

17th Annual Report 2005 - 2006

Report  junction.com



Zenith Fibres Limited



An ISO 9001:2000 Certified Company

CONTENTS

	Page No.
Notice	3
Directors' Report	4
Corporate Governance Report	8
Auditors' Report	13
Balance Sheet	16
Profit & Loss Account	17
Cash Flow Statement	18
Schedules	19

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***AUDITORS****M/s. JAIN & HINDOCHA****BANKERS****HDFC BANK LTD.****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.

NOTICE FOR SEVENTEENTH ANNUAL GENERAL MEETING

NOTICE is hereby given that the Seventeenth Annual General Meeting of the members of Zenith Fibres Limited will be held at 4.00 p.m. on Wednesday 27th September, 2006 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, 2006.
- 2) To consider and declare dividend.
- 3) To appoint a Director in place of Mr. A. K. 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.

By Order of the Board of Directors

Place: Mumbai

Date: 15th July, 2006

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, 2006 to 27th September, 2006 (both days inclusive).
3. As required under Clause 49 of the Listing Agreement, profile of Directors being re-appointed is mentioned in Corporate Governance Report
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.



DIRECTORS' REPORT

Dear Members,

Your Directors are pleased to present the Seventeenth Annual Report on the working of the Company along with the audited statement of accounts for the financial year ended 31st March, 2006.

FINANCIAL HIGHLIGHTS

	(Rupees in Lacs)	
	Current Year	Previous Year
Turnover	3177.22	2654.90
Operating Profit	381.43	313.91
Cash Profit	374.46	300.29
Profit before Tax	290.43	220.18
Profit after Tax	184.45	148.24

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

(a) Industry Structure and Development : Man-made Fibre Industry continued to grow steadily & Polypropylene Fibre, the youngest and smallest part of this industry in India showed healthy growth pattern after several years of more or less stagnant growth. 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 of Man Made Fibres.

Turnover for the year ended 31st March, 2006 amounted to an all time high of Rs. 3177.22 lacs as against Rs. 2654.90 lacs last year. Operating profit was higher at Rs. 381.43 lacs as against Rs. 313.91 lacs in the previous year. Cash profit at Rs. 374.46 lacs was almost 25% higher than the previous year and Profit before tax at Rs. 290.43 lacs shows a very healthy growth of about 32% year-on-year basis.

Production during the year crossed the 3000 mtpa mark and was at 3160 tons as compared to 2943 tons during the previous year. Sales of fibre including self consumption for conversion was 3229 tons as compared to 2898 tons last year. Sales of yarn was also higher at 626 tons as compared to 541 tons last year. From the resources available after taxes Rs.15 lacs has been transferred to General Reserve.

(c) Outlook : The general outlook for the industry continues to be fairly steady. The domestic market showed healthy increase in consumption after several years. With reasonable growth in economy and special emphasis on 'Infrastructure' sector it can further 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 : Your Company continues to maintain 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. There is also the possibility of new entrants in the domestic market and the management is keeping a close eye on the developments on this front to ward off any un-warranted threat from the new players.

(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 resources and enjoys cordial relations with all its employees at all levels. Number of employees as on 31st March 2006 are 101. 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.

17TH ANNUAL REPORT**DIVIDEND**

Your Directors recommend for your approval a dividend of 15% for the financial year 2005-06. There will be no tax deduction at source on dividend payment and your Company will pay dividend distribution tax on this dividend along with surcharge thereon and education cess. The dividend received at shareholders end will be free of tax. The total outgo to the Company on this score shall be about Rs. 76 lacs.

DIRECTORS

To comply with the requirement of the Companies Act, 1956 Shri A. K. 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 6 of schedule 'Q' in 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, 2006 and of the profit of the Company for the year April 1, 2005 to March 31, 2006.
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 Exchange, 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 the bankers, valuable customers, suppliers and the 'Share holders'.

For and on behalf of Board of Directors

Place: Mumbai
Date : 15th July, 2006

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. With certain specific modifications and/or replacements, production capacity of one of the Fibre Lines has been increased by almost 20%, thereby resulting in reduced Power Cost. This has resulted in reasonable savings in energy costs.
2. With the implementation of recommendations received from Energy audit of the plant, substantial savings in power cost were achieved.
3. By maintaining power factor of 0.99 almost throughout the year, company received substantial rebate in the monthly power bill.
4. As the Plant capacity utilization has improved considerably during the year under review, the energy costs per unit of production have also come down.

B) Technology Absorption :

New Cutter reel, indigenously developed for providing short-cut PP Fibres required for specialized applications, has been used successfully and this yielded good results in marketing.

C) Foreign Exchange Earnings and Outgo :

	(Rupees)	
	Current Year	Previous Year
1. Total Foreign Exchange used (including CIF value of raw-materials, stores, spare parts, plant & machinery, fees for technical services and travelling)	19,79,951	39,10,236
2. Total Foreign Exchange earned (FOB value of exports)	5,17,23,014	5,06,01,592

17TH ANNUAL REPORT**FORM - A**

(See Rule - 2)

Form for disclosure of particulars with respect to Conservation of Energy

	CURRENT YEAR 2005-2006	PREVIOUS YEAR 2004-2005
A) POWER & FUEL CONSUMPTION		
1. Electricity		
a) Purchased Units	2798874	2582268
Total Amount (Rs.)	12147301	11741963
Rate/Unit (Rs.)	4.34	4.55
b) Own Generation		
(i) Through Diesel Generator		
Units	21468	38372
Total Amount (Rs.)	351934	532692
Cost per unit (Rs.)	16.39	13.88
(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)	3160	2943
Electricity Rs.per kg.	3.84	3.99
Diesel & Oil Rs. per kg.	0.11	0.18

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 grade 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
 - (a) Technology Imported : NIL
 - (b) Year of Import : N.A.
 - (c) Has technology been fully absorbed : N.A.
4. If not fully absorbed area where this has not taken place, reasons thereof and future plan of action : N.A.

For and on Behalf of the Board

Place : Mumbai
Date : 15th July, 2006

A.K. RUNGTA
CHAIRMAN