

KITEX

ELEVENTH ANNUAL REPORT 2002-2003

KITEX GARMENTS LIMITED

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**11TH ANNUAL REPORT
KITEX GARMENTS LIMITED**

BOARD OF DIRECTORS

Mr. Sabu M. Jacob
Chairman & Managing Director
Mr. M.C. Jacob
Mr. Benni Joseph
Mr. C. Mohan
Mr. M. P. Kuriakose (w.e.f. 30.06.2003)

AUDITORS

M/s. Venkit & Hari
Chartered Accountants
Market Road
Cochin - 682 014

LEGAL ADVISORS

M/s. Dandapani Associates
Advocates
Thirupati
T.D. Road North End
Cochin - 682 035

REGISTERED OFFICE

Building No. 9/536A
Kitex House
Kizhakkambalam
Alwaye - 683 562

CORPORATE OFFICE

Kitex House
3rd Floor, Shenoy Chambers
Cochin - 682 031

BANKERS

Punjab National Bank

SHARE TRANSFER AGENTS

M/s. Cameo Corporate Services Limited
Subramanian Building, No. 1
Club House Road, Chennai - 600 002

CONTENTS	PAGE
1. Notice	3
2. Directors' Report	10
3. Management Discussion and Analysis	14
4. Report on Corporate Governance	15
5. Auditors' Report	19
6. Balance Sheet	21
7. Profit & Loss Account	22
8. Schedule Nos. 1-15	23-29
9. Cash Flow Statement	30
10. Additional Information	31
11. Attendance Slip	32
12. Proxy Form	32

THE ANNUAL REPORT KITEX GARMENTS LIMITED

NOTICE

Notice is hereby given that the Eleventh Annual General Meeting of the Members of Kitex Garments Limited will be held at the Factory Premises of the Company at Building No. 9/536 A, Kizhakkambalam, Alwaye – 683 562 on Monday, the 29th September, 2003 at 10.00 am. to transact the following business:-

ORDINARY BUSINESS

1. To receive, consider and adopt the Directors' Report for the year ended 31st March 2003, audited Profit and Loss account of the company for the year, Balance Sheet as at that date, and the Report of the Auditors thereon.
2. To appoint a Director in the place of Mr. Benni Joseph, who retires by rotation and, being eligible, offers himself for reappointment.
3. To appoint Auditors, M/s. Venkit & Hari, Chartered Accountants, to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

4. **Appointment of Mr. M.P. KURIAKOSE as Director.**

To consider, and if thought fit, to pass, with or without modification, the following resolution as an ORDINARY RESOLUTION:

"RESOLVED THAT Mr. M.P. KURIAKOSE, Meckamkunel House, Kizhakkambalam P O, Alwaye – 683562 be and is hereby appointed as a Director of the company liable to retire by rotation".

5. **Re-appointment of Mr. SABU M JACOB as Managing Director**

To consider, and if thought fit, to pass, with or without modification, the following resolution as a SPECIAL RESOLUTION:

"RESOLVED THAT pursuant to the provisions of Section 198,269,309, read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force) the company hereby approves the re-appointment of Mr. Sabu M Jacob as Managing Director of the company for a period of three years with effect from 16th August, 2003 on the terms and conditions including remuneration as set out in the Explanatory Statement annexed hereto"

"RESOLVED FURTHER THAT the Board of Directors of the company be and is hereby authorized to alter or vary the terms and conditions of the said re-appointment including remuneration, so long as it does not exceed the limit specified under Schedule XIII of the Companies Act, 1956 or any modification or re-enactment thereof for the time being in force and also to do all such acts, deeds, matters and things as may be considered necessary, desirable or expedient to give effect to this resolution".

"RESOLVED FURTHER THAT the above remuneration shall be payable to him as minimum remuneration in the event of absence or inadequacy of net profit in any financial year"

6. **Amendment of Articles of Association**

TO consider, and if thought fit, to pass, with or without modification, the following resolution as a SPECIAL RESOLUTION:

"RESOLVED THAT pursuant to Section 31 and other applicable provisions of the Companies Act, the Articles of Association of the Company be amended by incorporation of new Article numbered as Article 28A."

Article 28A : Demating of Equity Shares of the Company.

For the purpose of this Article :

1. **DEFINITIONS**

- a) "Beneficial Owner" shall have the meaning assigned thereto in Section 2 of the Depositories Act, 1996.

- b) "SEBI" means the Securities and Exchange Board of India established under Section 3 of the Securities and Exchange Board of India Act, 1992.
- c) "Depositories Act" means the Depositories Act, 1996, including any statutory modifications or re-enactment thereof for the time being in force.
- d) "Bye-Laws" means bye-laws made by a Depository as defined under Section 26 of the Depositories Act, 1996.
- e) "Depository" shall mean a depository as defined under clause (e) of sub-section(1) of Sec. 2 of the Depositories Act, 1996.
- f) "Member" means the duly registered holder from time to time of the shares of the company and includes every person whose name is entered as a beneficial owner in the records of the Depository.
- g) "Issuer" means any person making an issue of Securities.
- h) "Participant" means a person registered as such under Section 12(1A) of the Securities and Exchange Board of India Act, 1992.
- i) "Registered owner" means a depository whose name is entered as such in the Register of the issuer.
- j) "Record" includes the records maintained in the form of books or stored in computer or in such other form as may be determined by regulation made by SEBI in relation to the Depositories Act.
- k) "Regulations" means the regulations made by the SEBI.
- l) "Security" means such security as may be specified by SEBI.
- m) "Words and expression" used and not defined in the Act but defined in the Depositories Act shall have the same meanings respectively assigned to them in that Act.

2. DEMATERIALISATION OF SECURITIES

Notwithstanding anything to the contrary or inconsistent contained in the Act or these Articles, the Company shall be entitled to dematerialise its existing securities, rematerialise its securities, held in the Depositories and/or offer its fresh securities in a dematerialised form pursuant to the Depositories Act and the Rules framed thereunder, if any.

3. COMPANY TO RECOGNISE INTEREST IN DEMATERIALISED SECURITIES UNDER DEPOSITORY ACT.

Either the Company or the investor may exercise an option to issue, deal to hold the securities (including shares) with a Depository in electronic form and the certificates in respect thereof shall be dematerialised, in which event the rights and obligations of the parties concerned and matters connected therewith or incidental thereof, shall be governed by the provisions of the Depositories Act, as amended from time to time or any statutory modification thereto or re-enactment thereof.

4. OPTION FOR INVESTORS

Every person acquiring/subscribing to or holding securities of the Company shall have the option to receive security certificates or to hold the securities with a Depository. Such a person who is the beneficial owner of the securities can at any time opt out of a depository, if permitted by law, in respect of any security in the manner provided by the Depositories Act, and the Company shall, in the manner and within the time prescribed, issue to the beneficial owner the required certificates of securities.

If a person opts to hold his security with a depository, the company shall intimate such depository the details of allotment of the security and on receipt of the information, the depository shall enter in its records the name of the allottee as the beneficial owner of the security.

5. SECURITIES IN DEPOSITORIES TO BE IN FUNGIBLE FORM

All securities of the Company held by depository shall be dematerialised and be in fungible form. Nothing contained in Sections 153, 153A, 153B, 187B, 187C and 372A of the Companies Act shall apply to a Depository in respect of the securities held by it on behalf of the beneficial owners.

6. RIGHTS OF DEPOSITORIES AND BENEFICIAL OWNERS

- a) Notwithstanding anything to the contrary contained in the Act or these Articles, a Depository shall be deemed to be the registered owner for the purposes of effecting transfer of ownership of securities on behalf of the beneficial owner.
- b) Save as otherwise provided in (a) above, the Depository as the registered owner of the securities shall not have any voting rights or any other rights in respect of the securities held by it.
- c) Every person holding securities of the Company and whose name is entered as the beneficial owner in the records of the Depository shall be deemed to be a member of the company. The beneficial owner of securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his securities which are held by a Depository.

7. BENEFICIAL OWNER DEEMED AS ABSOLUTE OWNER

Except as ordered by a court of competent jurisdiction or as required by law, the Company shall be entitled to treat the person whose name appears on the Register of Members as the holder of any share or where the name appears as the Beneficial Owner of shares in the records of the Depository as the absolute owner thereof and accordingly shall not be bound to recognise any benami trust of equitable, contingent, future or partial interest in any share, or (except only as is by these Articles otherwise expressly provided) any right in respect of a share other than an absolute right thereto in accordance with these Articles, on the part of any other person whether or not it has expressed or implied notice thereof, but the Board shall be at their sole discretion to register any share in the Joint names of any two or more persons or the survivor or survivors of them.

8. DEPOSITORY TO FURNISH INFORMATION

Every Depository shall furnish to the Company information about the transfer of securities in the name of the beneficial owner at such intervals and in such manner as may be specified by the bye-laws to the Company in that behalf.

9. CANCELLATION OF CERTIFICATES UPON SURRENDER BY A PERSON

Upon receipt of certificate of securities on surrender by a person who has entered into an agreement with the Depository through a participant, the company shall cancel such certificate and substitute in its records the name of the Depository as the registered owner in respect of the said securities and shall also inform the Depository accordingly.

10. OPTION TO OPT OUT IN RESPECT OF ANY SECURITY

If a beneficial owner seeks to opt out of a Depository in respect of any security and beneficial owner shall inform the Depository accordingly.

The Depository shall on receipt of information as above, make appropriate entries in its records shall inform the Company.

The company shall within thirty (30) days of the receipt of intimation from the Depository and on fulfilment of such conditions and on payment of such fees as may be specified by the regulations, issue the certificate of securities to the beneficial owner or the transferee as the case may be.

11. SERVICE OF DOCUMENTS

Notwithstanding anything in the Act, or these Articles to the contrary, where securities are held in a Depository, the records of the beneficial ownership may be served by such Depository on the Company by means of electronic mode or by delivery of floppies or discs.

12. PROVISIONS OF ARTICLES TO APPLY TO SECURITIES HELD IN DEPOSITORY

Except as specifically provided in these Articles the provisions relating to joint holders of Securities, Calls, Lien on Securities, forfeiture, Transfer and Transmission of Securities shall be applicable to securities held

THE ANNUAL REPORT WITH GARMENTS LIMITED

in Depository so far as they apply to Securities held in physical form subject to the provisions of the Depository Act.

13. ALLOTMENT OF SECURITIES DEALT WITHIN A DEPOSITORY

Notwithstanding anything in the Act, or these Articles, where securities are dealt with by a Depository, the Company shall intimate the details thereof to the Depository immediately on allotment of such securities.

14. DISTINCTIVE NUMBER OF SECURITIES HELD IN A DEPOSITORY

The Securities in the Capital shall be numbered progressively accordingly to their several denominations, provided however, that the provisions relating to progressive numbering shall not apply to the securities of the company which are dematerialised or may be dematerialised in future or issued in future in dematerialised form, except in the manner herein before mentioned. No securities shall be sub-divided. Every forfeited or surrendered securities held in material form shall continue to bear the number by which the same was originally distinguished.

15. REGISTER OF INDEX OF BENEFICIAL OWNERS

The Company shall cause to be kept a Register and Index of Members and a Register and Index of Debenture holders in accordance with Section 151 and 152 of the Act respectively, and the Depositories Act, with details of Shares and Debentures held in material and dematerialised forms in media as may be permitted by law including in any form or electronic media. The Register and Index of beneficial owners maintained by a Depository under Section 11 of the Depositories Act shall be deemed to be Register and Index of Members and Register and Index of Debenture Holders, as the case may be, for the purpose of the Act. The Company shall have power to keep in any State or Country outside India a Branch Register of Members resident in that State or Country.

16. REGISTER OF TRANSFERS

The Company shall keep a Register of Transfers and shall have recorded therein fairly and distinctly particulars of every Transfer or Transmission of any Securities held in material form.

17. OVERRIDING EFFECT OF THE ARTICLE

Provisions of this Article will have full effect and force notwithstanding anything to the contrary or inconsistent contained in any other Article of these presents.

By Order of the Board of Directors
For KITEX GARMENTS LIMITED

Sd/-

SABU M JACOB

Chairman & Managing Director

Kochi

Date: 30th June, 2003

Notes:-

- 1) As required by clause 49 of the Listing Agreement, details of the Directors to be appointed / re-appointed at this meeting are furnished separately.
- 2) An explanatory statement u/s 173(2) of the Companies Act, 1956, is annexed to this notice.
- 3) A member entitled to vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member.
- 4) The instrument appointing a proxy should be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.

**1111 ANNUAL REPORT
KITEX EXPORTS LIMITED**

- 5) Members are requested to notify any changes in their addresses to the company at the Registered Office by quoting their Folio Numbers.
- 6) Any clarification needed on the accounts should be lodged in writing at the Registered Office of the Company on or before 5 P.M. on 24th September 2003.
- 7) Members /proxies should bring the attendance slips duly filled in for attending the meeting.
- 8) The Share transfer books and the Register of Members shall remain closed from 25th September, 2003 to 29th September 2003, both days inclusive
- 9) Any correspondence regarding dematerialisation and Share Transfer Applications may be sent to the company's share transfer agents M/s Cameo Corporate Services Limited, Subramanian Building, No. 1, Club House Road, Chennai - 600002.

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

Item No. 4 : APPOINTMENT OF Mr. M.P. KURIAKOSE AS DIRECTOR

MR. M P KURIAKOSE, residing at Meckamkunnel House, Kizhakkambalam P O , Alwaye – 683 562 has the industrial experience over thirty years and he is a share holder of the company from inception. In compliance with the provisions of Corporate Governance of Listing Agreement with the Stock Exchanges, the Board of Directors of the Company co-opted Mr. M P Kuriakose as an Additional Director u/s 260 of the Companies Act, 1956 with effect from 30th June 2003. In terms of the said Section, he holds the said office upto the date of the ensuing Annual General Meeting. The Company has received a notice in writing from a member as required u/s 257 of the Companies Act, 1956, signifying his intention to propose the candidature of Mr M P Kuriakose for appointment as a Director liable to retire by rotation . Mr M P Kuriakose is a Director in Sevana Engineering Research Centre (P) Ltd.

The Board recommends the passing of the ordinary resolution.

None of the Directors other than Mr.M P Kuriakose is concerned or interested in this resolution.

Item No. 5 : RE-APPOINTMENT OF MR. SABU M JACOB AS MANAGING DIRECTOR

The tenure of Mr. Sabu M Jacob as Managing Director expires on 15th August, 2003. Taking into consideration the valuable services rendered by him during the past ten years for the growth of the company, the Board of Directors at their meeting held on 30th June, 2003 re-appointed him as Managing Director for a further period of three years effective from 16th August , 2003 on a remuneration mentioned below:

Salary : Rs 1,50,000/- pm

Allowances : Rs 50,000/- pm

Perquisites

- a) Contribution to provident fund, Superannuation fund or annuity fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
- b) Gratuity payable at a rate not exceeding half month's salary for each completed year of service, and
- c) Encashment of leave at the end of the tenure.

He shall be eligible to the above salary, allowances and perquisites as minimum remuneration in the event of absence or inadequacy of profits in any financial year. The above remuneration has been recommended by the remuneration committee. As required under Sch XIII of the Companies Act, 1956 the appointment and remuneration shall be approved by a special resolution of the share holders in general meeting.

Mr Sabu M Jacob is a Director in Kitex Exports Limited.

2002-03 ANNUAL REPORT KITEX GARMENTS LIMITED

None of the Directors other than Mr. Sabu M Jacob and his father Mr. M C Jacob is concerned or interested in this resolution.

As required under Sch XIII the following information is given to the shareholders

I. GENERAL INFORMATION

1. Nature of industry: Manufacture and export of readymade garments.
2. Date of commencement of commercial production: 01.01.1996
3. In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus : Not applicable
4. Financial performance based on given indicators:

2002-03

Net Profit for the year (Rs in lakhs) 209.88

Weighted Average number of Equity Shares 47,50,000

Nominal value of Shares (Rs) 10

Basic & Diluted Earnings per Share (Rs) 4.42

5. Export performance and net foreign exchange earnings:

2002-03

Export performance: Rs. 1961.94 lakhs

Net foreign exchange earnings: Rs. 898.12 lakhs.

6. Foreign investments or collaborators, if any: NRI SHARE HOLDING RS 67 LAKHS

II. INFORMATION ABOUT THE APPOINTEE:

1. Background details: Mr. Sabu M Jacob belongs to a family of entrepreneurs who have promoted many industrial units for producing textiles, garment, vessels, spices, umbrellas, school bags etc. The group promoted Kitex Garments Limited in 1992 with the object of exporting readymade garments. Mr. Sabu M Jacob has been involved in the promotion and management of the company as Chairman and Managing Director right from its inception.
2. Past remuneration: Salary Rs. 50,000/- + Allowances Rs. 22,000/- per month during the past 5 years.
3. Recognition or awards: The industrial unit has received certificates from reputed international buyers like Walmart, Gerber, Disney etc as one of their approved sources.
4. Job profile and his suitability: It is proposed to reappoint Mr. Sabu M Jacob as the Managing Director of the company for a period of 3 years with effect from 16.08.2003. He has been in the same position for the last 10 years and under his leadership the company has grown in size and reputation.
5. Remuneration proposed:

Salary : Rs 1,50,000/- pm

Allowances : Rs 50,000/- pm

Perquisites

- a) Contribution to provident fund, Superannuation fund or annuity fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
- b) Gratuity payable at a rate not exceeding half month's salary for each completed year of service, and
- c) Encashment of leave at the end of the tenure.
6. Comparative remuneration profile with respect to industry, size of the company, profile of the position and person (in case of expatriates the relevant details would be w.r.t. the country of his origin): The proposed remuneration is considered reasonable with respect to the size of the company nature of industry and other factors. It is within the limits permitted under Schedule XIII of the Companies Act.

11th ANNUAL REPORT KITEX GARMENTS LIMITED

7. Pecuniary relationship directly or indirectly with the company, or relationship with the managerial personnel, if any: Mr. M.C. Jacob, father of Mr. Sabu M Jacob is a director of the company. Mr. Sabu M Jacob holds 7.66% shares in the company. The promoters shareholding is 42.38% of the paid up capital.

III. OTHER INFORMATION:

1. Reasons for loss or inadequate profits & Steps taken or proposed to be taken for improvement:

Out of the past seven years since the commencement of commercial production in January 1996, the company suffered losses only in two years – in 1996-97 due to extensive power cut imposed by the KSEB and in 2000-01 due to international recession. In all other years the company has been making profits and the entire accumulated losses has been wiped off during the year 2002-03. However the profits are restricted due to stiff competition from other established manufacturers in the international market. Even though the company is making every effort to increase its profitability in the coming years, the proposed managerial remuneration of Rs. 2,00,000/- per month, which is within the permissible limit under Schedule XIII, may exceed the ceiling of 5% of the net profits as prescribed under section 198 of the Companies Act.

2. Expected increase in productivity and profits in measurable terms:

Year	2002-03 (Actual)	2003-04 (Expected)
Sales (Rs in lakhs)	3234.57	5000.00
Profit (Rs in lakhs)	223.88	318.00

Item No. 6 : AMENDMENT OF ARTICLES OF ASSOCIATION

As required by the Stock Exchanges the company has arranged for dematerialization of its shares . For facilitating the same the Articles of Association of the company has to be amended by incorporating the new Article no 28A as given in the resolution. None of the directors is interested or concerned in the resolution.

By Order of the Board of Directors
For KITEX GARMENTS LIMITED

Sd/-

SABU M JACOB

Chairman & Managing Director

Kochi

Date: 30th June, 2003

Details of Directors seeking appointment/re-appointment at the Annual General Meeting (In pursuance of Clause 49 of the listing Agreement)

Name of the Director	Mr. Sabu M Jacob	Mr. Benni Joseph	Mr. M.P. Kuriakose
Age	41 Years	46 Years	67 Years
Qualification	B A - Economics	F C A	Diploma in Agriculture and Industries
Date of Appointment	16.08.1993	31.07.1998	30.06.2003
Expertise	Industrialist with rich business and management experience.	Professional with rich industrial experience.	Experience in Industrial Management
Directorships	Kitex Exports Limited	Nil	Sevana Engineering Research Centre (P) Ltd.