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4th ANNUAL REPORT 1997-98

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HITKARI
INDUSTRIES LIMITED



HITKARI INDUSTRIES LIMITED

BOARD OF DIRECTORS

Mr. Ved Kapur

Mr. Jaiwant Bery

Mr. Ajay Kapur

Mr. B. N. Kataria

Mr. Rajesh Mehta

Mr. Sunil Kumar Sethi

**G.M. Finance &
Company Secretary**
Bankers
Regd. Office
Works
**Registrars & Share
Transfer Agents**
Chairman
Managing Director
Director
Director
Director
Director

Mrs. Anita Goel

 State Bank of Bikaner & Jaipur
71-72, Laxmi Bhawan, Nehru Place,
New Delhi-110019

 Plot No. 4, Sector-I,
Industrial Area, Parwanoo-173220
Distt. Solan (H.P.)

 Plot No. 18, Sector-I,
Industrial Area, Parwanoo-173220
Distt. Solan (H.P.)

MAGNUM BUSINESS SERVICES PVT. LTD.

 35-A, Sant Nagar, East of Kailash,
New Delhi-110065
Telephone : 6463336, 6476655
Fax : 6467323

CONTENTS

Notice	2
Directors' Report	5
Auditors' Report	8
Balance Sheet	10
Profit & Loss Account	11
Schedules to the Accounts	12
Balance Sheet Abstract	20
Cash Flow Statement	21

HITKARI INDUSTRIES LIMITED**NOTICE**

Notice is hereby given that the Fourth Annual General Meeting of the Members of Hitkari Industries Limited will be held at Plot No. 18, Sector-1, Parwanoo, H.P. on Saturday, the 26th day of September, 1998 at 12 Noon to transact the following business :-

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 1998 and the Profit & Loss Account for the year ended on that date and the reports of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Ajay Kapur who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in place of Mr. Rajesh Mehta who retires by rotation and being eligible offers himself for reappointment.
4. To appoint Auditors and to fix their remuneration.
5. Declaration of Dividend.

SPECIAL BUSINESS**ITEM NO. 1:**

To obtain the consent of the shareholders for enhancement of borrowing power of Board u/s 293 (1) (d) upto a limit of Rs. 2000 Lacs at any one time.

The Board of Directors of Hitkari Industries Limited were authorised to make borrowings under section 293 (1) (d) of the Companies Act, 1956 upto a limit of Rs. 1000 Lacs at any one time as per the resolution passed by the company in its Extra Ordinary General meeting held on 4th Oct.' 1994. In furtherance to this resolution the Board of Directors were authorised vide Board meeting held on 29.06.98 to borrow u/s 293 (1) (d) upto a limit of 2000 Lacs at any one time subject to approval of the shareholders to be granted by ordinary resolution to be passed at the Annual General Meeting of the company to be held on 26th Sept.' 1998. The Board unanimously resolved and placed the below mentioned resolution for approval of the shareholders.

To consider and if thought fit, to pass, with or without modifications, the following resolution as an ORDINARY RESOLUTION:

"RESOLVED that in furtherance to the resolution passed by the company in its Extra Ordinary General Meeting held on 4th October 1994, the consent of the company be and is hereby accorded under the provisions of the Section 293 (1) (d) of the Companies Act, 1956 to the Board of Directors of the company to borrow from time to time all such sums of money as they may deem requisite for the purpose of business of the company notwithstanding that money to be borrowed together with money already borrowed by the company (apart from temporary loans obtained from the company bankers in ordinary course of business) will exceed the aggregate of paid up capital of the company and its free reserves that is to say the reserves not set apart for any specific purposes provided that the total amount upto which monies may be borrowed by the Board of Directors does not exceed Rs. 2000 Lacs (Rupees Two Thousand Lacs) at any one time.

None of the directors of the company be and was hereby concerned or interested in the above mentioned resolution.

ITEM NO. 2

To obtain the approval of the shareholders for making necessary amendments in Article "16" of Articles of Association of the company enabling the company to buy back its own shares subject to existing and amended provisions of the Companies Act, 1956.

The company Hitkari Industries Limited would require to amend it Article No. "16" in its Article of Association in order to buy back its own shares as and when the necessary amendment is made in the Companies Act, 1956. The alteration in Article "16" would require approval of Shareholders in the Annual General Meeting to be held on 26th Sept.' 98.

To consider and, if thought fit, to pass with or without modifications, the following resolution as a Special Resolution :-

"RESOLVED THAT subject to the applicable provisions of the Companies Act and approval of the shareholders to be granted vide special resolution to be passed in the Annual General Meeting to be held on 26th Sept.' 98. Article no. "16" of Articles of Association be and shall hereby be altered to include the words mentioned below:-

Article "16" of Articles of Association presently states that -

"None of the funds of the company shall be applied in the purchase of any shares of the company and the company shall not give any financial assistance for or in connection with the purchase or subscription of any shares in the company or in its holding company save as provided by section 77 of the Companies Act, 1956."

Article "16" shall be amended to include -

"None of the funds of the company shall be applied in the purchase of any shares of the company and the company shall not give any financial assistance for or in connection with the purchase or subscription of any shares in the company or in its holding company save as provided by section 77 of the Companies Act, 1956. However, the company shall be allowed to buy back its own shares / securities subject to having obtained the necessary approvals required under law and further subject to existing provisions and amendments in the Companies Act, 1956 allowing a limited company to buy its own shares."

None of the directors of the company be and was hereby concerned or interested in the above mentioned resolution.

ITEM NO. 3

To obtain the approval of the shareholders of the company for buy back of its shares subject to provisions of Article "16" (as amended), and further subject to existing and amended provisions of the Companies Act, 1956.

Notwithstanding anything contained in the Articles, in the event it is permitted by the Companies Act, 1956 for a limited company to purchase its own shares, the Board of Directors may, when and if thought fit, buy back such of the company's own shares as it may think necessary, subject to such limits, upon such terms and conditions and subject to such approvals as may be permitted by the law and further subject to the approval of shareholders to be granted in Annual General Meeting of the company to be held on 26th Sept.' 98.

HITKARI INDUSTRIES LIMITED

Buy Back of Shares

To consider and if thought fit, to pass with or without modifications, the following resolution as a Special Resolution :-

"Resolved that if and when permitted by the law and subject to all applicable provisions of the Companies Act, 1956, provisions of Article "16" of Articles of Association (after amendment), subject to such other approvals, permissions and sanctions, as may be necessary and subject to such conditions and modifications as may be considered necessary by the Board of Directors of the company (hereinafter referred to as the "Board") or as may be prescribed or imposed while granting such approvals, permissions and sanctions, which may be agreed to or accepted by the Board, the consent of the company be and is hereby accorded to the Board, to purchase such number of Equity Shares specified by the Government, of the company, as may thought fit, from the holders of the Equity Shares of the company in such proportion and manner as may be permitted by the law from such funds of the company as are permitted to be used for this purpose or out of the proceeds of any issue made by company, on such terms and subject to such conditions as may be prescribed by the law and further subject to approval of the shareholders to be granted vide Special Resolution to be passed in Annual General Meeting held on 26.09.98."

"Further Resolved that for the purpose of giving effect to this resolution, the Board be and is hereby authorised to do all such acts and things and give such directions as may be necessary or desirable and to settle all questions or difficulties whatsoever that may arise with regard to the said purchase of Equity Shares".

"Further Resolved that nothing herein above contained shall confer any right on any shareholder to offer or any obligation on the company or the Board to buy back any Equity Shares."

None of the directors of the company be and was hereby concerned or interested in the above mentioned resolution.

ITEM NO. 4;**Appointment of Mr. K.P. Kapur as an Additional Director of the company Hitkari Industries Limited**

The Board of Directors of Hitkari Industries Limited vide resolution passed in the Board Meeting held on 29.06.98 proposed to appoint Mr. K.P. Kapur as an Additional Director subject to the approval of the shareholders to be obtained in the Annual General Meeting of the company to be held on 26.09.98.

To consider and if thought fit, to pass, with or without modifications the following resolution is an ORDINARY RESOLUTION:

"RESOLVED the Mr. K.P. Kapur be and shall hereby be appointed as an Additional Director of the company subject to provisions of Article 106 of Articles of Association of the company read with section 260 of the Companies Act, 1956 and further subject to approval of shareholders to be granted at the Annual General Meeting of the company to be held on 26th September, 1998."

"RESOLVED further that Mr. K.P. Kapur shall hold office as an Additional Director upto the date of the 5th Annual General Meeting."

None of the Directors of the company Hitkari Industries Limited except Mr. Ved Kapur & Mr. Ajay Kapur (being relatives of the proposed director) be and were hereby concerned or interested in the above mentioned resolution.

ITEM NO. : 5**Appointment of Mr. Milind Bhole as an Additional Director of the company Hitkari Industries Limited**

The Board of Directors of Hitkari Industries Limited vide resolution passed in the Board Meeting held on 29.06.98 proposed to appoint Mr. Milind Bhole as an Additional Director subject to the approval of the shareholders to be obtained in the Annual General Meeting of the company to be held on 26.09.98.

To consider and if thought fit, to pass, with or without modifications the following resolution is an ORDINARY RESOLUTION :

"RESOLVED that Mr. Milind Bhole be and shall hereby be appointed as an Additional Director of the company subject to approval of the Board of Directors granted already vide resolution passed in their meeting held on 29.06.98, subject to provisions of Article 106 of Articles of Association of the company read with section 260 of the Companies Act, 1956 and further subject to approval of shareholders to be granted at the Annual General Meeting of the company to be held on 26th September, 1998."

"Resolved further that Mr. Milind Bhole shall hold office as an Additional Director upto the date of the 5th Annual General Meeting".

None of the Directors of the company Hitkari Industries Limited be and were hereby concerned or interested in the above mentioned resolution.

By Order of the Board of Directors
(Ved Kapur)
Chairman

Dated : 29th June, 1998.

NOTES :-

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself. A proxy need not be a member of the Company. The proxies, in order to be effective, must be received by the company not less than 48 hours before the meeting.
2. The Registrar of Members and Share Transfer Books of the company will remain closed from 16th September, 1998 to 26th September, 1998 both days inclusive.
3. Members are requested to notify immediately any change in their addresses to the company.
4. Members are requested to bring their copy of Annual Report alongwith them.

HITKARI INDUSTRIES LIMITED

EXPLANATORY STATEMENT UNDER SECTION 173 OF THE COMPANIES ACT, 1956

ITEM NO. 1:

To obtain the consent of the shareholders for enhancement of borrowing power of Board u/s 293 (1) (d) upto a limit of Rs. 2000 Lacs at any one time.

The shareholders of the Company had already granted power to the Board of Directors vide its Extra Ordinary General Meeting held on 4th October, 1994 for borrowing money for the purpose of the company from time to time which may exceed the aggregate of paid-up Capital and free reserves of the company u/s 293 (1) (d) of the Companies Act, 1956 subject to a limit of Rs. 1000 Lacs (Rupees One Thousand Lacs) at any one time. As the Company might have to undergo its expansion cum diversification programme therefore approval of the shareholders is required to raise this limit of borrowing power of the Board of directors from Rs. 1000 Lacs to Rs. 2000 Lacs at any one time.

None of the directors of the company be and was hereby concerned or interested in the above mentioned resolution.

ITEM NO. 2

To obtain the approval of the shareholders for making necessary amendments in Article "16" of Articles of Association of the company enabling the company to buy back its own shares subject to existing and amended provisions of the Companies Act, 1956.

Article No. "16" of the Articles of Association of the company prohibits the company from buying its own shares. It is proposed to amend and add a clause in Article No. "16" in the Articles of Association as set out in the resolution at item no. 2 to enable the company to purchase any of its own shares as proposed in the resolution at item No. 2, in the event it is permissible by the law.

ITEM NO. 3

To obtain the approval of the shareholders of the company for buy back of its shares subject to provisions of Article "16" (as amended), and further subject to existing and amended provisions of the Companies Act, 1956.

The Act presently prohibits a company from purchasing its own shares. However, it is anticipated that the law may in future permit a company to buy back its own shares. Subject to the buy-back of Equity Shares being legally permissible, it is proposed to enable the company to buy back its Equity share, from the Members of the Company either from open market or from the share holders of odd lots or from the holders of the shares that may be issued under the Employees Stock Option Scheme or as permitted by the law. The buy-back of shares would be at the rate and from the funds permitted by the law as set out in the resolution.

The resolution, if approved, will be operative for and will be given effect to within a period of 15 months from the date of passing the resolution or such other time limit laid by the law.

The Directors recommend the resolution for acceptance by the Members.

ITEM NO. 4:

Appointment of Mr. K. P. Kapur as an Additional Director of the company Hitkari Industries Limited

The Board of Directors of Hitkari Industries Limited in their Board Meeting held on 29.06.98 proposed to appoint Mr. K. P. Kapur as an Additional Director of Hitkari Industries Limited subject to the approval of the shareholders to be obtained in the Annual General Meeting of the company to be held on 26.09.98. Mr. K. P. Kapur shall be appointed as an Additional Director of Hitkari Industries Limited and shall not be liable to retire by rotation. At the next Annual General Meeting he is required to comply with the provisions of Section 257 for seeking the election as Director at the said meeting.

None of the Directors of the company except Mr. Ved Kapur & Mr. Ajay Kapur (being relatives of the proposed director) be and were hereby concerned or interested in the above mentioned resolution.

ITEM NO. 5:

Appointment of Mr. Milind Bhole as an Additional Director of the company Hitkari Industries Limited

The Board of Directors of Hitkari Industries Limited in their Board Meeting held on 29.06.98 proposed to appoint Mr. Milind Bhole as an Additional Director of Hitkari Industries Limited subject to the approval of the shareholders to be obtained in the Annual General Meeting of the company to be held on 26.09.98. Mr. Milind shall be appointed as an Additional Director of Hitkari Industries Limited and shall not be liable to retire by rotation. At the next Annual General Meeting he is required to comply with the provisions of Section 257 for seeking the election as Director at the said meeting.

None of the Directors of the company except be and were hereby concerned or interested in the above mentioned resolution.

HITKARI INDUSTRIES LIMITED**DIRECTORS' REPORT**

The directors are pleased to present their Fourth Annual Report together with Audited balance Sheet as at 31st March, 1998 and the relevant Profit & Loss Account for the year ended on that day.

FINANCIAL RESULTS

(Rupees in Lacs)

	Current Year 1997-98	Previous Year 1996-97
Sales & Other Income	1,948.38 =====	1,211.91 =====
Gross Profit before Interest & Depreciation	246.61	210.41
Less i) Interest	76.54	68.87
ii) Depreciation	41.07 =====	37.59 =====
Net Profit	129.00	103.95
Less : Proposed dividend	48.08	NIL
Less : Provision for tax on dividend	4.80	NIL
Less : Provision for Tax other than tax on dividend	NIL	0.13
Balance transferred to Reserves	76.12 =====	103.82 =====

OPERATIONS

The company has operated during the year 1997-98 on 100% capacity utilisation. The Sales Turnover for the year is Rs. 1948.38 Lacs (previous year Rs. 1211 Lacs).

Due to increased competition in the industry, there was a drastic drop in the selling price of our products & consequent pressure on the operating profit margins.

Considering the healthy growth of the flexible packaging industry, the company proposes to expand capacities & broad base its product offerings to include value added technical laminates & high barrier modified atmosphere packing films & systems.

The following expansion & diversification proposals are under active consideration.

Your company proposes to commercialise its plan to manufacture value added technical flexible packaging laminates and it is expected that this new additional capacity would be operational by July' 98.

Simultaneously the company is also evaluating the possibility of diversifying into reclosable packs which today are a cost effective alternate to rigid containers. The technology has been evaluated and it is proposed to commence market seeding program shortly.

Your company proposes to expand and consolidate the Industrial packaging products division under a separate division, so that this business segment can be gradually developed with an objective of becoming a leading supplier of industrial packaging materials and machines for diverse applications. To realise this objective, your company has already initiated dialogue with leading manufacturers of these materials and machines worldwide and plan to implement this program by the third quarter of 1998-99.

In view of the growing market for healthcare products, your company has identified the area of medical packaging as another potential growth area. The company has developed a number of medical devices packaging as another potential growth area. The company has developed a number of medical devices packaging materials and is today in a position to offer import substitution option to the medical device manufacturers.

Your company has been nominated for the global award for innovation in medical packaging by Montell, Australia Pty. Ltd.,.

DIRECTORS

In terms of section 255 of the Companies Act, 1956 and Articles No. 115 of Articles of Association of the Company, Mr. Ajay Kapur & Mr. Rajesh Mehta retire by rotation and being eligible offer himself for reappointment.