



Zenith Fibres Limited

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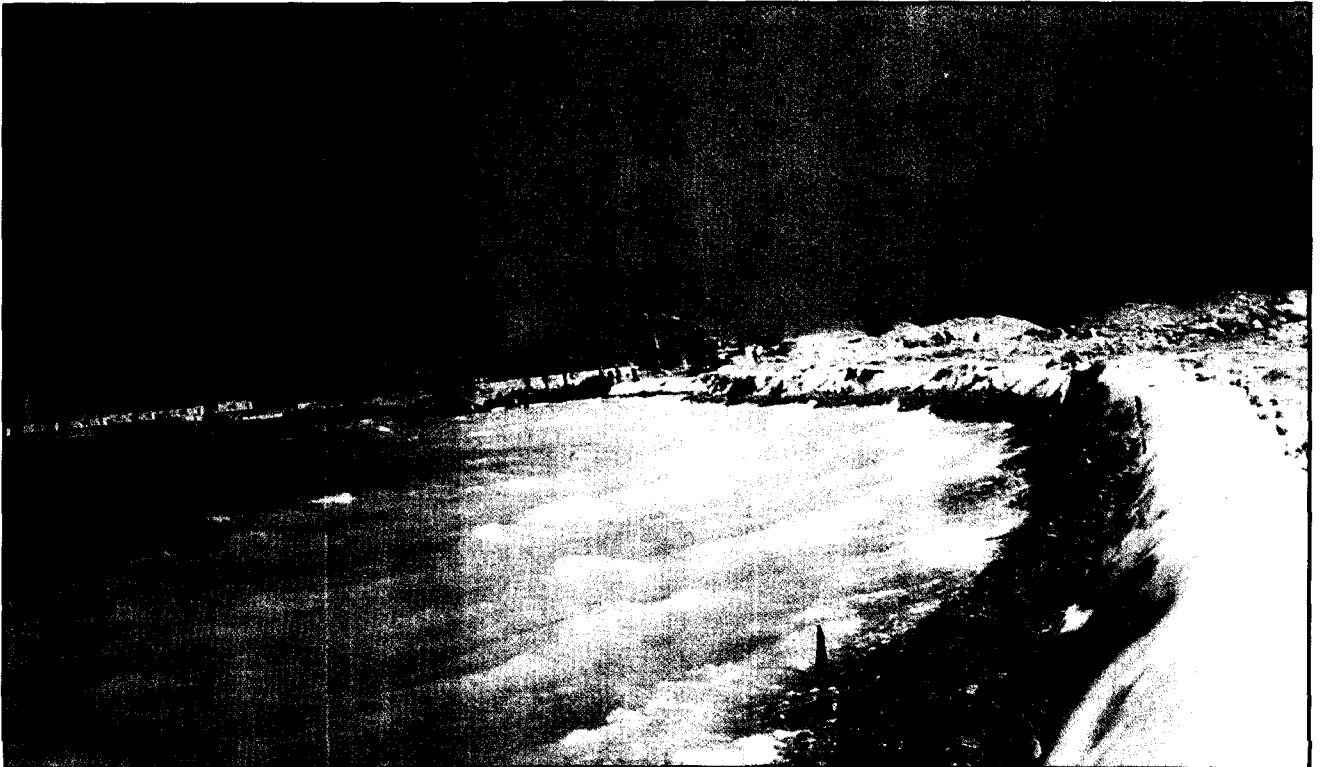
Sixteenth Annual Report

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Application of Geotextiles in Infrastructure Development



For Road Stabilization



For Erosion Control in Waterways

16TH ANNUAL REPORT**CONTENTS**

| | Page No. |
|-----------------------------------|----------|
| Notice | 3 |
| Directors' Report | 5 |
| Corporate Governance Report | 9 |
| 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.

16TH ANNUAL REPORT**NOTICE FOR SIXTEENTH ANNUAL GENERAL MEETING**

NOTICE is hereby given that the Sixteenth Annual General Meeting of the members of Zenith Fibres Limited will be held at 11.00 a.m. on 27th September, 2005 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, 2005.
- 2) To consider and 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.



Place: Mumbai

Date: 18th July, 2005

By Order of the Board of Directors

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 24th September, 2005 to 27th September, 2005 (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.

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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 16th Annual General Meeting are given below:

- | | |
|---|---|
| 1. Name | : Mr. Amitabha Ghosh |
| 2. Age | : 75 years |
| 3. Qualification | : F.C.A., Fellow Member of the Indian Institute of Bankers. |
| 4. Experience | : Ex-Chairman of Allahabad Bank and Retired Deputy Governor of Reserve Bank of India. Renowned Banker and wide experience in finance, banking and management. |
| 5. Other Directorships (Public Ltd. Companies) | : 1) Associated Cement Co.Ltd. 2) Assambrooke Ltd. 3) Kesoram Industries Ltd. 4) Mysore Cements Ltd. 5) Morarjee Realities Ltd. 6) Orient Paper & Ind.Ltd. 7) Piramal Holdings Ltd. 8) Sahara India Financial Corp.Ltd. 9) Sahara India Life Insurance Co. Ltd. 10) Shreyas Shipping Ltd. 11) Xpro India Ltd. |

- | | |
|--|---|
| 1. Name | : Mr. Mukund Beriwalla |
| 2. Age | : 29 years. |
| 3. Qualification | : Bachelor of Arts (Economics) Advance Course of Finance from the New York University. |
| 4. Experience | : 9 years experience on Stock analysis and dealing in securities. |
| 5. Other Directorships (Public Ltd.Companies) | : None |

16TH ANNUAL REPORT

DIRECTORS' REPORT

Dear Members,

Your Directors are pleased to present the Sixteenth Annual Report on the working of the Company along with the audited statement of accounts for the financial year ended 31st March, 2005.

FINANCIAL HIGHLIGHTS

(Rupees in Lacs)

| | Current Year | Previous Year |
|-------------------|-----------------|------------------|
| Turnover | 2657.11 | 2560.51 |
| Operating Profit | 313.91 | 359.28 |
| Cash Profit | 300.29 | 334.61 |
| Profit before Tax | 220.18 | 254.12 |
| Profit after Tax | 148.24 | 164.23 |

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 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, 2005 amounted to an all time high of Rs. 2657.11 lacs as against Rs. 2560.51 lacs last year. Operating profit was lower as compared to previous year due to unprecedented rise in international oil prices as a result of which the raw material prices recorded new highs and the full increase could not be passed on to the customers. Cash profit was at Rs. 300.29 lacs and Profit before tax was Rs. 220.18 lacs.

Last year for the first five months yarn sales were on purchase – sale basis and as such turnover figure for the current year is not comparable to that of last year as in the current year entire yarn sales is from conversion of fibre to yarn on job work basis. Production during the year was higher at 2943 tons as compared to 2805 tons during the previous year. Sales of fibre including self consumption for conversion was 2898 tons as compared to 2767 tons last year. Sales of yarn was also higher at 541 tons as compared to 502 tons last year. From the resources available after taxes Rs.10 Lacs has been transferred to General Reserve.

Your Company obtained ISO 9001:2000 accreditation during the year under review.

(c) **Outlook** : The general outlook for the industry continues to be fairly steady. The domestic market showed sustained 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** : 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.

(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. 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.



ZENITH FIBRES LIMITED

DIVIDEND

Your Directors recommend for your approval a dividend of 15% for the financial year 2004-05. 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 Amitabha Ghosh and Shri Mukund Beriwalla 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' 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, 2005 and of the profit of the Company for the year April 1, 2004 to March 31, 2005.
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 Canara Bank for all the years of banking with them, HDFC Bank Ltd., valuable customers, suppliers and the 'Share holders'.

For and on Behalf of Board of Directors

Place: Mumbai
Date: 18th July, 2005

A. K. RUNGTA
CHAIRMAN

16TH ANNUAL REPORT**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 modifications and/or replacements, production capacity of one of the Fibre Lines could be increased by nearly 20% resulting in reduced Power Cost. This has resulted in good savings in energy costs.
2. Energy audit of the plant was undertaken with the help of an outside party and after implementing party's suggestions, good amount of savings in power cost were achieved.
3. By maintaining power factor of 0.99 month after month, company received substantial rebate in the monthly power bill from the Electricity Board.
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 :

For providing short-cut PP Fibres required for specialized applications, a new cutter reel was indigenously developed and used successfully.

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) | 39,10,236 | 51,95,560 |
| 2. Total Foreign Exchange earned (FOB value of exports) | 5,06,01,592 | 4,62,38,777 |