



Zenith Fibres Limited

18th Annual Report 2006-2007

POLYPROPYLENE STAPLE FIBRE

- A Great Future in Technical Textiles

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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*

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AUDITORS

M/s. JAIN & HINDOCHA

BANKERS

HDFC BANK LTD.

REGD. OFFICE

A/2, Jitendra Estate,
Andheri Kurla Road,
Andheri (E), Mumbai-400 093.

WORKS

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

18TH ANNUAL REPORT**NOTICE FOR EIGHTEENTH ANNUAL GENERAL MEETING**

NOTICE is hereby given that the Eighteenth Annual General Meeting of the members of Zenith Fibres Limited will be held at 11.30 a.m. on Saturday, 22nd September, 2007 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, 2007 together with Directors' Report and Auditors' Report thereon.
- 2) To 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. Abhishake Rungta, 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 : 18th July, 2007

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 17th September, 2007 to 22nd September, 2007 (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

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 encash them before the due date for transfer to the Central Government.



DIRECTORS' REPORT

Dear Members,

Your Directors are pleased to present the Eighteenth Annual Report on the working of the Company along with the audited statement of accounts for the financial year ended 31st March, 2007.

FINANCIAL HIGHLIGHTS

	(Rupees in Lacs)	
	Current Year	Previous Year
Turnover	3658.30	3177.22
Operating Profit	513.30	381.43
Cash Profit	501.69	374.46
Profit before Tax	416.81	290.43
Profit after Tax	268.16	184.45

MANAGEMENT DISCUSSION AND ANALYSIS

(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 continued to show growth. Consumption of PP Fibre in India is yet to come close with the world trends. There is a wide gap in per capita consumption as compared to developed countries. 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, 2007 amounted to an all time high of Rs. 3658.30 lacs as against Rs. 3177.22 lacs last year. Operating profit was higher at Rs. 513.30 lacs as against Rs. 381.43 lacs in the previous year. Cash profit was at Rs. 501.69 lacs as against Rs. 374.46 lacs which was almost 34% higher than the previous year and Profit before tax at Rs. 416.81 lacs shows a quantum jump of about 43% year-on-year basis.

Production during the year was highest ever at 3602 tons as compared to 3160 tons during the previous year. Sales of fibre including self consumption for conversion was 3582 tons as compared to 3229 tons last year and most of the increased sale was in the domestic market. Sales of yarn was also higher at 666 tons as compared to 626 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 buoyant. The domestic market continued to show healthy increase in consumption. 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. 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.

(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 2007 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.

18TH ANNUAL REPORT**DIVIDEND**

Your Directors recommend for your approval a dividend of 15% for the financial year 2006-07. 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 Sanjeev Rungta and Shri Abhishake Rungta, 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, 2007 and of the profit of the Company for the year ended on March 31, 2007.
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, 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 : 18th July, 2007

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. With certain specific modifications and/or replacements on one of the production lines, 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. By maintaining power factor of 0.99 almost throughout the year, the company used to receive substantial rebate in the monthly power bill. While this benefit was withdrawn by the power supply company, however the same has been restored albeit at slightly reduced rate.
3. As the Plant capacity utilization has improved considerably during the year under review, the overall costs per unit of production have also come down.

B) Technology Absorption :

Cutter reels, indigenously developed for providing short-cut PP Fibres required for specialized applications, have been used successfully in the past and with further development on this score it continues to yield good results in marketing.

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)	3,94,91,113	19,79,951
2. Total Foreign Exchange earned (FOB value of exports)	6,16,35,169	5,17,23,014

18TH ANNUAL REPORT**FORM - A**

(See Rule - 2)

Form for disclosure of particulars with respect to Conservation of Energy

	CURRENT YEAR 2006-2007	PREVIOUS YEAR 2005-2006
A) POWER & FUEL CONSUMPTION		
1. Electricity		
a) Purchased Units	3086484	2798874
Total Amount (Rs)	14237245	12147301
Rate/Unit (Rs.)	4.61	4.34
b) Own Generation		
(i) Through Diesel Generator		
Units	29306	21468
Total Amount (Rs.)	478857	351934
Cost per unit (Rs.)	16.34	16.39
(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)	3602	3160
Electricity Rs.per kg.	3.95	3.84
Diesel & Oil Rs. per kg.	0.13	0.11

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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 : 18th July, 2007**SANJEEV RUNGTA**
CHAIRMAN