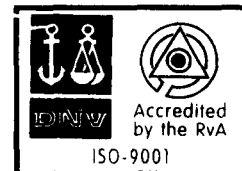


43rd
Annual Report
2005-2006

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**Hindustan
Everest
Tools Ltd.**



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



LATE SYT. D.P. MANDELIA



HINDUSTAN EVEREST TOOLS LTD.

HINDUSTAN EVEREST TOOLS LTD.

43rd ANNUAL REPORT 2005-2006

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

COMPANY SECRETARY

Shri Govind Deora

EXECUTIVES

Shri Ramesh Gupta, *Senior Manager, (Factory Manager)*
Shri Ambarish Raj, *Sr. Manager (Marketing - Domestic & Export)*
Shri Shiv Kumar, *Manager (Exec. Asst. to CMD)*
Shri A.G. Pawar, *Manager (Maintenance)*
Shri B.K. Jain, *Manager (Marketing Administration)*
Shri Sunil Kumar Dalmia, *Manager (Procurement)*
Shri P.K. Singh, *Senior Manager (Marketing)*
Shri Lokesh Sood, *Senior Manager (Export Market Development)*
Shri Harish Kapur, *Senior Manager (Sourcing)*

AUDITORS

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

BANKERS

UCO Bank,
Punjab National Bank
HDFC Bank

REGISTERED OFFICE

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

WORKS

Village Jatheri,
Distt. Sonapat,
Haryana

SHARES LISTED AT

Mumbai Stock Exchange

REGISTRAR & TRANSFER AGENT

Intime Spectrum Registry Limited
A-31, Community Centre,
Naraina Industrial Area, Phase-1,
New Delhi-110028.



HINDUSTAN EVEREST TOOLS LTD.

NOTICE

Notice is hereby given that the 43rd 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 29th day of September, 2006 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, 2006 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 Vinod Kumar Khanna who retires by rotation and being eligible, offer himself for re-appointment.
- 4) To appoint Auditors and to fix their remuneration.

BY ORDER OF THE BOARD

Place : New Delhi
Dated : 27th June, 2006

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 Friday the 15th day of September, 2006 to Friday the 29th September, 2006 (Both days inclusive).
- (3) Pursuant to Section 205A of the Companies Act, 1956, unclaimed dividend upto the year 31-3-1998 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 1998-99, 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, 3, Community Centre, Naraina Industrial Area, Phase-1, 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.

DIRECTORS' REPORT

Dear Shareholders,

Your Directors present the 43rd Annual Report together with Audited Accounts of the Company for the year ended 31st March, 2006.

FINANCIAL RESULTS

	2005-2006	(Rs. in Lakhs)	2004 - 2005
Profit / (Loss) before interest	(55.97)		110.36
Less : Interest	(70.99)		59.42
Cash Profit/ (Loss)	(14.12)		50.94
Depreciation	(51.61)		48.80
Net Profit/ (Loss)	(65.73)		2.14
(Add)/Less :			
Provision for Taxation (14.87)		0.43	
(Including Fringe Benefit Tax)			
Provision for Deferred Tax (74.19)	(89.06)	5.99	5.56
	(154.79)		7.70
Brought forward from previous year	7.70		
APPROPRIATION			
Transfer from General Reserve	147.09		—
Carried over to next year	—		7.70

OPERATIONS

The Sales during the year registered an increase of over 12% compared to previous year. However, due to appreciation of the Indian Rupee v/s the major Foreign Currencies, the net export realization were adversely affected which led to a substantially lower realization than what should have been.

Production was also severely affected due to a labour strike during the year, which was declared illegal even by Labour department. Moreover unprecedented power cuts, even during winter months led to higher power costs further affecting the profitability. The cost of Fuel and non-ferrous metal such as Copper and Nickel also registered very steep increase leading to substantial increase in cost of inputs. All these factors have led to an operating cash loss of Rs. 14.12 lacs during the year.

However, it is heartening to note that the current year has started on a positive note and it is expected that the working of your company should improve during the current year.

DIVIDEND

In view of the company having suffered a loss during the year, the Directors hereby express their inability to recommend any dividend for the year ended 31st March, 2006.

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, Shri Umesh Kumar Khaitan and Shri Vinod Kumar Khanna 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, 2006 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, 2006 on a "going concern" basis.

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 on Accounts are self-explanatory and therefore do not call for any further comments under Section 217(3) of the Companies Act, 1956.



HINDUSTAN EVEREST TOOLS LTD.

FIXED DEPOSITS

The total amount of Fixed Deposits held by the Company as on 31st March, 2006 stood at Rs. 9.21 lacs. There were no overdue deposits.

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

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.

for & on behalf of the Board

Place : New Delhi
Dated : 27th June, 2006

Sd/-
S.K. MANDELIA
Chairman

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HINDUSTAN EVEREST TOOLS LTD.

ANNEXURE 'A'

Information as per Section 217(1)(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 as various equipments 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** :

		Current Year	Previous Year
1. Power & Fuel Consumption			
(a) Electricity			
i) Purchased	Units	19,99,004	25,29,031
Amount	Rs.	82,29,977	1,04,02,589
Rate / Unit (average)	Rs.	4.12	4.11
ii) Own generation DG Sets :			
Units Generated		6,67,080	4,89,900
Units per Ltr. of Diesel		2.80	3.03
Rate per Ltr. of fuel	Rs.	26.55	21.96
Cost / Unit (average)	Rs.	9.48	7.24
(b) Furnace Oil (LDO)			
Quantity (Ltrs.)	Ltrs	9,724	1,16,607
Amount	Rs.	1,94,752	22,25,507
Average Rate	Rs.	20.02	19.09
(b) LPG			
Quantity (Kg.)	Kg.	2,47,426	1,66,859
Amount	Rs.	81,70,890	44,77,753
Average Rate	Rs.	33.02	26.84
2) Consumption per Unit of Production			
Product - Hand Tools			
Electricity	Units/MT	3,419	3,717
Furnace Oil	Ltr/MT	13	144
LPG		317	205

(B) TECHNOLOGY ABSORPTION

Research & Development

- (I) The Research & Development Centre of the Company continuously endeavours 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 :

- (a) Extension of Product Range & introduction of new Product.



HINDUSTAN EVEREST TOOLS LTD.

- (b) Upgradation of process leading to better quality, performance and efficiency.
- (c) Diversification to non-ferrous alloy tools manufacturing hitherto imported.
- (d) Upgradation of existing product for better quality and performance.
- (e) Extensive study of process, product function vis-a-vis customer requirement and its modification.

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

- (a) Extension of product range.
- (b) Identification of new products.
- (c) Better product with better performance.
- (d) Effective and better control on process thereby the consistency in quality.

(iii) Expenditure on R & D

	(Rs. in Lakhs)
(a) Capital	—
(b) Recurring	7.90
(c) Total	7.90
(d) Total R & D Expenditure of total turnover	0.31%

(iv) Technology Imports

No technology was imported during last five years.

(C) FOREIGN EXCHANGE EARNINGS & OUTGO

(a) Total Foreign Exchange used and earned

	(Rs. in lakhs)
Total Foreign Exchange Used	52.88
Total Foreign Exchange Earned	10,30.45



HINDUSTAN EVEREST TOOLS LTD.

AUDITORS' REPORT

To the Shareholders,

We have audited the attached Balance Sheet of HINDUSTAN EVEREST TOOLS LTD. as at 31st March, 2006 and the Profit & Loss Account and Cash Flow 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 statement. 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 (as amended) 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 and 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 explanation which to the best of our knowledge and belief, were necessary for the purpose of our audit.
- ii.) In our opinion, proper books of Account as required by the Companies Act, 1956 have been kept by the Company so far as appears from our examination of those books;
- iii.) The Balance Sheet, Profit and Loss Account and Cash Flow dealt with by this report are in agreement with the books of account;
- iv.) In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow 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, 2006 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2006, from being appointed as directors in terms of clause (g) of Sub-section (I) of Section 274 of the Companies Act, 1956.
- vi.) a) *Refer Note No. 10 (b) in Schedule 22 regarding provision of deferred tax assets of Rs. 81,10,783 (net of reversal of Rs. 74,19,487 for the year) based on future profitability projection made by the management. However, we are unable to express any opinion on the above projections and consequent impact, if any, on such deferred tax assets.*
b) *Refer Note No. 14 in Schedule 22 regarding non-provision of diminution in value of long term investment Rs.1,18,844, which in the opinion of the management is temporary in nature.*
- vii.) *Subject to our inability to ascertain the related financial impact, if any, of our comments as given in paragraph (vi) (a) & (b) above. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with notes thereon 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 Balance Sheet, of the state of affairs of the company as at 31st March, 2006 and*
b) *In the case of Profit and Loss account, of the loss of the company for the year ended on that date.*
c) *In the case of Cash Flow Statement, of the cash flows of the Company for the year ended on that date.*

for **SINGHI & CO.**
Chartered Accountants

Place : New Delhi
Dated : 27th June, 2006

B. K. SIPANI
Partner
Membership No. 88926