

11th
Annual Report
2004 - 2005



**HITKARI
INDUSTRIES LIMITED**

HITKARI INDUSTRIES LIMITED

BOARD OF DIRECTORS

R.N. Khanna

Ajay Kapoor

Usha Kapoor

Company Secretary

Financial Controller

AUDITORS

BANKERS

REDG. OFFICE & WORKS

**REGISTRAR & SHARE
TRANSFER AGENTS**

Chairman

Managing Director

Director

N. K. Malhotra

Satish Malhotra

S R Kapur & Company
Chartered Accountants,
New Delhi

State Bank of Bikaner & Jaipur
71-72, Laxmi Bhawan, Nehru Place,
New Delhi - 110 019

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

RCMC SHARE REGISTRY PVT. LTD.
1515, (1st Floor) Bhishm Pitmah Marg,
Kotla Mubarakpur, (Near South Extension)
New Delhi - 110 003
Phone No. 011 - 24649720, 24692346
Fax : 011 - 24692345
E-mail : rcmc@theoffice.net

HITKARI INDUSTRIES LIMITED**NOTICE**

Notice is hereby given that the Eleventh 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 Friday the 30th day of December, 2005 at 2.00PM (or such extended time from the conclusion of Tenth Annual General Meeting) to transact the following business :-

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2005 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 Mrs. Usha Kapoor, 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 an Ordinary Resolution:-

*RESOLVED that pursuant to Sections 198, 309, 269 & 314 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, approval of the company be and is hereby accorded for appointment of Mr. Ajay Kapoor as Managing Director of the company w.e.f 17th January, 2005 for a period of five years."

*RESOLVED further that the approval of the company for payment of the remuneration and perquisites to Mr Ajay Kapoor w.e.f 17th January, 2005, as set out below, be and is hereby accorded.

i) Salary : Rs. 40,000/- per month

ii) Perquisites :-

1. a) Housing I- The expenditure by the company on hiring/leasing, furnished accommodation to be subject to 60% of the salary
- b) Housing II- In case accommodation is owned by the company, 10% of the salary to be deducted by the Company
- c) Housing III- In case no accommodation is provided by the company, he will be entitled to house rent allowance subject to the ceilings laid down in Housing I

The expenditure incurred by the company on electricity and water will be valued as per the Income Tax Rules, 1962.

2. Medical reimbursement : Expenses incurred for self and family subject to a ceiling of one month's salary per year
3. Leave Travel Concession : For self and family once in a year in accordance with the Rules of the Company
4. Club Fees : Fees of clubs subject to a maximum of two clubs, admission and life membership fees not being allowed
5. Reimbursement of refreshment expenses subject to a ceiling of Rs.875/- per month, children education allowance Rs 200/- per month, Entertainment allowance of Rs.5,500/- per month and Furniture allowance of Rs 5,000/- per month.
6. Bonus, Exgratia, Leave Encashment and conveyance/transport allowance as per rules of the company.
7. Contributions to Provident Fund, Superannuation Fund or Annuity Fund will not be included in the computation of the ceiling of perquisites to the extent these either singly or put together will not taxable under the Income Tax Act, 1961. Gratuity payable shall not exceed half a month's salary for each completed year of service.
8. The Company is to provide car with driver and telephone at residence. Provision of car for use on company's business and telephone at residence will not be considered as perquisites. However, the long distance personal call shall be billed to him. The personal use of car and driver shall be taken as perquisites as per the Income - Tax Rules

*RESOLVED FURTHER THAT the same salary and perquisites as mentioned above, be paid to Mr Ajay Kapoor as minimum remuneration in the event of loss or inadequacy of profits in any financial year during the currency of his tenure subject to the overall limit laid down in Schedule XIII of the Companies Act, 1956."

*RESOLVED FURTHER THAT the Board of Directors(including its Committee constituted for the purpose) be and are hereby authorised to alter, vary or modify, from time to time, the said terms including remuneration in such manner as it may deem fit within the limits in that regard contained in other Sections and Schedule XIII of the Companies Act, 1956 and any statutory modifications thereof "

5. To consider and , if thought fit, to pass with or without modifications, the following as an Ordinary Resolution:-

*RESOLVED that pursuant to Sections 198, 309, 269 & 314 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, approval of the company be and is hereby accorded for payment of revised remuneration and perquisites to Mr. Ajay Kapoor, Managing Director of the company w.e.f 1st January, 2006 as mentioned below:-

i) Salary : Rs. 80,000/- per month

ii) Perquisites :-

1. a) Housing I- The expenditure by the company on hiring/leasing, furnished accommodation to be subject to 60% of the salary
- b) Housing II- In case accommodation is owned by the company, 10% of the salary to be deducted by the Company
- c) Housing III- In case no accommodation is provided by the company, he will be entitled to house rent allowance subject to the ceilings laid down in Housing I

The expenditure incurred by the company on electricity and water will be valued as per the Income Tax Rules, 1962.

2. Medical reimbursement : Expenses incurred for self and family subject to a ceiling of one month's salary per year
3. Leave Travel Concession : For self and family once in a year in accordance with the Rules of the Company
4. Club Fees : Fees of clubs subject to a maximum of two clubs, admission and life membership fees not being allowed
5. Reimbursement of refreshment expenses subject to a ceiling of Rs.3000/- per month, Entertainment allowance of Rs 5,500/- per month and Furniture & Fixture allowance of Rs 5,000/- per month.
6. Bonus, Exgratia, Leave Encashment and conveyance/transport allowance as per rules of the company.

HITKARI INDUSTRIES LIMITED

7. Contributions to Provident Fund, Superannuation Fund or Annuity Fund will not be included in the computation of the ceiling of perquisites to the extent these either singly or put together will not taxable under the Income Tax Act, 1961. Gratuity payable shall not exceed half a month's salary for each completed year of service.
8. The Company is to provide car with driver and telephone at residence. Provision of car for use on company's business and telephone at residence will not be considered as perquisites. However, the long distance personal call shall be billed to him. The personal use of car and driver shall be taken as perquisites as per the Income - Tax Rules.

"RESOLVED FURTHER THAT the same salary and perquisites as mentioned above, be paid to Mr. Ajay Kapoor as minimum remuneration in the event of loss or inadequacy of profits in any financial year during the currency of his tenure subject to the overall limit laid down in Schedule XIII of the Companies Act, 1956."

"RESOLVED FURTHER THAT the Board of Directors(including its Committee constituted for the purpose) be and are hereby authorised to grant increments, alter, vary or modify, from time to time, the said terms including remuneration in such manner as it may deem fit within the limits in that regard contained in other Sections and Schedule XIII of the Companies Act, 1956 and any statutory modifications thereof."

6. To consider and if thought fit, to pass with or without modifications, the following as an Ordinary Resolution:-

"RESOLVED that Mr Sunil Kapoor who was appointed as Additional Director in the meeting of the Board of Directors of the company held on 31st October, 2005 and who is to hold office as such upto the date of Eleventh Annual General Meeting of the company 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 Mr Sunil Kapoor as a candidate for the office of Director of the company be and is hereby appointed as a Director liable to retire by rotation."

7. To consider and if thought fit, to pass with or without modifications, the following as an Ordinary Resolution:-

"RESOLVED that Mr L.K. Khanna who was appointed as Additional Director in the meeting of the Board of Directors of the company held on 31st October, 2005 and who is to hold office as such upto the date of Eleventh Annual General Meeting of the company 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 Mr L.K. Khanna as a candidate for the office of Director of the company be and is hereby appointed as a Director liable to retire by rotation."

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

"RESOLVED that pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association be and are hereby amended to substitute Article 153 in place of the existing Article so as to read as under:-

Article 153. Every deed or other instrument to which the Seal of the company is required

To be affixed shall, unless the same is executed by a duly constituted attorney for the company, be signed by any one of the Directors and countersigned by the Manager or the Secretary or any person authorised by the Directors for the purpose provided that the Certificate of shares and Debentures may be sealed and signed in accordance with the Companies (Issue of Share Certificates) Rules, 1960 or any modification thereof or any other Rules in respect thereof from time to time in force.

By the Order of the Board
For Hitkari Industries Limited

Place: Noida

Dated : 28th November, 2005

(N.K. Malhotra)
Company Secretary

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 Register of Members and Share Transfer Books of the company will remain closed from 26th December, 2005 to 30th December, 2005 (both days inclusive).
3. 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.
4. 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.
5. 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.
6. Members are requested to notify immediately any change in their addresses to the Company's Registrar and Share Transfer Agents, M/s RCMC Share Registry Pvt Ltd.
7. Members are requested to bring their copy of Annual Report to the meeting.

HITKARI INDUSTRIES LIMITED**Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956****ITEM NO. 4.**

The Board of Directors of the company in their meeting held on 17th January, 2005 appointed Mr Ajay Kapoor as Managing Director of the company in place of Mr Jaiwant Bery for a period of five years on payment of such remuneration and perquisites as set out against Item No 5 of the notice annexed hereto. The Remuneration Committee appointed by the Board of Directors of the company in its meeting held on 23rd November, 2005 has ratified the remuneration and perquisites paid to Mr Ajay Kapoor w.e.f 17th January, 2005 as set out against Item No. 5 of the notice annexed hereto.

Mr Ajay Kapoor, aged 36 years, is the promoter-Director of the company and the single largest shareholder of the company. He is an M.B.A from George Washington University, USA. He has extensive exposure in the industry and export business. His appointment as Managing Director of the company would be very beneficial to the company. The Directors commend the resolution for approval of the shareholders.

None of the Directors, except Mr Ajay Kapoor himself, Mr R.N.Khanna and Mrs Usha Kapoor being relative of Mr Ajay Kapoor, is concerned or interested in the above resolution.

ITEM NO. 5

The Remuneration Committee appointed by the Board of Directors of the company in its meeting held on 23rd November, 2005 has approved the revised remuneration and perquisites payable to Mr Ajay Kapoor, Managing Director of the company with effect from 1st January, 2006. The resolution is being placed before the members for approval.

None of the Directors, except Mr Ajay Kapoor himself, Mr R.N.Khanna and Mrs Usha Kapoor being relative of Mr Ajay Kapoor, is concerned or interested in the above resolution.

ITEM NO. 6

Mr Sunil Kapoor, aged about 48 years, was appointed as Additional Director in the meeting of the Board of Directors of the company held on 31st October, 2005. He is a Advocate by profession and has more than 25 years of experience in the field of legal and taxation areas. He is on the Board of several companies. His induction to the Board of Company would be immensely beneficial to the company. The company has received a notice under Section 257 of the Companies Act, 1956 alongwith 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. The Board commend the resolution for approval of the share holders.

None of the Directors, except Mr Sunil Kapoor is concerned or interested in the above resolution.

ITEM NO. 7

Mr L.K. Khanna aged about 48 years, was appointed as Additional Director in the meeting of the Board of Directors of the company held on 31st October, 2005. He is a qualified Company Secretary and Law Graduate. He has more than 25 years rich experience in the legal, finance, joint ventures, mergers/ amalgamations and other corporate laws matters etc. His induction to the Board of Company would be immensely beneficial to the company. The company has received a notice under Section 257 of the Companies Act, 1956 alongwith 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. The Board commend the resolution for approval of the share holders.

None of the Directors, except Mr L.K. Khanna, is concerned or interested in the above resolution.

ITEM NO. 8

Presently Article 153 of the Article of Association of the Company states as under:-

Every deed or other instrument to which the Seal of the company is required to be affixed shall, unless the same is executed by a duly constituted attorney for the company, be signed by any two of the Directors and countersigned by the Manager or the Secretary or any person authorised by the Directors for the purpose provided that the Certificate of shares and Debentures may be sealed and signed in accordance with the Companies (Issue of Share Certificates) Rules, 1960 or any modification thereof or any other Rules in respect thereof from time to time in force.

In the normal course of business, the company has to execute several documents and affix common seal on the same. The existing provision requiring any two Directors of the company to sign and execute any document on which common seal of the company be affixed is too cumbersome and unnecessary. The Board of Directors of the company in their meeting held on 28th November, 2005 have recommended the amendment of the said Article as set out against Item No 8 of the notice annexed hereto. The resolution is being placed before the members for approval.

None of Directors is in any way interested or concerned in the above resolution.

HITKARI INDUSTRIES LIMITED

DIRECTORS' REPORT

The Directors are pleased to present Eleventh Annual Report together with audited accounts for the financial year ended 31st March, 2005

FINANCIAL RESULTS

(Rs. in Lacs)

	Current Year	Previous Year
Sales & Operational Income	<u>3896.68</u>	<u>3420.18</u>
Gross Profit before Interest, Depreciation and Taxation	<u>224.72</u>	<u>224.01</u>
Less i) Interest	106.81	116.39
ii) Depreciation	83.27	75.84
iii) Provision for taxation	2.65	---
Net Profit after tax	31.99	31.78
Transferred to Reserve	31.99	31.78

OPERATIONS

The working results of your company for the financial year ended 31st March, 2005 reflect no change in profit after tax despite increase in sales and operational income. The Company has achieved total income of Rs 3896.88 lacs as compared to Rs. 3420.18 lacs in the previous year. Profit after tax was Rs.31.99 lacs as against Rs 31.78 lacs for the last year. The fall in profit after tax is due to increase in raw material prices without corresponding increase in selling prices and higher incidence of depreciation.

The future plans of the company envisage augmenting printing capacities by purchasing state of the art 8 colour printing machine.

DIVIDEND

With a view to conserve resources, the Directors are not recommending dividend for the financial year 2004-2005.

DIRECTORS

During the year under review, the Board of Directors of the company was reconstituted as per the orders dated 17th January, 2005 of the Hon'ble Company Law Board with Mr Ajay Kapoor group Mr R.N.Khanna, Mr Ajay Kapoor, Mrs Usha Kapoor, Mr Ved Kapoor and Mr Jaiwant Bery. As a result of above reconstitution Mr B.N. Kataria, Mr Ashim Sudan, Mr Banarasi Lal Bakshi ceased to be Directors of the company w.e.f 17th January, 2005. The Board of Directors in their meeting held on 17th January, 2005 appointed Mr R.N.Khanna as Chairman of the company and Mr Ajay Kapoor as Managing 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, 2005, 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, 2005 on a 'going concern' basis.

SUBSIDIARY COMPANY

In pursuance to Section 212 of the Companies Act, 1956, the audited statement of accounts alongwith the report of the Board of Directors of Terra Films Private Limited are annexed. Further pursuant to Accounting Standard AS-21 your Directors have pleasure in attaching the Consolidated Financial Statements as at 31st March, 2005 which form part of the Annual Report and Accounts.

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 reappointment. The company has received a certificate as required under Section 224 (1B) of the Companies Act, 1956 to the effect that their reappointment, if made, would be within the limits specified in that section.

HITKARI INDUSTRIES LIMITED**AUDITORS' REPORT**

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

DEMATERILISATION OF SHARES

The shares of the company are available for dematerilisation with both the depositories i.e National Securities Depository Limited(NSDL) and Central Depository Services (India) Limited (CDSL). As on 31st March, 2005, 16,57,240 equity shares representing 51.70 per cent of the paid up equity shares of the company have been dematerilised.

REPORT OF CORPORATE GOVERNANCE AND MANAGEMENT DISCUSSION & ANALYSIS REPORT

In view of restraint imposed by the Hon'ble Company Law Board, New Delhi vide its order dated 16th October, 2003, no Board Meeting of the company could be held in the first three quarters of the year under review. The company, therefore, could not comply 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 equity shares of the company are listed on the Mumbai, Delhi, Ludhiana & Calcutta Stock Exchanges. Except for Calcutta Stock Exchange, the listing fee in respect of Mumbai, Delhi & Ludhiana Stock Exchange has been paid. The company has also applied for delisting from Delhi, Ludhiana and Calcutta Stock Exchanges. The equity shares of the company have been delisted from Delhi Stock Exchange w.e.f 31st March, 2005.

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, 1988 to the extent of disclosure of particulars with respect to conservation of Energy and Technology absorption are not applicable 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.17.45 lacs and foreign exchange outgo was Rs.628.78 lacs during the year ended on 31st March, 2005.

ACKNOWLEDGMENT

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

By the Order of the Board
For Hitkari Industries Limited

Place: Noida

Dated : 28th November, 2005

(R.N. Khanna)

Chairman

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, 2005

S.No.	Name	Category	No. of Board meetings held in financial year 2004 - 05	No. of meetings attended	No. of memberships on the Board of other companies	Whether attended las AGM held on	Remarks
1.	Mr. R.N. Khanna	Chairman	5	5	7	NA	---
2.	Mr. Ajay Kapoor	Managing Director (Executive)	5	5	8	NA	---
3.	Mrs. Usha Kapoor	Director (Non-Executive)	5	4	6	NA	---
4.	Mr. Jaiwant Berry	Promoter (Non-Executive)	5	2	NA	NA	---
5.	Mr. Ved Kapoor	Promoter (Non-Executive)	5	1	NA	NA	---

There has been change in the management of the company w.e.f. 17th January, 2005 as per order of Hon'ble Company Law Board. The management headed by Mr. Jaiwant Berry, then Managing Director has been taken over by the present management with effect from that date.

BOARD MEETINGS

Five Board Meetings were held during the financial year. No Board meeting during the first three quarter of the year 2004-2005 was held in view of the restraint imposed by order dated 16th October, 2003 of the Hon'ble Company Law Board. The Board of Directors of the company was reconstituted on 17th January, 2005 as per the order of even date of Hon'ble Company Law Board. The dates on which the meetings were held are as follows:-

S. No.	Date
i)	17.01.2005
ii)	09.02.2005
iii)	02.03.2005
iv)	12.03.2005
v)	31.03.2005

AUDIT COMMITTEE

As per the order of the Hon'ble Company Law Board, New Delhi, the Board of Directors of the company was reconstituted on 17th January, 2005 with three Directors from Mr. Ajay Kapoor, promoter group and two Directors from Mr. Ved Kapoor promoter group and consequently the earlier Audit Committee comprising of Mr. Ashim Sudan, Mr. Banarasi Lal Bakshi and Mr. B.N. Kataria, ex-Directors of the company, got dissolved.

As per the requirement of the Corporate Governance Guidelines issued by SEBI, an Audit Committee shall have minimum three directors as members out of which two-thirds shall be independent directors. The Board is in the process of inducting independent directors on the Board of Directors of the company and the process would be completed before 31st December, 2005.

REMUNERATION COMMITTEE

In view of the aforesaid order of the Hon'ble Company Law Board, New Delhi reconstituting the Board of Directors of the company, the remuneration committee comprising of Mr. B.N. Kataria, Mr. Ashim Sudan and Mr. Banarasi Lal Bakshi also got dissolved. The Board is in the process of inducting independent directors on the Board of Directors of the company and the process would be completed before 31st December, 2005.

The company has paid remuneration to its Managing Directors Mr. Jaiwant Berry, ex-Managing Director (upto 17th January, 2005) and Mr. Ajay Kapoor (from 17th January, 2005 to 31st March, 2005) in financial year 2004-05 as under:-

	Mr. Jaiwant Berry	Mr. Ajay Kapoor
	(Amount in Rs.)	
i) Basic Salary	3,83,226	98,065
ii) Medical reimbursement	26,049	-
iii) Entertainment allowance	52,694	13,484
iv) Furniture & fixtures allowance	47,903	12,258
vi) Children Education allowance	1,900	-
vii) Rent free accommodation	2,50,000	58,838
viii) Provident Fund Contribution	45,987	11,768
ix) Electricity & Water reimbursement	57,779	-
x) Club payments	39,992	5,169
xi) Gratuity Contribution paid/payable	Not ascertained	Not ascertained
Total	9,05,530	1,99,582

HITKARI INDUSTRIES LIMITED

The above remuneration paid to Mr. Jaiwant Bery (ex-Managing Director) is as per the approval of the members of the company and in case of Mr. Ajay Kapoor, present Managing Director is subject to members approval. 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 generally held at Company's office. In few instances the Board meetings were held at other places keeping in view the convenience of the Directors. The meetings are generally scheduled in advance. The Board meets at least once a quarter to review the quarterly performance. However, during the financial year 2004-05 in view of the petition filed by Mr Ajay Kapur, Director of the company under Section 397 and 398 of the Companies Act, 1956 against the company and its Directors and consequently as per the interim orders passed by the Hon'ble Company Law Board dated 16th October, 2003 restraining the company to hold Board Meetings, no Board Meeting was held to review the quarterly results for the quarters ended 31st July, 2004, 30th September 2004 and 31st December, 2004. The financial results for the quarter ended 31st March, 2005 could not be reviewed within the time specified in the listing agreement as the accounts for the financial year 2003-2004 could not be completed. The agenda for the meetings is prepared by the Company Secretary in consultation with the 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 re- constituted as Shareholders'/Investors' Grievance Committee, comprising of Mr. Ajay Kapoor, Mrs. Usha Kapoor and Mr. Jaiwant Bery in its meeting held on 9th February, 2005. Since Mr Jaiwant Bery ceased to be Director of the company w.e.f 11th July, 2005 as per orders of the Hon'ble Company Law Board of even date, the said Committee inducted Mr R N Khanna in place of Mr Jaiwant Bery. The chairperson is to be elected by the members of the committee at each meeting.

During the year 2004 -05, 30 meetings of the Shareholders'/Investors' Grievance Committee were held.

The company has received few complaints from its shareholders which have been redressed and there were no pending complaint as on 31st March, 2005.

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 4th April, 2005 have confirmed that no investor grievance or complaint was pending.

GENERAL BODY MEETINGS

The location and time for last 3 Annual General Meetings were:-

Year	Location	Date	Time
2001-2002	Hotel Windsmoor, Sector-2, Parwanoo	21.09.2002	12.30 P.M
2002-2003	Same as above	29.09.2003	1.00 P.M
2003-2004	Same as above	31.12.2005	1.30 P.M

(to be held)

No postal ballots were used/invited for voting at these meetings in respect of special resolutions passed. The company does not envisage adopting shareholders resolutions through postal ballots.

MEANS OF COMMUNICATION

The quarterly/half-yearly financial results of the company are generally published in "The Pioneer-English Edition" and Dainik Tribune/Divya Himachal- Hindi Edition". The same are not sent to household of shareholders. Management discussion and analysis form part of directors' annual report.

SHAREHOLDERS' INFORMATION

Annual General Meeting

The Eleventh Annual General Meeting of the company will be held on 30th December, 2005 at Hotel Windsmoor, Sector-2, Parwanoo-173220, Distt. Solan(H.P) at 2.00 P.M. or such extended time from the conclusion of the Tenth Annual General Meeting.

Financial Calendar

- | | | | |
|------|------------------------|---|--|
| i) | Financial Year | : | April-March |
| ii) | Accounts Finalisation | : | Normally by May-June. The accounts for the year 2004-2005 could not be finalized earlier due to restrain imposed by Hon'ble Company Law Board, New Delhi on holding Board Meetings. Further there was change in the management of the company in the month of January, 2005 which became fully effective in the month of July, 2005. The new management carried out detailed analysis of valuation of the inventories and therefore sought time from Hon'ble Company Law Board, New Delhi for extension of time for finalisation of accounts and holding Annual General Meeting upto 31 st December, 2005. |
| iii) | Annual General Meeting | : | Normally in September each year. |
| iv) | Quarterly Results | : | Normally before the end of the following month except for 4 th Quarter when audited results are published within 3 months of the end of the quarter/year. However the quarterly results for the quarters ended 31 st July, 2004, 30 th September, 2004 and 31 st December, 2004 could not be published as the Board Meeting to review the same could not be held as per the orders of Hon'ble Company Law Board. Also the audited results for the year ended 31 st March, 2005 could not be published within 3 months of the end of the financial year i.e upto 30 th June, 2005 |
| v) | Book Closure Date(s) | : | 26 th December, 2005 to 30 th December, 2005 (both days inclusive) |

HITKARI INDUSTRIES LIMITED

- vi) Dividend : The company has not declared any dividend.
- vii) Listing on Stock Exchanges : The equity shares of the company are listed on the Mumbai, Delhi, Ludhiana & Calcutta Stock Exchanges. Except for Calcutta Stock Exchange, the listing fees in respect of Mumbai, Delhi & Ludhiana Stock Exchange has been paid. The Company has also applied for delisting from Delhi, Ludhiana and Calcutta stock exchanges. The equity shares of the company have been delisted w.e.f 31st March, 2005 from Delhi Stock Exchange.
- viii) Scrip Code : Physical 530633 on Stock Exchange, Mumbai Demat ISIN No. INE 553B01018

Monthly High and Low Quotation of Shares traded on Mumbai Stock Exchange during the year April, 2004 to March, 2005 is as under -

Month	High (Rs.)	Low (Rs.)	No. of shares
April, 2004	12.50	8.05	10250
May, 2004	14.25	10.40	4750
June, 2004	12.90	9.00	8725
July, 2004	13.50	9.25	4501
August, 2004	13.50	10.30	4600
September, 2004	12.00	10.02	13862
October, 2004	11.25	9.01	8230
November, 2004	12.50	9.26	12050
December, 2004	29.80	10.05	2436
January, 2005	23.15	13.10	7928
February, 2005	18.45	13.30	16890
March, 2005	16.50	12.40	10325

SHARE TRANSFER SYSTEM

Presently, the share transfers which are received in physical form are processed and the share certificates returned within a period of 15 days from the date of receipts, subject to the documents being valid and complete in all respects. The demat requests received by the Registrars are processed and executed within a period of 21 days.

DISTRIBUTION OF SHAREHOLDING AS ON 31ST MARCH, 2005

Categories	No. of shares	%
Indian Promoters	1844680	58.17
Friends & Relatives of Promoters	513565	16.02
Private corporate bodies	22055	0.69
Indian Public	537322	16.76
Non Resident Indians	252000	7.86
Employees	15900	0.50
Total	3205470	100.00

SHAREHOLDING PATTERN AS ON 31.03.2005

Shareholding of value of Rs.	Shareholders		Shareholding		
	No.	% of total	Shares	Amount(Rs)	% of total
Upto 5000	2939	95.42	352758	3527580.00	11.00
5,001 to 10,000	46	1.49	38655	386550.00	1.21
10,001 to 20,000	51	1.66	72185	721850.00	2.25
20,001 to 30,000	5	0.16	12490	124900.00	0.39
30,001 to 40,000	4	0.13	13350	133500.00	0.42
40,001 to 50,000	1	0.03	4895	48950.00	0.15
50,001 to 1,00,000	12	0.39	86475	86475.00	2.70
1,00,001 and above	22	0.71	2624662	26246620.00	81.88
Total	3080	100.00	3205470	32054700.00	100.00

The above distribution of shareholding and shareholding pattern has been certified by the Registrar and Share Transfer Agents.

DEMATERILISATION OF SHARES

As on 31st March, 2005, the status of dematerialisation of equity shares of the company was as under -

S.N.	Depository	No. of shares	% to total number of shares
1.	NSDL	1632740	50.94
2.	CDSL	24500	0.76
		1657240	51.70