

Sixteenth Annual Report 2007-08



KITEX

Kitex Garments Limited

Kitex Garments Limited

Board of Directors

Mr. Sabu M. Jacob
Mr. M. C. Jacob
Mr. Benni Joseph
Mr. C. Mohan
Mr. M. P. Kuriakose

Chairman & Managing Director

Auditors

M/s. Venkit and 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 / 536 A
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
E-mail Id : cameo@cameoindia.com

Kitex Garments Limited

Contents	Page
1. Notice	3
2. Directors' Report and Annexure	4
3. Management Discussion and Analysis	8
4. Report on Corporate Governance	9
5. Auditor's Report	14
6. Balance Sheet	18
7. Profit and Loss Account	19
8. Schedule Nos. 1 - 14	20-29
9. Cash Flow Statement	30
10. Additional Information	31
11. Attendance Slip	32
12. Proxy Form	32

Kitex Garments Limited

NOTICE

Notice is hereby given that the Sixteenth 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, 2008 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 31st March, 2008, 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. C. Jacob, 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 KITEX GARMENTS LIMITED

Kochi
30th June, 2008

Sd/-
SABU M. JACOB
Chairman & Managing Director

NOTES

- 1) A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on a poll 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 24-09-2008.
- 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 25th September, 2008 to 29th September, 2008, 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 20% 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 29th September, 2008.

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. C. Jacob is one of the promoter Directors of the Company.
- b) **Nature of his expertise in specific functional areas:**
Industrialist with rich Business and Management experience.
- c) **Names of companies in which he holds directorship and membership of committees of the Board :**
Kitex Childswear Limited & Kitex Limited
- d) **Shares held by the Director (both own or held/for other persons on a beneficial basis):**
11,03,020 Nos.
- e) **Relationship with other directors:**
Father of Mr. Sabu M. Jacob, Chairman and Managing Director. Not related to any other director.

By Order of the Board of Directors
For KITEX GARMENTS LIMITED

Kochi
30th June, 2008

Sd/-
SABU M JACOB
Chairman & Managing Director

Kitex Garments Limited

DIRECTORS' REPORT TO THE MEMBERS OF KITEX GARMENTS LIMITED

The Directors have pleasure to present their Sixteenth Annual Report and the audited Annual Accounts for the year ended 31st March 2008.

FINANCIAL RESULTS

	Year ended 31 st March, 2008 (Rs. in lakhs)	Year ended 31 st March, 2007 (Rs. in lakhs)
Income from operations	19479.32	16320.40
Operating Profit	3781.97	2752.99
Profit before Financing Charges And Non cash expenditure	3073.00	2242.09
Profit before tax	1451.85	1523.27
Profit after tax	884.11	955.31

PERFORMANCE REVIEW

The company has utilised the additional capacity in readymade garments commissioned during the previous years to the full extent which is reflected in the performance for the year. The export turnover, which was Rs. 14,565.63 lacs in the previous year 2006-07, has increased to Rs. 17287.58 lacs during 2007-08, an increase of 19%. 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. 2752.99 lacs to Rs. 3781.97 lacs during the year, an increase of 38%.

FUTURE PROSPECTS

The new state-of-the-art imported processing plant is getting fine-tuned to get the optimum productivity. The plant will have the full capacity utilization in coming years, which will have a significant impact on the bottom line performance of your company. The company is also exploring the possibility for fabric exports in addition to catering the complete internal requirements.

DIVIDEND

Your directors recommend a dividend of 20% for the year ended 31st March, 2008, an increase of 5% over the previous year ended 31st March, 2007, subject to the approval of the shareholders at the ensuing Annual General Meeting.

CAPITAL EXPENDITURE

As at 31st March, 2008 the gross fixed assets stood at Rs. 11401.06 lacs and net fixed assets Rs. 10136.24 lacs. Additions during the year amounted to Rs. 1481.65 lacs, which include addition to building for Rs. 687.00 lacs, Plant & machinery and other equipments amounting to Rs. 654.64 lacs.

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.

Kitex Garments Limited

iv) The Directors have prepared the annual accounts on a going concern basis.

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. C. Jacob 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

Kochi
30th June, 2008

Sd/-
SABU M. JACOB
Chairman & Managing Director

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	Experience (Yrs)	Remuneration received (Rs)	Date of Commencement of employment	Last employment/ Designation
A. Employed for the full year							
1. Sabu M. Jacob	46	Managing Director	B. A. Economics	25	76,41,341	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 for 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 31-03-2008	Year Ended 31-03-2007
Electricity		
a) Purchased		
Units (KWH)	37,85,073	34,88,755
Total Amount	(Rs.) 1,49,13,188	(Rs.) 1,37,45,691
Rate/Unit (Rs. KWH)	3.94	3.94
b) Own generation		
Through Diesel Generator		
Units (KWH)	24,21,364	5,27,610
Total Cost	(Rs.) 1,99,76,255	(Rs.) 31,92,044
Cost/Unit (Rs./KWH)	8.25	6.05

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:-

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.

Kitex Garments Limited

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 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

	2007-2008 (Rs. in lakhs)	2006 - 2007 (Rs. in lakhs)
Earnings on account of Exports	17183.72	14556.51
Outgo on account of Import & Expenditure	2349.13	7194.16

For and on behalf of the Board of Directors

Kochi
30th June, 2008

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 31st March, 2008.

➤ 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. 19479 lakhs, which is the record turnover since inception.

➤ INDUSTRY

The Indian textile industry plays a vital role in the economy of the country by contributing to GDP, generating employment and earning foreign exchange. Indian textile exports are growing at the rapid pace and expected to achieve US\$ 50 million by the end of 2010.

➤ 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 Company is also exploring the possibility of fabric export in the next financial 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, due to availability of the raw materials and skilled labour in these countries.

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. The more transit time due to Geographical position and appreciation of the rupee are major concerns for the growth of the industry.

➤ OUTLOOK

The Company is taking all efforts to improve the quality and productivity to get more orders at competitive rates. Due to the addition of the new processing plant the Company is able to quote better rates and maintain high quality & productivity in the finished goods manufactured. 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

The financial statements have been prepared in compliance with the requirements of the Companies Act, 1956 and Generally Accepted Accounting Principles in India. 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 3809 employees compared to 3255 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

Except Mr. M. C. Jacob and Mr. Sabu M. Jacob who are related as father and son, no director is related to any other director.

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	Present	1	NIL
M. C. Jacob	5	Absent	2	NIL
Benni Joseph	1	Absent	1	NIL
C. Mohan	5	Present	NIL	NIL
M. P. Kuriakose	5	Present	NIL	NIL

Five Board Meetings were held during the year on 30-06-2007, 30-07-2007, 31-10-2007, 31-01-2008 & 31-03-2008. Last Annual General Meeting was held on 29-09-2007.

3. CODE OF CONDUCT

The Board at its meeting held on 29th 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 2007/08."

Kochi
30th June 2008

Sd/-
Sabu M. Jacob
Chairman and Managing Director