



Zenith Fibres Limited

20th Annual Report 2008-2009





BOARD OF DIRECTORS

Sarvashree

A.K. RUNGTA	<i>Chairman</i>
AMITABHA GHOSH	<i>Director</i>
C.I. GANDHI	<i>Director</i>
SANJEEV RUNGTA	<i>Director</i>
RAJEEV RUNGTA	<i>Director</i> <i>w.e.f. 10.10.2008</i>
ABHISHAKE RUNGTA	<i>Director</i>
MUKUND BERIWALA	<i>Director</i>

Dr. S.R. VENGSARKER *Advisor*

Report

BANKIM PUROHIT

Company Secretary

CONTENTS

	Page No.
Notice	1
Directors' Report	3
Corporate Governance Report	7
Auditors' Report	13
Balance Sheet	16
Profit & Loss Account	17
Cash Flow Statement	18
Schedules	19

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.

20TH ANNUAL REPORT

NOTICE FOR TWENTIETH ANNUAL GENERAL MEETING

NOTICE is hereby given that the Twentieth Annual General Meeting of the members of Zenith Fibres Limited will be held at 4.00 p.m. on Wednesday, 23rd September, 2009 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, 2009 together with Directors' Report and Auditors' Report thereon.
- 2) To 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.

SPECIAL BUSINESS:

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

"RESOLVED THAT Mr. Rajeev Rungta be and is hereby appointed as Director of the Company, whose office shall be liable to retirement by rotation."

By Order of the Board of Directors

Place : Mumbai
Date : 23rd July, 2009

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, 2009 to 23rd September, 2009 (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. An explanatory statement pursuant to Section 173 of the Companies Act, 1956 is annexed.
4. The dividend on equity shares as recommended by the Board of Directors, if declared at the Annual General Meeting, will be paid :
 - (i) In respect of shares held in physical form to those shareholders, whose names stand on the Register of Members of the Company as on the last date of book closure i.e. 23/9/2009.
 - (ii) in respect of shares held in the dematerialized form to those members, whose name appear in the statements as furnished by the depositories for this purpose as at the end of the business hours on 16/9/2009.
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. 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
29.09.2008	2007-08	28.10.2015

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.

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

The Board of Directors in its meeting held on 10.10.2008 had appointed Mr. Rajeev Rungta as an Additional Director. In pursuance to the provisions of Section 260 of the Companies Act, 1956, the office of Mr. Rajeev Rungta as Director shall stand terminated on the date of ensuing Annual General Meeting. The Company has received a notice form one of its member under Section 257 of the Companies Act, 1956 alongwith refundable deposit signifying intention of proposing the appointment of Mr. Rajeev Rungta as Director.

Mr. Rajeev Rungta is B.Com. (Hons.) and Diploma holder in Post Graduate Business Management. He has experience of almost 25 years in business and administration. Detailed profile of Mr. Rungta is given in Corporate Governance Report under Clause 49 of the Listing Agreement. Your Directors are of the opinion that the co-option of Mr. Rungta on the Board as Director is in the best interest of the Company and hence, recommend his appointment.

Mr. Rajeev Rungta, Mr. A.K. Rungta and Mr. Sanjeev Rungta being relatives, be deemed to be interested in this resolution. None of the other Directors are in any way interested or concerned in the proposed resolution.

By Order of the Board of Directors

Place : Mumbai
Date : 23rd July, 2009

SANJEEV RUNGTA
CHAIRMAN

20TH ANNUAL REPORT

DIRECTORS' REPORT

Dear Members,

Your Directors are pleased to present the Twentieth Annual Report on the working of the Company along with the audited statement of accounts for the financial year ended 31st March, 2009.

FINANCIAL HIGHLIGHTS

(Rupees in Lacs)

	Current Year	Previous Year
TURNOVER	3689.30	3537.36
OPERATING PROFIT	534.11	377.62
CASH PROFIT	519.26	366.25
PROFIT BEFORE TAX	428.28	278.53
PROFIT AFTER TAX.....	269.75	177.67

MANAGEMENT DISCUSSION AND ANALYSIS

(a) **Industry Structure and Development** : Virtually like in all major sectors of the national economy, Man-made Fibre Industry also maintained steady consumption pattern & Polypropylene Fibre, the youngest and smallest part of this industry in the country followed the same trend. 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, 2009 amounted to Rs. 3689.30 lacs as against Rs. 3537.36 lacs last year. Operating profit stood at Rs. 534.11 lacs as against Rs. 377.62 lacs in the previous year. Cash profit was at Rs. 519.26 lacs as against Rs. 366.25 lacs in the earlier year. Profit before tax was substantially higher at Rs. 428.28 lacs as against Rs. 278.53 lacs in the earlier year and Profit after tax was also higher at Rs. 269.75 lacs as against Rs. 177.67 lacs in the previous year.

Production during the year was at 3502 tons being almost the same as during the previous year at 3518 tons. Sales of fibre including self consumption for conversion was 3406 tons as compared to 3536 tons last year. Sales of yarn was at 731 tons as compared to 806 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 maintain steady 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. The Company continues to maintain close vigil on supplies in the domestic market from the new players and is constantly taking necessary measures to ward off any un-warranted threat from the recent entrants. The extreme volatility in crude oil prices and the overall global economic slowdown 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 2009. The Board of Directors wish to place on record its highest appreciation for the contribution made by all the employees during the year.



DIVIDEND

Your Directors recommend for your approval a dividend of 15% for the financial year 2008-09. 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

The Board of Directors in its meeting held on 10th October, 2008 had appointed Mr. Rajeev Rungta as Additional Director. In pursuance to Section 260 of the Companies Act, 1956 Mr. Rajeev Rungta will cease to be the Director at the ensuing Annual General Meeting. The Company has received a notice from one of its members along with refundable deposit under Section 257 of the Companies Act, 1956 signifying his intention of proposing the appointment of Mr. Rungta as Director.

Mr. Rajeev Rungta is B.Com. (Hons.) and Diploma holder in Post Graduate Business Management. He has experience of almost 25 years in business and administration. Detailed profile of Mr. Rungta is given in Corporate Governance Report under Clause 49 of the Listing Agreement. Your Directors are of the opinion that the co-option of Mr. Rungta on the Board as Director is in the best interest of the Company.

To comply with the requirement of the Companies Act, 1956 and Articles of Association of the Company, 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 under Clause 49 of the Listing Agreement, 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, 2009 and of the profit of the Company for the year ended on March 31, 2009.
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.

EMPLOYEES

Dr. S. R. Vengsarker, CEO of the Company retired during December, 2008. He has been associated with the Company almost since its inception and his dedicated services enabled the Company reach great heights. The Board of Directors appointed him as Advisor to the Company to continue to receive his invaluable advice from his vast experience in the sector to enable the Company continue perform satisfactorily.

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'.

By Order of the Board of Directors

SANJEEV RUNGTA
CHAIRMAN

Place : Mumbai

Date : 23rd July, 2009

20TH 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 the implementation of the recommendations received from the energy audit of the entire plant and machinery has resulted in reduced Power Cost. This has resulted in reasonable savings in energy costs. However the overall increase in the power cost by the State Electricity Board has impacted the consumption per unit of production.
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 :

	Current	(Rupees) Previous
	<u>Year</u>	<u>Year</u>
1. Total Foreign Exchange used (including CIF value of raw-materials, stores, spare parts, plant & machinery, fees for technical services and traveling)	1,47,94,623	1,26,50,915
2. Total Foreign Exchange earned (FOB value of exports)	12,58,68,161	10,31,47,241


ZENITH FIBRES LIMITED
FORM - A

(See Rule - 2)

Form for disclosure of particulars with respect to Conservation of Energy

	CURRENT YEAR 2008-2009	PREVIOUS YEAR 2007-2008
A) POWER & FUEL CONSUMPTION		
1. Electricity		
a) Purchased Units	3098694	3123564
Total Amount (Rs.)	16642623	14420680
Rate/Unit (Rs.)	5.37	4.62
b) Own Generation		
(i) Through Diesel Generator		
Units	50380	15940
Total Amount (Rs.)	715150	251432
Cost per unit (Rs.)	20.42	15.77
(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)	3502	3518
Electricity Rs.per kg.	4.95	4.10
Diesel & Oil Rs. per kg.	0.20	0.07

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 : 23rd July, 2009

SANJEEV RUNGTA
CHAIRMAN

20TH ANNUAL REPORT

CORPORATE GOVERNANCE REPORT

Pursuant to Clause 49 of the Listing Agreement, a Report on Corporate Governance is given below :

A MANDATORY REQUIREMENTS**1 Company's philosophy on Code of Governance**

The Company believes that good Corporate Governance is essential to achieve long-term corporate goals and to enhance shareholders' value. In this pursuit, the Company is committed to conducting business in accordance with the highest legal and ethical standards, superior product quality and services to its customers. The Company has adhered to such superior product policies to fulfill its corporate responsibilities and achieve its financial objectives.

2 Board of Directors

Composition, Status, Attendance at the Board Meetings & the last AGM :

Name of Director	Status i.e. Executive/ Non-Executive/Independent	No. of Board Meetings Attend	Attendance at the last AGM
Mr. A. K. Rungta	Non-Executive	2	No
Mr. A. Ghosh	Independent	4	No
Mr. C. I. Gandhi	Independent	4	Yes
Mr. Sanjeev Rungta	Non-Executive	2	Yes
Mr. Rajeev Rungta*	Non-Executive	1*	N. A.
Mr. A. Rungta	Independent	2	No
Mr. M. Beriwala	Independent	4	Yes

* Shri Rajeev Rungta was appointed as Additional Director of the Company on 10/10/2008

Number of Companies or Committees in which the Director is a Director/Chairman

Name of Director	No. of other Companies in which Director (other than Private Limited Companies)	No. of Committees of other Companies in which member / Chairman
Mr. A. K. Rungta	3	0
Mr. A. Ghosh	15	Member – 10 Chairman – 5
Mr. C. I. Gandhi	1	0
Mr. Sanjeev Rungta	1	0
Mr. Rajeev Rungta	4	Chairman - 1
Mr. A. Rungta	3	0
Mr. M. Beriwala	0	0

Apart from reimbursement of expenses incurred in the discharge of their duties and receipt of sitting fees for attending Board/Committee Meetings as Non-Executive Directors none of the Directors has any other material pecuniary relationship or transactions with the Company, its Promoters, its Directors, its Senior Management or its subsidiaries and associates, which in judgement would affect their independence. Except for Mr. A. K. Rungta, Mr. Sanjeev Rungta and Mr. Rajeev Rungta who are related to each other, none of the Directors of the Company are inter-related to each other.

Four Board Meetings were held during the year on 28/4/08, 21/7/08, 10/10/08 & 16/1/09.

3 Audit Committee

The Audit Committee comprises of Mr. C. I. Gandhi, Chairman of the Committee and Mr. M. Beriwala, both being Independent Directors and Mr. S. Rungta, Non-Executive Director. The terms of reference of this Committee are wide enough covering the matters specified for Audit Committee under the Listing Agreement and the provisions of Section 292A of the Companies Act, 1956. The meetings of the Committee were held on 28/4/08, 21/7/08, 10/10/08 & 16/1/09. While Mr. Gandhi and Mr. Beriwala attended all the meetings, Mr. Rungta was present during three of them.