

**BITS Limited**

(Formerly: BITS (INDIA) Ltd.)

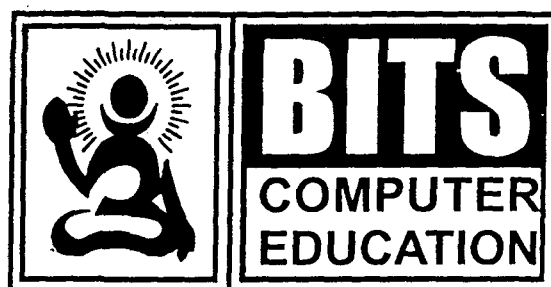
## **FOURTEENTH ANNUAL REPORT**

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**(2005-2006)**

**Registered Office:**

**23, 1<sup>st</sup> Floor, Great Western Building,  
130/132, Shahid Bhagat Singh Road,  
Fort, Mumbai-400023**



**BITS Limited**

(Formerly: BITS (INDIA) Ltd.)

## **FOURTEENTH ANNUAL REPORT**

**(2005-2006)**

### **Board of Directors:**

Sh. Ashok Agarwal	- Chairman
Sh. Kuldeep Bansal	- Managing Director
Sh. Sanjiv Bansal	- Director
Sh. Rajeev Prakash Khare	- Director
Sh. Rajesh Kumar	- Director

### **Auditors:**

M/s Praveen Shri Niwas & Associates  
Chartered Accountants

### **Registrar & Transfer Agents:**

Mas Services Private Limited  
AB-4/1, Safdarjung Enclave  
New Delhi-110029



BITS Limited

Annual Report 2005-2006

### NOTICE

NOTICE is hereby given that the Fourteenth Annual General Meeting of the members of **BITS LIMITED** will be held on Friday, the 29<sup>th</sup> September 2006 at the registered office of the Company at 23, 1<sup>st</sup> Floor, Great Western Building, 130/132, Shahid Bhagat Singh Road, Fort, Mumbai-400 023 at 9.00 A.M to transact the following business:

#### AS ORDINARY BUSINESS:

##### 1. Adoption of Director's Report and Accounts

To receive, consider and adopt the Audited Accounts for the year ended 31<sup>st</sup> March 2006 and the Reports of the Directors and of the Auditors thereon.

##### 2. Re-appointment of Director retiring by Rotation

To appoint a Director in place of Sh. Sanjiv Bansal, 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 until the conclusion of the next Annual General Meeting and to fix their remuneration and in this regard to consider and, if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

“RESOLVED THAT, M/s Praveen Shri Niwas & Associates, Chartered Accountants, be and is hereby appointed as the Auditors of the Company, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company on such remuneration as shall be fixed by the Board of Directors.”

#### AS SPECIAL BUSINESS:

##### 4. Appointment of Director- Shri Rajesh Kumar

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

“RESOLVED THAT, in accordance with the provisions of Section 257 and all other applicable provisions, if any, of the Companies Act, 1956 or any statutory modification(s) or re-enactment thereof, Shri Rajesh Kumar, who was appointed as an Additional Director pursuant to the provisions of Section-260 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company subject to retirement by rotation.”

By Order of the Board of Directors  
For BITS Limited

Dated: 2<sup>nd</sup> September, 2006  
Place: Mumbai

Sd/-  
(Ashok Agarwal)  
Chairman

**Notes:**

- i) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. A BLANK FORM OF THE PROXY IS ENCLOSED AND IF USED SHOULD BE RETURNED TO THE COMPANY DULY COMPLETED NOT LATER THAN FORTY EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
- ii) The Register of Members and Share Transfer Books of the Company will remain closed from Thursday, 28<sup>th</sup> September 2006 to Saturday, 30<sup>th</sup> September 2006 (both days inclusive).
- iii) Members are requested to bring their Attendance Slip, along with their copy of Annual Report to 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) Members who hold shares in dematerialised form are requested to bring 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.
- vi) Members may kindly note that no gift/gift coupons will be distributed at Annual General Meeting.
- vii) An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, relating to the Special Business to be transacted at the Meeting is annexed hereto.
- viii) Relevant documents referred to in the accompanying Notice are open for inspection at the Registered Office of the Company on all working days, except Sundays & holidays, between 11.00 a.m. and 1.00 p.m. up to the date of the Meeting.

**Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956****Item No. 4**

The Board of Directors of the Company, has appointed, pursuant to the provisions of Section 260 of the Companies Act, 1956 and Articles of Association of the Company, Sh. Rajesh Kumar as an Additional Director of the Company with effect from 30<sup>th</sup> May, 2006.

In terms of the provisions of Section 260 of the Act, Sh. Rajesh Kumar would office up to the date of this Annual General Meeting.

The Company has received a notice in writing from a member proposing the candidature of Sh. Rajesh Kumar for the office of Director of the Company, under the provisions of Section 257 of the Act.

A brief resume of Sh. Rajesh Kumar nature of his expertise and names of companies in which he holds directorships and membership/chairmanships of Board Committees, as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges of India, are provided in Report on Corporate Governance forming part of the Annual Report.

The Board commends the resolution set out at Item No.-4 of the Notice for your approval



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None of the Directors of the Company is, in any way, concerned or interested in the resolution except Sh. Rajesh Kumar.

By Order of the Board of Directors  
For BITS Limited

Dated: 2<sup>nd</sup> September, 2006  
Place: Mumbai

Sd/-  
(Ashok Agarwal)  
Chairman

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DIRECTORS' REPORT**TO THE MEMBERS:**

Your Directors are pleased to present the Fourteenth Annual Report on the business and operations of the Company together with the Audited Accounts for the year ended on March 31, 2006.

**FINANCIAL RESULTS**

The performance of the Company for the financial year ended March 31, 2006 is summarized below:

Particulars	(In Rupees)	
	Year Ended 31 <sup>st</sup> March 2006	Year Ended 31 <sup>st</sup> March 2005
Income from Operation	30570335	4820648
Other Income	2635086	2058612
Gross Income	33205421	6879260
Expenditure	31634481	7392128
Gross Profit/ (Loss) before Depreciation & Interest	1570940	512868
Interest	202860	1524659
Depreciation	3883875	12869797
Income Tax adjustment for earlier years	Nil	(88729)
Prior Period Items	195000	752020
Net Profit/ (Loss) after prior period items	(2710794)	(15748073)
Deferred Tax Liability (Reversed)	88908	Nil
Net Profit/ (Loss)	(2621886)	(15748073)
Balance brought forward	(68055599)	(52307526)
Deferred Tax Liability of earlier years	(3440969)	NIL
Net Balance	(71496567)	(52307526)
<b>APPROPRIATIONS:</b>		
Dividend	NIL	NIL
Transfer to General Reserve	NIL	NIL
Transfer to Balance Sheet	(74118453)	(68055599)

**DIVIDEND**

Your Directors in the absence of Profit have not recommend any dividend for the financial year ended March 31, 2006

**DIRECTORS**

Pursuant to the Provisions of Section 260 of the Companies Act, 1956 and Articles of Association of the Company, Sh. Rajesh Kumar was appointed as an Additional Director with effect from 30<sup>th</sup> May, 2006. Sh. Rajesh Kumar would hold office only up to the date of the ensuing Annual General Meeting. The Company has received a notice in writing from a member proposing the candidature of Sh. Rajesh Kumar for the office of Director, liable to retire by rotation. Further pursuant to the provisions of section 260 and in terms of Articles of Association Sh. Sanjiv Bansal, retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for reappointment at the ensuing Annual General Meeting.

**AUDITORS & AUDITOR'S REPORT**

The Statutory Auditors M/s. Praveen Shri Niwas & Associates, Chartered Accountants, Statutory Auditors of the Company, holds office until the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment.

The company has received a letter from M/s. Praveen Shri Niwas & Associates, Chartered Accountants, to the effect that their appointment if made, would be within the prescribed limits under Section 224(1B) of the Companies Act, 1956 and that they are not disqualified for such reappointment within the meaning of Section 226 of the said Act.

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. (v)**

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.

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

In view of the Management, the balances of Sundry Debtors and Loans & Advances 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.

**LISTING OF SECURITIES**

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

- (i) The Bombay Stock Exchange Limited

**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 there under. 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 Conservation 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
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<b>FOREIGN EXCHANGE EARNING AND OUTGOINGS</b>	<b>Nil</b>
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**DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement it is hereby confirmed that:

- ❖ In the preparation of the annual accounts for the year ended 31.03.2006, the applicable accounting standards have been followed and that there are no material departures from the same;
- ❖ 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 Loss of the company for the financial year under review;





- ❖ 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 Directors have prepared the annual accounts for the year ended 31st March 2006 on a going concern basis.

### **CORPORATE GOVERNANCE**

Your Company is committed to maintain the highest standards of Corporate Governance. Your Directors adhere to the requirements set out by the Securities and Exchange Board of India's Corporate Governance practices and have implemented all the stipulations prescribed. Report on Corporate Governance as stipulated under Clause-49 of the Listing Agreements with the Stock Exchanges in India forms part of Annual Report as Annexure- A.

Certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance is annexed to the Annual Report.

### **ACKNOWLEDGEMENT:**

Your Directors would like to express their grateful appreciation for assistance and co-operation received from the Government, Various Authorities and Members during the year under review. Your Directors also wish to place on record their deep sense of appreciation for the committed services of the Executives, Staff members of the Company.

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On behalf of the Board of Directors  
For BITS Limited

Dated: 2<sup>nd</sup> September, 2006  
Place: Mumbai

Sd/-  
(Ashok Agarwal)  
Chairman

Annexure-A**CORPORATE GOVERNANCE REPORT**

To promote and raise the standard of Corporate Governance of Listed Companies, Securities and Exchange Board of India (SEBI) has introduced a new clause-49 in the Listing Agreement.

Corporate Governance is the road map, which guides and directs the Board of Directors of the Company to govern the affairs of the Company in a manner most beneficial to all the Shareholders, the Creditors, the Government and the Society at large.

The status of implementation of the key recommendations of SEBI on Corporate Governance is given below

BITS Limited Philosophy on Corporate Governance

The cardinal principles of the Corporate Philosophy of BITS on Corporate Governance can be summarized in the following words:-

“Transparency, Professionalism  
and  
Accountability  
With an  
Ultimate aim of Value Creation”

**1. Board of Directors :**

The Board of Directors of the Company comprises of a fair number of independent professionally competent and acclaimed executive, non-executive directors. Out of the 5(Five) Directors, the Company has 1(one) Executive and 4(Four) Non-Executive Directors. The members on the Board possess adequate experience, expertise and skills necessary to manage the affairs of the company in the most efficient manner.