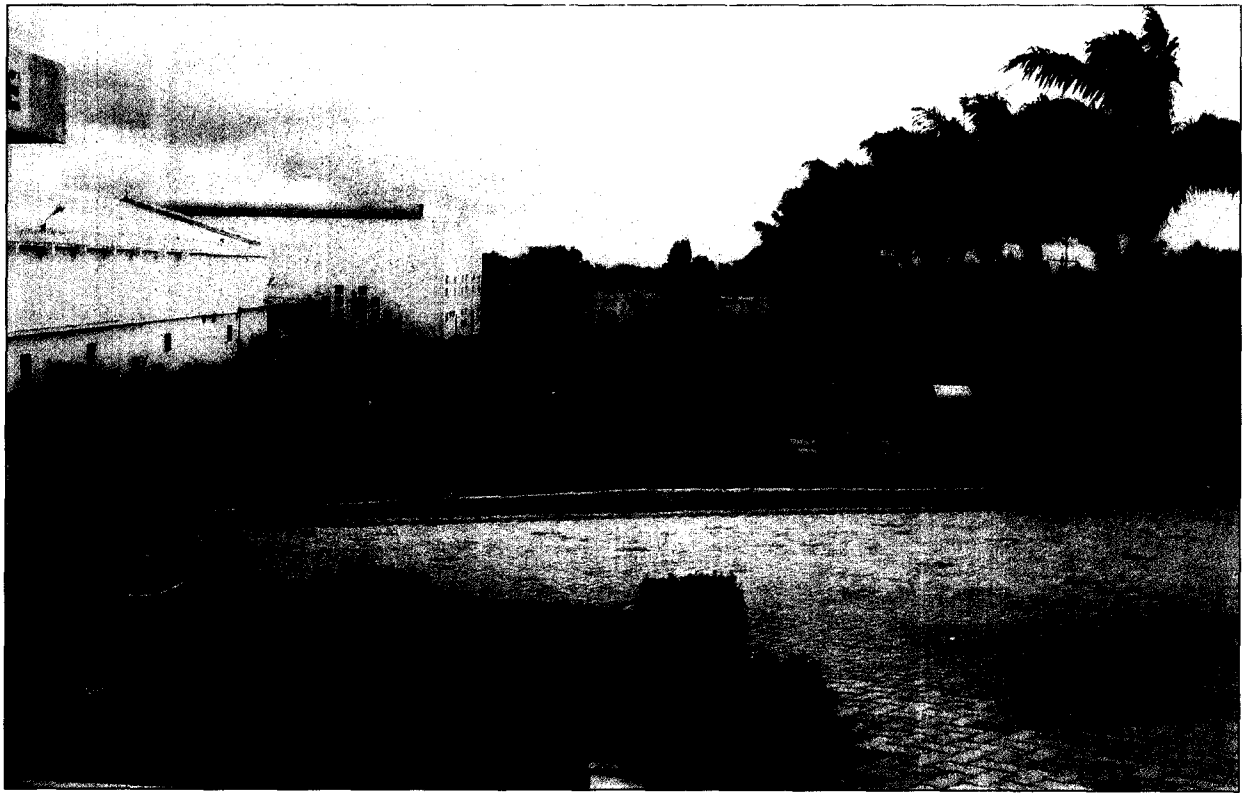


ZENITH EXPORTS LIMITED



**22nd
Annual Report & Accounts
2003 - 04**



Greenery with Plantation — A small step towards pollution control in our factory complex at Nunjangud (Factory in the background)



Staff and workers enjoying their meals in the factory canteen



ZENITH EXPORTS LIMITED

BOARD OF DIRECTORS (13.08.04)

Mr. B. R. Loyalka, Chairman
 Mr. R. K. Loyalka, Managing Director
 Mr. S. K. Loyalka, Managing Director
 Mr. M. M. Bhagat
 Mr. K. D. Rungta
 Mr. S. C. Das, Nominee Director from IDBI
 Mr. Y. Gopalkrishnan, Whole-time Director
 Mr. P. Loyalka

FINANCE CONTROLLER & SECRETARY

Mr. Pramod Patwari

AUDITORS

M/s. Tiwari & Company
 Chartered Accountants
 107/1, Park Street
 Kolkata-700 016

PRINCIPAL BANKERS

Canara Bank
 State Bank of India

REGISTERED OFFICE

19, Rajendra Nath Mukherjee Road
 Kolkata-700 001
 Phone : 91-33-22486936/7071/9522
 Fax : 91-33-22480960/9853
 E-mail : zenith@giacsl01.vsnl.net.in
 Website : www.zenexports.com

WORKS

ZENITH SPINNERS

Dholka Bagodara State Highway
 Village - Sarandi
 Taluka-Dholka
 Dist.-Ahmedabad-387 810

ZENITH TEXTILES

13, A/B/C, Industrial Area
 Nanjangud
 Dist.-Mysore
 Karnataka-571 301

REGISTRAR AND TRANSFER AGENT

CB Management and Services Pvt. Ltd.
 P-22, Bondel Road, Kolkata - 700 019
 Telephone - 2280 6692-93-94/2486/2937
 Fax : 2247 0263, E-mail - cbmsl1@cal2.vsnl.net.in

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Cover design of this Report is a replica of the cloth design, manufactured in our factory at Nanjangud



NOTICE

NOTICE is hereby given that the 22nd Annual General Meeting of ZENITH EXPORTS LIMITED will be held at **Sri Kunj, Top Floor, 381/1, Hemant Mukhopadhyay Sarani, (Old Name : Keyatalla Lane) Kolkata 700 029** (Near Golpark) on Thursday the 30th day of September, 2004 at 11:00 A.M. to transact the following business :

ORDINARY BUSINESS

1. To receive consider, approve and adopt the audited Balance Sheet of the Company as at 31st March, 2004, the audited Profit & Loss Account for the year ended on that date and the Report of Directors and auditors thereon.
2. To appoint a Director in place of Mr. K. D. Rungta, who retires from office by rotation at the conclusion of this meeting, but being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mr. S.K.Loyalka, who retires from office by rotation at the conclusion of this meeting, but being eligible, offers himself for re-appointment
4. To appoint M/s, Tiwari & Company, Chartered Accountants as Statutory Auditors of the Company and to give an authority to the Board of Directors of the Company to appoint Branch Auditors in consultation with the Statutory Auditors of the Company for the Company's Spinning & Weaving divisions and further authority to the Board of Directors to fix their remuneration.

SPECIAL BUSINESS

5. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT in accordance with the provisions of Sections 198, 269, 309, 310, 311, 314, 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 consent of the members be and is hereby accorded to the re-appointment of Mr. R. K. Loyalka, as the Managing Director of the Company, for a further period of 5 (five) years with effect from 12th February, 2004 to 11th February, 2009, on remuneration as set out in the Explanatory Statement attached to this notice.

RESOLVED FURTHER THAT the Board of Directors of the Company (hereinafter referred to as the "Board") be and is hereby authorised to vary and/or modify the terms and conditions as set out in the Draft Letter of Re-appointment including remuneration, benefits and perquisites payable/made available to the appointee in such manner as may be agreed to between the Board and Mr. R. K. Loyalka, within and in accordance with or without exceeding the limits prescribed in Schedule XIII to the Companies Act, 1956 or in accordance with the changes that may be effected in Schedule XIII of the Companies Act, 1956 and/or any amendment/modifications that may be made by the Central Government in that behalf from time to time or any amendments or re-enactment of the relevant provisions of the Companies Act, 1956; provided that in the event of the remuneration payable exceeding the limits laid down in Part II of Schedule XIII on any account, the approval of the Central Government shall be obtained.

RESOLVED FURTHER THAT the Board be and is hereby authorised to do all such acts, deeds and things and execute all such documents, instruments and writings, as may be required and to delegate all or any of its powers herein conferred to any Committee of Directors or to any director or to any employee of the Company to give effect to the aforesaid resolutions.

RESOLVED FURTHER THAT in the event of any loss, absence or inadequacy of profits of the Company in any financial year during the term of the office of Mr. R.K.Loyalka, the remuneration as mentioned in the Explanatory Statement shall be paid to him as Minimum Remuneration".

6. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution :

To
The Members of
Zenith Exports Limited

Please find enclosed herewith Annual Report for the year ended 31st March, 2004. While preparing the Notice convening the 22nd Annual General Meeting some errors have taken place. The members are requested to please take note of the following as corrigendum to the said Notice :

On Page No. 2 :

The following shall be inserted after the 1st Item of Agenda under the Ordinary Business :

2. To declare a dividend on Equity Shares.

The following shall be substituted and read as follows :

Sl. Nos. of the items of Agenda to be substituted as 3, 4, 5, 6 & 7 for Sl. No. 2, 3, 4, 5 & 6.

On Page No. 3 :

Under the heading – Notes

Sl. No. 2 to be read as follows :

The relevant Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the Special Business under Item No. 6 & 7 of the Notice set out above is annexed hereto.

On Page No. 5 :

Under the heading Explanatory Statement

“Item Nos. 5 & 6” appearing in the 2nd line to be read as Item No. 6 & 7.

Para 6 to be read as follows :

Your Directors recommend the resolution set out at item No. 6 & 7 of the Notice for your approval.

We regret for the inconvenience.

For and on behalf of the Board

Kolkata
Dated : 2nd September, 2004

(B. R. LOYALKA)
Chairman



RESOLVED THAT in accordance with the provisions of Sections 198, 269, 309, 310, 311, 314, 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 consent of the members be and is hereby accorded to the re-appointment of Mr. S. K. Loyalka, as the Managing Director of the Company, for a further period of 5 (five) years with effect from 12th February, 2004 to 11th February, 2009, on remuneration as set out in the Explanatory Statement attached to this notice.

RESOLVED FURTHER THAT the Board of Directors of the Company (hereinafter referred to as the "Board") be and is hereby authorised to vary and/or modify the terms and conditions as set out in the Draft Letter of Re-appointment including remuneration, benefits and perquisites payable/made available to the appointee in such manner as may be agreed to between the Board and Mr. S. K. Loyalka, within and in accordance with or without exceeding the limits prescribed in Schedule XIII to the Companies Act, 1956 or in accordance with the changes that may be effected in Schedule XIII of the Companies Act, 1956 and/or any amendment modifications that may be made by the Central Government in that behalf from time to time or any amendments or re-enactment of the relevant provisions of the Companies Act, 1956; provided that in the event of the remuneration payable exceeding the limits laid down in Part II of Schedule XIII on any account, the approval of the Central Government shall be obtained.

RESOLVED FURTHER THAT the Board be and is hereby authorised to do all such acts, deeds and things and execute all such documents, instruments and writings, as may be required and to delegate all or any of its powers herein conferred to any Committee of Directors or to any director or to any employee of the Company to give effect to the aforesaid resolutions.

RESOLVED FURTHER THAT in the event of any loss, absence or inadequacy of profits of the Company in any financial year during the term of the office of Mr. S.K. Loyalka, the remuneration as mentioned in the Explanatory Statement shall be paid to him as Minimum Remuneration".

Registered Office

**19, Rajendra Nath Mukherjee Road,
Kolkata-700 001**

Dated : August 13, 2004

For and on behalf of the Board

**BILAS RAI LOYALKA
(Chairman)**

NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE INSTRUMENT APPOINTING THE PROXY SHOULD HOWEVER BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING
2. The relevant Explanatory Statement pursuant to section 173(2) of the Companies Act, 1956 in respect of the Special Business under item no(s). 5 & 6 of the notice set out above is annexed hereto.
3. Printed copies of Balance Sheet, Profit and Loss Account, the Directors' Report, the Auditors' Report and every other document required by law to be annexed or attached to the Balance Sheet for the financial year ended 31st March, 2004 are enclosed as prescribed by Section 219 of the Companies Act, 1956.
4. Members and Proxies are requested to bring their filled in Attendance slips enclosed, to the meeting.
5. The Register of Beneficial owners, Register of Members and the Transfer Books of the Company shall remain closed from Tuesday, 28th September, 2004 to Thursday the 30th September, 2004 (both days inclusive).
6. Members desirous of getting any information on the accounts or operations of the Company or share related matter are requested to forward their queries to the Company at least seven days prior to the meeting so that the required information can be made available at the meeting.
7. Members are requested to notify promptly any change in their address to the Company's Registrar and Share Transfer Agent, M/s. CB Management and Services Private Limited, P-22, Bondel Road, Kolkata - 700 019. The



members are also requested to send all correspondence relating to Shares, including transfers and transmissions, to the said Registrars and not to the Company.

8. Pursuant to the provisions of the Companies Act, 1956 as amended by the Companies Amendment Act, 1999, facility for making nominations is available for members in respect of the shares held by them. Nomination form can be obtained from the Company's Registered Office.
9. Pursuant to section 205A of the Companies Act, 1956, all unclaimed/unpaid dividends upto the financial year ended 31st March, 1995 have been transferred to the General Revenue Account of the Central Government. Shareholders who have not yet encashed the dividend warrants for the said period are requested to claim the amount from the Registrar of Companies, West Bengal, Nizam Palace, IInd MSO Building, 234/4 AJC Bose Road, Kolkata-700 020 by submitting an application in Form No. II.
10. Pursuant to the provision of Section 205C of the Companies (Amendment) Ordinance, 1998, dividend for the financial year ended 31st March, 1996 which remain unpaid or unclaimed for a period of 7 years had been transferred to the Investor Education and Protection Fund of the Central Government. Shareholders who have not yet encashed the dividend warrant(s) so far for the financial year ended 31st March, 1996 are requested to claim the amount from Central Government.
11. Further, Pursuant to the provision of Section 205A of the Companies Act, 1956, as amended, dividend for the financial year ended 31st March, 1997 which remain unpaid or unclaimed for a period of 7 years will be transferred to the Investor Education and Protection Fund of the Central Government. Shareholders who have not encashed the dividend warrant(s) so far for the financial year ended 31st March, 1997 are requested to make their claim to the Company.
12. The unclaimed dividend that is due for transfer to the Investor Education and Protection Fund is as follows :

Dividend No.	Date of Declaration	For the Financial Year	Due for Transfer on
08	27.09.97	1996-97	14.11.04
13. Members who hold shares in dematerialised form are requested to bring their Client ID and DP ID numbers for easy identification of attendance at the meeting.
14. Shareholders are requested to bring their copies of Annual Reports to the Meeting.

INFORMATION ABOUT THE DIRECTORS RETIRING BY ROTATION AND SEEKING RE-APPOINTMENT, AS REQUIRED TO BE FURNISHED UNDER THE LISTING AGREEMENT

As required under the Listing Agreement, the particulars of Directors who are proposed to be re-appointed are given below :-

Particulars	Mr. K. D. Rungta	Mr. S. K. Loyalka
Date of Birth	11/09/1931	18/09/1950
Appointed on	28/01/2000	23/07/1981
Qualifications	I. Com.	B. Com.
Expertise in specific functional areas	Vast Experience of 54 years in the field of Finance.	Experience of 23 years in the field of Exports.
Directorship held in other Companies (excluding foreign companies)	Keshav Fiscal Services Private Ltd.	None
Membership / Chairmanship of Committees across public companies		
Audit Committee	Chairman - Zenith Exports Ltd.	None
Remuneration Committee	Member - Zenith Exports Ltd.	None



ANNEXURE TO NOTICE EXPLANATORY STATEMENT

As required by Section 173(2) of the Companies Act, 1956.

Item No(s). 5 & 6

The terms of office of Mr. R. K. Loyalka & Mr. S. K. Loyalka expired on 11th February, 2004. The Members of Remuneration Committee of the Board of Directors of the Company extended the terms of their office for a further period of 5 years.

The broad particulars of remuneration payable to and terms of the respective re-appointments of Mr. R. K. Loyalka and Mr. S. K. Loyalka are as under :

Name & Designation	Salary (Rs. Per Month)
Mr. Raj Kumar Loyalka <i>Managing Director</i>	50,000
Mr. Surendra Kumar Loyalka <i>Managing Director</i>	50,000

The two Managing Directors of the Company shall also be entitled to other benefits :

(a) Rent free furnished Residential Accommodation, (b) Reimbursement of Medical Expenses actually incurred on self and family subject to a ceiling of one month salary in a year or three months salary over a period of three years, (c) Leave Travel Concession once in a year for self and family, (d) Club fees of not more than two clubs including annual, admission and life membership, (e) Personal Accident Insurance premium not exceeding Rs. 10000/- per annum, (f) Provident Fund as per the rules of the Company, (g) Gratuity not exceeding half a month salary for every completed year of services, (h) Telephone including Mobile phone at the residence for official as well as personal use provided, however, that personal long distance calls will be billed by the Company, (i) Car for business as well as for personal use, (j) Privilege and earned leave on full pay and allowances as per the rules of the Company subject to a maximum of one month leave for eleven months of service.

The terms and conditions as set out in the letter of re-appointment issued by the Company are available for inspection at the Registered Office of the Company on any working days, except Saturdays, between 11:00 A.M. and 1:00 P.M. upto the date of the Annual General Meeting.

Your Directors recommend the resolutions set out at item no(s). 5 & 6 of the notice for your approval.

Mr. R. K. Loyalka and Mr. S.K. Loyalka are interested in the resolutions which pertain to their respective re-appointments and/or remuneration payable to each of them. Further Mr. B. R. Loyalka, Mr. R. K. Loyalka and Mr. S. K. Loyalka may also be deemed to be interested in the resolutions pertaining to the re-appointment of and/or remuneration to each other, as they are related to one another.

None of the other Directors of the Company are, in any way, concerned or interested in the above resolutions.

The above explanatory statement sets out an abstract of material terms of the contract with Managing Directors and hence the same may be treated as an abstract of Memorandum of Interest in accordance with Section 302 of the Companies Act, 1956.

Registered Office
19, Rajendra Nath Mukherjee Road,
Kolkata-700 001
Dated : August 13, 2004

For and on behalf of the Board
BILAS RAI LOYALKA
(Chairman)



DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure to present the 22nd Annual Report together with Audited Accounts of the Company for the year ended 31st March, 2004.

FINANCIAL HIGHLIGHTS

(Rs. in lacs)

	Current Year ended 31.03.2004	Previous Year ended 31.03.2003
Turnover and other Income	18314.97	18585.18
Profit before Depreciation and Tax	1355.16	1611.30
Depreciation	<u>669.40</u>	<u>624.21</u>
	685.76	987.09
Depreciation for earlier years written back	<u>67.29</u>	—
Profit before Tax	753.05	987.09
Provision for Tax	—	249.17
Add: Tax Provision No Longer Required Written Back	<u>217.01</u>	<u>2.61</u>
Net Profit	<u>970.06</u>	<u>740.53</u>
Add : Surplus Bought Forward	<u>2076.37</u>	<u>1335.84</u>
Available for Appropriations	<u>3046.43</u>	<u>2076.37</u>
Appropriations :-		
Proposed Dividend	53.96	—
Corporate Tax on Dividend	6.92	—
Surplus Carried to Balance Sheet	<u>2985.55</u>	<u>2076.37</u>

OPERATIONAL REVIEW AND FUTURE OUTLOOK

The sales have marginally increased to Rs.170.62 crores against Rs.169.75 crores in the previous year. The profit before tax has come down to Rs.7.53 crores from Rs.9.87 crores in the last year. However, the Net Profit after Tax has gone up to Rs. 9.70 crores from Rs. 7.40 crores in the last year due to writing back of the provision for Deferred Income Tax no longer required.

The performance of the Company during the year 2003-04 and future outlook are also covered in the Management Discussion and Analysis Report.

DIVIDEND

The Board of Directors recommend a dividend of Re. 1/- per share on a conservative basis.

FINANCE

Your company has repaid term loans of Rs. 950.70 lacs during the year.

DIVERSIFICATION

You will be glad to note that your company has ventured into manufacture of velvet fabrics, which have a great demand in foreign markets. Major portion of the required machinery, has already come and hopefully we expect to go into commercial production by the end of 3rd quarter of the current year.



While this project will add to the turnover of the unit, and improve the bottom-line, it is difficult to achieve the marketable quality. Your Company, however, has the required technical know-how and competence to achieve the desired quality.

The cost of the project is likely to be Rs. 8 crores approximately including the cost of certain balancing equipments.

PARTICULARS OF EMPLOYEES

There is no employee drawing salary in excess of the limits as prescribed under Section 217(2A) of the Companies Act, 1956. Hence information required to be given under the said section read with Companies (Particulars of Employees) Rules, 1975 as amended has not been provided in this report.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS & OUTGO

As required under section 217 (1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, information regarding conservation of energy, technology absorption and foreign exchange earnings and outgo is given in **Annexure – A** to this report.

CORPORATE GOVERNANCE

Your company accords high importance to good corporate governance practices and adheres to all the major stipulations laid down by SEBI in this respect.

Your company's Statutory Auditor's Certificate dated 13.08.2004 confirming the compliance as above is annexed and forms part of the Directors Report.

As required under Section 217 (2AA) of Companies Act, 1956, your Directors confirm that :

- i) in the preparation of the annual accounts, the applicable accounting standards have been followed alongwith proper explanation relating to material departures;
- ii) the Directors have selected such accounting policies and applied them consistently and made judgements 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 or loss of the Company for that period;
- iii) the Directors have taken proper and sufficient care of 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.

DEPOSITS

Your company has not accepted any deposit within the meaning of Section 58A of the Companies Act, 1956 and rules made thereunder.

DIRECTORS

Mr. K D Rungta and Mr. S K Loyalka retire from office by rotation, and being eligible offer themselves for re-appointment.

DELISTING OF SHARES

In line with the resolution passed at the Annual General Meeting of the Company held on 23rd September'2003, applications for delisting of shares were made to The Stock Exchange – Ahmedabad and The Calcutta Stock Exchange Association Limited. Delisting was considered after taking into account the volume of trading on these Stock Exchanges.

After complying with the requirements with the Stock Exchanges, equity shares of your company have been delisted from The Stock Exchange, Ahmedabad. However, approval from The Calcutta Stock Exchange Association Limited is still awaited.