

ANNUAL REPORT 37 2002-2003



Report Junction.com



TAPARIA TOOLS LTD.



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 D.S. Mulla
Shri J.K. Taparia
Shri M.P. Taparia
Shri D.P. Taparia
Smt. Shashi Bangur
Shri R.P. Irani
Shri R.N.R. Malani
Dr. M.G. Nathani - Executive Director

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) 24938646-50, Facsimile : (91) (022) 24953230

Internet Facility

Website: 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



TAPARIA TOOLS LTD.**Shares Listed at :** Stock Exchange, Mumbai **Code No. :** 5685**SHAREHOLDERS' FUNDS**

1967-1968 : Rs. 39.80 Lakhs

2002-2003 : Rs. 1187.20 Lakhs

RATE OF DIVIDEND

1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03
15%	16%	20%	20%	20%	15%	20%	20 %	30 %	60%*

* 40 % Interim (Paid) 20 % Final (proposed)

HIGHLIGHTS

(Rupees in lakhs)

	1998-99	1999-00	2000-01	2001-02	2002-03
FOR THE YEAR					
1. GROSS REVENUE	4345.60	4949.50	4810.00	4778.09	5697.08
2. PROFIT BEFORE TAX	174.86	308.86	200.66	328.71	398.28
3. PROFIT AFTER TAX	123.96	187.86	155.66	174.67	300.82
4. DIVIDEND	45.54	60.72	60.72	91.07	182.14
5. RETAINED EARNINGS	1.95	27.21	21.38	62.79	118.12
6. CASH GENERATION	235.94	301.82	256.89	263.75	378.27
7. FOREIGN EXCHANGE EARNINGS	323.62	301.65	293.50	271.25	205.62
AT YEAR END					
8. GROSS FIXED ASSETS	3012.88	2569.25	2486.01	2490.37	2492.08
9. SHARE CAPITAL	303.57	303.57	303.57	303.57	303.57
10. RESERVES AND SURPLUS	841.86	844.09	884.49	831.47	883.63
11. NET WORTH	1010.88	1078.78	1184.85	1134.37	1186.95
12. BORROWINGS	1141.91	990.32	767.61	136.33	---
13. CAPITAL EMPLOYED	2261.98	2230.37	2161.23	1807.36	1788.08
PER SHARE					
14. NET WORTH PER EQUITY SHARE	33.30	35.54	39.03	37.37	39.09
15. EARNING PER SHARE	6.24	6.19	5.13	5.75	9.81
16. DIVIDEND PER EQUITY SHARE	1.50	2.00	2.00	3.00	6.00
RATIO					
17. DEBT: EQUITY RATIO	3.76	3.26	3.27	2.15	1.96



DIRECTORS' REPORT

To the Members of Taparia Tools Ltd.,

The Directors hereby present their 37th Annual Report on the business operations of the Company and the Financial Accounts for the year ended March 31, 2003.

FINANCIAL RESULTS

	(Rupees in lakhs)	
	Current year	Previous year
Sales (Net)	4875.12	4211.19
Profit before interest and depreciation	543.66	486.97
Interest	67.92	69.18
Gross Profit	475.74	417.79
Depreciation	77.46	89.08
Profit for the year before tax	398.28	328.71
Less: Provision for taxation-Current yr.	97.46	94.04
Provision for taxation-Previous yr.	0.00	60.00
Profit after tax	300.82	174.67
Add :		
Surplus brought forward from previous year	62.79	21.38
	363.61	196.05
Profit available for Appropriations :		
Less :		
General Reserve	40.00	32.90
Dividend on Equity Shares		
Interim (Paid)	121.43	91.07
Final Proposed	60.72	-----
Corporate Dividend Tax	23.34	9.29
Surplus carried to Balance Sheet	118.12	62.79

DIVIDEND

In view of the Company's profitable performance, your Directors recommend final dividend @ Rs.6/- per share on 30,35,750 equity shares of Rs.10/- each for the year ended 31st March, 2003 (Inclusive of interim dividend of Rs.4/- per share already paid), (as compared to Rs. 3/- per share aggregating to Rs. 91.07 lakhs in the previous year). if approved by the members at the Annual General Meeting.

OPERATIONS

The performance of the Company during 2002-03 significantly improved due to various initiative taken by the Management i.e. cost reduction, right sizing the organisation, market share gain, product/process quality improvement and the introduction of new products.

During the year under review, the Company's total sales were Rs. 4875.12 lakhs which represents an increase of 15.77% over the sale of Rs. 4211.19 Lakhs in the previous year. Profit earned after tax in the current year was Rs. 300.82 Lakhs against Rs. 174.67 Lakhs in the previous year.

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

CORPORATE GOVERNANCE

As per Clause 49 of the Listing Agreement with The Mumbai Stock Exchange, a separate section on Corporate Governance and Management Discussion and Analysis together with a Certificate from the Company's Auditors confirming compliance is set out in the annexure forming part of this report.

CERTIFICATE OF COMPLIANCE FOR ISO 9001:2000

The Company worked on the upgradation of Quality Management System and your Company has been assessed by International Certification Services (Asia) Pvt. Ltd. and registered as complying with the requirements of the International Quality Standards - ISO 9001:2000. This is the upgradation of ISO 9001:1994.

The Quality Management System is applicable to Design, Development, Manufacture and Marketing of durable and reliable hand tools and other Products. The Company got the Certificate of Compliance in this regard and is valid upto 29th October, 2005.

TAPARIA TOOLS LTD.

PERSONNEL

During the year, the Company signed a four year wage settlement agreement with Union. The Company appreciates and recognizes the constructive role, understanding and the support of the Union.

The industrial relations with employees continued to be satisfactory during the year under review. There was no employee drawing salary more than Rs. 2,00,000/- per month or Rs. 24,00,000/- 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.

DIRECTORS

Shri P. N. Shah, Shri Hari Bhushan, Shri D. S. Mulla, Shri M. P. Taparia, Shri D. P. Taparia and Shri M. V. Gore, Directors of the Company retire by rotation and being eligible, offer themselves for re-appointment. It is proposed to continue Shri R. N. R. Malani as Non-executive Director of the Company w.e.f. 01-04-2003.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed that:

- 1 in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to the material departures;
- 2 the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are 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 of the Company for the year under review;
- 3 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;
- 4 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.

ENERGY, TECHNOLOGY AND FOREIGN EXCHANGE

Information on conservation of energy, technology absorption, foreign exchange earnings and outgo required to be given pursuant to section 217(1)(e) of the Companies Act, 1956 read together with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 is annexed hereto and 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	547.48
b) Sales Tax	275.40
c) Octroi & Municipal Taxes	37.00
d) Advance Tax paid and Income Tax Deducted at Source on Salaries, Interest, payments to Contractors, Service contracts and Corporate Dividend tax, etc.	147.55
Total	1007.43

TRANSFER OF REGISTERED OFFICE

It is proposed to transfer the Registered office of the Company from Mumbai to Nashik for administrative convenience. Necessary papers and postal ballot forms will be forwarded to you for your consideration and approval.

ACKNOWLEDGMENTS

The Directors wish to convey their 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.

The Directors would also like to thank the bankers, Central & State Government, local authorities, customers, dealers, suppliers and all other business associates for the continuous support given by them to the Company and their confidence in its management.

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, 29th July, 2003 Chairman & Managing Director

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 :
 - i) carrying out relining of furnaces
 - ii) providing covers over open bath of salt bath furnaces.
- * Reduction of furnace oil consumption per ton of steel through following measures :
 - Close monitoring of process and controlling leakages from pipe line joints, burners.
- * Reduction of airline leakages.
- * Continuous monitoring and improving power factor
- * 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 :

- * The systematic planning of production activity to optimise the utilisation of furnaces and reduce the heat losses.
- * To continue exploration of energy efficient furnaces in place of existing salt bath furnaces.

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

Continuous efforts for conservation of energy have increased the awareness at all levels and reduced the consumption of valuable resources.

(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)	50.81	49.46
Amount (Rs.Lakhs)	199.77	205.87
Rate/Unit (Rs.)	3.92	4.16

(b) Own Generation :

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

2. Furnace Oil :

Quantity (KL)	582.00	519.00
Amount (Rs./Lakhs)	76.45	57.51
Average Rate(Rs./Ltr.)	13.14	11.08

(B) Consumption per unit of production :

Electricity (Unit/MT)	2955	3152
Furnace Oil (Ltr/MT)	338	331
Coal	---	---
Others	---	---

B) TECHNOLOGY ABSORPTION

(a) Research and Development

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

The in-house full-fledged R & D Department is committed to launch new products in shortest possible time to the Company ahead following products were launched during during the year.

- Internal and external circlip pliers in straight and bend type.
- Soft grips for all sizes for adjustable spanners
- Vice Grip Pliers
- Light duty water pump pliers
- Torx screw drivers in nine sizes.

TAPARIA TOOLS LTD.

The Company continued its efforts in implementing cost reduction ideas and to improve the quality of existing products.

Company could implement the quality management system requirements and got certified for ISO 9001 : 2000.

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

The implementation of 9001:2000 quality management systems enabled the Company to improve the product quality alongwith the reduction of rejection and rework.

The Company could continue its market leadership through timely launching of new products and improving the aesthetics as well as the functional parameters of the existing products.

(3) Future plan of actions :

- * To continue the introduction of new products and widening the product range at a still faster pace.
- * Enhance the customers satisfaction through continual improvement in each and every activity.
- * Concentrate on marketing and sales promotion for both indigenous and export markets.

(4) Expenditure on R & D :

a) Capital	:	Rs. —
b) Recurring	:	Rs. 25.68 Lakhs
c) Total	:	<u>Rs. 25.68 Lakhs</u>

d) Total R & D Expenditure as a : 0.48 %
percentage of total turnover

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

- * The Company continued its participation in international exhibitions for additional exports markets.
- * The Company is set to make "TAPARIA" a household name world over, through continuous efforts for marketing and by producing improved quality tools at reduced costs.

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

- * Increased product range
- * Increased quality awareness
- * Increased cost awareness
- * Increased efficiency and effectiveness

(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. 2,05,62,174

Foreign Exchange outgo : Rs. 30,06,780



MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

Your Company has performed remarkably well during the year under review. The profit before tax for the year has been the highest so far in the history of the Company, despite stagnant domestic demand and difficult international market.

The gross turnover was higher at Rs. 4875.12 Lakhs (Rs. 4211.19 Lakhs). Profit before tax was substantially higher at Rs. 398.28 lakhs (Rs. 328.71 lakhs). Net profit after provision of Income Tax was Rs. 300.82 Lakhs. (Rs. 174.67 lakhs).

BUSINESS OF THE COMPANY

Your Company is mainly engaged in the business of manufacturing and trading of hand tools.

INDUSTRY STRUCTURE AND DEVELOPMENTS

In the Rs. 80-100 crores organised hand tool market, your Company continues to hold a major share of the market going upto 80% for some of its products. This is despite the fact that our products command a premium of 10 to 40% in different product categories over competition.

While the domestic market has been its primary thrust, Company has also been successful in exporting its products to Hongkong, Thailand, U.K., Denmark, Sweden, Norway and Argentina, etc. Though total sales increase last year, exports witnessed negative growth largely due to economic crashing in Argentina and Uruguay. To promote its products in the international market, the Company takes part in large trade fair in Germany and US.

While the Company had so far confined itself to dealers and distributors it has now embarked on a marketing strategy to go a step further and build relationships with the retailers.

Over the years, the product range has expanded by developing various tools to cover the entire gamut of hand tools requirements, thereby giving it edge over its competitors.

OPPORTUNITIES AND THREATS

Margins are continuing to be under pressure owing to the global economic recession, Iraq war, rising prices of major inputs like steel, fuel, electricity, labour, the threats are because of there being no level playing field. Therefore import of cheaper hand tools with unscrupulous tarnish practices.

The Company is taking appropriate steps to meet the rising costs by effecting cost reduction on all fronts to maintain costs and competitiveness in the difficult domestic and overseas markets.

INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY

The Company has instituted adequate internal control procedure commensurate with the nature of its business and the size of its operations. An Audit Committee consisting of five independent, non-executive directors is in place. Internal audit is conducted at regular intervals and covers the key areas of operations. All significant audit observations and follow-up actions thereon are reported to the Audit Committee. The Audit Committee met four times during the financial year under review.

MATERIAL DEVELOPMENTS IN HUMAN RESOURCES/INDUSTRIAL RELATIONS

Industrial relations at the Company's Works remained cordial throughout the year. During the year, the Company signed a four year Wage Settlement with its Union at Nasik.

CAUTIONARY STATEMENT

Statement in this Management discussion and Analysis describing the Company's objectives, projections, estimates, expectations or predictions may be "forward-looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied, important factors that could make a difference to the Company's operations include raw material availability and prices, cyclical demand and pricing in the Company's principal markets, changes in Government regulations, tax regimes, economic developments within India and the countries in which the Company conducts business and other incidental factors.



TAPARIA TOOLS LTD.**REPORT ON CORPORATE GOVERNANCE FOR THE FINANCIAL YEAR 2002-03**

(Pursuant to Clause 49 of the Listing Agreement entered into with the Stock Exchange)

1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

Taparia Tools's philosophy on corporate governance is founded upon a rich legacy of fair and transparent business practices. The Corporate governance philosophy has been further strengthened with effective management control by Board. The Board of Directors has adequate representation of promoters, executives and independent directors. Employees have accountability for performance. The Board is also monitoring the performance of executives. The Company is also making compliances of all laws. The Company discloses its financial and management information timely. The Company is in full compliance with the requirement under Clause 49 of Listing Agreement with the Stock Exchange.

2 BOARD OF DIRECTORS**Composition of Board :**

As on 31st March, 2003, the Board of directors comprises of twelve Directors. Out of which, four are promoter Directors. Non-Executive Directors constitute more than half of the total number of Directors. The Company has Executive Chairman who is also functioning as Managing Director.

Number of Board Meetings :

During the year under review, 4 Board Meetings were held on April 27, 2002, July 27, 2002, October 26, 2002 and January 29, 2003.

Details about Taparia Tools Ltd. Board of Directors :

Name of Director	Position	FY.2002-03 Attendance at		Directorships in other Companies
		BM	Last AGM	
Shri H.N. Taparia	Executive Chairman & MD, Promoter	4	Yes	8
Shri Hari Bhushan	Non-Executive, Independent	3	No	4
Shri M.V. Gore	Non-Executive, Independent	3	No	1
Shri P.N. Shah	Non-Executive, Independent	4	No	8
Shri D.S. Mulla	Non-Executive, Independent *	2	No	
Shri J.K. Taparia	Non-Executive, Promoter	4	Yes	3
Shri M.P. Taparia	Non-Executive, Promoter	3	No	6
Shri D.P. Taparia	Non-Executive, Promoter	4	Yes	4
Smt. Shashi Bangur	Non-Executive, Independent	-	No	9
Shri R.P. Irani	Non-Executive, Independent	2	No	1
Dr. M.G. Nathani	Executive Director	4	No	2
Shri R.N.R. Malani	Executive Director	3	Yes	1

* Appointed as an Additional Director effective 27-07-2002.



Shri P. N. Shah, Shri Hari Bhushan, Shri D. S. Mulla, Shri M. V. Gore, Shri D.P. Taparia and Shri M.P. Taparia are liable to retire by rotation and being eligible offer themselves for re-appointment. Information as required under Clause 49 (VI) of the Listing Agreement is annexed to the Notice of the AGM.

3. AUDIT COMMITTEE

Audit Committee of the Company was constituted in July 2002. The Committee comprises of five members namely, Shri M.V. Gore, Chairman, Shri Hari Bhushan, Shri P.N. Shah, Shri D.S. Mulla and Shri R.P. Irani.

All the members of the Audit Committee are independent and non-executive Directors. They have good exposure to finance as well as general management. The meetings of the Audit Committee are usually chaired by Shri M.V. Gore, Chartered Accountant.

During the year under review, five Audit Committee Meetings were held on April 27, 2002, July 27, 2002, October 26, 2002, December 7, 2002 and January 29, 2003.

Details about audit committee meetings :

Name of the Director	No. of meetings held	No. of Meetings attended
Shri M.V. Gore	4	3
Shri Hari Bhushan	4	3
Shri P.N. Shah	4	4
Shri D.S. Mulla	4	2
Shri R.P. Irani	4	3

The External auditors of the Company are invited to join the audit committee meetings. Dr. M.G. Nathani, Executive director was invited to attend the meetings.

The Audit Committee has adequate powers and detailed terms of reference to play effective role as required under the provisions of the Companies Act, 1956 and clause 49 of the Listing Agreement of Mumbai Stock Exchange.

The Terms of reference of the Audit Committee include : Overseeing the Company's financial reporting process and the disclosure of its financial information

- * Recommending appointment and removal of the external auditors, fixing of audit fees and approving payments for any other services.
- * Reviewing quarterly, half-yearly and annual financial statements with primary focus on accounting policies and practices, compliance with accounting standards and stock exchange and legal requirements concerning financial statements.
- * Reviewing adequacy of functions of external and internal auditors
- * Reviewing adequacy of internal control systems and reviewing the Company's financial and risk management policies.
- * Discussing with internal auditors any significant findings and follow up thereon.
- * Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- * Reviewing with external auditors before the audit commences nature and scope of audit as well as have post audit discussions to ascertain any area of concern.
- * Looking into the reasons for substantial defaults in the payments to the depositors, debentureholders, shareholders (in case of non payment of declared dividends) and creditors.

