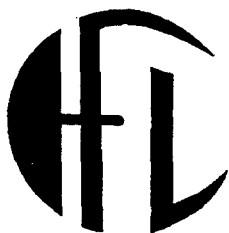


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HITKARI FIBRES LIMITED

**19th ANNUAL REPORT
2005-2006**



Shri. Anil Hithari

9th Oct. 1950 - 22nd Dec. 2004

Beloved Chairman & Managing Director

तस्मादसक्तः सततं कार्यं कर्म सदाचर ॥

असक्तो ह्याचरन्कर्म परमाप्नोति पूरुषः ॥

Therefore, go on efficiently doing your duty without attachment.
Doing work without attachment, man attains the Supreme.



HITKARI FIBRES LIMITED

BOARD OF DIRECTORS (as on 25.08.2006)

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
Mr.Mahesh Menon

Banker
Bank Of India

Auditors
Pratap B. Sheth & Company
(Chartered Accountants)

Registered Office
Hitkari House, 1st Floor,
284, Shahid Bhagat Singh Road,
Near GPO, Opp to Riya Travels,
MUMBAI – 400 001

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 19TH ANNUAL GENERAL MEETING OF THE MEMBERS OF HITKARI FIBRES LIMITED WILL BE HELD AT THE SINDHI SOCIETY GYM KHANA, 8TH ROAD, SINDHI SOCIETY, CHEMBUR. MUMBAI-400 071 ON FRIDAY, 29TH SEPTEMBER, 2006 AT 11.00 A.M. TO TRANSACT THE FOLLOWING BUSINESS

ORDINARY BUSINESS:

- (1) To consider, approve and adopt the Balance Sheet as at 31st March, 2006 and Profit and Loss account for 9 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. E.K.Ajitkumar who retires by rotation and being eligible, offers himself for re-appointment.
- (3) To consider reappointment of Mr.Sanjay Sahni as Director who retires by rotation.
- (4) To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS

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

"RESOLVED THAT in accordance with the provisions of Section 257 and all other applicable provisions, if any, of the Companies Act, 1956 or any statutory modification(s) or re-enactment thereof, Mr. Mahesh Menon, who was appointed as an additional director pursuant to provisions of Section 260 of the Companies Act, 1956, 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 an ordinary resolution..

"RESOLVED THAT consent of the company be and is hereby granted to Board to create a 2nd Charge on the immovable assets including land, building, plant & machinery presently in the possession of the company or which may be acquired by the company in future in favour Dr. (Mrs.) Chandni Hitkari and Mr. Aditya Hitkari to secure the loan of Rs.215 lacs extended to the company".



Nineteenth Annual Report

In terms of clause 49 of the listing agreement with Stock Exchange, 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. E.K. Ajit Kumar	53	MBBS, MRSH (Lon)	Medical Practitioner	Nil
Mr. Mahesh Menon	42	BSc.,L.L.B.	Advocate	Apple Finance Ltd, Tryghhet Financial Services P.Ltd. Centrum Direct Ltd.

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.
- Members are requested to note the change of address of the Registered office of the Company.
- The Share Transfer Books and Register of Members of the company shall remain closed from 26 to 29th September 2006 (both days inclusive).

By Order of the Board

Regd.Office:

Hitkari House, 1st floor
284, S.B.S. Marg, Fort
Mumbai - 400001

Dr. (Mrs.) Chandni A. Hitkari
Chairperson

Place : Mumbai

Date : 25th August 2006.



Nineteenth Annual Report

In terms of clause 49 of the listing agreement with Stock Exchange, 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. E.K. Ajit Kumar	53	MBBS, MRSH (Lon)	Medical Practitioner	Nil
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By Order of the Board

Regd. Office:

Hitkari House, 1st floor
284, S.B.S. Marg, Fort
Mumbai - 400001

Dr. (Mrs.) Chandni A. Hitkari
Chairperson

Place : Mumbai

Date : 25th August 2006.

**HITKARI FIBRES LIMITED****ANNEXURE TO NOTICE**

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

Item No. 5

The Board of Directors of the Company has appointed, pursuant to the provisions of Section 260 of the Companies Act, 1956, Mr. Mahesh Menon as an Additional Director of the Company with effect from 29th May, 2006. He hold office till the ensuing annual general meeting and is eligible for reappointment. Pursuant to Section 257 of the Companies Act, 1956, notice in writing has been received from a member proposing the appointment of Mr. Mahesh Menon as a Director of the Company liable to retirement by rotation.

Item No. 6

In view of the financial difficulty faced by the Hitkari Fibres Ltd., the Chairperson Dr. (Mrs.) Chandni A. Hitkari and Managing Director Mr. Aditya A. Hitkari agreed to finance the company to the extent of Rs.215 Lacs. The Board of Directors accepted the offer and agreed to create the necessary charges on the immovable assets in favour of Dr. (Mrs.) Chandni A. Hitkari and Mr. Aditya A. Hitkari.

The Board recommend the resolutions set out at item No.5 & 6 for Members approval.

None of the Directors except Mr. Mahesh Menon, Mrs. Chandni A. Hitkari and Mr. Aditya A. Hitkari is concerned or interested respectively in the said resolutions.

Regd.Office:

Hitkari House, 1st floor
284, S.B.S. Marg, Fort
Mumbai - 400001.

By Order of the Board

Dr. (Mrs.) Chandni A. Hitkari
Chairperson

Place : Mumbai

Date : 25th August 2006.



Nineteenth Annual Report

DIRECTORS' REPORT

To The Members,

The Directors have pleasure in presenting the 19th Annual Report together with the Audited Statement of Accounts for 9 months period ending on 31st March, 2006.

FINANCIAL RESULTS

	(Rs. in Lacs)	(Rs. in Lacs)
	1.07.2005 to	1.04.2004 to
	31.03.2006	30.06.2005
	(9 months)	(15 months)
Sales & Other Income	1,070.11	1,326.64
Less: Excise Duty	61.14	103.12
Net Sales & Other Income	1,008.97	1,223.52
Profit / (Loss) before Interest, Finance Charge and Depreciation	115.91	167.83
Interest & Finance Charges	4.75	7.90
Depreciation	63.68	157.28
Net Profit / (Loss)	47.48	2.65

DIVIDEND

In order to strengthen the financial resources of the company, your directors do not recommend any dividend for the period ended 31st March, 2006.

YEAR IN RETROSPECT

The accounts for the period under view is made for nine months. The net sales has increased by 12.19% compare to previous period on prorata basis. Consequently profit has increased by 2986% on prorata basis. Margins were under pressure mainly due to the substantial increase in input cost as prices of petroleum products which constitute major input cost has increased world wide. Inspite of this, your company has earned cash profit of Rs. 115.91 lakhs during the period under review, mainly due to the strict control over the cost through various means.

During the period under review, based on expert's opinion, Company has decided to provide the depreciation pertaining to plant and machinery on single shift basis retrospectively, mainly due to minimum use of these assets in the past and consequently lower wear and tear of these Assets. This also answers the audit observations.

**HITKARI FIBRES LIMITED****DIVERSIFICATION & MODERNISATION**

As a part of backward integration program, your company has installed a dyeing plant for in house development of shades which will help us to secure more business from Automobile & Other customers. Your company is in process of installing modern trimming units. This will result in negligible rejection, higher and consistent production, lower cost and superior quality of your company's products.

PERFORMANCE AND FUTURE PROSPECTS

As you are aware Indian Economy is booming and Automobile sector, in particular has shown phenomenal 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.

DIRECTORS:

Dr. E. K. Ajit Kumar, who retires by rotation at the Annual General Meeting and being eligible offer himself for re-appointment.

Mr. Mahesh Menon who was appointed as a Director of the Company by the Board, holds office only upto this Annual General Meeting. Notice has been received from a member proposing his candidature for appointing him as a Director of the Company.

PERSONNEL

There are no employee whose particulars are required to be disclosed under the provisions of Section 217 (2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975.

DEPOSITS

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

AUDITORS

The term of the current Auditors of the Company, Messrs. 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.



Nineteenth Annual Report

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.

By Order of the Board

Place : Mumbai
Date : 25th August, 2006

Dr. (Mrs). Chandni A. Hitkari
(Chairperson)