

<b>Board of Directors</b>	Mr. Sabu M Jacob Mr. M. C. Jacob Mr. Benni Joseph Mr. C. Mohan Mr. M. P. Kuriakose	<i>Chairman &amp; Managing Director</i>
<b>Auditors</b>	M/s. Venkit & Hari Chartered Accountants Metro Plaza, North End Market Road Kochi -682014	
<b>Legal Advisors</b>	M/s. Dandapani Associates Advocates Thirupathi, T.D.Road North End,, Kochi -682035	
<b>Registered Office</b>	Building No.9/536A Kitex House Kizhakambalam Kochi -683562	
<b>Corporate Office</b>	Kitex House 3 <sup>rd</sup> Floor, Shenoy Chambers Shanmugham Road Kochi – 682 031	
<b>Bankers</b>	State Bank of India Punjab National Bank The Federal Bank Ltd	
<b>Share Transfer Agents</b>	M/s. Cameo Corporate Services Ltd Subramanian Building No.1 Club House Road, Chennai -600 002 Tel No.:044 - 28461832 Fax No.044 - 28460129 E-mail Id: Cameo@cameoindia.com	

<b>Contents</b>	<b>Page</b>
1. Notice	3
2. Directors' Report and Annexure	5
3. Management Discussion and Analysis	9
4. Report on Corporate Governance	10
5. Secretarial Compliance Certificate	15
6. Auditors' Report	18
7. Balance Sheet	22
8. Profit and Loss Account	23
9. Schedule Nos. 1-14	24-33
10. Cash Flow Statement	34
11. Additional Information	35
12. Attendance Slip & Proxy Form	36

## NOTICE

Notice is hereby given that the Eighteenth 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 Thursday, the 30<sup>th</sup> December, 2010 at 10 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 2010, 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. Benni Joseph, who retires by rotation and, being eligible offers himself for reappointment.
4. To appoint the Auditors of the Company 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. The retiring Auditors M/s. Venkit & Hari, Chartered Accountants, Ernakulam have given the Company a notice in writing informing their unavailability for reappointment. A notice has been received by the Company from a member proposing appointment of M/s. Kolath & Co., Chartered Accountants, 41/3951A, Old Railway Station Road, Ernakulam 682 018 as Auditors in the place of the retiring auditors. M/s. Kolath & Co. have given a written certificate to the effect that the appointment, if made, will be within the limits specified in Section 224(1B) of the Companies Act, 1956.

### SPECIAL BUSINESS

5. Approval for Foreign Institutional Investors' shareholding in excess of 24% of Paid-up Capital:

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

"Resolved that, the total shareholdings of all Foreign Institutional Investors in the Company may exceed 24% of the Paid-up Capital of the Company, but shall be within the sectoral cap / statutory limit prescribed from time to time by the Government / Reserve Bank of India"

6. Approval for Non-resident Indians' shareholding in excess of 10% of Paid-up Capital:

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

"Resolved that, the total shareholdings of all Non Resident Indians in the Company may exceed 10% of the Paid-up Capital of the Company, but shall be within 24% of the Paid-up Capital of the Company or such other limit as prescribed from time to time by the Government / Reserve Bank of India"

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

sd/-

**SABU M JACOB  
Chairman & Managing Director**

Kochi  
27th November, 2010

### 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 25<sup>th</sup> December, 2010.

- 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 27<sup>th</sup> December, 2010 to 30<sup>th</sup> December, 2010 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.
- 8) The Board of Directors have recommended a dividend at 30%(30Ps per Share of Re1/-) 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 30<sup>th</sup> December, 2010.
- 9) Explanatory statement u/s 173(2) is annexed hereto in respect of the special business mentioned above.

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

As per the existing regulations prescribed by Reserve Bank of India regarding the Foreign Investments in India:-

- (1) a Foreign Institutional Investor (FII) can hold upto 10% of the Paid-up Capital of the Company and the total shareholdings of all FII's shall not exceed 24% of the Paid-up Capital. The said limit of 24% may be increased to the prescribed sectoral cap / statutory limit by passing a resolution by the Board of Directors of the Company followed by a Special Resolution in the General Body
- (2) a Non Resident Indian (NRI) can hold upto 5% of the Paid-up Capital of the Company and the total shareholdings of all NRI's shall not exceed 10% of the Paid-up Capital. The said limit of 10% may be increased to 24% by passing a Special Resolution in the General Body.

The proposed resolutions are intended for the above purpose.

No Director is interested or concerned in the resolutions

### **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.Benni Joseph is a Member of the Institute of Chartered Accountants of India. He has been functioning as a Director of the Company since July 1998.

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

Finance Management. Accounts and Taxation

#### **c) Names of companies in which he holds directorship and membership of committees of the Board :Director in Kitex Childrenswear Ltd.**

#### **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 KITEX GARMENTS LIMITED**

sd/-

**SABU M JACOB  
Chairman & Managing Director**

Kochi  
27th November, 2010

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

The Directors have pleasure to present their Eighteenth Annual Report and the audited Annual Accounts for the year ended 31<sup>st</sup> March 2010.

### FINANCIAL RESULTS

	Year ended 31 <sup>st</sup> March, 2010 (Rs in lakhs)	Year ended 31 <sup>st</sup> March, 2009 (Rs in lakhs)
Income from operations	27342.37	20248.74
Operating Profit	5939.55	4510.69
Profit before Financing Charges And Non cash expenditure	4956.58	3838.13
Profit before tax	2779.03	1605.34
Profit after tax	1850.48	995.90

### PERFORMANCE REVIEW

The export turnover, which was Rs 17921.90 lacs in the previous year 2008-09, has increased to Rs 23659.48 lacs during 2009-10, an increase of 32%. 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 has resulted in increase in Operating profit from Rs. 4510.69 lacs to Rs5939.55 lacs during the year, an increase of 32 %.

### 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 commendable growth of 32%. This is achieved amidst the adverse market conditions existing in the export sector of readymade garments due to stiff competition. However, the international buyers show preference to the Indian suppliers over the competitors in the neighbouring countries because of the superior quality of the products supplied and the capacity to meet the increasing demand in the international market. Your Directors are confident of achieving better working results for the next financial year.

### DIVIDEND

Your directors recommend a dividend of 30% (30Ps per Share of Re1/-) for the year ended 31<sup>st</sup> March, 2010, an increase of 5% over the previous year ended 31<sup>st</sup> March, 2009, subject to the approval of the shareholders at the ensuing Annual General Meeting.

### CAPITAL EXPENDITURE

As at 31<sup>st</sup> March 2010 the gross fixed assets stood at Rs.14351.94 lacs and net fixed assets Rs11866.23 lacs. Additions during the year amounted to Rs 935.01 lacs, which include addition to building for Rs33.50 lacs, Plant & machinery and other equipments amounting to Rs 847.87 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.
- 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 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 practicing 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. Benni Joseph is retiring by rotation and, being eligible, offers himself for re-appointment.

## **AUDITORS**

The retiring Auditors M/s. Venkit & Hari, Chartered Accountants, Ernakulam have given the Company a notice in writing informing their unavailability for reappointment. A notice has been received by the Company from a member proposing appointment of M/s. Kolath & Co., Chartered Accountants, 41/3951 A, Old Railway Station Road, Ernakulam 682 018 as Auditors in the place of the retiring auditors. M/s. Kolath & Co. have given a written certificate to the effect that the appointment, if made, will be within the limits specified in Section 224 (1B) of the Companies Act, 1956. The proposal is presented to the members at the ensuing Annual General Meeting for consideration and decision.

## **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  
27th November, 2010

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

## 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 (Yrs)	Experience received	Remuneration Commencement (Rs in lakhs)	Date of Designation	Last employment/ of employment
<b>A. Employed for the full year</b>							
Sabu M Jacob	48	Managing Director	B A Economics	27	146.26	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 31.03.2010	Year Ended 31.03.2009
<b>Electricity</b>		
a) Purchased		
Units (KWH)	48,12,136	29,38,620
Total Amount(Rs.)	1,97,70,517	1,41,10,438
Rate/Unit (Rs. KWH)	4.11	4.80
b) Own generation		
Through Diesel Generator		
Units (KWH)	39,85,937	33,93,600
Total Cost(Rs.)	4,20,97,783	3,64,81,200
Cost/Unit (Rs./KWH)	10.56	10.75

### 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 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 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

	2009-2010 (Rs in lakhs)	2008 - 2009 (Rs in lakhs)
Earnings on account of Exports	23659.49	17924.07
Outgo on account of Import & Expenditure	3225.42	2732.38

For and on behalf of the Board of Directors

Kochi  
27th November, 2010

Sd/-  
SABU M JACOB  
Chairman & Managing Director



## MANAGEMENT DISCUSSION AND ANALYSIS

This report discusses and analyses the performance for the year ended 31st March 2010.

➤ **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. 27342 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 commendable growth of 32%.

➤ **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.

➤ **Opportunities and Threats**

The big business houses 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.

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 3163 employees. 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.

## 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*

SlNo	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 Member ship in Committee of Board
Sabu M Jacob	5	Present	1	NIL
M.C.Jacob	3	Absent	2	NIL
Benni Joseph	4	Absent	1	NIL
C.Mohan	5	Present	NIL	NIL
M P Kuriakose	4	Present	NIL	NIL

Five Board Meetings were held during the year on 30.06.2009, 27.07.2009, 30.10.2009, 29.01.2010 & 31.03.2010. Last Annual General Meeting was held on 30.09.2009.

### 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 2009/10.

sd/-  
**Sabu M Jacob**  
 Chairman and Managing Director