

**9th
Annual Report**

2002-2003

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For Hitkari Industries Ltd.




(N. K. MALHOTRA)
Company Secretary
& Finance Manager

**HITKARI
INDUSTRIES LIMITED**

HITKARI INDUSTRIES LIMITED

BOARD OF DIRECTORS

Mr. Jaiwant Bery
Mr. Ajay Kapur
Mr. B. N. Kataria
Mr. Ashim Sudan
Mr. Banarasi Lal Bakshi

Chairman & Managing Director
Director
Director
Director
Additional Director

Company Secretary

Mr. N. K. Malhotra

AUDITORS

S R Kapur & Company
Chartered Accountants,
New Delhi.

BANKERS

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

REGD. OFFICE & WORKS

Plot No. 18, Sector - 1, Industrial Area,
Parwanoo - 173 220, Distt. Solan (H.P.)

REGISTRAR & SHARE TRANSFER AGENTS

RCMC SHARE REGISTRY PVT. LTD.
1515 (1st Floor), Bhishm Pitamah Marg,
Kotla Mubarakpur, (Near South Extension)
New Delhi 110003
Phone No. 011-24649720, 24692346
Fax : 011-24692345
E-mail : rcmc@theoffice.net

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HITKARI INDUSTRIES LIMITED

NOTICE

Notice is hereby given that the Ninth Annual General Meeting of the Members of Hitkari Industries Limited will be held at Hotel Windsmoor National, Sector - 2, Parwanoo-173220, Distt. Solan (H.P.) on Monday the 29th day of September, 2003 at 1.00 P.M. to transact the following business :-

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2003 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 Auditors and to fix their remuneration.

SPECIAL BUSINESS

4. To consider and, if thought fit, to pass with or without modifications, the following as Ordinary Resolution:-
 "RESOLVED that Mr. Banarsi Lal Bakshi who was appointed as an Additional Director in the meeting of the Board of Directors held on 31st March, 2003 and who holds office as such upto the date of ensuing Annual General Meeting and in respect of whom notice under Section 257 of the Companies Act, 1956 has been received from a member signifying his intention to propose the name of Mr. Banarsi Lal Bakshi as a candidate for the office of the Director be and is hereby appointed as a Director of the company."
5. To consider and, if thought fit, to pass with or without modifications, the following as Special Resolution:-
 "RESOLVED THAT pursuant to the applicable provisions of the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003 and subject to the provisions of the Companies Act, 1956 (including any statutory modification(s) or re-enactments thereof for the time being in force), the Securities Contracts (Regulation) Act, 1956 and the Rules framed thereunder, Listing Agreements and all other applicable rules, regulations and guidelines and subject to the approval(s), consent(s), permission(s) or sanction(s) of the Securities and Exchange Board of India, Stock Exchanges where the shares of the Company are listed and other appropriate authorities, institutions or regulators as may be necessary and subject to such conditions and modifications, as may be prescribed or imposed by any authority while granting such approval(s), permission(s) and sanction(s), which may be agreed to by the Board of Directors of the Company (hereinafter referred to as "the Board", which term shall be deemed to include any Committee thereof constituted by the Board) the consent of the company be and is hereby accorded to the Board to delist the equity shares of the Company from all or any of the Stock Exchanges at New Delhi, Ludhiana and Calcutta."
 "RESOLVED FURTHER THAT the delisting proposed from the Stock Exchanges shall be voluntary in nature and shall be without giving the exit opportunity to the investors offering the price arrived at either by book building process as provided in the guidelines 7 to 10, 13 & 14 of Securities Exchange Board of India (Delisting of Securities) Guidelines, 2003 or other wise."

By the Order of the Board

Place: Noida

Dated : 27th June, 2003

(JAWANT BERY)

CHAIRMAN & MANAGING DIRECTOR

NOTES:-

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and Proxy need not be a member of the Company. In order to be valid, proxy form should be deposited at the Registered Office of the company not less than 48 hours before the time fixed for holding the meeting.
2. The relative Explanatory Statements pursuant to Section 173 (2) of the Companies Act, 1956 in respect of item nos. 4 and 5 set out in the Notice as Special Business is annexed hereto.
3. The Register of Members and Share Transfer Books of the company will remain closed from 25th September, 2003 to 29th September, 2003 (both days inclusive).
4. In case of joint holders attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote.
5. Members, who hold shares in dematerialized form, are requested to write their Client ID and DP ID Numbers and those who hold shares in physical form, are requested to write their Folio Number in the Attendance Slip for attending the meeting.
6. All documents referred to in the Notice and Explanatory Statement are open for inspection at the Registered Office of the Company during the office hours on all working days except Saturdays, between 11.00 A.M and 1.00 P.M up to and inclusive of the date of the Annual General Meeting.
7. Members are requested to notify immediately any change in their addressees to the Company's Registrar and Share Transfer Agents, M/s RCMC Share Registry Pvt Ltd.
8. Members are requested to bring their copy of Annual Report to the meeting.

HITKARI INDUSTRIES LIMITED

**EXPLANATORY STATEMENT UNDER SECTION 173(2) OF THE
COMPANIES ACT, 1956**
ITEM NO. 4

Mr. Banarasi Lal Bakshi was appointed as Additional Director in the Board Meeting held on 31st March, 2003 in order to broad base the Board of Directors and in compliance with the requirements of Corporate Governance as per Listing Agreement entered with the Stock Exchanges. He holds office as such Director till the conclusion of the ensuing Annual General Meeting of the company. The company has received a notice under Section 257 of the Companies Act, 1956 alongwith the necessary deposit from a member of the company signifying his intention to propose his name for appointment as Director of the company. Further requisite consent, as required under Section 264 of the Companies Act, 1956 has been received from him to act as such, if appointed.

Mr. Banarasi Lal Bakshi, is a Post Graduate in Commerce and also a Law Graduate. He has extensive experience over thirty years in the areas of Finance & Banking. His knowledge and experience will be useful to the company.

None of the Directors except Mr. Banarasi Lal Bakshi is interested or concerned in the said resolution.

ITEM NO 5

The Securities and Exchange Board of India (SEBI) has issued the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003, incorporating, among others, provisions for delisting of securities from the Stock Exchanges of body corporate voluntarily by a promoter or an acquirer or any other person from the Stock Exchanges.

Presently, the Company's equity shares are listed on the following four Stock Exchanges:-

1. The Stock Exchange, Mumbai
2. The Delhi Stock Exchange Association Limited
3. The Ludhiana Stock Exchange Association Limited
4. The Calcutta Stock Exchange Association Limited

With the extensive networking of The Stock Exchange, Mumbai (BSE) and the extension of BSE terminals to other cities as well, investors have access to online dealings in the Company's equity shares across the country. Except for BSE, the shares of the company are either not traded or traded very thinly on other stock exchanges where the equity shares of the company are listed. The listing fees paid to the stock exchanges other than BSE is disproportionately high compared to nil or extremely low volumes of company's equity shares traded on these Stock Exchanges. The company has proposed this resolution, which will enable it to delist its equity shares at any time in future from all or any of the following Stock Exchanges:-

1. The Delhi Stock Exchange Association Limited
2. The Ludhiana Stock Exchange Association Limited
3. The Calcutta Stock Exchange Association Limited

The Company's equity shares will continue to be listed on The Stock Exchange, Mumbai after the proposed delisting.

Your Directors commend the Special Resolution for members' approval.

None of the Directors of the Company is, in any way, concerned or interested in this Resolution.

By Order of the Board of Director:

Place: Noida
Dated: 27th June, 2003

(JAWANT BERY)
CHAIRMAN & MANAGING DIRECTOR

HITKARI INDUSTRIES LIMITED**DIRECTORS' REPORT**

The Directors are pleased to present Ninth Annual Report together with audited accounts for the financial year ended 31st March, 2003

FINANCIAL RESULTS

	(Rs. in Lacs)	
	Current Year	Previous Year
Sales & Operational Income	3005.82	2751.60
Gross Profit before Interest, Depreciation and Taxation	263.93	306.37
Less i) Interest	114.67	110.30
ii) Depreciation	64.72	56.14
iii) Provision for taxation	11.00	11.00
Net Profit after tax	73.54	128.93
Transferred to Reserve	73.54	128.93

OPERATIONS

The working results of your company for the financial year ended 31st March, 2003 reflect decline in profit after tax despite increase in sales and operational income. The Company has achieved total income of Rs. 3005.82 lacs as compared to Rs.2751.60 lacs in the previous year. Profit after tax was Rs. 73.54 lacs as against Rs.128.93 lacs for the last year. The fall in profit after tax is due to increase in operational expenses and higher incidence of depreciation.

The company has undertaken implementation of 3 layer co-extruded plastic film line during the year under review. With the full utilization of this extrusion line in the next financial year the production capacity of the company will increase by 1500 tonnes per annum.

In view of tremendous demand for industrial packaging films and systems, the company has given added thrust in the current year with specific focus on promoting complete packaging systems for Stretch films, Shrink films and Skin films. The objective of the company would be to be a complete solution provider with all options to achieve maximum business share from every prospective customer. There is going to be a greater thrust on export sales which is likely to be generated by greater participation in overseas exhibitions.

DIVIDEND

With a view to conserve resources for the ongoing expansion plans of the Company, the Directors are not recommending dividend for the financial year 2002-2003.

DIRECTORS

During the year under review Mr. Rakesh Seth and Milind Bhole, Directors of the company resigned from the Board. The Board placed on record the sincere appreciation of their contributions during their tenure in the Board.

Mr. Sunil Kumar Sethi, Director of the company vacated his office during the year under review under the provision of Section 283 (1) (g) of the Companies Act, 1956.

Mr. Banarasi Lal Bakshi was appointed as an Additional Director in the meeting of the Board of Directors of the company held on 31st March,2003. He will hold office as an Additional Directors upto the date of ensuing Annual General Meeting. Requisite notice under Section 257 of the Companies Act,1956 alongwith the necessary deposit has been received from a member of the company signifying his intention to propose the candidature of

HITKARI INDUSTRIES LIMITED

Mr. Banarasi Lal Bakshi for the office of Director. Your Directors recommend the appointment of Mr. Banarasi Lal Bakshi to the office of Director of the company.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to requirement under Section 217(2AA) of the Companies (Amendment) Act, 2000, your Directors confirm :-

- (i) that in the preparation of the annual accounts for the financial year ended 31st March, 2003, the applicable accounting standards have been followed along with proper explanation relating to material departures.
- (ii) that the Directors have selected such accounting policies and applied them consistently and made judgements 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 year and of the profit of the Company for the year under review ;
- (iii) that the Directors have taken proper and sufficient care for the 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) that the Directors have prepared the accounts for the financial year ended 31st March, 2003 on a 'going concern' basis.

AUDITORS

M/s. S.R. Kapur & Company, Chartered Accountants, New Delhi who retire at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment. The company has received a certificate as required under Section 224 (1B) of the Companies Act, 1956 to the effect that their re-appointment, if made, would be within the limits specified in that section.

AUDITORS' REPORT

The Auditors' report as well as notes on accounts are self explanatory and do not require any further comments.

DEMATERIALISATION OF SHARES

The shares of the company are available for dematerialisation with both the depositories i.e. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). As on 31st March, 2003, 1465150 equity shares representing 45.71 % of the paid up equity shares of the company have been dematerialised.

REPORT OF CORPORATE GOVERNANCE AND MANAGEMENT DISCUSSION & ANALYSIS REPORT

Your company has complied with all the mandatory provisions of Corporate Governance as prescribed under the Listing Agreement with Stock Exchanges, with which the Company is listed. A separate report on the Corporate Governance alongwith the Certificate of Statutory Auditors of the Company forms part of this Annual Report. The Management Discussion and Analysis Report also forms the part of this Annual Report.

LISTING AT STOCK EXCHANGES

The Shares of the company are listed at Mumbai, Delhi and Calcutta besides Regional Stock Exchange at Ludhiana. The Listing fees of Mumbai, Delhi and Ludhiana Stock Exchanges have already been paid, whereas the listing fee of Calcutta Stock Exchange is being paid.

PARTICULARS OF EMPLOYEES

There was no employee who was covered under Section 217 (2A) of the Companies Act, 1956.

PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS & OUTGO

The details under Section 217 (1) (e) of the Companies Act, 1956 in respect of Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1986 to the extent of disclosure of particulars with respect to conservation of Energy and Technology absorption are not applicable

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to your company. Your company is constantly working for Research and Development as well as for technical absorption to improve its quality of production by innovative means. Total Foreign Exchange earning was Rs. 19.92 lacs and foreign exchange outgo was Rs 554.54 lacs during the year ended on 31st March, 2003.

ACKNOWLEDGMENT

Your Directors wish to place on record their appreciation and acknowledge with gratitude the support and cooperation extended by Government Authorities, customers, employees and others and thank the shareholders for the confidence reposed in the company.

By the Order of the Board

Place : Noida

Date : 27th June, 2003

(JAWANT BERY)

CHAIRMAN & MANAGING DIRECTOR

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HITKARI INDUSTRIES LIMITED

CORPORATE GOVERNANCE REPORT

STATEMENT OF COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

Your company believes that good corporate governance strengthens the investors' trust and ensures a long term partnership that helps in achieving company's objectives. The company's philosophy on corporate governance lays strong emphasis on transparency, accountability and integrity.

BOARD OF DIRECTORS

(Composition and category of Directors) Existing as on 31st March, 2003

S.No.	Name	Category	No. of Board meetings held in financial year 2002-03	No. of meetings attended	No. of memberships on the Board of other companies	Whether attended last AGM held	Remarks
1.	Mr. Jaiwant Bery	Chairman & Managing Director (Executive)	6	6	6	Yes	—
2.	Mr. Ajay Kapoor	Promoter – Non- Executive	6	—	9	No.	—
3.	Mr. B N Kataria	Non Executive & Independent	6	—	5	Yes	—
4.	Mr. Ashim Sudan	Non Executive & Independent	6	6	1	No	—
5.	Mr. Banarsi Lal Bakshi	Non Executive & Independent	1*	1	—	Appointed after AGM	Appointed on 31.03.03

Ceased during the year

1.	Mrs. Ambika Kapoor	Non-Executive	1 *	1	2	No	Resigned on 27.06.02
2.	Mr. Sunil Kumar Sethi	Non-Executive	1 *	—	1	No	Vacated u/s 283 (1) (g) on 31.07.02
3.	Mr. Milind Bhole	Executive	5 *	2	—	No	Resigned on 31.01.03
4.	Mr. Rakesh Seth	Executive & Independent	3 *	3	—	No	Appointed on 27.06.02 and resigned on 31.10.02

* No. of board meetings held during the tenure in office.

Shri Banarsi Lal Bakshi was appointed as an Additional Director on 31st March, 2003. He is post graduate in commerce and L L. B. He has extensive experience of over thirty years in the field of finance and banking. He is seeking appointment as a Director in the ensuing annual general meeting.

Number of Board Meetings held and the dates on which held

Six Board Meetings were held during the financial year, as against the minimum requirement of four meetings and the gap between the two meetings was not more than four months. The dates on which the meetings were held are as follows—

S. No.	Date
i)	27.06.2002
ii)	31.07.2002
iii)	31.10.2002
iv)	16.12.2002
v)	31.01.2003
vi)	31.03.2003

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AUDIT COMMITTEE

The Board of Directors constituted an Audit Committee in their meeting held on 31st March, 2003, comprising 3 non-executive and independent Directors viz Mr B.N. Kataria, Mr Ashim Sudan, Mr. Banarasi Lal Bakshi as per the requirements of Clause 49 (II) of the Listing Agreement with stock exchanges. The Chairperson of the committee is to be elected by the members of the committee in each meeting. The terms of reference of the Audit Committee are as per the guidelines given in the Code of Corporate Governance, which inter alia include the over view of company's financial reporting process, review of half yearly and annual financial statements, adequacy of internal control systems etc. No meeting of the Audit Committee was held in financial year 2002-03 as the same was constituted on 31st March, 2003 and after the date of last annual general meeting.

REMUNERATION COMMITTEE

The Board of Directors has not constituted Remuneration Committee being non-mandatory requirement. The company has paid remuneration to its Managing Director and Executive Director in financial year 2002-03 as under:-

		(Amount in Rs.)	
		Shri Jawant Bery	Shri Milind Bhole
i)	Basic Salary	4,80,000	3,80,000
ii)	HRA	—	90,000
iii)	Conveyance allowance	—	20,000
iv)	Medical reimbursement	7,566	38,000
v)	LTA	—	38,000
vi)	Bonus	—	6,000
vii)	Entertainment allowance	66,000	50,000
viii)	Furniture & fixtures allowance	60,000	50,000
ix)	Children Education allowance	2,400	2,000
x)	Refreshment reimbursement	10,500	10,500
xi)	Rent free accommodation	2,16,645	—
xii)	Provident Fund	57,600	45,600
xiii)	Electricity & water	22,133	—
xiv)	Club payments	21,480	10,000
xv)	Gratuity paid/contribution	Not quantified	1,31,539
Total		9,44,324	8,71,639

The above remuneration is as per the approval of the members of the company. The appointments are for a fixed period. No stock options benefit is allowable Gratuity is payable on severance.

BOARD PROCEDURE

The meetings of the Board of Directors are held at the Company's office. The meetings are generally scheduled well in advance. The Board meets at least once a quarter to review the quarterly performance and the financial results. The agenda for the meetings is prepared by the Company Secretary in consultation with the Chairman-cum-Managing Director. The members of the Board have access to all information and are free to recommend inclusion of any matter in the agenda for discussion.

SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE

The Board of Directors of the company has constituted as Shareholders'/Investors' Grievance Committee, comprising of Mr Jawant Bery, Mr Ashim Sudan and Mr. Banarsi Lal Bakshi in its meeting held on 31st March, 2003. The chairperson is to be elected by the members of the committee at each meeting. No meeting was held in financial year 2002-03 as the committee was constituted on 31st March, 2003.

The company has received few complaints from its shareholders which have been redressed and there were no pending complaint/share transfers as on 31st March, 2003.

The Board has designated Mr. N. K. Malhotra, Company Secretary, as Compliance Officer.

M/s RCMC Share Registry Pvt. Ltd., Registrar and Share Transfer Agents, vide its certificate dated 8th May, 2003 have confirmed that no investor grievance or complaint was pending and no share transfer was pending.