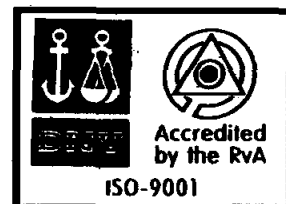


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Annual Report
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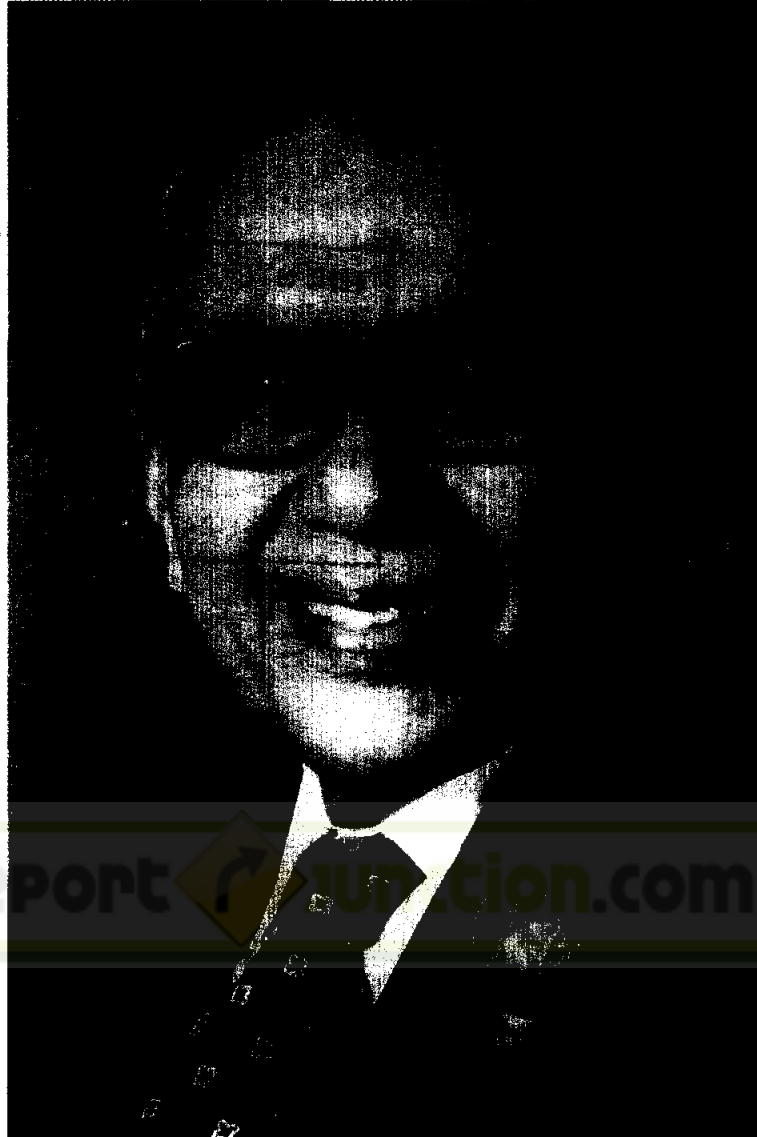
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**Hindustan
Everest
Tools Ltd.**



"The first and the only ISO 9001 Hand Tools Company in India"



SYT. D.P. MANDELIA
CHAIRMAN EMERITUS



HINDUSTAN EVEREST TOOLS LTD.

38th ANNUAL REPORT 2000-2001

BOARD OF DIRECTORS

Shri Durga Prasad Mandelia, *Chairman Emeritus*
Shri Shravan Kumar Mandelia, *Chairman & Mg. Director*
Shri Balgopal Mandelia, *Vice-Chairman and Jt. Mg. Director*
Shri Yashovardhan Saboo
Shri Umesh Kumar Khaitan
Kanwar Manmohan Kishan Kaul
Shri Vibhu Bakhru
Shri V.K. Khanna (*Executive Director Finance*)

ADVISOR

Shri B.P. Mandelia

COMPANY SECRETARY

Shri Govind Deora

EXECUTIVES

Shri H.K. Maheshwari, *General Manager (Works)*
Shri V.K. Goswami, *Senior Manager (Technical)*
Shri U.C. Pant, *Manager (Personnel & Administration)*
Shri Harish Kapoor, *Manager (Production)*
Shri K.K. Mehta, *Manager (Procurement)*
Shri P.K. Singh, *Manager (Marketing)*
Shri Ramesh Gupta, *Manager, (Factory Accounts & Stores)*

AUDITORS

Singhi & Co.
Chartered Accountants,
Pragati House
47-48, Nehru Place,
New Delhi-110 019

BANKERS

UCO Bank,
Punjab National Bank
HDFC Bank
CITI Bank

REGISTERED OFFICE

Dohil Chambers,
46, Nehru Place,
New Delhi-110 019

WORKS

Village Jatheri,
Distt. Sonapat,
Haryana

SHARES LISTED AT

Delhi, Mumbai & Calcutta
Stock Exchanges

HINDUSTAN EVEREST TOOLS LTD.**NOTICE**

Notice is hereby given that the Thirty Eighth Annual General Meeting of the Members of HINDUSTAN EVEREST TOOLS LIMITED will be held at "PHD House", Opposite Asian Games Village, Siri Fort Road, New Delhi - 110 016 on Friday, the 21st day of September, 2001 at 10.00 A.M. to transact the following business :

AS ORDINARY BUSINESS :

- 1) To receive, consider and adopt the audited Profit & Loss Account for the year ended 31st March, 2001 and the Balance Sheet as at that date together with Reports of the Auditors' and Directors' thereon.
- 2) To appoint Director in place of Shri Umesh Kumar Khaitan, who retires by rotation and being eligible, offer himself for re-appointment.
- 3) To appoint Director in place of Shri Durga Prasad Mandelia, who retires by rotation and being eligible, offer himself for re-appointment.
- 4) To appoint Auditors and to fix their remuneration.

AS SPECIAL BUSINESS :

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

- 5) "Resolved that pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956 and the provisions of the other statutes as applicable, and subject to such approvals, consents, permissions and sanctions as may be necessary from the appropriate authorities or bodies, the Articles of Association of the Company be and hereby amended as follows :

- (A) After the existing Article 113 the following may be inserted as New Article 113 (A).

Resolution 113 (A) by postal ballot

Notwithstanding anything contained in these Articles, pursuant to Section 192(A) of the Companies Act, 1956 the Company may, and in the case of resolution relating to such business as the Central Government may, by notification, declare to be conducted only by postal ballot (including voting by electronic mode), shall get any resolution passed by means of a postal ballot (including voting by electronic mode), instead of transacting the business in the General Meeting of the Company. Where the Company decides to pass any resolution by postal ballot, it shall send a notice by registered post acknowledgement due, or by any other method as may be prescribed by the Central Government in this behalf to all the shareholders, along with draft resolution explaining the reasons therefore and requesting them to send their assent or dissent in writing on a postal ballot, in postage prepaid envelope provided by the Company, within a period of 30 days from the date of posting of the letter.

If a resolution is assented by a requisite majority of the shareholders by means of postal ballot (including voting by electronic mode), it shall be deemed to have been duly passed at a General Meeting that behalf."

- 6) "Resolved that pursuant to the provisions of section 31 and other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be and are hereby altered in the manner and to the extent set out below :

- (i) Article 2 of the Articles of Association shall include the following definitions at the appropriate places; "Beneficial Owner" shall mean beneficial owner as defined under Section 2(1) of the Depositories Act, 1996.

"Depository" shall mean a Depository as defined under Section 2(1)(e) of the Depositories Act, 1996.

"Depositories Act" shall mean Depositories Act, 1996 and any rule, regulation and bye-laws made thereunder and any statutory modification or re-enactment thereof for the time being in force.

"SEBI" means Securities and Exchange Board of India established under section 3 of the Securities and Exchange Board of India Act, 1992.

"Securities" means such securities as may be specified by the SEBI from time to time.



"Member" means the duly registered holder from time to time of the shares of the Company and includes the subscriber to the Memorandum of Association of the Company. Every person holding equity shares of the Company and whose name is entered as beneficial owner in the records of a Depository shall be deemed to be a member of the Company.

"Share" means share in the Share Capital of the Company and includes stock except when a distinction between stock and share is express or implied.

"Debentureholder" means the duly registered holders from time to time of the debentures of the Company.

"Participant" means a person registered as such under Section 12(1A) of the Securities and Exchange Board of India Act, 1992.

Record" includes the record maintained in the form of books or stores in computer or in such other form as may be determined by regulation made by SEBI in relation to the Depositories Act.

Words and expression used and not defined in the Act but defined in the Depositories Act, 1996, shall have the same meaning respectively assigned to them in that Act.

- (ii) The following definition under Article 2 be modified as under :

In the definition of "The Register" - the following words be added at the end; "and includes the Register of Beneficial Owners maintained by a Depository".

- (iii) Article 15 along with the marginal note be substituted by the following new Article :

<p>Company not bound to recognise any interest in share other than that of registered holder or beneficial owner</p>	<p>"Except as ordered by a Court of competent jurisdiction or required by law, the Company shall be entitled to treat the person whose name appears on the Register of member as the holder of any share or where the name appears as the beneficial owner of shares in the records of the Depository, as the absolute owner thereof and accordingly shall not be bound to recognise any benami trust or equitable, contingent, future or partial interest in any share (except only as is by these Articles otherwise expressly provided) or any right in respect of a share other than an absolute right thereto in accordance with these Articles of the part of any other person whether or not it shall have express or implied notice thereof".</p>
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- (iv) In Article 17, following words be added in the beginning: Except where shares of the Company are held in Depository".

- (v) In Article 18 following words be added in the beginning : "Except where shares of the Company are held in Depository".

- (vi) In Article 19, after the word "given" appearing in eighth line the following sentence be inserted: "however production of old certificate will not be required in case of rematerialisation".

- (vii) The following heading and Article along with the marginal notes be inserted as Article 43A after Article 43 :

43A DEMATERIALISATION AND REMATERIALISATION OF SECURITIES

- | | |
|--|---|
| <p>(a) Company's Right to Dematerialise or Rematerialise its securities</p> | <p>Notwithstanding anything to the contrary or inconsistency contained in these Articles, the Company shall be entitled to dematerialise its shares, debentures and other securities (hereinafter referred to as "securities") pursuant to the Depositories Act and to offer its securities for subscription in dematerialised form and to rematerialise its securities.</p> |
| <p>(b) Company to recognise interest in dematerialise securities under Depositories Act</p> | <p>Either the Company may exercise the option to issue or the investor may exercise an option to deal in or hold the securities with a Depository in electronic form and the certificates in respect thereof shall be dematerialised, in which event the right and obligations of the parties concerned and matters connected therewith or incidental thereto, shall be governed by the provisions of the Depositories Act, as amended from time to time or any statutory modification thereto or re-inactment thereof.</p> |
| <p>(c) Option for Investors</p> | <p>Every person subscribing to or holding securities of the Company shall have the option to receive security certificate or to hold the securities with a Depository. Such a person who is the beneficial owner of the securities can at any time opt out of a Depository, if permitted by law, In respect of any security in</p> |

HINDUSTAN EVEREST TOOLS LTD.

the manner provided by the Depositories Act and the Company shall, in the manner and within the time prescribed, arrange to issue to the Beneficial owner the required certificates of securities. If a person opts to hold his security with a Depository, the Company shall intimate such Depository the details of allotment of the security and on receipt of the information, the Depository shall enter in its records the name of the allottee as the Beneficial Owner of the security.

- (d) **Securities in Depositories to be in fungible form** All Securities of the Company held by a Depository shall be dematerialised and shall be fungible form. Nothing contained in Section 153, 153A, 153B, 187B, 187C and 372A of the Act shall apply to a Depository in respect of the securities held by it on behalf of the beneficial owners.
- (e) **Rights of Depositories and Beneficial Owners**
- (i) Notwithstanding anything to the contrary contained in the Act or these Articles, a Depository shall be deemed to be the registered owner for the purposes of effecting transfer ownership of securities on behalf of the beneficial owner.
 - (ii) Save as otherwise provided in (1) above, the Depository as the registered owner of the securities shall not have any voting rights or any other rights in respect of the securities held by it.
 - (iii) Every person holding securities of the Company and whose name is entered as the beneficial owner in the records of the Depository shall be deemed to be a member of the Company. The beneficial owner of the securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his securities which are held by the Depository.
- (f) **Service of Documents** Notwithstanding anything contained to the contrary in the Act or these Articles, where securities are held in a Depository, the records of the beneficial ownership may be served by such Depository of the Company by means of electronic mode or by delivery of floppies or discs.
- (g) **Transfer of Securities** Nothing contained in Section 108 of the Act shall apply to transfer of securities effected by the transferor and the transferee both of whom are entered as beneficial owners in the records of a Depository.
- In the case of such transfer of securities where the Company has not issued any certificate or certificates issued have been dematerialised subsequently and where such securities are being held in an electronic and fungible form, the provisions of the Depositories Act, shall apply.
- (h) **Depository to furnish information** Every Depository shall furnish to the Company information about the transfer of securities in the name of the beneficial owner at such intervals and in such manner as may be specified by the bye-laws and the Company in that behalf.
- (i) **Cancellation of certificate upon surrender by a person** Upon receipt of certificate of securities on surrender by a person who has entered into an agreement with the Depository through a participant, the Company shall cancel such certificate and substitute in its records the name of Depository as the registered owner in respect of the said securities and shall also inform the Depository accordingly.
- (j) **Option to opt out in respect of any security** If a Beneficial Owner seeks to opt out of a Depository in respect of any security, the beneficial owner shall inform the Depository accordingly. The Depository shall, on receipt of information as above make appropriate entries in its records and shall inform the Company.
- The Company shall, within thirty (30) days of the receipt of intimation from the Depository and on fulfilment of such conditions and on payment of such fees as may be specified by the regulations, issue the certificate or securities to the Beneficial owner or the transferee as the case may be.
- (k) **Allotment of Securities dealt with in a Depository** Notwithstanding anything contained in the Act or these Articles, where securities are dealt with by a Depository, the Company shall intimate the details thereof to the Depository immediately on allotment of such securities.



- (l) **Distinctive Numbers of Securities held in a Depository** Nothing contained in the Act or these Articles regarding the necessity of having distinctive numbers for securities issued by the Company, shall apply to securities held with a Depository.
- (m) **Register and Index of Beneficial Owner** The Register and Index of beneficial owners maintained by a Depository under the Depositories Act shall be deemed to be the Register and Index of Members and Register and Index of Shareholder / debentureholders, as the case may be, for the purpose of the Act.
- (n) **Register of Transfer** The Company shall keep a Register of Transfers and shall have recorded therein, fairly and distinctly, particulars of every transfer or transmission of any securities held in material form.
- (o) **Overriding effect of this Article** Provisions of this Article will have full effect and force notwithstanding any thing to the contrary or inconsistent contained in any other Article of these presents".
- (7) "Resolved that pursuant of the provisions of section 31 and all other applicable provisions, if any, of the Companies act, 1956, the Articles of association of the Company be and are hereby altered by inserting the following new Article 59A along with marginal note after Article 59.
- Nomination for Shares / Debentures** 59A Notwithstanding anything to the contrary contained in any other Article every holder of shares in or holder of debentures of the Company, holding either singly or jointly, may, at any time, nominate a person in the prescribed manner to whom the share and / or the interest of the members in the capital of the company or debentures of the Company shall vest in the event of his / her death and the death of the joint holder(s), if any, or shares / debentures. Such holder may revoke or vary his / her nomination, at any time time, by notifying the same to the Company to that effect. Such nomination shall be governed by the provisions of Sections 109A and 109B of the Companies Act, 1956 or such other regulations governing the matter from time to time."

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BY ORDER OF THE BOARD

Place : New Delhi
Dated : 29th June, 2001

Sd/-
GOVIND DEORA
Company Secretary

NOTES :

- (1) A Member entitled to attend and Vote at the meeting is entitled to appoint a proxy and vote instead of himself and the proxy need not be a member of the Company. Proxies in order to be effective must be received by Company not less than 48 hours before the meeting.
- (2) The Register of Members and Share Transfer Books of the Company will remain closed from Saturday the 1st day of September, 2001 to Friday the 21st day of September, 2001 (Both days inclusive).
- (3) The Company consequent to introduction to the Depository System, entered into agreement with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). Member, therefore now have the option of holding and dealing in the Shares of the Company in electronic form.
International Securities Identification No.
NSDL INE598D01019
CDSL INE598D01019
Trading in share of the Company on any Stock Exchange is permitted only in electronic form.
- (4) Pursuant to Section 205A of the Companies Act, 1956, unclaimed dividend upto the year 1993-94 have been transferred to the General Revenue account of the Central Government, Shareholders who have not encashed the Dividend Warrants for the said years are requested to claim the amount from the Registrar of Companies, Paryavaran Bhavan, CGO Complex, Lodhi Road, New Delhi 110 003.

HINDUSTAN EVEREST TOOLS LTD.

Consequent upon amendment in Section 205A of the Companies Act, 1956 and introduction of Section 205C, by the Companies (Amendment) Act, 1999, now the amount of dividend remaining unclaimed for a period of seven years shall be transferred to the Investor Education and Protection Fund.

Members who have not encashed the dividend warrant(s) so far for the financial year ended 1994-95, or any subsequent dividend payment(s) are requested to make their claim to the Company.

5. Members are requested to notify immediately Change, if any, in their address and / or mandate to the Company. For prompt and proper mailing, please inform correct PIN CODE Number.

EXPLANATORY STATEMENT

(Pursuant to Section 173 (2) of the Companies Act, 1956)

ITEM NO. 5

Amendment to Articles of Association - Resolution by postal ballot.

Consequent to enactment of the Companies (Amendment) Act, 2000, it is proposed to amend the Article of Association, by inserting Article 113(A) relating to the passing of Resolution by postal ballot (including voting by electronic mode) This is in line with the provisions of Section 192(A) of the Companies Act, 1956.

Section 31 of the Companies Act, 1956 inter alia provides that a Company may by a Special Resolution alter its Articles of Association.

The Board recommends the Resolution for your approval. None of the Directors are concerned or interested in this resolution.

ITEM NO. 6

Amendment to Articles of Association - To facilitate holding of shares in electronic form

Consequent to the enactment of Depositories Act, 1996 and the introduction of Depository System, some of the provisions of Companies Act, 1956 pertaining to issue, transfer, holding, dealing etc. have been amended to facilitate holding of shares in electronic form. As per direction of Securities & Exchange Board of India, your Company's share have been notified for compulsory trading in dematerialised mode. In view of this it is proposed to amend the Article of Association of the Company to bring the provisions of the same in line with the amended provisions of the Companies Act, 1956 read with the provisions of the Depositories Act, 1996.

A copy of the Articles of Association of the Company together with the proposed alteration is open for inspection at the Registered office of the Company on any working day prior to the date of the meeting.

The Board recommends the resolution for your approval. None of the Directors of the Company is in any way concerned or interested in the resolution.

ITEM NO. 7

Amended to Article of Association - To nomination facilitate holding of shares

The Companies Act, 1956 has been amended and new Section 109A and 109B have been inserted making available nomination facility to the holders of shares and debenture of the Company. Accordingly, a new Article 44B is proposed to be inserted in the Articles of association of the Company as mentioned in this item of the Notice so as to bring the same in line with the provisions of section 109A and 109B of the Companies Act, 1956.

A copy of the Articles of Association of the Company together with the proposed alteration is open for inspection at the Registered office of the Company on any working day prior to the date of the meeting.

The Board recommends the resolution for your approval.

None of the Directors of the Company is in any way concerned or interested in the resolution.

BY ORDER OF THE BOARD

Place : New Delhi
Dated : 29th June, 2001

Sd/-
GOVIND DEORA
Company Secretary

**ADDENDA**

To the notice dated the 29th June, 2001 relating to holding of 38th Annual General Meeting of M/s. Hindustan Everest Tools Ltd. on Friday, the 21st September, 2001

1. The following resolutions be added as Ordinary Resolutions to consider and if thought fit to pass with or without modification after Resolution No. 7 under the Special Business:

8. "Resolved that pursuant to the provisions of section 31 and other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be and are hereby altered in the manner and to the extent set out below :

In Articles 123 following word "seven" be replace with word "five".

9. "Resolved that pursuant to the provisions of Section 198, 309, 310 and other applicable provisions of the Companies Act, 1956, read with schedule XIII and any other applicable provisions of the aforesaid Act and subject to the approval of the Central Government, if necessary, the consent of the Company be and is hereby accorded to the appointment of Shri Vinod Kumar Khanna as Executive Director (Finance) of the Company for a period of 3 years w.e.f. 17th August, 2001 upon terms and conditions as set out in the Explanatory Statement appended hereto with liberty to the Board to alter and vary any of the terms and conditions of the said appointment and / or agreement, if any, to alter in such manner as may be agreed to between the Board of Directors and Shri Vinod Kumar Khanna so as not to exceed the limit specified in Schedule XIII of the Companies Act, 1956 or any amendment thereon.

2. The Following Item No. 8 & Item no. 9 be added after item no. 7 in the Explanatory Statement under Section 173 of the Companies Act, 1956.

Item No. 8.

Amended to Article of Association - Number of Directors

The Directors of the Company have decided to reduce the minimum number of Directors from seven to five and amend Article 123 accordingly.

Section 31 of the Companies Act, 1956 inter alias provides that a Company may by a Special Resolution alter its Articles of Association.

The Board recommends the Resolution for your approval.

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

Item No. 9

Shri Vinod Kumar Khanna shall be liable to retire by rotation and shall be considered as rotational Director. The terms and conditions of appointment of Shri Vinod Kumar Khanna are given below :

- A) Salary :** Rs. 23,000/- per month with annual increment of Rs. 2,000/- and Rs. 3,000/- for 2nd and 3rd year respectively.

B) Perquisites & Allowances :

- I. In addition to his salary, Shri Vinod Kumar Khanna shall be entitled to following perquisites and allowances:
 - 1) Unfurnished accommodation or House Rent Allowance in lieu of, subject to maximum of 50% of the salary.
 - 2) Medical Reimbursement : Reimbursement of expenses incurred for self and family subject to a ceiling of 15,000/- in a year or Rs. 45,000/- over a period of three years.
 - 3) Leave Travel Concession : For self and family, subject to ceiling of one month's salary in a year or three month's salary over a period of three years.
- II. He shall also be eligible to the following perquisites which shall however not be included in the computation of ceiling on remuneration specified in Part II of Schedule XIII.
 - 1) Company's contribution towards provident Fund as per the Rules of the Company.
 - 2) Gratuity as per the Rules of the Company but shall not exceed half month's salary for each completed year of service.
 - 3) Earned Leave : Encashment of unavailed Earned Leaves as per the rules of the Company at the end of each year on his request or at the end of his tenure.
- III. Provision of car for use on Company's business and telephone at residence will not be considered as perquisites. Personnel long distance calls on telephone and use of car for private purpose shall be billed by the Company.

The Board recommends the Resolution for your approval.

Except Shri Vinod Kumar Khanna no other Director is interested in this resolution.

NOTE : The above form the part of Notice dated 29th June, 2001 for all purpose.

HINDUSTAN EVEREST TOOLS LTD.**DIRECTORS' REPORT****Dear Shareholders,**

Your Directors present the Thirty Eighth Annual Report together with Audited Accounts of the Company for the year ended 31st March, 2001.

FINANCIAL RESULTS	2000-2001	(Rs. in Lakhs)		Previous Year
Profit / (Loss) after interest	1.80			(33.48)
(Add) / Less : Depreciation	(45.98)			(46.15)
Net Profit / (Net Loss)	(44.18)			(79.63)
(Add)/ Provision for Taxation	(0.26)			(0.28)
Provision for Taxation earlier year	0.09	(0.35)	(1.27)	(1.55)
		(44.53)		(81.18)
Less / Add : Balance brought forward from Previous Yr.	—	—	34.12	34.12
		(44.53)		(47.06)
APPROPRIATIONS :				
Transferred from Gen. Reserve		44.53		47.06
Carried over to next year		Nil		Nil

OPERATIONS

The recessionary trends, both in Export & Domestic markets as reported last year continued unabated during the year under review. However, due to aggressive cost cutting measures and up-gradation of plant & machinery, the Company could make a token profit of Rs. 1.80 lacs before depreciation against a loss of Rs. 33.48 lacs before depreciation during last year. The Exports have increased by 28% during the year as compared to previous year.

The Management is further trying its best to cut cost and implement automation resulting in further quality up-gradation which would pay rich dividends in future.

DIVIDEND

In view of the Company having suffered a loss during year and non availability of cash funds, the Directors hereby express their inability to recommend any dividend for the year ended 31st March, 2001.

CONSERVATION OF ENERGY, RESEARCH & DEVELOPMENT, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS & OUTGO.

As required under Section 217(1)(e) of the Companies Act, 1956 read with the Companies Declaration of Particulars in the Report of the Board of Directors Rules, 1988, the information relating to the Conservation of Energy, Research & Development, Technology Absorption and Foreign Exchange Earning and Outgo is given in the Annexure 'A' forming part of this Report.

DIRECTORS

In accordance with the provision of Companies Act, 1956 and Articles of Association, Umesh Kumar Khaitan and Shri Durga Prasad Mandelia retire by rotation and being eligible, offer themselves for re-appointment.

DIRECTORS' RESPONSIBILITY STATEMENTS

In compliance to the Provisions of Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed.

- That in the preparation of the accounts for the financial year ended 31st March, 2001 the applicable accounting standards have been followed along with proper explanation relating to material departures.
- That the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that were 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 or loss of the Company for the year under review.
- That the Directors have taken proper and sufficient care 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.
- That the Directors have prepared the accounts for the financial year ended 31st March, 2001 on a "going concern" basis.

DEMATERIALISATION OF SECURITIES

Your Company has entered into agreements with both the depositories i.e. National Securities Depository Ltd. and Central Depository Services (India) Ltd. to facilitate the investors to trade in the shares of the Company in dematerialised form also.

AUDITORS

M/s Singhi & Company, Chartered Accountants, Auditors of the Company retire at the conclusion of this Annual General Meeting and being eligible offer themselves for re-appointment.

As regards Auditors observations / qualification made in the Auditor's report, the relevant Notes of Notes on Accounts are self-explanatory and therefore do not call for any further comments under Section 217(3) of the Companies Act, 1956.