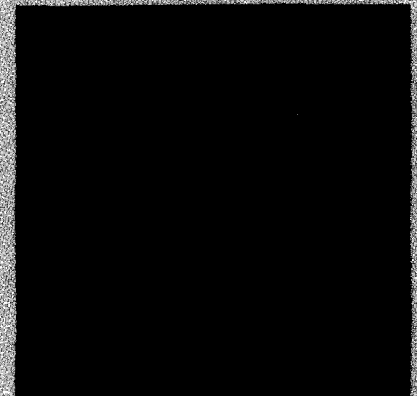


Zenith Fibres Limited



**Fourteenth
Annual
Report
2002-2003**



**BOARD OF DIRECTORS****Sarvashree****A.K. RUNGTA** *Chairman***AMITABHA GHOSH** *Director***C.I. GANDHI** *Director***MUKUND BERIWALA** *Director***SANJEEV RUNGTA** *Director***Dr. S.R. VENGSAKER** *Chief Executive Officer***DEEPAK ASHAR** *Company Secretary*

Report Junction.com

CONTENTS

Page No.

| | |
|----------------------------------|----|
| Notice | 1 |
| Directors' Report | 3 |
| Corporate Governance Report..... | 7 |
| Auditors' Report | 11 |
| Balance Sheet | 14 |
| Profit & Loss Account | 15 |
| Cash Flow Statement | 16 |
| Schedules | 17 |

AUDITORS**M/s. JAIN & HINDOCHA****BANKERS****CANARA BANK****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. Vadodara-391 775.

14TH ANNUAL REPORT**NOTICE FOR FOURTEENTH ANNUAL GENERAL MEETING**

NOTICE is hereby given that the Fourteenth Annual General Meeting of the members of Zenith Fibres Limited will be held at 11.30 a.m. on 26th September, 2003 at Hotel Atithi, 77 A/B Nehru Road, Ville Parle (E), Mumbai 400099 to transact the following business :

- 1) To receive, consider and adopt the audited Balance Sheet and Profit & Loss Account for the year ended on 31st March, 2003.
- 2) To appoint a Director in place of Mr. A.K. Rungta, who retires by rotation, but being eligible offers himself for reappointment.
- 3) To appoint a Director in place of Mr. A Ghosh, who retires by rotation, but being eligible offers himself for reappointment.
- 4) To consider and declare dividend as recommended by the Board of Directors.
- 5) To appoint Auditors and fix their remuneration.
- 6) To consider and if thought fit to pass with or without modification(s), the following resolution as a Special Resolution.:

"RESOLVED THAT pursuant to the applicable provisions of the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003 (hereinafter referred to as the 'Delisting Guidelines') and subject to the provisions of the Companies Act, 1956 and the rules made thereunder, Listing Agreements with the Stock Exchanges and all other applicable statutes, rules, regulations and guidelines and subject to the approval, consent, permission or sanction of the Securities & Exchange Board of India, Stock Exchanges where the shares of the Company are listed and any other appropriate authorities, institutions or regulators as may be required and subject to such conditions and modifications if any, as may be prescribed while granting such approvals, permissions and sanctions, which may be agreed to by the Board of Directors of the Company, consent of the Company be and is hereby accorded to delist the Equity Shares of the Company from the Stock Exchange at Ahmedabad at such time or times as the Board of Directors may decide."

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956.**ITEM NO : 6**

The Securities & Exchange Board of India (SEBI) has issued the guidelines called SEBI (Delisting of Securities) Guidelines, 2003 incorporating among others provisions for delisting of securities of a Company.

The Equity Shares of the Company are currently listed on The Stock Exchange, Mumbai, and Ahmedabad Stock Exchange.

With extensive networking of the Stock Exchanges, Mumbai (BSE), as also the extension of BSE terminals to other cities, investors have access to online dealings in Equity Shares of the Company across the country. The bulk of the trading in the Company's Equity Shares in any case takes place on the BSE and the depth and liquidity of trading on Ahmedabad Stock Exchange is not significant.

It is proposed to delist the shares as part of cost reduction measures.

In line with SEBI regulations and approvals, members consent is being sought by a Special Resolution for enabling voluntary delisting of the Shares from the said stock exchange.

The proposed delisting as and when takes places, will not affect the investors adversely as the Company's equity shares will continue to be listed on BSE as the Regional Stock Exchange.

Your Directors therefore, recommend the resolution.

None of the Directors are in any way concerned or interested in the resolution.

By Order of the Board of Directors

Place : Mumbai

Date : 29th July, 2003

A.K. RUNGTA
CHAIRMAN

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXY(IES) TO ATTEND AND VOTE INSTEAD OF HIMSELF AND PROXY OR PROX(IES) 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. The Share Transfer Register and Register of Members will be kept closed from 23rd September, 2003 to 26th September, 2003 (both days inclusive).
3. As required under Clause 49 of the Listing Agreement, profile of Directors being re-appointed is annexed.
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.

PROFILE OF DIRECTORS BEING REAPPOINTED

As required by Clause 49 of the Listing Agreement, the particulars of Directors who are proposed to be reappointed at the 14th Annual General Meeting are given below:

- | | |
|-----------------------|---|
| 1. Name | : Mr. A.K. Rungta |
| 2. Age | : 64 years |
| 3. Qualification | : M.Com., LL.B, A.B.T.I.(London) |
| 4. Experience | : Over 40 years of experience in various types of Industries. He has been associated with the leading Chambers of Commerce and is past President of FICCI and ICC-I. He is Honorary Consul General of South Africa in West Bengal. |
| 5. Other Directorship | : 1) Aaekay Investment Centre Ltd. 2) Rungta Mines Ltd; 3) Total Energy Group Ltd; 4) West Bengal Times Ltd; |
| 1. Name | : Mr. Amitabha Ghosh |
| 2. Age | : 73 years. |
| 3. Qualification | : F.C.A. , Fellow Member of the Indian Institute Of Bankers |
| 4. Experience | : Ex-Chairman of Allahabad Bank; and Retired Governor of Reserve Bank of India Renowned Banker and wide experience in finance, banking and management. |
| 5. Other Directorship | : 1) Associated Cement Company Ltd. 2) Assam Brook Ltd; 3) Centenary Leasing Co. Pvt. Ltd. 4) Kesoram Industries Ltd; 5) Mysore Cement Ltd. 6) Nicco Corporation Ltd. 7) Orient Paper & Industries Ltd; 8) Piramal Holding Ltd; 9) Sahara India Financial Corporation Ltd. 10) Sahara India Life Insurance Corporation Ltd. 11) X-Pro India Ltd. 12) Mahavir Spinning Mills Ltd. |

14TH ANNUAL REPORT

DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting the Fourteenth Annual Report of the Company along with the audited statement of accounts for the financial year ended 31st March, 2003.

FINANCIAL HIGHLIGHTS

| | | (Rupees in Lacs) |
|-------------------|--------------|------------------|
| | Current Year | Previous Year |
| Turnover | 2466.24 | 2157.47 |
| Operating Profit | 307.04 | 333.14 |
| Cash Profit | 250.40 | 239.68 |
| Profit before Tax | 169.53 | 161.44 |
| Profit after Tax | 126.36 | 87.05 |

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

- (a) **Industry Structure and Development** : Man-made Fibre Industry is continually growing. Polypropylene Fibre is the youngest and smallest part of this industry in India. Consumption of PP Fibre in India is yet to catch up with the world trends. One of the areas of high consumption of PP Fibre in the world market is in form of 'Geo-Textiles' which is mainly used in construction industry and in making of road and rail links. Latest technology warrant use of 'Geo-Textile' and if this starts in India it can lead to phenomenal growth and development of PP Fibre Industry.
- (b) **Segment-wise operational performance** : Your Company operates into two business segments - Fibres and Yarn. Turnover for the year ended 31st March, 2003 amounted to an all time high of Rs. 2466.24 lacs as against Rs. 2157.47 lacs last year, registering a growth of over 14%. Operating profit was marginally less due to squeeze on margins with increase in overall costs but with prudent financial management it was possible to have better cash profit while net profit was substantially higher by over 45%. Production at 2509 mt was an all time high and a little over 100% capacity of the plant. Similarly, sales at 2540 mt were highest achieved so far. There was substantial increase in the sales of yarn during the year at 417 mt as compared to 321 mt in the previous year, thereby registering an increase of almost 30%.
- (c) **Outlook** : Having attained full capacity utilization it is proposed to increase the plant capacity from 2500 mt to 3200 mt per annum and the work should be completed by late second quarter of the current financial year. The general outlook for the industry is bright. With modest growth in economy and special emphasis on 'Infrastructure' sector can augur well for the Company. Use of geo-textile in construction of new roads, rails, which is a standard norm in developed countries can lead to a phenomenal rise in demand of your Company's products.
- (d) **Threats and concerns** : While there is negligible competition to your Company domestically, the Company has to be on constant guard from possible imports and to ward off this threat the pricing of the finished goods is done accordingly so as to match the international prices. The non utilization of geo-textiles as a standard in such large projects by the Government as the Golden Quadrangle and continued new rail routes is of concern to the Company whereby the requirement of PP Fibre should be highest as per international standards.
- (e) **Internal control systems and their adequacy** : Adequate internal control systems are in place to maintain quality of product, proper accounting as per norms laid, asset maintenance and its proper use. All assets are adequately covered by comprehensive insurance. Internal Auditor reviews accounts periodically and 'Audit Committee' of the Board overviews same and ensures compliance.
- (f) **Human Resources and Industrial Relations** : The Company has adequate and qualified human resource and enjoys cordial relations with all its employees. The year witnessed highest production and sales with dedicated efforts of employees at all levels. The Board wishes to place on record its highest appreciation for the contribution made by the employees at all levels in achieving the excellent growth during the year.

DIVIDEND

Your Directors recommend for your approval a maiden dividend of 10% for the financial year 2002-03 on the fully paid up capital of the Company as on record date. There will be no tax deduction at source on dividend payment and your Company will pay tax on this dividend @ 12.81% inclusive of surcharge and the dividend received at shareholders end will be free of tax.

DIRECTORS

Shri Ajay Kumar Rungta (64 years) is a well known industrialist having over 40 years of experience in various types of industries. He has also been associated with several leading Chambers of Commerce of the Country and is a former President of the Federation of Indian Chambers of Commerce and Industry and International Chamber of Commerce - India. He is also currently Honorary Consul General of South Africa in West Bengal. The Board is highly enriched by his views and valuable guidance.



- Shri Amitabha Ghosh (73 years), a Chartered Accountant by qualification is a Fellow of the Indian Institute of Bankers. He is a renowned former Banker of our Country. He is former Chairman of Allahabad Bank and Governor of Reserve Bank of India. He is closely associated with some of the leading Companies of the Country. The Board seeks in him invaluable advice and guidance towards best possible financial management and the Company has greatly benefited from his views.
- Shri Chandrakant I. Gandhi (67 years) is a Bachelor of Arts and has been primarily associated with the pharmaceutical industry for past over 43 years. He is also closely associated with various leading Chambers of Commerce. He provides invaluable guidance to the Board in all matters brought to their attention to enable take decisions that immensely help the Company.
- Shri Sanjeev Rungta (43 years) is a Mechanical Engineer from Michigan, U.S.A. He has over 20 years experience of manufacturing in varied fields of Chemicals, Steel and Textile. He is instrumental in overseeing the implementation of Board and management views in day to day functioning of the Company.
- Shri Mukund Beriwal (27 years) is a Bachelor of Arts in Economics along with advance training in Finance from New York University, U.S.A. He has over seven years of experience in stock analysis and dealings in securities. Youngest Director on the Company's Board, he is C.E.O. of DGP Securities Limited. The Board seeks in him sound advice towards working of the Company to enrich shareholder value.

To comply with the requirement of the Companies Act, 1956 Shri Ajay Kumar Rungta and Shri Amitabha Ghosh retire from the Board by rotation and being eligible offer themselves for re-appointment.

As required, the details concerning the Directors seeking appointment/re-appointment are included in the Corporate Governance Report.

DIRECTORS' RESPONSIBILITY STATEMENT

To the best of their knowledge and belief and according to the information and explanations provided to them, your Directors make the following statement, pursuant to Section 217(2AA) of the Companies Act, 1956 :

1. that in preparation of the annual accounts, the applicable accounting standards have been followed;
2. that appropriate accounting policies have been selected and applied consistently, and judgements and estimates that are reasonable and prudent made so as to give a true and fair view of affairs of the Company as at March 31, 2003 and of the profit of the Company for the year April 1, 2002 to March 31, 2003.
3. that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
4. that the annual accounts having been prepared on a going concern basis.

CORPORATE GOVERNANCE

As per clause 49 of the Listing Agreement with the Stock Exchanges, a separate section on Corporate Governance together with a certificate from the Company's Auditors confirming compliance is set out in the Annexure forming part of this report.

ENERGY, TECHNOLOGY & FOREIGN EXCHANGE

Information pertaining to conservation of energy, technology absorption and foreign exchange earnings and outgo pursuant to 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 is annexed hereto and forms part of this report.

AUDITORS

Members are requested to appoint Auditors for the period from the conclusion of the ensuing Annual General Meeting till the conclusion of the next Annual General Meeting and to authorize the Board of Directors to fix their remuneration. M/s. Jain & Hindocha retire and being eligible, offer themselves for re-appointment.

EMPLOYEES

Since none of the employee was in receipt of a remuneration exceeding Rs. 2,00,000/- per month or Rs. 24,00,000/- per annum during the year under review, hence, provisions of Section 217(2A) along with relevant rules do not apply to the Company.

ACKNOWLEDGEMENT

Your Directors are thankful to all who contributed and assisted to achieve these results. They wish to place on record their appreciation for the support extended by IDBI, ICICI, Canara Bank, valuable customers, suppliers and the 'Share holders'.

For and on behalf of Board of Directors

Place : Mumbai
Date : 29th July, 2003

A.K. RUNGTA
CHAIRMAN

ANNEXURE TO THE DIRECTORS' REPORT

Disclosure of particulars in respect of Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo, required under the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 :

A) Conservation of Energy :

1. In order to reduce power cost per unit of product, certain modifications have been carried out on one of our lines to increase the production. With commissioning of certain new machines on this line expected during the first half of the current year, substantial saving is envisaged in the energy cost.
2. By almost continuously maintaining the power factor above 0.99 the Company manages to receive substantial rebate on this score as per policy of the electricity supplying authority.
3. Utilisation of plant capacity at maximum possible throughput ensures minimum energy cost per unit of product.

B) Technology Absorption :

1. The new Bailing Press installed on one of the production lines has enabled us to increase the individual bale weight. This has resulted in reduction of packing cost, transportation cost and we are able to deliver higher weight per container for exports.
2. New product development is our constant thrive. We have produced Anti-bacterial Fibre used for the manufacture of filter cartridges for water filters. With the completion of technical evaluation of the finished product expected shortly, we expect the sales of this new grade to substantially pick up.
3. Continued growth is taking place in the sales of our fire-resistant grade fibre and also fibre meant for Geo-Textile applications.
4. The capacity expansion of one of our lines is expected to be completed during the first half of the current year with indigenously developed machines thereby saving in cost and valuable foreign exchange.
5. Critical spinning plates, earlier imported, have now been successfully developed and commissioned from indigenous sources at much lower cost.
6. Attempts are currently underway to develop a new grade of fibre used in the manufacture of artificial hair (wigs).

C) Foreign Exchange Earnings and Outgo :

| | Current Year | (Rupees) Previous Year |
|--|-------------------------|------------------------------|
| 1. Total Foreign Exchange used (including CIF value of raw-materials, stores, spare parts, plant & machinery, fees for technical services and traveling) | 36,93,702 | 1,62,08,836 |
| 2. Total Foreign Exchange earned (FOB value of exports) | 4,88,02,539 | 4,86,90,165 |

**FORM - A**

(See Rule - 2)

Form for disclosure of particulars with respect to Conservation of Energy

| | CURRENT YEAR 2002-2003 | PREVIOUS YEAR 2001-2002 |
|---|---------------------------------------|--|
| A) POWER & FUEL CONSUMPTION | | |
| 1. Electricity | | |
| a) Purchased Units | 2505012 | 2381850 |
| Total Amount (Rs.) | 11358725 | 10757133 |
| Rate/Unit (Rs.) | 4.53 | 4.52 |
| b) Own Generation | | |
| (i) Through Diesel Generator | | |
| Units | 30276 | 39404 |
| Total Amount (Rs.) | 287190 | 399680 |
| Cost per unit (Rs.) | 9.49 | 10.14 |
| (ii) Through Steam Turbine/Generator | N.A. | N.A. |
| 2. Coal (for steam generation) | N.A. | N.A. |
| 3. LSHS Oil | N.A. | N.A. |
| 4. Others (LDO / Furnace Oil) | N.A. | N.A. |
| B) CONSUMPTION PER UNIT OF PRODUCTION: | | |
| Polypropylene Staple Fibre (MT) | 2509 | 2407 |
| Electricity Rs.per kg. | 4.53 | 4.47 |
| Diesel & Oil Rs. per kg. | 0.11 | 0.17 |

FORM-B

Form for disclosure of particulars with respect to Technology Absorption.

A) RESEARCH & DEVELOPMENT

1. The specific areas in which Research & Development is carried out by the Company : NIL
2. Benefits derived as a result of the above Research & Development Work : NIL
3. Future Plan of Action : The Company is making strenuous efforts to add new fibre grades in its range, reduce the cost of production and develop export market.
4. Expenditure on Research & Development :
 - a) Capital Expenditure : NIL
 - b) Recurring Expenditure : NIL
 - c) Percentage of Expenditure of turn-over : NIL

B) TECHNOLOGY ABSORPTION, ADOPTION AND INNOVATION:

1. Efforts made towards technology absorption, adoption and innovation : NIL
2. Benefits derived as a result of above efforts : NIL
3. Information relating to the technology imported during the last 5 years : NIL
 - (a) Technology Imported
 - (b) Year of Import
 - (c) Has technology been fully absorbed :
4. If not fully absorbed area where this has not taken place, reasons thereof and future plan of action : Not Applicable

For and on Behalf of the Board

Place : Mumbai
Date : 29th July, 2003

A.K. RUNGTA
CHAIRMAN