



# ACKNIT KNITTING LIMITED

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Annual Report And Accounts  
2005 - 06

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# **ACKNIT KNITTING LIMITED**

## **Annual Report 2005-2006**

### **BOARD OF DIRECTORS**

Shri S. K. Saraf

*Chairman-cum-Managing Director*

Shri D. K. Saraf

*Executive Director*

Shri B. K. Kedia

Shri S. K. Ghosh

*Directors*

### **AUDITORS**

R. K. Bajaj & Co.

*Chartered Accountants*

40/5, Strand Road,  
Kolkata - 700 001

### **SHARE TRANSFER AGENTS**

S. K. Computers

34/1A, Sudhir Chatterjee Street

Kolkata - 700 006

Phone : (033) 2219 4815

### **BANKERS**

State Bank of India

### **REGISTERED OFFICE**

817, KRISHNA

224, A.J.C. Bose Road,

Kolkata - 700 017

Phone : (033) 2287 8293

**NOTICE**

Notice is hereby given that the 16th Annual General Meeting of the Shareholders of ACKNIT KNITTING LIMITED, will be held at 'Gyan Manch' at 11, Pretoria Street, Kolkata -700 017 on Wednesday the 27th September, 2006 at 2.30 p.m. to transact the following business :-

**ORDINARY BUSINESS**

1. To consider and adopt the audited Balance Sheet of the Company as at 31<sup>st</sup> March, 2006 and the Profit & loss Accounts for the year ended on that date together with the Reports of the Auditors & Directors thereon.
2. To declare Dividend.
3. To appoint a director in place of Shri Bal Kishan Kedia, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors and fix their remuneration.

By Order of the Board  
For Acknit Knitting Limited

Place : Kolkata

Date : The 22nd day of August, 2006

**D. K. Saraf**  
Executive Director

**Notes**

1. A Member entitle to attend and vote at the meeting is also entitled to appoint a proxy / proxies to attend and vote instead of himself / herself and that the proxy need not be a member. An instrument appointing the proxy, in order to be effective, should reach the registered office of the Company not later than 48 hours before the meeting. A Proxy form is enclosed herewith.
2. The Register of Members and Share Transfer book of the Company shall remain closed from Friday the 22nd September, 2006 to Wednesday the 27th September, 2006 both the days inclusive.
3. Members who are holding shares in identical order of names in more than one folio, may write to the Company enclosing the certificates for necessary correction.
4. Members desiring any information on Accounts, at the Annual General Meeting, are requested to write to the Company at least 7 days in advance, so that the information could be made ready.
5. Members are requested to notify any change in their mailing address to the Register and Share Transfer Agents, quoting their Folio No.
6. Pursuant to Sec 205C of the Companies Act, 1956, an unclaimed / unpaid dividend remaining unpaid for 7(seven) years are due to be transferred to the ' Investors ' Education and Protection Fund ( IEPF) and that once such unclaimed Dividend is transferred to IEPF, no claim shall lie in respect thereof . Hence the Share Holders who have not yet encashed their Dividend Warrants for Financial year 1998-99 and thereafter , are requested to immediately forward the same to the Company for revalidation.



## DIRECTOR'S REPORT

Your Directors are pleased in presenting the 16 th Annual Reports and audited Statement of Accounts for the year ended 31st March, 2006.

(Rs. in Lacs)

	Year Ended 31st March' 2006	Year Ended 31st March' 2005
Gross Sales	2801.54	2102.71
Other Income	178.45	91.30
Less : Total Expenditure	2524.74	1837.30
Gross Profit ( before Depreciation & Interest )	455.25	356.71
Less : Interest	35.02	29.63
Depreciation	84.27	81.30
Net Profit ( PBI)	335.96	245.78
Provision for Income Tax	89.03	70.00
Deferred Tax	(19.43)	13.63
Profit after Tax ( PAT)	226.36	162.15
Balance B/F	63.08	58.40
Less : Transfer to General Reserve	200.00	100.00
Dividend & Dividend Tax	57.47	57.47
Balance to Balance Sheet	71.97	63.08

## PERFORMANCE

The gross Turnover of the Company have registered a substantial increase over the last year inspite of a major fire occurred at Factory premises at Falta Unit. The Company has maintained a Steady overall gross margin. The net margin of the Company has also been increased. The Company had to perform in the midst of stiff competitions from within the Market. The overall response in the domestic market is very encouraging and the bookings of leather items has been increased manifold which results in higher revenue as compared to previous year.

Besides, as a part of Company's diversifying planning activities, one wind Turbine unit of 1.25 MW has been installed in the state of Maharashtra which has become operational in the month of May, 2006.

The Company is also examining the prospects of further diversification in Industrial Activities to transform the Company into a truly multifunctional unit with diversified business interest under one roof.

The overall performance continued to keep spare with the GDP growth rate of the Country.

## DIVIDEND

Your Directors recommend a Dividend @ 20% for the year ended 31st March, 2006, i.e. @ Rs. 2/- per share, subject to approval of the members in the ensuing Annual General Meeting, which together with the Dividend Tax is expected to absorb a sum of Rs. 57.47 Lacs.

## MANAGEMENT DISCUSSION & ANALYSIS

As a part of the Director's Report, a separate Report is annexed hereto and marked as annexure 'A'

## CORPORATE GOVERNANCE

A Separate Report is annexed hereto and marked as annexure 'B'

## AUDITORS & THEIR REPORT

M/s R. K. Bajaj & Co., Chartered Accountants, the auditors of the Company are due to retire at the conclusion of the forthcoming Annual General Meeting and they being eligible, have offered themselves for re-appointment and have notified that if appointed, such re-appointment will be within the prescribed limits u/s 224, (1B) of the Companies Act, 1956, and that they are duly qualified to accept such assignment.



The Report of the Auditors is annexed hereto separately and that the observation made therein when read with the Notes on Accounts, are self explanatory and it needs no further clarification.

### **INFORMATION U/S 217 of COMPANIES ACT, 1956**

- a. Conservation of Energy etc. .

Information pursuant to sec. 217(i) (e) or the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules 1988 and forming part of this Report is attached hereto and marked as annexure 'C'

- b. Particulars of Employees :

The Company have no employee drawing Salaries in excess of the prescribed limits u/s 217(2A) of the Act.

- c. Responsibility Statement u/s 217 (2AA) of the Act.

In accordance with the provisions u/s 217(2AA) of the Companies Act, 1956 the Board of Directors States :-

- i) that in preparation of the annual accounts for the year ended 31.03.2006 the applicable accounting standards have been followed alongwith proper explanation relating to material departures, if any ;
- ii) that the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 2005-06 and of the Profit of the Company for the year ended 31st March, 2006.
- iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in detecting fraud and other irregularities ; and
- iv) that the Directors have prepared the Annual Accounts for the year ended 31.03.2006 on a 'going concern' basis.

### **DIRECTORS**

Sri B. K. Kedia, Director of the Company retire by rotation at the forthcoming Annual General Meeting and being eligible, offers himself for re- appointment.

None of the Directors of the Company is disqualified for being appointed in terms of the provisions under section 274 (i)(g) for the Companies Act, 1956, as amended.

### **PUBLIC DEPOSITS**

The Company has not accepted or renewed any Public Deposits, as defined under Sec 58A of the Companies Act 1956, during the year.

### **PERSONNEL/ INDUSTRIAL RELATION**

During the period under review, your Company maintained a cordial and harmonious relationship with its employees at all levels your director record their appreciation of the hard work and efficiency of the employees which enabled the Company to achieve its targets.

### **ACKNOWLEDGEMENTS**

Your director are pleased to place on record their appreciation and acknowledgement of the support and co-operation received from the customers, suppliers, bankers, investors and statutory agencies at all levels.

For and on behalf of the Board  
**Acknit Knitting Limited**  
**D. K .Saraf**  
 Executive Director  
**B. K. Kedia**  
 Director

Place : Kolkata

Date : the 22nd day of August ,2006





## ANNEXURE : A

## MANAGEMENT DISCUSSION &amp; ANALYSIS

(a) *Overview*

It was yet another remarkable year for your Company, both strategically and operationally. The Company's results has reflected the strategic decision of the management and intensive performance. The manufacture and supply of Industrial Safety Wears on the international market has become an increasingly competitive business. Competition has become more intense as more entities, many of them based in the Low Labour Cost South Asian Countries, have added further capacity in the knitted Gloves Sector. However the better economic environment in the country has provided an added stimulus by opening up extensive market for the Company's products. Your directors appropriately revised its product mix by giving more weightage on the Leather items and in the process endeavoured to bring down the cost factors by innovative measures in securing the raw material supplied at lower cost and extensive marketing for the Leather items and other varieties of safety gloves simultaneously.

(b) *Rational for Presence*

Industrial safety measures is mandatory all over the world. As part of such safety measures, the demands for various types of Industrial gloves have increased manifold with the increase of Industrialisation. With the advent of the policy of 'out sourcing' practiced by the overseas suppliers and dealers of Industrial glove, the demand of good quality Industrial gloves from the low- cost Asian countries have increased. In this arena 'Acknit' enjoys a comparatively privileged position as being the pioneer of Asian producers and for its maintenance of strict quality and time schedules. The Quality Management system of the Company continues to be certified to conform to International Quality Management System Standard ISO- 9002.

(c) *Range of Products and their contributions*

Initially, the Company concentrated in the manufacture and supply of High Quality Knitted Gloves which were in exclusive demands in the Industrialised Countries of the West. The product of the Company being of high quality at a much competitive rate, the same was readily accepted on the European Market. The Company was flooded with multiple trade enquires and corresponding supply orders. As a result the Company was forced to expand its production capacity to cope with the ever increasing demands. But very soon other entities from Labour intensive South Asian Countries jumped into this Western market to have a share of the cake and with a view to achieve their goal, brought in stiff price war and competition. With such developments profitability in this sector has been brought down to a bare minimum ; and thereby forced the Company to turn its attention to other items of safety wears. The Company developed a new range of Industrial Safety Gadgets made of leather, the raw material which is available in abundant supply in the country.

The margin in this new range being much less, the Company turned its attention to go for a captive supply of the raw material which has resulted in augmenting the profitability of this new range. The Company has received encouraging response providing further stimulants for expansion and diversification of the range of product items.

(d) *The environment*

The Company has established an efficient pollution control system to ensure current environment friendly business practices and the Company has not received any public complaint for environment pollution during the year under review.

Ambient air quality recorded by statutory authorities was found to be well within the permissible limits.

(e) *Adequacy of Internal Control*

The Company has appropriate Internal Control System for business process with regards to efficiency of operations, financial reporting , compliance with applicable laws and regulations, etc. The Internal Control System is supplemented by extensive internal audit. The Audit committee and Board of Directors actively review the adequacy and effectiveness of Internal Control System and suggest improvements for strengthening them.

(f) *Risk and Concern*

Through any immediate risk of Shrinkage in the demands for the company's products in the International Market is not foreseen, the signing of GATT, formation of WTO and finally the propagation against outsourcing by the European union may cause concern in the future.



The profitability is generally dependent on the Government policy decisions and finally the degree of intensity of price-war imported by the low cost Asian Countries.

The Company is hopeful that necessary thrust on hitherto untapped domestic market will enable the company to successfully withstand the challenge.

(g) *Human Resource Development*

The Company has a system of annual appraisal of its employee resources with non-performance being singled out for guidance and monitoring. A System of succession planning has commenced and expected to ensure that performances have a fast career growth path.

(h) *Cautionary Statement*

Statement in this 'Management Discussion and Analysis' may be 'forward looking statement' within the meaning of applicable securities laws and regulations. Actual result could differ materially from those expressed or implied. Important factors that could make a difference to company's operation include global and Indian demand supply conditions, change in Government regulations, Tax regimes & economic developments within which the Company conduct its business and other factors. The Company assumes responsibility to publicly amend, modify or revise any forward looking statements on the basis of any subsequent development, information or events or other wise.

### ANNEXURE : B

## CORPORATE GOVERNANCE

### PHILOSOPHY

Although provision of Section 292A of the Companies Act, 1956 and/or Clause 49 of Listing Agreement are not attracted in case of ACKNIT KNITTING LIMITED having a paid up capital of less than the prescribed level, the management believes in total transparency and accountability and is committed to ensure a good Corporate Governance strictly in compliance of the basic norms prescribed under the aforesaid regulations. The Company management strictly believes in the right of the shareholders to get information on the performance of the Company. The Directors consider themselves to be trustees of the shareholders.

### BOARD OF DIRECTORS

The Board of Directors of the Company is evenly composed of having two (2) Executive Directors with two (2) Non-Executive Independent Directors on a 50:50 ratio. The Chairman and the whole-time Director represent the Promoters while the Non-Executive Independent Directors are highly professionals with sound commercial backgrounds. None of the Independent Directors have any material or pecuniary relationship or transactions with the Company, its promoters, directors or its senior management or its holding Company or associates which could have affected their independence. None of the Independent Directors are relatives within the meaning as defined in Sec.2(41) and Section 6 read with schedule 1A of the Companies Act, 1956 nor have they ever been holding any executive position in the Company.

Non-Executive Directors are not paid any remuneration other than the sitting fees for attending the Board/Committee meetings.

The Composition of the Board with details of Directors attendance in the meetings are given below :-

Name of Director	Category	No. of Directorship in other Pub. Cos.	No. of Comm. Membership	No. of B.M. attended	Attendance at last AGM
S. K. Saraf	Promoter/ Exe CMD	-	One	7	Yes
D. K. Saraf	Promoter/Exe. Wholetime Director	Three	One	9	Yes
B. K. Kedia	Non Executive Independent Dir.	-	Three	9	Yes
S. K. Ghosh	Non Executive Independent Dir.	-	Three	9	Yes



During the year, there were Nine (9) Board Meetings held on 12.04.05, 29.06.05, 30.07.05, 29.10.05, 01.12.05, 15.12.05, 09.01.06, 31.01.06 and 31.03.06. The time gap between two consecutive meetings was always less than 4 months.

None of the Directors held membership in more than 10 committees or Chairmanship of more than 5 committees. The Directors regularly inform the company the changes, if any, in their Directorship and membership of committees.

The Company has already adopted a code of conduct for all Board Members and Senior Management of the Company. The said code of conduct shall be posted on the website of the Company.

All the Board Members and Senior Management personnel have affirmed due compliance thereof.

### **BOARD PROCEEDURE**

The Board of Directors meet from time to time to transact such business in respect of which attention of the Board is drawn and sanctions thereof is required. Due notice of all such meetings together with detailed agenda paper are sent to all the directors sufficiently in advance. In the meeting, the directors express their views and seek clarifications on various points concerning the respective business on the agenda and otherwise. The discussions in the meeting are held in a transparent manner and decisions taken and resolutions passed in the meeting are duly and correctly implemented without any reservation.

### **BOARD COMMITTIES**

The Board of Directors has constituted three committees of Directors to assist the Board in discharging its responsibilities in strategic supervisions :

#### **(I) AUDIT COMMITTEE :**

This committee is composed of 3 directors namely, Mr. S. K. Ghosh as Chairman and Mr. B. K. Kedia & Mr. D. K. Saraf as members. Mr. S. K. Ghosh is a qualified Cost Accountant and Independent Non Executive Director having extensive exposure in Finance and Accounts over 3 decades, while Mr. B. K. Kedia is an Independent Non-Executive Director with commercial and business exposures of more than 30 years. Mr. D. K. Saraf is the whole time Executive Director. Thus the specific criteria laid down under clause 49 of the Listing Agreement is duly complied in forming the said Audit Committee.

The Audit Committee in conjunction with the Management, Internal Auditor & Statutory Auditors conducts review of the matters of significance pertaining to Company's performances, compliances of previous audit recommendations, difficulties encountered during the audit as well as changes required. It ascertains whether internal controls are adequate, it conducts an overall review of Annual and Provisional Financial Report and other financial reporting before they are made public.

The Audit Committee mandatorily reviewed the followings :-

- (i) The Management discussions and analysis of financial conditions and the operations results ;
- (ii) The statement of significant related party transactions submitted by the management and disclosed in the report of the Directors ;
- (iii) The Internal Audit Report relating to weakness / shortcomings or otherwise of the Internal Control System ;
- (iv) The Appointment, removal and terms of remuneration of the Internal Auditors is subject to review by the Audit Committee.
- (v) In preparation of financial statements, if there is a treatment different from what is prescribed in an accounting standard, the fact is reviewed by the Audit Committee and is disclosed in the 'Notes on Accounts'.

DURING THE YEAR Audit Committee met 4 times, on 12.04.05, 29.06.05, 29.10.05 & 31.01.06.

#### **(II) Share Transfer Cum Investors Grievance Committee :**

This committee is composed of Mr. S. K. Ghosh and Mr. B. K. Kedia to oversee the process of Share Transfer, Transmission and issue of Duplicate Share Certificates where necessary and from time to time approving such actions for and on behalf of the Board. It also looks into the shareholders' complaint and ensure timely and appropriate redressal of all shareholders' grievances, relating to transfers. Non receipt of Dividends, loss of Share Certificates/Dividend Warrants, etc. During the year committee met 10 times.





The Board has constituted a **Remuneration Committee** comprised of Mr. D. K. Saraf as Chairman with Mr. B. K. Kedia and Mr. S. K. Ghosh as members to review from time to time the remuneration paid and/or payable to the Directors and other Senior Executives of the Company with reference to the ceilings laid down under the Companies Act, 1956 and the scale of payments available for equivalent positions in the market as also the Company's financial health. The Committee met once during the year on 12.04.2005.

## RISK MANAGEMENT

At 'ACKNIT' we have formalized risk Management approach supported by effective systems and process. As a consequence the business decisions balance risk and reward in no uncertain terms. This ensures that initiatives that generate revenue are consistent with the risk taken. It resolves around the following :-

### Risk Identification and risk Measurement :

Facilitated through Corporate policies that provide risk standards and guidelines (credit, market, liquidity, funding, etc).

### Risk Management :

Facilitated through the involvement of the senior management for approval, reviews and other policy measures including mitigation plans and factors. Thus the end-point responsibilities vests with the senior management, which approves the initiatives and makes a continuous review of risk assessment and its minimization factors.

### Risk Control :

Facilitated through an ongoing check of whether the risk taken is in line with the Company's risk absorbing capacity.

## CEO/CFO CERTIFICATION :

The Director (CEO) and the Chief Financial Officer (CFO) certify that (i) the financial statements and the cash flow statements for the year have been reviewed and to their belief those statements do not contain any untrue statement and it present a true and fair view of the of the Company's affairs ; (ii) that there are no transaction entered into by the company during the year, which are fraudulent, illegal or violative of the company's code of conduct ; (iii) that they accept responsibility for establishing and maintaining Internal Control and that they evaluated the effectiveness of the internal control system of the company ; (iv) that they have indicated to the Statutory Auditor and the Audit Committee :

- (a) Significant changes in internal control during the year ;
- (b) Significant changes in Accounting Policies during the year and that the same have been disclosed in the notes to the Financial Statements ;
- (c) Instances of significant fraud, if any, of which they have become aware and the involvement therein of the management or an employee having a significant role in the Company's internal control system.

## REGISTERS & SHARE TRANSFER AGENTS

M/s. S.K. Computers of 34/1A Sudhir Cahtterjee Street, Kolkata – 700 006, a SEBI registered category I, RTA, has been appointed as the Share Transfer Agents of the w.e.f. 1<sup>st</sup> July 2004 as a **Common Agency** for both Physical and Demat Shares. The said RTA M/S. S.K. Computer review Share Transfer status on a regular basis and submit statements on a fortnight basis, for necessary review and approval by the Share Transfer Committee of the Directors.

## COMPLIANCE OFFICER

Mr. B. K. Kesan, an Executive of the company has been designated as the Compliance Officer for the purpose of Listing Agreement.

## SHAREHOLDERS/ INVESTORS COMPLAINTS

The Shareholders/ Investors Grievance Committee, headed by Mr. S. K. Ghosh, Director, regularly attends to various complaints and reports received from the Shareholders / Investors on an immediate basis for due redressal thereof. During the year Company received 26 Investors Complaints relating to Non-receipt of Dividend / Loss of Warrants or Share Certificates etc. which were duly redressed leaving nothing pending at the end of the day.

## MEANS OF COMMUNIACTION

The Audited Annual Financial Reports and the Directors Report on the performance of the Company are regularly sent by post to each and every shareholder as also the notices of all shareholders meetings are sent in due compliance with



the provisions of the Company's Act, 1956. Besides, in terms of the provisions under the Listing Agreements with the Stock Exchanges, the other periodic financial results and specific information about the Board meetings etc. are duly published in Local Newspapers, one in English and one in vernacular.

### **GENERAL BODY MEETINGS :-**

The date time and venue of the Last Three Annual General Meetings are given herein below :

Financial Year	Date	Venue	Time
2002-2003	12.09.2003	GYAN MUNCH 11, Pretoria Street Kolkata – 700 071	10.15 a.m.
2003-2004	30.09.2004	- Do -	10.30 a.m.
2004-2005	13.09.2005	- Do -	10.30 a.m.

No Special Resolution through ballot was put at the last AGM.

### **DIRECTORS REMUNERATION**

The details of remuneration paid to Director during the year are given below :-

NAME OF DIRECTOR	SALARY	PERQUISITES	SITTING FEES	TOTAL
Mr. S. K. Saraf (CMD)	12,00,000/-	NIL	NIL	12,00,000/-
Mr. D. K. Saraf (Exe. Dir)	9,60,000/-	NIL	NIL	9,60,000/-

### **GENERAL SHAREHOLDERS INFORMATION :**

#### **1. ANNUAL GENERAL MEETINGS**

16th Annual General Meeting of the shareholders will be held at "Gyan Munch", 11, Pretoria Street, Kolkata – 700 071, on Wednesday the 27th September 2006 at 2.30 p.m.

#### **2. FINANCIAL CALENDER**

The financial year of the company is April to March, every year. Un-audited Financial Results are drawn and published on a quarterly basis in the month following the end of the respective quarters.

#### **3. BOOK CLOSURE**

In terms of the provisions under Sec.154 of the Companies Act, 1956 the share transfer Books and the Register of Member shall remain closed from 22.09.2006 to 27.09.2006 (both days inclusive) to ascertain members entitled to dividend, if declared in the AGM.

#### **4. LISTING OF SHARES**

The shares of the Company continue to be listed on the Stock Exchanges at Mumbai and Calcutta. The Company is regular in payment of the Listing Fees to the Exchanges. The Security code of the Company's shares on those exchanges are : BSE : 530043, CSE : 10011078.

The shares of the Company are permitted to be traded only in dematerialized mode in NSDL & CDSL with effect from 24.11.2000. ISIN No. is INE 326C01017.

Earlier the shares of the Company were listed on DSE & MSE also, but there being no transaction / quotation of the Companies Shares on those Exchanges, Delisting of shares from those Exchanges had been effected in due compliance of SEBI guidelines under circular no. SMDPR CIR 14/98 dated 29.04.1998. C

### **DIVIDEND PAYMENT RECORD**

The Company maintain a commendable dividend paying records since the commencement of its commercial production. The rates of Dividend paid during last 5 years are :-

Year	Rate of Dividend	Amount Disbursed
2000-2001	15%	Rs.37.20 Lacs
2001-2002	15%	Rs.37.20 Lacs
2002-2003	15%	Rs.37.20 Lacs
2003-2004	20%	Rs.50.40 Lacs
2004-2005	20%	Rs.50.40 Lacs