

<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. Kolath & Co. Chartered Accountants 41/3951 A, O.R.S. Road Kacheripady, Kochi - 682018	
<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 - 28460390 Fax No.044 - 28460129 E-mail Id: cameo@cameoindia.com	

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## NOTICE

Notice is hereby given that the Nineteenth 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 Monday, the 30th May, 2011 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 2011, 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. Kolath & Co, 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) To consider, and if thought fit, to pass, with or without modifications, the following as an Ordinary Resolution:

“ RESOLVED that consent of the company be and is hereby accorded to the Board of Directors under section 293 (1) (d) and other applicable provisions, if any, of the Companies Act 1956 to borrow any sum or sums of money, from time to time, notwithstanding that the money or moneys to be borrowed, together with the moneys already borrowed by the company (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business), will or may, exceed the aggregate of the paid-up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose, provided that the total amounts so borrowed shall not exceed Rs.200 crores (Rs. Two hundred crores only)”

By Order of the Board of Directors  
For KITEX GARMENTS LIMITED

sd/-  
SABU M JACOB  
Chairman & Managing Director

Ernakulam  
25th April, 2011

### 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/herself 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 25th May, 2011.
- 5) Members /proxies should bring the attendance slips duly filled in and **PHOTO ID** Proof for attending the meeting.

- 6) The Share Transfer Books and the Register of Members shall remain closed from 26th May, 2011 to 30th May, 2011 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 40%(40Ps 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> May, 2011.
- 9) **Shareholders who have not encashed the Dividend warrants of the earlier years are requested to obtain fresh warrants by returning the old/timebarred warrants.**
- 10) Explanatory statement u/s 173 (2) of the Companies Act is annexed hereto in respect of the special business mentioned above.

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

There is a proposal for expansion of the present production facilities with borrowings from banks / financial institutions Under Section 293 (1) (d) of the Companies Act the Board of Directors can borrow money on behalf of the company (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business), in excess of the paid-up capital of the Company and its free reserves, only with the consent of the Company in General Meeting. Accordingly an Ordinary Resolution is placed before the shareholders for their approval.

None of the Directors is concerned or interested in the above resolution

### 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 him (both own or held/ for other persons on a beneficial basis)              | : | 1000   |
| e) Relationship with other directors   | : | Nil  |

By Order of the Board of Directors  
For KITEX GARMENTS LIMITED

sd/-

SABU M JACOB  
Chairman & Managing Director

Ernakulam  
25th April, 2011

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

The Directors have pleasure to present their Nineteenth Annual Report and the audited Annual Accounts for the year ended 31<sup>st</sup> March 2011.

### FINANCIAL RESULTS

	Year ended 31 <sup>st</sup> March, 2011 (Rs in lakhs)	Year ended 31 <sup>st</sup> March, 2010 (Rs in lakhs)
Income from operations	26133.96	27342.37
Operating Profit	6766.35	6207.18
Profit before Depreciation & Finance charges	5346.48	4956.58
Profit before tax	3124.30	2779.03
Profit after tax	2063.27	1850.48

### PERFORMANCE REVIEW

The total turnover for the year is Rs 24228.47 lakhs against the previous year turnover of Rs.24741.92 lakhs. The spurt in the price of yarn in the market and its consequent effect in the price of our product had affected the export in the first half of the financial year. However the revival of export sales in the second half year and the increase in sales in domestic market helped the company in maintaining the turnover at this level. The profit after tax is Rs.2063.27 lakhs against previous year profit after tax of Rs.1850.48 lakhs which shows an increase of 11.5% . This could be achieved by optimizing all operations.

### FUTURE PROSPECTS

Despite escalating prices of yarn and stiff competition from other countries, international buyers show preference to your company's product for its quality and timely delivery and hence your Directors are confident of achieving better working results in the coming years.

### DIVIDEND

Your directors recommend a dividend of 40% (40 Ps per Share of Re1/-) for the year ended 31<sup>st</sup> March, 2011, an increase of 10% over the previous year ended 31<sup>st</sup> March, 2010, subject to the approval of the shareholders at the ensuing Annual General Meeting.

### CAPITAL EXPENDITURE

As at 31<sup>st</sup> March 2011 the gross fixed assets stood at Rs. 15403.53 lakhs and net fixed assets Rs 12231.21 lakhs. Additions during the year amounted to Rs 1055.38 lakhs, which include addition to land and building for Rs 106 lakhs, Plant & machinery and other assets amounting to Rs949.38 lacs.

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

## **AUDITORS**

M/s. Kolath & Co., 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**

Ernakulam  
25th April, 2011

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	Experience (Yrs)	Remuneration received (Rs in lakhs)	Date of Commencement of employment	Last employment/ Designation
<b>A. Employed for the full year</b>							
Sabu M Jacob	49	Managing Director	B A Economics	28	164.48	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 31.03.2011	Year Ended 31.03.2010
<b>Electricity</b>		
a) Purchased		
Units (KWH)	86,09,898	48,12,136
Total Amount(Rs.)	3,60,87,450	1,97,70,517
Rate/Unit (Rs. KWH)	4.19	4.11
b) Own generation		
Through Diesel Generator		
Units (KWH)	1,11,773	39,85,937
Total Cost(Rs.)	13,52,651	4,20,97,783
Cost/Unit (Rs./KWH)	12.10	10.56

### 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

	2010-2011 (Rs in lakhs)	2009 - 2010 (Rs in lakhs)
Earnings on account of Exports	17142.67	23659.49
Outgo on account of Import & Expenditure	3038.43	3328.03

For and on behalf of the Board of Directors

Ernakulam  
25-4-2011

Sd/-  
SABU M JACOB  
Chairman & Managing Director



## MANAGEMENT DISCUSSION AND ANALYSIS

This report discusses and analyses the performance for the year ended 31st March 2011.

### ➤ Overall review of operations

The company is in the business of manufacturing and exporting garments. The Company had achieved a turnover of Rs. 26133 lakhs though there is a reduction in export of garments. The operational profits has improved on account of optimizing all the operations of the company.

### ➤ 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 2609 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	7	Present	1	NIL
M.C.Jacob	3	Absent	2	NIL
Benni Joseph	3	Absent	1	NIL
C.Mohan	4	Present	NIL	NIL
M P Kuriakose	4	Present	NIL	NIL

Seven Board Meetings were held during the year on 15.05.2010, 31.07.2010, 20.08.2010, 15.11.2010, 27.11.2010, 07.02.2011 and 28.03.2011.. Last Annual General Meeting was held on 30.12..2010

### 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 2010/11.

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