

ZENITH EXPORTS LIMITED

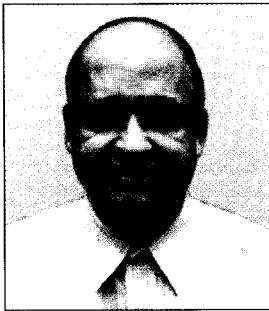


**24th
Annual Report & Accounts
2005 - 06**

Board of Directors



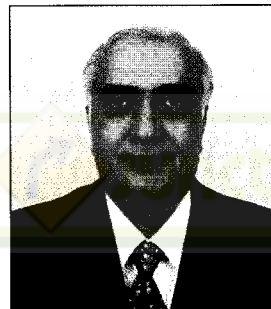
Sri B. R. Loyalka
Chairman



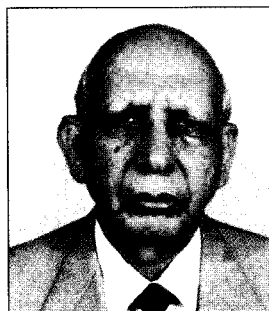
Sri R. K. Loyalka
Managing Director



Sri S. K. Loyalka
Managing Director



Sri Y. Gopalkrishnan
Wholetime Director



Sri K. D. Rungta
Director



Sri M. M. Bhagat
Director



Sri Ravi Poddar
Director



Sri Piyush Loyalka
Director



ZENITH EXPORTS LIMITED

BOARD OF DIRECTORS (11.08.06)

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. Ravi Poddar
 Mr. Y. Gopalkrishnan, Whole-time Director
 Mr. Piyush 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
 First Floor, Kolkata-700 001
 Phone : 91-33-2248 6936 / 7071 / 9522
 Fax : 91-33-2248 0960/ 9853
 E-mail : zenith@giascl01.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 : 2287 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 24th 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 28th day of September,2006 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,2006, 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. Piyush Loyalka, 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. M. M. Bhagat, 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, Schedule XIII and 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 for increasing the monthly remuneration payable to Mr. R.K.Loyalka from Rs. 50000/- to Rs. 75000/- w.e.f. 01stOctober,2006 for the remaining tenure of his office of appointment.

RESOLVED FURTHER THAT the Board be and is hereby authorized to do and perform 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 years 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 :

“RESOLVED THAT in accordance with the provisions of Sections 198,269, 309, 310, 311, Schedule XIII and 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 for increasing the monthly remuneration payable to Mr. S.K.Loyalka from Rs. 50000/- to Rs. 75000/- w.e.f. 01stOctober,2006 for the remaining tenure of his office of appointment.



RESOLVED FURTHER THAT the Board be and is hereby authorized to do and perform 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 years 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 & Head Office
19, Rajendra Nath Mukherjee Road,
First Floor, Kolkata – 700 001
Dated : August 11th, 2006

By Order of the Board
PRAMOD PATWARI
FINANCE CONTROLLER & SECRETARY

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 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, 2006 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 Monday, 25th September, 2006 to Thursday the 28th September, 2006 (both days inclusive).
6. Members desirous of getting any information on the accounts or operations of the Company or share related matters 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 or to the DPs where the account is maintained. The members are also requested to send all correspondence relating to Shares, including transfers and transmissions, to the said Registrar directly for speedy disposal.



8. Members who have not appointed nominee are requested to appoint nominee. The prescribed form for appointment of nominee will be made available on request.
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.
10. Further, Pursuant to Section 205A(5) of the Companies Act, 1956 as amended, any money transferred to the unpaid dividend account of a company remaining unpaid or unclaimed for a period of 7 years from the date of such transfer shall be transferred to Investor Education and Protection Fund and thereafter no claims shall lie against the Investor Education and Protection Fund or the Company. Kindly note that in terms of Section 205C of the Companies Act, 1956 the unclaimed dividend for the financial year 1995-96 & 1996-97 have been transferred to Investor Education and Protection Fund.
11. The unclaimed dividend that is due for transfer to the Investor Education and Protection Fund is as follows:

<u>Date of Declaration of Dividend</u>	<u>For the Financial Year Ended</u>	<u>Last date for claiming the dividend</u>
30/09/2004	2003-04	29/09/2011

The Members who have not encashed the Dividend Warrant(s) so far the financial year ended 31st March, 2004 are advised to make their claim to the Company at its Registered Office at 19, R.N. Mukherjee Road, 1st Floor, Kolkata – 700 001.

12. 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.
13. Shareholders are requested to bring their copies of Annual Reports to the Meeting.
14. At the ensuing Annual General Meeting, Mr. Piyush Loyalka and Mr. M. M. Bhagat retire by rotation and being eligible offer themselves for re-appointment. The information or details pertaining to these Directors to be provided in terms of clause 49 of the Listing Agreement with the Stock Exchanges are furnished in the report on Corporate Governance published with this Annual Report.



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 and Mr. S.K.Loyalka will expire on 11/02/2009. The members of the Remuneration Committee of the Board of Directors of the Company in its meeting held on 11/08/2006 recommend the increase in remuneration of the Managing Directors of the Company.

The other terms and conditions of appointment of Managing Directors shall remain unchanged which were approved by the members in their meeting held on 30/09/2004. The draft of agreement to be entered by the Company with the Managing Directors 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 resolution 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 increase in 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 increase in remuneration, 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 & Head Office
19, Rajendra Nath Mukherjee Road,
First Floor, Kolkata – 700 001
Dated : August 11th, 2006

By Order of the Board
PRAMOD PATWARI
FINANCE CONTROLLER & SECRETARY



DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure to present the 24th Annual Report together with Audited Accounts of the Company for the year ended 31st March, 2006.

FINANCIAL HIGHLIGHTS

(Rs. in lacs)

	Current Year ended 31.03.2006	Previous Year ended 31.03.2005
Turnover and other Income	19643.18	19201.20
Profit before Depreciation and Tax	1092.09	669.13
Depreciation	<u>772.92</u>	<u>724.88</u>
	319.17	(55.75)
Depreciation for earlier years written back	<u>—</u>	<u>3.94</u>
Profit before Tax	319.17	(51.81)
Income Tax for earlier years	<u>—</u>	<u>(0.14)</u>
	319.17	(51.95)
Provision for Tax	49.99	—
Add : Deffered Tax Provision No Longer Required Written Back	<u>—</u>	<u>97.74</u>
Net Profit After Tax	269.18	45.79
Add : Surplus Bought Forward	<u>3031.35</u>	<u>2985.56</u>
Surplus Carried to Balance Sheet	3300.53	3031.35

OPERATIONAL REVIEW AND FUTURE OUTLOOK

The sales have increased to Rs.188.20 crores against Rs. 181.69 crores in the previous year. The Company have achieved profit before tax of Rs. 3.19 crores as against loss of Rs.0.52 crore in the last year. The Net Profit after Tax has also increased to Rs. 2.69 crores from Rs.0.46 crores in the last year.

Weaving Division

Improved product mix and manufacture of fashion fabrics like velvet fabrics, embroidery fabrics and made ups are going to significantly improve the per meter realization and also the turnover of the company.

The non-traditional markets are being tapped in the Far East and also in the Middle East and we hope to get significant contribution from these markets to the total turn over in future.

With the addition of the velvet fabrics manufacture and improved product mix, the average realization for the coming year is expected to be higher and increase in the turnover is also expected.

Spinning Division

During the year 2005-06 one section of the mill was converted for production of cotton yarn as well as cotton viscose blended yarn to take advantage of quota abolition system. The conversion though completed in June, 2005 but it took nearly 8 months to stabilize production and quality. The time taken in change-over affected the company's profitability as well as turnover. The price of cotton yarn is lower than viscose yarn but cost of production is also much lower.

The profitability was lower on account of other factors also like high power cost & strengthening of Rupee against US Dollar.

With the increase in demand for Cotton and other yarns the performance of the division is expected to be better.



Industrial Leather Hand Gloves & Silk Fabrics

Turnover and profitability from this division has increased during the year and the outlook is also encouraging.

EXPANSION PROJECT

Weaving Division

The Company has embarked on an imaginative expansion project to increase capacity of flat woven jacquards, weaving machines, wire flex velvet weaving machines and face to face plain velvet weaving machines. Yarn Dyeing machine, radio frequency dryer and sample weaving machines have also been added to further improve the product mix and productivity and overall performance of the Company.

Most of the machines listed above are already in position. The contributions of these additional equipments are expected to augment the turnover substantially.

DIVIDEND

To conserve the resources of the Company, the Board of Directors do not recommend any dividend for the year.

FINANCE

During the year your Company has availed fresh term loan of Rs. 250 lacs from Canara Bank to part finance the on-going expansion project. It also has re-paid Rs. 193.75 lacs to Canara Bank.

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 Auditors's Certificate dated 11/08/2006 confirming the compliance as above is annexed and forms part of the Directors Report.

DIRECTORS' RESPONSIBILITY STATEMENT

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 & 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. Piyush Loyalka and Mr. M.M.Bhagat retire from office by rotation, and being eligible offer themselves for re-appointment.

AUDITORS

The observations made in the Auditors' Report are self-explanatory and therefore, do not call for any further comments under Section 217(3) of the Companies Act, 1956.

Your Directors request you to appoint Auditors for the current year.

APPRECIATION

Your Directors place on record their deep appreciation of the continued support and guidance provided by Central and State Government and all Regulatory bodies.

Your Directors thank you the esteemed shareholders, customers, business associates, Financial Institutions and Commercial Banks for the faith reposed by them in the Company and its management.

Your Directors place on record their deep appreciation of the dedication and commitment of Company's officers and employees at all levels and look forward to their continued support in future as well.

Report

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For and on behalf of the Board of Directors

B. R. LOYALKA

Chairman

Place : Kolkata

Dated : August 11, 2006

ANNEXURE – A TO THE DIRECTORS' REPORT

Information under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 and forming part of the Director's Report for the year ended 31st March, 2006.

I. CONSERVATION OF ENERGY

- a) Invertors and Energy Saving Fan Blades have been installed to conserve power.
- b) The Company is making all round efforts for the Conservation of Energy.
- c) The Company by preventive maintenance of D.G. sets and other electric motors ensured that there is no power wastage, leakage or excess power consumption.
- d) The required data with regard to conservation of energy are furnished below :