

**NOTICE**

Notice is hereby given that the 20<sup>th</sup> Annual General Meeting of the Members of **ACKNIT INDUSTRIES LIMITED**, will be held at '**Gyan Manch**' at 11, Pretoria Street, Kolkata - 700 071 on Monday, 20th September, 2010 at 10.30 a.m. to transact the following business :-

**ORDINARY BUSINESS**

1. To receive, consider and adopt the Audited Profit & Loss Account of the company for the year ended 31<sup>st</sup> March 2010 and the Balance Sheet as on that date and the Reports of the Directors and Auditors there on.
2. To declare Dividend.
3. To appoint a Director in place of Mr. M. K. Nath, who retires by rotation at this meeting and being eligible offers himself for reappointment.
4. To appoint Auditors and fix their remuneration.

By Order of the Board  
For **Acknit Industries Limited**

**D. K. Saraf**  
Executive Director

Place : Kolkata

Date : The 20<sup>th</sup> day of August, 2010

**Notes**

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ALSO ENTITLED TO APPOINT A PROXY / PROXIES TO ATTEND AND VOTE AT THE MEETING INSTEAD OF HIMSELF/ HERSELF AND THAT A PROXY NEED NOT BE A MEMBER.
2. An instrument appointing the proxy should reach the Registered Office of the Company not less than 48 hours before the meeting.
3. The Register of Members and the Share Transfer Books of the company shall remain closed from the 14<sup>th</sup> September, 2010 to 20<sup>th</sup> September, 2010, both days inclusive.
4. Members are requested to notify any change in their mailing address to the Registrar & Share Transfer Agents of the Company quoting their folio number.
5. Members holding Shares in identical order of names in more than one folio are requested to write to the Registrar and Share Transfer Agents for consolidation of the folios into one.
6. Member desiring to have any information/clarification on the published Accounts may write to the company at least 7 days before the meeting specifying the required information/clarification, so that, the information could be made ready in hand.
7. Pursuant to Sec. 205C of the Companies Act 1956, unpaid/unclaimed dividend remaining unpaid for 7 (Seven) years is to be transferred to the **Investor Education & Protection Fund** of the Central Govt. and once the amount is so transferred, no claim shall lie in respect thereof. Hence the shareholders, who have not encashed dividend warrants for the F.Y. 2002-03 and thereafter are requested to forward the same to the company for revalidation immediately.



8. Members holding shares in physical form may avail the facility of nomination in respect of the shares held by them pursuant to amendments in the Companies Act 1956. The prescribed format (Form 2B) can be obtained from the RTA of the company, M/s. S. K. Computers, 34/1A Sudhir Chatterjee St. Kolkata - 700 006.
9. Investors and Shareholders may kindly note that if Physical documents viz Demat Request Form (DRF) and share certificates etc, are not received from their DPS by the Registrar within a period of 5 days from the date of generation of DRN for dematerialization, the DRN will be treated as rejected/ cancelled pursuant to the advice of National Securities Depository Limited (NSDL) so that no Demat Request remain pending beyond 21 days upon rejection of DRN as above. A fresh DRN has to be forwarded along with the Share Certificate by the DPS to the Registrar. This note is only to caution the Investors/Shareholders.
10. Dividend on Equity Shares for the year ended 31<sup>st</sup> March, 2010, if declared at the meeting, will be paid:
- To those members whose names appear in the Register of Members of the company as on the date of the meeting ;
  - In respect of shares held in electronic forms, to those deemed members whose names appear on the statement of Beneficial ownership furnished by NSDL/CDSL at the end of the business hour on the date preceeding book closure i.e. 13.09.2010.
  - SEBI has made it mandatory for all to use bank details furnished by the investors for distributing dividends or other cash benefits, on payment instrument to the Investors.
  - SEBI vide its circular dated 27.04.2007 and 25.06.2007 has made it effective from 02.07.2007 for every participants in the securities/capital market to furnish PAN No. Therefore, members holding shares in physical mode are requested to furnish their PAN number alongwith a photo copy of their PAN card.

**PARTICULARS OF DIRECTOR(S) SEEKING APPOINTMENT / RE-APPOINTMENT AS REQUIRED  
IN TERMS OF CLAUSE 49 OF THE LISTING AGREEMENT**

NAME	M K. NATH
DESIGNATION	NON-EXECUTIVE INDEPENDENT DIRECTOR
DATE OF BIRTH	20.10.1939
DATE OF APPOINTMENT	29.04.2009
QUALIFICATION	B. COM (HONS), LLB, MBA DIPLOMA IN PUBLIC SPEAKING FROM IIM
EXPERIENCE	BEING QUALIFIED HRD EXECUTIVE HAVING MORE THAN 40 YEARS OF CORPORATE EXPOSURE IN HRD & ADMINISTRATION



**DIRECTORS' REPORT**

Your Directors have pleasure in presenting the 20<sup>th</sup> Annual Reports of your company alongwith the operating and financial results for the year ended 31<sup>st</sup> March, 2010.

**FINANCIAL RESULTS**

(Rs. in Lacs)

	Year Ended 31 <sup>st</sup> March, 2010	Year Ended 31 <sup>st</sup> March, 2009
Gross Sales (Including Customs Duty)	4376.34	6192.17
Other Income (Including Extra Ordinary items)	102.15	66.90
Less : Total Expenditure	4082.52	5794.13
Gross Profit ( before Depreciation & Interest)	395.97	464.94
Less : Depreciation	151.56	149.82
: Interest	137.46	145.51
Net Profit before Taxation ( PBT)	106.95	169.61
Less : Provision for Income Tax & FBT	19.00	21.77
: Deferred Tax	0.50	12.92
Profit after Tax ( PAT)	87.45	134.92
Balance B/F	93.17	92.47
Less : Dividend & Dividend Tax	44.22	44.22
Less : Transfer to General Reserve	40.00	90.00
Balance C/F to Balance Sheet	96.40	93.17

**OPERATING PERFORMANCE**

In the recent past the International Economy witnessed unprecedented recession affecting all round business activities. The Developed European Countries were hit most by the recession curbing generation of their orders for supplies. And your company being engaged in 100% EOU is fully dependent on orders from the European Union. Although there was a sign of recovery, full restoration of activities in the west was not achieved during the year in question resulting in a substantial reduction in the company's sales and Turnover. Gross Turnover of the company was reduced by about 29% as against the previous year from Rs. 61.92 Crores to Rs. 43.76 Crores. The changed situation in the European Countries has led to serious price war amongst the low cost Asian Countries, and in order to maintain the bare break even, the company was forced to offer more and more discounts to retain its customers. Your directors are hopeful that Global Economy will be brought back to its normal track and the crisis of reduced business orders will be over very soon and the company is expected to be brought back to its normal growth track by the end of the current fiscal.

The turn over of the company during the year under review was Rs. 43.76 Crores as against Rs. 61.92 crores in the last year, the gross profit was also reduced to Rs.3.96 crores from Rs.4.65 crores in the previous year and the net profit after tax was Rs.0.87 crore which works out to an EPS of Rs.3.47 per share.

**DIVIDEND**

Your Directors have recommended a dividend of 15% on equity shares which together with dividend tax is expected to absorb Rs. 44.22 Lacs.

**DIRECTORS**

In accordance with the statutory provisions Shri M. K. Nath, Non Executive Independent Director retires by rotation at the ensuing Annual General Meeting of the Company, and being eligible offers himself for re-appointment.

The Particulars of Directors seeking appointment/re-appointment have duly been furnished as part of the notes to the notice convening the ensuing Annual General Meeting pursuant to clause 49 of the Listing Agreement.

None of the Directors of the Company is disqualified in terms of section 274 (I) (g) of the Companies Act 1956, as amended.

**AUDITORS**

The Auditors of the company, M/s. R.K Bajaj & Co., Chartered Accountants, Kolkata, retires at the forthcoming Annual General Meeting and have given their consent for re-appointment and have also notified that if appointed, such re-appointment will be within the prescribed limits u/s 224 (IB) of the Companies Act, 1956 and they are duly qualified to accept such assignment.

**INFORMATION U/S 217 OF THE COMPANIES ACT, 1956****a. Conservation of Energy, etc.**

Information pursuant to section 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. Directors' Responsibility Statement u/s 217 (2AA) of the Companies Act, 1956 :-**

The Directors hereby confirm

- a) That in the preparation of the Annual Accounts, the applicable Accounting Standards have been followed alongwith proper explanation relating to material departures ;
- b) That the directors have selected such accounting policies and adopted them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the Profit of the company for the year ;
- c) That the directors have taken proper and sufficient care for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the company and preventing and detecting fraud and other irregularities ; and
- d) That the directors have prepared the Annual Accounts on a going concern basis.

**CORPORATE GOVERNANCE**

The company believes that Corporate Governance is a way of business life than a legal compulsion. Though the provisions of 292 A of the Companies Act, 1956 and/or clause 49 of the Listing Agreement corresponding to the Legal obligation for Corporate Governance, are not applicable to this Company, your Directors are committed to the application of best management Practices, Compliance with Law and adherence to ethical standard while discharging social responsibilities. A report on Corporate Governance is annexed hereto separately as part of this report.



**MANAGEMENT DISCUSSION AND ANALYSIS**

A Separate Report on management Discussion and Analysis is annexed hereto.

**PUBLIC DEPOSITS**

The Company has not accepted or renewed any Public Deposit, as defined u/s 58A of the Companies Act, 1956, during the year under review.

**COMPLIANCE CERTIFICATE**

The provisions u/s 383A of the Companies Act, 1956 regarding obtaining compliance certificate from practising Company Secretary, have since been extended to companies having a paid-up capital of not exceeding Rs. 5.00 Crores. Accordingly, your company has since obtained such Compliance Certificate for the year ended 31.03.2010 from Mr. Rajarshi Ghosh, a Company Secretary in practice, a copy thereof is annexed hereto as part of the Director's Report and marked as Annexure 'D'.

**PERSONNEL AND INDUSTRIAL RELATION**

All along, the Company maintained a cordial and harmonious relationship with its employees at all level. Your directors put on record their appreciation of the hard work and efficiency of its employees which enabled the Company to achieve its objectives.

**CAUTIONARY STATEMENT**

The statements made in this report describing Company's estimates, expectations or predictions may be forward looking statements within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that would make a difference to the Company's operations include demand supply conditions, raw material prices, changes in Government regulations, tax regimes, economic developments of the country and other factors like litigations and labour negotiations, etc.

**CONCLUSION**

Your Directors place on record their appreciation of the co-operation and support received from investors, customers, shareholders, bankers, vendors and statutory and Regulatory Authorities. The Directors also thank the employees for the their significant contribution in Company's performance. The Directors now look forward to the future with confidence and optimism.

For and on behalf of the Board of Directors  
**Acknit Industries Limited**

**S. K. Saraf**

Chairman-Cum-Managing Director

**S. K. Ghosh**

Director

Place : Kolkata

Date : The 20<sup>th</sup> day of August, 2010



## ANNEXURE - 'A'

**MANAGEMENT DISCUSSION & ANALYSIS**

The Management Discussion and Analysis has been included in the Directors Report in adherence to the spirit enunciated in the code of Corporate Governance approved by the Securities and Exchange Board of India (SEBI). The Report herein presents a brief discussion on Industry Structure and Development, Company's Performance and Outlook, SOWT analysis, Internal Control Systems, financial performance and Human Resource Development. This discussion is based on the assessment of the current environment which may vary due to future economic and other developments in the universal arena.

**INDUSTRY STRUCTURE AND DEVELOPMENT**

Industrial safety measures has been made mandatory all over the world ; And as part of the Industrial safety measurer, different variants of Industrial Gloves and other safety gears are in increasing demands corresponding to further increases in Industrial activities across the world. On the other hand, increased cost of production in the Industrialised Developed countries of West, have resulted to closer of their own production units for safety gears in favour of job outsourcing to low cost Developing countries like India and other countries of the East with a view to cut down their own cost without compromising with the safety requirements. In this arena India with its abundant supply of raw materials and cheap labour associated with most advanced Technology and expertise occupies comparatively favoured position. Added to this the recent steps taken in liberalizing the Indian economy and overall improvement in business environment and a steady improvement in infrastructure developments across the country has given a positive impact to the growth of all types of businesss and manufacturing activities and export promotions.

Under this background, the future of production and Export of Industrial Safety Gloves in the country is extremely bright and in this arena 'Acknit' enjoys a privileged position because of its maintenance of Quality Standard conforming to ISO 9001-2000 and strict adherence to time schedules at the most competitive price over the decades.

**COMPANY'S PERFORMANCE & OUTLOOK**

The company's products cover wide range of Industrial safety requirements with different types of coating, dottings, rubberized and of such materials as per specific requirements of the consumers. The company's products have received wide acceptance across the world and the company is flooded with various trade enquiries from various types of Industries of the Developed countries. The booming Indian economy, the growth in infrastructure facilities- and added to it the increased amount of Industrial Investments in the country has added to the growing needs of safety gears directly in conformity with the increasing pollution control measures. The Company's products are well established in the market and its brand name 'Acknit' has a substantial recall value creating an edge over other competitors.

Although there had been an all round increase in production during the year under review, the inflationary trend in Indian Economy and with the firming up of Indian currency as against US Dollar and Euro continued its negative impact on the company's turnover whereas, the Indian Economies because of its uniqueness has maintained its progress in every directions and remains one of the fastest growing economies of the present day world. As such, the International connections and Economic interactions would not allow the Indian industries to be quarantined against the recessionary effect of the World Economy.

Inspite of all such restraints the demand for Industrial Safety can not be compromised at any cost. International demand for Industrial safety wears will continue increasing directly in proportion to increased activities in Industrial restructuring efforts in the west. Acknit being exclusively engaged in the production and supply of Industrial Safety wears, its activities are directly responsive to Industrial Activities of Developed countries.





The strength of brand 'Acknit', the enhanced product range, excellent distribution network and market relations and the projected booming conditions after the by-gone recession in European market - all these factors are expected to act as synergies having potential propelling the workings of the company in the immediate future.

### SWOT ANALYSIS

#### 1. Strengths

- ◆ The Company has most strategically located production units having varied and advanced Technologies and sophisticated Machineries installed adequately ;
- ◆ The company's products having been well established in the market over the years with commandable reputation ;
- ◆ The company has an excellent customer base with efficient Distribution network supplemented by continued liaison.
- ◆ Maintenance of Quality Standard conforming to ISO 9001-2000 and strict adherence to supply schedules at the most competitive price.

#### 2. Weakness

- ◆ The company being a 100% EOU is dependant on the inflow of Export orders which has become subjected to increased propagation against outsourcing by the European union which may cause concern for the Future.
- ◆ The profitability is generally dependant on the Government policy decision particularly with reference to GATT and WTO resolutions.
- ◆ Increasing trend of price war introduced by the new entrants in the market from other low cost Asian Countries may cause ultimate concern in the future.

#### 3. Opportunities

- ◆ Due to expansion of manufacturing base and development of Diverse types of protective safetywears as per the customers requirements and industrial safety specifications, substantial increase of demand for the company's products is foreseen.
- ◆ There are opportunities to explore geographical insights of the global market.
- ◆ There are opportunities to develop and increase Distribution network across the global markets in Developing countries.
- ◆ There are opportunities to increase sale of different range of products though tie ups with retail outlets and other brand owners of the West.

#### 4. Threats

- ◆ Stiff competition from other low- cost countries of the East and the increasing price wars are continuously reducing the returns on sale.
- ◆ The unprecedented global recession caused substantial decrease in International demand which is though of temporary nature.
- ◆ Prolonged Financial crisis in European Countries causes serious fluctuations in Exchange rates having a negative effect on the company's earnings.
- ◆ Propagation against outsourcing in the European Countries may cause further shrinkage in the demand for company's products.

**INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY**

The company has established a well defined organization structure having an extensive system of internal control to ensure optimum utilisation of resources, accurate reporting of financial transactions and strict compliance of applicable statutory laws and regulations at all times. The company has adequate system to ensure that the assets of the company are safeguarded against loss from unauthorized use or depreciation and that all transactions are properly authorized, recorded and reported correctly.

An audit committee of the Board of Directors regularly reviews the audit plans, significant audit findings, adequacy of internal control, compliances with Applicable Accounting Standard and particularly reasons for changes in Accounting policies and practices, if any.

**DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECTS TO OPERATIONAL PERFORMANCE**

The financial Statements have been prepared in compliance with the requirements of the Companies Act, 1956 and Generally Accepted Accounting Policies (GAAP) in India.

**HUMAN RESOURCE DEVELOPMENT**

The Company is built around people. The Spirit of Trust, Transparency and Team Work has enabled the company to build a tradition and harmonious relation.

The company has a systems of annual appraisal of its employees. It believes that in order to unleash 100% potential, it is necessary to empower Talent and prepare its people with the necessary skill to exploit their own potential. System of succession planning has commenced and it is expected to ensure that performances have a fast career growth.

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

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 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 of more than ten(10) committees and Chairman of more than five(5) companies in which he is a Director.

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

**MEETING OF THE BOARD**

During the year under review, there were 6 (six) meetings of the Board of Directors held on 29.04.09, 31.07.09, 24.08.09, 31.10.09, 30.01.10, & 26.03.10 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	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 / Executive CMD	-	-	4	Yes
D. K. Saraf	Promoter / Executive Wholetime Director	One	Two	6	No
S. K. Ghosh	Non Executive Independent Director	One	Three	6	Yes
M. K. Nath (Addl. Director)	Non Executive Independent Director	-	Three	6	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 292A 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 40 years is assisted by Mr. M. K. Nath, 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 placed before the Board for its review and approval and at the same time, liaisons between the Internal Auditor and the statutory Auditor. The functions of the Committee includes reviewing the adequacy of Internal Audit system, its structures and discussion with Internal Auditor 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. 292A of the Companies Act, 1956.

During the year, the Audit committee met 5 times on 29.04.09; 31.07.09; 24.08.09; 31.10.09 and 30.01.2010.

**Audit Committee :**

SL NO	NAME OF MEMBER	STATUS	NO OF MEETINGS ATTENDED
1	Mr. S.K GHOSH	Independent Non- Executive Director	5
2	Mr. M. K. NATH	– Do –	5
3	Mr. D.K.SARAF	Wholetime Executive Director	5

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 was comprised of Mr. M. K. Nath, 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.

The under noted Table, shows attendance of the members in such meetings.

SL No	Name of Member	Status	No of meetings
1	Mr. S. K. Ghosh	Independent Non Executive Director	4
2	Mr. M. K. Nath	– Do –	4
3	Mr. D. K. Saraf	Wholetime Executive Director	4

**(III) SHAREHOLDERS' GRIEVANCE COMMITTEE**

The Committee was composed of the Independent / Non Executive directors , Mr. S. K. Ghosh and Mr. M. K. Nath. The committee holds periodical meetings for immediate redressal of Shareholders grievances.

The committee met 4 (four) times during the year on 29.04.09, 31.07.09, 31.10.09 and 30.01.10 to dispose of 10 Grievances received from shareholders.

**RISK MANAGEMENT**

At 'ACKNIT' Risk Management Approach has been formalised by effective systems and processes. As a result the risks are adequately balanced by business decisions while ensuring that initiatives taken are duly rewarded by generation of revenue which is consistent with the risks taken. The corporate policy is so designed to provide Risk Standards and Corresponding guidelines for credit, marketing, liquidity, funding etc., while the Risk Management is facilitated through involvement of senior Management for necessary approvals, periodic reviews and other policy measures including mitigation of plans and factors. Thus the end point responsibilities vest with the Senior Management who approves the initiatives and makes a continuous review.