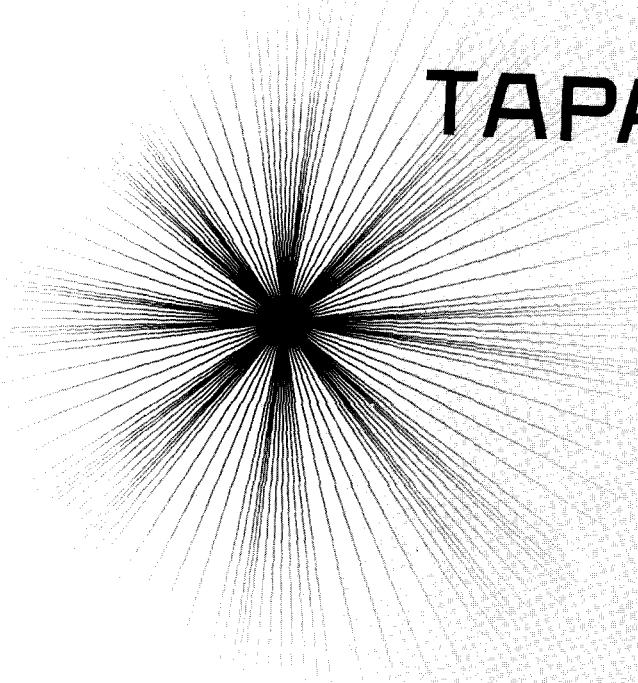
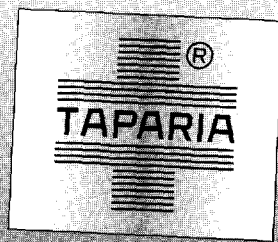


TAPARIA TOOLS LTD.



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38TH ANNUAL REPORT
2003-2004



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
Shri Virendra 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

Corporate Office

423/24, (A-2), Shah & Nahar, Lower Parel (W), Mumbai - 400 013.
Telephone : (91) (22) 24938646-50, Facsimile : (91) (22) 24953230

Registered Office

52 & 52B, MIDC Area, Trimbak Road, Satpur, Nashik - 422 007, (Maharashtra)
Telephone : (0253) 2350317/2350318/2350418, Facsimile : (0253) 2350740

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)



TAPARIA TOOLS LTD.

Shares Listed at : Stock Exchange, Mumbai

Code No. : 5685

SHAREHOLDERS' FUNDS

1967-1968 : Rs. 39.80 Lakhs

2003-2004 : Rs. 1248.98 Lakhs

RATE OF DIVIDEND

Year	Equity Dividend	Year	Equity Dividend
1993-1994 :	15%	1999-2000 :	20%
1994-1995 :	16%	2000-2001 :	20%
1995-1996 :	20%	2001-2002 :	30%
1996-1997 :	20%	2002-2003 :	60%
1997-1998 :	20%	2003-2004 :	65%
1998-1999 :	15%		

HIGHLIGHTS

(Rupees in lakhs)

	99-2000	2000-01	2001-02	2002-03	2003-04
FOR THE YEAR					
1. GROSS REVENUE	4949.50	4810.00	4778.09	5697.08	6788.13
2. PROFIT BEFORE TAX	308.86	200.66	328.71	398.28	431.20
3. PROFIT AFTER TAX	187.86	155.66	174.67	300.82	294.84
4. DIVIDEND	60.72	60.72	91.07	182.14	197.32
5. RETAINED EARNINGS	27.21	21.38	62.79	118.12	150.36
6. CASH GENERATION	301.82	256.89	263.75	378.27	363.90
7. FOREIGN EXCHANGE EARNINGS	301.65	293.50	271.25	205.62	281.60
AT YEAR END					
8. GROSS FIXED ASSETS	2569.25	2486.01	2490.37	2492.08	2510.72
9. SHARE CAPITAL	303.57	303.57	303.57	303.57	303.57
10. RESERVES AND SURPLUS	844.09	884.49	831.47	883.63	945.41
11. NET WORTH	1078.78	1184.85	1134.37	1186.95	1248.75
12. BORROWINGS	990.32	767.61	136.33	-	84.87
13. CAPITAL EMPLOYED	2230.37	2161.23	1807.36	1799.56	2177.70
PER SHARE					
14. NET WORTH PER EQUITY SHARE	35.54	39.03	37.37	39.09	41.13
15. EARNING PER SHARE	6.19	5.13	5.75	9.91	9.71
16. DIVIDEND PER EQUITY SHARE	2.00	2.00	3.00	6.00	6.50
RATIO					
17. DEBT : EQUITY RATIO	3.26	3.27	2.15	1.96	2.90



DIRECTORS' REPORT

To the Members of Taparia Tools Ltd.,

The Directors hereby present their 38th Annual Report on the business and operations of the Company and the Financial Accounts for the year ended March, 31, 2004.

FINANCIAL RESULTS

(Rupees in lakhs)

	Current year	Previous year
Sales (Net)	5888.71	4875.12
Profit before interest and depreciation	609.49	543.66
Interest	109.23	67.92
Gross Profit	500.26	475.74
Depreciation	69.06	77.46
Profit for the year before tax	431.20	398.28
Less : Provision for taxation	136.36	97.46
Profit after tax	294.84	300.82
Add : Surplus brought forward from previous year	118.12	62.79
Profit available for Appropriations :	412.96	363.61
Less : General Reserve	45.00	40.00
Dividend on Equity Shares	197.32	182.15
Corporate Dividend Tax	25.28	23.34
Surplus carried to the Balance Sheet	145.36	118.12

DIVIDEND

In view of the Company's reasonably profitable performance, your Directors wish to inform you that the company has paid interim dividends @ Rs.6.50 per share on 30,35,750 equity shares of Rs.10/- each for the year ended 31st March, 2004 (as compared to Rs. 6/- per share aggregating to Rs.182.15 lakhs in the previous year). In view of this, no final dividend is proposed.

OPERATIONS

The performance of the Company during 2003-04 significantly improved due to various initiatives 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.5888.71 lakhs which represents an increase of 20.79% over the sale of Rs. 4875.12 Lakhs in the previous year.

Profit earned after tax in the current year is Rs. 294.84 Lakhs against Rs. 300.82 Lakhs in the previous year.

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

The Company has opened a branch office in U.K. named "TAPARIA EUROPE" which was started on 25th March, 2003 and started operations from 01-08-2003. Taparia Europe's principle activity was to sell of hand tools manufactured by the Company.

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.

PERSONNEL

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, the requirement of 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

Smt. Shashi Bangur resigned from the Board w.e.f. 28-07-2004. The Directors wish to place on record their appreciation of the contribution made by Smt. Shashi Bangur during her tenure as Director of the Company.

Shri Virendra Bangur was appointed as an Additional Director of the Company with effect from 28th July, 2004. Shri Virendra Bangur will hold office under section 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 a Member signifying his intention to propose the candidature of Shri Virendra Bangur as a Director of the Company.

Shri J.K. Taparia, and Shri R.P. Irani, Directors of the Company retire by rotation and being eligible, offer themselves for re-appointment.

TAPARIA TOOLS LTD.

CHANGE IN REGISTERED OFFICE

The Postal Ballot Process for change in the location of Registered Office from existing location at 423/24 (A-2), Shah & Nahar, Lower Parel (W), Mumbai - 400 013 to Nashik at 52 & 52B, MIDC Area, Satpur, Nashik - 422 007, was completed. The said change in the Registered Office is effective from 01-05-2004.

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 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's revenues during the year :

	(Rs.in Lakhs)
a) Excise Duty	548.49
b) Sales Tax	287.89
c) Octroi & Municipal Taxes	41.32
d) Advance Tax paid and Income Tax : Deducted at Source on Salaries, Interest, payments to Contractors, Service contracts and Corporate Dividend tax, etc.	199.02
Total	1076.72

DELISTING OF SHARES

The Directors have proposed that shares should be delisted from Mumbai Stock Exchange. Generally the transfers are on private sell basis only. There is no dealing of shares in the share market. Hence, the purpose of listing the shares is not fulfilled, considering the cost of maintaining the listing of shares on The Mumbai Stock Exchange. The resolution is being placed for approval of Shareholders.

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 has achieved.

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 for their confidence in its management.

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

On behalf of the Board of Directors

H. N. Taparia
Chairman &

Mumbai, 4th September, 2004

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 :

- * Increased efficiency of oil fired furnaces by :
 - i) Introducing continuous loading system in place of batch type loading
 - ii) Installing recuperators to use the heat from flue gases for pre heating of blower air.
- * Reduced heat losses by minimising the gaps between the furnace doors and heating chambers of electrically operated furnaces
- * Improved power factor by continuous monitoring and installation of balancing capacitors
- * Replacing of plastic pipes by G.I. Pipes for avoiding the wastage of water, resulting because of damaged plastic pipes.

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

- * Exploration of continuous heating and pumping unit for furnace oil, to increase the material heating efficiency.
- * Exploration of continuous tempering furnace, in place of batch type furnace.

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

Monitoring and controlling of consumption of different items by specific task force has helped to reduce the consumption of different 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)	53.60	50.91
Amount (Rs.Lakhs)	206.48	199.77
Rate/Unit (Rs.)	3.85	3.92

(b) Own Generation :

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

2. Furnace Oil :

Quantity (KL)	594.17	582.00
Amount (Rs./Lakhs)	77.68	76.45
Average Rate(Rs./Ltr.)	13.07	13.14

(B) Consumption per unit of production:

Electricity (Unit/MT)	3042	2955
Furnace Oil (Ltr./MT)	337	338
Coal	—	—
Others	—	—

B) TECHNOLOGY ABSORPTION

(a) Research and Development

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

Company has extended the concept of R & D for the entire Company in place of a single Department to make every body contribute to the R & D requirements.

This has resulted in still faster development of new products and process.

Following products were launched during the year:

- 3/4 drive non reversible ratchet handle
- Blue Band on entire Socket range
- Entire range/sizes of impact Sockets
- Bigger size light duty water pump pliers
- Moulds for hangers and boxes for Allen Key Sets.
- WW series of Double end spanners and Ring Spanners.

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

The Company is able to maintain the market



TAPARIA TOOLS LTD.

share.

The Company could sustain the increased cost of inputs and continued to give better looking and better performing products to the customers.

(3) Future plan of actions :

To concentrate on quality of the products and continuously improve the products in all aspects.

Create a high reputation in international market.

Increase the efficiency of human resources by applying modern management techniques.

(4) Expenditure on R & D :

a) Capital	:	Rs. —
b) Recurring	:	Rs. 26.05 Lakhs
c) Total	:	Rs. 26.05 Lakhs
d) Total R & D Expenditure as a	:	0.44 %
		percentage of total turnover

(b) Technology absorption, adaptation and innovation:

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

- * The Company is concentrating on expanding international market by exploring new regions and through participation in different international trade exhibitions and meetings.

The Company is exploring on different measures to increase the recognition of TAPARIA Brand Name in national and international market.

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

- * The Company has added new products at a much faster speed than ever before.
- * Improved quality of packing by continuous changing and improving the packing type and design.
- * Reduced the cost through continuous monitoring and control of consumption of consumables, rejection and rework.
- * Increased the overall organisational efficiency through human resource development.

(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. and elsewhere during the year under review.

Foreign exchange Earnings: Rs. 2,81,59,681
Foreign Exchange outgo : Rs. 33,74,057



MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

Your Company has performed well during the year under review. The profit before tax for the year has been good, despite constraints in domestic market and difficult export.

Aggregate revenues grew by 21% year-on-year(YoY) while operating profit soared by 12% in FY04.

BUSINESS OF THE COMPANY

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

INDUSTRY STRUCTURE AND DEVELOPMENTS

In the Rs.80-100 crores organized domestic handtools markets your Company continue 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.

Though the domestic market has been its primary thrust, Company has also been successful in continue to export its products to Hongkong, Thailand, U.K., Denmark, Sweden, Norway and Argentina, etc. To promote its products in the international market, the Company takes part in large trade fair in Germany and US and elsewhere.

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

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

OPPORTUNITIES AND THREATS

Margins are under pressure owing to the global economic factors, rising prices of major inputs like steel, fuel, electricity, labour and also cheaper imports etc.

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

INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY

The Company has in place adequate systems of internal control and documented procedures covering all financial and operating functions. This has been designed to provide reasonable assurance with regard to maintaining proper accounting control, monitoring economy and efficiency of operations and ensuring reliability of financial and operational information.

Clearly defined roles and responsibilities down the line for all managerial positions have been institutionalised. Regular internal audits and checks ensure that responsibilities are executed effectively. The Audit Committee of Board of Directors actively reviews the adequacy and effectiveness of internal control systems and suggests improvements for strengthening them. The Company has strong Management Information System, which is an integral part of control mechanism.

MATERIAL DEVELOPMENTS IN HUMAN RESOURCES/INDUSTRIAL RELATIONS

Industrial relations at the Company's works remained co-operative and those of understanding throughout the year.

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 2003-04**

(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, 2004, the Board comprises of twelve Directors. Out of whom, four are promoter Directors. Non-Executive Directors constitute more than half of the total number of Directors. The Company has Executive Chairman and is also functioning as Managing Director.

Number of Board Meetings :

During the year under review, 5 Board Meetings were held on April 26, 2003, July 29, 2003, October 22, 2003, January 31, 2004 and February 14, 2004.

Details about Taparia Tools Ltd. Board of Directors :

Name of Director	Position	FY.2003-04		
		Attendance at		Directorships in other Companies
		BM	Last AGM	
Shri H.N. Taparia	Executive Chairman & MD, Promoter	5	Yes	9
Shri Hari Bhushan	Non-Executive, Independent	3	No	2
Shri M.V. Gore	Non-Executive, Independent	5	No	1
Shri P.N. Shah	Non-Executive, Independent	5	No	8
Shri D.S. Mulla	Non-Executive, Independent	4	No	7
Shri J.K. Taparia	Non-Executive, Promoter	4	Yes	3
Shri M.P. Taparia	Non-Executive, Promoter	4	Yes	7
Shri D.P. Taparia	Non-Executive, Promoter	5	Yes	6
Smt. Shashi Bangur	Non-Executive, Independent	-	No	7
Shri R.P. Irani	Non-Executive, Independent	3	No	-
Shri R.N.R. Malani	Non-Executive, Independent	3	Yes	-
Dr. M.G. Nathani	Executive Director	4	Yes	1

Shri J K Taparia, and Shri R P Irani 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.

Shri Virendra Bangur, was appointed as an additional Director of the Company by the Board of Directors on 28-07-2004 and he ceases to hold office under section 260 of the Companies Act, 1956 on conclusion of the Annual General Meeting. The Company has received a notice in writing proposing his candidature for the office of Director.



3. AUDIT COMMITTEE

The 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, four Audit Committee Meetings were held April 26, 2003, July 29, 2003, October 22, 2003 and January 31, 2004.

Details about audit committee meetings :

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

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.

4. SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE :

The shareholders/investors grievance committee has been functioning since May 1994. Shri H.N. Taparia is a Chairman of the committee, Dr. M. G. Nathani, Executive Director and Shri R N R Malani, Director are members. The Committee reviews and deals as under :

- transfer/transmission of shares
- issue of duplicate share certificates
- split of share certificates