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**HANJER FIBRES LIMITED**

**15th Annual Report  
2005 - 2006**

## **HANJER FIBRES LIMITED**

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### **HANJER FIBRES LIMITED**

#### **CHAIRMAN & MANAING DIRECTOR**

**DR. IRFAN ASHRAF FURNITUREWALA**

#### **DIRECTORS**

**Nadeem Ashraf Furniturewala**

**Natvarlal Rana**

**Gajanan Krishna Salunke**

#### **BANKERS**

State Bank of India.

Bank of Baroda

UCO Bank

#### **AUDITORS**

**S.M. Bhat & Associates**

Chartered Accountants

338, Dheeraj Heritage,

Next to Santa Cruz Depot

S. V. Road, Santacruz (W),

Mumbai - 400 054.

Membership Number : 30696

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#### **REGISTERED AND SHARE TRANSFER AGENT**

##### **Adroit Corporate Services Pvt. Ltd.**

19, Jaferbhoy Industrial Estate

Makwana Road, Marol Naka

Andheri (East)

Mumbai - 400 059.

Tel : 91 - 22 2856442 / 28594428 / 28596060

#### **REGISTERED OFFICE**

##### **HANJER FIBRES LIMITED**

335, Shalimar House,

Grant Road, Mumbai - 400 007.

Tel : 91-22-23875140 / 23871963

**NOTICE**

**NOTICE** is hereby given that the Fifteenth Annual General Meeting of the Members of HANJER FIBRES LIMITED will be held at 4<sup>th</sup> Floor, Shalimar House, 335, Grant Road, Mumbai-400 007 on Friday the 29<sup>th</sup> September, 2006 at 11 a.m. to transact the following business:

1. To receive, consider and adopt the Audited Balance Sheet as at 31<sup>st</sup> March, 2006, the Profit & Loss Account for the year ended on that date and the Cash Flow Statement for the year ended on that date together with the Report of the Directors and Auditors thereon.
2. To appoint a Director in place of Shri Natvarlal Rana who retires by rotation and, being eligible, offers himself for reappointment.
3. To appoint a Director in place of Dr. Irfan Ashraf Furniturewala who retires by rotation and, being eligible, offers himself for reappointment.
4. To appoint Auditors and to fix their remuneration.

**Special Business**

5. To consider and, if thought fit, to pass with or without modification(s), the following as a **SPECIAL RESOLUTION**.

"Stock Exchange Board of India (Delisting of Securities) Guide Lines, 2003 and such approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions which the Board of the Company may agree, consent is hereby accorded to the Board to delist the Company's Equity shares from all or any of the Stock Exchanges except "The Stock Exchange Mumbai" viz, Delhi Stock Exchange Association Limited at New Delhi, the Ahmedabad Stock Exchange at Ahmedabad and the Vadodara Stock Exchange at Vadodara."

**By Order of the Board**

Sd/-

**Dr. Irfan Furniturewala**  
Chairman & Managing Director

**Registered Office:**

335, Shalimar House,  
Grant Road,  
Mumbai 400 007.

Dated: 30<sup>th</sup> June, 2006.

**NOTE:**

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. Proxy should be lodged with the company at least 48 hours before the commencement of the meeting.
3. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the special business mentioned in the notice.
4. The Register of Members and the Share Transfer books of the Company will remain closed between Friday the 22<sup>nd</sup> September, 2006 and Friday the 29<sup>th</sup> September, 2006. (both days inclusive).
5. Members are requested to :
  - a) Intimate changes, if any in his/her registered address at an early date.
  - b) Quote ledger folio number in all the correspondence.
  - c) Intimate about consolidation of folios, if share holdings are under multiple folios.
  - d) Bring his/her copy of the Annual Report and the Attendance slips with them at the Annual General Meeting.
  - e) Consider Dematerializing the equity shares held by his/her in physical form.
  - f) Get the shares transferred in joint names, if shares are held in single name or appoint nominee, to avoid inconvenience.
  - g) Send to the Company duly filled in form for appointment of nominee for the shares held. The prescribed form for appointment of nominee will be made available on request.
6. Members requiring any information about the accounts are requested to write to the Company at least one week before the date of meeting.
7. Only registered members carrying the Attendance slip and the holders of valid proxies registered with the Company will be permitted to attend the meeting.

## HANJER FIBRES LIMITED

### ANNEXURE TO THE NOTICE

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

As required by Section 173(2) of the Companies Act, 1956, the following Explanatory Statement set out all material facts relating to the business mentioned under item No. 5 of the notice dated 30th June, 2006

##### Item No.5

The Company's shares are listed at Stock Exchanges at Ahmedabad, Vadodara and Delhi apart from Bombay Stock Exchange, being the Regional Stock Exchange.

With the wide and extensive network of the BSE, the investors have access to online dealings in the Company's shares across the Country. Moreover, the Company's shares are under compulsory dematerialization.

In the recent years, the Company's shares are seldom traded at Ahmedabad, Vadodara and Delhi Stock Exchanges. For the continued listing with the above three Stock Exchanges the Company will have to incur annual expenditure to the tune of Rs. 28,750/- and hence it will be prudent to delist the shares from the respective Stock Exchanges to reduce this expense. In view of the foregoing coupled with the idea of cost reduction your directors propose to go for voluntary

delisting of the Company's shares from the said Stock Exchanges.

The continuation of listing will not be beneficial to the Shareholders for trading their Shares on those Stock Exchanges and pursuant to the SEBI (Delisting of Securities) Guide lines 2003, it is now proposed to seek the members' approval by way of a Special Resolution as set out in the notice. No exit option is required to be offered to the shareholders as the Shares of the Company shall be continue to listed on the Stock Exchange, Mumbai.

The proposed delisting is in the interest of the Company and the Board recommends the Special Resolution for acceptance by the Members.

None of the Directors of the Company is concerned or interested in the Resolution.

By Order of the Board

Sd/-

**Dr. Irfan Furniturewala**  
Chairman & Managing Director

##### Registered Office:

335, Shalimar House,  
Grant Road,  
Mumbai 400 007

Dated: 30<sup>th</sup> June, 2006.

## 15TH ANNUAL REPORT 2005-2006

**DIRECTORS' REPORT**

Dear Members,

Your Directors have pleasure in presenting the Fifteenth Annual Report together with the Audited Accounts for the year ended 31<sup>st</sup> March 2006.

**1. FINANCIAL RESULTS:**

	(Rs. in Lacs)	
	2005-2006	2004-2005
Sales & Other Income	5346.32	5255.47
Loss Before Depreciation & Tax	-282.70	-143.62
Depreciation	117.52	122.14
Loss before Current Tax	165.18	-265.76
Provision for Current Tax	0	0
Loss after Tax	-165.18	-265.76
Provision for FBT	2.32	0
Provision for Deferred Tax	-54.68	28.89
Net Loss	-112.82	-294.65
Balance of Profit of Previous Year	91.22	385.87
Balance	21.60	91.22
APPROPRIATIONS		
Surplus to Balance Sheet	21.60	91.22

**2. OPERATIONS:**

The Company's performance during the year under review remained to be affected because of major fire which took place in one of the units of the Company in the previous year 2004-2005. Even though Company has achieved a turnover of Rs.5088.38 lacs (Rs. 5255.47 lacs in the previous year), your Company managed to bring down loss to Rs 165.18 lacs before providing for tax as against loss of Rs.265.76. lacs in the previous year.

**3. DIVIDEND**

In view of the losses your Directors are unable to recommend any dividend for the year ended 31<sup>st</sup> March, 2006.

**4. SHARE CAPITAL**

During the year Company has increased its Authorised Share Capital from Rs. 11,00,00,000/- to Rs. 11,50,00,000/- in Extra Ordinary General Meeting held on 15<sup>th</sup> June 2005. During the year Board of Directors has allotted 12,80,000 Equity Shares of the Company on Preferential basis as per the authority given to the Board of Directors pursuant to the special resolution passed by the members at the Extra Ordinary General Meeting held on 15<sup>th</sup> June 2005

**5. SANCTION OF PACKAGE OF RELIEF AND CONCESSIONS**

During the previous year the State Bank of India granted relief and concessions by way of reduction in rate of interest and funding of Interest etc., Efforts are on to get relief from other bankers too.

**6. FIXED DEPOSITS :** The Company has not accepted any Public Deposit during the year nor there is any deposit outstanding for repayment.**7. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION**

The information as required under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Directors) Rules, 1988 is given in the Annexure to the Report.

**8. DIRECTORS:**

Shri Natvarlal Rana. and Dr. Irfan Ashraf Furniturewala, Directors retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment

**9. DIRECTORS RESPONSIBILITY STATEMENT:**

Your Directors state

- that in the preparation of the annual accounts for the year ended 31.03.2006, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- that while preparing the annual accounts the policies selected are consistent and the judgments and estimates applied are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the financial results of the company for the year ended on 31-03-2006.
- that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- that the directors had prepared the annual accounts for the year ended on 31.03.2006 on a going concern basis.

**10. LISTING ON STOCK EXCHANGE:**

The Company's Shares are listed with the Mumbai Stock Exchange, Ahmedabad Stock Exchange, Vadodara Stock Exchange and Delhi Stock Exchange. Listing fees of all the Stock Exchanges have been paid for 2006 - 2007. The Members have passed necessary resolution in the earlier Annual General Meeting to voluntarily de-list the shares of the Company from Ahmedabad, Vadodara and Delhi Stock Exchanges. Steps are being taken again to de-list the shares from the aforesaid Stock Exchanges.

**11. CORPORATE GOVERNANCE**

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, a compliance report on the Corporate Governance forms part of the Annual Report along with Auditors' Certificate on its compliance.

**12. MANAGEMENT DISCUSSION AND ANALYSIS****Overview**

The Company's performance during the year under review remained to be adversely affected because of major fire which took place in one of the units of the company during Financial Year 2004-2005. However the Company has managed to achieve turnover of 5088.38 Lacs during the year under review by making efforts to manufacture right product mix and by enhancing trading activities and managed to bring down the losses to Rs. 165.16 Lacs. The Company has received approval for insurance claim of Rs.598.52 Lacs on reinstatement value basis and during the year received Rs.150 Lacs as part payment. The balance claim amount is expected to be received in the current year. The company has started reinstatement of Plant & Machinery with the help of IDBI. The company is expected to be back on the track by third quarter of 2006-07.

## HANJER FIBRES LIMITED

### Business of the Company

The Company is mainly engaged in the business of manufacturing Coarse Count Cotton Yarn and presently produces coarse cotton yarn of 4's to 20's counts for various applications like tapes, canvas, industrial sheeting's, Denim, Drills, Hosepipes, Braids and Twills. The company had planned up gradation of its existing plant so as to improve the quality of yarn produced from 'B' Grade to 'A' Grade coupled with improvement in productivity of the machines by at least 10-15% enabling more production and value addition to the yarn like 'soft yarn' required in both domestic and export markets for manufacture of flannel fabrics and knitted fabrics and gloves. The soft yarn fetch higher price because of its high precision.

### Industry Structure and Developments:

India has the unique distinction of possessing all possible varieties of cotton. India is able to offer a wide variety of cotton textiles since she is, perhaps, the producer of largest range of cottons in the world. Besides being one of the four biggest producers of raw cotton in the World. In between, there are all staple lengths and micromere values. And of course India has consumers with all kinds of incomes. The production of raw cotton in India has grown steadily over the years.

Post Quota regime effective from 01/01/2005 has opened huge opportunity for Indian manufacturers & exporters in U.S. & E.U. market. Our company being quality producer of cotton yarn in coarser segment will lead to substantial production for export market.

### Business Outlook

The Company has been successful in tapping few new markets which would improve its prospects. The Company is trying to establish market for its products in India, amongst the large manufacturers who consume these products in bulk. The Company's major sales abroad in the past have been through merchant exporters.

For deriving benefit from growing demand and for sustaining growth momentum, the company is focusing on value added products with much better margins and higher productivity. Going forward, we see a promising outlook for the coarse count cotton yarn sector and the company.

### Risks and Concerns

The Company's expectations and estimates may vary and the same are dependent on factors like monsoons, general economical conditions, terrorists attacks etc. affecting market sentiments in addition, the government policies and tax implications.

### Audit Committee & Internal Control System

The Audit Committee appointed under the Board of Directors reviews the adequacy and effectiveness of the internal control systems and suggests improvement for strengthening them, from time to time. The company has instituted adequate internal control procedure commensurate with the nature of its business and the size of its operations. Regular internal Audits and checks ensure that responsibilities are executed effectively.

### Expansion Plans

Due to major fire in the year 2004 in one of the unit of the company production and sales were severely affected. Efforts are on with the assistance of the IDBI and Insurance Claim, to restore the production facility in the affected unit with suitable machinery to take benefit of post WTO regime with focus on US and EU market.

### Human Resources

The Company's industrial relations were cordial. In-house training programs for employees at all levels are conducted regularly with emphasis to maintaining employee motivation at a high level and leadership development.

### Cautionary Statement

Estimates and expectations stated in this Management Discussion and Analysis may be "forward-looking statement" within the meaning of applicable securities, laws and regulations. Actual results could differ materially from those expressed or implied.

### 13. INSURANCE:

The Directors confirm that the fixed assets of the Company are adequately insured against fire and allied risks on a replacement cost basis. The stocks are also appropriately insured

### 14. PARTICULARS OF EMPLOYEES:

During the year under review there was no employee in respect of whom disclosure is required to be made as per provisions of Section 217(2A) of the Companies Act 1956 read with Companies (Particulars of Employees) Rules 1975.

### 15. AUDITORS' REPORT:

The Notes to the Accounts referred to in the Auditors' Report are self explanatory and need no further explanation.

### 16. AUDITORS: The Auditors M/s. S.M. Bhat & Associates, Chartered Accountants, retire at the conclusion of this Annual General Meeting. M/s. S.M. Bhat & Associates, Chartered Accountants have informed the Company that, if appointed, their appointment will be within the prescribed limits under Section 224(1B) of the Companies Act, 1956. Accordingly, the Shareholders approval is being sought to their appointment as the Auditors of the Company at the Annual General Meeting.

### 17. ACKNOWLEDGEMENT:

Your Directors take this opportunity to place on record their warm appreciation of the valuable contribution, unstinted efforts and spirit of dedication shown by the employees and officers at all levels in the progress of the Company during the year under review. The Directors also take this opportunity to express their sincere thanks for the assistance, co-operation and support extended to your company by the bankers and financial institutions.

By Order of the Board

Sd/-

Dr. Irfan Furniturewala

Chairman & Managing Director

### Registered Office:

335, Shalimar House,  
Grant Road,  
Mumbai 400 007

Mumbai, date: 30<sup>th</sup> June, 2006



## 15TH ANNUAL REPORT 2005-2006

## ANNEXURE TO DIRECTORS' REPORT

Information under Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules 1988, and forming part of the Directors' Report.

## FORM A

## I. Conservation of Energy :

## (a) Energy conservation measures taken:

1. Added power capacitors and systems with automatic monitoring and control for improving the power factor.
2. Adopted use of natural lights wherever possible.
3. Improved operational methods helped in achieving better productivity which in turn reduced power consumption per kg. of output.
4. Greater employee awareness created about the need for energy conservation which resulted in switching off lights, fans and machinery when not required.

## (b) Additional Investments and proposals if any, being implemented for reduction of consumption of energy.

- i) The Company has procured gasifier Units which are promoted By MNES and GEDA for alternative Dual fuel system to be used in its DG Sets.  
The company has converted the entire DG Set equipment to Dual fuel system, thereby bringing down the fuel cost at reasonable level.
- ii) Proposal for Energy Audit and adequate energy conservation measures with the help of expert consultancy are under consideration.

## (c) Impact of measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods.

Resulted in reduction in consumption of energy, consequently reducing cost of production.

## (d) Power and Fuel Consumption.

	Current Year	Last Year
1. Electricity :		
a. Purchase Unit	NIL	NIL
Total Amount	NIL	NIL
Rate/Unit	NIL	NIL
b. Own Generation:	SEE NOTE	NOTE
Through Diesel Generator Unit		
Units per Ltr. of Diesel oil		
Cost/Unit (Ave.)		
2. Coal:	N.A.	N.A.
Quantity (Tons)		
Average Rate		
3. Gas:		N.A.
Quantity (K.Ltr.)		
Total Amount	4,577,235	-
Average Rate		
4. Diesel		
Qty (K.Ltr.)		11,50,241
Total Amount	Rs. 7,350,855	Rs.25,486,825
Average Rate	Rs. 41.00	Rs.22.15

**Note :-** D.G. sets and Gasifire has been installed for generation of power. But no separate electric meter is used for measuring electric units produced.

## Consumption per unit of production:

Electricity (Unit)	N.A.	N.A.
Coal (M. Ton)	N.A.	N.A.
Furnace Oil (K.Ltr.)	N.A.	N.A.
Diesel (K.Ltr.)	N.A.	N.A.

## FORM B

## Disclosure of particulars with respect to Technology Absorption, Research and Development ( R &amp; D )

## a) Research &amp; Development ( R &amp; D )

## 1. Specific Areas in which R &amp; D carried out by the Company :

The Company is carrying out continuous R & D activities for improving qualities of various counts to make Company's product internationally acceptable and get certificate from ISO 9000.

## 2. Benefits derived as a result of R &amp; D:

The continuous R & D activities have enabled Company to produce high value coarse counts and consequent thereof the Company could export its products.

## 3. Future plan of action :

Quality Control on purchase of Raw Material and to continue to pursue R & D work for specialised counts to stabilize the export market.

## 4. Expenditure on R &amp; D:

Expenditure incurred are charged under primary heads of accounts and not allocated separately.

## b) Technology Absorption, Adaptation &amp; Innovation:

## 1. Efforts in brief made towards technology absorption, adaptation &amp; innovation:

Technology absorption is not involved as the process for the manufacture of different counts is being developed by the Company itself.

## 2. Benefits derived as a result of the above efforts :

Benefits are being enjoyed by company in following forms.

1. Introduction of new quality counts product.
2. Improvement in existing products.
3. Cost reduction.
4. Improvement in quality.

## FORM C

## Foreign Exchange Earning &amp; Outgo:

## a) Foreign Exchange Earned through

Direct exports	: NIL
Deemed exports	: Rs. 11,259,872

## b) Foreign Exchange Outgo

i) on import of Raw Material	: NIL
on imports of Capital Goods	: NIL
on import of Spare Parts	: Rs. 201,758
on expenditure	: NIL

By Order of the Board

Sd/-

Dr. Irfan Furniturewala

Chairman & Managing Director

## Registered Office:

335, Shalimar House,  
Grant Road,  
Mumbai 400 007  
Dated: 30<sup>th</sup> June, 2006

## HANJER FIBRES LIMITED

### CORPORATE GOVERNANCE REPORT

In pursuant of Clause 49 of the Listing Agreement entered into with the Stock Exchanges relating to Corporate Governance, the details of Compliance made by the Companies are furnished as under:-

#### 1. Company's Philosophy on Code of Corporate Governance

The Company accords utmost importance to the observance of the best corporate governance practices in all its activities. The Company's corporate governance policy aims at maximizing the Shareholders' value with improvement in performing of the Company and protecting the interests of all the stakeholders through increased transparency in its operations, accountability, integrity and compliance of statutory requirements.

#### 2. Board of Directors:

The Board of Directors of the Company comprises of Executive and Independent Directors. The Company has Executive Chairman. In all there are Four Directors of which two are independent non executive directors. As on 31st March 2006, the composition of the Board of Directors of the Company meets the stipulated requirements of Clause 49 of the listing agreement with the Stock Exchange. Memberships of the Directors on other boards/committees are given here under:

Name of the Director	Category	Executive/Non Executive/ Independent	No. of outside Directorship in Public Limited Companies *	Membership held in Committee of Directors #	Chairmanship held in Committee of Directors
Dr. Irfan A. Furniturewala	C&MD	Executive	Nil	1	-
Mr. Nadeem A. Furniturewala	Director	Executive	Nil	1	-
Mr. Natvarlal Rana	"	Independent	Nil	2	1
Mr. Gajanan Salunke	"	Independent	Nil	2	1

This excludes directorship held in Private Companies

# Committee of Directors include Audit Committee and Share Transfer Committee

#### 3 Number of Board Meetings and attendance record of Directors

The Board meets at least once in a quarter to consider amongst other business the performance of the Company and financial results. The particulars of Board Meetings held during 2005-06 as well as attendance of Directors at the Board Meetings are given below:

##### Details of Board Meetings:

Number of Board Meetings held during 2005-06:

Sr. No.	Date of Board Meeting
1.	28.04.2005
2.	06.05.2005
3.	29.06.2005
4.	28.07.2005
5.	30.08.2005
6.	29.10.2005
7.	30.01.2006

##### Attendance Record of Directors:

Name of Director	Number of Meetings held	Number of Meetings attended	Whether attended last AGM held on 30-09-04
1. Dr. Irfan A. Furniturewala	7	7	Yes
2. Mr. Nadeem A. Furniturewala	7	7	Yes
3. Mr. Natvarlal Rana	7	7	Yes
4. Mr. Gajanan Salunke	7	7	Yes