

Seventeenth Annual Report 2008-09



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

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Kitex Garments Limited

NOTICE

Notice is hereby given that the Seventeenth 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 Wednesday, the 30th September, 2009 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, 2009, 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. Mohan C., who retires by rotation and, being eligible offers himself for re-appointment.
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.

SPECIAL BUSINESS

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, 2009 on the following remuneration.

1. Salary : Rs. 2,00,000/- pm
2. Allowances : Rs. 50,000/- pm
3. 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.
4. Commission, subject to the condition that the total remuneration consisting of salary, allowances, perquisites and commission shall not exceed 5% of the net profit of the company for any financial year computed in accordance with the provisions of the Companies Act."

"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 said salary, allowances and perquisites shall be payable as minimum remuneration in the event of absence or inadequacy of net profit in any financial year."

By Order of the Board of Directors
For KITEX GARMENTS LIMITED

Sd/-
SABU M. JACOB
Chairman & Managing Director

Kochi
30th June, 2009

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 26-09-2009.
5. Persons representing corporate member shall bring proper authorisation issued in their favour.
Members / proxy holders / authorised representatives are requested to bring their photo id proof and the attendance slip dully filled in for attending the meeting.
6. The Share transfer books and the Register of members shall remain closed from 25th September, 2009 to 30th September, 2009, 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 25% (25 Ps. per Share of face value Re. 1/-) 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 30th September, 2009.
9. Explanatory Statement u/s 173(2) is annexed hereto in respect of the special business mentioned above.

Kitex Garments Limited

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

RE-APPOINTMENT OF MANAGING DIRECTOR

The tenure of Mr. Sabu M. Jacob as Managing Director expires on 15th August, 2009. Taking into consideration the valuable services rendered by him during the past sixteen years for the growth of the company, the Board of Directors at their meeting held on 30th June, 2009 re-appointed him as Managing Director for a further period of three years effective from 16th August, 2009 on a remuneration set out in the resolution.

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 also the Managing Director of Kitex Childrenswear 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:

1. 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:

	2008-09
Net Profit for the year (Rs. in lacs)	995.90
Weighted Average number of Equity Shares	4,75,00,000
Nominal value of Shares (Rs.)	1
Basic & Diluted Earnings per Share (Rs.)	2.10

5. Export performance and net foreign exchange earnings:

Export performance: (Fob Value)	Rs. 17924 lacs
Net foreign exchange earnings:	Rs. 15192 lacs
	Nil

2. 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. Remuneration during the past three years:
- | | | | |
|---|------------|------------|------------|
| | 2006-07 | 2007-08 | 2008-2009 |
| | Rs. (lacs) | Rs. (lacs) | Rs. (lacs) |
| 5 percent of net profit for the respective year | 58.83 | 76.41 | 84.49 |

3. Recognition or awards: The industrial unit is one of the few WRAP certified factories in India and has received certificates from reputed international buyers like Wal-Mart, Gerber, Disney etc. as one of their approved sources.
4. Job profile and his suitability: It is proposed to re-appoint Mr. Sabu M. Jacob as the Managing Director of the company for a period of 3 years with effect from 16-08-2009. He has been in the same position for the last sixteen years and under his leadership the company has grown in size and reputation.
5. Remuneration as detailed in the resolution.
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.
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 14.97% shares in the company. The promoter's shareholding is 55.13% of the paid-up capital.

3. OTHER INFORMATION:

1. Reason for loss or inadequate profits & steps taken or proposed to be taken for improvement: The company has been making profits, 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 minimum managerial remuneration of Rs. 2,50,000/- 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	2008-09 (Actual)	2009-10 (Expected)
Sales (Rs. in lakhs)	18239.00	23450.00
Net Profit (Rs. in lakhs)	996.00	1610.00

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. 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 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

d) Shares held by the Director (both own or held/for other persons on a beneficial basis) : Nil

e) Relationship with other directors: Nil

By Order of the Board of Directors
For KITEK GARMENTS LIMITED

Sd/-
SABU M. JACOB
Chairman & Managing Director

Kochi
30th June, 2009

Kitex Garments Limited

DIRECTORS' REPORT TO THE MEMBERS OF KITEX GARMENTS LIMITED

The Directors have pleasure to present their Seventeenth Annual Report and the audited Annual Accounts for the year ended 31st March 2009.

FINANCIAL RESULTS

	Year ended 31 st March, 2009 (Rs. in lakhs)	Year ended 31 st March, 2008 (Rs. in lakhs)
Income from operations	20248.74	19479.32
Operating Profit	4510.69	3781.97
Profit before Financing Charges and Non cash expenditure	3838.13	3073.00
Profit before tax	1605.34	1451.85
Profit after tax	995.90	884.11

PERFORMANCE REVIEW

The export turnover, which was Rs. 17287.58 lacs in the previous year 2007-08, has increased to Rs. 17921.90 lacs during 2008-09, an increase of 4%. 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 with better foreign exchange realisation and processing in our own plant has resulted in increase in Operating profit from Rs. 3781.97 lacs to Rs. 4510.69 lacs during the year, an increase of 19%.

FUTURE PROSPECTS

The investments in the new processing factory and additions to the existing garments factory are fully operational during the last year which is reflected in the Operational profits for the financial year, which shows a noticeable growth of 19%. This is achieved despite the adverse market conditions existing in the export sector of readymade garments in wake of the slow down in the global economy. The markets are showing signs of recovery during the first quarter of the current financial year and your Directors are confident of achieving better working results for the next financial year.

DIVIDEND

Your directors recommend a dividend of 25% (25 Ps. per Share of face value Re. 1/-) for the year ended 31st March, 2009, an increase of 5% over the previous year ended 31st March, 2008, subject to the approval of the shareholders at the ensuing Annual General Meeting.

CAPITAL EXPENDITURE

As at 31st March 2009 the gross fixed assets stood at Rs. 14133.50 lacs and net fixed assets Rs. 12303.23 lacs. Additions during the year amounted to Rs. 2805.15 lacs, which include addition to building for Rs. 1868.36 lacs, Plant & machinery and other equipments amounting to Rs. 857.01 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.
- 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. Secretarial Compliance Certificate from a practising Company Secretary is also enclosed.

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. Mohan C. 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 re-appointment.

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
30th June, 2009

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	47	Managing Director	B. A. Economics	26	84,49,180	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 31-03-2009	Year Ended 31-03-2008
Electricity		
a) Purchased		
Units (KWH)	29,38,620	37,85,073
Total Amount	(Rs.) 1,41,10,438	(Rs.) 1,49,13,188
Rate/Unit (Rs. KWH)	4.80	3.94
b) Own generation		
Through Diesel Generator		
Units (KWH)	33,93,600	24,21,364
Total Cost	(Rs.) 3,64,81,200	(Rs.) 1,99,76,255
Cost/Unit (Rs./KWH)	10.75	8.25

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.

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 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.

Kitex Garments Limited

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

	2008 - 2009 (Rs. in lakhs)	2007 - 2008 (Rs. in lakhs)
Earnings on account of Exports	17924.07	17183.72
Outgo on account of Import & Expenditure	2732.38	2349.13

For and on behalf of the Board of Directors

Sd/-

SABU M. JACOB
Chairman & Managing Director

Kochi
30th June, 2009

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Kitex Garments Limited

MANAGEMENT DISCUSSION AND ANALYSIS

This report discusses and analyses the performance for the year ended 31st March, 2009.

➤ 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. 20248.74 lakhs, which is the record turnover since inception. The investments in the new processing factory and additions to the existing garments factory are fully operational during the last year which is reflected in the Operational profits for the financial year, which shows a noticeable growth of 19%.

➤ 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. Last year the International Economy has gone through a recession which is reflected in the Indian readymade sector also. Signs of recovery are reflected in the global and local markets in very recent times, which is a positive note for the industry.

➤ OPPORTUNITIES AND THREATS

The conglomerates in America and Europe manufacturing and dealing in textiles and garments will be forced to depend upon India, China and the neighbouring countries 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. Due to the recession there is a slow down in the sector, but there is a tremendous market potential for the garments world wide.

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 3322 employees during 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	3	Absent	2	NIL
Benni Joseph	3	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 30-06-2008, 31-07-2008, 31-10-2008, 31-01-2009 & 31-03-2009. Last Annual General Meeting was held on 29-09-2008.

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 2008-09".

4. AUDIT COMMITTEE

Brief description of terms of reference:

To oversee the company's financial reporting process, internal control systems, reviewing the accounting policies and practices; ensuring that financial statements are correct, sufficient and credible; reviewing with management the annual financial statements for submission to the Board; reviewing the internal audit observations and action taken thereon; ensuring compliance with Stock Exchange and other legal requirements and also recommending of the appointment and removal of external auditors, fixation of audit fee and also approval for payment for any other services. The composition, role, functions and powers of the Audit Committee are in consonance with the requirements of applicable laws, rules and regulations

Composition, names of members and chairperson:

Name of the Director	Category	No. of Meetings held	No. of Meetings attended
C. Mohan	Chairman	4	4
Benni Joseph	Member	4	4
M. C. Jacob	Member	4	4

Note: The Committee has met four times on 27-06-2008, 27-10-2008, 26-01-2009 and 25-03-2009 during the year.