

# 39th ANNUAL REPORT 2004 - 2005



# 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  
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) (022) 24938646-50, Facsimile : (91) (022) 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](mailto: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

2004-2005 : Rs. 1246.25 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%	2004 - 2005 :	65%

**HIGHLIGHTS**

(Rupees in lakhs)

	2000-01	2001-02	2002-03	2003-04	2004-05
<b>FOR THE YEAR</b>					
1. GROSS REVENUE	4810.00	4778.09	5697.08	6788.13	7476.35
2. PROFIT BEFORE TAX	200.66	328.71	398.28	431.20	323.64
3. PROFIT AFTER TAX	155.66	174.67	300.82	294.84	232.72
4. DIVIDEND	60.72	91.07	182.14	197.32	197.32
5. RETAINED EARNINGS	21.38	62.79	118.12	145.36	119.96
6. CASH GENERATION	256.89	263.75	378.27	363.90	290.06
7. FOREIGN EXCHANGE EARNINGS	293.50	271.25	205.62	281.60	295.48
<b>AT YEAR END</b>					
8. GROSS FIXED ASSETS	2486.01	2490.37	2492.08	2510.72	2528.71
9. SHARE CAPITAL	303.57	303.57	303.57	303.57	303.57
10. RESERVES AND SURPLUS	884.49	831.47	883.63	945.41	942.68
11. NET WORTH	1184.85	1134.37	1186.95	1248.75	1246.25
12. BORROWINGS	767.61	136.33	-	84.87	133.62
13. CAPITAL EMPLOYED	2161.23	1807.36	1799.56	2177.70	1596.19
<b>PER SHARE</b>					
14. NET WORTH PER EQUITY SHARE	39.03	37.37	39.09	41.13	41.05
15. EARNING PER SHARE	5.13	5.75	9.91	9.71	7.67
16. DIVIDEND PER EQUITY SHARE	2.00	3.00	6.00	6.50	6.50
<b>RATIO</b>					
17. DEBT: EQUITY RATIO	3.27	2.15	1.96	2.90	1.12

## DIRECTORS' REPORT

To the Members of Taparia Tools Ltd.,

The Directors hereby present their 39th Annual Report on the business and operations of the Company and the Financial Accounts for the year ended March, 31, 2005.

### FINANCIAL RESULTS

( Rupees in lakhs )

	Current year	Previous year
Sales (Net)	6422.34	5888.71
Profit before interest and depreciation	433.40	609.49
Interest	52.42	109.23
Gross Profit	380.98	500.26
Depreciation	57.34	69.06
Profit for the year before tax	323.64	431.20
Less : Provision for taxation	90.92	136.36
Profit after tax	232.72	294.84
Add : Surplus brought forward from previous year	145.36	118.12
Profit available for Appropriations :	378.08	412.96
Less :		
General Reserve	35.00	45.00
Interim Dividend on Equity Shares	197.32	197.32
Corporate Dividend Tax	25.79	25.28
Surplus carried to Balance Sheet	119.97	145.36

### INTERIM DIVIDEND

In view of the Company's reasonable profit performance, your Directors wish to inform you that the Company has paid an interim dividend @ Rs.6.50 per share on 30,35,750 equity shares of Rs.10/- each for the year ended 31st March, 2005 in four installments, aggregating to Rs.197.32 lakhs. (2003-04 : on 30,35,750 equity shares at Rs. 6.50 per share). In view of this, no final dividend is proposed.

### OPERATIONS

In continuance to various initiatives taken by the Management for improvement of the performance of the Company from

the last year, i.e. cost reduction, right sizing the organisation, gaining the market share, carrying out improvements in product and process quality and the introduction of new products, a new concept of TPM was introduced in the Company with an aim of Total Productive Maintenance. The result of the same will be noticed gradually in the years to come.

During the year under review, the Company's total sales were Rs.6422.34 lakhs which represent an increase of 9.06% over the sale of Rs. 5888.71 Lakhs in the previous year.

Profit earned after tax in the current year was Rs. 232.72 Lakhs against Rs. 294.84 Lakhs in the previous year.

In view of the very steep increase in the cost of principal raw material i.e. Steel and introduction of new tax regime VAT i.e. multipoint tax against the earlier sales tax and particularly by not revising the prices of finished goods commensurate with the rising input costs, the current year's results would appear to be satisfactory.

The Company has taken a decision to close the branch office in UK viz. "TAPARIA EUROPE", due to its uneconomic operations.

### 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 cordial and satisfactory during the year under review.

There was no employee drawing salary of 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

Shri M.P. Taparia, Shri D.P. Taparia and Shri R.N.R. Malani, Directors of the Company retire by rotation and being eligible, offer themselves for re-appointment.

**TAPARIA TOOLS LTD.****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 and for safeguarding the assets of the Company and for preventing and detecting frauds 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, Chartered Accountants, 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	620.78
b) Sales Tax	265.93
c) Octroi & Municipal Taxes	43.95
d) Advance Tax paid and Income Tax Deducted at Source on Salaries, Interest, payments to Contractors, Service contracts, Corporate Dividend tax, etc.	366.63
<b>Total</b>	<b>1297.29</b>

**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 Governments, 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 the Company in them.

On behalf of the Board of Directors

**H. N. Taparia**  
Chairman &  
Managing Director

Mumbai, 30th June, 2005

## 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 :

The Company has always been conscious of the need for conservation of energy. The energy conservation activity carried out at plant and offices of the Company is aimed at effective management and gainful utilisation of energy resources.

- i) Company has installed continuous heating and pumping unit for furnace oil, which has resulted in saving in consumption of furnace oil thereby reduction in losses and improved efficiency of blank heating.
- ii) Company has installed a continuous operation tempering furnace alongwith a washing equipment, in place of earlier batch type tempering operation.
- iii) Reduction in consumption of hydraulic oil by providing proper guards on machines, stopping leakages and through training and education of concerned personnel.

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

- i) Training and education of all the personnel to increase the awareness about the valuable natural resources like electricity, water, oil, etc.
- ii) To implement total preventive maintenance techniques, 5-S concepts and other management techniques for reducing wastages and losses.

##### (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 above measures have resulted in energy saving and consequent reduction in cost of production.

##### (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)	54.75	53.60
Amount (Rs.Lakhs)	196.77	206.48
Rate/Unit (Rs.)	3.59	3.85

##### (b) Own Generation :

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

##### 2. Furnace Oil :

Quantity (KL)	611.33	594.17
Amount (Rs./Lakhs)	83.47	77.68
Average Rate(Rs./Ltr.)	13.65	13.07

#### (B) Consumption per unit of production :

Electricity (Unit/MT)	2867	2916
Furnace Oil (Ltr./MT)	320	323
Coal	—	—
Others	—	—

#### B) TECHNOLOGY ABSORPTION

##### (a) Research and Development

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

The Company has initiated a Programme to expand its range of Hand Tools to meet the varied needs of market by providing a wide range of products to its customers. As a part of this programme, a new range of Hand Tools is being introduced utilising the Company's brand identity. The Company has focused on the customers requirements and satisfaction and is committed to it.

Following products were launched during the year :

- Straight jaw design vice grip pliers
- Adapters for use of 1/2" & 3/4" drive Sockets and Socket Accessories together
- New Design Box for Screw Driver Sets
- 3/4" Drive Socket Set
- Additional sizes of Philips Screw Drivers
- New design Screw Driver hangers
- 2 piece design hangers for Allen Key sets
- Bit Drivers

**TAPARIA TOOLS LTD.****(2) Benefits derived as a result of the above R & D :**

The Company is able to increase the market share because of increased product range and maintained competitive edge.

**(3) Future plan of actions :**

- \* Continue to expand the product range at a faster pace.
- \* Concentrate on human resource development to improve the organisation efficiency on all fronts. Company has decided to implement Total Productive Maintenance technique by appointing a Consultant for the same.
- \* To increase the productivity without compromising quality.
- \* Continual improvement in existing products in all aspects.

**(4) Expenditure on R & D :**

a) Capital	: Rs. —
b) Recurring	: <u>Rs. 23.44 Lakhs</u>
c) Total	: <u>Rs. 23.44 Lakhs</u>
d) Total R & D Expenditure as a percentage of total turnover	: 0.36%

**(b) Technology absorption, adaptation and innovation:**

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

- \* Visits to different parts of the World for increasing the foreign customers.

- \* Increased interaction with foreign customers through Meetings during the participation in trade of international exhibitions.
- \* Use of Modern telecommunication techniques for faster communication with all indigenous and foreign customers.

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

- \* Increased customer satisfaction, through prompt correspondence with the help of modern communication facilities.
- \* Better understanding of customer requirements from different parts of the world.

**(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 Exhibitions held at, Cologne-Germany, Guadalajara-Mexico, Las Vegas-U.S.A., Dar Es Salaam-Tanzania, Nairobi-Kenya, Kampala-Uganda, and Chicago, U.S.A. during the year under review.

Foreign exchange Earnings	: Rs. 2,95,47,873
Foreign Exchange outgo	: Rs. 56,09,162





## MANAGEMENT DISCUSSION AND ANALYSIS

### OVERVIEW

It was yet another satisfactory year for your Company, in spite of increase in principal raw material cost i.e. Steel, and unable to increase the prices of the products commensurate with the increased costs due to existence of highly competitive market both at domestic and International market.

Aggregate revenues grew by 9% year-on-year (YoY).

### 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

The Company is the leading manufacturer of Hand Tools in India and has produced wide range of multiple products.

At present, the organised domestic hand tools market in our country is of Rs. 80-100 crores. Your Company continued to hold a major share of the market going upto 80% for some of its products. This has been achieved on account of first class quality, timely delivery, competitive prices, and prompt sales service. Which is why we continue to enjoy the position of leadership unabated.

The Company has not only concentrated on domestic market, but also keep on developing and expanding export market and takes part in large trade fairs organised Internationally.

Over the years, the product range has been expanded to cope up with the new requirements of the customers, apart from making development, after study and personal interactions with the customers/dealers net work in the existing product range so as to ensure effective and best use of our products.

### 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 cheap imports, etc.

The Company in furtherance to taking appropriate steps to meet the rising costs by concentrating on continuous basis cost reduction on all fronts to maintain competitiveness in domestic and overseas markets has also introduced the TPM (Total Productive Maintenance) Concept which is an advanced support to our existing initiatives.

### INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY

The Company has adequate internal control system and documented procedures covering all financial and operating functions. The Internal Control System is supplemented by extensive audit conducted by an Independent Chartered Accountants Firm. Regular internal audit and checks and balances ensure that responsibilities are executed effectively. The Audit Committee of the Board of Directors actively reviews the adequacy and effectiveness of internal control systems and suggests improvements for strengthening them, from time to time.

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.

The Company has strong Management Information System, which is an integral part of control mechanism and clearly defined roles and responsibilities, down the line for all managerial positions, have been institutionalised.

### MATERIAL DEVELOPMENTS IN HUMAN RESOURCES/INDUSTRIAL RELATIONS

Industrial relations at the Company's works remained cordial and smooth throughout the year.

### CAUTIONARY STATEMENT

Statement in the 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 2004-05**

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

**1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE**

Taparia Tools Ltd. is committed to Good Corporate Governance. The Company believes that the Company's business strategy and plan should be consistent with the welfare of all its shareholders, which will bring sustained corporate growth and long term benefits to all. The Corporate governance philosophy has been further strengthened with effective management control by Board. Employees know their accountability towards performance and the same is monitored by the top Management and through proper administration. The policies of the Company includes commitment towards employees and their relationship. The values of the company's governance processes include independence, integrity, accountability, transparency, responsibility and fairness. These values are followed consistently in all its corporate decisions and business dealings.

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

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 he is also functioning as the Managing Director.

**Number of Board Meetings :**

During the year under review, 6 Board Meetings were held on April 28, 2004, July 28, 2004, September, 04, 2004, October 29, 2004, January 22, 2005 and March 14, 2005.

**Details about Taparia Tools Ltd. Board of Directors :**

Name of Director	Position	FY. 2004-05 Attendance at		Director ships in other Companies
		BM	Last AGM	
Shri H.N. Taparia	Executive Chairman & MD, Promoter	6	Yes	9
Shri Hari Bhushan	Non-Executive, Independent	4	No	2
Shri M.V. Gore	Non-Executive, Independent	6	Yes	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	6	Yes	3
Shri M.P. Taparia	Non-Executive, Promoter	5	No	7
Shri D.P. Taparia	Non-Executive, Promoter	6	Yes	6
Smt. Shashi Bangur	Non-Executive, Independent (Resigned on 28/07/2004)	-	No	7
Shri Virendra Bangur	Non-Executive, Independent (Appointed on 28/07/2004)	-	No	9
Shri R.P. Irani	Non-Executive, Independent	4	Yes	-
Shri R.N.R. Malani	Non-Executive, Independent	2	No	-
Dr. M.G. Nathani	Executive Director	2	Yes	1

Shri M. P. Taparia, Shri D. P. Taparia and Shri R. N. R. Malani 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

The Audit Committee of the Board 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, internal/ external audit as well as in the areas of general management. The meetings of the Audit Committee are usually chaired by Shri M.V. Gore, Chartered Accountant.

During the year under review, six Audit Committee Meetings were held on April 28, 2004, July 28, 2004, September, 04, 2004, October 29, 2004, January 22, 2005 and March 14, 2005.

#### Details about audit committee meetings :

Name of the Director	No. of Meetings attended
Shri M. V. Gore	6
Shri Hari Bhushan	4
Shri P. N. Shah	5
Shri D. S. Mulla	4
Shri R. P. Irani	4

The External Auditors, whenever necessary and the Internal 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 internal 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.
- ☐ Review meetings with external auditors before the audit commences and decide the nature and scope of audit as well as have post audit discussions to ascertain any areas 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 the Chairman of the committee, Dr. M. G. Nathani, Executive Director and Shri R. N. R. Malani, Director are members of the Committee.

The Committee reviews and deals as under :

- transfer/transmission of shares
- issue of duplicate share certificates
- split of share certificates
- consolidation of share certificates
- looking into the shareholders complaints, if any, and redressing the same expeditiously.
- approving the nominations received, if any.