

## Twelfth Annual Report 2003-04



**KITEX**

**Kitex Garments Limited**

KITEX GARMENTS LIMITED  
2007 ANNUAL REPORT

### **BOARD OF DIRECTORS**

Mr. Sabu M. Jacob  
Chairman & Managing Director  
Mr. M.C. Jacob  
Mr. Benni Joseph  
Mr. C. Mohan  
Mr. M. P. Kuriakose

### **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

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**NOTICE**

Notice is hereby given that the Twelfth 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 27th September, 2004 at 10.00 am. to transact the following business:-

**ORDINARY BUSINESS**

1. To receive, consider and adopt the Directors' Report for the year ended 31<sup>st</sup> March 2004, 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. M.C. Jacob, who retires by rotation and, being eligible, offers himself for reappointment.
3. To appoint Auditors, M/s. Venkit And 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.

By order of the Board of Directors  
For KITEX GARMENTS LIMITED

Sd/-

Kochi

Date : 30<sup>th</sup> June, 2004

SABU M. JACOB

Chairman & Managing Director

**Notes :**

- 1) 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.
- 2) 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.
- 3) Members are requested to notify any changes in their addresses to the company at the Registered Office by quoting their Folio Numbers.
- 4) Any clarification needed on the accounts should be lodged in writing at the Registered Office of Company on or before 5 P.M. on 22.09.2004.
- 5) Members/proxies should bring the attendance slips duly filled in for attending the meeting.
- 6) The share transfer books and the Register of members shall remain closed from 23<sup>rd</sup> September, 2004 to 27<sup>th</sup> September 2004, both days inclusive.
- 7) 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 Bulding, No.1, Club House Road, Chennai-600002.

**Details of Director seeking re-appointment at the Annual General Meeting  
(In pursuance of Clause 49 of the listing agreement)**

Mr. M.C. Jacob, 71 years is one of the Promoters and the father of Mr. Sabu M Jacob, Chairman and Managing Director. He is an industrialist with rich business and management experience. He is the Director of Kitex Exports Limited and Kitex Limited.

**KITEX GARMENTS LIMITED**  
**12th ANNUAL REPORT**
**DIRECTORS' REPORT**  
**TO THE MEMBERS OF KITEX GARMENTS LIMITED**

The Directors have pleasure to present their Twelfth Annual Report and the audited Annual Accounts for the year ended 31st March 2004.

**FINANCIAL RESULTS**

	Year ended 31st March, 2004 (Rs. in lakhs)	Year ended 31st March, 2003 (Rs. in lakhs)
Income from operations	3,951.04	3563.09
Operating Profit	861.48	654.63
Profit before Financing Charges, Depreciation, Preliminary expenses written off	412.75	434.65
Profit before tax	218.90	223.88
Profit after tax	184.60	209.88

**Performance Review**

The export turnover, which was Rs1961.94 lacs in the previous year 2002-03, has increased to Rs 3372.02 lakhs during 2003-04. The export sales mainly consisted of Infant & Children's wear and Polar Fleece Jackets intended for the U S A market. The sale was effected through reputed US buyers. The domestic sales mainly represented sale of garments, which were also exported to U S market through the local buyer. Since the company has concentrated more on direct exports the domestic sales has gone down from Rs 1272.63 lakhs during 2002-03 to Rs 219.47 lakhs during the year 2003-04. The increase in turnover has resulted in increase in operating profit from Rs 655 lakhs to Rs 861 lakhs during the year.

Our company has opened its overseas branch in Taiwan during the year to co-ordinate sourcing, marketing and import activities.

**Future Prospects**

The latest Economic Survey shows that the readymade garments are the largest component of export contribution and it continues to remain and grow as one of the important segments of the Indian Economy contributing around 30% of the overall textile exports. The Company has tremendous potentials which when explored could help it to expand the production capacity considerably.

**Dividend**

No dividend is recommended for the year. The board considers the prudent to repay the term loan before payment of dividend.

**Capital Expenditure**

As at 31st March 2004 the gross fixed assets stood at Rs 1410.16 lakhs and net fixed assets Rs 1009.17 lakhs. Additions during the year amounted to Rs 162.07 lakhs, which includes addition to machinery and other equipments amounting to Rs. 129.54 lakhs. The additions were made to modernise the existing facilities.

**Term loan**

Repayments to the financial institution during the year amounted to Rs. 118.66 lakhs.

**Directors' Responsibility Statement**

The directors report that

- i) In the preparation of the annual accounts, the applicable accounting standards have been followed.
- ii) 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 and of the profit and loss of the company for that period.
- iii) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
- iv) The Directors have prepared the annual accounts on a going concern basis.

**Corporate Governance**

As per Clause 49 of the Listing Agreement with the Stock Exchanges, a report on the Corporate Governance and Management Discussion and Analysis is enclosed.

**Disclosure of Particulars**

- (i) Information as per Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 relating to conservation of energy, technology absorption, foreign exchange earnings and outgo are given in Annexure 'A' forming part of this report.
- (ii) The Company has no employee in respect of whom information under Section 217(2A) of the Companies Act 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended is required to be annexed.

**Directors**

Mr. M C Jacob is retiring by rotation and being eligible offers himself for re-appointment.

**Auditors**

M/S Venkit And Hari, Chartered Accountants retire at the forthcoming Annual General Meeting and are eligible for reappointment.

**Acknowledgement**

Your Directors wish to place on record their appreciation for the whole hearted and sincere co-operation the Company has received from its banker Punjab National Bank, Industrial Development Bank of India and various Government agencies. Your Directors also wish to thank all the employees for their co-operation.

**For and on behalf of the Board of Directors**

Sd/-

Kochi

Date : 30<sup>th</sup> June, 2004

**SABU M JACOB**

**Chairman & Managing Director**

### Annexure 'A' to the Directors' Report

(Additional information given in terms of notification issued by the Department of Company affairs)

#### **A. CONSERVATION OF ENERGY**

The Company continues its efforts to improve methods of energy conservation and utilization by

- (1) More usage of electricity purchased from KSEB.
- (2) Improved efficiency of own generation by usage of diesel generator only for emergencies and as stand by.
- (3) Intensified vigil on wastage/leakage control.

Disclosure of particulars with respect to conservation of energy

#### **POWER & FUEL CONSUMPTION**

	Year Ended 31.03.2004	Year Ended 31.03.2003
1. Electricity		
a) Purchased		
Units (KWH)	19,30,955	15,95,340
Total Amount	(Rs) 76,07,965	(Rs) 62,80,010
Rate/Unit (Rs. KWH)	3.94	3.94
b) Own generation		
Through Diesel Generator		
Units (KWH)	80,966	65,684
Total Cost	(Rs) 3,93,497	(Rs) 3,01,487
Cost/Unit (Rs./KWH)	4.86	4.59

#### **B. CONSUMPTION PER UNIT OF PRODUCTION**

The company manufactures different types of garments like Hosiers, Shirts, Pants, Jackets, Innerwear's, Outerwear's etc. and power consumption cannot be appropriated separately.

#### **C. TECHNOLOGY ABSORPTION**

Disclosure of particulars with respect to technology absorption.

#### **RESEARCH & DEVELOPMENT**

##### **1. SPECIFIC AREAS IN WHICH R&D CARRIED OUT BY THE COMPANY.**

- a) Quality Up gradation
- b) Developing wide range of products
- c) Productivity enhancement

- d) Quality Control Management

## 2. BENEFITS DERIVED AS A RESULT OF THE ABOVE R&D

- a) Increase in production and capacity utilization  
b) Repeat order from customers due to consistency in quality

## 3. FUTURE PLAN OF ACTION

- a) Cost-efficiency in manufacturing operations through better methods and techniques of production.  
b) Increasing range of production.  
c) Development of new markets.

## 4. EXPENDITURE IN R&D

Specific expenditure of recurring or capital nature is still not involved.

**Technology absorption, adoption and innovation**

## EFFORTS

Development of products of International Quality and Standards particularly for exports merchandise and implementation of total Quality Assurance System for this purpose.

## BENEFITS

- a) Export of Merchandise increased.  
b) Quality of products improved.  
c) Scoring high points in evaluation by reputed foreign buyers.

## D. FOREIGN EXCHANGE EARNINGS AND OUTGO

	2003-2004	2002 - 2003
	(Rs in lakhs)	(Rs in lakhs)
Earnings on account of Exports	3370.21	1961.94
Outgo on account of Import & Expenditure	1042.48	1063.82

For and on behalf of the Board of Directors

Sd/-

Kochi  
Date: 30<sup>th</sup> June, 2004

SABU M. JACOB  
Chairman & Managing Director



## Management Discussion and Analysis

This report discusses and analyses the performance for the year ended 31st March 2004.

### ➤ Overall review of operations

The company is in the business of manufacturing and exporting garments. The Company made a commendable achievement in the export of garments during the year under review. Total turnover reported for the year amounts to Rs.3951 lakhs, which is the record turnover since its inception.

### ➤ Industry

The textile and garments industry plays a pivotal role in the economy. The world clothing market is estimated at an incredible US Dollar 500 billion and Indian market for ready-to-wear products is estimated at over Rs. 3000 crores. Garment industry is now emerging as a major foreign exchange earner for the country.

Post world war 2<sup>nd</sup> witnessed drastic changes in the world industrial scenario. With the strength of human resources and intelligence the economy started limping towards progress all over. Nevertheless, the innate ambition of the global mankind to develop themselves also helped a lot to achieve the goal in the limited span of time. Industries boomed everywhere and the world economy has had lots of transitions after the ruins of the war. The fashion industry also had a nice time like others with the changing trends and population all over the world. Though competitions emerged from all the nooks and corner the Indian Garment industry did not face much threat from other countries. With a strong marketing strategy of Indian industry and the quality they maintain the industry didn't have much problem to sell the products.

Indeed this process gained much impetus from the overwhelming support of entrepreneurs who are the thresholds in the economic development of a nation. Perhaps many of our intellectuals thought of migrating to alien countries lest they found their talent being wasted at home after the devastating war. Notwithstanding the brain drain, our business community with their professional acumen lifted the industry from the ruins and helped the nation to reincarnate. Garment industry in India has a positive response from the global markets over the years. Similarly the media holds the major share in promoting the products everywhere.

With the changing trends in the fashion industry the exposure is very high for garments, apparels and textiles. The industry has a bright future in the ensuing time. Indian manufacturers of Textiles and Garments find markets in US, EU and Middle East doing well. The attraction towards new generation dresses also contributes much to boost the sales all over. In other words, the scope of garment industry is quite ambitious and fascinating, to help the economy moving towards progress. No doubt, technology up gradation also has taken place in the garment sector and many large-scale units have been set up.

On a global scale, the Indian subcontinent is predicted as an enthusiastic market for garments and apparels, according to a study conducted by experts. This will really encourage and increase the aplomb of the business community to enhance their activities despite political imbalances. Garment industry has a strong basement in India, which alone could pave the way for greater development and progress up to a certain extent. Due to the unique qualities they maintain, the Indian manufacturers can always accelerate the pace to reach a better world.

The revenue generated by India during the financial year 2002-03 by way of export of textiles and garments was \$ 125 billion. This accounts for 30% of the total revenue from exports during that year and 14% of the textile and garment production in the country and 4% of the total internal production.

### ➤ Opportunities and Threats

There is tremendous market potential for garments worldwide and this can be seen from the performance of the company for the year. The Indian Textile Industry is going to witness a historical boom by the end of 2004 ensuing the proposed abandonment of the quota system prevalent in the present International Apparel Export Market. Expert Economists comment that it will be similar to the development in Indian Information Technology consequent to several foreign contracts received at the time of Y2K menace. Presently, the international trading on apparel is based on bilateral agreements. Every country enjoys the freedom to enforce and maintain its own restrictions and tariff in respect of exports and imports to protect its own interest. All these restrictions will come to an end by the first day of January 2005 and same conditions will prevail all over the international market. As a corollary, the competition will become more stringent and whoever is able to produce and supply product of a given standard at the minimum possible cost will only survive. India is going to capitalize on this aspect.

The conglomerates in America and Europe manufacturing and dealing in textiles and garments will be forced to depend upon India or China to get the required output at the lowest possible cost either by outsourcing or contracting. It is estimated that the Indian exports may end up in \$ 500 billion as against the present \$ 125 billion.

However we perceive threats by way of competition from the neighbouring countries like China, Pakistan and Sri Lanka. Although the competition is hectic we have an edge over others with our quality and timely execution of orders.

### ➤ Outlook

The company is taking all efforts to improve the quality and productivity to get more orders at competitive rates. Barring unforeseen circumstances the company is confident of achieving better results in the current year.

### ➤ Internal Control Systems and their Adequacy

The Company has a proper and adequate internal control system to ensure that all assets are