

Thirteenth Annual Report 2004-05



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KITEX

Kitex Garments Limited

BOARD OF DIRECTORS

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

AUDITORS

M/s. Venkit & Hari
Chartered Accountants
Metro Plaza, North End
Market Road, Kochi - 682 014

LEGAL ADVISORS

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

REGISTERED OFFICE

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

CORPORATE OFFICE

Kitex House
3rd Floor, Shenoy Chambers
Shanmugham Road, Kochi - 682 031

BANKERS

State Bank of India
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 Thirteenth Annual General Meeting of the Members of KiteX Garments Limited will be held at the Factory Premises of the Company at Building No. 9/536A, Kizhakkambalam, Alwaye-683 562 on Friday, the 30th September 2005 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 2005, 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. C. Mohan, 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) **Alteration in the Memorandum and Articles of Association to sub-divide the Equity Shares and Sub-division of the existing subscribed shares**

To consider, and if thought fit, to pass, with or without modification, the following resolutions:

- i) As an Ordinary Resolution:

"RESOLVED that, in exercise of the powers conferred on the Company by Section 94 of the Companies Act, 1956 read with Article 45 (b) of the Articles of Association of the Company, Clause V of the Memorandum of Association of the Company be and is hereby altered as follows:

- V. The Authorised Share Capital of the Company is Rs. 5,00,00,000 (Rupees Five Crores only) divided into 5,00,00,000 (Five Crores) Equity Shares of Re.1 (Rupee one) each with power to increase or reduce the capital in accordance with the provisions of the Companies Act, 1956."

- ii) As a Special Resolution :

"RESOLVED that Article 3 of the Articles of Association of the Company be and is hereby altered as follows:

3. The Authorised Share Capital of the Company is as mentioned in Clause V of the Memorandum of Association of the Company".

- iii) As an Ordinary Resolution:

"RESOLVED that all the existing subscribed 47,50,000 Equity Shares of Rs. 10 each fully paid up of the Company be and are hereby sub-divided into 4,75,00,000 Equity Shares of Re.1 each fully paid up."

- 5) **Consent u/s 314 of the Act for a relative of a Director to hold office or place of profit in the Company**

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

"RESOLVED that, consent of the Company be and is hereby accorded u/s 314 (1-B) of the Act, for payment of monthly remuneration of Rs. 22000 with effect from 1st October, 2005 to Mr. Sinu Varghese, who, being a relative of a Director, holds the position of Assistant General Manager - Business Operations in the Company and also for payment of annual increments on a time scale of pay as applicable to his position as per the Company rules in force."

By order of the Board of Directors
For KITEX GARMENTS LIMITED

Sd/-

SABU M. JACOB
Chairman & Managing Director

Kochi
Date : 30th June, 2005

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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 the Company on or before 5PM on 24.09.2005.
5. Members/proxies should bring the attendance slip duly filled in for attending the meeting.
6. The share transfer books and the Register of members shall remain closed from 27th September, 2005 to 30th September, 2005 both days inclusive.
7. Applications for demat of shares, applications for transfer of shares and any related correspondence 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.

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

a) **Brief resume of the director :**

Mr. C. Mohan is a Member of the Institute of Company Secretaries of India and also a Member of the Institute of Cost and Works Accountants of India. He has been in professional practice as a Cost Accountant since 1995. Earlier he had held various management positions in reputed companies for more than twenty years. He has been functioning as an Independent Director in the Board of Directors of the Company since August, 2002.

b) **Nature of his expertise in specific functional areas:**

Finance Management, Accounts, Costing, Company Law and Taxation.

c) **Names of companies in which he holds directorship and membership of committees of the Board :**

Nil

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

Item No. 4 : It is proposed to subdivide the existing equity shares of Rs. 10 each into ten shares of Re. 1 each. For this purpose, the existing Clause V in the Memorandum of Association and the existing Article 3 in the Articles of Association are proposed to be amended.

No Director is interested or concerned in the proposed resolutions, except Mr. Sabu M Jacob, Chairman & Managing Director, Mr. M C Jacob, Director and Mr MP Kuriakose, Director who are interested to the extent of their shareholding in the Company.

Item No. 5 : As per Sec. 314 of the Act, prior consent of the Company is sought for payment of monthly remuneration of Rs. 22000 effective from 1st October, 2005 to Mr. Sinu Varghese, who is holding the position of Assistant General Manager- Business Operations in the Company. Mr. Sinu Varghese is a MBA graduate in International Marketing from Leeds University, U.K. Mr. M C Jacob, Director is interested in this proposal as Mr Sinu Varghese is Mr Jacob's daughter's son.

By order of the Board of Directors
For KITEX GARMENTS LIMITED

Sd/-

SABU M. JACOB
Chairman & Managing Director

Kochi
Date : 30th June, 2005

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DIRECTORS' REPORT

TO THE MEMBERS OF KITEX GARMENTS LIMITED

The Directors have pleasure to present their Thirteenth Annual Report and the audited Annual Accounts for the year ended 31st March 2005.

Financial Results

	Year ended 31 st March, 2005 (Rs in lakhs)	Year ended 31 st March, 2004 (Rs in lakhs)
Income from operations	8033.69	3951.04
Operating Profit	1603.91	861.48
Profit before Financing Charges and Non cash expenditure	749.33	412.75
Profit before tax	465.00	218.90
Profit after tax	262.39	184.60

Performance Review

The export turnover, which was Rs 3372.02 lacs in the previous year 2003-04, has increased to Rs 6801.56 lacs during 2004-05. The export sales mainly consisted of Infant and 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. The domestic turnover, which was Rs 219.47 lacs in the previous year 2003-04, has increased to Rs 582.65 lacs during 2004-05. The increase in turnover has resulted in increase in Operating profit from Rs.861.48 lacs to Rs 1603.91 lacs during the year.

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. To exploit the opportunity in the export sector the company has gone into an expansion plan to double the existing production capacity and expects to commission the same before 31st December 2005. The company targets to achieve a turnover of Rs. 125 crores for the financial year 2005-06.

Dividend

No dividend is recommended for the year in order to conserve the available resources for the ongoing expansion.

Capital Expenditure

As at 31st March 2005 the gross fixed assets stood at Rs 1678.75 lakhs and net fixed assets Rs 1205.27 lakhs. Additions during the year amounted to Rs 282.46 lakhs, which includes addition to machinery and other equipments amounting to Rs 187.82 lakhs. The additions were made as a part of the on going expansion of the existing factory.

Term Loan for the New Expansion Project was sanctioned by State Bank of India in March, 2005 to the tune of Rs 800 lakhs and the repayments to the financial institution for the existing term loan during the year amounts to Rs 118.66 lakhs.

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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 account 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. C Mohan is retiring by rotation and being eligible offers himself for re-appointment.

Auditors

M/S Venkit & 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 bankers, State Bank of India, 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/-

SABU M. JACOB

Chairman & Managing Director

Kochi

Date : 30th June, 2005

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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 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 31.03.2005	Year Ended 31.03.2004
1. Electricity		
a) Purchased		
Units (KWH)	25,74,221	19,30,955
Total Amount	(Rs) 1,01,42,431	(Rs) 76,07,965
Rate/Unit (Rs./KWH)	3.94	3.94
b) Own generation		
Through Diesel Generator		
Units (KWH)	91,244	80,966
Total Cost	(Rs) 4,63,518	(Rs) 3,93,497
Cost/Unit (Rs./KWH)	5.08	4.86

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

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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

	2004-2005	2003 - 2004
	(Rs in lakhs)	(Rs in lakhs)
Earnings on account of Exports	6684.38	3370.21
Outgo on account of Import & Expenditure	1292.49	1042.48

For and on behalf of the Board of Directors

Sd/-

SABU M. JACOB

Chairman & Managing Director

Kochi

Date : 30th June, 2005

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MANAGEMENT DISCUSSION AND ANALYSIS

This report discusses and analyses the performance for the year ended 31st March 2005.

Overall review of operations

The company is in the business of manufacturing and exporting garments. The Company made commendable achievement in the export of garments during the year under review. Total turnover reported for the year amounts to Rs.8034 lakhs, which is the record turnover since inception.

Industry

The textile and garments industry plays a pivotal role in the economy. Garment industry is now emerging as a major foreign exchange earner for the country. The Indian Textile Industry is witnessing a historical boom by the abandonment of the quota system prevalent in the 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.

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 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.

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 safeguarded and protected against loss from unauthorized use or disposition and that transactions are authorised, recorded and reported correctly.

The internal control is exercised through documented policies, guidelines and procedures. It is supplemented by an extensive program of internal audits conducted by in house trained personnel. The audit observations and corrective action taken thereon are periodically reviewed by the audit committee to ensure effectiveness of the internal control system. The internal control is designed to ensure that the financial and other records are reliable for preparing financial statements and other data, and for maintaining accountability of persons.

Financial and operational performance

Please refer Board Report on performance review.

Human Resources/Industrial Relations

The Company's HR philosophy is to establish and build a high performing organization, where each individual is motivated to perform to the fullest capacity: to contribute to developing and achieving individual excellence and departmental objectives and continuously improve performance to realize the full potential of our personnel.

The Company is giving direct employment to 1601 employees compared to 1553 employees of previous year. Industrial relations were cordial and satisfactory.

Cautionary Statement

Statements made herein describing the Company's expectations or predictions, are "forward-looking statements". The actual results may differ from those expected or predicted. Prime factors that may make a difference to the Company's performance include market conditions, input costs, govt. regulations, economic developments within/outside country etc.