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HITKARI FIBRES LIMITED

18th ANNUAL REPORT

2004 - 2005



Shri. Anil Hitkari

9th Oct. 1950 - 22nd Dec. 2004

Beloved Chairman & Managing Director

तस्मादसक्तः सततं कार्यं कर्म सदाचर ॥

असक्तो ह्याचरन्कर्म परमाप्नोति पुरुषः ॥

Therefore, go on efficiently doing your duty without attachment.

Doing work without attachment, man attains the Supreme.



Eighteenth Annual Report

HITKARI FIBRES LIMITED

BOARD OF DIRECTORS (as on 30.11.2005)

Dr. (Mrs). Chandni A Hitkari
Chairperson

Mr. Aditya Hitkari
Managing Director

Mr. Sanjay Sahni
Dr. E.K.Ajit Kumar
Dr. Narayanan Balsubramanian
Mr. Inderjit Singh Sehgal

Banker
Oriental Bank Of Commerce

Auditors
Pratap B. Sheth & Company
(Chartered Accountants)

Registered Office
Trishul Apartment, 'A' Building,
Ground Floor, B. R. Hitkari Marg,
Sindhi Society, Chembur,
MUMBAI – 400 071.

Factory
Plot No. B – 10, M.I.D.C.,
MAHAD, Dist. : Raigad – 402 301. (Maharashtra)

Registrar & Share Transfer Agent
Datamatics Financial Software & Services Ltd
Plot No. B-5, Part – B, Cross Lane,
MIDC Marol, Andheri (East),
MUMBAI – 400 093.



HITKARI FIBRES LIMITED

NOTICE

NOTICE IS HEREBY GIVEN THAT THE 18TH ANNUAL GENERAL MEETING OF THE MEMBERS OF HITKARI FIBRES LIMITED WILL BE HELD AT THE SINDHI SOCIETY GYMKHANA, 8TH ROAD, SINDHI SOCIETY, CHEMBUR, MUMBAI-400 071 ON FRIDAY, 30TH DECEMBER, 2005 AT 11.30 A.M. TO TRANSACT THE FOLLOWING BUSINESS

ORDINARY BUSINESS:

- (1) To consider, approve and adopt the Balance Sheet as at 30th June, 2005 and Profit and Loss account for 15 months Period ended on that date and the Reports of the Board of Directors and Auditors thereon.
- (2) To appoint a Director in place of Dr (Mrs) Chandni A Hitkari who retires by rotation and being eligible, offers herself for re-appointment.
- (3) To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS

- (4) To consider and if thought fit, to pass with or without modification, the following resolution as an ordinary resolution.

RESOLVED THAT subject to the provisions of Sections 198, 269 and 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act 1956, as amended or reenacted from time to time the consent of the company be and is hereby accorded to the appointment of Mr. Aditya Hitkari, as Managing Director of the Company for a period of five years commencing from 23rd December 2004 on the terms and conditions and remuneration mentioned hereunder:

A) **Salary** : Rs.30,000/- per month.

B) **Perquisites** : Perquisites shall be allowed in addition to salary as under:

a) Housing

i) The expenditure by the company for hiring furnished accommodation will be subject to a ceiling of 70% of the salary.

If the company does not provide accommodation to Mr. Aditya Hitkari, he shall be entitled to House Rent Allowance subject to the ceiling laid down in (a) above.

ii) If accommodation in the Company owned house is provided to Mr. Aditya Hitkari a deduction @ 10% shall be made from his salary.

EXPLANATION:- In addition to the above, Mr. Aditya Hitkari will be entitled to reimbursement of the expenditure incurred on gas, electricity, water and furnished which shall be valued as per Income Tax Rules of the Company.

b) Medical Reimbursement

Reimbursement of medical expenses for self and family with a ceiling one month's salary in a year and three months' salary over a period of three years.

c) Leave Travel Concession

Leave Travel Concession for self and family once in a year incurred in accordance with Rules of the Company.

d) Club Fees

Fees of club, subject to a maximum of two clubs. No admission and life Membership fees will be paid.



Eighteenth Annual Report

e) **Personal Accident Insurance**

Personal accident insurance of an amount, the annual premium of which shall not exceed Rs.4000/-.

Note: For the purpose of perquisites stated hereinabove, "FAMILY" means the spouse, the dependent children and the dependent parents of the appointee.

f) **Contribution to Provident Fund or Annuity Fund**

Contribution to Provident Fund or Annuity Fund will not be included in the computation of ceiling on perquisites to the extent these, either singly or put together, are not taxable under the Income/tax Acts 1961. Gratuity payable shall not exceed 15 days' salary for each completed year of service.

g) **Earned Leave**

Leave as per the Rules of the Company but not exceeding one month's leave for every eleven month's of service. Encashment of leave at the end of the tenure will not be included in the computation of the ceiling on remuneration.

Provision of car for use on Company's business and telephone at residence will not be considered as perquisites. Personal long distance calls on telephone and use of car for personal purpose shall be billed by the Company.

- (5) To consider and if thought fit, to pass with or without modification the following resolution as ordinary resolution.

RESOLVED THAT Dr. E.K.Ajit Kumar be and is hereby appointed as a Director of the company, liable to retire by rotation.

- (6) To consider and if thought fit, to pass with or without modification the following resolution as ordinary resolution.

RESOLVED THAT Dr. Narayanan Balasubramanian be and is hereby appointed as a Director of the company, liable to retire by rotation.

- (7) To consider and if thought fit, to pass with or without modification the following resolution as ordinary resolution.

RESOLVED THAT Mr. Inderjit Singh Sehgal be and is hereby appointed as a Director of the company, liable to retire by rotation.

- (8) To consider and if thought fit, to pass with or without modification the following resolution as Special Resolution.

RESOLVED THAT pursuant to Section 81(1A) and any other applicable provisions of the Companies Act, 1956 consent of the company be and is hereby accorded to the Board to issue and allot 5,00,000 Equity Shares of Rs.10/- each out of the unissued portion of the capital of the company to any person/s including the promoters, directors, relatives friends and associates of Directors, Corporate Bodies, Mutual Funds, Financial Institutions, Banks on a preferential basis at one or more tranches as the Board in its absolute discretion deem fit and in the best of interest of the company at price to be fixed by the Board in accordance with the Securities and Exchange Board of India guide lines in this respect.



HITKARI FIBRES LIMITED

In terms of clause 49 of the listing agreement with Stock Exchanges, a brief resume of directors who are proposed to be appointed at the meeting is given below:

Name of Director	Age	Qualifications	Experience	Other Directorship
Dr. (Mrs.) Chandni Hitkari	54	M.D.	Director of the Company since 10 years	Hitkari Transport Pvt. Ltd. Hitkari Hi-Tech Filters Pvt. Ltd.
Mr. Aditya A. Hitkari	28	M.Com (Finance)	Working with the Company since 10 years at various levels including that of Director Marketing.	Hitkari Transport Pvt. Ltd. Hitkari Hi-Tech Filters Pvt. Ltd.
Dr. E.K. Ajit Kumar	53	MBBS, MRSH (London)	Medical Practitioner	Nil
Dr. Narayan Balasubramanian	70	B.Sc (Tech), M.Sc, PHD, FTI, Hon FTI	Retired Jt. Director of Betra Presently a Consultant to several Mills	Nil
Mr. Inderjit Singh Sehgal	63	BA Honors	Business	Nil

NOTES :

- A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THAT PROXY NEED NOT BE A MEMBER. THE PROXIES IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.
- Members are requested to intimate the company of change, if any, in their registered Address.
- The Transfer Books and Register to Members shall be Kept closed from 27th December 2005 to 30th December 2005. (both days inclusive).

By Order of the Board

Registered Office:

Trishul Apartment, 'A' Building,
Ground Floor, B.R. Hitkari Marg,
Sindhi Society, Chembur,
Mumbai – 400 071.

Dr. (Mrs). Chandni A. Hitkari
Chairperson

Place: Mumbai

Date: 30th November 2005



Eighteenth Annual Report

ANNEXURE TO NOTICE

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956.

Item No.4

The Board of Directors appointed Mr. Aditya Hitkari as Managing Director of the Company with effect from 23rd December, 2004 on the terms and conditions as set out in the resolution for a period of 5 years commencing from 23rd December 2004 subject to approval by the members. The Directors recommend the resolution to be adopted by the shareholders as an ordinary resolution.

None of the directors except Dr.(Mrs.) Chandni Hitkari, being a relative of Mr. Aditya Hitkari, is deemed to be concerned or interested in the resolution.

Item No.5

The Board of Directors appointed Dr. E.K. Ajit Kumar as additional director with effect from 30th October 2004. In terms of Section 260 of the Companies Act, 1956, he will hold office only upto the date of this annual general meeting.

Notice has been received from a member of the company under section 257 of the Companies Act, 1956, along with a deposit of Rs.500/- signifying his intention to propose the candidate of Dr. E.K. Ajit Kumar for the office of Director and to move the resolution as set out in item No.5 of the notice.

None of the Directors, except Dr. Ajit Kumar, is deemed to be interested or concerned in the resolution.

Item No.6

The Board of Directors appointed Dr. Narayanan Balasubramanian as additional director with effect from 13th June 2005. In terms of Section 260 of the Companies Act, 1956, he will hold office only upto the date of this annual general meeting.

Notice has been received from a member of the company under section 257 of the Companies Act, 1956, along with a deposit of Rs.500/- signifying his intention to propose the candidate of Dr. Narayanan Balasubramanian for the office of Director and to move the resolution as set out in item No.6 of the notice.

None of the Directors, except Dr. Narayanan Balasubramanian, is deemed to be concerned or interested in the resolution.

Item No.7

The Board of Directors appointed Mr. Inderjit Singh Sehgal as additional director with effect from 13th June 2005. In terms of Section 260 of the Companies Act, 1956, he will hold office only upto the date of this annual general meeting.

Notice has been received from a member of the company under section 257 of the Companies Act, 1956, along with a deposit of Rs.500/- signifying his intention to propose the candidate of Mr. Inderjit Singh Sehgal for the office of Director and to move the resolution as set out in item No.7 of the notice.

None of the Directors, except Mr. Inderjit Singh Sehgal, is deemed to be concerned or interested in the resolution.

Item No.8.

In order to overcome the liquidity problem and augment the capital base of the company the company proposes to issue 5,00,000 Equity Shares on preferential basis as per the resolution as set out under item No.8 of the Notice.

None of the Directors are deemed to be concerned or interested in the resolution except to the extent of preferential allotment that may be offered to them.

By Order of the Board

Registered Office:

Trishul Apartment, 'A' Building,
Ground Floor, B.R. Hitkari Marg,
Sindhi Society, Chembur,
Mumbai - 400 071.

Dr. (Mrs.) Chandni A. Hitkari
Chairperson

Place: Mumbai

Date: 30th November 2005



HITKARI FIBRES LIMITED

DIRECTORS' REPORT

To The Members,

The Directors have pleasure in presenting the 18th Annual Report together with the Audited Statement of Accounts for 15 months Period ending on 31st June, 2005.

FINANCIAL RESULTS

	(Rupees in Lacs)	
	1.04.2004 to 31.03.2005 (15 months)	1.04.2003 to 31.03.2004 (12 months)
Sales & Other Income	1,326.64	1,035.83
Less: Excise Duty	103.12	123.63
Net Sales & Other Income	1,223.52	912.20
Profit / (Loss) before Interest, Finance Charge and Depreciation	167.83	146.09
Interest & Finance Charges	7.90	13.43
Depreciation	157.28	123.81
Net Profit / (Loss)	2.65	8.85

YEAR IN RETROSPECT

The sever increase in Raw Material cost due to the increase in the prices of Petroleum product world wide during the period resulted in sever pressure on sales realization and margins. In spite of all the adverse conditions, your company has earned cash profit of Rs. 167.87 Lacs during the period under review. This has been possible due to the strict control over the cost through various means.

Your company's product is being is being progressively recognized by all the automobile companies in India as a quality product.

DIVERSIFICATION & MODERNISATION

As a part of a backward integration program, your company is has installed a dyeing plant, Spectrophotometer and Lab dyeing for the inhouse development of shades, which will help us to secure more business from the Automobile Industry & other Companies.

PERFORMANCE AND FUTURE PROSPECTS

As you are aware the Indian Economy is booming and the Automobile sector, in particular, has shown a significant growth. Your company's performance is linked with that of the automotive sector. Hence the company's order position and sales are showing substantial increase in current year. Your company also hopes to give an improved performance this year by means of higher Productivity, better quality and tight control over costs and overheads.

DIVIDEND

Your directors do not recommend any dividend for the period ended June 2005, at this juncture due to the volatility in Petroleum Markets, which considerably affects raw material costs. The company is looking for a sustained period of price stability combined with continued automotive growth to consider the same, in future.

DIRECTORS

Our beloved Chairman & Managing director Mr. Anil K Hitkari has suddenly expired on 22.12.2004. He has contributed immeasurably towards the improving performance of the company. The Board places on record its appreciation for the valuable guidance and Co-operation received from him during his tenure as Chairman & Managing Director.

Mr. R.R.Singh resigned from his office as a Director with effect from 13th June 2005.



Eighteenth Annual Report

Dr. Ajit Kumar, Dr. Narayanan Balsubramanian and Mr. Inderjeet Singh Sehgal have been appointed as additional Directors.

Dr. (Mrs). Chandni A Hitkari would retire by rotation at the annual General Meeting and, being eligible, she will offer herself for re-appointment.

Mr. Aditya A Hitkari, a director previously, was appointed by the Board as Managing Director of the company with effect from 23.12.2004, subject to the terms and conditions as set out in the notice of the Annual General Meeting. The appointment is subject to the approval of the members and it is recommended that the appointment be approved.

PERSONNEL

There are no employees whose particulars are required for disclosure under the provisions of Section 217 (2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975.

DEPOSITS

During the year under review, the Company has not accepted any such Deposit for which information is required to be given.

AUDITORS

The term of the current Auditors of the Company, Mssrs. Pratap B Sheth & Company, Chartered Accountants, expires at the conclusion of the ensuing Annual General Meeting. They have informed the Company that their appointment, if made will be within the limits of Section 224 (1B) of the Companies Act, 1956. The members are requested to appoint the auditors and fix their remuneration.

DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 2000 the Directors confirm that

- i In the preparation of the annual accounts, the applicable accounting standards have been followed and that no material departures have been made from the same.
- ii They have selected such accounting policies and applied them consistently and made judgments and estimates that 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 period and of the Profit of the Company for that period.
- iii They have taken proper and sufficient care for maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
- iv They have prepared the annual accounts on a going concern basis.

PARTICULARS OF ENERGY CONSERVATION, FOREIGN EXCHANGE EARNINGS & OUTGO:

The required particulars are given in Annexure to Directors' Report.

INDUSTRIAL RELATIONS

During the period, industrial relations have been cordial and your Directors wish to place on record their deep sense of appreciation for the devoted services of the Executives, Staff and Workers of the Company.

ACKNOWLEDGMENT

Your Directors are pleased to record their gratitude to the Banks, Customers, Suppliers, Employees and Shareholders for their continued support and co-operation.

For and on Behalf of the Board

By Order of the Board

Dr. (Mrs). Chandni A. Hitkari
Chairperson

Place: Mumbai

Date: 30th November 2005