

## Fifteenth Annual Report 2006-07



**KITEX**

Kitex Garments Limited

# **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

## **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  
The Federal Bank Limited

## **SHARE TRANSFER AGENTS**

M/s. Cameo Corporate Services Limited  
Subramanian Building No. 1  
Club House Road, Chennai – 600 002  
Tel No. 044 – 28461832  
Fax No. 044 – 28460129  
Email Id: [cameo@cameoindia.com](mailto:cameo@cameoindia.com)

# **Kitex Garments Limited**

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# Kitex Garments Limited

## NOTICE

Notice is hereby given that the Fifteenth 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 Saturday, the 29<sup>th</sup> September, 2007 at 10.00 a.m. 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, 2007, 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 consider declaration of dividend for the year.
- 3) To appoint a Director in the place of Mr. M. P. Kuriakose, who retires by rotation and, being eligible offers himself for reappointment.
- 4) 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.

**By Order of the Board of Directors  
For KITEK GARMENTS LIMITED**

Sd/-

**SABU M. JACOB**

**Chairman & Managing Director**

Kochi

30<sup>th</sup> June, 2007

### 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 5 p.m. on 24-09-2007.
- 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 26<sup>th</sup> September, 2007 to 29<sup>th</sup> September, 2007, 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 - 600 002.
- 8) The Board of Directors have recommended a dividend at 15% of the paid up capital for the year. If declared at the Annual General Meeting, the same will be paid to the share holders whose names are on the register of members as on 29<sup>th</sup> September, 2007.

### **Details of Director seeking Re-appointment at the Annual General Meeting (In pursuance of Clause 49 of the Listing Agreement)**

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

Mr. M. P. Kuriakose has been functioning as an Independent Director of the Company since June, 2003.

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

Industrial Management.

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

Sevana Engineering Research Centre (P) Ltd.

#### **d) Shares held by the Director (both own or held/for other persons on a beneficial basis):** 1000 Nos.

**By Order of the Board of Directors  
For KITEK GARMENTS LIMITED**

Sd/-

**SABU M. JACOB**

**Chairman & Managing Director**

Kochi

30<sup>th</sup> June, 2007

# Kitex Garments Limited

## DIRECTORS' REPORT TO THE MEMBERS OF KITEK GARMENTS LIMITED

The Directors have pleasure to present their Fifteenth Annual Report and the audited Annual Accounts for the year ended 31<sup>st</sup> March, 2007.

### Financial Results

	Year ended 31 <sup>st</sup> March, 2007 (Rs. in lakhs)	Year ended 31 <sup>st</sup> March, 2006 (Rs. in lakhs)
Income from operations	16320.40	11160.36
Operating Profit	2752.99	1614.21
Profit before Financing Charges and Non cash expenditure	2242.09	1119.61
Profit before tax	1523.27	739.17
Profit after tax	955.31	443.35

### Performance Review

The export turnover, which was Rs. 10,173.10 lakhs in the previous year 2005-06, has increased to Rs. 14,565.63 lakhs during 2006-07, an increase of 43%. The export sales mainly consisted of Infant and Children's wear and Jackets intended for the USA market. The sale was effected through reputed US buyers. The increase in turnover has resulted in increase in Operating profit from Rs.1614.21 lakhs to Rs. 2752.99 lakhs during the year, an increase of 70%.

### Future Prospects

The company has commissioned the Processing Plant under the New Project Backward Integration on 23<sup>rd</sup> March, 2007 which will have significant impact on the profitability of the company.

### Dividend

The Directors are happy to recommend a dividend of 15% of the paid up capital.

### Capital Expenditure

As at 31<sup>st</sup> March, 2007 the gross fixed assets stood at Rs. 9927.33 lakhs and net fixed assets Rs. 9151.87 lakhs. Additions during the year amounted to Rs. 7142.29 lakhs, which includes addition to building for Rs. 1569.50, Plant & machinery and other equipments amounting to Rs. 5426.23 lakhs. The major additions were made on account of commissioning of the New Processing Plant.

### Directors Responsibility Statement

The directors report that

- In the preparation of the annual accounts, the applicable accounting standards have been followed.
- 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.
- 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.
- The Directors have prepared the annual accounts on a going concern basis.

# Kitex Garments Limited

## Corporate Governance

As required by Clause 49 of the Listing Agreement with the Stock Exchanges, the report on Management Discussion and Analysis, Corporate Governance as well as the Auditor's Certificate regarding compliance of conditions of Corporate Governance, form part of the Annual Report.

## Disclosure of Particulars

Information under Section 217(2A) of the Companies Act 1956, read with the Companies (Particulars of Employees) Rules, 1975 and 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 forming part of this report.

## Directors

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

## Auditors

M/s Venkit and Hari, Chartered Accountants, Auditors of the Company will 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, The Federal Bank Ltd. 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

30<sup>th</sup> June, 2007

## ADDENDUM TO DIRECTORS' REPORT

Regarding Auditors remark on usage of funds vide Para.17 of Annexure to the Auditors Report, the amount involved is not significant considering the volume of transactions and the same had since been regularised.

For and on behalf of the Board of Directors

Sd/-

**SABU M. JACOB**

**Chairman & Managing Director**

Kochi

30<sup>th</sup> June, 2007



# Kitex Garments Limited

## Annexure to the Directors' Report

Information as per Section 217 (2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975

Name	Age (Yrs.)	Designation	Qualification	Experi- ence (Yrs.)	Remu- neration received (Rs.)	Date of Commen- cement of employ- ment	Last employment/ Designation
<b>A. Employed for the full year</b>							
1. Sabu M. Jacob	46	Managing Director	B A Economics	25	58,82,555	29-5-92	Kitex Ltd. Executive Director

Information as per Companies [Disclosure of particulars in the report of Board of Directors] Rules, 1988

### 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 31-03-2007	Year Ended 31-03-2006
<b>Electricity</b>		
a) Purchased		
Units (KWH)	34,88,755	31,26,262
Total Amount	(Rs.) 1,37,45,691	(Rs.) 1,23,17,472
Rate/Unit (Rs. KWH)	3.94	3.94
b) Own generation		
Through Diesel Generator		
Units (KWH)	5,27,610	1,35,392
Total Cost	(Rs.) 31,92,044	(Rs.) 7,90,687
Cost/Unit (Rs./KWH)	6.05	5.84

### B. CONSUMPTION PER UNIT OF PRODUCTION

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

### C. TECHNOLOGY ABSORPTION

Disclosure of particulars with respect to technology absorption:-

# Kitex Garments Limited

## RESEARCH & DEVELOPMENT

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

- a) Quality Upgradation.
- 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 of 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

	2006-2007 (Rs. in lakhs)	2005-2006 (Rs. in lakhs)
Earnings on account of Exports	14556.51	10144.75
Outgo on account of Import & Expenditure	7194.16	2139.57

For and on behalf of the Board of Directors

Kochi  
30<sup>th</sup> June, 2007

Sd/-  
**SABU M. JACOB**  
Chairman & Managing Director



# Kitex Garments Limited

## MANAGEMENT DISCUSSION AND ANALYSIS

This report discusses and analyses the performance for the year ended 31<sup>st</sup> March, 2007.

### ➤ 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 is Rs. 16320 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.

### ➤ 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.

However we perceive threats by way of competition from the neighbouring countries like China, Pakistan and Srilanka. 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 those 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 3255 employees compared to 2374 employees of previous year. Industrial relations are 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.

# Kitex Garments Limited

## CORPORATE GOVERNANCE

### 1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

The company aims at not only its own growth but also maximization of benefits to the shareholders, employees, customers, government and also the general public at large. For this purpose the company continuously strives to improve its level of overall efficiency through good corporate governance, which envisages transparency, professionalism and accountability in all its operations.

### 2. BOARD OF DIRECTORS

Composition of the Board and category of Directors

Sl. No.	Category	Name of the Director
1	Promoter – Chairman & Managing Director	Sabu M. Jacob
2	Promoter Non-executive	M. C. Jacob
3	Independent and Non-executive	Benni Joseph
4	Independent and Non-executive	C. Mohan
5	Independent and Non-executive	M. P. Kuriakose

Attendance of each Director at the Board Meeting and Last Annual General Meeting

Name of the Director	No. of Board Meetings attended	Attendance at the AGM	No. of other Directorships held	No. of Membership in Committee of Board
Sabu M. Jacob	5	Absent	1	NIL
M. C. Jacob	5	Absent	2	NIL
Benni Joseph	1	Present	1	NIL
C. Mohan	5	Present	NIL	NIL
M. P. Kuriakose	5	Present	NIL	NIL

Five Board Meetings were held during the year on 30.06.2006, 29.07.2006, 30.10.2006, 30.01.2007 & 31.03.2007. Last Annual General Meeting was held on 30.09.2006.

### 3. CODE OF CONDUCT

The Board at its meeting held on 29<sup>th</sup> January, 2006 has adopted a code of conduct for all Board members and senior management of the company. The term senior management means personnel of the company who are members of its core management team excluding Board of Directors. Normally this would comprise all members of management one level below the executive directors, including all functional heads.

The code has been circulated to all members of the Board and senior management and the compliance of the same has been affirmed by them.

A declaration signed by the Chairman and Managing Director is given below.

I hereby confirm that:

“The company has obtained from all the members of the Board and senior management, affirmation that they have complied with the code of conduct for directors and senior management in respect of the financial year 2006-07.

Sd/-

**Sabu M. Jacob**

Chairman and Managing Director