



***9th
Annual Report
2002 - 2003***

REPORT  JUNCTION.COM

Hittco Tools Limited

Formerly Known as

(Hittco  Technologies Ltd.)



Bangalore

**9th
Annual Report
2002 - 2003**

Hittco Tools Ltd.

| | | |
|---------------------------------------|---|--|
| Board of Directors | : | Mr. Surendra Bhandari - Chairman & Managing Director Mr. Sidharth Bhandari - Executive Director Mrs. Madhu Bhandari Mrs. Manesha Bhandari Mr. C.M. Datta - Executive Director Mr. Sharad Bhandari |
| Financial Institutions | : | Karnataka State Industrial & Investment Development Corporation |
| Bankers | : | State Bank of Mysore Basavanagudi, Bangalore - 560 004 |
| Auditors | : | M/s. Sudhakar Hegde & Co. Chartered Accountants Bangalore |
| Registered Office & IT Division | : | # 19, Ali Asker Road Bangalore - 560 052 |
| Plant I | : | # 78, III Phase Peenya Industrial Area Bangalore - 560 058 |
| Plant II (100% EOU) | : | # B 193, II Stage Peenya Industrial Estate Bangalore - 560 058 |
| Registrars & Share Transfer Agents | : | M/s. Cameo Corporate Services Ltd. No. 1, Subramaniam Building, Club House Road, Chennai - 600 002 |

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NOTICE

NOTICE is hereby given that the Ninth Annual General Meeting of the members of HITTCO TOOLS LIMITED will be held on Tuesday the 30th September 2003 at 10.30 a.m. at Shantala Hall, Hotel Ashraya International, # 149, Infantry Road, Bangalore - 560 001 to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2003 and Profit and Loss account for the year ended on that date and the Director's and Auditor's report thereon.
2. To appoint Mrs. Madhu Bhandari, Director, who retires by rotation and being eligible, offers herself for re-appointment.
3. To appoint Mr. Surendra Bhandari, Director, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors to hold the office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting.

SPECIAL BUSINESS:

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

"RESOLVED THAT, Mr. Sidharth Bhandari, who was appointed as an additional Director of the Company by the Board of Directors on 29th June 2002 under Section 260 of the Companies Act, 1956 and who holds office up to the date of the forthcoming Annual General Meeting of the Company and being eligible for reappointment, and in respect of whom notice have been received from some members proposing his candidature for the office of Director pursuant to provisions of Section 257 of the Companies Act, 1956 be and is hereby appointed as Director of the Company whose place of office is subject to retirement by rotation."

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

"RESOLVED THAT, pursuant to the provisions of Sections 269, 198, 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, and subject to the approval of Central Government, if required and / or such other approvals as may be necessary, the Company hereby accords its approval for appointment of Mr. Surendra Bhandari, as Managing Director of the Company for a period of 5 years with effect from 1st August 2003, on the terms and conditions including remuneration as are set out in the Explanatory Statement with discretion to the Board of Directors to alter and vary the terms and conditions from time to time in such manner as it may deem fit in the best interest of the Company within the limits specified in Schedule XIII to the Companies Act, 1956, including any statutory modification thereto, for the time being in force or any amendments and/or modifications that may hereafter be made by the Central Government.

"RESOLVED FURTHER THAT, the Managing Director shall not draw any remuneration."

"RESOLVED FURTHER THAT, the Board of Directors of the Company be and is hereby authorized to take such steps as may be necessary to give effect to this resolution."

By Order of the Board
For HITTCO TOOLS LIMITED

SIDHARTH BHANDARI
Managing Director

Place : Bangalore
Date : 28th July, 2003

Regd. Office:
19, Ali Asker Road
BANGALORE - 560 052

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NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE EFFECTIVE SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY-EIGHT HOURS BEFORE THE TIME SCHEDULED FOR THE COMMENCEMENT OF THE MEETING.
2. The Explanatory Statement required under Section 173 of the Companies Act, 1956, in respect of the business mentioned in Item Nos. 5 & 6 is attached herewith.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from 27th September, 2003 to 30th September, 2003 (both days inclusive).
4. Shareholders are requested to lodge the Share Transfer Deeds duly executed and intimate Change of addresses to the Company's Share Transfer Agents M/s. CAMEO CORPORATE SERVICES LIMITED, No. 1, Subramaniam Building, Club House Road, Chennai 600 002.

EXPLANATORY STATEMENT

The Explanatory Statement under Section 173 sets out the material facts relating to the Special business mentioned in Item Nos. 5 & 6 of the accompanying notice dated 28th July, 2003

ITEM - 5

Mr. Sidharth Bhandari resigned as the Managing Director of the Company on the 28th July 2003 and continues to be a Director. He will be treated as an additional Director under the provisions of Section 260 of the Companies Act 1956. He will hold office up-to the date of the forthcoming Annual General Meeting of the Company. The Company has received notices in writing with the requisite deposits from some members proposing his candidature for the office of Director pursuant to provisions of Section 257 of the

Companies Act, 1956. The Directors recommend the resolution for approval of the members.

Mrs. Madhu Bhandari, Mrs. Manesha Bhandari and Mr. Surendra Bhandari of the Company are deemed to be concerned or interested in this resolution.

Item No. 6

The Board of Directors at their meeting held on 28th July, 2003, has appointed Mr. Surendra Bhandari as the Chairman & Managing Director of the Company w.e.f. 1st August, 2003 for a period of 5 years on the following terms and conditions. He will have substantial powers of management and will work under the supervision and control of the Board of Directors of the Company.

The salient terms of appointment are as follows:

| | | |
|--------|---|---|
| Period | : | 5 years w.e.f. 1 st August, 2003 |
| Salary | : | NIL |

PERQUISITES: NIL

Terms of the remuneration as stated above and this Explanatory Statement may also be treated as an Abstract and Memorandum of Interest relating to the agreement with the Managing Director under Section 302 of the Companies Act, 1956.

Mrs. Madhu Bhandari, Mrs. Manesha Bhandari and Mr. Sidharth Bhandari of the Company are deemed to be concerned or interested in this resolution.

The Board recommends the resolution for adoption.

The documents mentioned above will be available for inspection of members at the registered office during business hours.

The Directors recommend the resolution for approval of the members.

By Order of the Board
For HITTCO TOOLS LIMITED

Place : Bangalore
Date : 28th July 2003

SIDHARTH BHANDARI
Managing Director

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DIRECTORS REPORT

Your Directors present the Ninth Annual Report on the working results of the company for the year ended 31st March, 2003 :

FINANCIAL RESULTS

| Particulars | 2002-03 Rs in lakhs | 2001-02 Rs in lakhs |
|---|------------------------|------------------------|
| Sales | 216.20 | 226.53 |
| Other Income | 10.44 | 10.45 |
| Increase/Decrease in Stock | (1.58) | (30.75) |
| Operational Expenses | 196.80 | 276.05 |
| Interest and Financial Charges | 57.96 | 70.17 |
| Profit/(Loss) before Depreciation and Tax | (29.70) | (139.99) |
| Depreciation | 30.07 | 29.14 |
| Provision for Tax | — | — |
| Profit/(Loss) after Depreciation and Tax | (59.77) | (169.13) |

REVIEW OF OPERATION & PROSPECTS FOR THE FUTURE

For the year ending 2002-03, the Company has achieved a turnover of Rs. 216.20 lakhs against a turnover of Rs. 226.53 lakhs for the previous year 2001-02. There is a net drop of Rs. 10.33 lakhs or 5% on the turnover. This is basically due to the labour unrest for two months in the year under consideration. However, the exports of the company did not drop drastically and the Company was able to meet its export commitments. The Company's loss also reduced from Rs. 169.13 lakhs to Rs. 59.77 lakhs for the year under consideration. The loss can be attributed only towards interest burden and depreciation. The Company has been able put up a reasonable performance and manage a break even in the year.

The Company has good orders on hand from local as well as international markets for year 2003-2004. The Company is projecting for cash profits during the Current financial year. The Company is aggressively pursuing with KSIIDC to settle their term loan in the Current year. With this, the Interest Burden on the Company will be totally erased and the Company's becomes debt free. Thereby, the Company will be able to achieve profits and declare good dividends to its shareholders.

DIVIDEND

The Board is unable to recommend any Dividend for the year under review due to mounting losses.

AUDITORS

M/s. Sudhakar Hegde & Co., Chartered Accountants, Auditors of the Company hold office as Auditors until the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment and have expressed their willingness to continue as auditors, if re-appointed.

DIRECTORS RESPONSIBILITY STATEMENT:

As per the provisions of Section 217(2AA) of the Companies Act, 1956, the Directors hereby submit that

1. The Company has followed all the applicable Accounting standards and there is no material departure from this in the preparation of the annual accounts.
2. The Company had selected the normal accounting policies and applied them consistently and made judgment and estimates that are responsible and prudent so as to give a true and fair view of the affairs of the Company at the end of the financial year and the profit and loss account of the Company for that period.
3. Proper and sufficient care has been taken by the Company for maintenance of proper accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for detecting frauds and irregularities.
4. The accounts of the Company are prepared on a 'going concern' concept basis.

DIRECTORS

Mrs. Madhu Bhandari and Mr. Surendra Bhandari, Directors, retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

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Mr. Sidharth Bhandari, resigned as the Managing Director of the Company on 28th July, 2003. Consequent to his resignation Mr. Surendra Bhandari was appointed as Chairman & Managing Director of the Company, whose terms of appointment needs the members approval at the ensuing Annual General Meeting.

Mr. Sidharth Bhandari is being co-opted as an additional director of the Company on 28th July, 2003 who holds office up to the date of Annual General Meeting and his appointment needs to be approved by the shareholders.

DEPOSITS

In terms of the provision of Section 58A of the Companies Act, 1956 read with the Companies (Acceptance of Deposits) Rules, 1975, the company has not accepted/renewed any fixed deposit from the public during the year under review.

PERSONNEL

None of the employees of the Company are drawing remuneration in excess of limits specified under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

**CONSERVATION OF ENERGY,
TECHNOLOGY ABSORPTION, FOREIGN
EXCHANGE EARNINGS AND OUTGO**

The information as required under Section 217(1)(e) of the Companies Act, 1956 is enclosed as Annexure A to this report.

LISTING AGREEMENT REQUIREMENTS

The Company's shares continues to be listed at Bangalore Stock Exchange Ltd., The Mumbai Stock Exchange Ltd. and Madras Stock Exchange Ltd. The listing fees for the year 2003-04 have been paid to all the three Stock Exchanges.

AUDIT COMMITTEE:

The Company has constituted an Audit Committee pursuant to the provisions of Section 292A of the Companies Act, 1956 read with clause 49 of the Listing

Agreement consisting of Mr. Sharad Bhandari, Mr. Salil Chakarvarty and Mr. C. M. Datta, as members of the Committee, under the Chairmanship of Mr. Sharad Bhandari.

CORPORATE GOVERNANCE:

Steps have already been taken to implement and to comply with the recommendations of the code of Corporate Governance given by SEBI. A corporate governance report is attached to this report as Annexure B.

ACKNOWLEDGEMENTS

The Board of Directors take this opportunity to express their appreciation to the employees at all levels in the Company for their dedicated service. Your Directors also thank the Bankers, KSIIDC and the customers for their unstinted support to the Company.

By Order of the Board
For HITTCO TOOLS LIMITED

Place : Bangalore
Date : 28th July, 2003.

SIDHARTH BHANDARI
Managing Director

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ANNEXURE TO THE DIRECTORS REPORT

Annexure-A

The information required in terms of Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988.

CONSERVATION OF ENERGY:

The Company's efforts in conservation of energy include restrictive use of electricity by inculcating general awareness amongst officers and workers followed by Periodic reviews.

FORM - A

| Particulars | Current Year | Previous Year |
|--|--------------|---------------|
| 1) Power and Fuel Consumption, Electricity | | |
| a) Purchased unit (Kwh) | 2,55,420 | 2,77,202 |
| b) Total Amount (Rs.) | 10,62,782 | 12,70,044 |
| c) Rate/Unit (Rs.) | 4.16 | 4.58 |
| 2) Own Generation | | |
| a) Diesel Generation Unit (Kwh) | 2,45,127 | 35,445 |
| b) Cost of Diesel Consumed (Rs.) | 7,08,487 | 3,20,358 |
| c) Cost/unit (Rs.) | 2.89 | 9.04 |
| 3) Foreign Exchange Earnings (Rs.) (EXPORTS-F.O.B.) | 76,81,825 | 79,95,484 |
| 4) Foreign Exchange Outgo (Rs.) | 34,94,850 | 22,95,572 |

TECHNOLOGY ABSORPTION

The Company has developed in-house refinery for recycling the machine oil by which substantial maintenance costs are cut down.

Measures have been taken to curtail the power consumption by installing suitable transformers to save the power.

For and on behalf of the Board

Place : Bangalore
Date : 28th July, 2003.

SIDHARTH BHANDARI
Managing Director

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ANNEXURE - B

CORPORATE GOVERNANCE REPORT

This Report on Corporate Governance forms part of the Directors' Report. This section besides being in compliance of the mandatory listing agreement requirement gives an insight into the process of functioning of the Company.

1. BOARD OF DIRECTORS

a) Composition

The Board of the Company consists of eminent persons with considerable professional experience and expertise in the field in which the Company operates and in related industries.

Presently, Board comprises of 6 (Six) Directors and it meets the stipulated requirements.

b) Board Meetings 2002-03

| Sl. No. | Quarter | Dates |
|---------|--------------------|--|
| 1. | April - June | 29 th June 2002 |
| 2. | July - September | 31 st July 2002 1 st September 2002 4 th September 2002 |
| 3. | October - December | 23 rd October 2002 31 st October 2002 25 th November 2002 |
| 4. | January - March | 6 th January 2003 29 th January 2003 |

2. BOARD COMMITTEES:

a) Audit Committee

The Board of Directors had constituted an Audit Committee in terms of the provisions of Section 292A of the Companies Act, 1956. The composition, powers and functions of the Audit Committee are in line with the provisions of Section 292A & the Listing Agreement. The Company has constituted the Audit Committee with Mr. Sharad Bhandari, Mr. Salil Chakravarty and Mr. Surendra Sharma, Members of the Committee under the Chairmanship of Mr. Sharad Bhandari. The Audit Committee met three times during the financial year 2002-03.