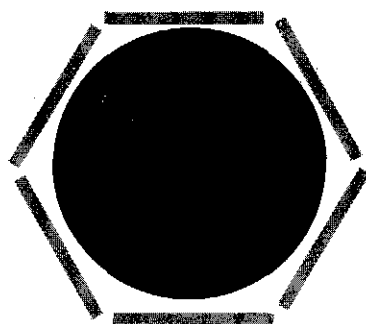


INDUSTRIAL INVESTMENT TRUST LIMITED

Annual Report
2004-2005

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IIT GROUP

CONTENTS

	<u>Page No.</u>
Board of Directors	1
Notice	2 – 6
Directors' Report	7 – 9
Management Discussion and Analysis	10 – 11
Auditors' Report on Corporate Governance	11
Report on Corporate Governance	12 – 15
Auditors' Report	16 – 17
Balance Sheet	18
Profit and Loss Account	19
Schedules 'A' to 'L'	20 – 30
Cash Flow Statement	31 – 32
Summary of Investments	37 – 41
Consolidated Financial Statements	42 – 52
Statement Pursuant to Section 212	53
Group Financial Highlights	54
Reports & Accounts of Subsidiary Companies Booklet enclosed	S1 – S20

Shareholders are requested to bring the copy of the Annual Report alongwith them to the General Meeting.

with copies of certificates and documents required to be annexed thereto under Section 161 of the Act or any one or more of them, at the office of MCS Limited, the Registrar and Share Transfer Agents of the Company situated at 'Sri Venkatesh Bhavan', Plot No. 27, Road No.11, M.I.D.C. Area, Andheri (East), Mumbai – 400 093 with effect from December 1, 2004 instead of being kept at the Registered Office of the Company.

RESOLVED FURTHER THAT the registers, indexes, returns, books, certificates or copies of certificates and documents of the Company required to be maintained and kept for inspection under the provisions of the Companies Act, 1956, be kept open for such inspection, at the above mentioned place, for persons entitled thereto, to the extent and in the manner and on payment of fees, if any, specified in the aforesaid Act or the Articles of Association of the Company, between 10.30 a.m. and 12.30 p.m. on any working day (Monday to Friday) except when the registers and books are closed under the provisions of the said Act or the Articles of Association of the Company.”

9. 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 Clause 49 of the Listing Agreement with the Stock Exchanges, the consent of the Company be accorded for payment of Rs.5,000 (Rupees Five Thousand Only) or such other amount as may be approved by the Board of Directors subject to the ceiling prescribed under the Companies Act, 1956, or rules framed thereunder, as amended from time to time, as sitting fees for each Meeting of the Board of Directors and the Committees thereof, attended by the Non-Executive Directors of the Company.”

By Order of the Board,
For INDUSTRIAL INVESTMENT TRUST LIMITED

CUMI BANERJEE
Company Secretary

Mumbai : August 25, 2005

Registered Office :
14E, Rajabhadur Mansion, 2nd Floor,
28, Bombay Samachar Marg
Mumbai – 400 001

NOTES

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY IN ORDER TO BE EFFECTIVE, MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**

2. The relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 is enclosed and forms part of the Notice.
3. The Register of Members and Share Transfer Books of the Company will remain closed from September 22, 2005 to September 29, 2005 (both days inclusive).
4. Members are requested to bring the copy of their Annual Report and the Attendance Slip at the Annual General Meeting.
5. Members desirous of obtaining any information concerning the accounts and operations of the Company are requested to address their questions to Mrs. Cumi Banerjee – Company Secretary so as to reach at least seven days before the date of the meeting, so that the information required may be made available at the meeting, to the best extent possible.
6. In accordance with the provisions of Section 205A of the Companies Act, 1956 the Company has transferred unclaimed dividends in September, 1998 for the year ended March 31, 1995 to the General Revenue Account of the Central Government. Members concerned may, therefore, submit their claims in the prescribed form to the Registrar of Companies, Maharashtra, 2nd floor, Hakoba Compound, Dattaram Lad Marg, Kalachowki, Mumbai – 400 033.
7. In terms of section 205A and 205C of the Companies Act, 1956 any dividend remaining unpaid for a period of seven years from the due date of payment is required to be transferred to the Investor Education and Protection Fund (IEPF). The Company has therefore, transferred unclaimed dividend on September 23, 2004 for the year ended March 31, 1997 to the IEPF Account of the Central Government. Members who have not encashed their dividend warrants for the year 1997-98 or thereafter are requested to write to the Company / Registrars and Share Transfer agents. **Shareholders are requested to note that no claims shall lie against the said Fund or the Company in respect of any amounts which were unclaimed and unpaid for a period of seven years from the dates that they first became due for payment and no payment shall be made in respect of any such claims.**
8. Shareholders holding shares in physical form are requested to advise any change of address immediately to Company's Registrar and Share Transfer Agents, MCS Limited. **Shareholders holding shares in electronic form must advise their respective Depository Participants about change in address and not to the Company.**



**Details of the directors seeking appointment at the
forthcoming Annual General Meeting
[In pursuance of Clause 49 of the Listing Agreement]**

Name of the Director	Mr. C.P. Khandelwal	Mr. Sanjay Dangi	Mr. N.R. Suresh	P.H. Arvindh Pandian
Date of Birth	14.2.1959	4.6.1970	15.3.1956	21.9.1970
Nationality	Indian	Indian	Indian	Indian
Date of Appointment	25.8.2005	25.8.2005	25.8.2005	25.8.2005
Qualifications	B.Com, FCA	B.Com, FCA, CS	B.Sc, FCA	B.A., BL
Expertise in specific functional areas	He is a Chartered Accountant having around 20 years experience in Merchant Banking and Investment Banking.	He is a Chartered Accountant having around 12 years experience in Finance and Investment Consultancy.	He is a Chartered Accountant and the Senior Partner of Maharaj N R Suresh & Co. He is in practice for over 24 years specializing in Corporate Audits, Taxation, Finance and Corporate Restructuring and SEBI related matters.	He is an Advocate – High Court, Madras having around 11 years of experience of practice and specialises in Corporate Laws and Tax Laws.
Directorships held in other companies (excluding private and foreign companies)	IIT Corporate Services Limited IIT Investrust Limited	Pranam Securities Limited IIT Corporate Services Limited IIT Investrust Limited	IIT Corporate Services Limited IIT Investrust Limited	Tamilnad Mercantile Bank Limited IIT Corporate Services Limited IIT Investrust Limited
Committee position held in other companies	IIT Corporate Services Limited (Chairman : Audit Committee) IIT Investrust Limited (Chairman : Audit Committee)	IIT Corporate Services Limited (Member : Audit Committee) IIT Investrust Limited (Member : Audit Committee)	IIT Corporate Services Limited (Member : Audit Committee) IIT Investrust Limited (Member : Audit Committee)	IIT Corporate Services Limited (Member : Audit Committee) IIT Investrust Limited (Member : Audit Committee)
Shareholding of non-executive directors	NIL	NIL	NIL	NIL

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

Item No. 3

Appointment of Mr. C.P. Khandelwal as Director

In terms of Section 260 of the Companies Act, 1956 and Article 126(a) of the Articles of Association of the Company, the Board of Directors at its meeting held on August 25, 2005, appointed Mr. C.P. Khandelwal as Additional Director. Mr. C.P. Khandelwal holds office up to the date of this Annual General Meeting. The Company has received a notice in writing (along with deposit of Rupees five hundred) from a Member proposing the candidature of Mr. C.P. Khandelwal for the office of Director of the Company under the provisions of Section 257 of the Companies Act, 1956, liable to retire by rotation in terms of the Articles of Association of the Company.

Your Directors, therefore recommend the resolution for your approval.

Except Mr. C.P. Khandelwal, no other Director is, in any way, concerned or interested in this Resolution.

Item No. 4

Appointment of Mr. Sanjay Dangi as Director

In terms of Section 260 of the Companies Act, 1956 and Article 126(a) of the Articles of Association of the Company, the Board of Directors at its meeting held on August 25, 2005, appointed Mr. Sanjay Dangi

as Additional Director. Mr. Sanjay Dangi holds office up to the date of this Annual General Meeting. The Company has received a notice in writing (along with deposit of Rupees five hundred) from a Member proposing the candidature of Mr. Sanjay Dangi for the office of Director of the Company under the provisions of Section 257 of the Companies Act, 1956, liable to retire by rotation in terms of the Articles of Association of the Company.

Your Directors, therefore recommend the resolution for your approval.

Except Mr. Sanjay Dangi, no other Director is, in any way, concerned or interested in this Resolution.

Item No. 5

Appointment of Mr. N.R. Suresh as Director

In terms of Section 260 of the Companies Act, 1956 and Article 126(a) of the Articles of Association of the Company, the Board of Directors at its meeting held on August 25, 2005, appointed Mr. N.R. Suresh as Additional Director. Mr. N.R. Suresh holds office up to the date of this Annual General Meeting. The Company has received a notice in writing (along with deposit of Rupees five hundred) from a Member proposing the candidature of Mr. N.R. Suresh for the office of Director of the Company under the provisions of Section 257 of the Companies Act, 1956, liable to retire by rotation in terms of the Articles of Association of the Company.

Your Directors, therefore recommend the resolution for your approval. Except Mr. N.R. Suresh, no other Director is, in any way, concerned or interested in this Resolution.

Item No. 6

Appointment of Mr. P.H. Arvindh Pandian as Director

In terms of Section 260 of the Companies Act, 1956 and Article 126(a) of the Articles of Association of the Company, the Board of Directors at its meeting held on August 25, 2005, appointed Mr. P.H. Arvindh Pandian as Additional Director. Mr. P.H. Arvindh Pandian holds office up to the date of this Annual General Meeting. The Company has received a notice in writing (along with deposit of Rupees five hundred) from a Member proposing the candidature of Mr. P.H. Arvindh Pandian for the office of Director of the Company under the provisions of Section 257 of the Companies Act, 1956, liable to retire by rotation in terms of the Articles of Association of the Company.

Your Directors, therefore recommend the resolution for your approval.

Except Mr. P.H. Arvindh Pandian, no other Director is, in any way, concerned or interested in this Resolution.

Item No. 7

Appointment of Mr. C.K. Thanawala as Managing Director

Mr. C.K. Thanawala was re-appointed as the Managing Director for a period of one year with effect from January 1, 2004, with the consent of the members accorded by a resolution passed at the Annual General Meeting held on August 18, 2004 on the terms and conditions set out in the agreement dated December 22, 2003 between Mr. C.K. Thanawala and the Company.

As the term of his office expired on December 31, 2004, the Remuneration Committee, pursuant to Article 149 and 150 of the Articles of Association of the Company, re-appointed Mr. C.K. Thanawala as the Managing Director for a period of one year at a remuneration set out in the Agreements dated January 13, 2005 and August 16, 2005 entered between the Company and Mr. C.K. Thanawala and as per the resolutions passed at its meeting held on January 13, 2005 and April 12, 2005.

The terms and conditions of Mr. Thanawala's remuneration as set out in the Agreements dated January 13, 2005 and August 16, 2005 referred to in the Special Resolution at Item 5 of the notice are as follows :

- Salary : Rs. 1,50,000/- per month with a power to the Board to increase the same.
- Commission : At a rate to be determined by the Board of Directors for each year, subject to an overall limit of 50% of his annual salary.
- Perquisites : In addition to salary, perquisites like furnished accommodation, gas, electricity, water and furnishings, medical reimbursement for self and family, leave travel concession for self and family, leave encashment at the end of the tenure, club fees, personal accident insurance, etc. in accordance with the Rules of the Company, the monetary value of such perquisites being limited to Rs. 2,25,000/- for period of his appointment. For the purpose of such limit :
 - Perquisites shall be valued as per Income-tax Rules, where applicable, and in the absence of any such Rules, shall be valued at actual cost; and
 - Use of Company car for official purposes and telephone at residence, including payment for local calls and long distance official calls, shall not be included.

Provided that

- Company's contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961;
- Gratuity payable at a rate not exceeding half a month's salary for each completed year of service; and
- Encashment of leave at the end of the tenure; shall not be included in the computation of limits for perquisites.

Provided further that the aggregate of the salary, gratuity, leave encashment and all other perquisites and contributions towards provident fund, superannuation fund or annuity fund, shall not exceed the limits specified in Sections 198, 309 and Schedule XIII of the Companies Act, 1956.

- Minimum Managerial Remuneration (in case of absence or inadequacy of profits):

Notwithstanding anything to the contrary herein contained, where, in any financial year during the currency of the tenure of Mr. C.K. Thanawala, as the Managing Director of the Company the company has no profits or the profits are inadequate, the Company will pay the above remuneration as minimum remuneration.

Disclosures as required by Schedule XIII Part II Section II - Paragraph 1 (B)

I. GENERAL INFORMATION

- Nature of Industry:** Investment Company registered as Non-Banking Finance Company with the Reserve Bank of India.
- Date or expected date of commencement of commercial production** - Certificate of Commencement of Business dated 10.11.1933.
- In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus** - N.A.
- Financial performance based on given indicators** : Financial performance of the company during last five years.

Amt. in 000's

Financial Parameters	Year				
	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005
Turnover	83282	71951	135615	93251	224397
Net Profit / (Loss) (U/s 198)	29613	28097	(23231)	27063	(73805)
Net Profit (P & L A/c)	26137	24857	16013	23674	(76648)
Amount of Dividend	20000	20000	17500	17500	-
Rate of Dividend	20%	20%	17.5 %	17.5%	-

- Export performance and net foreign exchange earnings & collaborations** : The company is not engaged in export business. It does not have any foreign collaboration.

- Foreign investments or collaborations, if any** : None

II. INFORMATION ABOUT THE APPOINTEE :

- Background details** : Mr. C.K. Thanawala has been employed by the Company since May 15, 1974. His educational qualifications are BA (Hons.), B.Com, AMBIM (London), ACWA (London). He has 47 years of experience in the financial services industry.

Mr. C.K. Thanawala has been the Managing Director of the Company since 1988. The Company's financial performance and activities have grown steadily under his stewardship. Since his appointment as Managing Director, the Company has evolved a consistent dividend policy, and has an uninterrupted track record of dividend payment since 1988. The Company has made three Bonus issues - in 1991-92, 1993-94 and 1996-97 under his leadership. The market value of quoted investments of the company as on 31.3.2005 is Rs. 39.42 Crores, whereas the related book value of these investments is Rs. 5.10 Crores.

Mr. Thanawala attained the age of 70 years on September 17, 2003. As per the provisions of Schedule XIII - Part I - Clause c (ii), approval of the Central Government is required unless the re-appointment and remuneration is approved by the shareholders



IIT GROUP

by a Special Resolution in the General Meeting. Approval of Central Government has been obtained for Mr. Thanawala's re-appointment for a period of six months with effect from January 1, 2005 vide their letter No.1/70/2005 - CL.VII dated June 8, 2005.

(2) **Past remuneration :**

Year	Salary	Perquisites	Commission	Others (P.F)	Total
2002-2003	18,00,000	1,20,000	-	4,86,000	24,06,000
2003-2004	18,00,000	2,13,267	-	4,86,000	24,99,267
2004-2005	18,00,000	2,02,832	-	4,86,000	24,88,832

(3) **Recognition or Awards :** None(4) **Job Profile and his suitability :****Job Profile**

Mr. C.K. Thanawala's job profile mainly consists of overseeing the operations of the company under the superintendence of the Board of Directors.

He is also responsible to superintend and monitor the operations of the following subsidiary / associate companies:

- (1) IIT Corporate Services Limited, which is engaged in Registrar and Share Transfer Agency work, and is a Depository Participant.
- (2) IIT Investtrust Limited, which is engaged in Broking / Investment Advisory activities.
- (3) He is further involved in guiding and directing the activities of the associate company, IIT Capital Services Limited.

Suitability

Mr. C.K. Thanawala is the most suitable candidate for the post of Managing Director for the following reasons :

- (a) His educational qualifications are appropriate for an investment company and financial services activities.
 - (b) His 30 years of experience in the Company makes him most fitting nominee.
 - (c) He has steered the Company as Managing Director since 1988 most successfully.
- (5) **Remuneration proposed :** Given elsewhere in the Explanatory Statement for Item No. 7 of the Notice.
- (6) **Comparative remuneration profile :** The remuneration proposed to be paid to him is most reasonable considering the size of the company, the type of industry and his position and profile.
- (7) **Pecuniary relationship :** Besides the remuneration being paid to him as the Managing Director, he does not have any other pecuniary relationship with the company or any other managerial personnel.

The Agreements dated January 13, 2005 and August 16, 2005 entered between the Company and Mr. C.K. Thanawala and the Approval Letter No.1/70/2005 - CL.VII dated June 8, 2005 received from the Central Government under Section 269 of the Companies Act, 1956 are available for inspection by the members of the Company at its Registered Office between 11:00 a.m. and 1:00 p.m. on any working day upto the date of this Annual General Meeting.

This may be treated as an abstract of the agreement entered into between the Company and Mr. C.K. Thanawala pursuant to Section 302 of the Companies Act, 1956.

However, Mr. Thanawala has tendered his resignation from the Board with effect from August 25, 2005. This resolution is required for approving his appointment and payment of remuneration for the period from January 1, 2005 to August 25, 2005. Your Directors, therefore recommend the resolution for your approval.

None of the Directors is, in any way, concerned or interested in the said Resolution.

Item No. 8**Place of keeping statutory registers and returns**

The Board of Directors at its meeting held on October 5, 2004 has appointed MCS Limited (hereinafter referred to as "MCS") as the Registrar and Share Transfer Agents of the Company in place of IIT Corporate Services Limited who have opted out of the registry services.

MCS are SEBI registered Registrar and Transfer Agents. They are equipped with the required infrastructure facilities, including V-Sat connectivity with the National Securities Depository Limited (NSDL) and the Central Depository Services (India) Limited (CDSL). MCS will act as common agency for share registry work in terms of both physical and electronic connectivity. It is also proposed that the statutory records like the Register of Members, Index of Members, Annual returns etc be kept at the office of MCS at Mumbai.

Section 163 of the Companies Act, 1956 provides that the register and index of members and debenture-holders, annual returns and other statutory records may, instead of being kept at the registered office of the Company, be kept at any other place within the city, in which the registered office is situate, provided that the consent of the members is obtained by way of a Special Resolution. Hence, the approval of the Members is sought by way of a Special Resolution pursuant to the provisions of Section 163 and other applicable provisions, if any, of the Companies Act, 1956.

Your Directors, therefore recommend the resolution for your approval.

None of the Directors is, in any way, concerned or interested in the said Resolution.

Item No. 9**Payment of Sitting Fees to Non-Executive Directors**

The Securities and Exchange Board of India has revised Clause 49 of the Listing Agreement relating to Corporate Governance requirements to be fulfilled by the listed companies. Companies have to ensure compliance with the revised Clause 49 of the Listing Agreement by December 31, 2005. One of the requirements stipulated under the revised Clause is that all the fees and compensation payable to Non-Executive Directors including the Independent Directors, shall be fixed by the Board of Directors and shall require previous approval of the Members in General Meeting.

At present, the Company is paying sitting fees of Rs.2,000 to all the Non-Executive Directors of the Company, for attending each Meeting of the Board of Directors and the Committees thereof. However in the meeting of Board of Directors held on August 25, 2005, the Board has revised the sitting fees from Rs. 2,000 to Rs. 5,000 for attending each meeting of the Board of Directors of the Company.

In terms of revised Clause 49 of the Listing Agreement and all other applicable provisions of the Companies Act, 1956, the approval of the Members is requested for the payment of the sitting fees to all the Non-Executive Directors of the Company.

Your Directors, therefore recommend the resolution for your approval.

All the Non-Executive Directors may be deemed to be concerned or interested in the Resolution to the extent of the sitting fees that may be received by them.

By Order of the Board of Directors,
For INDUSTRIAL INVESTMENT TRUST LIMITED

CUMI BANERJEE
Company Secretary

Mumbai, August 25, 2005

Registered Office :
14E, Rajabhadur Mansion, 2nd Floor,
28, Bombay Samachar Marg
Mumbai - 400 001

DIRECTORS' REPORT

Your Directors are pleased to present the Seventy Second Annual Report of the Company, together with the Audited Statement of Accounts for the year ended March 31 2005.

	Current Year (Rs. in Lakhs)	Previous Year (Rs. in lakhs)
1. FINANCIAL RESULTS		
(a) Total Income	<u>2243.97</u>	<u>932.51</u>
Profit / (Loss) before depreciation	(753.71)	290.53
Less : Depreciation	9.85	28.14
Profit / (Loss) before Tax	(763.56)	262.39
Less : Provision for Tax	2.92	25.65
	<u>(766.48)</u>	<u>236.74</u>
Add : Balance of profit brought forward from the previous year.	<u>149.78</u>	<u>175.56</u>
Amount available for appropriation	(616.70)	412.30
(b) From this, the Directors have transferred to :		
Special Reserve	-	47.35
General Reserve	-	17.75
(c) The Directors recommend payment of Dividend at the rate of Rs. Nil per share (previous year Rs. 1.75 per share) on 1,00,00,000 shares of Rs. 10/- each which will absorb.	-	175.00
Tax on proposed Dividend (* In respect of previous year)	0.45*	22.42
(d) Leaving a balance to be carried forward	<u>(617.15)</u>	<u>149.78</u>

1. OPERATING RESULTS

The total income for the year under review is Rs. 2243.97 lakhs as compared to Rs. 932.51 lakhs in the previous year, an increase of 140.64%. This was mainly due to net profit on sale of long term investments of Rs. 1951.96 lakhs as compared to Rs. 487.76 lakhs in the previous year.

Expenditure during the year under review is Rs. 3007.53 lakhs as compared to Rs. 670.13 lakhs in the previous year, an increase of Rs. 348.80%. This was mainly due to higher provision made for diminution in the value of investments in subsidiaries and deposits given to subsidiaries aggregating Rs. 2711.54 lakhs as compared to Rs. 360.92 lakhs in the previous year.

2. INVESTMENTS

The Company's portfolio of investment is regularly reviewed and securities are bought, to add to the portfolio or sold in order to make capital gains. Details of the Company's investments, including a portfolio summary and analysis of securities held are given in Schedule E to the Balance Sheet as on March 31, 2005. The Company is an investment company, with a long term view of its portfolio.

The market value of the Company's quoted investments, as on March 31, 2005 was Rs. 3942.20 lakhs (previous year Rs. 5739.08 lakhs). This is 673% higher than the related book value. During the year the Company purchased shares / debentures etc. of various companies with a book value of Rs. 154.51 lakhs and sold shares / debentures etc of various companies with a book value of Rs. 503.55 lakhs. The Company does not mark its portfolio "to market".

3. SUBSIDIARY COMPANIES

i) IIT Corporate Services Limited

(a) Registrar & Transfer Agency Services

The subsidiary company decided to exit this activity during the year. The clients were advised to move to any other registrar of their choice. The subsidiary continues to provide services in the interregnum, to such clients.

(b) Depository Services

The subsidiary company continues to provide such services to those clients who have not yet transferred their accounts to other depository participants.

(c) Outlook

The company will continue providing services in respect of both these activities till a final decision is taken by the Board on the future course of action of this business.

ii) IIT Investrust Limited

This company continues to make losses. It has concentrated its efforts on recovery of outstanding dues through proper legal process.

During the year, the company has tendered papers for surrendering its membership of OTC Exchange of India (OTCEI), and it has applied for a refund of its deposits.

iii) Sanyei Mediquip Limited

During the year, the Company sold its entire holding in this subsidiary i.e. 39,800 shares representing



IIT GROUP

79.60% of the paid-up equity share capital of the Company to Sneh Shares and Stock Brokers Private Limited having its Registered Office at 203, Standard House, 83, M.K. Road, Marine Lines, Mumbai 400 002. The management of the Company has changed with effect from December 2, 2004.

4. ASSOCIATE COMPANY

Nu-tech Corporate Services Limited (formerly known as IIT Capital Services Limited)

As reported earlier, this Associate Company does not make any further disbursements. It continues to exert all its efforts in recovering the outstanding dues. However, the recovery process is slow.

5. FIXED DEPOSITS

The Company does not accept Public Deposits.

6. CHANGE IN REGISTRAR AND SHARE TRANSFER AGENTS

The Board of Directors has appointed MCS Limited as Registrar and Share Transfer Agents of the Company in place of IIT Corporate Services Limited who have opted out of the Registry Services business.

7. TRANSFER TO THE INVESTOR EDUCATION AND PROTECTION FUND

In terms of Section 205C of the Companies Act, 1956, the following amounts lying with the Company as unclaimed for a period of seven years from the date they became due for payment were transferred during the period under review to the Investor Education and Protection Fund.

1. Unclaimed Dividend	Rs. 5,09,880.00
2. Unclaimed Fixed Deposits	Rs. 95,000.00
3. Unclaimed Interest on Fixed Deposits	Rs. 12,430.12

8. EMPLOYEE RELATIONS

Relations with employees continue to be cordial. The Directors take this opportunity to thank the employees at all levels for their continued dedication and the hard work put in by them.

9. AGREEMENT TO SELL

During the period under review, the Company was informed that on April 9, 2005, the promoters – Premodyan Private Limited and Stock Traders Private Limited and a major shareholder – Stanrose Mafatlal Investment & Finance Limited alongwith Mr. Pradeep Mafatlal have entered into two Share Purchase Agreements for sale of 21,97,597 shares and 21,64,000 shares respectively in the Company aggregating 43.62% of the paid-up share capital matching with the voting rights

of the Company to Super Star Exports Private Limited, Padmavatiasha Properties and Projects Private Limited, Raneka Fincom Private Limited and Pranam Securities Limited, collectively called “the Acquirers”. This transaction has been properly reported to SEBI, the BSE & other relevant authorities. The Acquirers made an open offer to acquire 20,00,000 shares constituting 20% of the paid up capital of the Company from the public shareholders as required under SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997. The Acquirers also placed before the Board of Directors of the Company a Completion Certificate from Indian Overseas Bank, the Merchant bankers to the offer stating that the Acquirers have complied with all the formalities in respect of the open offer to the shareholders of the Company.

10. DIRECTORS

During the period under review, the promoters – Premodyan Private Limited and Stock Traders Private Limited and a major shareholder – Stanrose Mafatlal Investment & Finance Limited alongwith Mr. Pradeep Mafatlal have sold their stake in the Company to Super Star Exports Private Limited, Padmavatiasha Properties and Projects Private Limited, Raneka Fincom Private Limited and Pranam Securities Limited, collectively called “the Acquirers”. Pursuant to the takeover, there is a change in management / control of the Company.

Mr. Sushil Premchand, Mr. C.K. Thanawala, Mr. V.C. Vaidya, Mr. H.C. Asher, Mr. Homi Mehta and Mr. Pradeep Mafatlal have resigned as Directors from the Board of the Company with effect from August 25, 2005. During their tenure as Directors, they have greatly contributed to the performance of the Company by their vast knowledge and experience.

Mr. C.P. Khandelwal, Mr. Sanjay Dangi, Mr. N.R. Suresh and Mr. P.H. Arvinth Pandian have been appointed by the Board as Additional Directors of the Company with effect from August 25, 2005 pursuant to the provisions of Section 260 of the Companies Act, 1956 and as per Article 126(a) of the Articles of Association of the Company. Mr. C.P. Khandelwal, Mr. Sanjay Dangi, Mr. N.R. Suresh and Mr. P.H. Arvinth Pandian holds office upto the date of the ensuing Annual General Meeting.

It is proposed to appoint Mr. C.P. Khandelwal, Mr. Sanjay Dangi, Mr. N.R. Suresh and Mr. P.H. Arvinth Pandian as Directors of the Company. Notice has been received from the members pursuant to Section 257 of the Companies Act, 1956, proposing their candidature for the office of Director.

11. MANAGING DIRECTOR

The term of Mr. C.K. Thanawala, Managing Director expired on December 31, 2004. Your Directors in their meeting held on January 13, 2005 had re-appointed him

as Managing Director for a period of six months and the Remuneration Committee in their meeting held on the same day, approved the remuneration as per the terms and conditions set out in the agreement entered between the Company and Mr. C.K. Thanawala. The Board was informed that the above-mentioned sale / acquisition would trigger the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 and the whole process would take at least 3-4 months and will complete not before July 2005. The Board therefore in their meeting held on April 12, 2005 requested Mr. Thanawala to consider extending his term for a further period of six months and re-appointed him as Managing Director for a period of six months with effect from July 1, 2005. The Remuneration Committee in their meeting held on June 1, 2005 approved the remuneration as per the terms and conditions set out in the agreement entered between the Company and Mr. C.K. Thanawala. You are requested to approve the same. However, Mr. Thanawala has tendered his resignation from the Board with effect from August 25, 2005.

12. AUDITORS' REPORT

The observations made by the Auditors in their report are appropriately dealt with in the notes forming part of the accounts for the year, which are self-explanatory and hence do not require any further explanations.

13. AUDITORS

You are requested to re-appoint Messrs A. F. Ferguson & Co., Chartered Accountants, as Auditors of the Company from the conclusion of the 72nd Annual General Meeting until the conclusion of the 73rd Annual General Meeting of the Company.

14. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies (Amendment) Act, 2000, your Directors confirm that:

- (a) in the preparation of the annual accounts, the applicable accounting standards have been followed;

- (b) appropriate accounting policies have been selected and applied consistently and that they have made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the affairs of the Company for year ended March 31, 2005;
- (c) 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
- (d) The annual accounts have been prepared on a 'going concern' basis.

15. PARTICULARS OF EMPLOYEES

There are no Employees coming under the purview of Section 217 (2A) of the Companies Act, 1956 and therefore such information has not been disclosed.

16. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGOINGS

Your Company is not engaged in any manufacturing activities, and therefore, there are no particulars to be disclosed under the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, relating to conservation of energy or technology absorption. During the year under review, the Company did not earn any foreign exchange and there was no expenditure in foreign exchange.

On behalf of the Board of Directors,

C.P. Khandelwal
Chairman

Mumbai
Date: August 25, 2005



IIT GROUP

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY STRUCTURE

The world economy witnessed a sharp upturn in 2004 on account of robust growth in both advanced and emerging market economies. Economic activity rebounded strongly in advanced economies with the growth impetus emanating from upbeat performances by United States and Japan. Among emerging market economies, the Commonwealth and Independent States (CIS) and developing countries in Asia continued to add stability to the overall process of global expansion and consolidation.

The performance of the Indian economy in 2004-2005 has so far exceeded those expectations formed at the beginning of the year. There was a sudden bout of inflation in the first half of 2004-2005, caused mainly by sharp rise in global petroleum and other commodity prices. The economy has managed to maintain the growth momentum, in spite of a deficient South West monsoon, hardening international prices of oil & steel, and India's first recorded experience of a Tsunami, which caused extensive damage.

The equity markets in India, during the year, passed through peaks and troughs moving from a low sensex of 4227.50 on May 17, 2004 to record an all time high of 6954.86 on March 9, 2005. A strong macroeconomic outlook, a positive investment climate, the continued investment support by FIIs' and encouraging corporate financial results were the main factors driving market sentiment during 2004-2005. India also witnessed a boom in its IPO market (24 Indian companies mopped up Rs. 247 billion, via IPOs and Secondary share sales, so far in 2004) as share issues were scaled back in some Asian markets such as China and Hong Kong due to lukewarm investor response. FIIs have been bullish on India for the last 18 months. However, uncertainty in the political environment had slowed down their investments into India from May through July 2004; a strong reversal in this sentiment has been witnessed since August 2004.

According to the latest estimates of the Central Statistical Organisation (CSO), the key economy indicator, GDP growth, was placed at 6.9 percent. The agricultural sector is likely to show a growth rate of 1.1 percent in its sector GDP during 2004-2005 and the Industry Sector should grow at 8.4 percent. The estimated growth in GDP for various service sectors is at 11.3 percent, and for financing, real estate, and business services, the sector is expected to show a growth rate of 7.1 percent during the year.

The business segment in which your Company operates (namely, investment activities) is greatly influenced by the overall economic scene, affected by regulatory measures and various socio-political factors prevalent in the country. A bout of volatility now and then in the short term will always be present, but the long term fundamentals of the Indian stock market are still intact and the Sensex is poised for even higher levels in the future.

SEGMENT-WISE PERFORMANCE - Investment Activity

Your Company is an Investment Company and only operates in this one segment. The year 2004-2005 saw the financial markets remaining stable, except for a few corrections. The BSE Sensex, which is the main indicator of the investment environment in the country, was at 5590.60 on April 1, 2004; it touched all time historical high at 6954.86 on March 9, 2005 and finally closed at 6492.82 on March 31, 2005. The market value of the company's quoted investments as on March 31, 2005 was Rs.39.42 crores which is 673% higher than the related book value.

OPPORTUNITIES, THREATS, RISKS AND CONCERNS

The investment portfolio of your Company is well diversified. Although the market is very volatile due to extraneous pressures and other factors, the market value of the Company's investments has grown. Your Company therefore can withstand the turmoil of existing market conditions and will enhance the values of its assets.

Dynamic investment strategies and a focusing on the right mix of old and new economy shares provides greater scope to improve the company's financial performance, in a risk related business environment.

FINANCIAL PERFORMANCE

The total income for the year under review is higher at Rs. 2243.97 lakhs as compared to Rs. 932.51 lakhs in the previous year, an increase of about 140.64%. This increase in total income is due to the net profits on the sale of long term investments totalling Rs. 1951.96 lakhs, as compared to Rs. 487.76 lakhs in the previous year. In spite of this higher level of income, there is a loss of Rs. 766.48 lakhs during the year under review, as compared to a profit of Rs. 236.74 lakhs in the previous year. This is mainly due to the provision made for the diminution in the value of investments in subsidiaries, and provisions for doubtful deposits given to subsidiaries, aggregating to Rs. 2711.54 lakhs, as compared to Rs. 360.92 lakhs in the previous year. The Company has also repaid a substantial amount of its third party debts, out of the cash flow from the sale of long- term investments, achieving a considerable saving in interest costs. With the improving economic scene, the Company expects to perform better during the current year.

INTERNAL CONTROL SYSTEM

The Company has installed an adequate system of internal controls in all spheres of its activity. The internal control is supplemented by an effective internal audit being carried out by an external firm of Chartered Accountants. The Management regularly reviews the findings of these internal auditors and takes appropriate steps to implement these suggestions and observations.