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HITKARI FIBRES LIMITED

17th ANNUAL REPORT

2003 - 2004



Seventeenth Annual Report

HITKARI FIBRES LIMITED

BOARD OF DIRECTORS (as on 19.08.2004)

Mr. Anil K. Hitkari
Chairman & Managing Director

Mr. R. R. Singh
Dr. (Mrs.) Chandni Hitkari
Mr. Aditya Hitkari
Mr. Sanjay Sahni

Banker
State Bank of India

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 Services Limited
Plot No. A, 16 & 17, M.I.D.C.,
Part - B, Cross Lane,
Marol, Andheri (East),
MUMBAI - 400 093.



HITKARI FIBRES LIMITED

NOTICE

NOTICE IS HEREBY GIVEN THAT THE 17TH ANNUAL GENERAL MEETING OF THE MEMBERS OF HITKARI FIBRES LIMITED WILL BE HELD AT THE SINDHI SOCIETY GYMKHANA, 18TH ROAD, SINDHI SOCIETY, CHEMBUR, MUMBAI-400 071 ON WEDNESDAY THE 29TH SEPTEMBER 2004 AT 10.30 A.M. TO TRANSACT THE FOLLOWING BUSINESS :

ORDINARY BUSINESS :

- (1) To consider, approve and adopt the Balance Sheet as at 31st March, 2004 and Profit and Loss account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
- (2) To appoint a Director in place of Mr. Aditya A. Hitkari who retires by rotation and being eligible, offers himself for re-appointment.
- (3) To appoint Auditors and fix their remuneration.

NOTES :

- a) 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.
- b) Members are requested to intimate to the Company change, if any, in their registered address.
- c) The Transfer Books and Register of Members shall be kept closed from 28th September 2004 to 29th September 2004 (both days inclusive).

By Order of the Board

ANIL K. HITKARI

CHAIRMAN & MANAGING DIRECTOR

Registered Office :

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

Place : Mumbai

Date : 19th August 2004



Seventeenth Annual Report

DIRECTORS' REPORT

To The Members,

The Directors have pleasure in presenting the 17th Annual Report together with the Audited Statement of Accounts for the Financial year ended on 31st March, 2004.

FINANCIAL RESULTS

	(Rupees in Lacs)	
	1.04.2003 to 31.03.2004 (12 months)	1.10.2001 to 31.03.2003 (18 months)
Sales & Other Income	1035.83	1366.59
Less : Excise Duty	123.63	189.49
Net Sales & Other Income	912.20	1177.10
Profit / (Loss) before Interest, Finance Charges and Depreciation	146.09	(24.21)
Interest & Finance Charges	13.43	39.62
Depreciation	123.81	158.85
Net Profit / (Loss)	8.85	(222.68)

DIVIDEND

Keeping in mind the future requirement of fund, your Directors do not recommend any dividend.

YEAR IN RETROSPECT

During the year under review, Company's growth in sales in terms of volume and value has increased compared to corresponding period in previous year. This has resulted in substantial improvement in the performance of the Company.

FINANCE

The Company has negotiated and settled all loans with State Bank of India. The Company has also started making payment to S.B.I as per the terms agreed. With repayment of the loan the Company's financial position has strengthened significantly.

PERFORMANCE AND FUTURE PROSPECTS

As you are aware, during the last financial year the Economy has shown a significant recovery trend and the automotive 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 increases in the current year.

The Company had applied under 1993 Package Scheme of Incentives for sales tax exemption from payment of sales tax liability on purchases and sales. This will result in reduction in cost improvement in margin and thus in turn profit.

In the Finance Bill 2004, Finance Minister has declared a package scheme of incentives for Textile Industries, like ours. As per this direction, excise duty has been reduced from 16% to 8% resulting in improvement in cash inflow together with the opportunity for significant sales growth due to lower landed cost to the end users.

All these will help the Company to achieve better performance during the current year.



HITKARI FIBRES LIMITED

DIRECTORS

Mr. Aditya A.Hitkari retires at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment. The Board recommends the appointment of the said Director.

CORPORATE GOVERNANCE

The Report on Corporate Governance as prescribed by the Listing Agreement is annexed and forms an integral part of the Annual Report. The Auditors Certificate on compliance of the provisions of the Code of Corporate Governance as required under the Listing Agreement is also attached.

PERSONNEL

There is 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 year 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.

DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies (Amendment) 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 year and of the profit of the Company for that year.
- 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.

APPRECIATION

During the year, 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. The directors are also thankful for the co-operation, support and assistances received from the banks, Govt. Authorities, customers and the suppliers. The directors would also like to acknowledge the continued support of the company's shareholders.

For and on Behalf of the Board

ANIL K. HITKARI
CHAIRMAN & MANAGING DIRECTOR

Place : Mumbai

Date : 19th August 2004



Seventeenth Annual Report

ANNEXURE TO DIRECTORS' REPORT

Information as per Section 217(1)(e) read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors Report for the year ended 31st March 2004.

1) CONSERVATION OF ENERGY

The company already has the most modern plant with inbuilt features for minimum energy consumption.

FORM A (Disclosure of particulars with respect to conservation of energy)

a) POWER AND FUEL CONSUMPTION	Current year	Previous period
1. Power		
a) Purchases		
Unit (KWH)	8,14,121	14,56,616
Total Amount Rs.	37,78,226	68,41,997
Rate/ Unit Rs.	4.64	4.70
b) Own Generation	Nil	Nil
2. Coal	Nil	Nil
3. Furnace Oil		
LDO		
Unit (KL)	60.00	111.00
Total Rs.	8,30,220	14,72,949
Average Rate (Rs. per KL)	13,841	13269.81

Note : As the Company produces various products having different qualitative measurements, per unit consumption of energy cannot be assessed.

2) Technology Absorption

1. Research and Development

No research and development work has been carried out by the Company.

2. Technology absorption

No Technology has been imported.

3 Foreign Exchange earnings and outgo :

	Current year	Previous Period
Foreign Exchange earnings during the year	Nil	Nil
Foreign Exchange outgo during the year	Rs. 4.82 Lacs	Rs. 6.15 Lacs

For and on Behalf of the Board

Place : Mumbai
Date : 19th August 2004

ANIL K. HITKARI
CHAIRMAN & MANAGING DIRECTOR

**MANAGEMENT DISCUSSION AND ANALYSIS REPORT****Industry Structure and Developments**

The company is engaged in the manufacture of wall-to-wall Carpets, insulation felts, Automotive Carpets, blankets, non-woven fabrics, geo textile & industrial filters etc. The automobile sector is the major customer of the company's products.

Risk Perception

As Company's performance is directly linked with the performance of the automotive sector, therefore, any change in the automotive sector affects the performance of the Company.

Opportunity & Threats

Company is receiving export enquiries/orders from abroad and all these orders will be implemented within a short period of time and which will result in increase in sales and profits.

Outlook

Efforts have already been taken up to reduce the operational costs and to explore new markets.

Internal control systems and their adequacy

The Company has a formal internal control system, which is adequate as per the opinion of the management.

Material Developments in Human Resources /Industrial Relations Front, including number of people employed.

The company continued to maintain harmonious relations with the staff and workers.

REPORT ON CORPORATE GOVERNANCE

The Company's philosophy on Corporate Governance lays strong emphasis on transparency, accountability and integrity. The Company is in the process of implementing the mandatory requirements of the "Code of Governance" as mentioned in Clause 49 of the Listing Agreement.

BOARD OF DIRECTORS AND COMPOSITION

The Board is headed by the Chairman and Managing Director. In order to enable the Board to discharge the responsibilities effectively all statutory and material information are placed before the Board. The position of Board of Directors are as given :

Sr. No.	Directors	Position	Other Directorships	Board Committees
1	Mr. Anil K Hitkari	Chairman & Managing Director	1	3
2	Dr. (Mrs.) Chandni A Hitkari	Non-Executive	1	3
3	Mr. Aditya A Hitkari	Non-Executive	1	2
4	Mr. Sanjay Sahni	Non-Executive	0	1
5	Mr. R. R. Singh	Non-Executive	0	0



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Board Meetings and Attendance

5 Board Meetings were held on 23.04.2003, 30.07.2003, 30.10.2003, 7.11.2003 and 30.01.2004 during the year April 01, 2003 to March 31, 2004.

Details of attendance of each Director at the Meeting of the Board and various committees of the Board during the financial year ended 31st March 2004.

Sr. No.	Directors	Board Meeting	Audit Committee	Share Transfer Committee	Last AGM attended Yes/No
1	Mr. Anil K Hitkari	5	5	4	No
2	Ms. (Dr.) Chandni K Hitkari	5	4	4	Yes
3	Mr. Aditya A Hitkari	5	0	4	Yes
4	Mr. Sanjay Sahni	5	0	4	Yes
5	Mr. R.R. Singh	0	0	0	No

Share Transfer Committee

At present there are three members on the Share Transfer Committee. The Committee met 5 times during the financial year ended 31st March 2004.

General Body Meetings (Last three years)

Location	Day	Date	Time
Sindhi Society Gymkhana, 18 th Road, Sindhi Society, Chembur 400 071	Monday	25.08.2003	1.30 p.m.
Sindhi Society Gymkhana, 18 th Road, Sindhi Society, Chembur 400 071	Tuesday	26.2.2002	3.00 p.m.
Chembur Gymkhana, 16 th Road, Chembur 400 071	Friday	29.9.2000	11.00 a.m.

No special resolutions were required to be put through by Postal ballot in the last financial year. No special resolutions on matters requiring Postal Ballot are placed for shareholder's approval at the ensuing Annual General Meeting.

Others Disclosures

The Company did not have any related party transaction i.e. transactions of the company of material nature, with its promoters, directors or the management etc. which may have potential conflicts with the interest of the company at large. However the related party transaction have been disclosed in the Notes to Accounts in the financial statement.

Means of Communication

The shareholders were issued notices of the General Meetings by post as well as informed to Stock Exchange.

Remuneration of Directors

The Managing Director was drawing remuneration as approved by the members in the Annual General Meeting held in September 2000. However, considering the financial position of the Company, the Managing Director had opted not to draw any remuneration and had informed the Board accordingly. The Board accepted the same and hence no remuneration was paid to him during the period under consideration. No remuneration other than sitting fees and reimbursement of conveyance for Board Meetings was paid to the other Directors.

Audit Committee

The Audit Committee was constituted on 10th October 2001 and continued to perform the responsibilities assigned to them during the period. Mr. M. J Parekh, Finance Manager is the Secretary of the Audit committee. The Committee is empowered as per the requirements of Clause 49 paragraph II of the listing agreement. The Committee met five times during the period ended 31st March 2004.