

Hittco Technologies Ltd.

Bangalore

Board of Directors

Mr. Surendra Bhandari - Chairman

Mr. Sidharth Bhandari - Managing Director

Mrs. Madhu Bhandari Mrs. Manesha Bhandari

Mr. C.M. Datta Mr. Salil Chakravarty Mr. Sharad Bhandari Mr. Surendra Sharma

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

Jan. 3000

Plant I

#78, III Phase

Peenya Industrial Area Bangalore - 560 058

Plant II

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(100% EOU)

B193, 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

Hittco Online Technologies Ltd

NOTICE

NOTICE is hereby given that the Eighth Annual General Meeting of the members of HITTCO ONLINE TECHNOLOGIES LIMITED will be held on Monday the 30th September 2002 at 10.30 a.m. at Shantala Hall, Hotel Ashraya International, # 149, Infantry Road, Bangalore – 560 001 to transact the following business:

ORDINARY BUSINESS:

- To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2002 and Profit and Loss account for the year ended on that date and the Director's and Auditor's report thereon.
- To appoint Mrs. Manesha Bhandari, Director, who retires by rotation and being eligible, offers herself for re-appointment.
- To appoint Mr. C.M. Datta, Director, who retires by rotation and being eligible, offers himself for re-appointment.
- 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:

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

"RESOLVED THAT, Mr. Surendra Sharma, 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 re-appointment, and in respect of whom notices 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."

 To consider and if thought fit pass the following Resolution with or without modification(s) 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. Sidharth Bhandari as Managing Director of the Company for a period of 5 years with effect from 15th March, 2002, 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 a 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 remuneration to be fixed will be treated as the minimum remuneration in the event of loss."

"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 ONLINE TECHNOLOGIES LIMITED

SIDHARTH BHANDARI Managing Director

Place: Bangalore Date: 31st July, 2002

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.

- The Explanatory Statement required under Section 173 of the Companies Act, 1956, in respect of the business mentioned in Item Nos. 4 and 5 is attached herewith.
- 3. The Register of Members and the Share Transfer Books of the Company will remain closed on 28th September, 2002.
- 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 31st July, 2002.

ITEM - 5

Mr. Surendra Sharma was co-opted as additional Director on 29th June, 2002, under the provisions of Section 260 of the Companies Act, 1956. He will hold office up-to the date of the forth coming 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 resolutions for approval of the members.

None of the Directors are in any way concerned or interested in this resolution.

ITEM NO. 6

The Board of Directors at their meeting held on 15th March, 2002, has appointed Mr. Sidharth Bhandari as the Managing Director of the Company w.e.f. 15th March, 2002 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 15th March, 2002

Salary: Rs.20,000/- per month

PERQUISITES:

i) Housing : NIL

ii) Medical

Reimbursement: Reimbursement of medical

expenses for self and family, subject to a ceiling of one month's salary for each year

iii) Leave Travel

Concession : Leave Travel Concession for

self and family once in a year incurred in accordance with the Rules of the Company.

iv) Club Fees

Fees of clubs subject to a maximum of one club. No admission and life membership fees will be paid.

v) Personal Accident

Insurance :

Personal Accident Insurance of an amount, the annual premium of which does not

exceed Rs.5000/-

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vi) Contribution

towards Provident Fund and Pension / Superannuation

Fund

: Provident Fund and Pension /Superannuation Fund will not be considered or included for the computation of ceilings on perquisites to the extent that these either, single or put together are not taxable under the Income

Tax Act, 1961.

vii) Gratuity

As per the Rules of the Company, but shall not exceed on half month's salary for each completed year of service.

viii) Bonus

: One month's Annual Basic salary

ix) Provisions of car with driver and telephone at residence, will not be considered as perquisites.

Provided further that personal long distance calls on telephone and use of car for private purpose shall be billed by the company to him

The aggregate monetary value of the above perquisites will not exceed Rs.1,20,000/- per annum

In the event of loss or inadequacy of profits of the company in any financial year during the term of his appointment, he shall be paid the above remuneration as the minimum remuneration by way of salary and perquisites. 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. Surendra Bhandari of the Company are deemed to be concerned or interested in this resolution.

The Board recommends the resolution for adoption.

This notice may also be treated as an abstract of the Memorandum of Interest relating to the terms of the remuneration, pursuant to Section 302 of the Act.

The Directors recommend the resolution for approval of the members.

By Order of the Board For HITTCO ONLINE TECHNOLOGIES LIMITED

SIDHARTH BHANDARI Managing Director

Place: Bangalore Date: 31st July, 2002

DIRECTORS REPORT

Your Directors present the Eighth Annual Report on the working results of the company for the year ended 31st March, 2002

FINANCIAL RESULTS

Particulars	Rs in lakhs 2001-02	Rs in lakhs 2000-01
Sales Other Income Increase/Decrease in Stock Operational Expenses Interest and Financial Charges Profit/(Loss) before Depreciation and Tax Depreciation	226.53 10.45 (30.75) 276.05 70.17	327.01 27.46 1.21 274.44 78.95 27.61 25.31
Provision for Tax Profit/(Loss) after Depreciation and Tax	(169.13)	0.15

REVIEW OF OPERATION & PROSPECTS FOR THE FUTURE

The Company achieved a turnover of Rs.226.53 Lakhs for the year compared to that of Rs. 327.01 Lakhs in the previous year showing a drop of 31%. The Company has made a loss of Rs.169 lakhs compared to the profit figure of Rs. 2.29 lakhs in the previous year. The drop in the turnover is due to slowdown in global market, increase in cost of raw material and to some extent cutting down of expected orders by the customers. Inspite of cost controls across the board, various reasons such as the reduced off take of the Company's products, high interest burden and bad market has affected the bottom line.

The share of exports during the year constituted 34.41% of the total turnover. The Company is servicing debt at a very high interest rate and negotiation with the financial institutions is going on for a one-time settlement. This will help to reduce the interest cost. The annual interest and financial cost for the year is Rs.70.17 lakhs.

DIVIDEND

The Board is not recommending any Dividend for the year under review.

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 reappointment and have expressed their willingness to continue as auditors, if re-appointed.

- a. Contingent Liability on the disputed amount of Rs. 1,05,37,672.89 towards penal interest charged by the Financial Institution is not provided in the accounts of the Company. As the Company is pursuing with Financial Institution for a one-time settlement and as such the disputed amount is not provided in the accounts.
- b. The liability of excise duty on finished products lying in bonded godown is ascertained as and when the goods are cleared from godown and duty is paid on it. The duty is paid as per the provision of Central Excise Act.

DIRECTORS RESPONSIBILITY STATEMENT:

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

- 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 has selected the normal accounting policies and applied them consistently and made judgements 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.
- 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.

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4. The accounts of the Company are prepared on a 'going concern' concept basis.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956, and the Articles of Association of the Company, Mrs. Manesha Bhandari and Mr. C.M.Datta, Directors retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

Mrs. Madhu Bhandari, Director, was appointed as Managing Director of the Company on 30th January, 2002 and resigned from the post of Managing Director on 15th March, 2002. Consequent to her resignation, Mr. Sidharth Bhandari was appointed as Managing Director of the Company, whose terms of appointment needs the members approval at the ensuing Annual General Meeting.

Mr. Surendra Sharma was co-opted as an additional Director of the Company on 29th June, 2002 who holds office upto 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 hasnot accepted/ renewed any fixed deposits from the public during the vear 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 FOREIGN EXCHANGE ABSORPTION. **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 at Madras Stock Exchange Ltd. The listing fees for the year 2002-03 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 Chakravarthy and Mr. C.M.Datta, as members of the Committee, under the Chairmanship of Mr. Sharad Bhandari. The Audit committee met three times during the year.

CORPORATE GOVERNANCE:

As per the schedule of implementation of "Corporate Governance" announced by Securities and Exchange Board of India (SEBI) the same is applicable to the Company from the financial year 2002-03. Your Company is committed to good corporate governance and in this connection, steps have already been taken to implement and to comply with the recommendations of the code of Corporate Governance. A Corporate Governance report is attached to this report as Annexure B.

ACKNOWLEDGMENTS

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 ONLINE TECHNOLOGIES LIMITED

> SIDHARTH BHANDARI **Managing Director**

Place: Bangalore Date: 31st July, 2002

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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 the 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) b) Total Amount (Rs.) c) Rate/Unit (Rs.)	2,77,202 12,70,044 4.58	3,01,766 15,98,211 5.30
2)	Own Generation a) Diesel Generation Unit (Kwh) b) Cost of Diesel Consumed (Rs.) c) Cost/unit (Rs.)	35,445 3,20,358 9.04	35,920 3,24,648 9.03
3)	Foreign Exchange Earnings (Rs.) (EXPORTS-F.O.B.)	79,95,484	1,14,8 <mark>0</mark> ,445
4)	Foreign Exchange Outgo (Rs.)	22,95,572	40,00,740

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: 31st July, 2002 SIDHARTH BHANDARI Managing Director 8th
Annual Report
2001 - 2002 -

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Annexure B

CORPORATE GOVERNANCE REPORT

This Report on Corporate Governance forms a 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 8 (Eight) Directors and it meets the stipulated requirements.

b) Board Meetings 2001-02

SI. No.	Quarter	Dates	
1.	April - June	15 th Apri,I 2001 30 th April, 2001	
2.	July – September	27th June, 2001 28th July ,2001	
3.	October - December	31st October, 2001	
4.	January – March	1 st January, 2002 30 th January, 2002 31 st January, 2002 15 th March, 2002	

c) Brief background of Directors retiring and eligible for reappointment

A brief background of Directors who are retiring by rotation and who have been inducted during the year as an additional Director and who are eligible for reappointment are given below:

Mrs. Manesha Bhandari is associated with the Company for the past 10 years. She is actively involved in various departments viz., Export Sales, General Administration of the Company. She is a member of Share Holders' Grievance Committee and looks after the share transfer and related work. She also holds directorships in various companies.

Mr. C.M. Datta is a graduate in Commerce and holds a Master degree in Business Administration. He has an experience of over 28 years in the field of cutting tools and high-speed steel tool bits. He is the Executive Director of the Company. He oversees the day-to-day administration of the Company with regard to Production, Personnel, Purchase and Sales. He does not hold any directorships in other companies, firms or concerns.