



# ACKNIT KNITTING LIMITED

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Annual Report And Accounts  
2006-07

# ACKNIT KNITTING LIMITED

## Annual Report 2006-2007

### 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

HDFC Bank Ltd.

### REGISTERED OFFICE

817, KRISHNA

224, A. J. C. Bose Road,

Kolkata - 700 017

Phone : (033) 2287 8293



## ACKNIT KNITTING LIMITED

## NOTICE

Notice is hereby given that the 17<sup>th</sup> Annual General Meeting of the Shareholders of ACKNIT KNITTING LIMITED, will be held at 'Gyan Manch' at 11, Pretoria Street, Kolkata - 700 017 on Thursday, the 27<sup>th</sup> September, 2007 at 2.00 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, 2007 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 S.K.Ghosh, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors and fix their remuneration.

## SPECIAL BUSINESS

5. To consider and if thought fit, to pass, with or without modification, the following resolution as a Special Resolution

"RESOLVED that pursuant to Section 21(1) and other applicable provisions of the companies Act, 1956, the consent of the Company, be and is hereby accorded for changing the name of the Company from "ACKNIT KNITTING LIMITED" to "ACKNIT INDUSTRIES LIMITED."

"RESOLVED FURTHER THAT the Directors of the Company be and are hereby severally authorized to do all such acts deeds matters and things as may be deemed necessary and expedient for giving effect to the above resolution."

By Order of the Board  
For ACKNIT KNITTING LIMITED

Place : Kolkata

Date : The 27<sup>th</sup> day of August, 2007

S. K. Saraf

Chairman Cum Managing Director

## Notes

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ALSO ENTITLED 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 Saturday the 22<sup>nd</sup> September, 2007 to Thursday the 27<sup>th</sup> September, 2007, 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 Registrar 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 the Financial year 1999-2000 and thereafter, are requested to immediately forward the same to the Company for revalidation.

Your Directors recommend the resolution as set out under item no 5 of the Notice be adopted in the interest of the Company. None of the Directors is personally interested or concerned this resolution.

## EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

## Item No. 5

The Company has since diversified its activities in the production and manufacture of leather and coated Industrial Gloves and Generation of wind power, the turnover from which activities have since surpassed the company's income from its traditional products of Knitted Gloves. The Company propose to further diversify in the fields of Garments and Leather Shoes for which initial installations have already been made. In view of the changed activities, the name of the Company is considered to be changed appropriately to reflect the activities of the Company.

**ACKNIT KNITTING LIMITED****DIRECTOR'S REPORT**

Your Directors are pleased in presenting the 17<sup>th</sup> Annual Reports and Audited Statements of Accounts for the year ended 31<sup>st</sup> March, 2007.

(Rs. In Lacs)

	Year Ended 31st March, 2007	Year Ended 31st March, 2006
Gross Sales (including customs duty)	3323.70	2801.54
Other Income (including extra ordinary items)	136.39	178.45
Less : Total Expenditure	2993.26	2524.74
Gross Profit (before Depreciation & Interest)	466.83	455.25
Less : Interest	42.07	35.02
: Depreciation	115.21	84.27
Net Profit ( PBT)	309.55	335.96
Provision for Income Tax	38.49	89.03
Deferred Tax	92.81	(19.43)
Profit after Tax ( PAT)	178.25	266.36
Balance B/F	71.97	63.08
Less : Transfer to General Reserve	100.00	200.00
Dividend & Dividend Tax	57.84	57.47
Balance to Balance Sheet	92.38	71.97

**PERFORMANCE**

The Gross Turnover of the Company registered a substantial increase inspite of stiff competition and fierce price war brought in by the new entrants from other South Asian Countries.

The overall gross margin also increased due to judicious alteration in the product mix. The booking of Leather items increased considerably to contribute in increased activities.

Besides, the wind Turbine unit of 1.25 MW installed in the state of Maharashtra has become operational in the month of May, 2006 and has started contributing to Company's Gross Turnover.

During the year under review the Company had added further capacity installation both in Knitted and Leather units in the process of expansion cum upgradation for value addition to its products and estimates that when all the units will be operational the Annual Turnover would cross Rs.100 Crores landmark in a couple of years.

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 pace with the GDP growth rate of the Country.

**DIVIDEND**

Your Directors recommend an aggregate Dividend @ 20% for the year ended 31st March, 2007 i.e @ Rs 2/- per share (inclusive of the interim Dividend already paid in March '07 @ 15% i.e @ Rs.1.50 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. 57.84 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) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rule, 1988 and forming part of this Report is annexed hereto as Annexure 'C'

### b. Particulars of Employees :

The Company has 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 Companies Act, 1956.

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, the applicable Accounting Standards have been followed alongwith proper explanations relating to material departures, if any;
- 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 2006-07 and of the Profit of the Company for that period;
- 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 31st March, 2007 on a 'going concern' basis.

## DIRECTORS :

Shri S.K. Ghosh, Director of the Company retires 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.

As required under clause 49 of the Listing Agreement it may be pointed out that Shri S. K. Ghosh, aged about 69 years, is Professionally qualified in Business Operation and Management with accreditation for Professional Qualifications in Cost Accountancy and Company Secretary besides his Master degree in Commerce & Accountancy from the University of Calcutta.

**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 cordial and harmonious relationship with its employees at all levels. Your Directors record their appreciation of the hard work and efficiency of the employees which enabled the Company to achieve its targets.

**ACKNOWLEDGMENTS**

Your Directors are pleased to place on record their appreciation and acknowledgment 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**

Place : Kolkata

**S. K. Saraf**

Date : The 27th day of August, 2007

Chairman-cum-Managing Director



## ANNEXURE - 'A'

## MANAGEMENT DISCUSSION &amp; ANALYSIS

*(a) Overview*

It was, yet another remarkable year for your Company, both strategically and operationally. The manufacture and supply of Industrial Safety Wears on the international market has become increasingly competitive. Competition has become more intense as more entities from the Low Labour Cost region of 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 and more concentration 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 value added safety gloves.

*(b) Rational for Presence*

Industrial safety measures is mandatory all over the world. As part of such safety measures, the demands for different varieties of Industrial gloves and safety gears have increased manifold with the increase of Industrialisation. With the advent of the policy of 'Job out sourcing' practiced by the overseas dealers and suppliers of Industrial gloves and safety gears, the demand of good quality products 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 in particular 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- 9001:2000.

*(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 standard at a much competitive rate, the same was readily accepted in 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 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 forced the Company to turn its attention to other varieties of value added safety wears. The Company developed a new range of Industrial Safety Gloves made of leather, the raw material for 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 its 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 in the range of its production activities.

*(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 regularly suggest for improvements and strengthening them.

**(f) Risk and Concern**

Though 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 and the new range of products 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 Internal demand supply conditions, change in Government regulations, Tax regimes & economic developments within which the Company has to conduct its business and other factors. The Company assumes no responsibility to publicly amend, modify or revise any forward looking statements on the basis of any subsequent development, information or events or otherwise.

**ANNEXURE - 'B'****CORPORATE GOVERNANCE****PHILOSOPHY**

The Company believes in adopting such management and Governance Practices which will ensure the principles of full transparency and accountability and thereby protecting the interest of its shareholders. The Directors consider themselves as the trustee of the shareholders and strictly believes in the right of the Shareholders to get fullest information on the Company's performances. They acknowledge their responsibilities towards the Shareholders for creation as well as safeguarding their wealth.

The provisions under clause 49 of the listing Agreement and to some extent the provisions of the section 297A of the Companies Act, 1956, lays down basic principles and procedures and formalities of good Corporate Governance which are mandatory for the Corporate Management. ACKNIT recognises the importance of such Corporate Governance and always endeavours to achieve the highest level of Corporate Governance through all disclosures and transparency in its dealing with employees, shareholders, creditors, customers and all other stakeholders, inspite of the fact that the paid up capital being less than Rs. 3 Crores such statutory regulations are not mandatory for this Company.



During the year under review, the Company continued its endeavour to achieve their objectives by means of adoption and monitoring Corporate Strategies, prudent business plans and pursued such policies and procedure to satisfy its ethical responsibilities.

### BOARD OF DIRECTORS

In due compliance with Clause 49 of the Listing Agreement with Stock Exchanges, the Board is evenly composed with 2 (Two) Executive Promoter Directors and 2 (two) Non Executive Independent Directors. The Company did not have any pecuniary relationship or transactions with the non-executive Independent Directors. The Independent Directors are not related with the promoters or persons occupying management positions at the Board level or any level below the Board: They are neither in employment for the last 3 years nor are they material suppliers, Service providers or customer or a lessor or lessee to the Company which may effect their Independence. They are not holding substantial shares of the Company.

None of the Directors is a member on more than ten(10) committees and Chairman of more than five companies in which he is a Director.

The necessary disclosures regarding committee positions have been made by the Directors.

MANAGEMENT DISCUSSION & ANALYSIS REPORT forming part of the ANNUAL REPORT is annexed as a separate ANNEXURE.

### 3. MEETING OF THE BOARD

During the year under review there were 6( six) meetings of the Board of Directors held on 28.04.06, 31.07.06, 22.08.06, 30.10.06, 08.12.06 and 31.01.07 with a maximum gap between two consecutive meetings of not more than 4 ( four ) months and the information as required were made available to the Board for discussion. The dates and venue of each meeting was decided well in advance and the Directors were duly communicated of the same alongwith the supporting papers and notes on the agenda of the meeting enabling them to deliberate in the meetings with full knowledge of the issues under discussion.

The Name and Categories of the directors, their membership in committee and attendance in the meeting during the year are given in the table below.

Name of Director	Catagory	No. of Directorship in other Pub Cos.	No. of Comm. Membership	No. of B.M. attended	Attendance at last AGM
Mr. S. K. Saraf	Promoter / Executive CMD	-	-	3	-
Mr. D. K. Saraf	Promoter / Executive Wholetime Director	Three	One	5	Yes
Mr. B. K. Kedia	Non Executive Independent Director	-	Three	5	Yes
Mr.S. K. Ghosh	Non Executive Independent Director	-	Three	5	Yes



#### 4. BOARD COMMITTEES

The Board has constituted 3(Three) committees of Directors to assist the Board in discharging its responsibilities in strategic supervision.

##### (I) AUDIT COMMITTEE

The Board has formed an Audit committee in due compliance of the Provisions of section 297(A) of the Companies Act, 1956 and the clause 49 of the Listing Agreements, comprising of 3 (three) directors with Mr. S. K. Ghosh an Independent non Executive Director as its Chairman. Mr. Ghosh is a qualified Cost Accountant with an extensive exposures in Financial Management over a period of 30 years and Mr. B. K. Kedia an Independent Non executive Director with commercial and Business exposures for 3 ( three) decades and Mr. D. K. Saraf the Executive whole time Director as its members.

The Audit committee provides , inter alia, assurance to the Board on the adequacy or otherwise of internal Control system, Financial disclosures and ensure due observation of the generally accepted Accounting Standards. It provides the management the necessary guidance for preparation of periodic and Annual Financial statements before they are submitted before the Board for its review and approval. It, at the same time, liaisons between the Internal Auditor and the statutory Auditors. The functions of the Committee includes reviewing the adequacy of Internal Audit system, its structures and discussion with Internal Auditors on any significant finding and follow up therewith . In short, the role of the committee is more or less the same as one laid down in the listing Agreement and in Sec 297 A of the Companies Act 1956.

During the year, the Audit committee met 5 times on 28.04.06, 31.07.06, 22.08.06, 30.10.06 and 31.01.07.

##### *Audit Committee :*

SL No	Name of Member	Status	No of meetings Attended
1	MR. S.K GHOSH	Independent Non Executive Director	5
2	MR. B.K.KEDIA	– Do –	5
3	MR. D.K.SARAF	Wholetime Executive Director	4

The matter dealt with by the committee includes, inter alia, analysis of financial conditions and operating results; statement submitted by the management relating to significant related party transaction; review of management discussion forming part of the Director Report; Internal audit report , particularly in relation to control the weakness in operating system, etc.

##### (II) SHARE TRANSFER COMMITTEE

The share Transfer committee of the Board is comprised of Mr. B.K Kedia, Mr. S. K. Ghosh and Mr. D. K. Saraf. The share Transfer committee approves the Transfer of Shares, Consolidation/ Sub division of shares ; issue of duplicate share certificates and related matters.

The Committee holds periodical meetings for approving requests for Transfer / Transmission of shares and also for issue / splitting of share certificates.