

**BITS Limited**

(Formerly: BITS (INDIA) Ltd.)

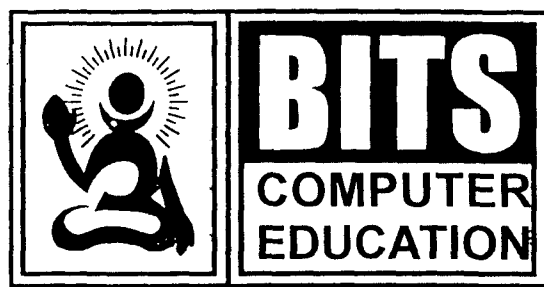
**THIRTEENTH ANNUAL REPORT**

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**2004-2005**

Registered Office:

**BITS Limited**  
23, 1<sup>st</sup> Floor, Great Western Building,  
130/132, Shahid Bhagat Singh Road,  
Fort, Mumbai-400 023



# BITS Limited

(Formerly: BITS (INDIA) Ltd.)

## THIRTEENTH ANNUAL REPORT 2004-2005

### Contents

#### Board of Directors:

Mr. Ashok Agarwal	-Chairman
Mr. Kuldeep Bansal	-Managing Director
Mr. Sanjiv Bansal	-Director
Mr. Dilip Bansal	-Director
Mr. Rajeev Prakash Khare	-Director

#### Registered Office:

23, 1<sup>st</sup> Floor, Great Western Building  
130/ 132, Shahid Bhagat Singh Road  
Fort, Mumbai- 400 023

#### Auditors:

Praveen Shri Niwas & Associates  
Chartered Accountants

#### Registrar & Transfer Agent:

Mas Services Private Limited  
AB-4/1, Safdarjung Enclave  
New Delhi- 110 029

**BITS Limited****Annual Report 2004-2005****NOTICE**

**NOTICE** is hereby given that the Thirteenth Annual General Meeting of the members of **BITS LIMITED** will be held on Friday, the 30<sup>th</sup> September 2005 at the registered office of the Company at 23, 1st Floor, Great Western Building, 130/132, Shahid Bhagat Singh Road, Fort, Mumbai-400 023 at 9.00 A.M to transact the following business:

**ORDINARY BUSINESS:**

1. **Adoption of Director's Report and Accounts**  
To receive and adopt the audited Profit and Loss Account for the year ended 31<sup>st</sup> March 2005 and the Balance Sheet as at that date together with the Directors' Report and Auditors' Report thereon.
2. **Re-appointment of Director retiring by Rotation**  
To appoint a Director in place of Mr. Rajeev Prakash Khare, who retires by rotation and being eligible offers himself for reappointment.
3. **Appointment of Auditors**  
To re-appoint M/s Praveen Shri Niwas & Associates, Chartered Accountants, as Auditors of the Company to hold office from the conclusion of this Annual General Meeting up to the conclusion of the next Annual General Meeting and to fix their remuneration.

**Dated: 2nd September, 2005**  
**Place: Mumbai**

**By Order of the Board**  
**For BITS Limited**  
Sd/-  
(Ashok Agarwal)  
Chairman

**NOTES**

- i) A member entitled to attend and vote at the above 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. The proxy in order to be effective should be duly stamped, completed and signed and must be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the aforesaid meeting.
- ii) The Register of Members and Share Transfer Books of the Company will remain closed from 28<sup>th</sup> September 2005 to 30<sup>th</sup> September 2005 (both days inclusive).
- iii) Members / Proxies should bring the attendance slip sent herewith, duly filed in, for attending the meeting.
- iv) Members desirous of seeking clarifications on Accounts are requested to send their queries to the Company at its Registered office at the earliest to enable the Company to compile and furnish the required information.
- v) Shareholders are requested to bring their copy of Annual Report to the Annual General Meeting.
- vi) Members who hold shares in dematerialised form are requested to bring their client ID and DP ID numbers for easy identification of attendance at the meeting.
- vii) Members may kindly note that no gift/gift coupons will be distributed at Annual General Meeting.

**Dated: 2nd September, 2005**  
**Place: Mumbai**

**By Order of the Board**  
**For BITS Limited**  
Sd/-  
(Ashok Agarwal)  
Chairman



BITS Limited

Annual Report 2004-2005

**DIRECTORS' REPORT****TO THE MEMBERS**

Your Directors have immense pleasure in presenting the Thirteenth Annual Report on the business and operations of the Company together with the Audited Statement of Accounts for the year ended March 31, 2005.

**FINANCIAL HIGHLIGHTS & REVIEW OF OPERATIONS**

The financial results of the Company is summarised as under: -

Particulars	Year Ended 31 <sup>st</sup> March 2005	Year Ended 31 <sup>st</sup> March 2004
Income from Operation	4820648	5005565
Other Income	2058612	1500930
Gross Income	6879260	6506495
Expenditure	7392128	5159613
Gross Profit/ (Loss) before Depreciation & Interest	512868	(1346882)
Interest	1524659	3073644
Depreciation	12869797	12996530
Income Tax adjustment for earlier years	(88729)	NIL
Prior Period Items	752020	NIL
Net Profit/ (Loss)	(15748073)	(14723292)
Profit/(Loss) of Previous Year	(52307526)	(37524234)
APPROPRIATIONS:		
Dividend	NIL	NIL
Transfer to General Reserve	NIL	NIL
Transfer to Balance Sheet	(68055599)	(52307526)

**DIVIDEND**

For the year under review, your Company does not recommend any dividend in the absence of profits

**DIRECTORS****Retires by Rotation**

Mr. Rajeev Prakash Khare, Director of the Company, retires by rotation at the ensuing Annual General Meeting and offers himself for reappointment.

**AUDITORS & AUDITOR'S REPORT**

The Statutory Auditors M/s. Praveen Shri Niwas & Associates, Chartered Accountants retire at the conclusion of the ensuing Annual General Meeting. The company has received a letter from M/s. Praveen Shri Niwas & Associates, Chartered Accountants, to the effect that their re-appointment as Auditors, if made, would be within the limits under section 224(1B) of the Companies Act, 1956.

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The point-wise reply as to the reservations, qualifications and adverse remarks as contained in the Auditors Report is as follows:-

**No. (ii), 1(a) & 2(a)– As regards to the Fixed Assets Register & Stock Register.**

The Fixed Asset Register and Stock Register have been kept by the Company but the same were not to the satisfaction of Auditors and these Registers are being updated by the Company as per the Auditors advice.

**No. (iv) – Non Compliance with AS-2 & No. (vi) a)**

In view of the Management, the value of the stock is at least what has been stated in the Balance Sheet, therefore no provision is required in this case.

**Non Compliance with AS-22**

In the opinion of the Management, there is no deferred tax liability, hence no provision for the same has been made.

**No. (vi) (b) & 3 (c)**

In view of the Management, the balances of Sundry Debtors, Loans and Advances and Sundry Creditors are approximately on the same value as stated in the Balance Sheet except as specifically stated in Notes to Accounts.

**No. 3(b)**

The Company has given loans out of its own funds on which Company is paying no interest, therefore Company has given certain loans on which no interest has been charged in view to maintain business relations.

**No.4 & 7 – Non Compliance of Internal Audit System**

In view of the Management, the Company has internal audit system but some weaknesses have been pointed out by the Auditors and the same will be taken care of in future.

**No. 5**

These sale/purchase transactions are of books and softwares which are being developed by the Professionals, hence the cost cannot be compared.

**No. 9(a)**

As per the shareholders records, nothing is due to the shareholders of the Company in respect of the point no. 9(a), however the amount as shown in the books of accounts will be reconciled as per the shareholders records in the current year.

**LISTING OF SECURITIES**

The Company's Equity Shares are listed on the following Stock Exchanges:

- (i) The Stock Exchange, Mumbai

\*During the year, the Company has got its securities delisted from Ahmedabad, Jaipur and Madras Stock Exchanges w.e.f. 28/01/2005, 19/02/2005 and 16/02/2005 respectively in terms of SEBI (Delisting of Securities) Guidelines, 2003 for voluntary delisting and the Company's securities are now listed only at Mumbai Stock Exchange.

**PARTICULARS OF EMPLOYEES PURSUANT TO THE PROVISIONS OF SECTION 217(2A) OF THE COMPANIES ACT, 1956**

As required by the provisions of Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 as amended, no employee of the Company is in receipt of remuneration in excess of the limits prescribed thereunder. However as per the provisions of section 219(1)(b)(iv) of the act, the Annual Report and Accounts are being sent to all the shareholders of the Company. Any shareholder interested in obtaining any such particulars may write to the company.

**FIXED DEPOSITS**

During the year under review, the Company has not accepted any public deposit within the meaning of Section 58A of the Companies Act, 1956 read with the Companies (Acceptance of Deposits) Rules, 1975 as amended up to date

**CONSERVATION OF ENERGY**

- |     |  |     |
|-----|--|-----|
| i)  | Energy Consideration measures taken:   | Nil |
| ii) | Additional Instruments and Proposals, if any,<br>Being implemented for reduction of conservation<br>Of energy: | Nil |

**TECHNOLOGY ABSORPTION**

Efforts made in technology absorption: Nil

**FOREIGN EXCHANGE EARNING AND OUTGOINGS** Nil

**DIRECTORS' RESPONSIBILITY STATEMENT**

The requirement under Section 217(2AA) of the Companies Act 1956 with respect to Directors' Responsibility Statement has been adhered to in the annual Report. It is hereby confirmed that:

- ❖ In the preparation of the annual accounts for the year ended 31.03.2005, the applicable Accounting Standards have been followed along with proper explanation relating to material departures;
- ❖ The directors have selected such accounting policies and applied them consistently and made judgements & estimates that were reasonable & prudent so as to give a true and fair view of the state of affairs of the Company at the end of the year and of the Profit/Loss of the company for the financial year under review;

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- ❖ The Directors had taken proper & sufficient care for the maintenance of adequate accounting records in accordance with the provisions of Companies Act 1956 for safeguarding the assets of the Company; and for prevention and detection of fraud and other irregularities;
- ❖ The Annual Accounts for the year ended 31st March 2005 have been prepared on a going concern basis.

**CORPORATE GOVERNANCE**

The Corporate Governance Report and Management Discussion & Analysis Report has been incorporated in the Annual Report as Annexure-A & B as per the requirement of the Listing Agreement entered into with the Stock Exchanges.

Auditor's Certificate regarding compliance of conditions of Corporate Governance is annexed to the Annual Report as Annexure-C.

**ACKNOWLEDGEMENT**

The Directors wish to place on records their appreciation to the shareholders, bankers and other business associates for their forbearance, understanding and support to the Company.

Dated: 2nd September, 2005  
Place: Mumbai

For and on behalf of the Board  
For BITS Limited  
Sd/-  
(Ashok Agarwal)  
Chairman

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**Annexure – A to the Directors' Report for the year ended 31<sup>st</sup> March 2005****CORPORATE GOVERNANCE REPORT**

Your Company is conscious of the fact that success of any Company is a reflection of the professionalism, ethical conduct of its management and employees of the Company. Being the fourth year of implementation of Corporate Governance Standards the Company is aiming at achieving higher standards of professionalism along with the transparency of the operations so that the shareholders can themselves be the better judge of their hard earned money invested in the Company. Various disclosures made by the Company to achieve its objective of transparency in business operations are as follows: -

**1. Board of Directors :**

The Board of Directors of the Company comprises of a fair number of independent professionally competent directors.

**Directorship held by Directors of BITS Limited: -**

Name of the Director	Category	Number of Directorships in other Companies	Number of committee membership	Number of committee chairmanship
Mr. Kuldeep Bansal	Executive	5	3	NIL
Mr. Ashok Agarwal	Non-Executive Independent	5	4	1
Mr. Dilip Bansal	Non-Executive Independent	6	2	1
Mr. R.P. Khare	Non-Executive Independent	1	NIL	NIL
Mr. Sanjeev Bansal	Non-Executive	1	NIL	NIL

**Number of Board Meetings and Attendance Record of Directors:**

It is important for the shareholders to know as to how many times the Board met during the year 2004-05 and the attendance record of their Directors. The Company, therefore, makes here below full disclosures of number of Board Meetings held during 2004-05 as well as attendance record of each Director at the Board Meeting.

**Details of Board Meetings:**

No. of Board Meetings held: Fourteen

Date on Board Meetings held:

- 30<sup>th</sup> April 2004
- 19<sup>th</sup> June 2004
- 15<sup>th</sup> July 2004
- 16<sup>th</sup> July 2004
- 30<sup>th</sup> July 2004
- 2<sup>nd</sup> September 2004
- 30<sup>th</sup> October 2004





- 2<sup>nd</sup> November 2004
- 6<sup>th</sup> January 2005
- 30<sup>th</sup> January 2005
- 31<sup>st</sup> January 2005
- 15<sup>th</sup> February 2005
- 26<sup>th</sup> February 2005
- 15<sup>th</sup> March 2005

**Attendance Record of Directors:**

Name of the Director	Number of Meetings held	Number of Meetings Attended	Whether attended last AGM held on 30/09/2004
Mr. Ashok Agarwal	14	14	Yes
Mr. Dilip Bansal	14	13	Yes
Mr. R.P. Khare	14	13	Yes
Mr. Sanjeev Bansal	14	14	Yes
Mr. Kuldeep Bansal	14	13	Yes

**2. AUDIT COMMITTEE**

Audit Committee was already constituted as per the requirement of Section 292A and again was re-constituted to comply with the requirement of Clause 49 of the Listing Agreement. The Committee has since then served as a link between the Auditors of the Company and the Management of the Company. The composition of Audit Committee is as follows: -

i)	Shri R.P. Khare	Chairman	Non-executive Director
ii)	Shri Sanjeev Bansal	Member	Non-executive Director
iii)	Shri Dilip Bansal	Member	Non-executive Director

Audit Committee met five times in a year to discharge its function as required under Section 292A and Clause 49 of the Listing Agreement. Date on which the Audit Committee Meetings are conducted along with the number of members present at the meeting are as follows:-

Date of Meeting	No. of Members Present
30 <sup>th</sup> April 2004	3
29 <sup>th</sup> July 2004	3
1 <sup>st</sup> September 2004	3
30 <sup>th</sup> October 2004	3
29 <sup>th</sup> January 2005	3

**3. Shareholders/Investors Grievance Committee**

A Shareholders/Investors Grievance Committee had been constituted by the Board to take care of the redressal of the shareholders/investors grievances. The committee is functioning since then and it consists of three Directors:

i)	Shri Kuldeep Bansal	Member	Managing Director
ii)	Shri R.P. Khare	Member	Non-Executive Director
iii)	Shri Ashok Agarwal	Member	Non-Executive Director

The Committee reviews the status of complaints received from shareholders/investors and monitors the speedy redressal of the same.



#### 4. Share Transfer Committee

A Share Transfer Committee had also been constituted by the Board to approve transfer/transmission of shares, issue of duplicate share certificates. The committee since then is functioning effectively. It consists of three Directors:

i) Shri Sanjeev Bansal	Chairman	Non Executive Director
ii) Shri R.P. Khare	Member	Non-Executive Director
iii) Shri Dilip Bansal	Member	Non-Executive Director

To expedite the process of share transfer the Committee has delegated the power of share transfer to Mr. Dilip Bansal, Director and Mr. R.P. Khare, Director of the Company. The delegated authorities attend to share transfer formalities twice in a month. In the meeting of the Share Transfer Committee it reviews the transfer of shares approved by the delegated authorities and to approve issue of duplicate share/debenture certificates and transmission of shares/debentures. Share Transfers approved by the delegated authorities as well as Committee of Directors is placed at the Board Meeting from time to time.

#### 5. Remuneration Committee

The Company has not formed Remuneration Committee being a non-mandatory requirement as per Clause 49 of the Listing Agreement with Stock Exchanges. The Board of Directors of the Company will perform the functions of the Remuneration Committee.

#### 6. General Body Meeting

Information about last three Annual General Meetings

Year	Date	Time	Location
2002	30.09.2002	9.00 A.M	Registered Office
2003	30.09.2003	9.00 A.M	Registered Office
2004	30.09.2004	9.00 A.M.	Registered Office

No special resolutions were put through postal ballot last year and there is no such Proposal for this financial year.

#### Extra-Ordinary General Meeting held during the financial year 2004-2005.

There were two Extraordinary General Meetings held during the year. One meeting was held on 13<sup>th</sup> July 2004 for the appointment of M/s B. Maheshwari & Co., Chartered Accountants, as the Statutory Auditors of the Company to fill the casual vacancy caused by the resignation of M/s Rajesh Kukreja & Associates, Chartered Accountants to hold office till the conclusion of the ensuing Annual General Meeting.

Another meeting was held on 28<sup>th</sup> March 2005 for the appointment of Praveen Shri Niwas & Associates, Chartered Accountants as the Statutory Auditors of the Company to fill the casual vacancy caused by the resignation of M/s B. Maheshwari & Co., Chartered Accountants to hold office till the conclusion of the ensuing Annual General Meeting.

#### 7. Disclosures

Disclosures on materially significant related party transactions i.e. transactions of the Company of material nature, with its Promoters, the Directors or the Management, their subsidiaries or relatives etc. that may have potential conflict with the interests of Company at large