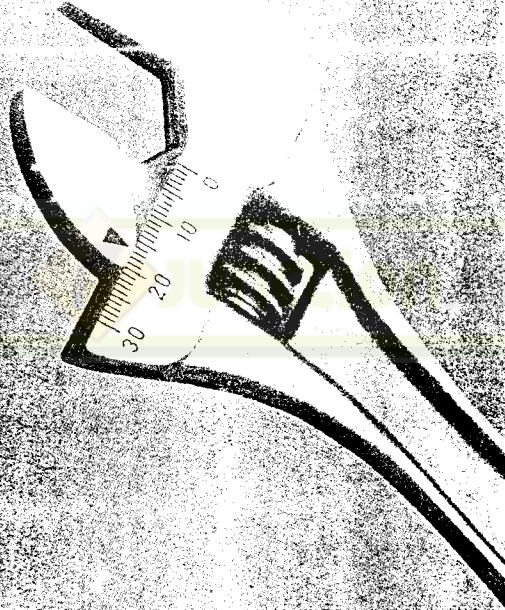


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TAPARIA TOOLS LTD.

Board of Directors

Shri H.N. Taparia - Chairman & Managing Director
Shri Hari Bhushan
Shri M.V. Gore
Shri P.N. Shah
Shri J.K. Taparia
Shri M.P. Taparia
Shri D.P. Taparia
Smt. Shashi Bangur
Shri R.P. Irani
Dr. M.G. Nathani - Executive Director
Shri R.N.R. Malani - Director - Materials & Purchase

Company Secretary

Shri V.S. Datey

Bankers

Central Bank of India

Solicitors

M/s. Mulla & Mulla Craigie
Blunt & Caroe, Mumbai

Auditors

M/s. Batliboi & Purohit,
Mumbai

Registered Office

423/24, (A-2), Shah & Nahar, Lower Parel (W), Mumbai - 400 013.
Telephone : (91) (022) 4938646-50, Facsimile : (91) (022) 4953230

Internet Facility

Website: <http://www.tapariatools.com>
E-Mail : htaparia@bom5.vsnl.net.in

Plants

52 & 52B, MIDC Area, Trimbak Road, Satpur, Nashik - 422 007, (Maharashtra)

Plot No.L-29, Cuncolim Industrial Estate, Cuncolim - 403 703, (Goa)

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Shares Listed at : Stock Exchange, Mumbai

Code No. : 5685

SHAREHOLDERS' FUNDS

1967-1968 : Rs. 39.80 Lakhs

2001-2002 : Rs. 1135.04 Lakhs

RATE OF DIVIDEND

1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02
15%	16%	20%	20%	20%	15%	20%	20%	30% *

* Proposed

HIGHLIGHTS

(Rupees in lakhs)

	1997-98	1998-99	1999-00	2000-01	2001-02
FOR THE YEAR					
1. GROSS REVENUE	4387.80	4345.60	4949.50	4810.00	4778.09
2. PROFIT BEFORE TAX	249.09	174.86	308.86	200.66	328.71
3. PROFIT AFTER TAX	199.50	123.96	187.86	155.66	174.67
4. DIVIDEND	57.95	45.54	60.72	60.72	91.07
5. RETAINED EARNINGS	12.59	1.95	27.21	21.38	62.79
6. CASH GENERATION	278.54	235.94	301.82	256.89	263.75
7. FOREIGN EXCHANGE EARNINGS	503.96	323.62	301.65	293.50	271.25
AT YEAR END					
8. GROSS FIXED ASSETS	3009.81	3012.88	2569.25	2486.01	2490.37
9. SHARE CAPITAL	303.57	303.57	303.57	303.57	303.57
10. RESERVES AND SURPLUS	814.95	841.86	844.09	884.49	831.47
11. NET WORTH	976.13	1010.88	1078.78	1184.85	1134.37
12. BORROWINGS	1170.98	1141.91	990.32	767.61	136.33
13. CAPITAL EMPLOYED	2153.52	2261.98	2230.37	2161.23	1807.36
PER SHARE					
14. NET WORTH PER EQUITY SHARE	32.15	33.30	35.54	39.03	37.37
15. EARNING PER SHARE	6.57	6.24	6.19	5.13	5.75
16. DIVIDEND PER EQUITY SHARE	2.00	1.50	2.00	2.00	3.00
RATIO					
17. DEBT: EQUITY RATIO	3.86	3.76	3.26	3.27	2.15

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DIRECTORS' REPORT

To,
The Members of Tapania Tools Ltd.,

The Directors hereby present their 36th Annual Report on the business and operations of the Company and the Financial Accounts for the year ended March, 31, 2002.

FINANCIAL RESULTS

	(Rupees in lakhs)	
	Current year	Previous year
Sales (Net)	4211.19	4070.85
Profit before interest and depreciation	486.97	438.94
Interest	69.18	137.05
Gross Profit	417.79	301.89
Depreciation	89.08	101.23
Profit for the year before tax	328.71	200.66
Less: Provision for taxation-Current yr.	94.04	45.00
Previous year	60.00	-
Profit after tax	174.67	155.66
Add :		
Surplus brought forward from previous year	21.38	27.21
	196.05	182.87
Less :		
Appropriations :		
Debenture Redemption Reserve	-	60.00
Debenture Premium Reserve	-	12.00
General Reserve	32.90	15.05
Interim Dividend on Equity Shares paid	91.07	60.72
Corporate Dividend Tax.	9.29	13.72
Surplus carried to Balance Sheet	62.79	21.38

In view of the significantly improved performance of the Company, your Directors have declared interim dividend payment @ 30% i.e. Rs. 3/- per share of Rs. 10/- each for the year which has been paid aggregating to Rs. 91.07 lakhs (as compared to Rs. 2/- per share aggregating to Rs. 60.71 lakhs in the previous year).

Since Interim Dividend of Rs. 3/- per share has already been announced and paid, no amount towards final dividend is now recommended.

OPERATIONS

During the year under review, the Company's total sales were Rs. 4211.19 lakhs which represents an increase of 3.45% over the sale of Rs. 4070.85 Lakhs in previous year.

Profit earned after tax in the current year was Rs. 174.67 Lakhs against Rs. 155.66 Lakhs in the previous year.

The current year appears to be encouraging for your Company, barring unforeseen circumstances.

REDEMPTION OF NON CONVERTIBLE DEBENTURES

The Company has redeemed all Non convertible Debentures valuing Rs. 600.00 lakhs by June, 2001.

CORPORATE GOVERNANCE

As per the Amended Clause 49 of the Listing Agreement, your Company will be implementing the Corporate Governance during financial year 2002-2003, as it is applicable in terms of Schedule of implementation to your Company.

ISO CERTIFICATION

Your Company obtained ISO 9001:1994 Certification during the year from International Certifications Services (Asia) Pvt. Ltd. Further upgradation for ISO 9001 : 2000 is at present, under implementation stage.

PERSONNEL

Relations with employees continued to be satisfactory during the year under review.

There was no employee drawing salary more than Rs.50,000/- per month or Rs.6,00,000/- per annum. Hence, a statement giving information and particulars of the employees as required under section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended, is not applicable.

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DIRECTORS

Shri D.S. Mulla was appointed as an Additional Director w.e.f. 27/07/2002. Shri D.S. Mulla will hold office u/s. 260 of the Companies Act, 1956 upto the forthcoming Annual General Meeting and is eligible for reappointment at the Meeting as required by section 257 of the Companies Act, 1956. The Company has received notice in writing from Member signifying his intention to propose the candidature of Shri D.S. Mulla as Director of the Company.

Shri Hari Bhushan, Shri R.P. Irani and Smt. Shashi Bangur, Directors of the Company retire by rotation and being eligible, offer themselves for re-appointment.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under 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 annual accounts for the year ended 31st March, 2002, the applicable accounting standards have been followed along with proper explanation relating to material departures; if any.
- 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 your Company at the end of the financial year and of the profit or loss of your 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 safe-guarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) That the Directors have prepared the annual accounts on a 'going concern' basis.

APPOINTMENT OF AUDITORS & AUDITORS' REPORT

The members are requested to appoint Statutory Auditors for the current financial year and to fix their remuneration. M/s. Batliboi and Purohit, the present Auditors, have under section 224 (1B) of the Companies Act, 1956, furnished Certificate of their eligibility for reappointment.

The notes to the accounts referred to in the Auditors' Report are self explanatory and therefore do not call for any further comments.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNINGS AND OUTGO

A statement giving details of conservation of energy, technology absorption, foreign exchange earnings and outgo, in accordance with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 is annexed and marked Annexure-A which forms part of this report.

CONTRIBUTION TO REVENUE

Company has contributed the following amounts to the exchequer revenues during the year :

	(Rs. in Lakhs)
a) Excise Duty	: 514.40
b) Sales Tax	: 236.03
c) Octroi & Municipal Taxes	: 29.34
d) Advance Tax paid and Income Tax Deducted at Source on Salaries, Interest, payments to Contractors, Service contracts and Corporate dividend tax, etc.	: 112.27
Total	: <u>892.04</u>

ACKNOWLEDGMENTS

Your Directors express their deep sense of appreciation for the total commitment, dedication, hard work and enormous personal efforts as well as collective contribution put in by every employee of your Company to enable the Company to achieve the performance it did.

Your Directors take this opportunity to place on record their deep sense of gratitude to the bankers, Central & State Government and local authorities, for their continuous support.

Your Directors are also grateful to the customers, dealers, suppliers of your Company for their continued co-operation and support given by them to the Company.

Lastly, your Directors are deeply grateful for the confidence and faith shown by the shareholders of your Company in them.

On behalf of the Board of Directors

H. N. TAPARIA

Mumbai, 27th July, 2002. Chairman & Managing Director

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ANNEXURE-A TO THE DIRECTORS' REPORT

(Additional Information in terms of Notification No. 1029 of 31.12.1988 issued by the Department of Company Affairs)

FORM-A (Rule-2)

DISCLOSURES

A) CONSERVATION OF ENERGY

(a) Energy conservation measures taken :

- * Reduction of heat losses of electrically heated furnaces by providing proper insulation.
- * Reduction of furnace oil consumption per ton of steel through following measures :
 - Close monitoring of process and controlling leakages.
 - Increased efficiency of furnaces by maintaining proper temperature of furnace oil.
 - Providing smaller sizes of furnaces according to the size of blanks to be heated.
- * Reduction of air leakages.
- * Continuous monitoring and improving power factor and controlling maximum demand for optimum utilisation of electrical energy.
- * Reduction in water consumption by carrying out effluent treatment and using the treated water for gardening.

(b) Additional Investments and proposals being implemented for reduction of consumption of energy :

- * Exploration of energy efficient oil fired furnaces and induction furnaces, in place of existing salt bath furnaces.
- * Monitoring and controlling above measures as given in (a) for continual improvement of efficiency.

(c) Impact of the measures at (a) and (b) for reduction of energy consumption and consequent impact on the cost of production of goods :

- * The measures at (a) and (b) have led to reduction in consumption of fuel and electricity in addition to improvement of productivity.

(d) Total energy consumption and energy consumption per unit of production as per Form-A.

(A) Power/fuel consumption :-

1. Electricity :

(a) Purchased :

Unit (Lakh KWH)	49.46	52.40
Amount (Rs. Lakhs)	205.87	220.82
Rate Unit (Rs.)	4.16	4.21

(b) Own Generation :

Unit (Lakh KWH)	---	---
Unit per ltr. of diesel oil	---	---
Rate/Unit (Rs.)	---	---

2. Furnace Oil :

Quantity (KL)	519.00	608.67
Amount (Rs./Lakhs)	57.51	69.57
Average Rate (Rs./Ltr.)	11.08	11.43

(B) Consumption per unit of production :

Electricity (Unit/MT)	3152	3374
Furnace Oil (Ltr/MT)	331	392
Coal	---	---
Others	---	---

B) TECHNOLOGY ABSORPTION

(a) Research and Development

(1) Specific areas in which R & D carried out by the Company :

- * Development of new products, like 19 mm square drive Bihexagonal sockets in five sizes, Ring spanners in 12 sizes, Socket set with Speeder Brace.
- * Development of cup grinding machine instead of cheek grinding machine to reduce process cost.
- * Improvement in products like Ratchet Handle with quick release mechanism, plastic box packing for screw driver bits.
- * Implement cost reduction ideas to reduce the process cost without affecting the quality of the products.
- * Company could implement the system requirements and got certified for ISO 9001 : 1994

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TAPARIA TOOLS LTD.

(2) Benefits derived as a result of the above R & D :

- * The various R & D efforts enabled the company to maintain :
 - Market leadership
 - Widened product range
 - Cost Reduction
 - Improved product quality

(3) Future plan of actions :

- * Implementation of ISO : 9001:2000 system requirements to upgrade the systems and enhance customers satisfaction through continual improvement.
- * To increase market share by adding new products and also widening the range of existing products.

(2) Benefits derived as a result of above efforts :

- * Maintained market leadership in domestic market. Several tangible and intangible benefits are derived such as better control over production cost, productivity and wastage and maintenance and curtailment of maintenance cost.

(3) Technology imported during the last five years :

The Company has not imported any technology from outside.

(4) Foreign Exchange Earnings and outgo :

The Company has continued participation in International Exhibition held at Cologne, Germany and Chicago, U.S.A. during the year under review.

Foreign exchange Earnings : Rs. 2,71,85,088

Foreign Exchange outgo : Rs. 39,04,124

(4) Expenditure on R & D :

a) Capital	Rs. —
b) Recurring	Rs. 26.59 Lakhs
Total	Rs. 26.59 Lakhs

Total R & D Expenditure
as a percentage of total turnover : 0.56 %

(b) Technology absorption, adaptation and innovation:

(1) Efforts, in brief made towards technology absorption, adaptation and innovation :

- * Participation in international exhibitions for additional exports markets and to understand the development in hand tools at international levels.
- * Continuous efforts are made with a objective to achieve development of new products, improvement in productivity, reduction in raw material, power, reduction in product wastage and down time for maintenance and curtailment of maintenance cost.

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AUDITORS' REPORT

TO THE SHAREHOLDERS OF TAPARIA TOOLS LIMITED

1. We have audited the attached Balance sheet of Taparia Tools Limited, as at 31st March, 2002 and also the Profit & Loss Account for the year ended 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.
2. 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 statements presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Manufacturing and other Companies (Auditor's Report) Order, 1988 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph (3) above we report that :
 - a) 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 ;
 - b) 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 the books ;
 - c) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account
 - d) In our opinion, and Balance Sheet the Profit and 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 ;
 - e) On the basis of the written representations received from directors as on March, 31, 2002 and taken on record by the Board of Directors we report that none of the directors of the Company are disqualified as on March, 31, 2002 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
 - f) 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 :
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2002, and
 - ii) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date.

For **BATLIBOI & PUROHIT**
Chartered Accountants

Mumbai
27th July, 2002

K. K. KSHIRSAGAR
Partner

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ANNEXURE TO THE AUDITORS' REPORT

(This is the Annexure referred to in our Report of even date)

In terms of the information and explanations given to us and the books and records examined by us in the normal course of audit and to the best of our knowledge and belief, we state as under :

- i) The Company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets. These fixed assets were physically verified by the Management during the year. We have been informed that no material discrepancies were noticed on such physical verification.
- ii) The stock of finished goods, raw materials, stores and spares have been physically verified during the year by the Management at reasonable intervals, except stock lying with third parties. Confirmation of such stocks with third parties have been obtained by the Company in most of the cases.
- iii) In our opinion, the procedures of physical verification of stocks followed by the Management are reasonable and adequate in relation to the size of the Company and nature of its business.
- iv) The discrepancies noticed on physical verification of stocks as compared to book records were not material, however, the same have been properly dealt with the books of account.
- v) In our opinion and on the basis of our examination of the stock records, the valuation of the stocks is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year.
- vi) The Company has taken loan from Directors listed in the Register maintained under Section 301 of the Companies Act, 1956, the rate of interest and terms & conditions of such loan are not prima facie prejudicial to the interest of the Company. In terms of section 370(6) of the Companies Act, 1956, provisions of the said section are not applicable to a Company on or after 31st October, 1998.
- vii) The Company has not granted any loans, secured or unsecured to companies, firms or other parties listed in the Register maintained under Section 301. In terms of section 370(6) of the Companies Act, 1956, provisions of the said section are not applicable to a Company on or after 31st October, 1998.
- viii) The Company has not granted any loan/deposit in the nature of loan to a Company. The Company has also granted advance in the nature of loans to the employees without interest, which is being generally recovered as stipulated.
- ix) In our opinion, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of stores, raw materials including components, plant & machinery, equipments and other assets and for the sale of goods.
- x) There are transactions for purchase/sale of goods, materials and services, made by the Company in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 aggregating during the year to Rs.50,000/- or more in respect of each party in our opinion, prima facie not prejudicial to the interests of the Company.
- xi) As explained to us, unserviceable or damaged stores, raw materials and finished goods are determined by the Management and adequate provisions have been made in the accounts for the loss so determined.
- xii) The Company has not accepted any deposits from the public.
- xiii) In our opinion, reasonable records have been maintained by the Company for the sale and disposal of scrap. As explained to us, the Company has no by-products.
- xiv) The Company has engaged the services of a practicing Chartered Accountant for the internal audit, which system is, in our opinion, commensurate with the size and nature of its business.