

NOTICE

NOTICE is hereby given that the Sixteenth Annual General Meeting of the Members of HITTCO TOOLS LIMITED will be held at 11.00 A.M on Tuesday, the 7th September 2010 at "SHANTALA" Conference Hall, Ashraya International Hotel, # 149, Infantry Road, Bangalore – 560 001, to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31st March 2010 and Profit and Loss Account for the year ended on that date along with the Reports of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. K Raghavendra Rao who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Joseph Mathai who retires by rotation and being eligible, offers himself for re-appointment.
4. To consider and if thought fit, to pass with or without modification, the following Resolution as an Ordinary Resolution.

RESOLVED THAT Sudhakar Hegde & Co. Chartered Accountants, be and are hereby appointed Auditors of the Company, to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting.

RESOLVED FURTHER THAT the remuneration payable together with the out-of-pocket expenses, if any shall be mutually agreed upon between the Board of Directors and the Auditors.

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. Rajib Ghosh Roy who was appointed as an additional Director of the Company by the Board under Section 260 of the Companies Act, 1956 and who holds office up to the date of the forthcoming Annual General Meeting and being eligible and offers himself for the appointment and in respect of whom notice has been received from a member proposing his candidature pursuant to 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.

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."

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

"RESOLVED THAT pursuant to the provisions of Section 198, 269, 309, and other applicable provisions, if any of the Companies Act, 1956 (the Act) read with Schedule XIII of the Act and subject to the approval the Central Government, if required and / or such other approvals as may be necessary, the approval of the members be and is hereby accorded to the appointment of Mr. Rajib Ghosh Roy as Wholtime Director of the company under the designation "Director-Operation" for a period of five years with effect from 1st July, 2010 to 30th June, 2015 on the terms and conditions including remuneration payable to him as Wholtime Director and minimum remuneration payable to him in case of absence or inadequacy of profit in any year, as set out in the Explanatory Statement.

RESOLVED FURTHER THAT the Board of Directors of the company be and is hereby authorized 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 of the Act including any Statutory modification thereto, for the time being in force.

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."

7. To consider and if thought fit, to pass with or without modifications, the following resolution as Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 198, 269, 309, and other applicable provisions, if any of the Companies Act, 1956 (the Act) read with Schedule XIII of the Act and subject to the approval the Central Government, if required and / or such other approvals as may be necessary, the approval of the members be and is hereby accorded to re-appointment of Mr. Kulkarni Raghavendra Rao as Wholtime Director of the company under the designation "Director-Finance" for a further period of five years with effect from 1st August, 2010 to 31st July, 2015 on the terms and conditions including remuneration payable to him as Wholtime Director and minimum remuneration payable to him in case of absence or inadequacy of profit in any year, as set out in the Explanatory Statement.

RESOLVED FURTHER THAT the Board of Directors of the company be and is hereby authorized 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 of the Act including any Statutory modification thereto, for the time being in force.

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."

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

"RESOLVED THAT pursuant to the provisions of Sections 198, 309, 310 and read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification(s) or re-enactment(s) thereof for the time being in force) and subject to such other approvals as may be necessary, the consent of the Company be and is hereby accorded to the revision of remuneration payable to Mr. Sidharth Bhandari, Managing Director of the Company with effect from 1st April 2010, for the remaining period of his tenure as specified and set out in the annexed Explanatory Statement in respect of this resolution.

"RESOLVED FURTHER THAT the Board of Directors of the Company on the recommendation of the Remuneration Committee, be and is hereby authorised to revise the remuneration payable (including the perquisites) by way of annual increments or otherwise to Mr. Sidharth Bhandari Managing Director as they deem fit from time to time, as per rules of the Company."

"RESOLVED FURTHER THAT where during the currency of the tenure of the Managing Director, the Company has no profits or its profits are inadequate in any financial year, the Managing Director shall be entitled to remuneration by way of salary and perquisites not exceeding the limits as specified and set out in the Schedule XIII of the Companies Act, 1956 as Minimum Remuneration."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds, matters and things as may be considered necessary, usual or expedient to give effect to the above resolution."

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

"RESOLVED THAT pursuant to the provisions of Sections 198, 309, 310 and read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification(s) or re-enactment(s) thereof for the time being in force) and subject to such other approvals as may be necessary, the consent of the Company be and is hereby accorded to the revision of remuneration payable to Mr. Sidharth Bhandari, Managing Director of the Company with effect from 1st October 2010, for a period not exceeding three years as specified and set out in the annexed Explanatory Statement in respect of this resolution.

"RESOLVED FURTHER THAT the Board of Directors of the Company on the recommendation of the Remuneration Committee, be and is hereby authorised to revise the remuneration payable

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Hittco Tools Ltd.

(including the perquisites) subject to schedule XIII of the companies Act, 1956 by way of annual increments or otherwise, to Mr. Sidharth Bhandari Managing Director as they deem fit from time to time, as per rules of the Company.”

“RESOLVED FURTHER THAT where during the currency of the tenure of the Managing Director, the Company has no profits or its profits are inadequate in any financial year, the Managing Director shall be entitled to remuneration by way of salary and perquisites not exceeding the limits as specified and set out in the Schedule XIII of the Companies Act, 1956 as Minimum Remuneration.”

“RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds, matters and things as may be considered necessary, usual or expedient to give effect to the above resolution.”

10. To consider and if though fit, to pass, with or without modification (s) the following resolution as Special Resolution:

“RESOLVED THAT pursuant to Sections 16, 31 and 94 and other applicable provisions, if any, of the Companies Act, 1956, the existing authorised Share Capital of the Company of Rs.6,50,00,000 (Rupees six crores and fifty lakhs only) divided into 65,00,000 (Sixty five lakhs only) equity shares of Rs. 10/- (rupees ten each) be altered by dividing into:

- I) Rs. 6,00,00,000/-(Rupees six crores) divided into 60,00,000(Sixty lakhs) equity shares of Rs.10/- (rupees ten each)

And

- II) Rs. 50,00,000/-(rupees fifty lakhs) divided into 50,000(Fifty Thousand) Cumulative convertible preference shares of Rs.100/- (rupees Hundred each).

With such rights, privileges and conditions attaching thereto as are provided by the regulations of the Company and to divide the shares in the capital for the time being in accordance with the provisions of the Companies Act, 1956.

RESOLVED FURTHER THAT Clause V of the Memorandum of Association of the Company be and is hereby altered to read as follows :

- V) “The authorised Share Capital of the Company is Rs.6,50,00,000 (Rupees six crores and fifty lakhs only) divided into 60,00,000(Sixty lakhs) equity shares of Rs.10/- (rupees ten each) and 50,000 (Fifty Thousand) Cumulative convertible preference shares of Rs.100/- (rupees Hundred each)

RESOLVED FURTHER THAT THE Article No.4 be and is hereby altered to read as follows

- 4) The authorised Share Capital of the Company is Rs.6,50,00,000 (Rupees six crores and fifty lakhs only) divided into 60,00,000(Sixty lakhs) equity shares of Rs.10/- (rupees ten each) and 50,000 (Fifty Thousand) Cumulative convertible preference shares of Rs.100/- (rupees Hundred each)”.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to Fix the rate of dividend end other condition at the time of issue of preference shares and do such other acts and deeds as may be necessary for giving effect to this resolution.”

By Order of the Board

CHINMAYA KHATUA

COMPANY SECRETARY

Place: Bangalore

Date: 31st July, 2010

NOTES

1. Explanatory Statements pursuant to Section 173(2) of the Companies Act, 1956, in respect of item Nos.5,6,7,8,9 and 10 set out above are annexed hereto.
2. 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. PROXIES IN ORDER TO BE EFFECTIVE SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY-EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 3rd September 2010 to 7th September 2010 (Both days inclusive).
4. Members who are holding shares in Demat are requested to notify changes, if any, to their respective Depository Participants and those holding in physical form are requested to notify to M/s Cameo Corporate Services Limited, Subramanian Building, # 1, Club House Road, Chennai – 600 002.

INFORMATION ABOUT DIRECTORS RETIRING BY ROTATION AND SEEKING RE-APPOINTMENT AT THE ANNUAL GENERAL MEETING.

Item No.2

Mr K Raghavendra Rao aged 55 years holds Bachelor degree in Commerce. He has over 25 years of experience and holding directorship of Indo European Machinery Co. Pvt. Ltd, Hittco Properties Pvt. Ltd. and HTC Properties Pvt Ltd.. Mr K Raghavendra Rao holds 1000 shares of the company.

Except Mr.K Raghavendra Rao none of the Directors of the Company is interested in this item of business.

The Board of Directors recommends the resolution for approval by the members.

Item No.3

Mr. Joseph Mathai, aged 50 years has rich experience of more than 10 years in the Industry. He actively contributes in the policy decisions of the Company. He holds 100 Equity Shares of the Company.

Except Mr.Joseph Mathai none of the Directors of the Company is interested in this item of business.

The Board of Directors recommends the resolution for approval by the members.

ANNEXURE TO NOTICE

Explanatory Statements pursuant to section 173(2) of the Companies Act, 1956.

Item No. 5:

The Board had appointed Mr. Rajib Ghosh Roy, at its meeting held on 25 June 2010, as an Additional Director with effect from 1st July, 2010, liable to retire by rotation. Under Section 260 of the Companies Act, 1956 read with the Articles of Association of the Company, Mr. Rajib Ghosh Roy holds office only till the date of the forthcoming Annual General Meeting.

Mr Rajib Ghosh Roy is 40 year of age and holds Bachelor degree in Engineering. He has over 10 years experience in cutting Tools Industry and he is not related to any of the Directors of the Company.

Notice has been received from a member as required under Section 257 of the Companies Act, 1956 proposing Mr. Rajib Ghosh Roy as candidate for the office of Director.

Mr. Rajib Ghosh Roy may be deemed to be concerned or interested in the resolution concerning his appointment.

The Board recommends the resolution for the approval of the members.

Item No. 6:

The Board had appointed Mr. Rajib Ghosh Roy as a Wholetime Director of the Company designated as Director-Operation for a period of 5 years with effect from 1st July, 2010 to 30th June, 2015. In the following terms.

The remuneration payable is as under:

1. Salary: Rs.35,000/- per month including all other allowances
2. Commission on Sales as per rules of the Company
3. Perquisites:

Perquisites will be in addition to the remuneration and will be subject

to the conditions that the monetary value shall be restricted to an amount equal to the annual remuneration and will be in accordance with the rules of the Company. Perquisites shall be evaluated as per Income Tax Rules wherever applicable and in the absence of any such Rules, shall be evaluated at actual cost.

4. Minimum Remuneration

Where in any financial year, the Company has no profit or its profits are inadequate, the remuneration will be treated as minimum remuneration subject to schedule XIII of the Companies Act, 1956.

Mr. Rajib Ghosh Roy may be deemed to be concerned or interested in the resolution concerning his appointment.

The Board recommends the resolution for the approval of the members.

Item No. 7:

The Board had re-appointed Mr. K Raghavendra Rao as a Wholtime Director of the Company designated as Director-Finance for a period of 5 years with effect from 1st August, 2010 to 31st July, 2015. In the following terms.

The remuneration payable is as under:

1. Salary: Rs.37,000/- per month including all other allowances
2. Commission on Sales as per rules of the Company
3. Perquisites:

Perquisites will be in addition to the remuneration and will be subject to the conditions that the monetary value shall be restricted to an amount equal to the annual remuneration and will be in accordance with the rules of the Company. Perquisites shall be evaluated as per Income Tax Rules wherever applicable and in the absence of any such Rules, shall be evaluated at actual cost.

4. Minimum Remuneration

Where in any financial year, the Company has no profit or its profits are inadequate, the remuneration will be treated as minimum remuneration subject to schedule XIII of the Companies Act, 1956.

Mr. K Raghavendra Rao may be deemed to be concerned or interested in the resolution concerning his appointment.

The Board recommends the resolution for the approval of the members.

Item No : 8

As the Company made profit in the year 2009-10, subject to approval of shareholders in this ensuing Annual General Meeting, the Board of Directors on their meeting held on 13.04.2010 revised the remuneration, payable to Mr. Sidharth Bhandari, Managing Director of the Company as recommended by the Remuneration Committee with effect from 1st April 2010 for the remaining period of his tenure with the following terms;

The remuneration payable is as under:

1. Salary: Rs.90,000/- per month including all other allowances
2. Perquisites:

Perquisites will be in addition to the remuneration and will be subject to the conditions that the monetary value shall be restricted to an amount equal to the annual remuneration and will be in accordance with the rules of the Company. Perquisites shall be evaluated as per Income Tax Rules wherever applicable and in the absence of any such Rules, shall be evaluated at actual cost.

3. Minimum Remuneration

Where in any financial year, the Company has no profit or its profits are inadequate, the remuneration will be treated as minimum remuneration subject to schedule XIII of the Companies Act, 1956.

Mr. Sidharth Bhandari, Mr. Surendra Bhandari and Mrs. Madhu Bhandari are deemed to be concerned or interested in the Resolution.

The Board recommends the resolution for the approval of the members.

Item No. 9:

Subject to approval of shareholders in this ensuing Annual General Meeting and subject to Schedule XIII of the Companies Act, 1956, the Board of Directors on their meeting held on 31.07.2010 proposed to revise the remuneration, payable to Mr. Sidharth Bhandari, Managing Director of the Company as recommended by the Remuneration Committee with

effect from 1st October 2010 for a period not exceeding 3 years with the following terms;

The remuneration payable is as under:

1. Salary: Rs.1.25 Lakhs per month including all other allowances
2. Commission : • Upto 1% on sales.
3. Perquisites:

Perquisites will be in addition to the remuneration and will be subject to the conditions that the monetary value shall be restricted to an amount equal to the annual remuneration and will be in accordance with the rules of the Company. Perquisites shall be evaluated as per Income Tax Rules wherever applicable and in the absence of any such Rules, shall be evaluated at actual cost.

4. Minimum Remuneration

Where in any financial year, the Company has no profit or its profits are inadequate, the remuneration will be treated as minimum remuneration subject to schedule XIII of the Companies Act, 1956.

Mr. Sidharth Bhandari, Mr. Surendra Bhandari and Mrs. Madhu Bhandari are deemed to be concerned or interested in the Resolution.

The Board recommends the resolution for the approval of the members.

INFORMATION UNDER SCH.XIII OF THE COMPANIES ACT, 1956

I. GENERAL INFORMATION :

- (1) Nature of industry- manufacturer of cutting tools
- (2) commencement of commercial production- 1995
- (3) Company has made net profit of Rs. 29.64 lakhs during the year 2009-10.
- (4) Export sales for the year 2009-10 is Rs. 38.07 lakhs
- (5) In the year 2007-08 the Company has issued 6,00,000 equity shares to a foreign investor.

II. INFORMATION ABOUT THE APPOINTEE :

- (1) Background details- Mr Sidharth Bhandari is 38 year of age and holds BE in Industrial Production. He has over 15 years of business experience.
- (2) Past remuneration- 90,000/- per month (see item No.8 explanatory statement)
- (3) Job profile and his suitability- Working as Managing Director. He is very dedicated and has capability to grow the Company.
- (4) Remuneration proposed- 1.25 lakhs per month + upto 1% commission on sales (see Item No 9 Explanatory statement)
- (5) Mr Sidharth Bhandari is a promoter and holding 92,699 equity shares of the company.

III. OTHER INFORMATION :

- (1) Reasons for loss or inadequate profits is due to depreciation and Interest of financial institutions. The company has repaid all the loans taken from KSIIDC and SBM. The company has increased its production capacity and competent of achieving more profitability in future.
- (2) During the Year 2009-10 the Company has completed 1st phase of expansion and the 2nd phase of expansion is going on.
- (3) The Company Expects to increase the turnover upto Rs. 12 crore per annum and profit upto Rs. 1.5 crore per annum within two years.

Item No. 10:

In view of proposed expansion plan, your company may have to go in for increase of the preference capital base either by public issue or preferential issue. In order to go in for any such issue, the authorized capital of the Company should be adequately altered to accommodate the proposed increase of the capital base. The above change proposed will necessitate amendment to the Capital clause of the Memorandum of Association and Articles of Association of the company.

Pursuant to section 16, 31 and 94 of the Companies Act, 1956 the above said amendments should be approved by the General Body by way of a special Resolution. Your directors recommend the proposed resolutions giving effect to the above amendments for your approval.

None of the Directors is interested in the proposed resolution

**Place: Bangalore
Date: 31st July, 2010**

**By Order of the Board
CHINMAYA KHATUA
COMPANY SECRETARY**

DIRECTORS' REPORT

The Members,

Your Directors take pleasure in presenting the 16th Annual Report of your Company together with the Audited Accounts for the year ended 31st March, 2010.

FINANCIAL RESULTS

(Rs. In Lakhs)

Particulars	2009-10	2008-09
Sales	480.81	330.47
Other Income	29.04	7.14
Increase/Decrease in Stock	41.16	30.89
Operational Expenses	473.37	349.81
Interest and Financial Charges	3.57	4.34
Profit before Depreciation and Tax	74.07	14.35
Depreciation	38.61	35.34
Profit / (Loss) after Depreciation and Tax	29.64	-22.43

OPERATIONS AND BUSINESS PERFORMANCE

The Company has almost maintained a turnover of Rs.480.81 lakhs during the year 2009-10 as against Rs.330.47 lakhs during the previous year 2008-09. The Export Sales for the year 2009-10 was 38.07 lakhs compared to Rs.39.63 lakhs during the previous year and contributed 7.92 % of the total sales. The Company's net profit for the year 2009-10 was Rs.29.64 lakhs as against loss of Rs.22.43 lakhs in the previous year. The company is competent of achieving more profitability.

DIVIDEND

The Board is unable to recommend any Dividend for the year under review due to accumulated loss of the company.

FINANCE

The Company had paid the entire loan amount of Rs. 3.01 Crore against settlement during the year 2007-08. However there was further demand of Rs. 6 lakhs towards settlement as per Karnataka State Industrial Investment & Development Corporation Limited, Bangalore. So we had approached the Hon'ble High Court of Karnataka and own the case.

DIRECTORS

At the ensuing Annual General Meeting, Mr. K.Raghavendra Rao, Mr. Joseph Mathai and will retire by rotation and being eligible offer themselves for reappointment.

Mr. Chander Mohan Datta resigned with effect from 25th June, 2010 and Mr. Rajib Ghosh Roy was with effect from 1st July, 2010 appointed as an Additional Director of the Company. Consequent to the said appointment, he was also appointed as a Wholtime Director of the Company designated as Director Operation. In accordance with section 260 of the Companies Act, 1956, Mr. Rajib Ghosh Roy holds office up to the date of the forthcoming Annual General Meeting of the Company. Notice has been received under Section 257 of the Companies Act, 1956 from a shareholder proposing Mr. Roy as a candidate for the office of Director.

DIRECTORS RESPONSIBILITY STATEMENT:

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

- The Company had followed all the applicable Accounting Standards and there is no material departure from this in the preparation of the annual accounts ;
- The Company had selected the normal 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 period ;

- Proper and sufficient care has been taken 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 ; and
- The Company had prepared the annual accounts on a going concern basis.

DEPOSITS

The Company has not accepted/renewed any deposit from the public during the year under review.

PERSONNEL

No employee of the Company had drawn salary in excess of the limits specified under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

AUDITORS

M/s Sudhakar Hegde & Co., Chartered Accountants, Statutory Auditors, retire at the conclusion of the ensuing Annual General Meeting and being eligible offer for reappointment as Statutory Auditors.

M/s Swamy & Associates, Company Secretaries, have been appointed as Secretarial Auditors of the Company for the year 2010-11.

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.

MANAGEMENT DISCUSSION & ANALYSIS REPORT

Management Discussion & analysis report is enclosed at Annexure-B to this report.

CORPORATE GOVERNANCE

A report on Corporate Governance is placed at Annexure-C to this report. Your Company has voluntarily got the Secretarial Audit done for the year 2009-10 as a part of good corporate governance practice and the report of M/s Swamy & Associates, Company Secretaries is placed at Annexure-D to this report.

SECURITIES

The Company's shares are listed in the Stock Exchanges of Bangalore, Mumbai and Chennai. The addresses of the said Stock Exchanges are stated elsewhere in this Annual Report.

ACKNOWLEDGEMENTS

Your Directors place on record their gratitude to the Governments, Financial Institutions and Banks for the assistance, co-operation and encouragement received during the year. For the continuing support of Investors, Dealers, Business Associates and Employees at all levels. Your Directors wish to place on record their sincere appreciation for their unstinting efforts in ensuring excellent performance.

Your Directors also wish to express their appreciation of dedicated efforts in pursuits of excellence put in by the employees at all levels.

For and on behalf of the Board of Directors

SURENDRA BHANDARI

CHAIRMAN

SIDHARTH BHANDARI

MANAGING DIRECTOR

Place: Bangalore

Date: 31st July 2010

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 are furnished below:

Conservation of Energy:

In design and execution, energy conservation measures have been implemented. The efforts to conserve and optimize the use of energy through improvements in design and operational methods will continue.

A. Form - A

C. Power and Fuel Consumption :	2009-10	2008-09
Electricity		
a) Purchased units (Lac Units)	3,31,655	2,38,172
b) Total Amount (Lac Rs.)	15,78,527	12,46,023
c) Rate/Unit (Rs.)	4.76	5.23
a) Generated units (Lac Units)	39,007	1,90,200
b) Total Amount (Lac Rs.)	593601	7,25,290
c) Rate/Unit (Rs.)	15.22	3.80

Annexure - B

MANAGEMENT DISCUSSION & ANALYSIS REPORT

INDUSTRY STRUCTURE & DEVELOPMENTS

In the financial year 2009-2010 the consumption of HSS Drills & Taps in Indian Market is Rs.1800Cr. Production in India by Different manufacturer is Rs.1650 Cr. Import from other Countries like China, Taiwan & other European Countries is Rs.150 Crores. The HSS Drills & taps market is growing annually by 9.2%.

The consistent demand of HSS Drills & Taps has prompted manufactures to increase the production capacity.

OPPORTUNITIES AND THREATS

With the vast experience of cutting tool manufacturing experience Company has started production of Carbide Drills which is having a market of Rs. 1400Cr. The major boost in Automobile market has increased the sale of Carbide tools in India. The Carbide Tool market is growing annually by 15%, which is much faster than the growth of HSS Tools. The threat perception in the country includes competition of Multi National Company's setting up plant in India & cheap priced tools from Taiwan & China.

SEGMENT-WISE PERFORMANCE

Your Company made Profit Rs. 29.64 lakhs on a turnover of Rs. 480.81 lakhs and other income of Rs. 29.04.

	Drill Bits & Taps (in Lakhs)
Net Sales & Operating Revenue	Rs. 480.81
PBIT	39.04
Capital Employed	682.33
ROCE (%)	5.72%
PBIT Margins (%)	8.1%

OUTLOOK FOR THE INDUSTRY

The domestic Drill Bits and Taps supply is going increase in the coming years. Your Company has plans to increase production of Drill Bits and Taps as well as Carbide Tools. Additionally we are planning to expand our overseas marketing activities.

OUTLOOK FOR THE COMPANY

In your Company's future strategic growth plans, the core areas include further expansion of the capacities of machines. Its strategic plans are

B. Technology Absorption

Measures are taken by the Company for development of own technology through process & product development, Waste utilization, Energy conservation, Power Consumption etc. Continuous efforts are made towards technology innovation. The Company has installed two machines in the factory for Effluent Treatment Plant purposes and constructed separate room for keeping the used cotton waste which is disposed from the factory.

C. Foreign Exchange Earnings and Outgo

The Export Sales during the year has contributed 7.92% of the total Sales.

	2009-10	2008-09
Total Foreign Exchange – Used (Rs.) :	1,48,67,744.75	70,81,662
– Earned (Rs.):	57,00,176	39,62,507

For and on behalf of the Board of Directors

**SURENDRA BHANDARI
CHAIRMAN**

**SIDHARTH BHANDARI
MANAGING DIRECTOR**

Place: Bangalore

Date: 31st July 2010

also directed towards meaningful utilization & redeployment of resources depending on the situations and full capacity utilization of existing operations with proactive financial management and with qualitative focus on human resource development.

RISKS & CONCERNS

The rising price of fuel oil and other input materials are a cause of concern for the industry.

International disturbances caused by terrorist strikes, polarization of trade blocks and sudden unhealthy trends in the international scenario arising out of political uncertainty in the global context is a risk factor.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

Your Company has well established internal control systems commensurate with the size of the Company. Company has entrusted the jobs of internal audit to well experienced employees of the Company. The internal audit reports are discussed by an independent committee constituted by the Board. Action is being taken to further strengthen internal control procedures in respect of inventory and management.

DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECTS TO OPERATIONAL PERFORMANCE

Details on financial performance with respect to operational performance are given in the Directors' Report.

MATERIAL DEVELOPMENTS IN HUMAN RESOURCES/ INDUSTRIAL RELATIONS FRONT INCLUDING NUMBER OF PEOPLE EMPLOYED

Human Resources Development is the key for the success of any organization. Keeping this in mind and the targets set, functional and development training needs are identified from multiple sources, primarily the competency related needs, secondly, needs arising from organizational requirements and finally departmental/sectional imperatives. So your Company has appointed in this year as many employees required for higher production.

For and on behalf of the Board of Directors

**SURENDRA BHANDARI
CHAIRMAN**

**SIDHARTH BHANDARI
MANAGING DIRECTOR**

Place: Bangalore

Date: 31st July 2010

CORPORATE GOVERNANCE REPORT

PHILOSOPHY

Our Company believes in practicing good Corporate Governance, attaining maximum level of transparency, accountability and equity in all facets of its operations and in all its interactions with its stakeholders viz. shareholders, employees, customers, Government, bankers, society at large etc.

BOARD OF DIRECTORS

a) Composition

The present strength of the Board of Directors is Ten (10). Out of Ten Directors, Seven Directors (more than 50%) are Non-Executive Directors. Besides, Five Directors (50%) are independent Directors. The composition of the Board is in conformity with the requirement of Clause 49 of the Listing Agreement.

b) Meetings of the Board of Directors

The Board of Directors meets regularly and is responsible for the proper direction and management of the Company. During the financial year 2009-10 Seven Board Meetings were held on 29.04.2009, 30.6.2009, 31.07.2009, 30.10.2009, 04.12.2009,

d) Details about Company's Board of Directors :

Name of the Director	Share Holding	Category	Attendance Particulars			Directorships in other Companies	Committee Memberships	
			No of Board Meetings		Last AGM		Memberships	Chairmanships
			Held	Attended	Attended			
1. Surendra Bhandari	4,00,100	Chairman	7	7	No	7	1	2
2. Madhu Bhandari	70,077	Director	7	6	No	7	-	-
3. Sidharth Bhandari	92,699	Managing Director	7	6	No	8	2	1
4. C. M. Datta#	1,100	Executive Director	7	6	Yes	-	1	-
5. Rajib Ghosh Roy*	0	Wholtime Director	7	-	No	-	-	-
6. K. Raghavendra Rao	1,000	Wholtime Director	7	7	Yes	2	3	-
7. Joseph Mathai	100	Independent Director	7	7	Yes	-	-	1
8. Rajeev G. Hassanand	0	Independent Director	7	5	Yes	1	-	-
9. S.R. Satish	0	Independent Director	7	7	Yes	-	-	-
10. N.K. Raghunath	1,000	Independent Director	7	4	Yes	-	-	-
11. Vikram s gupta	1,000	Independent Director	7	3	No	1	1	-
12. Sharad Bhandari @	21,000	Independent Director	7	0	No	1	-	-

*Appointed on 01.07.10

Resigned on 25.06.10

@ Resigned on 30.06.09

e) Information supplied to the Board

The Board has complete access to all information with the Company, inter-alia, the following information is regularly provided to the Board:

- Annual operating Plans, Capital Budgets, Revenue Budgets and updates;
- Quarterly results of the Company ; and
- Other relevant factors which the Board may require.

f) Remuneration paid to Directors

During 2009-10, the Company did not advance any loan to any of its Directors.

The remuneration paid to the Directors for the year 2009-10 is given below :

Name of the Director	Category	Salary	P.F.
1. Surendra Bhandari	Chairman	-	-
2. Sidharth Bhandari	Managing Director	Rs 9,00,000/-	Rs.9,360/-
3. Madhu Bhandari	Director	-	-
4. C. M. Datta	Executive Director	Rs.3,63,886/-	Rs.3,120/-
5. Sharad Bhandari	Independent Director	-	-
6. K. Raghavendra Rao	Wholtime Director	Rs.3,63,000/-	Rs.9,360/-
7. Joseph Mathai	Independent Director	-	-
8. Rajeev G. Hassanand	Independent Director	-	-
9. S.R. Satish	Independent Director	-	-
10. N.K. Raghunath	Independent Director	-	-
11. Vikram s gupta	Independent Director	-	-

a) Audit Committee

The composition of Audit Committee as on 31.03.2010 is as follows:

1. Mr. Joseph Mathai - Chairman
2. Mr. K. Raghavendra Rao - Member
3. Mr. Vikram S Gupta - Member

The Company Secretary is the Secretary of the Committee. The Audit Committee

BOARD COMMITTEES

The Company has four Board level Committees – Audit Committee, Remuneration Committee, Share Transfer Committee and Shareholders / Investors' Grievances Redressal Committee. All decisions pertaining to the constitution of Committees, appointment of Committee Members and fixing of their terms of service are taken by the Board of Directors.

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held five meetings during 2009-10 on 24.04.2009, 30.06.2009, 31.07.2009, 30.10.2009 and 04.01.2010.

The heads of finance function, internal audit and the representative of the statutory auditors are permanent invitees to the Audit Committee meetings.

b) Remuneration Committee

The Remuneration Committee comprises of three Directors, viz. Mr. Surendra Bhandari, Mr. Sidharth Bhandari and Mr. C. M. Datta. Mr. Sidharth Bhandari is the Chairman of the Remuneration Committee. The Company Secretary is the Secretary of the Committee. The Remuneration Committee held two meetings during 2009-10 on 15.07.2009 and 15.01.2010.

c) Share Transfer Committee

The Share Transfer Committee comprises of three Directors, viz. Mr. Surendra Bhandari, Mr. Sidharth Bhandari and Mr. K. Raghavendra Rao. Mr. Surendra Bhandari is the Chairman of the Share Transfer Committee. The Company Secretary is the Secretary of the Committee. The Share Transfer Committee held one Meeting during 2009-10 on 30.11.2009.

d) Shareholders / Investors' Grievances Redressal Committee

The Shareholders / Investors' Grievances Redressal Committee comprises of three Directors, viz. Mr. Surendra Bhandari, Mr. Sidharth Bhandari and Mr. K. Raghavendra Rao. Mr. Surendra Bhandari is the Chairman of the Shareholders / Investors' Grievance Committee. The Company Secretary is the Secretary of the Committee. The Shareholders / Investors' Grievance Committee held two meetings during 2009-10 on 25.07.2009 and 28.12.2009.

GENERAL BODY MEETINGS

Particulars of the General Meetings of the Company held during the last 3 Years:

Annual general Meeting			
Year	Date	Time	Location
2006-2007	28.09.2007	10.15 A.M.	SHANTALA" Conference Hall, Ashraya International Hotel, # 149, Infantry Road, Bangalore-560 001.
2007-2008	13.08.2008	11.30 A.M.	"SHANTALA" Conference Hall, Ashraya International Hotel, # 149, Infantry Road, Bangalore-560 001
2008-2009	25.09.2009	12.00 NOON	"SHANTALA" Conference Hall, Ashraya International Hotel, # 149, Infantry Road, Bangalore-560 001.

No special resolution was passed through postal ballot at the Annual General Meeting held during the year under report.

DISCLOSURES:

(i) Related Party Transactions

There were no material significant transactions with the Directors or the management or relatives that have any potential conflict with interest of the Company at large.

(ii) Compliances by the Company

There was no case of non-compliance by the Company, nor any case of penalties or strictures, imposed on the Company by Stock Exchanges or SEBI or any other Statutory Authorities on any matter related to capital markets during the last three years.

(iii) CEO/CFO Certification

The CEO and the CFO of the Company have certified to the Board with regard to the compliance made by them in terms of Clause 49(V) of the Listing Agreement.

(iv) Non-Mandatory Requirements

The Company has not adopted the non-mandatory requirements as specified in Annexure 1D of clause 49 of the Listing Agreement.

(v) Accounting Treatment

The financial statements are prepared under the historical cost convention and have been prepared in accordance with applicable mandatory Accounting Standards and relevant presentational requirements of the Companies Act, 1956.

MEANS OF COMMUNICATION

The Company has always promptly reported all material information including quarterly financial results, press releases issued by the Company, etc. to all Stock Exchanges where the securities of the Company are listed. The quarterly results and other information were communicated to the shareholders by way of

advertisement in a national and in vernacular language daily newspapers.

GENERAL SHAREHOLDERS' INFORMATION

The Annual general Meeting of the Company is scheduled to be held on Tuesday, the 7th September 2010 at 11.00 A.M at "SHANTALA" Conference Hall, Ashraya International Hotel, # 149, Infantry Road, Bangalore – 560 001.

Financial Calendar (tentative and subject to change):

Events	Tentative Date
Annual General Meeting for the year ending March 31, 2010	7th September, 2010
Unaudited Financial results for the first quarter ending 30th June, 2010	7th July, 2010
Unaudited Financial results for the second quarter ending 30th September, 2010	By 15th November, 2010
Unaudited Financial results for the third quarter ending 31st December, 2010	By 15th February, 2011
Audited Financial results for the year ending 31st March, 2011	May, 2011

Book Closure Dates

Friday, the 3rd September, 2010 to Tuesday, the 7th September, 2010 (both days inclusive) for requirements of Clause 16 of the Listing Agreement for the financial year 2009-10.

Dividend

Due to accumulated loss, the Board is unable to recommend any Dividend for the year under review.

Listing on Stock Exchanges

The Company's shares are listed in Bombay Stock Exchange Limited (BSE) P. J. Towers, Dalal Street, Mumbai – 1, The Bangalore Stock Exchange, # 51, 1st Cross, J. C. Road, Bangalore – 560 027 and The Madras Stock Exchange Limited, # 30, Second Line Beach, Chennai – 600 001..

Stock Code

Stock Exchange	Code
Bombay Stock Exchange Limited	531661

Market Price Data

Monthly Share Price movement during 2009-10 on Bombay Stock Exchange:

No	Date	Highest (Rs.)	Lowest (Rs.)
1.	April, 2009	8.45	8.45
2.	May, 2009	9.31	8.80
3.	June, 2009	10.00	8.58
4.	July, 2009	9.00	8.80
5.	Aug, 2009	10.40	8.85
6.	Sep, 2009	9.30	7.10
7.	Oct, 2009	8.85	7.00
8.	Nov, 2009	7.61	6.42
9.	Dec, 2009	10.93	6.75
10.	Jan, 2010	20.04	11.47
11.	Feb, 2010	18.00	14.55
12.	Mar, 2010	21.60	12.85

Registrar and Transfer Agents:

All works related to share both for physical and electronic segments are maintained by our Registrar and Transfer Agents named M/s Cameo corporate Services Ltd., located at Subramaniam Building, #1 Club House Road, Chennai-600 002.

Share Transfer System

All share transfers and other communications regarding share certificates, change of address, transmission, etc. should be addressed to Registrar and Transfer Agent. All share transfers now take place on fortnightly basis. All share transfers are completed within statutory time limit from the date of receipt, provided documents meet the stipulated requirement of statutory provisions in all respects.

Distribution of Shareholding

Given below Tables A & B lists the distribution of the shareholding of the Equity Shares of the Company by size and by ownership class as on 31st March 2010.