - a) A mortgage ranking pari passu with mortgage created on Company's immovable properties situated at Aurangabad and Nasik in favour of ICICI Bank Limited and EXIM Bank for their term loans.
    - b) Hypothecation / charge ranking pari passu with charges created / to be created in favour of ICICI Bank Limited and EXIM Bank for their Term Loans of all the movable properties of the Company including movable Plant & Machinery, Spares, Tools and Accessories, present and future (save and except Book Debts) at Nasik and Aurangabad, subject to prior charge created and / or to be created in favour of the Company's bankers on:
      - (i) Specified movables for securing borrowings for the Company's Working Capital Requirements and,
      - (ii) Specified assets charged to the Company's bankers as security for Term Loans.
- (D) Vehicle Finances are secured by hypothecation of specific assets.

		As at 31.03.2010 (Rs. in Lakhs)		As at 30.09.2009 (Rs. in Lakhs)	
<b>B. UNSECURED LOANS</b>					
	Interest-free Sales Tax Loans from SICOM. Amount repayable within one year Rs.5.66 Lakhs (Previous year Rs. 64.43 Lakhs)		<b>30.56</b>		93.25
	TOTAL		<u><b>30.56</b></u>		<u><b>93.25</b></u>

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## SCHEDULES FORMING PART OF THE BALANCE SHEET (Contd.)

### SCHEDULE-4

#### FIXED ASSETS

(Rs. in Lakhs)

Sr. No.	Description of Assets	GROSS BLOCK				DEPRECIATION	NET BLOCK	
		Cost/ Revaluation As at 01.10.2009	Additions during the period	Sales/ Transfer/ Adjustment during the period	Cost/ Revaluation As at 31.03.2010	Up to 31.03.2010	As at 31.03.2010	As at 30.09.2009
1.	Land (Freehold)	11,576.62	0.00	0.00	11,576.62	0.00	<b>11,576.62</b>	11,576.62
2.	Land (Leasehold)	1,863.36	0.00	0.00	1,863.36	0.00	<b>1,863.36</b>	1,863.36
3.	Buildings	7,847.37	0.00	0.00	7,847.37	5,054.70	<b>2,792.67</b>	2,935.25
4.	Plant & Machinery	56,682.46	253.92	13.52	56,922.86	36,602.68	<b>20,320.18</b>	21,427.53
5.	Electrical Installations	3,016.88	1.70	0.00	3,018.58	2,517.88	<b>500.70</b>	538.47
6.	Moulds	287.54	0.00	0.00	287.54	287.54	<b>0.00</b>	0.00
7.	Laboratory Equipments	350.70	0.68	0.00	351.38	223.02	<b>128.36</b>	137.89
8.	Furniture & Fixtures	509.14	0.48	0.00	509.62	449.53	<b>60.09</b>	66.59
9.	Office Equipments	524.45	15.35	0.00	539.80	394.00	<b>145.80</b>	141.13
10.	Vehicles	424.13	116.70	44.75	496.08	265.36	<b>230.72</b>	148.09
11.	Capital Expenditure On Research & Development	218.60	0.00	0.00	218.60	211.60	<b>7.00</b>	8.50
12.	Data Processing Equipments	1,212.25	2.94	0.00	1,215.19	1,154.21	<b>60.98</b>	75.41
13.	Expenditure On Tech. know-how/Product Development	1,430.76	0.00	0.00	1,430.76	1,419.53	<b>11.23</b>	15.61
14.	Copyrights	157.46	0.00	0.00	157.46	157.46	<b>0.00</b>	0.00
	<b>Total</b>	<b>86,101.72</b>	<b>391.77</b>	<b>58.27</b>	<b>86,435.22</b>	<b>48,737.51</b>	<b>37,697.71</b>	<b>38,934.45</b>
	Previous year	85,193.97	926.67	18.92	86,101.72	47,167.27	38,934.45	
	Capital Work-in-Progress						<b>331.96</b>	222.22

#### NOTES :

- The Free hold land includes Rs.4,584.49 Lakhs on account of revaluation of land at Vile Parle, Mumbai as at 31st March, 2007.
- Building include Rs. 0.07 Lakh being value of 136 shares in Co-op. Housing Societies.
- Depreciation has been provided as follows:
  - on Capital Expenditure on R & D and on Assets other than Plant & Machinery on Written Down Value Method as per rates prescribed under Schedule XIV of the Companies Act, 1956.
  - on Plant & Machinery acquired before 02.04.1987, on Straight Line Method as per rates prevalent at the time of acquisition of Assets on single shift basis.
  - on Plant & Machinery acquired after 02.04.1987, on Straight Line Method as per rates prescribed under Schedule XIV of the Companies Act, 1956.
- No Write-off has been made in respect of lease relating to leasehold land.
- Depreciation includes Technical Know-how fees / Product Development Expenses amortised.
- The Gross block includes Rs.6,765.35 Lakhs on account of Evaluation of certain Assets as at 31st March, 2002.
- In accordance with Accounting Standard (AS-11) and Amendment Rules 2009 on AS-11 Notified by Government of India on 31.03.2009 Company has de-capitalised Rs. 11.59 Lakhs (Previous year Capitalised Rs. 98.52 lakhs) on account of exchange rate difference on foreign currency loans (Refer Note No. 5 in schedule 12 A).

**SCHEDULES FORMING PART OF THE BALANCE SHEET (Contd.)**

	As at 31.03.2010 (Rs. in Lakhs)	As at 30.09.2009 (Rs. in Lakhs)
<b>SCHEDULE - 5</b>		
<b>INVESTMENTS (AT COST)</b>		
<b>LONG TERM INVESTMENTS</b>		
<b>A. In Government Securities (Unquoted):</b>		
1. 10 Years 8.5% Rural Debentures of Maharashtra State Electricity Board of the face value of Rs.0.17 Lakh	-	-
2. 7 Years National Savings Certificates of the face value of Rs.0.03 lakh (Lodged with the Excise Authorities as Security Deposit)	-	-
	-	-
<b>B. In Shares:</b>		
<b>I Quoted</b>		
1. 50 Equity Shares of M.M. Rubber Ltd. of the face value of Rs.10/- each, fully paid-up.	0.01	0.01
2. 2,80,000 Equity Shares of Garware Marine Industries Ltd, of the face value of Rs.10/- each, fully paid-up	-	-
3. 4,00,000 Equity Shares of Garware Wall Ropes Limited, of the face value of Rs.10/- each, fully paid-up.	56.80	56.80
	56.81	56.81
<b>II Unquoted</b>		
1. 2,500 Equity Shares of The New India Co-operative Bank Ltd. Mumbai, of the face value of Rs.10/- each, fully paid-up.	0.25	0.25
2. 2,500 Equity Shares of The North Kanara Goud Saraswat Brahmin Co-operative Bank Ltd., Mumbai, of the face value of Rs.10/- each, fully paid up.	0.25	0.25
3. 500 shares of The Co-operative Stores Ltd. (New Delhi) of the face value of Rs.10/- each, fully paid up.	0.05	0.05
4. 10,000 Equity Shares of S I C O M Ltd., of the face value of Rs.10/- each fully paid-up	8.00	8.00
5. 20,000 Equity Shares of Deogiri Nagari Sahakari Bank Ltd of the face value of Rs. 25/- each fully paid up.	5.00	5.00
6. 4,000 Equity Shares of Vaidyanath Urban Co-op. Bank Ltd of the face value of Rs. 25/- each fully paid-up.	1.00	1.00
7. 1,000 Equity Shares of Poornawadi co-op Bank Ltd of the face value of Rs. 100/- each fully paid-up.	1.00	1.00
8. 3,03,36,820 Equity Shares (Previous Year 3,03,36,820 Equity Shares) of Garware Chemicals Ltd of the face value of Rs.10/- each fully paid-up including four equity shares held by nominees.	2,307.19	2,307.19
9. 1,29,69,000 0.01 % Optional Convertible Cumulative Redeemable Preference Shares (Previous Year 1,29,69,000 OCCRP Shares) of Garware Chemicals Ltd. of the face value of Rs.10/-each fully paid up.	1,296.90	1,296.90
	3,619.64	3,619.64
<b>III In Subsidiary Company (Unquoted)</b>		
2,50,000 Ordinary Shares of Garware Polyester International Limited, London, of the face value of Pound 1/- each fully paid-up.	133.57	133.57
TOTAL	3,810.02	3,810.02
	<b>Cost</b>	<b>Cost</b>
	<b>Market value</b>	<b>Market value</b>
NOTE: Aggregate amount of Company's investments.		
Quoted	56.81	56.81
Unquoted	3,753.21	3,753.21
TOTAL	3,810.02	3,810.02
	287.46	298.88

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## SCHEDULES FORMING PART OF THE BALANCE SHEET (Contd.)

	As at 31.03.2010 (Rs. in Lakhs)	As at 30.09.2009 (Rs. in Lakhs)
<b>SCHEDULE – 6</b>		
<u>CURRENT ASSETS, LOANS &amp; ADVANCES</u>		
<b>A) CURRENT ASSETS:</b>		
<b>I. Inventories :</b>		
(As taken, valued & certified by the Management)		
(a) Stores, Spare parts & Packing materials (At Cost)	2,250.75	2,257.84
(b) Stock-in-trade		
(i) Raw Materials (At cost)	1,002.01	1,015.74
(ii) Finished goods (At cost or market value whichever is lower)	590.17	580.13
(iii) Semi-finished goods (At cost)	1,606.05	1,824.16
	<b>5,448.98</b>	<b>5,677.87</b>
<b>II. Sundry Debtors :</b>		
(Unsecured, considered good, unless otherwise stated excluding Bills Receivable discounted) (Refer note No.4 in Schedule 12B)		
(a) Debts outstanding for a period exceeding six months.		
(i) Considered Good	22.86	2.36
(ii) Considered Doubtful	493.33	493.33
	<b>516.19</b>	<b>495.69</b>
Less : Provision for Doubtful Debts	493.33	493.33
	<b>22.86</b>	<b>2.36</b>
(b) Other Debts		
Including Rs. 462.47 Lakhs due from subsidiary companies, (Previous Year Rs. 57.07 Lakhs) and Rs. 7,412.50 Lakhs due from Associate companies (Previous Year Rs.6,760.90 Lakhs)	<b>10,631.07</b>	<b>9,862.14</b>
	<b>10,653.93</b>	<b>9,864.50</b>
<b>III. Cash and Bank Balances:</b>		
(a) Cash on hand	18.74	21.43
(b) Bank balances :		
With Scheduled Banks:		
In Current Accounts	803.16	733.35
In Fixed Deposit Accounts	160.22	188.22
In Unclaimed Dividend Accounts	14.48	9.29
	<b>996.60</b>	<b>952.29</b>
<b>IV. Other Current Assets:</b>		
(a) Export benefits / Incentives receivable	485.66	427.34
(b) Other receivables	1,662.58	1,649.90
(c) Foreign Currency Monetary Items Translation Difference Account.(Exchange rate difference on foreign currency loan)	0.00	85.23
	<b>2,148.24</b>	<b>2,162.47</b>
<b>B) LOANS &amp; ADVANCES:</b>		
(Unsecured, considered good, unless otherwise stated)		
(i) Advances recoverable in cash or in kind or for value to be received	487.47	568.69
(ii) Advance against Capital Expenditure	16.70	0.00
(iii) Balance with Customs & Excise authorities	318.79	226.82
(iv) Deposits with others	96.47	96.27
(v) MAT Credit Entitlement	897.77	467.77
(vi) Advance Payment of Income Tax / Fringe Benefit Tax and Tax Deducted at Source (Net of Provisions)	104.45	0.00
	<b>1,921.65</b>	<b>1,359.55</b>
TOTAL	<b>21,169.40</b>	<b>20,016.68</b>



**SCHEDULES FORMING PART OF THE BALANCE SHEET (Contd.)**

	As at 31.03.2010 (Rs. in Lakhs)	As at 30.09.2009 (Rs. in Lakhs)
<b>SCHEDULE – 7</b>		
<u>CURRENT LIABILITIES AND PROVISIONS :</u>		
<b>A. Current Liabilities:</b>		
(i) Sundry Creditors (Refer Note No. 16 in Schedule 12 B) Including Rs. 217.97 Lakhs of Associate Company (Previous Year Rs. 17.79 lakhs) and Rs. 83.92 lakhs due to SME (Previous Year Rs. 97.30 Lakhs)	1,625.95	1,654.19
(ii) Other Liabilities (Including Rs. 76.69 Lakhs due to Subsidiary companies (Previous Year Rs.76.69 Lakhs)	597.58	770.94
(iii) Deposits and Advances from Customers & Others Including Rs. Nil advance from Subsidiary Company (Previous Year Rs.85.63 Lakhs)	503.38	401.68
(iv) Unclaimed Dividend	15.02	9.79
(v) Unclaimed Debenture and Interest	2.14	2.14
	<b>2,744.07</b>	<b>2,838.74</b>
<b>B. Provisions</b>		
(a) Provision for Taxation (Net of Advance Payments)	0.00	118.89
(b) Provision for Leave Encashment / Gratuity	1,114.63	915.35
(c) Provision for Dividend on Preference Shares	0.27	1.02
(d) Provision for Proposed Dividend on Equity Shares	345.91	230.60
(e) Provision for Tax on Dividend	57.50	39.36
	<b>1,518.31</b>	<b>1,305.22</b>
TOTAL	<b>4,262.38</b>	<b>4,143.96</b>

**SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT**

	2009-10 (6 Months) (Rs. in Lakhs)	2008-09 (12 Months) (Rs. in Lakhs)
<b>SCHEDULE – 8</b>		
<u>OTHER INCOME</u>		
Insurance claims	23.56	27.55
Dividend Income	11.40	11.99
Interest on short term deposits with banks and others (Gross) (TDS Rs. 2.16 Lakhs Previous year Rs.13.79 Lakhs)	22.86	85.34
Miscellaneous income	40.55	37.60
Profit on sale of fixed assets (Net)	12.53	2.39
Excess Provision / Sundry Credit Balances written back	23.93	3.56
Rent (TDS Rs. 0.15 Lakh Previous year Rs.0.41 Lakh)	2.10	4.20
Sales Tax / Excise refund	0.00	27.38
	<b>136.93</b>	<b>200.01</b>

**SCHEDULE – 9**
INCREASE/(DECREASE) IN FINISHED AND SEMI-FINISHED GOODS

<b>Opening Stock:</b>		
Finished goods	580.13	1,124.56
Semi finished goods	1,824.16	2,883.94
	<b>2,404.29</b>	<b>4,008.50</b>
<b>Closing Stock:</b>		
Finished goods	590.17	580.13
Semi finished goods	1,606.05	1,824.16
	<b>2,196.22</b>	<b>2,404.29</b>
Increase / (Decrease)	<b>(208.07)</b>	<b>(1,604.21)</b>

**SCHEDULE – 10**
RAW MATERIALS CONSUMED

<b>Opening Stock</b>		
Add: Purchases and Expenses	1,015.74	1,384.15
	<b>14,809.68</b>	<b>24,664.79</b>
Less: Closing Stock	15,825.42	26,048.94
	<b>1,002.01</b>	<b>1,015.74</b>
TOTAL	<b>14,823.41</b>	<b>25,033.20</b>

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## SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT (Contd.)

	2009-10 (6 Months) (Rs. in Lakhs)	2008-09 (12 Months) (Rs. in Lakhs)
<b>SCHEDULE – 11</b>		
<b>MANUFACTURING AND OTHER EXPENSES</b>		
<b>A. Manufacturing Expenses:</b>		
Stores, Spares and Packing Materials consumed	1,204.11	2,162.87
Power and Fuel	3,159.83	5,408.73
Processing Charges	963.01	1,343.13
Water Charges	14.91	94.13
	<b>5,341.86</b>	<b>9,008.86</b>
<b>B. Employees' Remuneration &amp; Benefits:</b>		
Salaries, Wages and Bonus	1,500.95	2,544.22
Contribution to Provident and other funds	328.74	496.31
Staff Welfare Expenses	116.86	227.09
	<b>1,946.55</b>	<b>3,267.62</b>
<b>C. Administrative, Selling and General Expenses:</b>		
Rent, Hire charges and Compensation (Net)	30.96	59.34
Rates, Taxes and Licence Fees	22.82	25.30
Insurance	58.43	149.27
Freight and Forwarding (Net)	744.68	1,420.15
Research and Development Expenses	104.70	94.79
Repairs and Maintenance of:		
(i) Plant and Machinery	225.98	504.91
(ii) Buildings	120.71	179.87
(iii) Other Assets	216.83	419.06
	<b>563.52</b>	<b>1,103.84</b>
Advertisement Expenses	32.41	46.13
Sales Tax / VAT	40.08	18.63
Travelling & Conveyance	137.30	409.88
Postage, Telegrams & Telephones	52.67	96.28
Lease Rentals	0.00	24.47
Commission on Sales	112.96	201.85
Donations	50.20	45.05
Legal and Professional charges (Refer Note No.7 in Schedule 12 B)	258.88	608.01
Auditors' Remuneration		
(i) Audit fees	6.00	8.00
(ii) Tax Audit fees	2.00	4.00
(iii) For Certification / Others	1.60	2.63
(iv) Reimbursement of out of pocket Expenses	0.35	0.35
	<b>9.95</b>	<b>14.98</b>
Miscellaneous Expenses	459.97	857.65
Loss on Swap / Exchange Rate Fluctuations	269.13	363.29
	<b>2,948.66</b>	<b>5,538.91</b>
<b>D. Managerial Remuneration:</b>		
(a) To Managing Director & Joint Managing Directors:		
(i) Salary	140.00	240.00
(ii) Contribution to Provident fund and Superannuation Scheme	21.60	64.80
(iii) Other Perquisites	63.19	73.16
(iv) Leave Salary	82.78	9.29
	<b>307.57</b>	<b>387.25</b>
(b) To Whole Time Director :		
(i) Salary	6.00	10.20
(ii) Contribution to Provident fund and Superannuation Scheme	1.62	2.76
(iii) Other perquisites	5.33	8.14
(iv) Leave Salary	0.09	1.59
	<b>13.04</b>	<b>22.69</b>
(c) Directors' Commission	31.00	0.00
(d) Directors' sitting fees	0.68	1.15
	<b>352.29</b>	<b>411.09</b>
<b>TOTAL</b>	<b>10,589.36</b>	<b>18,226.48</b>

**SCHEDULE – 12**

**STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES AND NOTES ANNEXED TO AND FORMING PART OF THE ACCOUNTS**

**A. SIGNIFICANT ACCOUNTING POLICIES**

**1. Basis of presentation of Financial Statements**

The financial statements are prepared under the historical cost convention modified by revaluation of fixed assets and in accordance with applicable Accounting Standards and relevant presentation requirements of the Companies Act, 1956.

The Company generally follows the mercantile system of accounting and recognizes significant items of income and expenditure on accrual basis.

**2. Fixed Assets and Depreciation / Amortization**

Fixed Assets are stated at cost net of MODVAT / CENVAT and includes amounts added on revaluation, less accumulated depreciation. Cost comprises of the purchase price and any directly attributable cost of bringing the assets to working condition for its intended use including interest and other incidental and trial run expenses up to the date of commercial production. When fixed assets were revalued, surplus on revaluation was credited to Capital / Revaluation Reserve Account.

Depreciation / Amortization is provided as follows:

- On Technical Know-how/Product Development Expenses @ 1/6th per annum.
- On Copyright Expenditure @ 1/5th per annum
- On Capital Expenditure on R&D and Assets other than Plant & Machinery on Written Down Value method as per rates prescribed under Schedule XIV of the Companies Act, 1956.
- On Plant & Machinery acquired before 02.04.1987 on Straight Line method as per rates prevalent at the time of acquisition of the asset on single shift basis.
- On Plant & Machinery acquired after 02.04.1987 on Straight Line Method as per rates prescribed under Schedule XIV of the Companies Act, 1956, vide Notification GSR No.756(E) dated 16.12.1993.
- No write-off is being made in respect of leasehold land.
- Assets costing Rs.5000/- or Less is depreciated fully in the year of acquisition.

**3. Investments**

Investments are considered as long term investments and are accordingly stated at cost of acquisition. Market value of Quoted Investments at the date of the Balance Sheet is disclosed. Provision for diminution in the value of long-term investments is made only if such a decline is other than temporary in the opinion of the Management.

**4. Inventories**

Raw Materials, Stores and Spares and Packing Materials are valued at weighted average cost. Finished goods are valued at lower of the cost and market value. Semi-finished goods including those held for captive consumption are valued at factory cost (including depreciation).

**5. Foreign Currency Transactions**

a) Transactions denominated in foreign currencies are recorded at the exchange rate prevailing on the date of the transaction or that approximates the actual rate at the date of the transaction.

b) Monetary items denominated in foreign currencies at the year-end are restated at year-end rates. In case of items which are covered by forward exchange contracts, the difference between the year-end rate and rate on the date of the contract is recognised as exchange difference and the premium paid on forward contracts is recognized over the life of the contract.

c) Non monetary foreign currency items are carried at cost.

d) Any income or expense on account of exchange difference either on settlement or on translation is recognized in the Profit and Loss account except in case of long term liabilities, where they relate to acquisition of fixed assets, in which case they are adjusted to the carrying cost of such assets.

e) The Company has opted for accounting exchange rate differences arising on reporting of long term Foreign Currency Monetary Items in line with Companies (Accounting Standard) Amendment Rules 2009 on Accounting Standard 11 (AS-11) notified by Govt. of India on March 31, 2009. Accordingly, the effect of exchange differences on Foreign Currency Loans of the Company is accounted by addition or deduction to the cost of assets so far it relates to depreciable capital assets and in other cases by transfer to "Foreign Currency Monetary Items Translation Difference Account" to be amortized in subsequent period. Accordingly, in the previous year the Company has debited Rs. 50.76 lakhs to assets account by adjusting against reserve. The exchange loss for the year 2007-08 in the year under review the Company has amortized Rs. 85.23 lakhs from Foreign Currency Monetary Items Translation Difference due to repayment of the said Loans.

f) Investments in shares of foreign subsidiary Company are expressed in Indian Currency at the rate of exchange prevailing at the time when the original investments were made.

**6. Inter-divisional Transfers**

Inter-divisional transfers of goods for internal use as captive consumption are shown as contra items in the Profit & Loss Account to reflect the true economic value of the production inter-se the divisions. This accounting treatment has no impact on the Profit of the Company.

**7. Duties**

Excise duty on finished goods and custom duty on imported materials has been accounted on the basis of payments made in respect of goods cleared as also provision made for goods lying in Bonded Warehouse.

**8. Employee Benefits:**

a) Short Term Employee Benefits:

All benefits paid / payable wholly within 12 months of rendering the service are classified as short term. Benefits such as salaries, wages, short-term compensated absences, etc and the expected cost of bonus, ex-gratia, medical, LTA are recognized in the period in which the employee renders the related service and charged to Profit and Loss Account.

b) Defined Contribution Plans:

Company contributes Provident Fund in accordance with EPF Act, 1952 and ESIC Schemes in accordance with ESIC Act,1948 under Government administered schemes, however certain employees are covered under the contributory plans with the trust "Garware Polyester Limited Office Staff & Officers Provident Fund". Contributions are accounted on accrual / paid basis and charged to Profit & Loss Account.

## SCHEDULE – 12 (Contd.)

### c) Defined Benefit Plans:

- 1) Liability towards Superannuation and Gratuity are covered by appropriate schemes with Life Insurance Corporation of India on accrual basis. Gratuity plans are determined by actuarial valuation by using the Projected Unit Credit method.
- 2) Leave encashment benefits are accounted on actuarial valuation basis.

### 9. Lease Rentals

Lease Rentals are accounted on accrual basis over the Lease Term as per the relevant Lease Agreements.

### 10. Provisions, Contingent Liabilities & Contingent Assets :

Provisions involving substantial degree of estimation in measurement are recognised when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognised but are disclosed in the notes. Contingent Assets are neither recognised nor disclosed in the financial statements.

### 11. Research and Development

Revenue expenditure on Research and Development is charged out in the accounting year in which it is incurred. Expenditure, which results in creation of assets, is included in Fixed Assets and depreciation is provided on such assets as applicable.

### 12. Revenue Recognition

#### a) Sales:

Sales are accounted for inclusive of excise duty and VAT/ sales tax (wherever not charged separately), and are net of discounts and returns.

#### b) Export Benefits:

Export entitlements under the Duty Entitlement Pass Book (DEPB) scheme / other scheme are recognized as income when the right to receive credit as per the terms of the scheme is established in respect of the exports made and where there is no significant uncertainty regarding the ultimate collection of the relevant export proceeds.

### 13. Taxation

- a) Deferred tax is recognised, subject to the consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.
- b) Current tax is determined as the amount of tax payable in respect of taxable income for the period. The credit is taken as per entitlement for the tax liability provided under MAT based on taxable income as per the provisions of Income Tax Act, 1961.

### 14. Borrowing Cost:

Borrowing costs specifically relatable to the acquisition of fixed assets are capitalized as part of the cost of fixed assets, other borrowing costs are charged to revenue.

### 15. Impairment of assets

Impairment loss, if any, is provided to the extent, the carrying amount of assets exceeds their recoverable amount.

Recoverable amount is higher of an asset's net selling price and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

## B. NOTES:

1. Estimated amount of contracts remaining to be executed on capital account and not provided for Rs. 943.18 Lakhs (Previous year Rs.858.50 Lakhs) against which an advance of Rs. 16.70 Lakhs (Previous year Rs. Nil) has been paid.
2. The Company has given counter-guarantees for Rs. 723.56 Lakhs (Previous year Rs.738.59 Lakhs) to Banks in respect of guarantees given by the Banks to third parties for purchase of equipments, supply of goods, clearance of goods from Customs, Excise Bonds, etc.
3. Letters of Credit opened on behalf of the Company by Banks for purchase of materials and equipments amount to Rs. 15,538.11 Lakhs (Previous year Rs.13,577.63 Lakhs).
4. Bills of Exchange discounted under Bill Marketing Scheme amount to Rs. 2,257.75 Lakhs (Previous year Rs. 2,725.29 Lakhs).

#### 5. Secured Loans:

Zero Coupon Bonds of Rs. 151.00 Lakhs are repayable in quarterly installments with premium of Rs.128.35 Lakhs till 1<sup>st</sup> January, 2012.

Amount of Term Loans / Zero Coupon Bond repayable within one year is Rs.6,716.45 Lakhs (Previous Year Rs.1,947.60 Lakhs).

#### 6. Contingent Liabilities not provided for –

(Rs. in Lakhs)

	As at 31-03-2010	As at 30-09-2009
Disputed matters in appeal / contested in respect of:		
Income Tax	63.91	43.22
Excise Duty	43.94	39.02
Sales Tax	17.13	17.13
Maharashtra State Electricity Board (MSEB)	27.72	0.00

7. Legal and Professional Charges include Rs. 0.83 Lakh (Previous year Rs.7.90 Lakhs) paid to some of the Partners of the Auditors for other services & Rs. Nil paid to a firm in which one of the Director is a partner. (Previous year Rs. 0.25 Lakh).

#### 8. Break up of Interest and financial charges are:

	2009-10 (6 Months) (Rs. in Lakhs)	2008-09 (12 Months) (Rs. in Lakhs)
On Secured Term Loans (Net)	471.92	2,041.37
Other Interest (Net)	722.96	2,569.46
Financial Charges	438.86	648.33
<b>Total</b>	<b>1,633.74</b>	<b>5,259.16</b>

**SCHEDULE – 12 (Cond.)**

9. Export Benefits / Incentives are accounted on accrual basis. Accordingly, net estimated benefit aggregating to Rs. 510.21 Lakhs (Previous year Rs.752.27 Lakhs) against export effected during the period has been credited to Export Benefits earned account which has been included in sales.

10. Computation of net profit as per section 349 read with section 309 (5) and 198 of the Companies Act, 1956 is as under.

	<b>2009-10 6 Months (Rs. in Lakhs)</b>	2008-09 12 Months (Rs. in Lakhs)
Profit before Tax	<b>2,542.08</b>	2,297.82
<i>Add:</i>		
A. Remuneration to Directors	<b>237.74</b>	399.06
B. Directors Sitting Fees	<b>0.68</b>	1.15
C. Commission	<b>31.00</b>	0.00
	<b>2,811.50</b>	2,698.03
<i>Less:</i>		
A. Profit on sale of fixed Assets	<b>12.53</b>	2.39
B. Provision for doubtful debts and sundry credit balances written back	<b>23.93</b>	3.56
Net profit as per section 349 of the Companies Act 1956	<b>2,775.04</b>	2,692.08
Remuneration including commission @ 10%	<b>277.50</b>	269.21
Commission provided is subject to approval of shareholder at the ensuing Annual General Meeting.	<b>31.00</b>	N.A.

**Note:**

- (i) The remuneration of Rs. 377.96 Lakhs for Previous year paid to the Managing Director and Joint Managing Director are as per Central Government sanctions.
- (ii) The above figure does not include provision for gratuities as separate actuarial valuation is not available.

**11. Segment Reporting:**

- (a) The Company is only in one line of business namely - Polyester film.
- (b) The Segment Revenue in the Geographical segment considered for disclosure are as follows:-
  - (i) Revenue within India includes sales to customers located within India.
  - (ii) Revenue outside India includes sales to customers located outside India including Export Benefits / Incentives.

	<b>2009 -10 (6 Months) (Rs. in Lakhs)</b>			2008-09 (12 Months) (Rs. in Lakhs)		
	<b>Within India</b>	<b>Outside India</b>	<b>Total</b>	Within India	Outside India	Total
Sales	<b>20,396.36</b>	<b>12,525.98</b>	<b>32,922.34</b>	38,691.04	20,130.94	58,821.98
Amount of Segment Assets by location of assets. (Net Value)	<b>20,320.18</b>	<b>0.00</b>	<b>20,308.81</b>	21,427.53	0.00	21,427.53

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## SCHEDULE – 12 (Cond.)

### 12. Related Party Disclosures

#### a) List of Related Parties.

Subsidiary	:	Garware Polyester International Limited
Ultimate Subsidiary	:	Global Pet Films Inc
Associate Companies	:	Garware Industries Limited & Garware Chemicals Limited
Key Management Personnel	:	(1) Shri. S. B.Garware (2) Mrs. Monika Garware Modi (3) Ms. Sarita Garware (4) Miss. Sonia S.Garware
Enterprises over which Key Managerial Person are able to exercise significant influence	:	Garware Charitable Trust

#### b) Transaction with Related Parties

(Rs. in Lakhs)

	2009-10 * 6 Months	2008-09 * 12 Months
(i) Sale of Goods / Capital Items		
(a) Subsidiary	426.13	735.34
(b) Ultimate Subsidiary	743.79	2,252.33
(c) Associate Companies	9,031.34	6,455.04
(ii) Purchases of Materials and Capital Items Associate Companies	8.95	5.39
(iii) Services Received / Processing Charges Associate Companies	1,061.38	1,335.01
(iv) Services Rendered Associate Companies	64.30	212.21
(v) Balances [ Dr./ ( Cr ) ]		
(a) Subsidiary	78.20	(137.24)
(b) Ultimate Subsidiary	307.58	31.99
(c) Associate Companies	7,194.53	6,743.11
(vi) Key Management Personnel & Relatives Managerial Remuneration (Refer Schedule No.11)		

\* Figures are on gross basis (Including Taxes & Duties)

### 13. Earning Per Share

(Rs. in Lakhs)

	2009-2010 (6 Months)	2008-2009 (12 Months)
Profit After Tax	2,537.33	1,063.36
Less: Dividend on Preference shares including Tax	0.32	1.19
Amount available for Equity Shareholders	2,537.01	1,062.17
Weighted average number of Shares	2,30,60,386	2,30,27,053
Earning Per Share - Basic & Diluted (Rs) (Absolute)	11.00	4.61

### 14. Deferred Tax:

As per the legal advice obtained by the Company and in compliance with provisions of Accounting Standard and based on General Prudence, the Company has not recognized the deferred tax asset / liability while preparing the accounts of the year under review (Previous Year provision of Rs. 1,193.75 lakhs as deferred tax liability).

**SCHEDULE – 12 (Cond.)**

15. Disclosure as per AS-15 (Revised) on “Employee Benefit” for the period ended 31st March 2010.

**A. Funded retirement benefit - Gratuity**

Description	2009-2010 (6 Months) Rs. in Lakhs	2008-2009 (12 Months) Rs. in Lakhs
<b>Change in the defined benefit obligations</b>		
Defined benefit obligations at beginning of the period / year	1,295.89	865.37
Service cost	44.40	82.43
Interest cost	49.80	99.60
Actuarial Loss / (Gain)	157.54	282.37
Benefits paid	(37.76)	(33.88)
Defined benefit obligations at end of the period / year (a)	1,509.87	1,295.89
<b>Change in plan assets</b>		
Fair Value of plan assets at beginning of the period / year	1,226.56	809.00
Expected return on plan assets	55.33	94.46
Contributions by employer	43.60	206.85
Actuarial Gain / (Loss)	13.43	150.13
Benefits paid	(37.76)	(33.88)
Fair value of plan assets at end of the period /year (b)	1,301.16	1,226.56
<b>Present Value of un funded obligations (a-b)</b>	208.71	69.33
The net amount recognized in the statement of profit and loss for the period ended 31st March,2010 is as follows:		
Current service cost	44.40	82.43
Interest cost	49.80	99.60
Expected return on plan assets	(55.33)	(94.46)
Net actuarial Loss / (Gain) recognized	144.11	282.37
Net amount recognized	182.98	369.94
Actual Return on Plan Assets		
The principal actuarial assumptions used as at 31st March, 2010 are as follows:		
Discount Rate	8.00%	7.80%
Expected rate of return on plan assets		
Withdrawal rate	Up to Age 35: 5% 36-50 : 2% 51& abv: 1%	Up to Age 35: 5% 36-50 : 2% 51& abv: 1%
Rate of increase in compensation levels	5.00%	5.00%

**B. Un-funded retirement benefit – Leave Encashment**

Description	2009-2010 (6 Months) Rs. in Lakhs	2008-2009 (12 Months) Rs. in Lakhs
<b>Change in the defined benefit obligations</b>		
Defined benefit obligations at beginning of the period / year	846.02	779.26
Service cost	32.65	40.79
Interest cost	44.53	62.11
Actuarial Loss / (Gain)	0.40	(30.35)
Benefits paid	(17.69)	(5.79)
Defined benefit obligations at end of the period / year (a)	905.91	846.02
<b>Change in plan assets</b>		
Fair Value of plan assets at beginning of the period / year	0.00	0.00
Expected return on plan assets	0.00	0.00
Contributions by employer	(0.40)	5.79
Actuarial Gain / (Loss)	0.00	0.00
Benefits paid	0.40	(5.79)
Fair value of plan assets at end of the period / year (b)	0.00	0.00
<b>Present Value of un funded obligations (a-b)</b>	905.91	846.02
The net amount recognized in the statement of profit and loss for the period ended 31st March, 2010 is as follows:		
Current service cost	32.65	40.79
Interest cost	44.53	62.11
Expected return on plan assets	0.00	0.00
Net actuarial Loss / (Gain) recognized	(17.69)	(30.35)
Net amount recognized	59.49	72.55
Actual Return on Plan Assets	0.00	0.00
The principal actuarial assumptions used as at 31st March, 2010 are as follows:		
Discount Rate	8.00%	7.80%
Expected rate of return on plan assets		
Withdrawal rate	Up to Age 35: 5% 36-50 : 2% 51& abv: 1%	Up to Age 35: 5% 36-50 : 2% 51& abv: 1%
Rate of increase in compensation levels	7.00%	7.00%

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## SCHEDULE – 12 (Cond.)

### 16. DISCLOSURE IN ACCORDANCE WITH SECTION 22 OF MICRO, SMALL AND MEDIUM ENTERPRISES DEVELOPMENT ACT, 2006

Sr. No.	Particulars	As at March 31, 2010	As at September 30, 2009
(i)	Principal amount remaining unpaid	NIL	NIL
(ii)	Interest due thereon	NIL	NIL
(iii)	Interest paid by the Company in term of Section 16	NIL	NIL
(iv)	Interest due and payable for the period of delay in payment	NIL	NIL
(v)	Interest accrued and remaining unpaid	NIL	NIL
(vi)	Interest remaining due and payable even in succeeding years	NIL	NIL

This information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Company.

17. In accordance with Accounting Standard 28 (AS 28) issued by the Institute of Chartered Accountants of India on Impairment of Assets, the Company had appointed professional consultancy firm as the valuers to assess impairment of each cash generating unit (CGU) by taking market value and its potential capacity to generate cash flows. According to the valuers report, there is no impairment to any of the assets as such no provision for impairment of assets is required to be made in the accounts.
18. The significant leasing arrangements of the Company are in respect of operating leases for premises and vehicles. These leasing arrangements ranges between 11 months and 5 years and are usually renewable by mutual consent on mutually agreeable terms. The agreeable lease rental payable are charged to Profit and Loss account and shown under administrative, selling and general expenses in appropriate heads.
19. Additional information pursuant to the provisions of paragraphs 3 and 4C of part II of Schedule VI of the Companies Act, 1956.

#### (A) Licensed & Installed Capacities:

	Product	2009-10		2008-09	
		Licensed / Registered (T.P.A.)	Installed Capacity (T.P.A.)	Licensed/ Registered (T.P.A.)	Installed Capacity (T.P.A.)
(i)	Polyester Film	80,000	41,000	80,000	41,000
(ii)	Metallised Film	2,210	2,210	2,210	2,210
(iii)	Polyester Chips	104,400	104,400	104,400	104,400

Note: Installed capacities and Licensed capacities are as per the certificate given by the Director – Technical on which Auditors have relied.

#### (B) Details of Sales

Class of Goods:	2009-10 (6 Months)		2008-09 (12 Months)	
	Qty. (MT)	Value (Rs. in Lakhs)	Qty. (MT)	Value (Rs. in Lakhs)
(i) Polyester films (Plain / Lacquered / Laminated / Stabilised / Coloured & Metallised)	23,058	32,921	43,250	58,708
(ii) Others (including Chips)		1		114

#### (C) Actual Production & Stocks

Class of Goods	Unit	2009-10 (6 Months)			2008-09 (12 Months)		
		Op. Stock	Production	Cl. Stock	Op. Stock	Production	Cl. Stock
(i) Polyester films (Plain / Lacquered / OHP / Laminated / Stabilised/ Coloured & Metallised)	MT Rs. in Lakh	405.37 577.87	23,023.87	371.21 589.89	666.88 1,072.41	42,988.36	405.37 577.87
(ii) Chips (excluding conversion)		NA	Produced for captive use in the manufacture of films.		NA	Produced for captive use in the manufacture of films.	
(iii) Others	Rs. in Lakh	2.26		0.28	52.15		2.26



**SCHEDULE – 12 (Cond.)**
**(D) Consumption of Raw Materials:**

	2009-10 (6 Months)		2008-09 (12 Months)	
	Qty. (MT)	Value (Rs. in Lakhs)	Qty. (MT)	Value (Rs. in Lakhs)
(i) DMT	14	9.42	8	5.25
(ii) PTA	19,493	8,785.24	35,141	14,343.62
(iii) MEG	7,787	3,325.45	14,538	4,621.45
(iv) Others		2,703.30		6,062.88
Total*		14,823.41		25,033.20

\*' After adjusting sale of raw material amounting to Rs. 32.14 Lakhs (Previous year Rs.54.10 Lakhs).

**(E) Details of imports on CIF basis:**

	2009-10 (6 Months) (Rs. in Lakhs)	2008-09 (12 Months) (Rs. in Lakhs)
(i) Raw Materials	615.00	1641.85
(ii) Packing Materials	31.00	78.11
(iii) Components & Spares	93.51	223.12
(iv) Capital Goods	32.16	260.88

**(F) Details of Imported & Indigenous Raw Materials and Spare parts consumed and percentage of each to the total:**

	2009-10 (6 Months)		2008-09 (12 Months)	
	Value (Rs. in Lakhs)	% of Total	Value (Rs. in Lakhs)	% of Total
(i) Raw Materials:				
– Imported	910.99	6	2,042.66	8
– Indigenous	13,912.42	94	22,990.54	92
Total	14,823.41	100	25,033.20	100
(ii) Stores & Spares:				
– Imported	44.87	11	201.96	29
– Indigenous	345.32	89	500.96	71
Total	390.19	100	702.92	100

**(G) Remittances / Expenditure in Foreign Currency:**

	2009-10 (6 Months) (Rs. in Lakhs)	2008-09 (12 Months) (Rs. in Lakhs)
(i) Commission	20.31	62.84
(ii) Advertisement/Selling Expenses	57.45	148.11
(iii) Travelling Expenses	13.98	161.34
(iv) Books, Periodicals & Subscription	11.47	11.40
(v) Technical / Engg. Services/Professional Charges	25.37	142.53
(vi) Exhibition Expenses	8.08	3.13
(vii) Interest	396.78	379.78

**(H) Earnings in Foreign Exchange:**

	2009-10 (6 Months) (Rs. in Lakhs)	2008-09 (12 Months) (Rs. in Lakhs)
Exports (FOB basis)	11,879.97	19,163.15

20. Previous years's figures have been rearranged and regrouped wherever necessary to conform to the classification adopted for the current period. Figures of the current period are not comparable with the figures of the previous year being of six month period.

For and on behalf of the Board of Directors

**S. B. GARWARE** – Chairman & Managing Director

**B. MORADIAN** – Director

**M. S. ADSUL** – Director – Technical

**L. M. AGRAWAL** – Chief Financial Officer

**MANOJ KOUL** – Company Secretary & General Manager

As per our report of even date

For **SHAH & CO.**  
Chartered Accountants

For **BHANDARI DASTUR GUPTA & ASSOCIATES**  
Chartered Accountants

**INDULAL H. SHAH**  
Partner

**SUNIL BHANDARI**  
Partner

Mumbai, 05<sup>th</sup> August, 2010

# ANNUAL REPORT 2009-10

## B BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

### I. Registration Details

Registration No.	10889	State Code	11
Balance Sheet Date	31.03.2010		

### II. Capital raised during the year (Amount in Rs. Thousand)

Public Issue	NIL	Rights Issue	NIL
Bonus Issue	NIL	Private Placement	NIL

### III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousand)

Total Liabilities	5875254	Total Assets	5875254
Sources of Funds			
Paid-up Capital	774583	Reserves & Surplus	1960924
Secured Loans	2992267	Unsecured Loan	3056
Deferred Tax Liability	144424		
Application of Funds			
Net Fixed Assets	3802967	Investments	381002
Net Current Assets	1690702	Misc. Expenditure	583

### IV. Performance of Company ( Amount in Rs. Thousand )

Turnover	5287348	Total Expenditure	5033140
Profit before tax	254208		
Net Profit	253733	Profit after tax	253733
	<input type="checkbox"/> + <input type="checkbox"/> -		<input type="checkbox"/> + <input type="checkbox"/> -
	<input checked="" type="checkbox"/> <input type="checkbox"/>		<input checked="" type="checkbox"/> <input type="checkbox"/>

(Please tick Appropriate box "+" for Profit "-" for Loss)

Earning per share *	11.00	Dividend rate %	15.00
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### V. Generic Names of Three Principal Products/Services of Company (as per monetary term)

Item Code No.	39206909	39206903	39206904
Product Description	POLYESTER FILM	PACKAGING POLYESTER FILM	SUN CONTROL FILM

\* Refer Note No 13 in Schedule 12 B

**CASH FLOW STATEMENT FOR THE 6 MONTHS ENDED MARCH 31, 2010**

	Period ended 31.03.2010 (6 Months) (Rs. in Lakhs)	Year ended 30.09.2009 (12 Months) (Rs. in Lakhs)
<b>A. Cash flow from operating activities:</b>		
Profit before tax	2,542.08	2,297.82
Add : Depreciation	1,609.39	3,247.09
Interest expenses - Net	1,633.74	5,259.16
Loss on Exchange Rate Fluctuations	269.13	363.29
Foreign Currency Monetary Items Translation Difference	0.00	50.76
Provision for Leave & Gratuity Provision	199.28	79.72
Sub Total	<u>3,711.54</u>	<u>9,000.02</u>
Total	<u>6,253.62</u>	<u>11,297.84</u>
Less : Interest income	22.86	85.34
Profit on sale of fixed assets	12.53	2.39
Dividend received/Income from Investment	11.40	11.99
Sundry balances Written Back (Net)	23.93	3.56
Rent	2.10	4.20
Sub total	<u>72.82</u>	<u>107.48</u>
<b>Operating profit before working capital changes</b>	<b>6,180.80</b>	<b>11,190.36</b>
Adjustments For :		
(Increase) / Decrease in trade / other receivable (Net)	(802.85)	1,588.13
(Increase) / Decrease in inventories	228.89	2,100.76
Increase / (Decrease) in trade / other payables	(75.97)	(423.16)
Cash generated from operations	<u>5,530.87</u>	<u>14,456.09</u>
Direct taxes refund / (paid) (Net)	<u>(658.09)</u>	<u>(245.75)</u>
<b>Net cash inflow / (outflow) from operations</b>	<b>4,872.78</b>	<b>14,210.34</b>
<b>B. Cash flow from investing activities :</b>		
Purchase of fixed assets	(489.92)	(835.96)
Sale of fixed assets	20.06	6.55
Interest received	22.86	85.34
Loss on Exchange Rate Fluctuations	(269.13)	(363.29)
Dividend received/Income from Investment	11.40	11.99
Rent	2.10	4.20
<b>Net cash inflow / (outflow) from investing activities</b>	<b>(702.63)</b>	<b>(1,091.17)</b>
<b>C. Cash flow from financing activities</b>		
Equity Share Capital including share premium	0.00	65.34
Interest / Financial Charges	(1,633.74)	(5,280.31)
Repayment of borrowings - secured	(2,633.80)	(5,582.36)
Proceeds/(repayments) of borrowings-Unsecured	(62.69)	(412.43)
Cash credit accounts	461.22	(1,650.45)
Dividend paid / Unclaimed Dividend Paid including Taxes	(265.75)	0.00
Miscellaneous Expenditure (To the extent not Written off)	8.92	17.83
<b>Net cash inflow / (outflow) from financing activities</b>	<b>(4,125.84)</b>	<b>(12,842.38)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>44.31</b>	<b>276.79</b>
<b>Cash and cash equivalents as at opening</b>		
Cash and bank balances	952.29	675.50
<b>Cash and cash equivalents as at closing</b>		
Cash and bank balances	<u>996.60</u>	<u>952.29</u>
	<u>44.31</u>	<u>276.79</u>

For and on behalf of the Board of Directors

**S. B. GARWARE** – Chairman & Managing Director

**B. MORADIAN** – Director

**M. S. ADSUL** – Director – Technical

**L. M. AGRAWAL** – Chief Financial Officer

**MANOJ KOUL** – Company Secretary & General Manager

As per our report of even date

For **SHAH & CO.**  
Chartered Accountants

For **BHANDARI DASTUR GUPTA & ASSOCIATES**  
Chartered Accountants

**INDULAL H. SHAH**  
Partner

**SUNIL BHANDARI**  
Partner

Mumbai, 05<sup>th</sup> August, 2010

## STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956, RELATING TO SUBSIDIARY COMPANIES

A) Name of the Subsidiary Companies	Garware Polyester International Limited	Garware Pet Films Inc.
B) Financial Year of the Subsidiary Companies ended on:	31st March, 2010	31st March, 2010
C) Shares of the Subsidiary held by Garware Polyester Limited, on the above dates:		
(a) Number and Face Value	2,50,000 Equity Shares of Pound 1 each	NIL
(b) Extent of holding	100%	
D) The net aggregate of Profit / (Loss) of the Subsidiary Companies so far as it concerns the members of Garware Polyester Limited		
(a) Not dealt with in the accounts Garware Polyester Limited, for the year ended 31.03.2010.		
(i) For the Subsidiaries' Financial Year ended on the respective dates	(in Pound) 168054	N.A.
(ii) For the previous Financial Years of the Subsidiaries since they became the Holding Company's Subsidiaries	(in Pound) (62695)	N.A.
(b) Dealt with in the accounts of Garware Polyester Limited, for the year ended 31.03.2010 amounted to:-		
(i) For the Subsidiaries' Financial Year ended on the respective dates	N.A.	N.A.
(ii) For the previous Financial Years of the Subsidiaries since they became the Holding Company's Subsidiaries	(in Pound) 25000	N.A.
E) Changes in the interest of Garware Polyester Ltd. between the end of the Subsidiaries' Financial Year and 31.03.2010	NIL	NIL
F) Material changes between the end of the Subsidiary's Financial Year and 31.03.2010	NIL	NIL
(1) Fixed Assets		
(2) Investments		
(3) Monies lent by the Subsidiary		
(4) Monies borrowed by the Subsidiary Company other than for meeting Current Liabilities		

For and on behalf of the Board of Directors

**S. B. GARWARE** – *Chairman & Managing Director*

**B. MORADIAN** – *Director*

**M. S. ADSUL** – *Director – Technical*

**L. M. AGRAWAL** – *Chief Financial Officer*

**MANOJ KOUL** – *Company Secretary & General Manager*

Mumbai, 05<sup>th</sup> August, 2010

**AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF GARWARE POLYESTER LIMITED  
ON THE CONSOLIDATED FINANCIAL STATEMENTS OF  
GARWARE POLYESTER LIMITED AND ITS SUBSIDIARIES**

We have examined the attached consolidated Balance Sheet of Garware Polyester Limited and its subsidiaries as mentioned in Note B (1) of Schedule 12 of the consolidated financial accounts as at 31<sup>st</sup> March, 2010, and also the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the period ended on that date annexed thereto.

These financial statements are the responsibility of the Garware Polyester Limited's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with and identified financial reporting framework and are free of material misstatements. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statements of Garware Polyester International Limited and Global Pet Films Inc. These financial statements have been audited by other auditors whose reports have been furnished to us for the twelve months period ended 31<sup>st</sup> March, 2010 and our opinion in so far as it relates to the amounts included in respect of subsidiaries is based solely on the unaudited accounts for the period of six months ended 31<sup>st</sup> March, 2010 duly certified by the director of the respective subsidiary companies.

We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21 'Consolidated Financial Statements' issued by the Institute of Chartered Accountants of India on the basis of the separate audited financial statements of Garware Polyester Limited and unaudited Financial statements of its subsidiaries included in the Consolidated Financial Statements.

On the basis of the information and explanations given to us, and on the consideration of the separate audit report on individual audited financial statements of Garware Polyester Limited and other financial information of its subsidiaries on the accounts for the period of 6 months, the said Consolidated Financial Statements read with note no. 15 regarding Deferred Tax liability and read together with other notes in Schedule 12, we are of the opinion that the attached Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India.

- a) In the case of the Consolidated Balance Sheet of the consolidated state of affairs of Garware Polyester Limited and its subsidiaries as at 31<sup>st</sup> March, 2010 ;
- b) In the case of the consolidated Profit and Loss Account of the consolidated results of operations of Garware Polyester Limited and its subsidiaries for the period ended on that date;

AND

- c) In the case of the Consolidated Cash Flows Statement of the Consolidated Cash Flows for the period ended on that date.

For **Shah & Co.**  
*Chartered Accountants*  
(Registration No. 109430W)

**(Indulal H. Shah)**  
*Partner*  
Membership No. : 798

Mumbai  
05<sup>th</sup> August, 2010

For **Bhandari Dastur Gupta & Associates**  
*Chartered Accountants*  
(Registration No. 119739W)

**(Sunil Bhandari)**  
*Partner*  
Membership No. : F-047981

# ANNUAL REPORT 2009-10

## CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2010

	Schedule	As at 31.03.2010 (Rs. in Lakhs)	As at 30.09.2009 (Rs. in Lakhs)
<b>FUNDS EMPLOYED :</b>			
<b>SHAREHOLDERS' FUNDS</b>			
Share Capital	1	7,745.83	7,745.83
Reserves & Surplus	2	19,419.16	17,153.86
		<b>27,164.99</b>	24,899.69
<b>LOAN FUNDS</b>			
Secured Loans	3A	30,394.01	32,501.41
Unsecured Loans	3B	30.56	93.25
		<b>30,424.57</b>	32,594.66
Deferred Tax liabilities		1,444.24	1,444.24
	<b>TOTAL</b>	<b>59,033.80</b>	<b>58,938.59</b>
<b>APPLICATION OF FUNDS :</b>			
<b>FIXED ASSETS</b>			
Gross Block	4	86,470.43	86,136.93
Less: Depreciation		48,766.23	47,193.51
Net Block		37,704.20	38,943.42
Capital Work in Progress		331.96	222.22
		<b>38,036.16</b>	39,165.64
<b>INVESTMENTS</b>	5	<b>3,676.45</b>	3,676.45
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>			
Inventories	6	5,660.75	6,038.67
Sundry Debtors		10,473.32	8,953.23
Cash and Bank Balances		1,522.14	1,582.20
Other Current Assets		2,152.58	2,188.84
Loans and Advances		1,928.37	1,364.86
		<b>21,737.16</b>	20,127.80
Less : CURRENT LIABILITIES AND PROVISIONS	7		
Current Liabilities		2,893.23	2,717.31
Provisions		1,528.57	1,328.74
		<b>4,421.80</b>	4,046.05
<b>Net Current Assets</b>		<b>17,315.36</b>	16,081.75
Miscellaneous Expenditure (To the extent not written off or adjusted)			
Share Issue Expenses		5.83	14.75
	<b>TOTAL</b>	<b>59,033.80</b>	<b>58,938.59</b>

The notes in Schedule 12 and Schedules referred to herein form an integral part of the Balance Sheet

As per our report of even date

For **SHAH & CO.**  
Chartered Accountants

For **BHANDARI DASTUR GUPTA & ASSOCIATES**  
Chartered Accountants

**INDULAL H. SHAH**  
Partner

**SUNIL BHANDARI**  
Partner

Mumbai, 05<sup>th</sup> August, 2010

For and on behalf of the Board of Directors

**S. B. GARWARE** – Chairman & Managing Director

**B. MORADIAN** – Director

**M. S. ADSUL** – Director – Technical

**L. M. AGRAWAL** – Chief Financial Officer

**MANOJ KOUL** – Company Secretary & General Manager

**CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE PERIOD OCTOBER 1, 2009 TO MARCH 31,2010**

	Schedule	2009-2010 (6 Months) (Rs. in Lakhs)	2008-09 (12 Months) (Rs. in Lakhs)
<b>INCOME :</b>			
Sales including Excise duty		33,174.57	59,812.51
Inter-Divisional Transfers (as per contra)		19,814.21	32,644.18
Gross Sales		52,988.78	92,456.69
Less : Excise duty		1,653.22	3,354.03
Net Sales		51,335.56	89,102.66
Other Income	8	143.77	269.77
Increase / (Decrease) in Finished and Semi-finished Goods	9	(357.12)	(2,092.04)
		51,122.21	87,280.39
<b>EXPENDITURE :</b>			
Raw Materials consumed	10	14,463.21	24,903.28
Inter-Divisional Transfers (as per contra)		19,814.21	32,644.18
Manufacturing & other expenses	11	10,876.37	18,809.96
Interest & financial charges (Refer Note No. 10 in Schedule 12B)		1,648.89	5,301.14
		46,802.68	81,658.56
<b>Profit before Depreciation and Tax</b>		4,319.53	5,621.83
Depreciation		1,611.48	3,251.49
<b>Profit before Tax</b>		2,708.05	2,370.34
Less: Provision for Taxation			
Deferred Tax		0.00	1,193.75
Current Tax		431.01	459.86
Less: MAT Credit Entitlement		(430.00)	(467.77)
Fringe Benefit Tax		0.00	35.80
Wealth Tax		4.75	4.91
<b>Profit after Tax</b>		2,702.29	1,143.79
Add : Balance brought forward from previous year		7,121.60	6,248.79
<b>Profit available for appropriations</b>		9,823.89	7,392.58
<b>APPROPRIATIONS :</b>			
Dividend on Redeemable Preference Shares		0.27	1.02
Proposed Dividend on equity shares		345.91	230.60
Tax on Dividend		57.50	39.36
Transfer to General Reserve		130.00	0.00
		533.68	270.98
<b>Balance carried to Balance sheet</b>		9,290.21	7,121.60
Earning per Share {(Basic / Diluted) (Rupees) (face value of Rs 10 each)} (Not Annualised for current period) (Refer Note No. 14 in Schedule 12B)		11.72	4.96

The notes in Schedule 12 and Schedules referred to herein form an integral part of the Profit & Loss Account

As per our report of even date

For **SHAH & CO.**  
Chartered Accountants

For **BHANDARI DASTUR GUPTA & ASSOCIATES**  
Chartered Accountants

**INDULAL H. SHAH**  
Partner

**SUNIL BHANDARI**  
Partner

Mumbai, 05<sup>th</sup> August, 2010

For and on behalf of the Board of Directors

**S. B. GARWARE** – Chairman & Managing Director

**B. MORADIAN** – Director

**M. S. ADSUL** – Director – Technical

**L. M. AGRAWAL** – Chief Financial Officer

**MANOJ KOUL** – Company Secretary & General Manager

# ANNUAL REPORT 2009-10

## SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

### SCHEDULE – 1

	As at 31.03.2010 (Rs. in Lakhs)	As at 30.09.2009 (Rs. in Lakhs)
<b>SHARE CAPITAL</b>		
<b>Authorised:</b>		
4,00,00,000 Equity Shares of Rs.10/- each	4,000.00	4,000.00
60,00,000 Preference Shares of Rs.100/- each	6,000.00	6,000.00
	<u>10,000.00</u>	<u>10,000.00</u>
<b>Issued,Subscribed and Paid-up:</b>		
2,30,60,386 Equity Shares of Rs.10/- each fully paid-up (Previous year 2,28,60,386)	2,306.04	2,286.04
Nil (2,00,000 Equity Shares of Rs.10/- each issued during the Previous year) (Refer Note - (vi) below)	0.00	20.00
	<u>2,306.04</u>	<u>2,306.04</u>
Less : Unpaid Allotment Call money (from others)	6.21	6.21
	<u>2,299.83</u>	2,299.83
54,46,000 0.01% Cumulative Redeemable Preference Shares of Rs 100 each. (Previous year 54,46,000) (Refer note - (vii) below)	5,446.00	5,446.00
TOTAL	<u>7,745.83</u>	<u>7,745.83</u>

#### Out of the above :

- (i) 16,50,600 Equity Shares of Rs.10/- each were allotted as fully paid-up Bonus Shares by Capitalisation of Reserves (Previous year 16,50,600).
- (ii) 6,60,000 Equity Shares of Rs.10/- each were allotted as fully paid-up pursuant to a scheme of amalgamation without payment being received in cash (Previous year 6,60,000).
- (iii) 64,860 Equity Shares of Rs.10/- each were allotted as fully paid up to Industrial Development Bank of India Limited (IDBI) at a premium of Rs.40/- per share in consideration of conversion of a part of the loan amount of Rs. 32.43 Lakhs (Previous year 64,860).
- (iv) 47,80,799 Equity Shares of Rs.10/- each were allotted as fully paid up at a premium of Rs. 40/- per share against 23,90,400 detachable warrants (Previous year 47,80,799).
- (v) 10,19,022 Equity shares of Rs.10/- each were allotted as fully paid up to IDBI at a premium of Rs.48.88 per share on 7th November 2007 as per arrangement.
- (vi) 2,00,000 Equity shares of Rs.10/- each were allotted as fully paid up to various schemes operating under UTI Assets Management Company Limited at a premium of Rs.22.67 per share on 23rd December 2008 as per arrangement.
- (vii) 54,46,000 0.01% Cumulative Redeemable Preference Shares of Rs. 100/- each were allotted as fully paid up to IDBI at par (49,54,000 on 7th November 2007 and 4,92,000 on 19th June 2008) as per arrangement. The preference shares amounting to Rs. 4954.00 Lakhs shall be redeemed in 3 equal installments from 1st April 2014 to 1st April 2016 and Rs. 492.00 Lakhs shall be redeemed in single installment on 1st April 2016.

### SCHEDULE 2

#### RESERVES AND SURPLUS

##### Share Premium :

Balance as per last Balance Sheet	592.14	546.80
Add: Premium on equity share issued to UTI / IDBI (Refer Note (vi) in Schedule 1 )	0.00	45.34
	<u>592.14</u>	592.14

##### Debenture Redemption Reserve :

Balance as per last Balance Sheet	1,356.05	1,356.05
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##### Revaluation Reserve :

Balance as per last Balance Sheet	4,584.49	4,584.49
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##### General Reserve :

Balance as per last Balance Sheet	3,364.00	3,313.24
Add: Loss on exchange rate fluctuation on F C Loan for the year 2007-08	0.00	50.76
Add: Transferred from Profit & Loss Account	130.00	0.00
	<u>3,494.00</u>	3,364.00

##### Foreign Currency Translation Reserve

Balance as per last Balance Sheet	135.58	186.58
Addition / (deduction) during the period	(33.31)	(51.00)
	<u>102.27</u>	135.58

##### Profit & Loss Account

	9,290.21	7,121.60
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TOTAL

<u>19,419.16</u>	<u>17,153.86</u>
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**SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET (Contd.)**
**SCHEDULE – 3**

	Notes	As at 31.03.2010 (Rs. in Lakhs)	As at 30.09.2009 (Rs. in Lakhs)
<b>A. SECURED LOANS</b>			
I. Debentures / Bonds			
Zero Coupon Bonds	A	195.00	785.84
Less : Redeemed during the period		44.00	590.84
		<b>151.00</b>	195.00
II. From Banks			
(i) Cash / Packing Credit Accounts	B	2,455.15	3,675.79
(ii) Working Capital Loans		14,771.79	13,024.75
		<b>17,226.94</b>	16,700.54
III. Term Loans	C		
(i) Financial Institutions		0.00	1,244.83
(ii) Banks (Rs.)		0.00	1,843.00
(iii) Banks (Foreign currency)		12,850.39	12,334.43
(iv) Vehicle Finance		165.68	89.75
		<b>13,016.07</b>	15,512.01
IV. Deferred Interest	D	0.00	93.86
		<b>30,394.01</b>	32,501.41
TOTAL			
(Refer Note No 7 in schedule 12B)			

**Notes :**

- (A) Zero Coupon Bonds of Rs.100/- each aggregating to Rs.151.00 Lakhs (Previous year Rs.195.00 Lakhs) are secured by a mortgage on Company's immovable property situated at Vile Parle, Mumbai.
- (B) Cash / Packing Credit / Working Capital Loan are secured by hypothecation of stores, spares & packing materials and stock-in-trade and book debts of the Company and further secured by a second charge on the movable assets of the Company & immovable properties situated at Aurangabad and Nasik.
- (C) Term Loans of Rs.12,850.39 Lakhs (Previous year Rs.14,177.43 Lakhs) are secured as under:
- (1) Term Loans of Rs.11,123.39 Lakhs from Indian Overseas Bank (Previous year Rs.11,671.67 Lakhs) are secured by a mortgage on Company's immovable property situated at Vile Parle, Mumbai.
  - (2) Term Loans of Rs.1,727.00 Lakhs from Indian Overseas Bank (Previous year Rs.2,323.67 Lakhs) are secured by charge on the Project assets and also by way of collateral of the Company's immovable property situated at Vile Parle, Mumbai.
  - (3) Term Loans of Rs. Nil from Indian Overseas Bank (Previous year Rs. 71.60 Lakhs) was secured by a mortgage on Company's immovable property situated at Vile Parle, Mumbai.
  - (4) Term loan of Rs. Nil from ICICI Bank Limited (Previous year Rs.110.49 Lakhs) was secured by:
    - (a) A mortgage ranking pari passu with mortgage created on Company's immovable properties situated at Aurangabad and Nasik in favour of ICICI Bank Limited and EXIM Bank for their term loans.
    - (b) Hypothecation / charge ranking pari passu with charges created / to be created in favour of ICICI Bank Limited and EXIM Bank for their Term Loans of all the movable properties of the Company including movable Plant & Machinery, Spares, Tools and Accessories, present and future (save and except Book Debts) at Nasik and Aurangabad, subject to prior charge created and / or to be created in favour of the Company's bankers on:
      - (i) Specified movables for securing borrowings for the Company's Working Capital Requirements and,
      - (ii) Specified assets charged to the Company's bankers as security for Term Loans.
- (D) Vehicle Finances are secured by hypothecation of specific assets.

	As at 31.03.2010 (Rs. in Lakhs)	As at 30.09.2009 (Rs. in Lakhs)
<b>B. UNSECURED LOANS</b>		
Interest-free Sales Tax Loans from SICOM. (Amount repayable within one year Rs.5.66 Lakhs) (Previous year Rs.64.43 Lakhs)	30.56	93.25
TOTAL	<b>30.56</b>	93.25

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## SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

### SCHEDULE – 4

#### FIXED ASSETS

(Rs. in Lakhs)

Sr. No.	Description of Assets	GROSS BLOCK				DEPRECIATION	NET BLOCK	
		Cost/ Revaluation As at 01.10.2009	Additions during the period	Sales/ Transfer during the period	Cost/ Revaluation As at 31.03.2010	Up to 31.03.2010	As at 31.03.2010	As at 30.09.2009
1.	Land (Freehold)	11,576.62	0.00	0.00	11,576.62	0.00	<b>11,576.62</b>	11,576.62
2.	Land (Leasehold)	1,867.50	0.00	0.00	1,867.50	0.00	<b>1,867.50</b>	1,867.50
3.	Buildings	7,848.15	0.00	0.00	7,848.15	5,061.40	<b>2,786.75</b>	2,929.33
4.	Plant & Machinery	56,682.87	253.92	13.52	56,923.27	36,605.15	<b>20,318.12</b>	21,427.94
5.	Electrical Installations	3,016.88	1.70	0.00	3,018.58	2,517.89	<b>500.69</b>	538.47
6.	Moulds	287.54	0.00	0.00	287.54	287.54	<b>0.00</b>	0.00
7.	Laboratory Equipments	350.70	0.68	0.00	351.38	223.02	<b>128.36</b>	137.89
8.	Furniture & Fixtures	533.06	0.48	0.00	533.54	467.20	<b>66.34</b>	72.84
9.	Office Equipments	527.91	15.35	0.00	543.26	394.00	<b>149.26</b>	144.59
10.	Vehicles	424.13	116.70	44.75	496.08	265.36	<b>230.72</b>	148.09
11.	Capital Expenditure On Research & Development	218.60	0.00	0.00	218.60	211.60	<b>7.00</b>	8.50
12.	Data Processing Equipments	1,214.75	2.94	0.00	1,217.69	1,156.08	<b>61.61</b>	76.04
13.	Expenditure On Tech. know-how / Product Development	1,430.76	0.00	0.00	1,430.76	1,419.53	<b>11.23</b>	15.61
14.	Copyrights	157.46	0.00	0.00	157.46	157.46	<b>0.00</b>	0.00
	<b>Total</b>	<b>86,136.93</b>	<b>391.77</b>	<b>58.27</b>	<b>86,470.43</b>	<b>48,766.23</b>	<b>37,704.20</b>	<b>38,943.42</b>
	Previous Year	85,228.46	927.39	18.92	86,136.93	47,193.51	38,943.42	41,271.67
	Capital Work-in-Progress						<b>331.96</b>	222.22

#### NOTES :

- The Free hold land includes Rs.4,584.49 Lakhs on account of revaluation of land at Vile Parle, Mumbai as at 31st March 2007.
- Building include Rs. 0.07 Lakh being value of 136 shares in Co-op. Housing Societies.
- Depreciation has been provided as follows:
  - on Capital Expenditure on R & D and Assets other than Plant & Machinery on Written Down Value Method as per rates prescribed under Schedule XIV of the Companies Act, 1956.
  - on Plant & Machinery acquired before 02.04.1987, on Straight Line Method as per rates prevalent at the time of acquisition of Assets on single shift basis.
  - on Plant & Machinery acquired after 02.04.1987 on Straight Line Method as per rates prescribed under Schedule XIV of the Companies Act, 1956.
- No Write-off has been made in respect of lease relating to lease hold land.
- Depreciation includes Technical Know-how fees / Product Development Expenses amortised.
- The Gross block includes Rs. 6,765.35 Lakhs on account of Evaluation of certain Assets as at 31st March, 2002.
- In accordance with Accounting Standard (AS-11) and an amendment Rules 2009 on AS-11 Notified by Government of India on 31/03/2009, Company has de-capitalised Rs.11.59 Lakhs (Previous year capitalised Rs.95.52 Lakhs) on account of exchange rate difference on foreign currency loans (Refer Note No.5 in Schedule 12 A)

**SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET (Contd.)**

**SCHEDULE – 5**

**As at**  
**31.03.2010**  
**(Rs. in Lakhs)**

**As at**  
**30.09.2009**  
**(Rs. in Lakhs)**

**INVESTMENTS (AT COST)**

**LONG TERM INVESTMENT**

**A. In Government Securities (Unquoted) :**

1. 10 Years 8.5% Rural Debentures of Maharashtra State Electricity Board of the face value of Rs. 0.17 Lakh	-	-
2. 7 Years National Savings Certificates of the face value of Rs. 0.03 lakh (Lodged with the Excise Authorities as Security Deposit)	-	-
	<u>-</u>	<u>-</u>

**B. In Shares :**

**I. Quoted**

1. 50 Equity Shares of M.M. Rubber Ltd. of the face value of Rs.10/- each, fully paid-up.	0.01	0.01
2. 2,80,000 Equity Shares of Garware Marine Industries Ltd, of the face value of Rs.10/- each, fully paid-up	-	-
3. 4,00,000 Equity Shares of Garware Wall Ropes Limited, of the face value of Rs.10/- each, fully paid-up.	56.80	56.80
	<u>56.81</u>	<u>56.81</u>

**II. Unquoted**

1. 2,500 Equity Shares of The New India Co-operative Bank Ltd. Mumbai, of the face value of Rs.10/- each, fully paid-up.	0.25	0.25
2. 2,500 Equity Shares of The North Kanara Goud Saraswat Brahmin Co-operative Bank Ltd., Mumbai of the face value of Rs.10/- each, fully paid up.	0.25	0.25
3. 500 shares of The Co-operative Stores Ltd. (New Delhi) of the face value of Rs.10/- each, fully paid up.	0.05	0.05
4. 10,000 Equity Shares of S I C O M Ltd.,of the face value of Rs.10/- each fully paid-up.	8.00	8.00
5. 20,000 Equity Shares of Deogiri Nagari Sahakari Bank Ltd., of the face value of Rs. 25/- each fully paid up.	5.00	5.00
6. 4,000 Equity Shares of Vaidyanath Urban Co-op. Bank Ltd., of the face value of Rs. 25/- each fully paid-up.	1.00	1.00
7. 1,000 Equity Shares of Poornawadi Co-op Bank Ltd of the face value of Rs.100/- each fully paid-up.	1.00	1.00
8. 3,03,36,820 Equity Shares (Previous Year 3,03,36,820 Equity Shares) of Garware Chemicals Ltd of the face value of Rs.10/- each fully paid-up including four equity shares held by nominees.	2,307.19	2,307.19
9. 1,29,69,000 0.01% Optional Convertible Cumulative Redeemable Preference Shares (Previous Year 1,29,69,000 OCCRP Shares) of Garware Chemicals Ltd., of the face value of Rs.10/- each fully paid up.	1,296.90	1,296.90
	<u>3,619.64</u>	<u>3,619.64</u>
TOTAL	<u>3,676.45</u>	<u>3,676.45</u>

NOTE : Aggregate amount of Company's investments.

	<b>Cost</b>	<b>Market value</b>	<b>Cost</b>	<b>Market value</b>
Quoted	56.81	287.46	56.81	298.88
Unquoted	3,619.64		3,619.64	
TOTAL	<u>3,676.45</u>		<u>3,676.45</u>	

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## SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET (Contd.)

### SCHEDULE – 6

	As at 31.03.2010 (Rs. in Lakhs)	As at 30.09.2009 (Rs. in Lakhs)
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>		
<b>A) CURRENT ASSETS:</b>		
<b>I. Inventories :</b>		
(As taken, valued & certified by the Management)		
(a) Stores, Spare parts & Packing materials (At Cost)	2,250.75	2,257.82
(b) Stock-in-trade		
(i) Raw Materials (At cost)	1,002.01	1,015.74
(ii) Finished goods (At cost or market value whichever is lower)	645.92	701.13
(iii) Semi-finished goods (At cost )	1,606.05	1,824.16
(iv) Stock in Transit	156.02	239.82
	<b>5660.75</b>	<b>6,038.67</b>
<b>II. Sundry Debtors :</b>		
(Unsecured, considered good, unless otherwise stated excluding Bills Receivable discounted) (Refer Note No 6 in Schedule 12B)		
(a) Debts outstanding for a period exceeding six months.		
(i) Considered Good	22.86	2.36
(ii) Considered Doubtful	493.33	524.81
	516.19	527.17
Less : Provision for Doubtful Debts	493.33	524.81
	22.86	2.36
(b) Other Debts (Including Rs.7,412.50 Lakhs due from Associated Company. Previous year Rs.6,760.90 Lakhs)	10,450.46	8,950.87
	<b>10,473.32</b>	<b>8,953.23</b>
<b>III. Cash and Bank Balances :</b>		
(a) Cash on hand	18.74	21.43
(b) Bank balances :		
With Scheduled Banks:		
In Current Accounts	1,328.70	1,363.26
In Fixed Deposit Accounts	160.22	188.22
In Unclaimed Dividend Account	14.48	9.29
	<b>1,522.14</b>	<b>1,582.20</b>
<b>IV. Other Current Assets:</b>		
(a) Export benefits / Incentives receivable	485.66	427.34
(b) Other receivables	1,666.92	1,676.27
(c) Foreign currency monetary items translation difference account. (Exchange rate difference on foreign currency loan)	0.00	85.23
	<b>2,152.58</b>	<b>2,188.84</b>
<b>B) LOANS &amp; ADVANCES:</b>		
(Unsecured, considered good, unless otherwise stated)		
(i) Advances recoverable in cash or in kind or for value to be received.	494.19	574.00
(ii) Advance against Capital Expenditure	16.70	0.00
(iii) Balance with Customs & Excise authorities	318.79	226.82
(iv) Deposits with others	96.47	96.27
(v) MAT Credit Entitlement	897.77	467.77
(vi) Advance Payment of Income Tax / Fringe Benefit Tax and Tax Deducted at Source (Net of Provisions)	104.45	0.00
	<b>1,928.37</b>	<b>1,364.86</b>
<b>TOTAL</b>	<b>21,737.16</b>	<b>20,127.80</b>

**SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET (Contd.)**

	As at 31.03.2010 (Rs. in Lakhs)	As at 30.09.2009 (Rs. in Lakhs)
<b>SCHEDULE – 7</b>		
<u>CURRENT LIABILITIES AND PROVISIONS:</u>		
<b>A. Current Liabilities:</b>		
(i) Sundry Creditors (Including Rs. 217.97 Lakhs of Associate Comapnay) (Previous year Rs. 17.79 Lakhs)	1,572.06	1,624.76
(ii) Other Liabilities Including Rs 3.39 Lakhs due to Directors (Previous year Rs 3.63 Lakhs)	533.70	764.57
(iii) Deposits and advances from customers & others	770.31	316.05
(iv) Unclaimed Dividend	15.02	9.79
(v) Unclaimed Debenture & Interest	2.14	2.14
	<b>2,893.23</b>	<b>2,717.31</b>
<b>B. Provision</b>		
(i) Provision for Taxation ( Net of advance payment )	10.26	142.41
(ii) Provision for Leave encashment / Gratuity	1,114.63	915.35
(iii) Provision for Dividend on Preference Shares	0.27	1.02
(iv) Provision for Proposed Dividend on Equity Shares	345.91	230.60
(v) Provision for Tax on Dividend	57.50	39.36
	<b>1,528.57</b>	<b>1,328.74</b>
TOTAL	<b>4,421.80</b>	<b>4,046.05</b>

**SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT & LOSS ACCOUNT**

	2009-10 (6 Months) (Rs. in Lakhs)	2008-09 (12 Months) (Rs. in Lakhs)
<b>SCHEDULE – 8</b>		
<u>OTHER INCOME</u>		
Insurance claims	23.56	27.55
Income from Investments (Gross)	11.44	12.31
Interest on short term deposits with banks and others (Gross) (Tax deducted at source Rs.2.16 Lakhs, Previous year Rs.13.79 Lakhs)	22.86	85.34
Miscellaneous income	40.55	37.60
Other income	6.80	69.44
Profit on sale of fixed assets (Net)	12.53	2.39
Excess Provision / Sundry Credit Balances written back	23.93	3.56
Rent (Tax deducted at source Rs.0.15 Lakh Previous year Rs.0.41 Lakh)	2.10	4.20
Sales Tax / Excise refund	0.00	27.38
TOTAL	<b>143.77</b>	<b>269.77</b>

**SCHEDULE – 9**
INCREASE/(DECREASE) IN FINISHED AND SEMI-FINSIHED GOODS

<b>Opening Stock:</b>		
Finished goods	940.95	1,973.21
Semi finished goods	1,824.16	2,883.94
	<b>2,765.11</b>	<b>4,857.15</b>
<b>Closing Stock:</b>		
Finished goods	801.94	940.95
Semi finished goods	1,606.05	1,824.16
	<b>2,407.99</b>	<b>2,765.11</b>
Increase / (Decrease)	<b>(357.12)</b>	<b>(2,092.04)</b>

**SCHEDULE – 10**
RAW MATERIALS CONSUMED

<b>Opening Stock</b>		
Add: Purchases and Expenses	1,015.74 14,449.48	1,384.15 24,534.87
	<b>15,465.22</b>	<b>25,919.02</b>
Less: Closing Stock	1,002.01	1,015.74
TOTAL	<b>14,463.21</b>	<b>24,903.28</b>

(Refer Note No 19 in Schedule 12B)

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## SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT & LOSS ACCOUNT (Contd.)

	2009-10 (6 Months) (Rs. in Lakhs)	2008-09 (12 Months) (Rs. in Lakhs)
<b>SCHEDULE – 11</b>		
<b>MANUFACTURING AND OTHER EXPENSES</b>		
<b>A. Manufacturing Expenses :</b>		
Stores, Spares and Packing Materials Consumed (Net)	1,204.11	2,162.87
Power and Fuel	3,160.69	5,409.69
Processing Charges	963.01	1,343.13
Water Charges	14.91	94.13
	<b>5,342.72</b>	<b>9,009.82</b>
<b>B. Employees' Remuneration &amp; Benefits :</b>		
Salaries, Wages and Bonus	1,563.34	2,694.94
Contribution to Provident and Other Funds	328.74	496.31
Staff Welfare Expenses	116.86	227.09
	<b>2,008.94</b>	<b>3,418.34</b>
<b>C. Administrative, Selling and General Expenses :</b>		
Rent, Hire charges and Compensation (Net)	66.72	88.86
Rates, Taxes and Licence Fees	25.22	29.92
Insurance (Net)	65.11	173.28
Freight and Forwarding (Net)	763.21	1,511.01
Research and Development Expenses	104.70	94.79
Repairs and Maintenance of :		
(i) Plant and Machinery	225.98	504.91
(ii) Buildings	120.71	179.87
(iii) Other Assets	218.28	420.18
	<b>564.97</b>	<b>1,104.96</b>
Advertisement Expenses	76.56	125.98
Sales Tax / VAT	40.08	18.63
Travelling & Conveyance	173.46	463.48
Postage, Telegrams & Telephones	63.03	118.05
Lease Rentals	0.00	24.47
Commission on Sales	112.96	201.85
Donations	50.20	45.05
Legal and Professional Charges (Refer Note No. 9 in Schedule 12 B)	271.83	620.92
Auditors' Remuneration		
(i) Audit fees	9.53	23.50
(ii) Tax Audit fees	2.00	4.00
(iii) For Certification / Others	1.60	2.63
(iv) Reimbursement of out of pocket Expenses	0.35	0.35
	<b>13.48</b>	<b>30.48</b>
Miscellaneous Expenses	466.23	871.59
Provision for doubtful debts	0.00	0.33
Loss on Swap / Exchange Rate Fluctuations	269.13	363.29
	<b>3,126.89</b>	<b>5,886.94</b>
<b>D. Managerial Remuneration :</b>		
(a) To Managing Director & Joint Managing Directors :		
(i) Salary	140.00	240.00
(ii) Contribution to Provident fund and Superannuation Scheme	21.60	64.80
(iii) Other Perquisites	63.19	73.16
(iv) Leave salary	82.78	9.29
	<b>307.57</b>	<b>387.25</b>
(b) To Whole Time Director :		
(i) Salary	51.53	93.97
(ii) Contribution to Provident fund and Superannuation Scheme	1.62	2.76
(iii) Other Perquisites	5.33	8.14
(iv) Leave salary	0.09	1.59
	<b>58.57</b>	<b>106.46</b>
	<b>366.14</b>	<b>493.71</b>
(c) Directors' Commission	31.00	0.00
(d) Directors' sitting fees	0.68	1.15
	<b>397.82</b>	<b>494.86</b>
<b>TOTAL</b>	<b>10,876.37</b>	<b>18,809.96</b>

**SCHEDULE – 12**

**STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES AND NOTES ANNEXED TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENT**

**A. SIGNIFICANT ACCOUNTING POLICIES**

**1. Basis of presentation of Financial Statements**

The financial statements are prepared under the historical cost convention modified by revaluation of fixed assets and in accordance with applicable Accounting Standards and relevant presentation requirements of the Companies Act, 1956.

The Company generally follows the mercantile system of accounting and recognizes significant items of income and expenditure on accrual basis.

**2. Fixed Assets and Depreciation / Amortization**

Fixed Assets are stated at cost net of MODVAT / CENVAT and includes amounts added on revaluation, less accumulated depreciation. Cost comprises of the purchase price and any directly attributable cost of bringing the assets to working condition for its intended use including interest and other incidental and trial run expenses up to the date of commercial production. When fixed assets were revalued, surplus on revaluation was credited to Capital / Revaluation Reserve Account.

Depreciation / Amortization is provided as follows:

- On Technical Know-how/Product Development Expenses @ 1/6th per annum.
- On Copyright Expenditure @ 1/5th per annum
- On Capital Expenditure on R&D and Assets other than Plant & Machinery on Written Down Value method as per rates prescribed under Schedule XIV of the Companies Act, 1956.
- On Plant & Machinery acquired before 02.04.1987 on Straight Line method as per rates prevalent at the time of acquisition of the asset on single shift basis.
- On Plant & Machinery acquired after 02.04.1987 on Straight Line Method as per rates prescribed under Schedule XIV of the Companies Act, 1956, vide Notification GSR No.756(E) dated 16.12.1993.
- No write-off is being made in respect of leasehold land.
- Assets costing Rs.5000/- or Less is depreciated fully in the year of acquisition.

**In respect of Subsidiaries:**

**- Garware Polyester International Ltd.(GPIL)**

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each assets over its expected useful life, as follows:

- Land and buildings leasehold – Straight line over the life of the lease
- Furniture, fittings and equipment – 25% Reducing balance

**- Global Pet Films, Inc. (GPF)**

Equipments are stated at cost less accumulated depreciation. Some assets are depreciated using Straight Line MACRS method over the useful lives of the assets and some other assets are expensed under Sec. 179 of Internal Revenue Code. Legal cost for organization of business is capitalized and is carried at cost less accumulated amortization, which is being provided on straight line basis over the economic useful life of 5 years.

**3. Investments**

Investments are considered as long term investments and are accordingly stated at cost of acquisition. Market value of Quoted Investments at the date of the Balance Sheet is disclosed. Provision for diminution in the value of long-term

investments is made only if such a decline is other than temporary in the opinion of the Management.

**4. Inventories**

Raw Materials, Stores and Spares and Packing Materials are valued at weighted average cost. Finished goods are valued at lower of the cost and market value. Semi-finished goods including those held for captive consumption are valued at factory cost (including depreciation).

In respect of subsidiary Garware Polyester International Ltd, stock is valued at the lower of cost and net realisable value.

In respect of ultimate subsidiary Global Pet films Inc. inventories are stated at the lower of cost ( determined by FIFO method) or market (Net realizable ) value.

**5. Foreign Currency Transactions**

- a) Transactions denominated in foreign currencies are recorded at the exchange rate prevailing on the date of the transaction or that approximates the actual rate at the date of the transaction.
- b) Monetary items denominated in foreign currencies at the year-end are restated at year end rates. In case of items which are covered by forward exchange contracts, the difference between the year-end rate and rate on the date of the contract is recognised as exchange difference and the premium paid on forward contracts is recognized over the life of the contract.
- c) Non monetary foreign currency items are carried at cost.
- d) Any income or expenses on account of exchange difference either on settlement or on translation is recognized in the Profit and Loss account except in case of long term liabilities, where they relate to acquisition of fixed assets, in which case they are adjusted to the carrying cost of such assets.
- e) The Company has opted for accounting exchange rate differences arising on reporting of long term Foreign Currency Monetary Items in line with Companies (Accounting Standard) Amendment Rules 2009 on Accounting Standard 11 (AS-11) notified by Govt. of India on March 31, 2009. Accordingly, the effect of exchange differences on Foreign Currency Loans of the Company is accounted by addition or deduction to the cost of assets so far it relates to depreciable capital assets and in other cases by transfer to "Foreign Currency Monetary Items Translation Difference Account" to be amortized in subsequent period. Accordingly, in the previous year the Company has debited Rs. 50.76 lakhs to assets account by adjusting against reserve. The exchange loss for the year 2007-08 in the year under review the Company has amortized Rs. 85.23 lakhs from Foreign Currency Monetary Items Translation Difference due to repayment of the said Loans.
- f) Investments in shares of foreign subsidiary Company are expressed in Indian Currency at the rate of exchange prevailing at the time when the original investments were made.
- g) In case of Garware Polyester International Ltd., monetary assets and liabilities denominated in foreign currencies are translated in to sterling at the rates of exchange ruling at the balance sheet date. The transactions in foreign currencies are recorded at the rate ruling at the date of transactions. All differences are taken to Profit and Loss accounts.

**6. Inter-divisional Transfers**

Inter-divisional transfers of goods for internal use as captive consumption are shown as contra items in the Profit & Loss Account to reflect the true economic value of the production inter-se the divisions. This accounting treatment has no impact on the Profit of the Company.

## SCHEDULE – 12 (Cond.)

### 7. Duties

Excise duty on finished goods and custom duty on imported materials has been accounted on the basis of payments made in respect of goods cleared as also provision made for goods lying in Bonded Warehouse.

### 8. Employee Benefits:

#### a) Short Term Employee Benefits:-

All benefits paid / payable wholly within 12 months of rendering the service are classified as short term. Benefits such as salaries, wages, short-term compensated absences, etc and the expected cost of bonus, ex-gratia, medical, LTA are recognized in the period in which the employee renders the related service and charged to Profit and Loss Account.

#### b) Defined Contribution Plans:

Company contributes Provident Fund in accordance with EPF Act, 1952 and ESIC Schemes in accordance with ESIC Act, 1948 under Government administered schemes, however certain employees are covered under the contributory plans with the trust "Garware Polyester Limited Office Staff & Officer's Provident Fund". Contributions are accounted on accrual / paid basis and charged to Profit & Loss Account.

#### c) Defined Benefit Plans:

- 1) Liability towards Superannuation and Gratuity are covered by appropriate schemes with Life Insurance Corporation of India on accrual basis. Gratuity plans are determined by actuarial valuation by using the Projected Unit Credit method.
- 2) Leave encashment benefits are accounted on actuarial valuation basis.

### 9. Lease Rentals

Lease Rentals are accounted on accrual basis over the Lease Term as per the relevant Lease Agreements.

In case of GPIL rentals payable under operating leases are charged against income on a straight line basis over the lease term.

### 10. Provisions, Contingent Liabilities & Contingent Assets :

Provisions involving substantial degree of estimation in measurement are recognised when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognised but are disclosed in the notes. Contingent Assets are neither recognised nor disclosed in the financial statements.

### 11. Research and Development

Revenue expenditure on Research and Development is charged out in the accounting year in which it is incurred. Expenditure, which results in creation of assets, is included in Fixed Assets and depreciation is provided on such assets as applicable.

### 12. Revenue Recognition

#### a) Sales:

Sales are accounted for inclusive of excise duty and VAT/ sales tax (wherever not charged separately), and are net of discounts and returns.

In respect of Garware Polyester International Limited turnover represents amount receivable for goods and services net of VAT and trade discounts.

In respect of Global Pet Films Inc., revenues from product sales to customers are recognized when products are shipped to customers.

#### b) Export Benefits:

Export entitlements under the Duty Entitlement Pass Book (DEPB) scheme/ other scheme are recognized as income when the right to receive credit as per the terms of the scheme is established in respect of the exports made and where there is no significant uncertainty regarding the ultimate collection of the relevant export proceeds.

### 13. Taxation

a) Deferred tax is recognised, subject to the consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

b) Current tax is determined as the amount of tax payable in respect of taxable income for the period. The credit is taken as per entitlement for the tax liability provided under MAT based on taxable income as per the provisions of Income Tax Act, 1961.

c) In respect of subsidiary, Garware Polyester International Limited, the accounting policy in respect of deferred tax reflects the requirements of FRS19-Deferred Tax. Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. On the basis of these financial statements no provision has been made for deferred tax.

### 14. Borrowing Cost:

Borrowing costs specifically relatable to the acquisition of fixed assets are capitalized as part of the cost of fixed assets, other borrowing costs are charged to revenue.

### 15. Impairment of assets

Impairment loss, if any, is provided to the extent, the carrying amount of assets exceeds their recoverable amount. Recoverable amount is higher of an asset's net selling price and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

### 16. Purchases :

In case Global Pet Films Inc., purchases are recorded in books only when received in Company Warehouse and or received at Customs warehouse located at the port of destination.

### 17. Use of Estimates:

In case of Global Pet Films Inc, the preparation of financial statements in conformity with generally accepted accounting principals require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

### 18. Accounts Receivable :

In case of Global Pet Film Inc. the accounts receivable balance (Net) as of March 31, 2010 was \$ 2,79,390.91.

The Company has terminated its factoring arrangement with Coface with effect from May 2009.

19. In case of Global Pet Film Inc. Cash and cash equivalents include money market instruments.



**SCHEDULE – 12 (Cond.)**
**B. NOTES ON CONSOLIDATED FINANCIAL STATEMENT:-**

1. The subsidiary companies considered in the consolidated financial statements are:

Name of the Company	Country of Incorporation	Percentage of voting Power	Financial Year
<b>Direct Subsidiary</b> Garware Polyester International Ltd.	United Kingdom	100%	April 09-March 10
<b>Indirect Subsidiary</b> Subsidiary of wholly owned subsidiary Global Pet Films, Inc.	U.S.A.	100%	April 09-March 10

2. Principles of Consolidation:

- (i) Consolidated financial statements are done in accordance with the AS-21 by consolidating financial statements of subsidiaries on the reporting period. The consolidation is based on the audited financial statement of Garware Polyester International Ltd. for the period ended 31st March, 2010 and necessary adjustments / deductions that have been incorporated to give effect to all transaction occurred between the period from 01/10/2009 to 31/03/2010 as per reporting period of the parent Company.
  - (ii) The financial statements of the Company and the subsidiaries have been combined to the extent possible on a line-by-line basis, by adding together like items of assets, liabilities, income and expenses. All significant intra group balances and transactions have been eliminated on consolidation.
  - (iii) In respect of subsidiaries, transactions of Profit and Loss account and the assets and items of the balance sheet have been translated into Indian Rupees at the closing exchange rate of respective currencies prevailing as at 31st March, 2010 except for subsidiary's share capital.
3. Estimated amount of contracts remaining to be executed on capital account and not provided for Rs 943.18 Lakhs (Previous year Rs.858.50 Lakhs) against which an advance of Rs. 16.70 Lakhs (Previous year Rs NIL) has been paid.
  4. The Company has given counter-guarantees for Rs. 723.56 Lakhs (Previous year Rs.738.59 Lakhs) to Banks in respect of guarantees given by the Banks to third parties for purchase of equipments, supply of goods, clearance of goods from Customs, Excise Bonds, etc.
  5. Letters of Credit opened on behalf of the Company by Banks for purchase of materials and equipments amount to Rs 15,538.11 Lakhs (Previous year Rs.13,577.63 Lakhs).
  6. Bills of Exchange discounted under Bill Marketing Scheme amount to Rs. 2,257.75 Lakhs (Previous year Rs. 2,725.29 Lakhs).
  7. Secured Loans:  
Zero Coupon Bonds of Rs. 151.00 Lakhs are repayable in quarterly installments with premium of Rs.128.35 Lakhs till 1st January,2012.  
Amount of Term Loans / Zero Coupon Bond repayable within one year is Rs. 6,716.45 Lakhs (Previous Year Rs.1,947.60 Lakhs).
  8. Contingent Liabilities not provided for –

	As at 31.03.2010 (Rs. in Lakhs)	As at 30.09.2009 (Rs. in Lakhs)
Disputed matters in appeal / contested in respect of:		
Income Tax	63.91	43.22
Excise Duty	43.94	39.02
Sales Tax	17.13	17.13
Maharashtra State Electricity Board (MSEB)	27.72	0.00

9. Legal and Professional Charges include Rs. 0.83 Lakhs (Previous year Rs.7.90 Lakhs) paid to some of the Partners of the Auditors for other services & Rs. Nil paid to a firm in which one of the Director is a partner. (Previous year Rs 0.25 Lakhs).
10. Break up of Interest and financial charges are:

	2009-10 (6 Months) (Rs. in Lakhs)	2008-09 (12 Months) (Rs. in Lakhs)
On Secured Term Loans (Net)	471.92	2,041.37
Other Interest (Net)	738.11	2,611.44
Financial Charges	438.86	648.33
<b>Total</b>	<b>1,648.89</b>	<b>5,301.14</b>

11. Export Benefits / Incentives are accounted on accrual basis. Accordingly, net estimated benefit aggregating to Rs. 510.21 Lakhs (Previous year Rs.752.27 Lakhs) against export effected during the period has been credited to Export Benefits earned account which has been included in sales.

# ANNUAL REPORT 2009-10

## SCHEDULE – 12 (Cond.)

### 12. Segment Reporting:

- a) The Company is only in one line of business namely - Polyester film.
- b) The Segment Revenue in the Geographical segment considered for disclosure are as follows:-
  - i) Revenue within India includes sales to customers located within India.
  - ii) Revenue outside India includes sales to customers located outside India including Export Benefits / Incentives.

	2009 -10 (6 Months) (Rs. in Lakhs)			2008-09 (12 Months) (Rs. in Lakhs)		
	Within India	Outside India	Total	Within India	Outside India	Total
Sales	20,396	12,779	33,175	38,691	21,036	59,727
Amount of Segment Assets by location of assets. (Net Value)	20,318	–	20,318	21,428	–	21,428

### 13. Related Party Disclosures

- a) List of Related Parties.
  - Associate Companies : Garware Industries Limited & Garware Chemicals Limited
  - Key Management Personnel : (1) Shri. S. B.Garware  
(2) Mrs. Monika Garware Modi  
(3) Ms. Sarita Garware  
(4) Ms. Sonia S.Garware
  - Enterprises over which Key Managerial Person are able to exercise significant influence : Garware Charitable Trust
- b) Transaction with Related Parties

	2009-10 6 Months (Rs. in Lakhs)*	2008-09 12 Months (Rs. in Lakhs)*
i) Sale of Goods / Capital Items Associate Companies	9,031.34	6,455.04
ii) Purchases of Materials and Capital Items Associate Companies	8.95	5.39
iii) Services Received / Processing Charges Associate Companies	1,061.38	1,335.01
iv) Services Rendered Associate Companies	64.30	212.21
v) Balances [Dr./ ( Cr)] Associate Companies	7,194.53	6,743.11
vi) Balance (Dr / Cr.) Ms. S. Garware	(3.39)	(3.63)
vii) Key Management Personnel & Relatives Managerial Remuneration (Refer Schedule No.11)		

\* Figures are on gross basis ( Including Taxes & Duties)

### 14. Earning Per Share

	2009-2010 (6 Months) (Rs. in Lakhs)	2008-2009 (12 Months) (Rs. in Lakhs)
Profit After Tax	2,702.29	1,143.79
Less: Dividend on Preference Shares including tax	0.32	1.19
Amount available for Equity Shareholders	2,701.97	1,142.60
Weighted average number of Shares	2,30,60,386	2,30,27,053
Earning Per Share - Basic & Diluted (Rs) (Absolute)	11.72	4.96

### 15. Deferred Tax:

As per the legal advise obtained by the Company and in compliance with provisions of Accounting Standard and based on General Prudence, the Company has not recognized the deferred tax asset / liability while preparing the accounts of the year under review (Previous Year provision of Rs. 1,193.75 lakhs as deferred tax liability).

**SCHEDULE – 12 (Cond.)**

16. Disclosure as per AS-15 (Revised) on “Employee Benefit” for the period ended 31st March 2010.

**A. Funded retirement benefit - Gratuity**

Description	2009-2010 (6 Months) Rs. in Lakhs	2008-2009 (12 Months) Rs. in Lakhs
<b>Change in the defined benefit obligations</b>		
Defined benefit obligations at beginning of the period / year	1,295.89	865.37
Service cost	44.40	82.43
Interest cost	49.80	99.60
Actuarial Loss / (Gain)	157.54	282.37
Benefits paid	(37.76)	(33.88)
Defined benefit obligations at end of the period / year (a)	1,509.87	1,295.89
<b>Change in plan assets</b>		
Fair Value of plan assets at beginning of the period /year	1,226.56	809.00
Expected return on plan assets	55.33	94.46
Contributions by employer	43.60	206.85
Actuarial Gain / (Loss)	13.43	150.13
Benefits paid	(37.76)	(33.88)
Fair value of plan assets at end of the period / year (b)	1,301.16	1,226.56
<b>Present Value of un funded obligations (a-b)</b>	<b>208.71</b>	<b>69.33</b>
The net amount recognized in the statement of profit and loss for the period ended 31st March,2010 is as follows:		
Current service cost	44.40	82.43
Interest cost	49.80	99.60
<u>Expected return on plan assets</u>	<u>(55.33)</u>	<u>(94.46)</u>
Net actuarial Loss / (Gain) recognized	144.11	282.37
Net amount recognized	182.98	369.94
Actual Return on Plan Assets		
The principal actuarial assumptions used as at 31st March, 2010 are as follows:		
Discount Rate	8.00%	7.80%
Expected rate of return on plan assets		
Withdrawal rate	Up to Age 35: 5% 36-50 : 2% 51& abv: 1%	Up to Age 35: 5% 36-50 : 2% 51& abv: 1%
Rate of increase in compensation levels	5.00%	5.00%

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## SCHEDULE – 12 (Cond.)

### B. Un-funded retirement benefit – Leave Encashment

Description	2009-2010 (6 Months) Rs. in Lakhs	2008-2009 (12 Months) Rs. in Lakhs
<b>Change in the defined benefit obligations</b>		
Defined benefit obligations at beginning of the period / year	846.02	779.26
Service cost	32.65	40.79
Interest cost	44.53	62.11
Actuarial Loss / (Gain)	0.40	(30.35)
Benefits paid	(17.69)	(5.79)
Defined benefit obligations at end of the period / year (a)	905.91	846.02
<b>Change in plan assets</b>		
Fair Value of plan assets at beginning of the period/ year	0.00	0.00
Expected return on plan assets	0.00	0.00
Contributions by employer	(0.40)	5.79
Actuarial Gain / (Loss)	0.00	0.00
Benefits paid	0.40	(5.79)
Fair value of plan assets at end of the period/ year (b)	0.00	0.00
Present Value of un funded obligations (a-b)	905.91	846.02
The net amount recognized in the statement of profit and loss for the period ended 31st March, 2010 is as follows:		
Current service cost	32.65	40.79
Interest cost	44.53	62.11
Expected return on plan assets	0.00	0.00
Net actuarial Loss / (Gain) recognized	(17.69)	(30.35)
Net amount recognized	59.49	72.55
Actual Return on Plan Assets	0.00	0.00
The principal actuarial assumptions used as at 31st March, 2010 are as follows:		
Discount Rate	8.00%	7.80%
<u>Expected rate of return on plan assets</u>	Up to	Up to
Withdrawal rate	Age 35: 5% 36-50 : 2% 51 & abv: 1%	Age 35: 5% 36-50 : 2% 51 & abv: 1%
Rate of increase in compensation levels	7.00%	7.00%

17. In accordance with Accounting Standard 28 (AS 28) issued by the Institute of Chartered Accountants of India on Impairment of Assets, the Company had appointed professional consultancy firm as the valuers to assess impairment of each cash generating unit (CGU) by taking market value and its potential capacity to generate cash flows. According to the valuers report, there is no impairment to any of the assets as such no provision for impairment of assets is required to be made in the accounts.
18. The significant leasing arrangements of the Company are in respect of operating leases for premises and vehicles. These leasing arrangements ranges between 11 months and 5 years and are usually renewable by mutual consent on mutually agreeable terms. The agreeable lease rental payable are charged to Profit and Loss account and shown under administrative, selling and general expenses in appropriate heads.
19. Raw materials consumed includes expenses for clearing, warehousing and duty etc on goods received from parent Company by subsidiary and ultimate subsidiary.
20. Previous years's figures have been rearranged and regrouped wherever necessary to conform to the classification adopted for the current period. Figures of the current period are not comparable with the figures of the previous year being of six month period.

**CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED MARCH 31, 2010**

		Period ended 31.03.2010 (6 Months) (Rs. in Lakhs)	Year ended 30.09.2009 (12 Months) (Rs. in Lakhs)
<b>A. Cash flow from operating activities:</b>			
Profit before tax	A	2,708.05	2,370.34
Add: Depreciation		1,611.48	3,251.49
Interest expenses - gross		1,648.89	5,301.14
Loss on Exchange Rate Fluctuations		269.13	363.29
Foreign Currency Monetary Items Translation Difference		0.00	50.76
Provision for leave encashment / Gratuity		199.28	79.72
Sub Total	B	<u>3728.78</u>	9,046.40
Sub Total A + B	C	<u>6436.83</u>	11,416.74
Less: Interest income		22.86	85.34
Profit on sale of fixed assets		12.53	2.39
Dividend received / Income from Investment		11.44	12.31
Sundry balances Written Back (Net)		23.93	3.56
Rent		2.10	4.20
Sub Total		<u>72.86</u>	107.80
<b>Operating profit before working capital changes</b>		<u>6363.97</u>	11,308.94
Adjustments for:			
Transfer to foreign currency translation reserve		(33.31)	(51.00)
(Increase) / Decrease in trade/other receivable (Net)		(1,512.89)	2,121.97
(Increase) / Decrease in inventories		377.92	2,588.61
Increase / (Decrease) in trade/other payables		195.01	(337.89)
<b>Cash generated from operations</b>		<u>5390.70</u>	15,630.63
Direct taxes refund / (paid)(Net)		(672.36)	(245.75)
<b>Net cash inflow / (outflow) from operations</b>		<u>4,718.34</u>	15,384.88
<b>B. Cash flow from investing activities:</b>			
Purchase of fixed assets		(489.92)	(836.68)
Sale proceeds of fixed assets		20.06	6.55
Interest received		22.86	85.34
Loss on Exchange Rate Fluctuations		(269.13)	(363.29)
Dividend received / Income from Investment		11.44	12.31
Rent		2.10	4.20
<b>Net cash inflow / (outflow) from investing activities</b>		<u>(702.59)</u>	(1,091.57)
<b>C. Cash flow from financing activities:</b>			
Proceeds from issue of shares		0.00	65.34
Interest / Financial Charges		(1648.89)	(5,322.29)
Repayment of borrowings - secured		(2633.80)	(5,582.36)
Proceeds / (repayments) of borrowings-unsecured		(62.69)	(412.43)
Cash credit accounts		526.40	(2,642.13)
Dividend paid (Including corporate dividend tax)		(265.75)	0.00
Miscellaneous expenditure (to the extent not written off)		8.92	17.83
<b>Net cash inflow/(outflow) from financing activities</b>		<u>(4,075.81)</u>	(13,876.04)
<b>Net increase / (decrease) in cash and cash equivalents</b>		<u>(60.06)</u>	417.27
<b>Cash and cash equivalents as at opening</b>			
Cash and bank balances		1,582.20	1,164.93
<b>Cash and cash equivalents as at closing</b>			
Cash and bank balances		<u>1,522.14</u>	1,582.20
		<u>(60.06)</u>	417.27

For and on behalf of the Board of Directors

**S. B. GARWARE** – Chairman & Managing Director

**B. MORADIAN** – Director

**M. S. ADSUL** – Director – Technical

**L. M. AGRAWAL** – Chief Financial Officer

**MANOJ KOUL** – Company Secretary & General Manager

As per our report of even date

For **SHAH & CO.**  
Chartered Accountants

For **BHANDARI DASTUR GUPTA & ASSOCIATES**  
Chartered Accountants

**INDULAL H. SHAH**  
Partner

**SUNIL BHANDARI**  
Partner

Mumbai, 05<sup>th</sup> August, 2010

**DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 MARCH, 2010**

1

The directors present their report and consolidated financial statements for the year ended 31 March 2010.

Principal activities, review of the business and performance during the year The principal activity of the group continued to be that of distribution of industrial polyester film.

The result for the year and the financial position at the year end were considered to be satisfactory by the directors. They expect continued growth in the foreseeable future.

The key financial performance indicators used by the Board to monitor the the financial performance of the Company and its subsidiary and their results for the year ended 31 March, 2010 are as follows:

- Group turnover of £5,896,058 has been achieved in the year compared to £7,596,350 for the year ended 31 March, 2009.
- Although group turnover has fallen during the current year, the group has achieved a better gross profit margin.
- The subsidiary has made a profit in the sum of £163,097 as compared to a loss £10,495 for the year ended 31 March, 2009.
- The group uses a number of non-financial performance indicators to monitor and drive the business including measures within the areas of technological advancement. Examples are customer satisfaction statistics and orders delivered to clients on time.

**Future Developments**

The directors are confident that the Company and its subsidiary will maintain their success as continued orders have already been placed for the next accounting period and in some instances, payments on account have been received during the current accounting period. They are assured that this will underpin the long term stability and growth of the group.

**Risks and uncertainties**

The main financial risks arising from the group's activities are economic risk, currency risk and operating risk. These are monitored by the board of directors and were not considered to be significant at the balance sheet date.

The group's policy in respect of currency risk, is to closely monitor exchange rate fluctuations between sterling, euro and US dollar. This may impact on the operating profit attained by the group.

The group's policy in respect of economic and operating risk, is to adhere to set objectives laid by the directors in an efficient manner and exercise tight control on costs.

The group has a high profile client base. However, the ongoing global crisis in the financial markets may lead to reduced order levels which in turn may impact on revenue generated.

**Post balance sheet event**

There are no matters that give rise to a post balance sheet event.

**Results and dividends**

The results for the year are set out on page 5.

The directors do not recommend payment of an ordinary dividend.

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**Directors**

The following directors have held office since 1 April 2009:

- Mr S Garware  
Ms S Garware  
Mr B D Doshi  
Ms S Garware (Appointed 2 October 2009)  
Mr V K Nair  
Mrs S S Garware (Appointed 2 October 2009)  
Mrs M G Modi (Appointed 2 October 2009)  
Mr C J Pathak (Appointed 2 October 2009)

**Auditors**

The auditors, MCT Partnership, are deemed to be reappointed under section 487(2) of the Companies Act 2006.

**Statement of directors' responsibilities**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Statement of disclosure to auditors**

So far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the Company's auditors are aware of that information.

On behalf of the board

**Mr B D Doshi**

*Director*

04 August, 2010

## 3

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GARWARE POLYESTER INTERNATIONAL LIMITED

We have audited the financial statements of Garware Polyester International Limited for the year ended 31 March 2010 set out on pages 5 to 18. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on pages 1 - 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's and the group's affairs as at 31 March 2010 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Kailesh Patel FCA (Senior Statutory Auditor)  
for and on behalf of MCT Partnership  
Chartered Accountants  
Statutory Auditors

04 August, 2010  
1 Warner House  
Harrobian Business Village  
Bessborough Road  
Harrow Middlesex HA1 3EX

**5**  
**GROUP PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED**  
**31 MARCH, 2010**

	Notes	2010 £	2009 £
<b>Turnover</b>	2	<b>5,896,058</b>	7,596,350
Cost of sales		<b>(4,934,389)</b>	(6,827,406)
<b>Gross profit</b>		<b>961,669</b>	768,944
Selling and distribution costs		<b>(352,910)</b>	(372,756)
Administrative expenses		<b>(450,980)</b>	(484,738)
Other operating income		<b>10,876</b>	114,826
<b>Operating profit</b>	3	<b>168,655</b>	26,276
Other interest receivable and similar income	4	<b>889</b>	5,802
Interest payable and similar charges	5	<b>-</b>	(72)
<b>Profit on ordinary activities before taxation</b>		<b>169,544</b>	32,006
Tax on profit on ordinary activities	6	<b>(1,490)</b>	(8,692)
<b>Profit on ordinary activities after taxation</b>	13	<b>168,054</b>	23,314

The profit and loss account has been prepared on the basis that all operations are continuing operations.

**6**  
**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**FOR THE YEAR ENDED 31 MARCH, 2010**

	2010 £	2009 £
Profit for the financial year	<b>168,054</b>	23,314
Currency translation differences on foreign currency net investments	<b>(7,218)</b>	(26,136)
<b>Total recognised gains/(losses) relating to the year</b>	<b>160,836</b>	(2,822)

**7**  
**GROUP BALANCE SHEET AS AT 31 MARCH, 2010**

	Notes	2010		2009	
		£	£	£	£
<b>Fixed assets</b>					
Tangible assets	7	<b>9,611</b>		12,271	
<b>Current assets</b>					
Stock	9	<b>177,369</b>		380,582	
Debtors	10	<b>47,658</b>		208,842	
Cash at bank and in hand		<b>773,154</b>		271,524	
		<b>998,181</b>		860,948	
<b>Creditors: amounts falling due within one year</b>	11	<b>(827,705)</b>		(880,104)	
<b>Net current assets/(liabilities)</b>		<b>170,476</b>		(19,156)	
<b>Total assets less current liabilities</b>		<b>180,087</b>		(6,885)	
<b>Capital and reserves</b>					
Called up share capital	12	<b>250,000</b>		250,000	
Other reserves	13	<b>(7,218)</b>		(26,136)	
Profit and loss account	13	<b>(62,695)</b>		(230,749)	
<b>Shareholders' funds - equity interests</b>	15	<b>180,087</b>		(6,885)	

The financial statements were approved by the Board on 04 August, 2010.

Mr B D Doshi  
Director

**8**  
**COMPANY BALANCE SHEET AS AT 31 MARCH, 2010**

	Notes	2010		2009	
		£	£	£	£
<b>Fixed assets</b>					
Tangible assets	7	<b>8,387</b>		10,406	
Investments	8	<b>62,046</b>		62,046	
		<b>70,433</b>		72,452	
<b>Current assets</b>					
Stock	9	<b>155,255</b>		120,208	
Debtors	10	<b>116,663</b>		145,327	
Cash at bank and in hand		<b>536,039</b>		254,381	
		<b>807,957</b>		519,916	
<b>Creditors: amounts falling due within one year</b>	11	<b>(411,063)</b>		(129,998)	
<b>Net current assets</b>		<b>396,894</b>		389,918	
<b>Total assets less current liabilities</b>		<b>467,327</b>		462,370	
<b>Capital and reserves</b>					
Called up share capital	12	<b>250,000</b>		250,000	
Profit and loss account	13	<b>217,327</b>		212,370	
<b>Shareholders' funds - equity interests</b>	15	<b>467,327</b>		462,370	

The financial statements were approved by the Board on 04 August, 2010.

Mr B D Doshi  
Director

**9**  
**GROUP CASH FLOW STATEMENT FOR THE YEAR ENDED 31**  
**MARCH, 2010**

	2010		2009	
	£	£	£	£
<b>Net cash inflow/(outflow) from operating activities</b>		<b>515,907</b>		(175,893)
<b>Returns on investments and servicing of finance</b>				
Interest received	<b>889</b>		5,802	
Interest paid	<b>-</b>		(72)	
<b>Net cash inflow for returns on investments and servicing of finance</b>		<b>889</b>		5,730
<b>Taxation</b>		<b>(13,928)</b>		70
<b>Capital expenditure</b>				
Payments to acquire tangible assets	<b>(660)</b>		(4,809)	
<b>Net cash outflow for capital expenditure</b>		<b>(660)</b>		(4,809)
<b>Net cash inflow/(outflow) before management of liquid resources and financing</b>		<b>502,208</b>		(174,902)
<b>Increase/(decrease) in cash in the year</b>		<b>502,208</b>		(174,902)

**10**  
**NOTES TO THE GROUP CASH FLOW STATEMENT FOR THE YEAR**  
**ENDED 31 MARCH, 2010**

1. Reconciliation of operating profit to net cash outflow from operating activities

	2010 £	2009 £
Operating profit	<b>168,655</b>	26,276
Depreciation of tangible assets	<b>3,320</b>	5,292
Decrease in stock	<b>203,213</b>	1,272,060
Decrease in debtors	<b>161,184</b>	470,116
Decrease in creditors within one year	<b>(39,383)</b>	(1,837,246)
Net effect of translation differences	<b>18,918</b>	(112,391)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>515,907</b>	(175,893)

2. Analysis of net funds

	1 April 2009	Cash flow	Other non-cash changes	31 March, 2010
	£	£	£	£
Net cash:				
Cash at bank and in hand	271,524	501,630	-	773,154
Bank overdraft	(578)	578	-	-
Net funds	<b>270,946</b>	<b>502,208</b>	-	<b>773,154</b>

3. Reconciliation of net cash flow to movement in net funds

	2010 £	2009 £
Increase/(decrease) in cash in the year	<b>502,208</b>	(174,902)
<b>Movement in net funds in the year</b>	<b>502,208</b>	(174,902)
Opening net funds	<b>270,946</b>	445,848
<b>Closing net funds</b>	<b>773,154</b>	270,946



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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2010**

**1 Accounting policies**

**1.1 Accounting convention**

The financial statements are prepared under the historical cost convention and in accordance with the Companies Act 2006 and applicable Accounting Standards.

**1.2 Compliance with accounting standards**

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated).

**1.3 Turnover**

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

**1.4 Tangible fixed assets and depreciation**

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Land and buildings leasehold	Straight line over the life of the lease
Fixtures, fittings and equipment	25% reducing balance

**1.5 Leasing**

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

**1.6 Stock**

Stock is valued at the lower of cost and net realisable value.

**1.7 Deferred taxation**

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the Company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

**1.8 Foreign currency translation**

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

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**2. Turnover**

	Turnover	
	2010 £	2009 £
<b>Geographical market</b>		
Foreign sales	5,615,223	7,236,644
UK sales	280,835	359,706
	<u>5,896,058</u>	<u>7,596,350</u>

**3. Operating profit**

	2010 £	2009 £
Operating profit is stated after charging:		
Depreciation of tangible assets	3,487	5,430
– Other assets	70,709	41,146
Auditors remuneration		
– Company	6,750	8,000
– Group	12,679	12,520
Remuneration of auditors for non-audit work	2,750	–

**4. Investment income**

	2010 £	2009 £
Bank interest	889	5,802

**5. Interest payable**

	2010 £	2009 £
On overdue tax	–	72

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**6. Taxation**

	2010 £	2009 £
<b>Domestic current year tax</b>		
U.K. corporation tax	1,490	8,692
<b>Current tax charge</b>	<u>1,490</u>	<u>8,692</u>
<b>Factors affecting the tax charge for the year</b>		
Profit on ordinary activities before taxation	169,544	32,006
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 21.00% (2009: 21.00%)	35,604	6,721
Effects of:		
Depreciation add back	697	1,140
Capital allowances	(427)	(925)
Other tax adjustments	(34,384)	1,756
	<u>(34,114)</u>	<u>1,971</u>
<b>Current tax charge</b>	<u>1,490</u>	<u>8,692</u>

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**7. Tangible fixed assets Group**

	Land and buildings leasehold £	Fixtures, fittings and equipment £	Total £
<b>Cost</b>			
At 1 April 2009	9,100	45,879	54,979
Exchange differences	–	(627)	(627)
Additions	–	660	660
At 31 March 2010	<u>9,100</u>	<u>45,912</u>	<u>55,012</u>
<b>Depreciation</b>			
At 1 April 2009	9,100	33,608	42,708
Exchange differences	–	(627)	(627)
Charge for the year	–	3,320	3,320
At 31 March 2010	<u>9,100</u>	<u>36,301</u>	<u>45,401</u>
<b>Net book value</b>			
At 31 March 2010	<u>–</u>	<u>9,611</u>	<u>9,611</u>
At 31 March 2009	<u>–</u>	<u>12,271</u>	<u>12,271</u>
<b>Company</b>			
	Land and buildings leasehold £	Fixtures, fittings and equipment £	Total £
<b>Cost</b>			
At 1 April 2009	9,100	26,668	35,768
Additions	–	660	660
At 31 March 2010	<u>9,100</u>	<u>27,328</u>	<u>36,428</u>
<b>Depreciation</b>			
At 1 April 2009	9,100	16,262	25,362
Charge for the year	–	2,679	2,679
At 31 March 2010	<u>9,100</u>	<u>18,941</u>	<u>28,041</u>
Net book value	<u>–</u>	<u>8,387</u>	<u>8,387</u>
At 31 March 2010	<u>–</u>	<u>10,406</u>	<u>10,406</u>
At 31 March 2009	<u>–</u>	<u>10,406</u>	<u>10,406</u>

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**8. Fixed asset investments Company**

	Shares in subsidiary undertaking £
<b>Cost</b>	
At 1 April 2009 and 31 March 2010	62,046

**Holdings of more than 20%**

The Company holds more than 20% of the share capital of the following Company;

Company	Country of registration or incorporation	Class	Shares held	%
Subsidiary undertaking				
Global PET Films Inc	USA	Common stock		100

**9. Stock**

	Group		Company	
	2010 £	2009 £	2010 £	2009 £
Finished goods and goods for resale	177,369	380,582	155,255	120,208

**10. Debtors**

	Group		Company	
	2010 £	2009 £	2010 £	2009 £
Trade debtors	8,418	189,418	23,038	114,394
Amounts owed by subsidiary undertaking	–	–	59,891	18,282
Other debtors	26,876	8,670	23,843	4,517
Prepayments	12,364	10,754	9,891	8,134
	<u>47,658</u>	<u>208,842</u>	<u>116,663</u>	<u>145,327</u>

All amount shown under debtors fall due for payment within one year.

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**11. Creditors: amounts falling due within one year**

	Group		Company	
	2010 £	2009 £	2010 £	2009 £
Bank overdraft	–	578	–	578
Trade creditors	306,379	32,039	77,555	2,665
Amounts owed to parent undertaking	487,386	761,880	305,422	60,479
Corporation tax	1,490	13,928	1,490	13,928
Other taxes and social security costs	14,185	27,927	13,612	25,895
Director's loan account	4,989	16,023	4,989	16,023
Other creditors	–	3,055	–	3,055
Accruals	13,276	24,674	7,995	7,375
	<u>827,705</u>	<u>880,104</u>	<u>411,063</u>	<u>129,998</u>

**12. Share capital**

	2010 £	2009 £
<b>Authorised</b>		
1,000,000 Ordinary shares of £1 each	1,000,000	1,000,000
<b>Allotted, called up and fully paid</b>		
250,000 Ordinary shares of £1 each	<u>250,000</u>	<u>250,000</u>

**13. Statement of movements on profit and loss account**

	Group		Company	
	Other reserves (see below)	Profit and loss account	Profit and loss account	Profit and loss account
	£	£	£	£
Balance at 1 April 2009	(26,136)	(230,749)	212,370	
Retained profit for the year	–	168,054	4,957	
Foreign currency translation differences	(7,218)	–	–	
Movement during the year	26,136	–	–	
Balance at 31 March 2010	<u>(7,218)</u>	<u>(62,695)</u>	<u>217,327</u>	
<b>Other reserves</b>				£
Balance at 1 April 2009			(26,136)	
Reversal of 2009 translation difference			26,136	
2010 translation difference			(7,218)	
Balance at 31 March 2010			<u>(7,218)</u>	

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**14. Profit of the parent Company - Garwarwe Polyester International Limited**

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the parent Company is not presented as part of these financial statement. The parent Company's profit for the year amounted to £4,957 (2009 - £33,809)

**15. Reconciliation of movements in shareholders' funds**

	Group		Company	
	2010	2009	2010	2009
	£	£	£	£
Profit for the financial year	<b>168,054</b>	23,314	<b>4,957</b>	33,809
Other recognised gains and losses	<b>(7,218)</b>	(26,136)	–	–
Movements on other reserves	<b>26,136</b>	(86,255)	–	–
Net addition to/(depletion in) shareholders' funds	<b>186,972</b>	(89,077)	<b>4,957</b>	33,809
Opening shareholders' funds	<b>(6,885)</b>	82,192	<b>462,370</b>	428,561
Closing shareholders' funds	<u><b>180,087</b></u>	<u>(6,885)</u>	<u><b>467,327</b></u>	<u>462,370</u>

**16. Financial commitments**

At 31 March 2010 the Company was committed to making the following payments under non-cancellable operating leases in the year to 31 March 2011:

	Group		Company	
	Land and buildings	Land and buildings	Land and buildings	Land and buildings
	2010	2009	2010	2009
	£	£	£	£
<b>Operating leases which expire:</b>				
Within one year	<b>75,400</b>	–	<b>75,400</b>	–
Between two and five years	<b>21,070</b>	35,185	<b>14,905</b>	29,942
	<u><b>96,470</b></u>	<u>35,185</u>	<u><b>90,305</b></u>	<u>29,942</u>

**17. Director's emoluments**

	2010	2009
	£	£
Emoluments for qualifying services	<u><b>109,000</b></u>	<u>109,000</u>

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**18. Employees**

Number of employees

The average monthly number of employees (including directors) during the year was:

	Group		Company	
	2010	2009	2010	2009
	Number	Number	Number	Number
Administration and management	<b>2</b>	2	<b>1</b>	1
Selling and distribution	<b>3</b>	2	<b>2</b>	1
	<u><b>5</b></u>	<u>4</u>	<u><b>3</b></u>	<u>2</u>

**Employment costs**

	Group		Company	
	2010	2009	2010	2009
	£	£	£	£
Wages and salaries	<b>248,663</b>	289,179	<b>160,726</b>	151,000
Social security costs	<b>18,428</b>	12,550	<b>18,428</b>	12,550
	<u><b>267,091</b></u>	<u>301,729</u>	<u><b>179,154</b></u>	<u>163,550</u>

**19. Ultimate parent Company and control**

The Company is controlled by Garware Polyester Limited, a Company registered in India. The directors regard Garware Polyester Limited as the ultimate parent Company.

Copies of the financial statements of the parent Company are available from Investor Relations at Garware Polyester Ltd, 50-A, Swami Nityanand Marg, Western Express Highway, Vile Parle (East), Mumbai 400 057, India.

**20. Related party transactions**

The following related party transactions were undertaken in the ordinary course of business:

Purchase of goods and services:	Relationship	2010	2009
		£	£
<b>Related party</b>			
Garware Polyester Limited	Parent Company	<b>4,702,583</b>	5,292,833

The following amount was owed to related parties at the balance sheet date:

Related party	Relationship	2010	2009
		£	£
Garware Polyester Limited	Parent Company	<b>487,386</b>	761,880

**INDEPENDENT AUDITOR'S REPORT**

The Board of Directors and Stockholders of  
Global Pet Films, Inc.  
Pembroke Pines, Florida, USA

We have audited the accompanying balance sheets of **Global Pet Films, Inc.** as of March 31, 2010 and 2009, and the related statements of income, retained earnings, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Global Pet Films, Inc.** as of March 31, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Khushal Vira  
Certified Public Accountant  
Hazel Crest, IL, USA

July 20, 2010

**BALANCE SHEET MARCH 31, 2010 AND 2009**

ASSETS	As of March 31, 2010 \$	As of March 31, 2009 \$
<b>CURRENT ASSETS</b>		
Cash in Bank and Petty Cash	359,189.47	24,510.90
Accounts Receivable	279,390.91	745,693.88
Coface Factoring Receivable	0.00	93,003.77
Inventory: Stock at the End	33,498.76	372,282.10
Other Accounts Receivable	1,323.10	54,592.00
Prepaid Taxes	3,746.00	3,746.00
Rent Deposit	4,594.40	5,938.15
<b>Total Current Assets</b>	<b>681,742.64</b>	<b>1,299,766.80</b>
<b>PROPERTY AND EQUIPMENT</b>		
Computer Systems & Software	6,677.59	6,677.59
Accum Depr. Computer Systems	(4,920.03)	(3,728.03)
Equipments: Cost	14,102.07	14,102.07
Accum. Depr. Equipments	(14,102.07)	(14,102.07)
<b>Total Property and Equipment</b>	<b>1,757.56</b>	<b>2,949.56</b>
<b>OTHER ASSETS</b>		
Organisation Expenses:Cost	7,373.01	7,373.01
Organisation Expenses:Accumulated Amortization	(7,373.01)	(7,373.01)
<b>Total Other Assets</b>	<b>0.00</b>	<b>0.00</b>
<b>TOTAL ASSETS</b>	<b>683,500.20</b>	<b>1,302,716.36</b>

**LIABILITIES AND STOCK HOLDER'S EQUITY**

	As of March 31, 2010 \$	As of March 31, 2009 \$
<b>CURRENT LIABILITIES</b>		
Accounts Payable	710,475.35	1,857,018.67
Accrued Expenses	8,000.00	24,733.52
Advance from Customers	305,386.06	0.00
Payroll Liabilities	868.00	2,904.26
<b>Total Current Liabilities</b>	<b>1,024,729.41</b>	<b>1,884,656.45</b>
<b>LONG-TERM LIABILITIES</b>		
Total Long-Term Liabilities	0.00	0.00
<b>Total Liabilities</b>	<b>1,024,729.41</b>	<b>1,884,656.45</b>
<b>STOCKHOLDERS' EQUITY</b>		
Capital Stock	100,000.00	100,000.00
Retained Earnings	(681,940.09)	(664,524.93)
Net Income (Loss)	240,710.88	(17,415.16)
<b>Total Stockholders' Equity</b>	<b>(341,229.21)</b>	<b>(581,940.09)</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>683,500.20</b>	<b>1302,716.36</b>

## INCOME STATEMENT ONE YEAR ENDED MARCH 31, 2010 AND 2009

	1 Year Ended Mar. 31, 2010 \$	1 Year Ended Mar. 31, 2009 \$
<b>Revenue</b>		
Sales	6,475,669.00	9,517,055.01
Sales Returns & Discounts	(68,044.48)	(291,252.25)
Sales: Service Income	0.00	133,306.00
<b>Total Revenue</b>	<u>6,407,624.52</u>	<u>9,359,108.76</u>
<b>Cost of Goods Sold</b>		
Purchases	5,172,823.59	6,188,236.87
Purchase Document & Returns	(51,059.89)	(143,858.41)
Increase/Decrease in Inventory	338,783.34	2,168,452.64
Custom Duties & Clearance Fees	47,400.96	18,687.44
Slitting Charges	0.00	2,991.52
Warehouse Expenses	1,848.21	323,224.64
Freight (Air & Sea)	19,722.65	13,663.82
<b>Total Cost of Goods Sold</b>	<u>5,529,518.86</u>	<u>8,571,398.52</u>
<b>Gross Profit</b>	878,105.66	787,710.24
<b>Operating Expenses</b>		
Bad Debts Expense	0.00	691.29
Bank Fees	6,998.56	7,682.23
Credit Charge Processing Fees	59,345.42	6,252.46
Factoring (Bill Discounting) fees	19,198.93	55,505.56
Depreciation Expense	1,192.00	3,545.67
Design Expenses	0.00	12,012.50
Freight & Shipping Expenses	127,373.67	167,579.37
Insurance Expense	23,562.00	48,287.18
Licenses and Permits	607.89	332.10
Marketing & Advertising	157,651.06	204,925.04
Postage and Delivery	287.54	1,111.82
Office Supplies & Expense	2,132.84	7,347.07
Gross Wages and Salaries	117,124.71	198,966.04
Employee Medical & Business Expense	31,650.00	44,300.00
Leased Staffing Expense	1,302.02	10,676.00
Payroll Taxes	11,357.13	19,664.97
Printing and Reproduction	3,506.41	2,807.81
Consulting Fees	9,719.94	11,875.11
Accounting Fees	8,750.00	18,945.00
Legal Fees and Charges	8,865.87	14,884.96
Rent Expense	9,099.69	20,063.95
Repairs and Maintenance	2,433.36	2,893.71
Telephone Expense	24,409.41	39,115.43
Travel Expense	41,806.65	105,457.14
<b>Total Operating Expenses</b>	<u>668,375.10</u>	<u>1,004,922.41</u>
<b>Operating Income (Loss)</b>	209,730.56	(217,212.17)
<b>Other Income</b>		
Miscellaneous Income	13,991.76	0.00
Customs Duty Refunds	0.00	135,417.21
Claims & Other Exps. Recovered	16,052.21	58,813.31
Interest Income	936.35	5,566.49
<b>Total Other Income</b>	<u>30,980.32</u>	<u>199,797.01</u>
<b>Other Expenses</b>		
<b>Total Other Expenses</b>	<u>0.00</u>	<u>0.00</u>
<b>Income (Loss) Before Income Taxes</b>	<u>240,710.88</u>	<u>(17,415.16)</u>
<b>Net Income (Loss)</b>	<u>240,710.88</u>	<u>(17,415.16)</u>

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**STATEMENT OF CASH FLOWS FOR ONE YEAR ENDED MARCH 31, 2010 AND 2009 INCREASE (DECREASE) IN CASH OR CASH EQUIVALENTS**

	1 Year Ended March 31, 2010 \$	1 Year Ended March 31, 2009 \$
<b>Cash Flows from Operating Activities</b>		
Net Income (Loss)	240,710.88	(17,415.16)
Adjustments to Reconcile Cash Flow		
Depreciation	1,192.00	3,545.67
<b>Decrease (Increase) in Currents Assets</b>		
Accounts Receivable-Trade	466,302.97	432,560.02
Coface Factoring Receivable	93,003.77	(33,301.61)
Other Accounts Receivable	53,268.90	(54,592.00)
Inventory	338,783.34	2,168,452.63
Rent Deposit	1,343.75	0.00
<b>Increase (Decrease) in Current Liabilities</b>		
Accounts Payable-Trade	(1,146,543.32)	(2,495,762.81)
Payroll Taxes Payable	(2,036.26)	(1,366.05)
Bad and Doubtful Debts Provision	0.00	(96,414.77)
Advance from Customers	305,386.06	0.00
Accrued Expenses	(16,733.52)	(19,909.23)
<b>Total Adjustments</b>	<b>93,967.69</b>	<b>(96,788.15)</b>
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>334,678.57</b>	<b>(114,203.31)</b>
<b>Cash Flow from Investing Activities</b>		
Sales (Purchases) of Assets		
Computer System & Software	0.00	(3,031.48)
Accumulated Amortization		
<b>Cash Provided (Used) by Investing</b>	<b>0.00</b>	<b>(3,031.48)</b>
<b>Cash Flow From Financing Activities</b>		
Cash (Used) or provided by:		
<b>Net Increase (Decrease) in Cash</b>	<b>334,678.57</b>	<b>(117,234.79)</b>
<b>Cash at Beginning of Period</b>	<b>24,510.90</b>	<b>141,745.69</b>
<b>Cash at End of Period</b>	<b>359,189.47</b>	<b>24,510.90</b>

See accompanying Notes to financial statements

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2010

(1) Description of Business:

Global Pet Films, Inc. was incorporated on December 22, 1997 under the laws of State of Illinois, USA and is also registered with State of Florida, USA. The Company is engaged in the business of supply and distribution of polyester and solar control films in USA. The Company has its place of business at Pembroke Pines, Florida, USA.

(2) Significant Accounting Policies:

The Significant accounting policies of Global Pet Films, Inc., which are summarized below, are consistent with accounting principles generally accepted in the United States of America and reflect practices appropriate to the business in which they operate.

(a) Cash and Cash equivalents \$359,189.47

Cash and cash equivalents include money market instruments

(b) Inventories

Inventories are stated at the lower of cost (determined by FIFO method) or market (net realizable) value.

(c) Depreciation and Amortization

Equipments are stated at cost less accumulated depreciation. Some assets are depreciated using straight line MACRS method over the useful lives of the assets and some other assets are expensed under Sec. 179 of Internal Revenue Code.

Legal cost of organization of business is capitalized and is carried at cost less accumulated amortization, which is being provided on a straight-line basis over the economic useful life of 5 years.

(d) Revenue Recognition

Revenues from product sales to customers are recognized when products are shipped to customers.

(e) Purchases

Purchases are recorded in books only when received in Company warehouses and or received at Customs warehouses located at the port of destination.

(f) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

(3) Stockholder's Equity

The Company's certificate of incorporation authorizes 1,000,000 shares of capital stock for issuance. As of March 31, 2010, 99,999 shares of capital stock has been issued to Garware Polyester International Ltd., a United Kingdom Company in consideration of \$99,999 and 1 share of capital stock has been issued to Ms. Sonia Garware in consideration of \$1.

(4) Accounts Receivable

The accounts receivable balance as of March 31, 2010 was \$279,390.91.

Other Accounts Receivable balance of \$1,323.10 includes claims receivable from Garware Polyester Ltd. for travel expenses.

The Company has terminated its factoring arrangement with Coface with effect from May 2009.

(5) Accounts Payable

The Accounts payable balance of \$ 710,475.35 as of March 31, 2010 represents following vendors.

- (a) Garware Polyester Ltd. India \$275,645.43 (for trade purchases)
- (b) GPIL, UK \$393,585.91 (for trade purchases)
- (c) Other vendors \$41,244.01 (for expenses)

(6) Beginning and Ending Inventory and Inventory Variation

	Inventory Value as of March 31, 2009	Inventory Value as of March 31, 2010	Inventory Variation for the year ending March 31, 2010
Ending Inventory-	\$372,282.10	\$33,498.76	\$338,783.34



**FIFTY THIRD ANNUAL GENERAL MEETING  
ATTENDANCE SLIP**

PLEASE COMPLETE THIS ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE HALL

I / We hereby record my / our presence at the **53<sup>rd</sup> Annual General Meeting** of the Company held at the Registered Office of the Company at Naigaon, Post Waluj, Aurangabad 431 133 on Wednesday, 29<sup>th</sup> September, 2010 at 11.30 a.m.

NAME OF THE SHAREHOLDER OR PROXY (IN BLOCK LETTERS)	REDG. FOLIO No.	DP-ID No.	CLIENT-ID No.

SIGNATURE OF THE SHAREHOLDER OR PROXY	
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**PROXY FORM**



I / We ..... of ..... in the District of ..... being a member / members of **Garware Polyester Limited** hereby appoint ..... in the District of ..... or failing him ..... of ..... in the district of ..... as my / our proxy to attend and vote for me / us on my / our behalf at the **53<sup>rd</sup> Annual General Meeting** of the Company to be held on Wednesday, 29<sup>th</sup> September, 2010 at 11.30 a.m. at the Registered Office of the Company at Naigaon, Post Waluj, Aurangabad 431 133 and at any adjournment thereof.

Signed this ..... day of ..... 2010.

Signature .....

Revenue Stamp
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Proxy No.	Regd. Folio No.	DP-ID No.	CLIENT ID No.	No. of Shares

Note : This form duly completed and signed as per specimen signature registered with the Company should be deposited at the Registered Office of the Company not less than 48 hours before the time fixed for the commencement of the Meeting.

