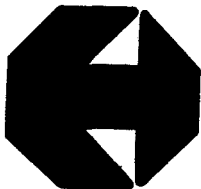
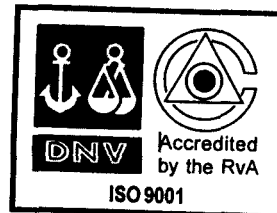


42nd
Annual Report
2004-2005

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**Hindustan
Everest
Tools Ltd.**





LATESH D. MANDELL



HINDUSTAN EVEREST TOOLS LTD.

42nd Annual Report 2004-2005

BOARD OF DIRECTORS

Shri Shravan Kumar Mandelia, *Chairman & Mg. Director*
 Shri Balgopal Mandelia, *Vice-Chairman and Jt. Mg. Director*
 Shri Yashovardhan Saboo
 Shri Umesh Kumar Khaitan
 Shri Vibhu Bakhru
 Shri V.K. Khanna (*Executive Director Finance*)
 Shri Pradeep Jain

ADVISOR

Shri B.P. Mandelia

COMPANY SECRETARY

Shri Govind Deora

EXECUTIVES

Shri Ramesh Gupta, *Manager (Factory Manager)*
 Shri Shiv Kumar, *Manager (Exec. Asst. to CMD)*
 Shri A.G. Pawar, *Manager (Maintenance, Tool Room & Production)*
 Shri Ambarish Raj, *Manager (Marketing - Domestic & Export)*
 Shri B.K. Jain, *Manager (Marketing Administration)*
 Shri K.K. Mehta, *Manager (Procurement)*
 Shri P.K. Singh, *Manager (Marketing)*
 Shri Lokesh Sood, *Manager (Export Market Development)*

AUDITORS

Singhi & Co.
 Chartered Accountants
 Pragati House
 47-48, Nehru Place
 New Delhi-110019

BANKERS

UCO Bank
 Punjab National Bank
 HDFC Bank
 CITI Bank

REGISTERED OFFICE

Dohil Chambers
 46, Nehru Place
 New Delhi-110019

WORKS

Village Jatheri
 Dist. Sonapat, Haryana

SHARES LISTED AT

Mumbai Stock Exchange

REGISTRAR & TRANSFER AGENT

Intime Spectrum Registry Limited
 A-31, Community Centre,
 Naraina Indl. Area, Phase-I
 New Delhi-110028



HINDUSTAN EVEREST TOOLS LTD.

NOTICE

Notice is hereby given that the 42nd Annual General Meeting of the Members of **Hindustan Everest Tools Ltd.** will be held at "PHD House", opposite Asian Games Village, Siri Fort Road, New Delhi -110016 on Friday, the 30th day of September, 2005 at 11.00 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, 2005 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 Yashovardhan Saboo who retires by rotation and being eligible, offer himself for re-appointment.
- 3) To appoint Director in place of Shri Vibhu Bakhru, 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 Resolutions :

5. **RESOLVED** that in accordance with 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 Article 126C deleted and Article 158 of Articles of Association of the Company be and hereby replace as follows :

The Managing Director of the Company shall be Chairman of the Company and preside over each Board Meeting of the Company, and the Joint Managing Director shall be the Vice-Chairman of the Company. In absence of Chairman, the Vice-Chairman shall preside over the board meeting of the Company. If none of those are available the Directors may appoint any one of them Chairman for the Board meeting.

By Order of the Board

Place : New Delhi
Dated : 22nd June, 2005

(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 Friday, the 16th. day of September, 2005 to Friday, the 30th day of September, 2005 (both the days inclusive).
- (3) Pursuant to Section 205A(5) of the Companies Act, 1956, dividend for the financial year ended 31.3.1997 and thereafter, which remain unclaimed for a period of 7 years will be transferred by the Company to the **Investor Education and Protection Fund** established by the Central government pursuant to Section 205C of the Companies Act, 1956.
- 4) Members who have not encashed the dividend warrant(s) so far for the financial year ended 1997-98, or any subsequent dividend payment(s) are requested to make their claim to the Company.
- 5) (a) Members holding shares in physical form are requested to notify/send the following to the Registrar and Transfer Agent of the Company M/s Intime Spectrum Registry Limited, A-31, Community Centre, Naraina Industrial area, Phase-I, New Delhi-110028:
 - i) any change in their address/mandate/bank details.
- b) Members holding shares in the dematerialised form are requested to notify all changes with respect to their address, mandate and bank details to their Depository Participant.

**HINDUSTAN EVEREST TOOLS LTD.**

ANNEXURE TO THE NOTICE

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956.

Item No 5

Amendment to Articles of Association - The Board of Directors in its meeting held on June 22, 2005 had resolved that Article 126C regarding appointment of certain numbers of Directors by Founder/Promoters associates of the Company in proportion to their holding in Company's equity shares capital. As they do not hold any more equity said Article has become redundant hence resolved to delete the same.

Similarly they were also jointly authorised to nominate Chairman & Vice Chairman of the Company. As they are practically no more operative/working hence their right to nominate Chairman/Vice Chairman has also to come unpractical. In view of that the board also resolved to replace Article 158 with the following:-

The Managing Director of the Company shall be Chairman of the Company and preside over each Board Meeting of the Company, and the Joint Managing Director shall be the Vice-Chairman of the Company. In absence of Chairman, the Vice – Chairman shall preside over the Board meeting of the Company. If none of those are available the Directors may appoint any one of them Chairman for the Board meeting.

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.

Non of the Directors are concerned or interested in this resolution.

By Order of the Board

Place : New Delhi
Dated : 22nd June, 2005

(GOVIND DEORA)
Company Secretary



HINDUSTAN EVEREST TOOLS LTD.

DIRECTORS' REPORT

Dear Shareholders,

Your Directors present the 42nd Annual Report together with Audited Accounts of the Company for the year ended 31st March, 2005.

Rs. in Lakhs

FINANCIAL RESULTS		2004-2005		2003-2004
Profit/ (Loss) before interest		110.36		111.53
Less : Interest	59.42		59.98	
: Voluntary retirement comp.	—	59.42	18.92	(78.90)
Cash profit		50.94		32.63
Less: Depreciation		48.80		49.67
Net Profit/(Loss)		2.14		(17.04)
Add/Less:				
: Provision for taxation	(0.43)		(0.36)	
: Provisions for Deferred Tax	5.99	5.56	7.47	7.11
		7.70		(9.93)
APPROPRIATION				
Transfer from General Reserve		—		9.93
Carried over to next year		7.70		NIL

OPERATIONS

The rise in cost of all inputs continued unabated during the year under review. The cost of Steel, which is the basic major input, alone registered an unprecedented increase of almost 40% in addition to the increase of all other inputs and consumables. These increases could not be offset by increase in sales realizations due to adverse market condition and the realizations on export were significantly lower due to strengthening of the Indian Rupee against all major foreign currencies.

The Management's relentless efforts at cost control measure and increasing production efficiency have largely been responsible for offsetting the above increase in costs.

It is expected that the working of your Company should further improve during the current year.

DIVIDEND

In view of insufficient profits, the Directors hereby express their inability to recommend any dividend for the year ended 31st March, 2005.

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 Board of Directors Rules, 1988, the information relating to the Conservation of Energy, Research and 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, Shri Yashovardhan Saboo and Shri Vibhu Bakhru retire by rotation and being eligible, offer themselves for re-appointment.



HINDUSTAN EVEREST TOOLS LTD.

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.

- i. That in the preparation of the accounts for the financial year ended 31st March, 2005, the applicable accounting standards have been followed along with proper explanation relating to material departures.
- ii. That the Directors have selected such accounting policies and applied them consistently and made judgments 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.
- iii. 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.
- iv. That the Directors have prepared the accounts for the financial year ended 31st March, 2005 on a "going concern" basis.

AUDITORS

M/s Singhi & Company, Chartered Accountants, Auditors of the Company retires 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.

FIXED DEPOSITS

The total amount of Fixed Deposits held by the Company as on 31st March 2005 stood at Rs.11.01 lacs. There were no overdue deposits.

PERSONNEL

Your Directors wish to place on record their sincere appreciation to employees for their continuous efforts and valuable services rendered by them at all levels.

There is no employee who was in receipt of remuneration as required to be disclosed under Section 217(2A) of the Companies Act, 1956.

FOR & ON BEHALF OF THE BOARD

Place: New Delhi
Dated: 22nd June, 2005

S.K.MANDELIA
Chairman



HINDUSTAN EVEREST TOOLS LTD.

ANNEXURE "A"

Information as per Section 217(i)(e) read with the Companies (Declaration of Particulars in respect of the Board of Directors) Rule, 1988 and forming part of the Directors' Report.

A) CONSERVATION OF ENERGY**(a) Energy Conservation measures taken:**

Energy conservation is an on-going activity in the Company and depending upon the average energy consumption per unit of each department, Internal Checking, necessary corrective measures are being taken to reduce the energy consumption per unit of Production.

(b) Additional Investments and Proposals:

With the help of equipment like Automatic Power Factor Correction Meter, Ammeter in each phase, the Company is monitoring the consumption of plant as well various equipment's as and where required. Installation of additional equipment is done to improve efficiency.

(c) Impact of measures:

With the implementation of various measures taken, total energy consumption and the energy consumption per unit of production should be considered satisfactory due to emphasis on production of high value added products and processes, which consume more specific energy.

(d) Total energy consumption and Energy consumption per Unit of production:

1. Power & Fuel Consumption	Current Year	Previous Year
(a) Electricity		
i. Purchased Units	25,29,031	34,13,310
Amount Rs.	1,04,02,589	1,39,83,192
Rate/Unit (average) Rs.	4.11	4.10
ii. Own generation DG Sets		
Units Generated	4,89,900	1,49,120
Units per Ltr. of Diesel	3.03	3.18
Rate per Ltr. of Fuel Rs.	21.96	17.94
Cost/Unit (average) Rs.	7.24	5.61
(b) Furnace Oil (LDO)		
Quantity (Ltrs.)	1,16,607	4,02,334
Amount Rs.	22,25,507	70,47,919
Average Rate Rs.	19.09	17.52
(c) LPG		
Quantity (Kg.)	1,66,859	1,29,432
Amount Rs.	44,77,753	31,55,552
Average Rate Rs.	26.84	24.38
2. Consumption per Unit of Production		
Product - Hand Tools		
Electricity Units/MT	3,717	3,600
Furnace Oil Ltr./MT	144	407
LPG	205	131

B) TECHNOLOGY ABSORPTION**Research & Development :**

(i) The Research & Development Center of the Company continuously endeavors to upgrade the existing product process and venture in new product development and process improvement. This has lead to enhance progress and efficiency throughout the plant. The benefits derived can be summed-up as under:-

- Extension of Product Range & introduction of new Product.
- Upgradation of process leading to better quality, performance and efficiency.
- Diversification to non-ferrous alloy tools manufacturing hitherto imported.
- Upgradation of existing product for better quality and performance.
- Extensive study of process, product function vis-à-vis customer requirement and its modification.

(ii) Benefits derived as a result of the In-house R & D :

- Extension of product range.
- Identification of new products.
- Better product with better performance.
- Effective and better controls of process thereby the consistency in quality.

(iii) Expenditure on R & D :

(Rs. in Lakhs)

a) Capital	—
b) Recurring	10.07
c) Total	10.07
d) Total R & D expenditure of total turnover	0.44

(iv) Technology Imports :

No technology was imported during last five years.

C. FOREIGN EXCHANGE EARNING AND OUTGO :

Total Foreign Exchange used and earned:

	(Rs.)
Total Foreign Exchange used	53,38,503
Total Foreign Exchange Eamed	9,53,46,796



HINDUSTAN EVEREST TOOLS LTD.

AUDITORS' REPORT

To the Shareholders,

We have audited the Balance Sheet of HINDUSTAN EVEREST TOOLS LTD. as at 31st March, 2005 and also the Profit & Loss Account and the cash flow statement for the year ended as on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India in terms of sub-section (4a) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 & 5 of the said order.

Further to our comments in the Annexure referred to above, we report that :-

- (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- (ii) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books.
- (iii) The balance Sheet and Profit & Loss Account dealt with by this report are in agreement with the books of account.
- (iv) In our opinion, the Balance Sheet and profit & Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
- (v) On the basis of written representations received from the directors, as on 31st March, 2005 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2005 from being appointed as a director in terms of clause(g) of sub section (I) section 274 of the Companies Act, 1956.
- (vi) We further report that *subject to note No.15 regarding non provision of diminution in value of investments amounting to Rs. 1.06 lacs in schedule -22 in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view. In conformity with the accounting principles generally accepted in India;*
 - a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2005 and
 - b) In the case of the Profit and Loss Account, of the profit for the year ended on that date.
 - c) In the case of cash flow statement of the cash flow for the year ended on that date.

For SINGHI & CO.
Chartered Accountants

Place : New Delhi
Dated : 22nd June 2005

R.K. Anand
Partner
Membership No.17009