

ELEVENTH ANNUAL REPORT

1999 - 2000



ZENITH FIBRES LIMITED

**BOARD OF DIRECTORS**

A. K. RUNGTA	<i>Chairman</i>
AMITABHA GHOSH	<i>Director</i>
C. I. GANDHI	<i>Director</i>
SANJEEV RUNGTA	<i>Director</i>
NIMESH SHAH	<i>Director (Nominee of ICICI)</i>

DR. S. R. VENGSARKER *Chief Executive Officer*

AUDITORS

M/s. JAIN & HINDOCHA

Chartered Accountants

201, 'Sushil'

38, Gautam Nagar,

Race Course,

Baroda - 390 005

BANKERS

Canara Bank

Alkapuri Branch,

Baroda - 390 005.

REGD. OFFICE

A/2, Jitendra Estate,

3rd Floor, Andheri Kurla Road,

Andheri (E), Mumbai - 400 093.

WORKS

Block 460/P,

Village Post Tundav,

Taluka Savli,

Dist. Baroda - 391 775

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NOTICE

NOTICE is hereby given that the Eleventh Annual General Meeting of the members of Zenith Fibres Limited will be held at 11.00 A.M. on Thursday, the 28th day of September, 2000 at Sanghthan Hall, Hotel Atithi, 77- A / B, Nehru Road, Vileparle (E), Mumbai : 400 099, to transact the following business :

ORDINARY BUSINESS :

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2000 and Profit and Loss Account for the year ended on that date, alongwith Directors' Report and Auditors' Report thereon.
2. To appoint a Director in place of Mr. A. K. Rungta, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS:

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

"RESOLVED THAT Mr. Amitabha Ghosh be and is hereby appointed as a Director of the Company, liable to retire by rotation."

5. To consider and if thought fit, to pass with our without modification(s), the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to Section 31 and all other applicable provisions, if any, of the Companies Act, 1956 and any statutory modification or re-enactment thereof, for the time being in force, the Articles of Association of the Company be and is hereby amended or altered or new Articles inserted in the manner and to the extent as set out herein below:

- (i) The following interpretations be inserted at appropriate places and/or the existing interpretations be modified in Article 2 :

"Beneficial Owner"

"Beneficial Owner" means the Beneficial Owner as defined in clause (a) of Sub-section (1) of Section 2 of the Depositories Act, 1996.

"Depositories Act, 1996"

"Depositories Act, 1996" includes any statutory modification or re-enactment thereof for the time being in force.

"SEBI"

"SEBI" means the Securities and Exchange Board of India.

"Depository"

"Depository" means a Company formed and registered under the Companies Act, 1956 and which has been granted a certificate of registration under Sub-section (1A) of Section 12 of the Securities and Exchange Board of India Act, 1992.

"Record"

"Record" includes the records maintained in the form of books or stored in computer or in such other form as may be determined by the Regulations of SEBI.

"Regulations"

"Regulations" means the regulations made by SEBI.

"Security"

"Security" means such security as may be specified by SEBI from time to time.

"Shareholder or Member"

"Shareholder or Member" means the duly registered holder from time to time of the shares of the Company and include the subscribers to the Memorandum of Association of the Company and also every person holding equity shares and/or preference shares of the Company as also one whose name is entered as a beneficial owner of the shares in the records of a Depository.

- (ii) The existing Article 12 be deleted and in place thereof the following Article 12 be substituted :

12. The Company shall cause to be kept at its Registered Office or at such other place as may be decided by the Board of Directors, the Register and Index of Members in accordance with Section 150 and 151 and other applicable provisions of the Companies Act, 1956, and the Depositories Act, 1996 with the details of shares held in physical and dematerialised form in any media as may be permitted by law including in any form of electronic media;

The Register and Index of Beneficial Owners maintained by a Depository under Section 11 of the Depositories Act, 1996 shall also be deemed to be the Register and Index of Members for the purpose of the Companies Act, 1956 and any amendment or re-enactment thereof. The Company shall have power to keep in any state or country outside India a Register of Members for the residents in that state or country.

- (iii) In Article 14 (a) of the Articles of Association of the Company the following proviso shall be included:
"Provided however that no Share Certificate(s) shall be issued for shares held with a Depository."
- (iv) The following new Article with marginal note be inserted as Article 24A after the existing Article 24 :

DEMATERIALIZATION OF SECURITIES

Dematerialisation of Securities

24A. Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialise or rematerialise its shares, debentures and other securities (both existing and future) held by it with the Depository and to offer its shares, debentures and other securities for subscription in a dematerialised form pursuant to the Depositories Act, 1996 and the Rules framed thereunder, if any.

Option for Investors

Every person subscribing to securities offered by the Company shall have the option to receive the security certificates or to hold the securities with a Depository. Such a person who is the beneficial owner of the securities can at any time opt out of a Depository, if permitted by law, in respect of any security in the manner provided by the Depository Act, 1996 and the Company shall, in the manner and within the time prescribed, issue to the beneficial owner the required certificates of securities. Where a person opts to hold his/her security with a Depository, the Company shall intimate such Depository the details of allotment of the security, and on receipt of such information, the Depository shall enter in its record the name of the allottee as the beneficial owner of the security.

Securities in Depositories to be in fungible form

All securities held by a Depository shall be dematerialised and shall be in a fungible form. Nothing contained in Section 153, 153A, 153B, 187A, 187B, 187C and 372A of the Companies Act, 1956 shall apply to a Depository in respect of the securities held by it on behalf of the beneficial owner.

Rights of Depositories and Beneficial Owners

- (i) Notwithstanding anything to the contrary contained in the Companies Act, 1956 or these Articles, a Depository shall be deemed to be the registered owner for the purposes of effecting transfer of ownership of security on behalf of the beneficial owner.
- (ii) Save as otherwise provided in (i) above, the Depository as a registered owner of the securities shall not have any voting rights or any other right in respect of the securities held by it.
- (iii) Every person holding securities of the Company and whose name is entered as a beneficial owner in the records of the Depository shall be deemed to be a member of the Company. The beneficial owner of the securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his/her securities held by a Depository.

Depository to furnish information

Notwithstanding anything to the contrary contained in the Companies Act, 1956 or these Articles, where the securities are held in a Depository, the records of the beneficial ownership may be served by such Depository on the Company by means of electronic mode or by delivery of floppy and discs.

Options to opt out in respect of any security

If a beneficial owner seeks to opt out of a Depository in respect of any security, the beneficial owner shall inform the Depository accordingly. The Depository shall, on receipt of the intimation as above, make appropriate entries in its record and shall inform the Company accordingly.

The Company shall within 30 (Thirty) days of receipt of intimation from the Depository and on fulfilment of such conditions and on payment of such fees as may be specified by the Regulations, issue a Certificate of securities to the beneficial owner or the transferee as the case may be.



ZENITH FIBRES LIMITED

Sections 83 and 108 of the Companies Act, 1956 not to apply

Notwithstanding any thing to the contrary contained in the Articles -

- (i) Section 83 of the Companies Act, 1956 shall not apply to the shares with a Depository;
- (ii) Section 108 of the Companies Act, 1956 shall not apply to the transfer of security effected by the transferor and the transferee both of whom are entered as beneficial owners in the records of a Depository.

Distinctive numbers of securities held in the Depository mode

Nothing contained in the Companies Act, 1956 or these Articles regarding the necessity of having distinctive numbers of the securities issued by the Company shall apply to the securities held in the depository mode.

Register and Index of Beneficial Owners

The Register and Index of the beneficial owners maintained by a Depository under Section 11 of the Depositories Act, 1996 shall be deemed to be the Register and Index of Members and security holders as the case may be for the purposes of these Articles.

Intimation to Depository

Notwithstanding any thing contained in the Companies Act, 1956 or these Articles where securities are dealt with in a Depository, the Company shall intimate the details of allotment of securities to the Depository immediately on allotment of such securities.

Stamp Duty on securities held in dematerialised form

No stamp duty would be payable on shares and securities held in dematerialised form in any medium as may be permitted by law including any form of electronic medium.

Applicability of the Depositories Act

In case of transfer of shares, debentures and other marketable securities, where the Company has not issued any certificate and where such shares, debentures or securities are being held in an electronic and fungible form in a Depository, the provisions of the Depositories Act, 1996 shall apply.

Company to recognise rights of Registered Holders as also Beneficial Owner in the records of the Depository

Save as herein otherwise provided, the Company shall be entitled to treat the person whose name appears on the Register of Members as holders of any share, as also the Beneficial Owner of the shares in records of the Depository as the absolute owner thereof as regards receipt of dividends or bonus or service of notices and all or any other matters connected with the Company and accordingly, the Company shall not, except as ordered by the Court of competent jurisdiction or as by law required, be bound to recognise any benami trust or equity or equitable, contingent or other claim to or interest in such share on the part of any other person whether or not it shall have express or implied notice thereof.

- (iv) The following new Article with marginal note be inserted as Article 7A after the existing Article 7:

Power of the Company to Purchase its own Securities :

7A. Subject to the provisions of Section 77A and 77B of the Act and rules made there under, the Company shall have power to purchase its own shares and other specified securities from share holders and members of the Company and holders of the such specified securities.

- (v) The following new Article with marginal note be inserted as Article 24B and 24C after the existing Article 24:

Reduction of Share Capital

24B. The Company shall have power to reduce the Share Capital as provided for in Section 100 of the Act or any statutory modification thereof.

Power of the Company to Purchase its own Securities :

24C. Subject to the provisions of Section 77A and 77B of the Act and rules made there under, the Company shall have power to purchase its own shares and other specified securities from share holders and members of the Company and holders of the such specified securities.

By Order of the Board of Directors

PLACE : MUMBAI

DATED : JULY 20, 2000

(A. K. RUNGTA)

CHAIRMAN

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NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROX(IES) TO ATTEND AND VOTE INSTEAD OF HIMSELF AND PROXY OR PROXIES SO APPOINTED NEED NOT BE A MEMBER OF THE COMPANY. THE INSTRUMENT APPOINTING PROXY SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the business as per the Item Nos.4 and 5 herein above, is annexed hereto.
3. The Share Transfer Register and Register of Members will be kept closed from 26/09/00 to 28/09/00 (both days inclusive).
4. Members desiring any information as regards accounts or operations of the Company are requested to send their queries in writing at least seven days in advance of the date of the meeting so as to enable the management to keep the information ready.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956**ITEM NO : 4**

The Board of Directors at its meeting held on 18.10.1999 had appointed Mr. Amitabha Ghosh as Additional Director. Pursuant to the provisions of Section 260 of the Companies Act, 1956 he will be vacating the office at the forthcoming Annual General Meeting.

Mr. Amitabha Ghosh, aged 69 years, is ex-Chairman of Allahabad Bank and retired Deputy Governor of Reserve Bank of India. Continuance of Mr. Amitabha Ghosh on the Board of the Company will be to its advantage.

As required under Section 257 of the Companies Act, 1956 the Company has received notices from some of its members along with a refundable deposit of Rs.500/- signifying their intention to propose Mr. Amitabha Ghosh as candidate for the office of Director.

None of the Directors other than Mr. Amitabha Ghosh is concerned or interested in the proposed resolution.

ITEM NO : 5

With the introduction of the Depositories Act, 1996 and the Depository system, some of the provisions of the Companies Act, 1956 relating to the issue, holding, transfer, transmission of shares and other securities have been amended to facilitate the implementation of the new system. The Depository system of holding the securities in an electronic form is a far safer and more convenient method for holding and trading in the securities of a company. As per the notification issued by the Securities & Exchange Board of India, the Company's securities shall compulsorily be traded in dematerialised form with effect from 25th September, 2000. It is, therefore, proposed that the Company's Articles of Association be suitably amended, as set out in the Resolution No. 5 to enable the Company to dematerialise its securities and to spell out the rights of the beneficial owner of the securities in such a system. While amending the Articles of Association of the Company, it is also proposed to insert Articles enabling the Company to reduce the capital and buy its own shares as provided in Section 77A of the Companies Act, 1956.

The Board commends the Resolution for acceptance by the members.

None of the Directors of the Company is interested or concerned in the resolution.

A copy of the Articles of Association of the Company together with the proposed alterations is available for inspection by the members of the Company at its Registered Office between the hours of 11.00 a.m. to 1.00 p.m. on any working day of the Company.

By Order of the Board of Directors

PLACE : MUMBAI

DATED : JULY 20, 2000

(A. K. RUNGTA)

CHAIRMAN



DIRECTORS' REPORT

To,
The Members,

Your Directors are pleased to submit the Eleventh Annual Report of your Company alongwith the Audited Statement of Accounts for the year ended on 31st March, 2000.

FINANCIAL RESULTS

	(Rs. In Lakhs) Year ended 31.03.2000	(Rs. In Lakhs) Year ended 31.03.1999
Profit before Interest, Depreciation & Taxation	293.55	320.19
Less: Interest & Financial Expenses	174.25	204.42
Profit before Depreciation & Taxation	119.30	115.77
Less: Depreciation	70.44	68.55
Less: Miscellaneous expenses written off	4.90	4.89
Profit before Taxation	43.96	42.33
Less: Provision for Taxation	5.59	6.27
Profit after Tax	38.37	36.06

DIVIDEND

To consolidate the financial position of the Company, your Directors have not recommended any dividend.

OPERATIONS

The Company continued to face stiff unabated competition from Polyester Fibre through out the year. However, your Directors are glad to report that with aggressive marketing efforts, the Company could achieve higher sales and production, both value and volume wise, compared to any of the previous year. The international scenario took prices of PP Resins, the principal raw material, to its highest peak ever. The Company's inability to pass on full price escalation to its customers, resulted in continuous pressure on profit margin.

The Company achieved a turnover of Rs.1933.26 lacs and a pre-tax profit of Rs 43.96 lacs for the year under review as against Rs. 1747.37 lacs and Rs. 42.33 lacs respectively for the previous year. Other income was higher at Rs.10.73 lacs as against Rs.9.56 lacs for the previous year. Having adopted Accounting Standard 2 on 'Valuation of Inventories' as advised by the Council of The Institute of Chartered Accountants of India, the profitability has been lower to the extent of Rs.16.68 lacs.

Despite extremely turbulent situation in the international market, the total exports of PPSF was higher at Rs.225.80 lacs as against Rs. 175.58 lacs in the previous year, thereby registering an increase of about 29%. The Company is trying to further consolidate its position in this regard.

FUTURE PROSPECTS

Efforts are being made to increase domestic sales as well as exports. Certain other products may also be introduced by the Company in this regard during the current year.

LISTING OF SHARES

The Equity Capital of the Company is listed on Mumbai and Ahmedabad Stock Exchanges and listing fees has been paid upto the year 2000-2001.

Y2K COMPLIANCE

The change over to the new millennium was successful. The Company did not face any 'Y2K' related issues.