

Zenith Fibres Limited



**Fifteenth
Annual
Report
2003-2004**

**BOARD OF DIRECTORS****Sarvashree****A.K. RUNGTA** *Chairman***AMITABHA GHOSH** *Director***C.I. GANDHI** *Director***SANJEEV RUNGTA** *Director***ABHISHAKE RUNGTA** *Director***MUKUND BERIWALA** *Director***Dr. S.R. VENGSARKER** *Chief Executive Officer***P. BHANDARI** *Company Secretary***CONTENTS**

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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.

15TH ANNUAL REPORT**NOTICE FOR FIFTEENTH ANNUAL GENERAL MEETING**

NOTICE is hereby given that the Fifteenth Annual General Meeting of the members of Zenith Fibres Limited will be held at 11.00 a.m. on 28th September, 2004 at Hotel Atithi, 77 A/B Nehru Road, Ville Parle (E), Mumbai 400099 to transact the following business :

ORDINARY BUSINESS

- 1) To receive, consider and adopt the audited Balance Sheet and Profit & Loss Account for the year ended on 31st March, 2004.
- 2) To consider and declare dividend.
- 3) To appoint a Director in place of Mr. Sanjeev Rungta, who retires by rotation, but being eligible offers himself for reappointment.
- 4) To appoint a Director in place of Mr. C. I. Gandhi, who retires by rotation, but being eligible offers himself for reappointment.
- 5) To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS

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

"RESOLVED THAT Mr. Abhishake Rungta, who has been appointed as Additional Director of the Company on 31/7/2004, who in terms of Section 260 of the Companies Act, 1956 holds office upto the date of this Annual General Meeting and in respect of whom the Company has received a notice from a member under Section 257 of the Companies Act, 1956, signifying his intention to propose Mr. Rungta as a candidate for the office of Director, be and is hereby appointed a Director of the Company, whose office shall be liable to retirement by rotation."

By Order of the Board of Directors

Place: Mumbai
Date: 31st July, 2004

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 proxy(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. An explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 is attached.
3. The Share Transfer Register and Register of Members will be kept closed from 24th September, 2004 to 28th September, 2004 (both days inclusive).
4. As required under Clause 49 of the Listing Agreement, profile of Directors being re-appointed is annexed.
5. 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.
6. The Members holding shares in physical form may if so desired provide Bank A/c. details to enable the company to print Bank details on Dividend warrants.

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

Mr. Abhishake Rungta was appointed as an Additional Director by the Board of Directors in its meeting held on 31st July, 2004. As per Section 260 of the Companies Act, 1956, Mr. Rungta holds office upto the date of the 15th Annual General Meeting. The Company has received a notice from a member under Section 257 of the Companies Act, 1956, signifying his intention to propose Mr. Rungta for his appointment as Director.

Mr. Rungta is a young man of 33 years and is a Bachelor of Commerce. He has been associated with various industries viz. Finance, Steel and Information Technology for past several years.

Mr. A. K. Rungta is interested or concerned in the said Resolution.

By Order of the Board of Directors

A. K. RUNGTA
CHAIRMAN

Place: Mumbai

Date: 31st July, 2004

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 15th Annual General Meeting are given below:

- | | |
|---|--|
| 1. Name | : Mr. Sanjeev Rungta |
| 2. Age | : 44 years |
| 3. Qualification | : B. S. (Mechanical) |
| 4. Experience | : Over 20 years of experience in various types of Industries. He is also associated with leading Chambers of Commerce and is currently Vice-President of the Federation of Gujarat Industries. |
| 5. Other Directorship (Public Ltd. Companies) | : Pearl Industries Limited |
| | |
| 1. Name | : Mr. C. I. Gandhi |
| 2. Age | : 68 years. |
| 3. Qualification | : Bachelor of Arts |
| 4. Experience | : Over 40 years experience in pharmaceutical industry. He is closely associated with several leading Chambers of Commerce and is an Executive Committee Member of FICCI. |
| 5. Other Directorship (Public Ltd. Companies) | : Dolphin Laboratories Ltd. |
| | |
| 1. Name | : Mr. Abhishake Rungta |
| 2. Age | : 33 years |
| 3. Qualification | : Bachelor of Commerce |
| 4. Experience | : Over 12 years of experience in various types of Industries viz. Steel, Finance and Information Technology. |
| 5. Other Directorship (Public Ltd. Companies) | : Zenith Products Ltd. |

DIRECTORS' REPORT

Dear Members,

Your Directors are pleased to present the Fifteenth Annual Report on the working of the Company along with the audited statement of accounts for the financial year ended 31st March, 2004.

FINANCIAL HIGHLIGHTS

(Rupees in Lacs)	Current Year	Previous Year
Turnover	2560.51	2466.24
Operating Profit	359.28	307.04
Cash Profit	334.61	250.40
Profit before Tax	254.12	169.53
Profit after Tax	164.23	126.36

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

(a) **Industry Structure and Development** : Man-made Fibre Industry maintained its overall growth & Polypropylene Fibre, the youngest and smallest part of this industry in India showed fair growth patterns. As yet, consumption of PP Fibre in India is yet to come close with the world trends. One of the major areas of consumption of PP Fibre in the world market is in the form of 'Geo-Textiles' which is mainly used in construction industry and in making of road and rail links and the other is for hygiene applications. Currently in India the application in both these sectors is bare minimal but once the consumption picks up it can lead to phenomenal growth and development of PP Fibre Industry.

(b) **Segment-wise operational performance**: Your Company operates into only one business segment - Manufacturing.

Turnover for the year ended 31st March, 2004 amounted to an all time high of Rs. 2560.51 lacs as against Rs. 2466.24 lacs last year. Operating profit was higher by about 17% as compared to previous year and with prudent financial management cash profit was higher by almost 34%. Profit before tax was substantially higher by about 50%.

The Company augmented its fibre manufacturing capacity by around 25% of its installed capacity in the previous year and production at 2805 MT was an all time high. The full impact of the expanded capacity shall be seen during the current accounting year. Sales was at 2443 MT as the Company had during the middle of the year switched over to 'conversion' of yarn instead of purchase-sale basis being practiced earlier. There was sizeable increase in the sales of yarn during the year at 502 MT as compared to 417 MT in the previous year, thereby registering a further increase of almost 20%.

(c) **Outlook** : The general outlook for the industry continues to be fairly bright. After several years the domestic market showed a healthy increase in consumption. With reasonable 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 at all levels. The year witnessed highest production and sales with dedicated efforts of employees. The Board of Directors wish to place on record its highest appreciation for the contribution made by all the employees in achieving the excellent growth during the year.



DIVIDEND

Your Directors recommend for your approval a dividend of 15% for the financial year 2003-04. 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. The dividend received at shareholders end will be free of tax. The total outgo to the Company on this score shall be about Rs. 75 lacs.

DIRECTORS

To comply with the requirement of the Companies-Act, 1956 Shri Sanjeev Rungta and Shri C. I. Gandhi 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 that:

1. in preparation of the annual accounts, the applicable accounting standards have been followed except as explained under clause 7 of schedule 'Q' on notes on accounts;
2. 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, 2004 and of the profit of the Company for the year April 1, 2003 to March 31, 2004.
3. 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. 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

Company Secretary Shri Deepak Ashar resigned during the year and Shri Pradeep Bhandari was appointed to replace him.

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 Financial Institutions, Canara Bank, valuable customers, suppliers and the 'Share holders'.

For and on behalf of Board of Directors

Place: Mumbai
Date: 31st July, 2004

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 and/or replacements have been carried out on one of our lines to increase the production capacity by about 25%. This has resulted in substantial saving in the energy cost, the full impact of which shall be realized during current full year of working.
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. Energy Audit is currently underway and should result in further power cost savings in the current financial year.
4. As the overall plant capacity utilization has gone up, the energy cost per unit of product has come down.

B) Technology Absorption :

1. With the commissioning of the new indigenously developed extruder along with other essential modifications/replacements on one of our lines has yielded satisfactory result and desired output achieved.
2. New Grades of PP Fibre were developed and bulk supplies were made in the following grades:
 - (a) Fire Resistant Fibre
 - (b) Fibre Grades for Geotextile applications.
 - (c) Fibre (Tow) for manufacture of artificial hair.
3. Heat Resistant Fibre / High Melt Fibre was successfully developed for exports and feed back on the same is awaited.
4. To supply very small length PP Fibre on a large scale, required for civil construction application, a special cutter reel is under active development.

C) Foreign Exchange Earnings and Outgo :

(Rupees)

	<u>Current Year</u>	<u>Previous Year</u>
1. Total Foreign Exchange used (including CIF value of raw-materials, stores, spare parts, plant & machinery, fees for technical services and traveling)	51,95,560	36,93,702
2. Total Foreign Exchange earned (FOB value of exports)	4,62,38,777	4,88,02,539