



**GARWARE MARINE INDUSTRIES LTD.**

**TWENTY EIGHTH ANNUAL REPORT  
2005-06**



## **GARWARE MARINE INDUSTRIES LTD.**

**Founder : Padma Bhushan late Dr. B. D. Garware - Founder of the Garware Group**

<b>BOARD OF DIRECTORS</b>	ASHOK GARWARE (Chairman)	M.A. (Cantab)
	ADITYA GARWARE	M.B.A. (U.S.A.)
	V.V. DESAI	B.Com., LL.B., D.A.M.
	DR. B.M. SARAIYA	M.B.B.S.
	C.V. RAMACHANDRAN	B.Com., LL.B., F.C.S., D.T.M. DIP.A.
<b>COMPANY SECRETARY</b>	A. C. CHANDARANA	B.Com., LL.B., A.C.S.
<b>GENERAL MANAGER (OPERATIONS)</b>	S.V. ATRE	B.Sc. ENGG., D.M.M.
<b>BANKERS</b>	IDBI Bank Ltd. (erstwhile)  THE SHAMRAO VITHAL CO-OP. BANK LTD.	
<b>AUDITORS</b>	MESSERS RAMAN S. SHAH & ASSOCIATES Chartered Accountants	
<b>SOLICITORS</b>	V. DESHPANDE & CO. Advocates & Solicitors	
<b>REGISTERED OFFICE</b>	Chandermukhi, Nariman Point, Mumbai - 400 021.	
<b>FACTORY</b>	E-9/10, M.I.D.C. Industrial Area, Ahmednagar - 414 001 (Maharashtra)	
<b>REGISTRAR &amp; SHARE TRANSFER AGENT</b>	Bigshare Services Pvt. Ltd. E-2/3 Ansa Industrial Estate, Saki Vihar Road, Sakinaka, Andheri (E), Mumbai – 400 072.	

**Garware Marine Industries Limited**  
Twenty Eighth Annual Report 2005-06

**NOTICE**

NOTICE is hereby given that the Twenty Eighth Annual General Meeting of the Members of Garware Marine Industries Limited will be held on Friday, 29th December, 2006 at 9:30 a.m. at "Garware Sabhagriha", F.P.H. Building, Lala Lajpatrai Marg, Haji Ali, Mumbai - 400 034 to transact the following business.

**ORDINARY BUSINESS**

1. To consider and adopt the Audited Balance Sheet as at 30th June, 2006 and the Profit & Loss Account for the 18 months period ended on that date together with Directors' and Auditors' Reports thereon.
2. To declare dividend.
3. To appoint a Director in place of Shri Ashok B. Garware who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. V.V. Desai who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors and to fix their remuneration.

**SPECIAL BUSINESS**

6. To consider and if thought fit to pass the following with or without modification as an 'Ordinary' Resolution.  
"RESOLVED THAT Messrs. Raman S. Shah & Associates, Chartered Accountants be and are hereby authorised to receive an additional remuneration of Rs.35,000/- and the reimbursement of out of pocket Expenses incurred by them for the six months period i.e. from 1st January, 2006 to 30th June, 2006 for the extended period of the Financial Year from 1st January, 2006 to 30th June, 2006."

**Registered Office :**

Chander Mukhi  
Nariman Point  
Mumbai - 400 021

Date : 28th November, 2006

**By Order of the Board**

A.C. CHANDARANA  
COMPANY SECRETARY

**NOTES :**

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE ON A POLL ONLY, INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.
2. An Explanatory Statement pursuant to Section 173 of The Companies Act, 1956 for special business is annexed hereto.
3. The Register of Members and Share Transfer Books of the Company shall remain closed from 27th December, 2006 to 29th December, 2006 (both day inclusive).
4. Brief Profile of Directors to be re-appointed.

**MR. ASHOK B. GARWARE**

Mr. Ashok B. Garware, age 69 years, M.A. (Cantab) has Business experience spanning over four decades. He has held several important positions in various Associations. In the past he has been President of Bombay chamber of Commerce and Industry, Trustee - Bombay Port Trust and Member of IDBI.

**MR. V.V. DESAI**

Mr. V.V. Desai, age 46 years, B.Com, L.L.B., D.A.M., has Administrative and Marketing Experience of over 17 years in various fields like Paints, Rural Products, Appliances and Fishing Nets. Presently, he is engaged in the field of providing solutions to overcome Chronic Liquid Pollution problems created by various Industries. The Company promoted by him has successfully developed the formulations for "TREATMENT & RE-CYCLING OF LIQUID WASTE FROM INDUSTRIES LIKE DISTILLERY, TEXTILE, DAIRY, PAPER, and SUGAR ETC."

5. For the Convenience of Members, an Attendance Slip is annexed to the Proxy Form, Members are requested to fill in and affix their signatures at the space provided therefore and hand over the Attendance Slip at the entrance of the place of the Meeting. Proxy / Representative of a Member should mark on the Attendance Slip as 'Proxy' or 'Representative' as the case may be. Members are also requested not to bring with them any person, who is not a Member / Proxyholder.



6. Members are requested to address all their future correspondence including change of address, Transfer of Shares and Dematerialisation etc., to the Company's Registrar & Share Transfer Agent, M/s. Bigshare Services Pvt. Ltd., E-2/3 Ansa Industrial Estate, Saki Vihar Road, Sakinaka, Andheri (E), Mumbai - 400 072. Tel. No.28470652, Fax No.28475207.

**REQUEST TO THE MEMBERS :**

7. Members desiring any information on the Accounts at the Annual General Meeting are requested to write to the Company at least ten days in advance of the Annual General Meeting so as to enable the Company to keep the information ready. Only the information which could be furnished will be furnished to the Members.
8. Members are requested to bring their copy of Annual Report at the Meeting.

**Registered Office :**

Chander Mukhi  
Nariman Point  
Mumbai - 400 021  
Date : 28th November, 2006

**By Order of the Board**

A.C. CHANDARANA  
COMPANY SECRETARY

**ANNEXURE TO THE NOTICE**

**EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956.**

ITEM NO. 6

At the Annual General Meeting held on 29th June, 2005, the Shareholders approved the appointment of the statutory Auditors M/s. Raman S. Shah & Associates from the conclusion of this Annual General Meeting till the conclusion of next Annual General Meeting at a remuneration of Rs.70,000/- p.a. and reimbursement of out of pocket expenses. In view of the extension of the Financial Year by six months from 1st January, 2006 to 30th June, 2006, the members are requested to approve an additional payment of Rs.35,000/- and reimbursement of out of pocket expenses incurred by them during the period 1st January, 2006 to 30th June, 2006.

None of the Directors are interested in passing of the Resolution.

**Registered Office :**

Chander Mukhi  
Nariman Point  
Mumbai - 400 021  
Date : 28th November, 2006

**By Order of the Board**

A.C. CHANDARANA  
COMPANY SECRETARY

**Garware Marine Industries Limited**  
Twenty Eighth Annual Report 2005-06

**DIRECTORS' REPORT**

FOR 18 MONTHS PERIOD ENDED 30TH JUNE, 2006

TO  
THE MEMBERS

	<b>18 months period ended 30.06.2006</b>	<b>Rs. in Lacs</b> Year ended 31.12.2004
<b>1. FINANCIAL RESULTS :</b>		
Income from Operations / Other Income	1,730.71	1,113.70
Expenses	1,557.00	954.52
Profit before Interest, Depreciation & Tax	173.71	159.18
Interest	96.72	109.64
Profit before Depreciation & Tax	76.99	49.54
Depreciation & Amortisation	22.91	15.50
Fringe Benefit Tax	0.58	-
Net Profit for the year	53.50	34.04

**2. DIVIDEND :**

The Board of Directors is pleased to recommend Dividend @ 5 % (previous year - Nil) subject to the approval of the Members at the ensuing Annual General Meeting out of the Current Profits of the company on 49,46,184 Equity Shares of Rs.10/-. The Cash Outflow on account of Dividend will be Rs.28.20 Lacs (previous year - Nil) inclusive of tax on Dividend.

**3. OPERATIONS :**

The effects of the Tsunami disaster, which hit India at the end of the previous accounting period, were felt for part of the period under review. Lives of millions of people especially Fishermen who lived along the Coast of Eastern India and in Sri Lanka were in total ruin. Even in other coasts fishermen displayed fear to venture out in the sea - a result of the phobia created by Tsunami. This in turn affected the Company's business and production, which has been reflected in the present period.

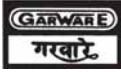
During the period under review, the Company's production was 406.831 M.T. (previous year 264.440 M.T.). Income from Operation for period under review was Rs.1,653 Lacs as against Rs.994.10 Lacs for the year 2004.

The market witnessed an upswing in demand from the beginning of Year-2006. The outlook for the coming months also seems to be promising. Requisite steps to maximize the benefit of current demand to the Company have been initiated.

**4. RESPONSIBILITY STATEMENT :**

The Directors confirm :

- a. That in the preparation of the Annual Accounts, the applicable accounting standards have been followed and that no material departures have been made from the same.
- b. That they have selected such Accounting Policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the 18 months period and of the profit of the Company for that period.
- c. That they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with provisions of the companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- d. That they have prepared the Annual Accounts on a going concern basis.



**5. FIXED DEPOSITS :**

During the period under review, the Company has not accepted any deposit from public and shareholders.

**6. DIRECTORS :**

Mr. Ashok B. Garware and Mr. V.V. Desai, Directors, retire by rotation and being eligible, offer themselves for re-election. The members are requested to elect them.

**7. AUDITORS :**

You are requested to appoint Auditors for the current year ending 30th June, 2007 and to fix their remuneration.

With regard to Auditors' Report, the Notes to the Accounts are self explanatory.

**8. PERSONNEL :**

The relations with Employees at Ahmednagar continue to be cordial and satisfactory.

The relations with the Employees at Head Office are cordial.

The Company did not have any Employee falling within the purview of Section 217(2A) of The Companies Act, 1956.

**9. CORPORATE GOVERNANCE :**

A separate Report on Corporate Governance along with the Auditors Statement of its compliance is given in a separate Annexure.

**10. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO :**

As required under Rule 2 of The Companies (Disclosure of particulars in the Report of Board of Directors), Rules, 1988, the particulars relating to conservation of Energy, Technology Absorption, Foreign Exchange Outgo / Earnings, etc. are given in Form A & B in annexure 1 of the Report.

**11. WORKING CAPITAL LIMITS WITH BANKERS :**

During the period under review, the Bankers of the Company have acceded to the Company's request to convert the existing Working Capital Limits into a Working Capital Term Loan (WCTL) to be repaid over 7 years. This is of benefit to the Company as interest liability will progressively decline over the tenure of the loan.

**12. ACKNOWLEDGEMENT :**

The Board wishes to record the dynamic role of Senior Executives of the Company.

The Board is extremely grateful to the Company's Bankers viz. IDBI Bank Ltd. (erstwhile United Western Bank Ltd.) and The Shamrao Vithal Co-operative Bank Ltd. for their continued support and the proactive role played by them.

On Behalf of the Board

Place : Mumbai  
Dated : 28th November, 2006

ASHOK B. GARWARE  
CHAIRMAN

**ANNEXURE 1 TO DIRECTORS' REPORT**

**FORM - A**

**FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY**

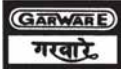
	<b>Current Period 01.01.2005 to 30.06.2006 (18 MONTHS)</b>	<b>Previous Year 01.01.2004 to 31.12.2004 (12 MONTHS)</b>
<b>A. POWER AND FUEL CONSUMPTION</b>		
FISH KNITTED FABRICS / TWINE		
<b>Electricity</b>		
(a) Purchased Units (in Kwh)	7,24,962	5,01,423
Total Amount (Rs.)	31,82,906	20,70,870
Rate Per Unit (Rs.) (Avg.)	4.39	4.13
(b) Own Generation		
I) Through Diesel Generator		
Unit (in Kwh)	27,792	16,231
Unit per Litre of Diesel Oil	8,84,125	4,44,463
Cost per Unit	31.81	27.38

**(B) CONSUMPTION PER UNIT (KG.) OF PRODUCTION**

	Standard (If any)	<b>01.01.2005 to 30.06.2006</b>	01.01.2004 to 31.12.2004
FISH KNITTED FABRICS/TWINE			
Electricity (Kwh)	N.A.	1.78	1.90
Furnace Oil			
H.S.D. (Ltrs.)	N.A.	0.07	0.06

**CONSERVATION OF ENERGY DURING THE PERIOD UNDER REVIEW :**

- a) Wherever possible energy conservation measures have been implemented. Further efforts to conserve and optimise the use of energy improved operational methods and other means continue.
- b) Additional investment and proposals, if any, being implemented for reduction of consumption of energy : NIL
- c) Impact of measures at (a) and (b) for reduction of energy consumption and consequent impact on the cost of production of goods : Control of energy related costs will enable the Company to remain competitive.



## **FORM - B**

### **FORM OF DISCLOSURE OF PARTICULARS WITH RESPECT TO ABSORPTION OF TECHNOLOGY RESEARCH AND DEVELOPMENT (R & D)**

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

The Company has been carrying out applied research on an "on going basis" in processing / stretching of Nets, as a result of which the quality of the products has improved considerably.

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

- a) Improved acceptance of products in the Market within India and Internationally.
- b) New Product launch in niche market.

**3. Further plan of action :**

The Company intends to pursue its policy of carrying out applied research on an "on going basis" and concentrate on areas where there is positive gain to the Company.

**4. Expenditure on R & D :**

Nominal amount was spent on R & D during the period.

### **TECHNOLOGY ABSORPTION, ADAPTION AND INNOVATION**

**1. Efforts in brief made towards Technology Absorption, Adaption and Innovation :**

Not applicable.

**2. Benefits derived as a result of the above efforts :**

Not applicable.

**3. Information regarding technology imported during the last 5 years reckoned from the beginning of the financial year :**

Not applicable.

### **FOREIGN EXCHANGE EARNINGS AND OUTGO :**

Total foreign exchange earned - NIL

Total foreign exchange used - NIL

On Behalf of the Board

**ASHOK GARWARE**  
Chairman

Place : Mumbai

Date : 28TH NOVEMBER, 2006

## REPORT ON CORPORATE GOVERNANCE

### 1. BOARD OF DIRECTORS :

The Board of the Directors comprises of Professionally Well-Qualified Individuals and consists of Five Members. Shri Ashok Garware is Chairman and Shri Aditya Garware is Vice Chairman of the Company. All other Directors are Independent and Non-Executive Directors.

Eight Board Meetings were held during 18 months period ended 30th June, 2006 on following dates :

31st January, 2005	22nd July, 2005
4th March, 2005	29th October, 2005
7th April, 2005	31st January, 2006
20th May, 2005	28th April, 2006

- Attendance of Directors at each Board Meetings and the AGM.

Name of Directors	No. of Board Meetings Attended	Attendance at last AGM	Remarks
Mr. Ashok Garware (Chairman)	8	Yes	--
Mr. Aditya Garware Vice Chairman and Whole Time Director	8	Yes	--
Dr. B.M. Saraiya	8	Yes	--
Mr. V.V. Desai	6	Yes	--
Mr. C.V. Ramachandran	8	Yes	--

The Directors were paid sitting fees of Rs.1,000/- for each meeting of the Board of Directors held upto April, 2005. Subsequently, w.e.f. 20th May, 2005, Sitting Fees payable to Directors were raised to Rs.2,000/- per meeting of the Board of Directors attended by the Directors.

No Sitting fees are paid to any Directors for attending any meeting of Committee of Directors viz., Audit Committee and Share Transfer Committee.

No other remuneration (except sitting fees) is paid to any Director of the Company.

### 2. AUDIT COMMITTEE :

An Audit Committee consists of 3 members viz. Mr. Aditya A. Garware, Mr. C.V. Ramachandran and Dr. B.M. Saraiya. All three committee members are Non-Executive Directors. Mr. C.V. Ramachandran acts as Chairman of the Committee.

The Company Secretary acts as Secretary of the Committee.

### 3. SHARE TRANSFER COMMITTEE :

Mr. Aditya A. Garware, Mr. C.V. Ramachandran and Dr. B.M. Saraiya are the members. All three Committee members are Non-Executive Directors. Mr. C.V. Ramachandran is the Chairman of the Committee. The Committee meets once a fortnight to approve, interalia, transfer / transmission of shares, issues of duplicate shares and consolidation of shares. The Committee also reviews the status of Investor grievances and the Company's redressal mechanism and recommends measures to improve the quality of services to Investor.

The Company Secretary acts as the Compliance Officer of the Company.

### 4. GENERAL BODY MEETINGS :

The last Three Annual General Meetings (AGM) of the Company were held on 27th June, 2003, 30th June, 2004 and 29th June, 2005 at "Garware Sabhagriha", F.P.H. Building, Lala Lajpatrai Marg, Haji Ali, Mumbai at 9:30 a.m. All resolutions including special business as set out in the Notice were passed by the Shareholders at the AGM.

No resolution was put through Postal Ballot during the period under review and No resolution is proposed to be passed through Postal Ballot at the ensuing Annual General Meeting.

### 5. DISCLOSURE :

There were no related Party Transactions, which had potential conflict with the interest of the Company at large.



**6. SHARE PRICE - HIGH AND LOW ON THE MUMBAI STOCK EXCHANGE FOR THE PERIOD JANUARY, 2005 TO JUNE, 2006.**

MONTH	JAN'05	FEB'05	MAR'05	APR'05	MAY'05	JUN'05	JUL'05	AUG'05	SEP'05	OCT'05	NOV'05	DEC'05
HIGH	6.90	9.34	7.92	8.52	10.29	11.77	10.30	17.63	17.85	10.90	8.99	8.30
LOW	4.41	5.30	5.28	6.00	5.53	7.50	7.05	7.03	9.46	7.05	7.46	6.64

MONTH	JAN'06	FEB'06	MAR'06	APR'06	MAY'06	JUN'06
HIGH	8.40	8.50	8.33	17.74	14.75	9.64
LOW	6.65	7.60	5.60	7.50	8.90	6.80

Source : www.bseindia.com

**7. GENERAL SHAREHOLDER INFORMATION :**

28th AGM : Date, Time and Venue	29th December, 2006 at 9:30 a.m. "Garware Sabhagriha", F.P.H. Building, Lala Lajpatrai Marg, Haji Ali, Mumbai - 400 034.
<b>FINANCIAL CALENDAR</b>	
Financial Year	July, 2006 to June, 2007.
Unaudited Financial Results 1st Quarter Ending 30th September, 2006.	19th October, 2006.
Unaudited Financial Results 2nd Quarter Ending 31st December, 2006.	January, 2007.
Unaudited Financial Results 3rd Quarter Ending 31st March, 2007.	April, 2007.
Unaudited Financial Results 4th Quarter Ending 30th June, 2007.	July, 2007.
Annual General Meeting for the Year Ending 30th June, 2007.	Before the end of December, 2007.
Date of Book Closure (Current)	27th December, 2006 to 29th December, 2006.
Dividend Payment Date.	8th January, 2007.
Listing on Stock Exchange.	Bombay Stock Exchange Ltd.
Stock Code.	509563
Registrar and Transfer Agent for Physical and Electronic Connectivity.	Bigshare Services Pvt. Ltd. E-2, Ansa Industrial Estate, Saki Vihar Road, Saki Naka, Andheri (East), Mumbai - 400 072 Tel : 022 - 28473474/ 022 - 28470652
Distribution of Shareholding and Shareholding Pattern	Please Refer Annexure "A".
Dematerialisation of Shares	As on 30/6/2006 47.42% of total paid up Equity Capital has been Dematerialised.
ISIN No.	INE 925D01014
The Quarterly Unaudited Financial Results were published in	English - Free Press Journal Marathi - Navshakti
GDRS / ADRS	Not Applicable.
Address for Correspondence	Garware Marine Industries Ltd. Chander Mukhi, Nariman Point, Mumbai - 400 021

Place : Mumbai  
Dated : 28th November, 2006

On Behalf of the Board

**ASHOK B. GARWARE**  
CHAIRMAN

**Garware Marine Industries Limited**  
Twenty Eighth Annual Report 2005-06

**ANNEXURE "A"**

**THE DISTRIBUTION OF EQUITY SHAREHOLDING AS ON 17TH NOVEMBER, 2006 IS AS FOLLOWS**

Share or Equity holding of Nominal Value of			Share Holder		Share Amount	
(Rs.)	(1)	(Rs.)	Number (2)	% to Total (3)	In Rs. (4)	% to Total Amount (5)
1	to	5,000	11,275	93.24	1,50,24,060	30.38
5,001	to	10,000	510	4.21	40,58,260	8.20
10,001	to	20,000	192	1.57	28,34,890	5.73
20,001	to	30,000	37	0.30	9,17,770	1.86
30,001	to	40,000	18	0.14	6,39,610	1.29
40,001	to	50,000	14	0.15	6,27,800	1.27
50,001	to	1,00,000	17	0.14	12,07,640	2.44
1,00,001	and	Above	30	0.25	2,41,51,810	48.83
	<b>TOTAL</b>		<b>12,093</b>	<b>100.00</b>	<b>4,94,61,840</b>	<b>100.00</b>

**SHAREHOLDING PATTERN AS ON 17TH NOVEMBER, 2006 IS AS FOLLOWS**

Sr. No.	Category	No. of shares held	% of share holding
A	<b>PROMOTERS HOLDING</b>		
1	Promoters		
	• Indian Promoters	14,39,594	29.11
	• Foreign Promoters	--	--
2	Person / Corporation Acting in Concert including OCBs	--	--
	<b>SUB TOTAL</b>	<b>14,39,594</b>	<b>29.11</b>
B	<b>NON PROMOTERS HOLDINGS</b>		
3	INSTITUTIONAL INVESTORS	--	--
4	Mutual Funds & UTI	100	0.002
5	Bank, Financial Institutions, Insurance Companies (Central / State Govt. Institutions / Non-Government Institutions)	63,925	1.29
6	FIIIS	--	--
	<b>SUB TOTAL</b>	<b>64,025</b>	<b>1.29</b>
7	OTHERS		
	– Private Corporate Bodies	4,74,098	9.59
	– Indian Public	28,52,845	57.67
	– NRIs / OCBs	6,732	0.14
	– Trust	1,08,890	2.20
	<b>SUB TOTAL</b>	<b>34,42,565</b>	<b>69.60</b>
	<b>TOTAL</b>	<b>49,46,184</b>	<b>100.00</b>

**AUDITORS' CERTIFICATE ON COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENT(S).**

To the Members of Garware Marine Industries Limited.

We have examined the compliance of the conditions of Corporate Governance by Garware Marine Industries Ltd. (the Company) for the 18 months period i.e. 1st January, 2005 to 30th June, 2006 with the relevant Records and Documents maintained by the Company, furnished to us for our review and the report on Corporate Governance as approved by the Board of Directors.

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 Corporate Governance. It is neither an Audit nor expression of opinion on the financial statement of the Company.

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.

On the basis of our review and according to the information and explanations given to us, the conditions of Corporate Governance as stipulated Clause 49 of the Listing Agreement(s) with the Stock Exchange(s) have been complied with in all material respects by the Company.

For **RAMAN S. SHAH & ASSOCIATES**  
Chartered Accountants

**Santosh A. Sankhe**  
Partner

Place : Mumbai  
Date : 28th November, 2006



## AUDITOR'S REPORT

### TO THE MEMBERS OF M/S. GARWARE MARINE INDUSTRIES LTD.

1. We have audited the attached Balance Sheet of **M/S. GARWARE MARINE INDUSTRIES LIMITED** as at 30th JUNE, 2006 and also the Profit and Loss Account for the period ended 18 months on that date annexed thereto for the period ended on that date. 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.
2. We have 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.
3. As required by the Companies (Auditor's 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 .
4. Further to our comments in the Annexure referred to above, we report that :-
  - (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes 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 and Profit and Loss Account dealt with by this report are in agreement with the books of account and with the audited returns from the branches.
  - (d) In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
  - (e) On the basis of written representations received from the directors, as on 30th JUNE, 2006 and taken on record by the Board of Directors we report that none of the directors is disqualified as on 30th JUNE, 2006 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
  - (f) In our opinion and to the best of our information and according to the explanations given to us, and **subject to (I) Note No.3(a) and (b) regarding deferment of revenue expenditure amounting to Rs. 3,90,818/- (II) Note No.1(g) regarding non-provision of gratuity liability, (III) Note No.9 regarding non-provision for diminution in the value of shares and amount recoverable from GARWARE NYLONS LTD.** , the said accounts 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 30th JUNE, 2006  
and
    - (ii) in the case of the Profit and Loss Account, of the profit for the period ended 18 Months on that date.

For **RAMAN S. SHAH & ASSOCIATES**  
Chartered Accountants

**SANTOSH A. SANKHE**  
Partner

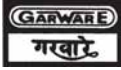
Place : Mumbai

Date : 28th November, 2006

**ANNEXURE TO AUDITOR'S REPORT**

**REFERRED TO IN PARAGRAPH OF OUR REPORT OF EVEN DATE**

- 1 a. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets on the basis of available information .
  - b. According to the information and explanations given to us, the fixed assets have been physically verified by the management during the period in a phased periodical manner which, in our opinion, is reasonable, having regard to the size of the Company and nature of the assets. , No material discrepancies were noticed on such verification.
  - c. In our opinion, the Company has not disposed of substantial part of fixed assets during the period and the going concern status of the Company is not affected.
- 2 a. As explained to us, inventories have been physically verified by the management at regular intervals during the period.
  - b. In our opinion and according to the information & explanations given to us, 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 has maintained proper records of inventories. As explained to us, there were no material discrepancies noticed on physical verification of inventory as compared to the book records.
- 3 a. We are informed that the Company has taken unsecured loans, from companies, listed in the register maintained under Section 301 of the Companies Act, 1956 on terms and conditions which are not prejudicial to the interest of the Company.
  - b. The company has not granted any loan, secured or unsecured to companies, firms, other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- 4 In our opinion and according to the information and explanations given to us, there are adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and also for the sale of goods & services. During the course of our audit, we have not observed any major weaknesses in internal controls.
- 5 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 regards to prevailing market prices at the relevant time in the opinion of the management.
- 6 The company has not accepted any deposits from the public.Hence the requirements of clause (vi) of paragraph 4 of the Order is not applicable to the company.
- 7 In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
- 8 The Central government has not prescribed maintenance of the 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.
- 9 According to the information and explanations given to us, there are no undisputed statutory dues payable in respect of Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income-tax, Sales-tax, Wealth Tax, Custom Duty, Excise Duty , cess which are outstanding as at for a period of more than six months from the date they became payable.



- 10 The Company has accumulated losses of Rs.2.55 crores and has not incurred any cash losses during the period (18 Months) covered by our audit or in the immediately preceding financial year.
- 11 In our opinion and according to the information and explanations given to us the company has not defaulted in repayment of dues to financial institution or bank or debenture holder .
- 12 In our opinion and according to the information & explanation given to us , no loan and advances have been granted by the company on the basis of security by way of pledge of shares , debentures and other securities.
- 13 In our opinion,the company is not a Chit fund, Nidhi or mutual benefit Society ,Hence the requirements of clause (xiii) of paragraph 4 of the Order is not applicable to the company.
- 14 The company is not dealing or trading in in shares, securities, debentures and other investments.Hence the requirements of clause (xiv) of paragraph 4 of the Order is not applicable to the company.
- 15 According to the information and explanations given to us, the terms and condition on which the company has given guarantee for loans taken by others from the Banks are not prejudicial to the interest of the Company.
- 16 To the best of our knowledge and belief and according to the information and explanations given to us, term loans availed by the company were *prima facie*, applied by the company during the period for the purposes for which the loans were obtained.
- 17 According to the information and explanations given to us, no funds raised on short-term basis have been used for long-term investment. Similarly, no funds raised on long term basis have been used for short-term investment.
- 18 During the period , the company has not made preferential allotment of shares to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.
- 19 The company has not issued any debentures. Hence the requirements of clause (xix) of paragraph 4 of the Order is not applicable to the company.
- 20 The company has not raised any money by way of public issues during the period.
- 21 In our opinion & according to the information and explanations given to us, a fraud on or by the company has not been noticed or reported during the period.

For **RAMAN S. SHAH & ASSOCIATES**  
Chartered Accountants

**SANTOSH A. SANKHE**  
Partner

Place : Mumbai

Date : 28th November, 2006

**Garware Marine Industries Limited**  
Twenty Eighth Annual Report 2005-06

**BALANCE SHEET AS AT 30TH JUNE, 2006**

PARTICULARS	Schedule	Rupees	As at 30.06.2006 Rupees	As at 31.12.2004 Rupees
<b><u>SOURCES OF FUNDS</u></b>				
<b>SHAREHOLDERS' FUNDS</b>				
Share Capital	A	4,94,61,840		4,94,61,840
Reserves & Surplus	B	2,95,62,596		3,19,22,409
			<b>7,90,24,436</b>	<b>8,13,84,249</b>
<b>LOAN FUNDS</b>				
Secured	C	3,74,24,591		4,39,30,291
Unsecured	D	83,25,557		2,00,51,953
			<b>4,57,50,148</b>	<b>6,39,82,244</b>
TOTAL			<b><u>12,47,74,584</u></b>	<b><u>14,53,66,493</u></b>
<b><u>APPLICATION OF FUNDS</u></b>				
<b>FIXED ASSETS</b>				
Gross Block	E	10,97,04,649		10,83,86,029
Less : Depreciation		84210176		7,95,58,871
Net Block			<b>2,54,94,473</b>	28827158
INVESTMENTS	F		<b>91,35,610</b>	8,85,676
<b>NET CURRENT ASSETS</b>				
Current Assets, Loans & Advances	G	9,13,34,216		11,51,38,655
Less : Current Liabilities & Provisions	H	2,78,15,963		2,89,93,098
			<b>6,35,18,253</b>	8,61,45,557
DEFERRED TAX ASSETS			<b>8,91,920</b>	8,91,920
MISCELLANEOUS EXPENDITURE (To the extent not written off or Adjusted)	I		<b>2,24,511</b>	6,15,329
PROFIT & LOSS ACCOUNT BALANCE			<b>2,55,09,817</b>	2,80,00,853
TOTAL			<b><u>12,47,74,584</u></b>	<b><u>14,53,66,493</u></b>
NOTES FORMING PART OF THE ACCOUNTS	L			

As per our Report of even date

As per our Report of even date

For **Raman S. Shah & Associates**  
Chartered Accountants

**C. V. Ramachandran**  
Director

**V. V. Desai**  
Director

**Santosh A. Sankhe**  
Partner

**A. C. Chandarana**  
Company Secretary

**S. V. Atre**  
General Manager(Operations)

Mumbai, 28th November, 2006

Mumbai, 28th November, 2006



## PROFIT & LOSS ACCOUNT FOR THE PERIOD ENDED 30TH JUNE, 2006

PARTICULARS	Schedule	Period Ended 30.06.2006 (18 Months)		Year Ended
		Rupees	Rupees	31.12.2004 (12 Months) Rupees
<b>INCOME</b>				
INCOME FROM OPERATIONS			<b>16,52,87,025</b>	9,94,10,079
OTHER INCOME	J		<b>77,84,244</b>	1,19,60,261
TOTAL			<b>17,30,71,269</b>	11,13,70,340
<b>EXPENDITURE</b>				
MANUFACTURING AND OTHER EXPENSES	K		<b>15,57,38,799</b>	9,54,51,910
INTEREST & FINANCE CHARGES			<b>96,72,424</b>	1,09,63,693
OPERATING PROFIT/(LOSS)			<b>7660046</b>	<b>49,54,737</b>
DEPRECIATION AND AMORTISATION		<b>46,51,305</b>		31,65,370
Less : Transferred from Revaluation Reserve		<b>23,59,813</b>		16,14,583
			<b>22,91,492</b>	15,50,787
PROFIT / (LOSS) BEFORE TAX FOR THE YEAR			<b>53,68,554</b>	<b>34,03,950</b>
LESS : PROVISION FOR TAXATION				
CURRENT TAX			-	-
FRINGE BEBENEFIT TAX		<b>57,574</b>		-
			<b>57,574</b>	-
PROFIT / (LOSS) AFTER TAX			<b>53,10,980</b>	34,03,950
ADD / LESS : PROFIT / (LOSS) BROUGHT FORWARD FROM LAST YEAR			<b>-2,80,00,853</b>	-3,14,04,803
<b>PROFIT AVAILABLE FOR APPROPRIATIONS</b>			<b>-2,26,89,873</b>	<b>-2,80,00,853</b>
<b>APPROPRIATIONS</b>				
PROPOSED DIVIDEND			24,73,092	0
TAX ON DIVIDEND			3,46,852	0
BALANCE IN PROFIT AND LOSS ACCOUNT			-2,55,09,817	-2,80,00,853
<b>TOTAL</b>			<b>-2,26,89,873</b>	<b>-2,80,00,853</b>
EARNING PER SHARE(REFER NOTE NO.14)			<b>1.07</b>	0.69

As per our Report of even date

For **Raman S. Shah & Associates**  
Chartered Accountants

**C. V. Ramachandran**  
Director

**V. V. Desai**  
Director

**Santosh A. Sankhe**  
Partner

**A. C. Chandarana**  
Company Secretary

**S. V. Atre**  
General Manager(Operations)

Mumbai, 28th November, 2006

Mumbai, 28th November, 2006

**Garware Marine Industries Limited**  
Twenty Eighth Annual Report 2005-06

**SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE, 2006**

	<u>Rupees</u>	<u>Rupees</u>
	<b>As at 30.06.2006 Rupees</b>	<b>As at 31.12.2004 Rupees</b>
<b>SCHEDULE A</b>		
<b>SHARE CAPITAL</b>		
Authorised		
99,00,000 Equity Shares of Rs.10/- each	<b>9,90,00,000</b>	9,90,00,000
10,000 11% Cumulative Redeemable Preference Shares of Rs.100/- each, Redeemable at par on the expiry of 15 years from the date of allotment but at the option of the Company at any time after 12 years from the date of allotment by giving 3 months previous notice.	<b>10,00,000</b>	10,00,000
	<b>10,00,00,000</b>	<b>10,00,00,000</b>
Issued, Subscribed and Paid-up		
49,46,184 (Previous year 49,46,184) Equity Shares of Rs.10/- each fully paid (Of the above 3,20,000 Equity Shares of Rs.10/- each were issued as fully paid Bonus Shares by capitalisation of General Reserve)	<b>4,94,61,840</b>	4,94,61,840
	<b>4,94,61,840</b>	<b>4,94,61,840</b>
<b>SCHEDULE B</b>		
<b>RESERVES AND SURPLUS</b>		
1. CAPITAL REDEMPTION RESERVE	<b>5,00,000</b>	5,00,000
2. REVALUATION RESERVE		
As per last Balance Sheet	<b>23,59,813</b>	39,74,396
Less : Transferred to Profit and Loss Account	<b>23,59,813</b>	16,14,583
	<b>0</b>	23,59,813
3. GENERAL RESERVE		
As per last Balance Sheet	<b>77,29,644</b>	23,79,644
Add : Transferred from Debenture Redemption Reserve	<b>0</b>	53,50,000
	<b>77,29,644</b>	77,29,644
4. DEBENTURE REDEMPTION RESERVE		
As per last Balance Sheet	<b>0</b>	53,50,000
Less : Transferred to General Reserve	<b>0</b>	53,50,000
	<b>0</b>	0
5. SHARE PREMIUM ACCOUNT		
On issue of 13,38,184 (Previous year 13,38,184) Equity Shares on right basis	<b>20,80,78,72</b>	2,08,07,872
6. CAPITAL RESERVE	<b>5,25,080</b>	5,25,080
<b>TOTAL</b>	<b>2,95,62,596</b>	<b>3,19,22,409</b>



## SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE, 2006

	As at 30.06.2006 Rupees	As at 31.12.2004 Rupees
<b><u>SCHEDULE C</u></b>		
SECURED LOANS		
SHORT TERM LOANS :		
From Bank		
Cash Credit	0	4,04,78,000
(Secured by hypothecation of raw materials, work-in-process, finished goods and book debts)		
Working Capital Term Loan from The Shamrao Vithal Co.op.Bank Ltd.	0	34,52,291
Working Capital Term Loan from The United Western Bank Ltd.	2,03,66,291	0
Working Capital Term Loan from The Shamrao Vithal Co.op. Bank Ltd.	1,70,58,300	0
TOTAL	<u>3,74,24,591</u>	<u>4,39,30,291</u>

## **SCHEDULE D**

### UNSECURED LOANS

#### OTHER LOANS

(a) Inter Corporate Deposit	49,00,906	1,40,48,982
(b) E.C.B. Loan	34,24,651	60,02,971
TOTAL	<u>83,25,557</u>	<u>2,00,51,953</u>

**SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE, 2006**  
**SCHEDULE E**

**FIXED ASSETS**

Description of Assets	GROSS BLOCK (AT COST / BOOK VALUE)			DEPRECIATION / AMORTISATION				NET BLOCK	
	As at 01.01.2005 Rupees	Additions Rupees	Deductions Rupees	As on 30.06.2006 Rupees	As at 01.01.2004 Rupees	During the Period	On Sale of Assets	As on 30.06.2006 Rupees	As on 31.12.2004 Rupees
1. LAND (LEASEHOLD)	5,68,191	0	0	5,68,191	1,44,899	8,949	0	4,14,343	4,23,292
2. BUILDING	1,00,25,524	1,16,000	0	1,01,41,524	44,00,471	2,68,558	0	54,72,495	56,25,053
3. PLANT & MACHINERY	9,48,72,519	12,02,620	0	9,60,75,139	72,720,001	42,23,921	0	1,91,31,217	2,21,52,518
4. FURNITURE & FIXTURES	11,83,553	0	0	11,83,553	8,63,289	71,206	0	2,49,058	3,20,264
5. OFFICE EQUIPMENT	6,34,690	0	0	6,34,690	5,56,791	38,673	0	39,226	77,899
6. VEHICLES	6,13,643	0	0	6,13,643	4,08,981	39,998	0	1,64,664	2,04,662
7. COMPUTERS	4,87,909	0	0	4,87,909	4,64,438	0	0	23,471	23,471
<b>TOTAL</b>	10,83,86,029	1318620	0	10,97,04,649	7,95,58,871	46,51,305	0	2,54,94,473	2,88,27,158
PREVIOUS YEAR	10,57,77,113	2608916	0	10,83,86,029	7,63,93,501	31,65,370	0	2,88,27,158	

See Note No.1 for Accounting Policy.



**SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE, 2006**

	As at 30.06.2006 Rupees	As at 31.12.2004 Rupees
<b>SCHEDULE F</b>		
<b>INVESTMENTS (AT COST)</b>		
<b>SHARES :</b>		
<b>Quoted</b>		
1500986 (Previous year 998) equity Shares of face value of Rs.10/- each fully paid of Garware Offshore Services Ltd. (Market Value Rs.15,38,51,065/-) (Previous Year 27,944/-)	<b>82,66,629</b>	16,695
<b>Unquoted</b>		
42,550 (Previous Year 42,550) Equity Shares of Rs.10/- each fully paid of Garware Nylon Ltd.	<b>3,96,981</b>	3,96,981
3000 Equity Shares of Rs.100/- each of Garware Goa Nets Ltd. (Formerly known as Sainet Limited)	<b>4,17,000</b>	4,17,000
2000 Equity Shares of Rs.10/- each of Kapole Co-operative Bank Limited	<b>20,000</b>	20,000
2500 Equity Shares of Rs.10/- each of The Shamrao Vithal Co-operative Bank Ltd.	<b>25,000</b>	25,000
National Saving Certificates	<b>10,000</b>	10,000
<b>TOTAL</b>	<b>91,35,610</b>	<b>8,85,676</b>
<b>SCHEDULE G</b>		
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>		
	<b>Rupees</b>	<b>Rupees</b>
<b>A. Current Assets</b>		
(a) Inventories (At cost as taken valued and certified by a Director)		
Raw Materials (At Cost)	<b>14,08,882</b>	15,81,749
Work in Process (At Cost)	<b>1,69,29,537</b>	2,52,75,042
Stores, Spares, Packing Material & Fuel. (At Cost)	<b>74,67,050</b>	75,66,225
* Finished Goods	<b>1,25,08,600</b>	24,18,3165
* (At cost or realisable value whichever is lower as certified by a Director)	<b>3,83,14,069</b>	5,86,06,181
(b) Sundry Debtors (Unsecured, Considered Good) Debts outstanding for more than six months	<b>1,29,75,335</b>	1,19,27,764
Other Debts	<b>3,04,41,075</b>	2,56,15,910
	<b>4,34,16,410</b>	3,75,43,674
(c) Cash & Bank Balances		
Cash on Hand	<b>3,12,612</b>	2,77,066
Bank Balances :		
With Schedule Banks		
In Current Account	<b>3,55,823</b>	77,662
Deposit with Banks	<b>8,36,918</b>	1,41,425
With Others	<b>0</b>	5,540
Post Office Saving Account	<b>0</b>	500
	<b>11,92,741</b>	2,25,127
<b>B. Loans And Advances (Unsecured, Considered Good)</b>		
Advance Tax Paid & Tax Deducted at Source	<b>29,41,591</b>	24,74,181
Advances Recoverable in Cash or in kind	<b>14,07,400</b>	1,15,66,690
Deposit with other	<b>30,89,408</b>	37,85,750
Balance with Excise Authorities	<b>6,59,986</b>	6,59,986
	<b>80,98,385</b>	1,84,86,607
<b>TOTAL</b>	<b>9,13,34,216</b>	<b>11,51,38,655</b>

**Garware Marine Industries Limited**  
Twenty Eighth Annual Report 2005-06

**SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE, 2006**

	<u>As at 30.06.2006 Rupees</u>	<u>As at 31.12.2004 Rupees</u>
<b><u>SCHEDULE H</u></b>		
<b>CURRENT LIABILITIES AND PROVISIONS</b>		
A. Current Liabilities		
Overdrawn Book Balances in Current A/C of Banks	26,04,172	2,31,587
Sundry Creditors	51,24,613	30,57,173
Other Liabilities	1,72,67,234	2,57,04,338
	<u>2,49,96,019</u>	<u>2,89,93,098</u>
B. PROVISIONS		
Proposed Dividend	24,73,092	0
Tax on Dividend	3,46,852	0
	<u>28,19,944</u>	<u>0</u>
	<u>2,78,15,963</u>	<u>2,89,93,098</u>
<b><u>SCHEDULE I</u></b>		
<b>MISCELLANEOUS EXPENDITURE</b>		
(To the extent not written off or adjusted)		
Share Issue Expenses	0	1,66,309
Deferred Legal Expenditure	2,24,511	4,49,020
TOTAL	<u>2,24,511</u>	<u>6,15,329</u>

**SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 30TH JUNE, 2006**

	<u>Period Ended 30.06.2006 (18 Months) Rupees</u>	<u>Year Ended 31.12.2004 (12 Months) Rupees</u>
<b><u>SCHEDULE J</u></b>		
<b><u>OTHER INCOME</u></b>		
Interest (Gross)	4,89,472	2,94,866
Dividend on Investments (Gross)	18,11,982	5,599
Miscellaneous Income	54,82,790	1,16,58,861
Credit Balance w/off	0	935
TOTAL	<u>77,84,244</u>	<u>1,19,60,261</u>



**SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 30TH JUNE, 2006**

	Period Ended <b>30.06.2006</b> (18 Months)	Year Ended 31.12.2004 (12 Months)
	Rupees	Rupees
<b>SCHEDULE K</b>		
<b>MANUFACTURING AND OTHER EXPENSES</b>		
Consumption of Materials and Other Charges		
Raw Materials Consumed		
Opening Stock	15,81,749	11,69,812
Add : Purchases	6,97,92,076	4,24,93,367
	<u>7,13,73,825</u>	<u>4,36,63,179</u>
Less : Closing Stock	14,08,882	15,81,749
Material Consumed	6,99,64,943	4,20,81,430
Trading Materials	2,19,74,670	68,95,656
Stores Spares And Packing		
Materials Consumed	11,44,487	10,77,612
Power Fuel And Water Charges	43,22,957	26,46,897
	<u>54,67,443</u>	<u>37,24,509</u>
Employees' Remuneration And Benefits		
Salaries Wages And Bonus	2,36,90,416	1,65,14,492
Contribution to Provident Fund and Other Funds	17,76,943	11,60,111
Staff Welfare	7,00,351	4,79,879
	<u>2,61,67,710</u>	<u>1,81,54,482</u>
Administrative Selling And General Expenses		
Advertisement	51,739	32,604
Rent	2,25,600	1,85,287
Insurance	2,39,488	53,805
Freight	40,20,873	15,41,126
Repairs and Maintenance	1,11,591	1,37,093
Fees, Rates And Taxes	7,04,564	41,129
Legal & Professional Charges	8,69,424	6,71,068
Travelling And Conveyance	2,63,771	2,47,613
Auditors Remuneration	1,39,892	93,670
Share Issue Exp. Written Off	1,66,309	2,49,456
Deferred Legal Expenditure Written Off	2,24,509	1,49,673
Other Expenses	51,26,204	65,61,426
	<u>1,21,43,963</u>	<u>99,63,950</u>
Add : (Accretion to) / Depletion Of Stock of Finished Goods and Work in Process		
Opening Stock	4,94,58,207	6,40,90,090
Less : Closing Stock	2,94,38,137	4,94,58,207
	<u>2,00,20,070</u>	<u>1,46,31,883</u>
<b>TOTAL</b>	<u><u>15,57,38,799</u></u>	<u><u>9,54,51,910</u></u>

**SIGNIFICANT ACCOUNTING POLICIES & NOTES FORMING PART OF THE ACCOUNTS  
FOR THE PERIOD ENDED 30TH JUNE, 2006**

**SCHEDULE L**

**1. Significant Accounting Policies**

**A. System of Accounting :**

The Company generally follows the accrual basis of accounting both as to Income and Expenditure except those with significant uncertainties. Financial Statements are based on Historical cost.

**B. Depreciation :**

- (i) On original cost of all fixed assets installed upto 30.09.1987 on straight line method at rates prescribed U/S 205(2) (B) of the Companies Act, 1956 read with the circular No.1/86 (No.1.1.86CLV) dated 21.05.1986 of the Department of Company affairs.
- (ii) On all Fixed assets installed after 30.09.1987 on straight line method at rates prescribed in schedule XIV of Companies Act, 1956.
- (iii) On revaluation increase arising on revaluation made as on 1st April, 1984 at the rates calculated on straight line method over residual life of such assets as assessed by the valuers. An amount of Rs.23,59,813/- (Previous year Rs.16,14,583/-) has been transferred from Revaluation Reserve to Profit and Loss Account representing depreciation provided relating to revaluation increase.
- (iv) On Leasehold land on amortisation basis.

**C. Fixed Assets :**

- (i) All Fixed Assets are stated at cost less Depreciation.
- (ii) Revaluation of Leasehold Lands, Buildings and Plant & Machinery had been made as on 1st April, 1984 on the basis of valuation report submitted by M/s. P.C. Gandhi & Associates, Valuers appointed for the purpose. The resultant increase on such revaluation over the written down value of these assets amounting to Rs.4,18,00,310/- had been credited to Revaluation Reserve.

**D. Inventories :**

Items of Inventories are valued on the basis given below :

Raw Materials....	At cost
Work - in - Process ....	At cost
Stores, Spare, Packing Material & Fuel ....	At cost
Finished Goods ....	At cost or Realisable value whichever lower

**E. Investment :**

Investments are stated at cost of acquisition. No provision for diminuation of permanent nature has been provided on long term Investments.

**F. Foreign Exchange Transactions :**

Transactions are accounted on exchange rate prevailing on the date of Accounting of Transaction.

**G. Staff Benefits :**

The Company has it's own Gratuity Fund for the Employees to cover gratuity liability contribution and is also accounted in the year of payment. Leave encashment is also accounted on actual payment basis.

**Notes to Accounts :**

**2. Contingent Liabilities in respect of :**

Guarantees given by Bankers Rs.12.50 Lacs. (Previous Year Rs.11.38 Lacs) Corporate guarantees given during the year Rs. 35.79 Lacs in favour of Garware Goa Nets Limited.



3. (a) Share Issue Expenses and Commission on Non-Convertible Debentures incurred has been identified by the Company as being of long term benefit and are being written off over a period of ten and seven years respectively. Accordingly an amount of Rs.1,66,309/- was written off during the year and the balance of Rs. NIL is being carried forward to be charged in future years.
- (b) Legal & Professional charges incurred has been identified by the Company as being of long term benefit and are written off over a period of five years. Accordingly an amount of Rs.2,24,509/- was written off during the year and balance of Rs.2,24,511/- is being carried forward to be charged in future years.

4. **Auditors Remuneration :**

PARTICULARS	Period Ended 30.06.2006	Year Ended 31.12.2004
(a) Audit Fees	1,17,852	71,630
(b) Tax Audit Fees	22,040	22,040

5. (a) **Capacity and Production**

PATICULARS	Unit	Licenced Capacity@		Installed Capacity		Actual Production	
		Period Ended 30.06.2006 (18 Months)	Year Ended 31.12.2004 (12 Months)	Period Ended 30.06.2006 (18 Months)	Year Ended 31.12.2004 (12 Months)	Period Ended 30.06.2006 (18 MONTHS)	Year Ended 31.12.2004 (12 MONTHS)
(i) Fish Knitted Fabrics	M.T.	C.O.B. Licence for 384.000 M.T. Applied for	C.O.B. Licence for 256.000 M.T. Applied for	384.000	256.000	406.831	264.440

@ The Company has also applied for COB Licence for Nylon - Twine with capacity of 220 M.T. Although the installed capacity has been indicated as above most of the machines being common for different constructions and mesh sizes of Fish Knitted Fabrics manufactured by the Company, the installed capacity thus may vary from time to time.

The figures of installed capacity are as certified by a Director and accepted by the Auditors.

(b) **Stocks of Finished Goods :**

Particulars	Period Ended 30.06.2006				Year Ended 31.12.2004			
	Opening Stock		Closing Stock		Opening Stock		Closing Stock	
	Qty. M.T.	Value Rupees	Qty. M.T.	Value Rupees	Qty. M.T.	Value Rupees	Qty. M.T.	Value Rupees
(i) Fish Knitted Fabrics	47.415	10916527	48.054	10784731	61.411	12445037	47.415	10916527
(ii) Expanded PVC Floats	35.897	11423468	0.667	182847	72.394	23900536	35.897	11423468
(iii) Nylon Monofilament	9.156	1831200	9.156	1529052	9.156	1831200	9.156	1831200
(iv) Nylon Twine	0.057	11970	0.057	11970	0.057	11970	0.057	11970
		24183165		12508600		38188743		24183165

**Garware Marine Industries Limited**  
Twenty Eighth Annual Report 2005-06

**Transactions of Goods Traded during the year**

Particulars	Period Ended 30.06.2006							
	Opening Stock		Purchases		Sales		Closing Stock	
	Qty. M.T.	Value Rupees	Qty. M.T.	Value Rupees	Qty. M.T.	Value Rupees	Qty. M.T.	Value Rupees
Nylon Nets	0	0	0.000	0	0.000	0	0	0
Nylon Yarn	0	0	125.570	2,19,74,670	125.570	2,23,96,404	0	0
		0		2,19,74,670		2,23,96,404		0

**(c) Sales**

Particulars	Period Ended 30.06.2006		Year Ended 31.12.2004	
	Qty. M.T.	Value Rupees	Qty. M.T.	Value Rupees
(i) Fish Knitted Fabrics*	411.418	9,63,86,342	279.662	5,66,31,948
(ii) Expanded PVC Floats	35.230	1,08,92,674	36.497	55,56,715
(iii) Polyester Mono	0.000	0	6.029	1,50,731
(iv) Income from other Operations		3,45,58,131		3,01,54,067
(v) Others		10,53,474		0
		14,28,90,621		9,24,93,461

**(d) Raw Material Consumed**

Particulars	Period Ended 30.06.2006		Year Ended 31.12.2004	
	Qty. M.T.	Value Rupees	Qty. M.T.	Value Rupees
(i) Nylon Yarn	390.974	6,99,64,943	274.670	4,19,22,490
(ii) Nylon / HDPE (Twine)	-	-	0.850	1,58,940
(iii) Others	-	-	-	-
		6,99,64,943		4,20,81,430

**(e) Value of imported and indigenous raw material, stores & spares consumed and percentage of each to the total consumption :**

	Period Ended 30.06.2006		Year Ended 31.12.2004	
	Value Rupees	Percentage to Total	Value Rupees	Percentage to Total
(i) Raw Materials				
Imported	-	-	-	-
Indigenous	6,99,64,943	100%	4,20,81,430	100%
	6,99,64,943	100%	4,20,81,430	100%
(ii) Stores & Spares (*)				
Imported	-	-	-	-
Indigenous	8,72,624	100%	8,85,273	100%
	8,72,624	100%	8,85,273	100%

(\*) Excludes packing material Rs.2,71,863/- (Previous Year Rs.1,92,339/-)



6. **Taxes on Income:-**

Provision for deferred tax assets and deferred tax liability are not provided as per AS-22 being company having unabsorbed losses.

7. In the opinion of the Board, current assets, loans and advances have a value of at least equal to the amounts shown in the Balance Sheet, if realized in the ordinary course of business. The provision for all the known liabilities is adequate and not in excess of the amount reasonably necessary. There are no contingent liabilities other than those stated in Note No.2.
8. Reconciliation of Sundry Debtors & Sundry Creditors has been completed in part and the same has been reflected in the Accounts.
9. Garware Nylons Limited has gone into liquidation and Bombay High Court has appointed Official Liquidator on 18th December, 1998. No provision for diminution in the value of investment of 42,550 equity shares and an amount of Rs 10,97,791.- recoverable from them is made in the accounts.
11. The Company is in process of compiling details for amount due to small scale industries, For want of information from these parties, hence the details are not available.
12. The Company has certified that the Company does not have any related party as per the requirement of accounting standard 18 on "Related Party Disclosure" issued by the Institute of Chartered Accountants of India.
13. **Segment Reporting**

<b>Particulars</b>	<b>Period Ended 30.06.2006 Rupees</b>
<b>Revenue by Industry Segement</b>	
Manufacturing	13,85,13,138
Repairs / Contracts	3,45,58,131
<b>Total</b>	<b>17,30,71,269</b>
Less : Inter-Segment Revenu	0
	<b>17,30,71,269</b>
<b>Segment Profit / (Loss) before Tax and Interest</b>	
Manufacturing	-1,05,32,820
Repairs / Contracts	2,78,65,289
	<b>1,73,32,469</b>
Less : Interest	96,72,424
Depreciation	22,91,492
Profit before Tax	<b>53,68,554</b>

Principal Segments

The Company's operations mainly relate to manufacture of Nylon Fishing Nets and providing ship repair services. Accordingly, revenues segmental information set out above.

Segmental Capital Employed

Fixed Assets and Liabilities pertain to fishnet division of the Company. Accordingly, no disclosure relating to total segment assets and liabilities have been made.

**Garware Marine Industries Limited**  
Twenty Eighth Annual Report 2005-06

14. Earning per share is calculated by dividing the profit attributable to the equity shareholders by the weighted average number of equity shares outstanding during the year. The numbers used in calculating basic and diluted earnings per equity share are as stated below :

		<b>30.06.2006</b>	31.12.2004
Profit after tax	Amt. Rs.	<b>53,10,980</b>	34,03,950
Weighted average shares	Nos.	<b>49,46,184</b>	49,46,184
Earnings per shares	Rs.	<b>1.07</b>	0.69
Face value per share	Rs.	<b>10</b>	10

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Signatures to Schedules A to L

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As per our Report of even date

**For Raman S. Shah & Associates**  
Chartered Accountants

**C. V. Ramachandran**  
Director

**V. V. Desai**  
Director

**Santosh A. Sankhe**  
Partner

**A. C. Chandarana**

**S.V. Atre**  
General Manager(Operations)

Company Secretary

Mumbai, 28th November, 2006

Mumbai, 28th November, 2006



## CASH FLOW STATEMENT FOR THE PERIOD ENDED JUNE,2006

PARTICULARS	Period Ended 30.06.2006 (Rupees)	Year Ended 31.12.2004 (Rupees)
<b>A. Cash Flow arising from Operating Activities :</b>		
Net profit before tax and extraordinary items	53,10,980	34,03,950
Add / (Less) back :		
a) Depreciation charges (Net)	22,91,492	15,50,787
b) Interest charges	96,72,424	1,09,63,693
c) Deferred Revenue Expenditure written off.	3,90,818	3,99,129
d) Dividend Income	(18,11,982)	(5,599)
e) Interest Income	(4,89,472)	(2,94,866)
	<u>1,00,53,280</u>	<u>(2,94,866)</u>
<b>Operating Profit before working charges</b>	<b>1,53,64,260</b>	<b>1,60,17,094</b>
Deduct / a) Decrease in Trade Payable	20,67,440	(12,92,101)
Add : b) Increase in Loans & Advances	21,38,288	(20,27,562)
	<u>42,05,728</u>	<u>(33,19,663)</u>
	<b>1,95,69,988</b>	<b>1,26,97,431</b>
Add / (Less) a) Decrease in Trade & Other Receivables	(58,72,736)	4,55,102
b) Increase in Current Liability	(60,64,519)	(28,00,226)
c) Decrease in Inventories	2,02,92,112	1,44,89,946
	<u>83,54,857</u>	<u>1,21,44,822</u>
<b>Net cashflow from operating Activity [A]</b>	<b>2,79,24,845</b>	<b>2,48,42,253</b>
<b>B. Cash Flow arising from Investing Activities :</b>		
<b>Outflow on account of investing activity</b>		
a) Acquisition of fixed assets	(13,18,620)	(26,08,916)
<b>Inflow on account of investing activity</b>		
a) Sale of fixed assets	0	0
	<u>(13,18,620)</u>	<u>(26,08,916)</u>
<b>Net cashflow from investing Activity [B]</b>	<b>(13,18,620)</b>	<b>(26,08,916)</b>
<b>C. Cash Flow arising from Finance Activities :</b>		
<b>Inflow on account of Financing activity</b>		
a) Interest Income	4,89,472	2,94,866
b) Dividend Income	18,11,982	5,599
	<u>23,01,454</u>	<u>3,00,465</u>
<b>Outflow on account of Financing activity</b>		
a) Repayment - Loans (net)	(1,82,32,096)	(1,18,35,508)
b) Repayment - Interest on loan	(96,72,424)	(1,09,63,693)
	<u>(2,79,04,520)</u>	<u>(2,27,99,201)</u>
<b>Net cashflow from financing Activity [C]</b>	<b>(2,56,03,066)</b>	<b>(2,24,98,736)</b>
<b>Net increase in cash / cash equivalent [A + B + C]</b>	<b>10,03,160</b>	<b>(2,65,399)</b>
Add : Balance at the beginning of the year	5,02,193	7,67,592
<b>Cash / Cash equivalents at the close of the year</b>	<b>15,05,353</b>	<b>5,02,193</b>
<b>Notes to cash flow :</b>		
<b>(1) Components of cash flow :</b>		
Cash - On - Hand	3,12,612	2,77,066
Demand deposits with bank (Bank balances)	11,92,741	2,25,127
	<u>15,05,353</u>	<u>5,02,193</u>

Place : Mumbai,  
Date : 28th November, 2005

**C. V. Ramachandran**  
Director  
**A.C. Chandarana**  
Company Secretary

**V.V. Desai**  
Director  
**S. V. Atre**  
General Manager (Operations)

### Auditor's Certificate

To,  
The Board of Directors,  
Garware Marine Industries Ltd.  
Mumbai.

We have examined the attached cash flow statement of Garware Marine Industries Ltd. for the period ended 30 June, 2006. The statement has been prepared by the Company in accordance with the requirements of clause 32 of the Listing Agreement with the Stock Exchanges and is based on and in agreement with the corresponding Profit & Loss Account and Balance Sheet of the company covered by our report dated 28th November,2006 to the members of the company.

For **RAMAN S. SHAH & ASSOCIATES**  
Chartered Accountants  
**Santosh A. Sankhe**  
Partner

Place : Mumbai,  
Date : 28th November, 2005

**Garware Marine Industries Limited**  
Twenty Eighth Annual Report 2005-06

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

**I Registration Details**

Registration No.  State Code  (Refer Code List 1)  
Balance Sheet Date   
Date Month Year

**II Capital Raised during the period (Amount in Rs. Thousands)**

Public Issue  Right Issue   
Bonus Issue  Private Placement

**III. Position of Mobilisation & Deployment of Funds (Amounts Rs. in Thousands)**

Total Liabilities  Total Assets   
Sources of Funds  
Paid-up Capital  Reserves & Surplus   
Secured Loans  Unsecured Loans   
Application of Funds  
Net Fixed Assets  Investment   
Net Current Assets  Misc. Expenditure   
Accumulated Losses

**IV. Performance of Company (Amounts Rs. in Thousands)**

Turnover  Total Expenditure   
Profit /Loss Before Tax  Profit After Tax

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

Earnings per Share in Rs.  Dividend Rate %

**V. Generic Name of Principal Products/Services of Company (as per monetary terms)**

Item Code No. (ITC Code)   
Product Description



**ATTENDANCE SLIP**  
**GARWARE MARINE INDUSTRIES LTD.**

Registered Office : Chandermukhi, Nariman Point, Mumbai - 400 021.

PLEASE COMPLETE THIS ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE AUDITORIUM.  
Joint Shareholders may obtain additional attendance slips at the entrance.

Regd. Folio No. /Client ID No.....
Name of the Member/Proxy..... (in Block Letters).....
No. of Shares held .....

I hereby record my/our presence at the **28th ANNUAL GENERAL MEETING** at "Garware Sabhagriha", F.P.H. Building, Lala Lajpatrai Marg, Mumbai 400 034 on Friday, 29th December, 2006 at 9:30 a.m.

SIGNATURE OF THE MEMBER/PROXY.....

----- (TEAR HERE) -----

**PROXY FORM**  
**GARWARE MARINE INDUSTRIES LTD.**

Registered Office : Chandermukhi, Nariman Point, Mumbai - 400 021.

I /We \_\_\_\_\_  
of \_\_\_\_\_ in the District of \_\_\_\_\_ being  
a Member/Members of GARWARE MARINE INDUSTRIES LIMITED hereby appoint \_\_\_\_\_  
\_\_\_\_\_ of \_\_\_\_\_ in the District of \_\_\_\_\_  
or failing him/her \_\_\_\_\_  
of \_\_\_\_\_ in the District of \_\_\_\_\_  
or failing him/her \_\_\_\_\_  
of \_\_\_\_\_ in the District of \_\_\_\_\_

as my/our Proxy to attend and vote for me/us on my/our behalf at the **28th Annual General Meeting** of the Company to be held on Friday, 29th December, 2006 and at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2006

Regd. Folio No. /Client ID No. \_\_\_\_\_ NO. OF SHARES \_\_\_\_\_

Signed by the said \_\_\_\_\_

Note : The proxy must be deposited at the Registered Office of the Company at Chandermukhi, Nariman Point, Mumbai 400 021, not less than 48 hours before the time of holding the Meeting.

Affix One Rupee Revenue Stamp
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PROXY NO. ....

## BOOK - POST

To,

*If undelivered please return to :*

**Garware Marine Industries Ltd.**

Chandermukhi,  
Nariman Point, Mumbai - 400 021