



Zenith Fibres Limited

19th Annual Report 2007-2008

Report



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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***BANKIM PUROHIT** *Company Secretary***AUDITORS****M/s. JAIN & HINDOCHA****BANKERS****HDFC BANK LTD.****REGD. OFFICE**

205, Marol Bhavan, 2nd Floor,
 Marol Co-op. Industrial Estate Ltd.,
 M.V. Road, J.B. Nagar Post
 Andheri East, Mumbai - 400 059

WORKS

Block 460/P,
 Village Post Tundav,
 Taluka Savli,
 Dist. Vadodara-391 775.

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NOTICE FOR NINETEENTH ANNUAL GENERAL MEETING

NOTICE is hereby given that the Nineteenth Annual General Meeting of the members of Zenith Fibres Limited will be held at 11.30 a.m. on Monday, 29th September, 2008 at Hotel Atithi, 77 A/B Nehru Road, Ville Parle (East), 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, 2008 together with Directors' Report and Auditors' Report thereon.
- 2) To declare dividend.
- 3) To appoint a Director in place of Mr. Amitabha Ghosh, who retires by rotation, but being eligible offers himself for reappointment.
- 4) To appoint a Director in place of Mr. Mukund Beriwal, 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 : 21st July, 2008

SANJEEV 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, 2008 to 29th September, 2008 (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.
5. Members are hereby informed that the dividends which remain unclaimed/unpaid over a period of seven years, have to be transferred by the Company to the Investors' Education & Protection Fund constituted by the Central Government under Section 205(A) and 205(C) of the Companies Act, 1956.

The following are the details of dividend paid by the Company and their respective due dates of transfer to such fund of the Central Government, which remain unpaid :

Date of declaration of Dividend	Dividend for the year	Due date of transfer to the Govt.
26.09.2003	2002-03	25.10.2010
28.09.2004	2003-04	27.10.2011
27.09.2005	2004-05	26.10.2012
27.09.2006	2005-06	26.10.2013
22.09.2007	2006-07	21.10.2014

It may be noted that no claim of the shareholders will be entitled for the unclaimed dividends which have been transferred to the credit of the Investor Education & Protection Fund of Central Government under the provisions of Section 205(B) of the Companies Act, 1956.

In view of above, the shareholders are advised to send all the unpaid dividend warrants to the Registered Office of the Company for revalidation and encase them before the due date for transfer to the Central Government.



DIRECTORS' REPORT

Dear Members,

Your Directors are pleased to present the Nineteenth Annual Report on the working of the Company along with the audited statement of accounts for the financial year ended 31st March, 2008.

FINANCIAL HIGHLIGHTS

		(Rupees in Lacs)
	Current Year	Previous Year
Turnover	3537.36	3658.30
Operating Profit	377.62	513.30
Cash Profit	366.25	501.69
Profit before Tax	278.53	416.81
Profit after Tax	177.67	268.16

MANAGEMENT DISCUSSION AND ANALYSIS

(a) **Industry Structure and Development** : Virtually like in all major sectors of the national economy, Man-made Fibre Industry also continued to grow steadily & Polypropylene Fibre, the youngest and smallest part of this industry in the country continued to show growth. However, consumption of PP Fibre in India is yet to come close with the world trends and there is a wide gap in per capita consumption as compared to developed countries. The major areas of consumption of PP Fibre in the world market viz 'Geo-Textiles' and for hygiene applications is yet to show substantial opening. 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 and the Company.

(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, 2008 amounted to Rs. 3537.36 lacs as against Rs. 3658.30 lacs last year. Operating profit stood at Rs. 377.62 lacs as against Rs. 513.30 lacs in the previous year. Cash profit was at Rs. 366.25 lacs as against Rs. 501.69 lacs in the earlier year. Profit before tax was at Rs. 278.53 lacs as against Rs. 416.81 lacs in the earlier year.

Production during the year was at 3518 tons as compared to 3602 tons during the previous year. Sales of fibre including self consumption for conversion was 3536 tons as compared to 3577 tons last year and was almost at the same level as in the earlier year. Sales of yarn was substantially higher at 806 tons as compared to 666 tons last year. From the resources available after taxes Rs. 25 lacs has been transferred to General Reserve.

(c) **Outlook** : The general outlook for the industry was fairly steady. The domestic market continued to show increase in consumption. With 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 large projects by the Government is of concern to the Company, whereby the requirement of PP Fibre should be highest as per international standards. With new entrants in the domestic market the management is keeping a close eye on the developments on this front and is taking necessary measures to ward off any un-warranted threat from the new players. The unabated rise in crude oil prices had led to phenomenal increase in raw material and other costs which is of concern to the management.

(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 are 99 as on 31st March 2008. The Board of Directors wish to place on record its highest appreciation for the contribution made by all the employees during the year.

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DIVIDEND

Your Directors recommend for your approval a dividend of 15% for the financial year 2007-08. 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. 78 lacs.

DIRECTORS

To comply with the requirement of the Companies Act, 1956 Shri Amitabha Ghosh and Shri Mukund Beriwal, 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 and there has been no material departure.
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, 2008 and of the profit of the Company for the year ended on March 31, 2008.
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

The Board of Directors feel that Schedule 'P' – Notes on Accounts (1f) provides proper explanation to the auditors qualification in their report regarding certain non provisions as per Revised Accounting Standard AS 15.

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.

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, 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 : 21st July, 2008

SANJEEV 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. The energy audit of the entire plant and machinery was carried out and with the implementation of the recommendations received, it has resulted in reduced Power Cost. This has resulted in reasonable savings in energy costs.
2. By maintaining power factor of 0.99 almost throughout the year, the company is receiving applicable rebate in the monthly power bill from the State Electricity Board.
3. It has been the endeavour to maintain capacity utilization at optimum levels to ensure that overall costs per unit of production does not go up.

B) Technology Absorption :

With various modifications and latest technology upgrades, we have been able to produce better product in quality especially short-cut fibers. The product is being exported to the Middle East and various other countries with very satisfactory feedback.

C) Foreign Exchange Earnings and Outgo :

	(Rupees)
	Previous
	Year
	Current
	Year
1. Total Foreign Exchange used (including CIF value of raw-materials, stores, spare parts, plant & machinery, fees for technical services and traveling)	1,26,50,915
2. Total Foreign Exchange earned (FOB value of exports)	10,31,47,241
	3,94,91,113
	6,16,35,169

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FORM - A

(See Rule - 2)

Form for disclosure of particulars with respect to Conservation of Energy

	CURRENT YEAR 2007-2008	PREVIOUS YEAR 2006-2007
A) POWER & FUEL CONSUMPTION		
1. Electricity		
a) Purchased Units	3123564	3086484
Total Amount (Rs.)	14420680	14237245
Rate/Unit (Rs.)	4.62	4.61
b) Own Generation		
(i) Through Diesel Generator		
Units	15940	29306
Total Amount (Rs.)	251432	478857
Cost per unit (Rs.)	15.77	16.34
(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)	3518	3602
Electricity Rs.per kg.	4.10	3.95
Diesel & Oil Rs. per kg.	0.07	0.13

FORM-B

Form for disclosure of particulars with respect to Technology Absorption.

A) RESEARCH & DEVELOPMENT

- The specific areas in which Research & Development is carried out by the Company : NIL
- Benefits derived as a result of the above Research & Development Work : NIL
- 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.
- Expenditure on Research & Development :
 - Capital Expenditure : NIL
 - Recurring Expenditure : NIL
 - Percentage of Expenditure of turn-over : NIL

B) TECHNOLOGY ABSORPTION, ADOPTION AND INNOVATION:

- Efforts made towards technology absorption, adoption and innovation : NIL
- Benefits derived as a result of above efforts : NIL
- Information relating to the technology imported during the last 5 years
 - Technology Imported : NIL
 - Year of Import : N.A.
 - Has technology been fully absorbed : N.A.
- 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 : 21st July, 2008

SANJEEV RUNGTA
CHAIRMAN