



HITKARI FIBRES LIMITED

**21st Annual Report
2007 - 2008**

CORPORATE INFORMATION**BOARD OF DIRECTORS**

Mr. Bantval Srinivasa Rao	Director	(Appointed on March 18, 2008)
Mr. D. Sundararajan	Director	(Appointed on February 12, 2008)
Mr. Vini Ahuja	Director	(Appointed on March 18, 2008)
Mr. Srinivasan Parthasarathy	Director	(Appointed on March 18, 2008)
Mr. Deep Kumar Rastogi	Director	(Appointed on March 18, 2008)
Mr. Aishvaraya Singh	Director	(Appointed on October 27, 2008)
Dr. (Mrs.) Chandani Hitkari	Chairperson	(Resigned on March 18, 2008)
Mr. Aditya Hitkari	* Managing Director	(Resigned on March 18, 2008)
Mr. E.K.Ajit Kumar	Director	(Resigned on March 18, 2008)
Dr. Narayanan Balasubramanian	Director	(Resigned on March 18, 2008)
Mr. Inderjit Singh Sehgal	Director	(Resigned on March 18, 2008)
Mr. Mahesh Menon	Director	(Resigned on March 18, 2008)

COMPANY SECRETARY

Mrs. Sanjeevlata Samdani (Appointed on February 23, 2008.)

BANKERS

Axis Bank
Oriental Bank of Commerce

AUDITORS

Pratap B. Sheth & Co., Mumbai
Haribhakti & Co., Mumbai
(Proposed to be appointed at the
21st Annual General Meeting)

REGISTERED OFFICE

43, Free Press House
215, Nariman Point
Mumbai – 400 021.

REGISTRAR & TRANSFER AGENTS

Datamatics Financial Services Ltd,
Plot No.B-5, Part B Cross Lane, MIDC,
Andheri - East, Mumbai - 400093
Phone : 022 - 66712151 - 2156
Fax : 022 - 66712161

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NOTICE

NOTICE IS HEREBY GIVEN that the Twenty First Annual General Meeting of the members of Hitkari Fibres Limited will be held on Monday, January 12, 2009 at 12.00 Noon at Killachand Hall, IMC Building, IMC Marg, Churchgate, Mumbai-400020 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Accounts for the year ended March 31, 2008 together with Directors' Report and the Auditors' Report thereon.
2. To consider and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:

"RESOLVED THAT M/s Haribhakti & Co., Chartered Accountants, Mumbai be and are hereby appointed as Auditors of the Company, from the conclusion of this Annual General Meeting up to the conclusion of next Annual General Meeting at such remuneration as may be mutually agreed upon between the Board of Directors and the Auditors, plus reimbursement of service tax, out of pocket expenses."

SPECIAL BUSINESS

3. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. D. Sundararajan, who was appointed as an Additional Director of the Company by the Board of Directors and who hold office upto the date of this Annual General Meeting of the Company pursuant to the provisions of Section 260 of the Companies Act, 1956 and Article 150 of the Articles of Association of the Company, and in respect of whom the Company has received notice in writing from a member of the Company expressing his intension of proposing his candidature for the office of Director be and is hereby appointed as a Director of the Company."

4. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. Bantval Srinivasa Rao, who was appointed as an Additional Director of the Company by the Board of Directors and who hold office upto the date of this Annual General Meeting of the Company pursuant to the provisions of Section 260 of the Companies Act, 1956 and Article 150 of the Articles of Association of the Company, and in respect of whom the Company has received notice in writing from a member of the Company expressing his intension of proposing his candidature for the office of Director be and is hereby appointed as a Director of the Company."

5. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. Vini Ahuja, who was appointed as an Additional Director of the Company by the Board of Directors and who hold office upto the date of this Annual General Meeting of the Company pursuant to the provisions of Section 260 of the Companies Act, 1956 and Article 150 of the Articles of Association of the Company, and in respect of whom the Company has received notice in writing from a member of the Company expressing his intension of proposing his candidature for the office of Director be and is hereby appointed as a Director of the Company."

6. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. Srinivasan Parthasarathy, who was appointed as an Additional Director of the Company by the Board of Directors and who hold office upto the date of this Annual General Meeting of the Company pursuant to the provisions of Section 260 of the Companies Act, 1956 and Article 150 of the Articles of Association of the Company, and in respect of whom the Company has received notice in writing from a member of the Company expressing his intension of proposing his candidature for the office of Director be and is hereby appointed as a Director of the Company."

NOTICE

7. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. Deep Kumar Rastogi, who was appointed as an Additional Director of the Company by the Board of Directors and who hold office upto the date of this Annual General Meeting of the Company pursuant to the provisions of Section 260 of the Companies Act, 1956 and Article 150 of the Articles of Association of the Company, and in respect of whom the Company has received notice in writing from a member of the Company expressing his intension of proposing his candidature for the office of Director be and is hereby appointed as a Director of the Company."

8. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. Aishvaraya Singh, who was appointed as an Additional Director of the Company by the Board of Directors and who hold office upto the date of this Annual General Meeting of the Company pursuant to the provisions of Section 260 of the Companies Act, 1956 and Article 150 of the Articles of Association of the Company, and in respect of whom the Company has received notice in writing from a member of the Company expressing his intension of proposing his candidature for the office of Director be and is hereby appointed as a Director of the Company."

**By Order of the Board
For Hitkari Fibres Limited**

Sanjeevlata Samdani
Company Secretary

Date : 16-12-2008

Place : Mumbai

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. The proxy form duly completed and signed should be deposited at the Registered Office of the Company not later than 48 hours before the meeting. A form of proxy is given at the end of the Annual Report.
3. The relevant explanatory statement pursuant to section 173 of the Companies Act, 1956 in respect of the business under item No. 2 to 8 is annexed hereto.
4. All documents referred to in the accompanying Notice are open for inspection at the Registered Office of the Company between 10.30 a.m. and 12.30 p.m. on all working days except Saturday and holidays upto the date of the Annual General Meeting.
5. The Register of Members and Share Transfer Books of the company will remain closed from Friday, December 26, 2008 to Wednesday, December 31, 2008 (both days inclusive)
6. Queries on accounts and operations of the Company, if any may please be sent to the Company seven days in advance of the meeting so that the answers may be made available at the meeting.
7. Members/ Proxies who attend the meeting are requested to bring the enclosed attendance slip duly filled and deliver the same at the entrance of the meeting hall.
8. Members are requested to bring their copies of Annual Report at the time of attending the Meeting.
9. Members who are holding Company's shares in dematerialised form are requested to bring details of their DP and client ID number for identification.

ANNEXURE TO NOTICE**ANNEXURE TO NOTICE****EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956****ITEM NO. 2**

The Company has received a 'Special Notice' within the meaning of Section 190 and under section 225 etc. of the Companies Act, 1956 from a member signifying his intention to propose at the ensuing Annual General Meeting of the Company, to appoint M/s Haribhakti & Co., Chartered Accountant, as Statutory Auditor of the Company to fill the vacancy caused by the resignation of M/s Pratap B. Sheth & Co., Chartered Accountant, as required by law.

None of the Directors is any way deemed to be concerned or interested in his resolution.

ITEM NO. 3 to 8

The Board of Directors of the Company had appointed Mr. D. Sundararajan as an additional Director in its Meeting held on February 12, 2008. Further, Mr. Bantval Srinivasa Rao, Mr. Vini Ahuja, Mr. Srinivasan Parthasarathy, and Mr. Deep Kumar Rastogi were appointed as additional Directors in its Meeting held on March 18, 2008. Mr. Aishvaraya Singh was appointed as additional Director in its Meeting held on October 27, 2008.

In accordance with Section 260 of the Companies Act, 1956 and the Article 150 of the Articles of Association of the Company, Mr. D. Sundararajan, Mr. Bantval Srinivasa Rao, Mr. Vini Ahuja, Mr. Srinivasan Parthasarathy, Mr. Deep Kumar Rastogi and Mr. Aishvaraya Singh would hold office upto the date of this Annual General Meeting.

The Company has received a notices in writing from members under Section 257 of the Companies Act, 1956 signifying their intentions to propose Mr. D. Sundararajan, Mr. Bantval Srinivasa Rao, Mr. Vini Ahuja, Mr. Srinivasan Parthasarathy, Mr. Deep Kumar Rastogi and Mr. Aishvaraya Singh as a candidatures for the office of Director together with requisite deposit as required by law.

Brief resume of Mr. D. Sundararajan, Mr. Bantval Srinivasa Rao, Mr. Vini Ahuja, Mr. Srinivasan Parthasarathy, Mr. Deep Kumar Rastogi and Mr. Aishvaraya Singh, nature of their expertise in specific functional areas and the name of companies in which they hold directorship and memberships/chairmanship of the Board Committees, as stipulated under clause 49 of the Listing Agreement with the Stock Exchanges in India, are provided under the Corporate Governance.

Mr. D. Sundararajan, Mr. Bantval Srinivasa Rao, Mr. Vini Ahuja, Mr. Srinivasan Parthasarathy, Mr. Deep Kumar Rastogi and Mr. Aishvaraya Singh may be deemed to be concerned or interested in the resolution(s) relating to their respective appointment.

**By Order of the Board
For Hitkari Fibres Limited**

**Sanjeevlata Samdani
Company Secretary**

**Date : 16-12-2008
Place : Mumbai**

DIRECTORS' REPORT**REPORT OF THE DIRECTORS**

The Directors present herewith the Twenty First Annual Report together with the Audited Accounts of the Company for the year ended March 31, 2008.

FINANCIAL RESULTS:

(Rs. in Lacs.)

Description	Year Ended 31-03-2008	Year Ended 31-03-2007
Gross Sales	890.90	1,027.82
Less: Excise Duty	68.86	80.54
Net Sales	822.04	947.28
Other Income	0.64	12.85
TOTAL INCOME	822.68	960.13
Profit / (Loss) before Depreciation and Interest	(126.89)	108.25
Depreciation (Net of Revaluation Reserve)	52.11	55.84
Interest	27.94	50.21
Profit/(Loss) from Ordinary Activities before tax	(206.94)	2.21
Tax Expenses	2.86	3.00
Net Profit/(Loss) from Ordinary Activities after tax	(209.80)	(0.79)
Extra-ordinary Items	(255.74)	-
Net profit/(Loss) for the Year	(465.54)	(0.79)

DIVIDEND:

In view of the losses, your directors are not in a position to recommend any dividend.

OPERATIONS:

Your Company achieved a turnover of Rs. 890.90 lacs for the year ended March 31, 2008 as against Rs. 1027.82 lacs achieved during last year. Due to lack of adequate working capital and increase in input costs with no matching increase in Sale Prices, the Company incurred an operating loss of Rs. 206.94 lacs during the year as compared to a profit of Rs. 2.21 Lacs in the previous year.

Further as a matter of prudence, the new Board of Directors constituted subsequent to the change in management have decided to write off all non-moving stocks, doubtful debtors and advances etc., and also written back liabilities which are no longer payable as an one time measure which is reflected as an 'Extraordinary Expenses' in the Profit & Loss account. Hence Net Loss for the financial year was Rs. 465.54 lacs.

As the 'Non-woven fabrics' business was not yielding good margins, the Company decided to sell the entire business as a going concern on 'Slump Sale' basis to 'Hitkari Hi-tech Filters Pvt Ltd' as on March 18, 2008. The sale has been approved by the Members through a Postal Ballot resolution with requisite majority on March 17, 2008.

The Company further decided to enter into Power Business. To facilitate immediate entry the Company is in the process of taking over the Power project of SRM Energy Pvt Ltd., (SRM) a Special Purpose Vehicle of Spice Energy group, our new Promoters. SRM is in the process of implementing a 2000 MW imported coal based Thermal Power Project at Cuddalore, Tamilnadu and 2000 MW Power Plant in Eastern India.

Both the Boards of Hitkari Fibres Limited and SRM Energy Private Limited have approved a scheme of merger under which SRM will merge with the Company and the merged entity will be named as 'SRM Energy Limited'. SRM Energy Private Limited will cease to exist after merger. Each shareholder of SRM will get two Equity shares of the Company for one equity share held by them in SRM. The paid up Equity capital will go up to Rs 90.6 million after merger and the stake of the Promoter will go up to 71.19% in the Company. The Merger of the Company, HFL and SRM has been duly ordered and approved by the respective High Courts.

THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988:

Particulars under Section 217(1)(e) of the Companies Act, 1956 relating to the conservation of energy, technology absorption, foreign exchange earnings and outgo are annexed.

DIRECTORS' REPORT**DIRECTORS:**

The Change in control of management under Regulation 12 of SEBI (Substantial Acquisition and Takeovers) Regulations, 1997 has been approved by the Shareholders through postal ballot under section 192A of the Companies Act, 1956 and accordingly Spice Energy Private Limited has become the new Promoter.

Your Company has invited persons who are well known in the industry to join the Board for successful implementation of the power project. The new directors are Mr. D. Sundararajan, appointed on February 12, 2008 and Mr. Bantval Srinivasa Rao, Mr. Vini Ahuja, Mr. Srinivasan Parthasarathy, Mr. Deep Kumar Rastogi appointed on March 18, 2008. Mr. Aishvaraya Singh was appointed on October 27, 2008

Dr. (Mrs.) Chandani Hitkari, Chairperson and Mr. Aditya Hitkari, Managing Director and Mr. Sanjay Sahani, Dr. Narayanan Balasubramanian, Mr. Inderjit Singh Sehgal, Mr. Mahesh Menon, Directors of the Company resigned from the Board on March 18, 2008 consequent to the change in management.

FIXED DEPOSITS:

During the year under review, the Company has not accepted any deposits from the public pursuant to Section 58-A of the Companies Act, 1956.

CORPORATE GOVERNANCE :

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchange, a compliance report on Corporate Governance is annexed as part of the Annual Report.

DEMATERIALISATION OF SHARES:

In terms of the notification issued by the Securities and Exchange Board of India (SEBI) the Company has dematerialized its shares with both the depositories CDSL and NSDL.

DELISTING OF EQUITY SHARES FROM AHMEDABAD & DELHI STOCK EXCHANGES :

After approval of the members through postal ballot the applications have been made to The Ahmedabad Stock Exchange (ASE) and Delhi Stock Exchange for delisting of the equity shares of the Company, in accordance with the Securities and Exchange Board of India (Delisting of Securities) Guidelines 2003.

The Ahmedabad Stock Exchange vide their letter No. ASEL/2008/414 dated June 25, 2008 delisted the company's securities from the exchange w.e.f. June 26, 2008 while the Delhi Stock Exchange is still processing our application.

DIRECTOR'S RESPONSIBILITY STATEMENT:

Pursuant to sub-section (2AA) of Section 217 of the Companies Act, 1956 the Board of Directors of the Company hereby state and confirm that :

- i) In the preparation of the Annual Accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures.
- ii) The Directors had 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/loss of the Company for that period.
- iii) The Directors had 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) The Directors had prepared the annual accounts on a going concern basis.

CODE OF CONDUCT

The Code of Conduct, as adopted by the Board of Directors is applicable to all Directors, senior management and employees of the company. This code is based on fundamental principles, viz. good corporate governance and good corporate citizenship. The Code covers Company's commitment to sustainable development, concern for occupational health, safety and environment, a gender friendly work place, transparency and accountability and legal compliance.

DIRECTORS' REPORT**AUDITORS :**

The existing auditors M/s Pratap B. Sheth & Co., Chartered Accountants, Mumbai retire at the ensuing Annual General Meeting and have expressed their inability to continue as the statutory auditor's of the company. The members are requested to appoint M/s Haribhakti & Co., as Statutory Auditors for the current year and fix their remuneration.

AUDITOR REPORT :

The Auditor's remark made at point no. 4 (1) in the Auditor's Report is duly represented by point No. B-10, B-11, B-12 of Schedule 12 'Notes to Accounts' and are self explanatory and therefore do not call for any further comments.

PARTICULARS OF EMPLOYEES :

The detail of employee drawing the salary as prescribed under Section 217 (2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 is attached with the Report.

ACKNOWLEDGMENTS:

The Directors acknowledge with gratitude and place on record their appreciation of the support and co-operation received from various officials of Central & State Government, Company's Banks, vendors and employees.

For and on behalf of the
Board of Directors



D. Sundararajan

Director

Dated : 16-12-2008

Place : Mumbai

Information as per Section 217(2A) of the Companies Act 1956 read with Companies (Particulars of Employees) Rules, 1975 and forming Part of the Directors Report for the year ended March 31, 2008.

Name and Designation	Remuneration	Qualification and experience	Date of commencement of employment	Last employment held
Parthasarathy Srinivasan, Director	Rs. 2,362,613	Mechanical Engineer, 25 years	March 7, 2008	Reliance Energy Limited

*Above remuneration paid by the erstwhile merged company 'SRM Energy Pvt. Ltd.'

ANNEXURE TO THE DIRECTORS REPORT


PARTICULARS REQUIRE UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES 1988.
CONSERVATION OF ENERGY

The Company has taken several measures for conservation of energy under its modernization programmes that will result in higher yields per unit cost.

FORM A

Power and Fuel Consumption		Current Year	Previous Year
1.	Electricity		
	a. Purchased Unit (KWH)	5,35,899	6,10,359
	Total amount (Rs.)	31,08,450	33,56,066
	Rate Per Unit (Rs./KWH)	5.80	5.50
	b. Own generation :		
	i) Through diesel		
	Generator Unit (KWH)	N.A.	N.A.
	Unit per litre of diesel oil	N.A.	N.A.
	Cost per unit (Rs./KWH)	N.A.	N.A.
	ii) Through Steam turbine		
	Generator Unit (KWH)	N.A.	N.A.
	Unit per litre of diesel oil	N.A.	N.A.
	Cost per unit (Rs./KWH)	N.A.	N.A.
2.	Furnace Oil / Diesel / LDO		
	Unit (KL)	102.43	95.00
	Total Cost (Rs.)	31,61,317	23,13,355
	Average rate (Rs. / KL)	30,863	24,351

FORM B
TECHNOLOGY ABSORPTION
I. Research and Development (R&D)

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

II. Technology Absorption : No technology has been imported.

III. Foreign Exchange Earnings And Outgo : Nil

Note : The Company has sold the entire non-woven fabrics business as a going concern on 'Slump Sale basis to 'Hitkari Hi-tech Filters Pvt Ltd' on March 18, 2008.

By Order of the Board of Directors

D. Sundararajan
Director

Date : 16-12-2008
Place : Mumbai

CERTIFICATE

**TO
THE MEMBERS OF
HITKARI FIBRES LIMITED,
MUMBAI**

We have examined the compliance of conditions of corporate governance by HITKARI FIBRES LIMITED for the year ended March 31, 2008 as stipulated in Clause 49 of the Agreements of the said Company with stock exchanges in India.

The Compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and explanation given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreements the share transfer committee entrusted with the task of investor grievances met once a month as against the requirement of meeting fortnightly.

On the basis of representation received from Registrars and Share Transfer agents and as per the records maintained by the Company which are presented to the Share Transfer Committee, we state that during the year ended March 31, 2008 no investor grievances are pending for a period exceeding one month.

We further state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

**For PRATAP B. SHETH & CO.
Chartered Accountants**

Dated : 16-12-2008
Place : Mumbai

NIKUNJ P. SHETH
Partner
M. No. 49454

DECLARATION UNDER CLAUSE 49 (I) (D)

I, D. Sundararajan, Director of HITKARI FIBRES LIMITED hereby certify and acknowledge that all the members of the Board of Directors and Senior Management Personnel of the Company have complied with the Code of Conduct of the Company and have already given the Annual Affirmation of the Compliance with the Code of Conduct.

ED/CFO CERTIFICATION

This is to certify to the Board that :

- a) The Financial Statements and the Cash Flow Statement for the period have been reviewed and to the best of their knowledge and belief are true and fair view of the company's affairs.
- b) To the best of their knowledge and belief, no transactions entered are fraudulent, illegal or violate the Company's Code of Conduct.
- c) They accept the responsibility of establishing and maintaining internal controls for the financial report and that they have evaluated the effectiveness, disclosing the deficiencies to the Auditors and the Audit Committee and take steps or proposed to take steps to rectify these deficiencies.
- d) They indicated to the Auditors and the Audit Committee :
 - i) Significant changes in the internal Control Process during the period.
 - ii) Significant changes in Accounting policies.
 - iii) Instances of significant fraud of which they have become aware.

For HITKARI FIBRES LIMITED

**Date : 16-12-2008
Place : Mumbai**

D. Sundararajan
Director