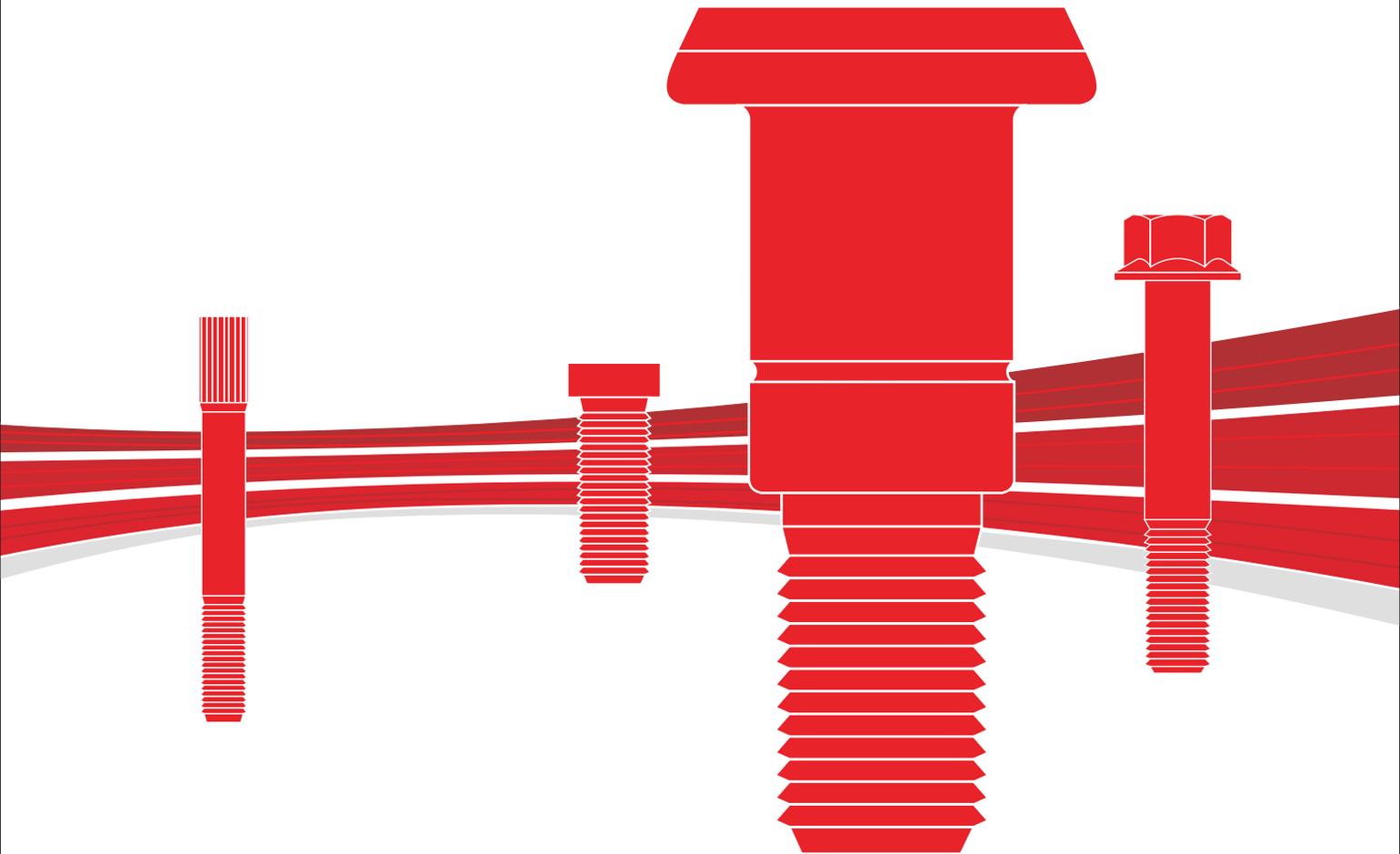


**STERLING TOOLS LIMITED**



**ANNUAL REPORT 2009-2010**



**Registered Office**

A-40, Mohan Co-operative  
Industrial Estate, Mathura Road  
New Delhi - 110044 (India)  
Tel: +91-11-26990093

**Corporate Office :**

Plot No. 4, DLF Industrial Estate  
Faridabad - 121 003 (Haryana)  
Tel. : 0129-2270621-25  
Fax : 0129-2277359

**Works :**

5-A, DLF Industrial Estate  
Faridabad - 121 003 (Haryana)

48K.M. Stone Delhi Mathura Road,  
Village-Prithla, Tehsil-Palwal  
Distt.-Faridabad (Haryana)

81, Sector 25, Ballabhgarh  
Faridabad (Haryana)

**Bankers**

Oriental Bank of Commerce  
HDFC Bank Limited.

**Board of Directors**

**Shri M.L. Aggarwal**  
*Chairman*

**Shri Anil Aggarwal**  
*Managing Director*

**Shri Atul Aggarwal**  
*Whole Time Director*

**Dr. T.N. Kapoor**  
*Director*

**Shri K.R. Gupta**  
*Director*

**Shri C.R. Sharma**  
*Director*

**Compliance Officer**

**Ms. Vaishali Singh**  
*Company Secretary*

**Auditors**

**Statutory Auditor**  
S.R. Dinodia & Co.  
Chartered Accountants  
K-39, Connaught Place  
New Delhi - 110 001

**Internal Auditor**  
JRA & Associates  
Chartered Accountants  
B-15 (LGF), G.K. Enclave - II  
New Delhi - 110048 (India)

**Registrar & Transfer Agent**  
MAS Services Limited  
T-34, 2nd Floor,  
Okhla Industrial Area,  
Phase-II, New Delhi-110020

Notice for the Annual General Meeting	1
Directors' Report	12
Annexures to Directors' Report	16
Report on Corporate Governance	19
Management Discussion and Analysis Report	33
Auditors' Report	36
Balance Sheet	40
Profit and Loss Account	41
Cash Flow Statement	42
Schedules to Accounts	43
Balance Sheet Abstract	64



## Notice for the Annual General Meeting

Notice is hereby given that Thirty First Annual General Meeting of the Members of Sterling Tools Limited will be held at **Lakshimpat Singhania Auditorium**, PHD Chamber of Commerce and Industry, PHD House, 4/2, Siri Institutional Area, August Kranti Marg, New Delhi-110016 on Monday, 30<sup>th</sup> August, 2010 at 10:00 A.M. to transact the following business(s):

### **Ordinary Business**

1. To receive, consider and adopt the audited Balance Sheet as at 31<sup>st</sup> March 2010 and the Profit and Loss Account for the financial year ended on that date together with the Directors' Report and Auditors' Report thereon.
2. To confirm the payment of Interim Dividend on Equity Shares for the year 2009-2010 and to declare a final Dividend for the Financial Year 2009-2010.
3. To appoint a Director in place of Shri Atul Aggarwal, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company, and to fix their remuneration. M/s S. R. Dinodia & Co, Chartered Accountants, the retiring Auditors of the Company, being eligible, offer themselves for reappointment.

### **Special Business**

5. To consider and if thought fit, to pass, with or without modification(s), the following resolution as a **Special Resolution**:

**Resolved that** in accordance with the provisions of Sections 198, 269, 309, 310 and 311 read with Schedule XIII and all other applicable provisions of the Companies Act, 1956, (including any statutory modification(s) or re-enactment thereof for the time being in force) and subject to approval of shareholders in the General Meeting Shri M. L. Aggarwal be and is hereby reappointed as Executive Chairman for a further period of five years with effect from 1<sup>st</sup> April 2010, on such terms & conditions as set out in the explanatory statement attached to the Notice convening this Annual General Meeting, with liberty to the Board of Directors (hereinafter referred to as "the Board" which term shall be deemed to include any Committee of the Board constituted to exercise its powers, including the powers conferred by this Resolution) to alter and vary the terms and conditions of appointment and/or remuneration, subject to the same not exceeding the limits specified under Schedule XIII to the Companies Act, 1956 or any statutory modification(s) or re-enactment thereof.

**Resolved further that** the Board of Directors of the Company be and are hereby authorised to take such steps as may be necessary, proper or expedient to give effect to this resolution.

6. To consider and if thought fit, to pass, with or without modification(s), the following resolution as a **Special Resolution**:

**Resolved that** in accordance with the provisions of Sections 198, 269, 309, 310 and 311 read with Schedule XIII and all other applicable provisions of the Companies Act, 1956, (including any statutory modification(s) or re-enactment thereof for the time being in force) and subject to approval of shareholders in the General Meeting Shri Anil Aggarwal be and is hereby reappointed as Managing Director for a further period of five years with effect from 1<sup>st</sup> April 2010, on such terms & conditions as set out in the

explanatory statement attached to the Notice convening this Annual General Meeting, with liberty to the Board of Directors (hereinafter referred to as “the Board” which term shall be deemed to include any Committee of the Board constituted to exercise its powers, including the powers conferred by this Resolution) to alter and vary the terms and conditions of appointment and/or remuneration, subject to the same not exceeding the limits specified under Schedule XIII to the Companies Act, 1956 or any statutory modification(s) or re-enactment thereof.

**Resolved further that** the Board of Directors of the Company be and are hereby authorised to take such steps as may be necessary, proper or expedient to give effect to this resolution.

7. To consider and if thought fit, to pass, with or without modification(s), the following resolution as a **Special Resolution**:

**Resolved that** in accordance with the provisions of Sections 198, 269, 309, 310 and 311 read with Schedule XIII and all other applicable provisions of the Companies Act, 1956, (including any statutory modification(s) or re-enactment thereof for the time being in force) and subject to approval of shareholders in the General Meeting Shri Atul Aggarwal be and is hereby reappointed as Whole time Director for a further period of five years with effect from 1<sup>st</sup> April 2010, on such terms & conditions as set out in the explanatory statement attached to the Notice convening this Annual General Meeting, with liberty to the Board of Directors (hereinafter referred to as “the Board” which term shall be deemed to include any Committee of the Board constituted to exercise its powers, including the powers conferred by this Resolution) to alter and vary the terms and conditions of appointment and/or remuneration, subject to the same not exceeding the limits specified under Schedule XIII to the Companies Act, 1956 or any statutory modification(s) or re-enactment thereof.

**Resolved further that** the Board of Directors of the Company be and are hereby authorised to take such steps as may be necessary, proper or expedient to give effect to this resolution.

**For Sterling Tools Limited**

**Date: 19<sup>th</sup> July, 2010**

**Place: Faridabad**

**Registered Office:**

A-40, Mohan Co-operative Industrial Estate  
Mathura Road, New Delhi-110044

**(Vaishali Singh)**  
**Company Secretary**

## **Notes**

- 1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF. THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXIES TO BE EFFECTIVE SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LATER THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**
2. In terms of Article 89 of the Articles of Association of the Company, read with Section 256 of the Companies Act, 1956, Shri Atul Aggarwal, Whole Time Director, retire by rotation at the ensuing Annual General Meeting and being eligible, offer himself for re-appointment. The Board of Directors of the Company commends his respective re-appointment. The relevant details as required by Clause 49 of the Listing Agreement entered into with the Stock Exchanges of person seeking re-appointment as director under Item No. 3 are annexed herewith.

3. An explanatory statement pursuant to Section 173(2) of Companies Act, 1956, relating to the Special Business to be transacted at the Meeting is annexed herewith.
4. Members who hold shares in dematerialized form are requested to bring their DP ID and Client ID numbers for easy identification of attendance at the meeting.
5. Relevant documents referred to in the accompanying Notice are open for inspection by the members at the Registered Office of the Company on all working days between 10 A.M. to 2 P.M. and upto the date of the Meeting.
6. The Register of Members and Share Transfer Books of the Company will be closed from Thursday, 26<sup>th</sup> August, 2010 to Monday, 30<sup>th</sup> August, 2010 (both days inclusive) in connection with the ensuing Annual General Meeting and for purpose of determining the entitlement of dividend, if any, declared by the Company.
7. The final dividend as recommended by the Board of Directors, if declared at the Annual General Meeting, will be paid at par after 30<sup>th</sup> August, 2010 to (i) those shareholders whose names appear on the Company's Register of Members after giving effect to all valid share transfers in physical form lodged with the company on or before 25<sup>th</sup> August, 2010 (ii) in respect of shares held in electronic form to those beneficiaries whose names appear in the statements of beneficial ownership by National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) as at the end of business hours on 25<sup>th</sup> August, 2010.
8. For the convenience of the Members, attendance slip is enclosed elsewhere in the Annual Report. Members/Proxy Holders/Authorized Representatives are requested to fill in and affix their signatures at the space provided therein and surrender the same at the venue of the AGM. Proxy/Authorized Representatives of a member should state on the attendance slip as 'Proxy or Authorized Representative' as the case may be.
9. The Directors' Report, Auditors' Report and Audited Balance Sheet as at 31<sup>st</sup> March 2010 and the Profit and Loss Account for the financial year ended on that date are enclosed.
10. The Company has designated an exclusive e-mail ID called vaishalis@stlfasteners.com for redressal of shareholders' / investors' complaints / grievances. In case you have any queries / complaints or grievances, then please write to us at the above e-mail address.
11. Members holding shares in electronic form may please note that the bank account details and 9 digit MICR code of their Bankers, as noted in the records of their depository, shall be used for the purpose of remittance of dividend through Electronic Clearing Service (ECS), or for printing on dividend warrants wherever applicable. Members are therefore requested to update their bank account particulars, change of address and other details with their respective Depository Participants for shares held in demat mode and to the Registrar and Share Transfer Agent for shares held in physical form.
12. The Securities and Exchange Board of India(SEBI) has mandated the submission of Permanent Account Number(PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit the PAN to their Depository Participants with whom they are maintaining their Demat Accounts. Members holding shares in physical form can submit their PAN details to the Company.
13. Pursuant to the provisions of Section 205A (5) and 205 (c ) of the Companies Act, 1956, followed by the issue of Investor Education & Protection Fund (Awareness and Protection of the Investors) Rules, any dividend transferred by the Company to the unpaid dividend account and remaining unclaimed for

a period of seven years from the date of such transfer shall be transferred by the Company to a fund called the Investor Education and Protection Fund (the fund) set up by the Central Government.

Accordingly, unpaid / unclaimed dividend for the Financial Year 2002-2003 shall become transferable to the fund on 3<sup>rd</sup> September, 2010, followed by the transfers of the amounts of unpaid / unclaimed dividends for the subsequent years. No claim shall lie thereafter against the fund or the company in respect of such amounts transferred. Shareholders are therefore requested to verify their records and send claims, if any, for the relevant years from 2002-2003 onwards, before the respective amounts become due for transfer to the fund. The following are the details of the dividends declared by the Company and respective due dates for claiming by the shareholders:

<b>Dividend Year</b>	<b>Date of declaration of dividend</b>	<b>Last Date for claim</b>
2002-2003	04/09/2003	03/09/2010
2003-2004	29/09/2004	28/09/2011
2004-2005	29/09/2005	28/09/2012
2005-2006	12/09/2006	11/09/2013
2006-2007	19/03/2007	18/03/2014
2007-2008	07/08/2008	06/08/2015
2008-2009	01/09/2009	31/08/2016
2009-2010 -Interim	18/02/2010	17/02/2017

Those members who have not so far claimed their dividend for the financial year 2002-2003, 2003-2004, 2004-2005, 2005-2006, 2006-2007, 2007-2008, 2008-2009 and 2009-2010-Interim are requested to make their claims to the Company for obtaining duplicate dividend warrants.

14. In terms of Section 109A of the Companies Act, 1956, nomination facility is available to individual shareholders. Members holding shares in physical form may nominate a person in respect of all the shares held by them whether singly or jointly. Members who hold shares in individual name are advised to avail of the nomination facility by filing Form No. 2BV in their own interest. Bank form can be had from MAS Services Limited on request. Members holding shares in dematerialized form may contact their respective DP's for registration of nomination.
15. Members holding physical shares in multiple folios in identical name are requested to send their share certificates to Company's Registrar and Share Transfer Agent, M/s MAS Services Limited for consolidation.
16. The Copies of the Annual Reports will not be distributed at the Annual General Meeting. Members are requested to bring their copies to the meeting.
17. In case of any query, Members are requested to send the same to the Company Secretary atleast 10 days before the date of the meeting so that information can be made available at the meeting.
18. Members are requested to note that no **GIFT** will be distributed at the meeting.

**By order of the Board  
For Sterling Tools Limited**

**Date: 19<sup>th</sup> July, 2010**  
**Place: Faridabad**

**(Vaishali Singh)**  
**Company Secretary**

## **EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956**

The following Explanatory statement sets out all material facts relating to the Special Business as mentioned in the accompanying Notice:

### **Item No. 5**

Shri M.L. Aggarwal was re-appointed as Executive Chairman by the Shareholders in their Annual General Meeting held on 29<sup>th</sup> September, 2005 for a period of 5 years w.e.f. 01/04/2005.

Shri M.L. Aggarwal is 80 years of age and he has satisfactorily handled the corporate planning/corporate finance/general administration functions since the inception of the Company. He is also the member of the Share Transfer Committee and the Remuneration Committee of the Company since its formation.

In recognition of his excellent performance and to enable the Company to continue to benefit from his stewardship, the Remuneration Committee has recommended his re-appointment as Whole Time Chairman of the Company with the emoluments and the terms given in the resolution. The Board have approved the re-appointment of Mr. M.L. Aggarwal as Whole Time Chairman for a period of 5 years with effect from 1<sup>st</sup> April, 2010 to 31<sup>st</sup> March, 2015, subject to the approval of shareholders at the ensuing Annual General Meeting.

In terms of Schedule XIII to the Companies Act, 1956, Shri M. L. Aggarwal is eligible for appointment as Chairman subject to approval of shareholders vide special resolution. The details of remuneration payable to Shri M. L. Aggarwal, as Executive Chairman are set out as below:

#### **a. Basic Salary**

Rs.3,36,000/- per month with a fixed increment of 12% P.A.

#### **b. Commission**

Commission in addition to Basic Salary, Perquisites and other allowances, benefits or amenities at the rate of 1% of the net profits of the Company in a particular financial year as computed in the manner referred to in section 198 of the Companies Act, 1956.

#### **c. Perquisites and Allowances**

In addition to the above Basic Salary and Commission, he shall be entitled to the following perquisites and allowances:

- i. **Housing:** Rent free fully furnished accommodation maintained by the Company to be valued as per Income Tax Rules or House Rent Allowance of Rs. 50000/- Per Month.
- ii. **Medical Expenses:** Reimbursement of all medical expenses including hospitalization and surgical charges incurred in India and abroad for self and family.
- iii. **Leave:** On full pay & allowances in accordance with the rules of the Company.
- iv. **Encashment of Leave:** Encashment of accumulated leave at the end of term of office in accordance with the rules of the Company.
- v. **Leave Travel Concession:** For self and family once in a year in accordance with the rules of the Company.
- vi. **Club Fees:** Fees of clubs including admission and life membership fees.
- vii. **Personal Accident Insurance:** For self with a sum insured of Rs. 50 Lacs P.A.

- viii. **Gratuity:** Fifteen days salary for each completed year of service.
- ix. **Provident Fund and Superannuation Fund:** Contribution to Provident Fund and Superannuation Fund in accordance with the rules of the Company.
- x. **Telephone:** Use of Telephone/mobile/telefax/internet and other suitable communication facilities at the residence.
- xi. **Car:** Use of Company's cars with chauffeurs for official as well as personal use.

**d. Valuation of Perquisites**

Perquisites/Allowances shall be valued as per the income Tax Rules, wherever applicable, and in the absence of any such rules, shall be valued at actual cost.

- e. **Ceiling:** Subject to the provisions of Section 198, 269 and 309 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII of Companies Act, 1956, when the profits in a financial year are adequate, the remuneration payable to him by way of salary, perquisites, commission and other allowances shall not exceed five percent of the Company's net profits, provided that if there is more than one managerial person, it shall not exceed 10% of the Company's net profits for all of them together in a financial year.

**f. Minimum Remuneration**

In the event of loss or inadequacy of profits in any financial year during the tenure of Shri M.L. Aggarwal as Executive Chairman of the Company, he shall be entitled to receive and be paid the remuneration by way of salary, perquisites and other allowances not exceeding the ceiling limits as specified under Section II of part II of Schedule XIII to the Companies Act, 1956, including any statutory modification or re-enactment thereof, for the time being in force.

**g. Other terms & conditions:**

- i. As long as Mr. M.L. Aggarwal functions as Chairman of the Company, no sitting fees will be payable to him for attending the meetings of the Board of directors or Committees thereof.
- ii. Mr. M. L. Aggarwal shall not retire by rotation whilst he continues to hold office of Chairman.
- iii. Mr. M. L. Aggarwal shall be entitled to reimbursement of expenses actually incurred by him, in the course of legitimate business of the Company and traveling, hotel and other expenses incurred by him in India and abroad for the business of the Company.

The terms & conditions of the said re-appointment may be altered, amended, varied from time to time by the Board of Directors subject to recommendation of Remuneration Committee as may be permissible and if deemed fit, within the limits prescribed in Schedule XIII to the Companies Act, 1956 or any amendment(s) and/or modification(s) and/or re-enactment(s) made thereto

Details of other Directorships/Committee Memberships held by him

Directorship	Committee Membership
Sterling Automobiles Private Limited	NIL
Sterling Metalabriks Private Limited	
Sterling Mobikes Private Limited	
(Formerly Supreme Metalforms Private Limited)	

The above may also be treated as an Abstract of the variation under Section 302 of the Companies Act, 1956. Although not necessary, a draft copy of the Agreement containing the terms and conditions of appointment of Shri M. L. Aggarwal as Executive Chairman is available for inspection of the members to ascertain any information that they may require at the Registered Office of the Company between the hours 10 a.m. to 2 p.m. on all working days (except Sundays and public holidays during office hours) upto the date of the ensuing Annual General Meeting.

Except Shri M L Aggarwal, Shri Anil Aggarwal and Shri Atul Aggarwal, none of the other Directors of the Company is, in any way concerned or interested in the Resolution.

The proposal as set out at Item No. 5 of the notice is placed for consideration and approval.

#### **Item no. 6**

Shri Anil Aggarwal was re-appointed as the Managing Director of the Company as per the resolution passed at the Annual General Meeting of the Company held on 29<sup>th</sup> September, 2005 on the terms and conditions set out in that resolution. Shri Anil Aggarwal, aged about 52 years is a Commerce Graduate and has 31 years of rich experience of manufacturing, Accounts, Projects and Quality functions and is presently in charge of the entire manufacturing operations and Strategic Sourcing function. He is largely responsible for building up abiding business relationships with OEM's like Maruti Udyog limited, Hero Honda, Honda Motorcycle and Scooters India Limited, Eicher, Punjab Tractors, Tafe, Telco etc.

He has handled his various responsibilities with dedication and high degree of competence. He is also the member of Share Transfer Committee, the Audit Committee and a Special Invitee to Investors' Grievance Committee.

Looking into his wide experience, capabilities and handling of successful assignments the Remuneration Committee has recommended his re-appointment as Managing Director of the Company with the emoluments and the terms given in the resolution. The Board have approved the re-appointment of Shri Anil Aggarwal as Managing Director of the Company for a period of 5 years with effect from 1<sup>st</sup> April, 2010 to 31<sup>st</sup> March, 2015, subject to the approval of shareholders at the ensuing Annual General Meeting.

The details of remuneration payable to Shri Anil Aggarwal, as Managing Director are set out as below:

#### **a. Basic Salary**

Rs.3,00,000/- per month with an Annual increment of 12% P.A.

#### **b. Commission**

Commission in addition to Basic Salary, Perquisites and other allowances, benefits or amenities at the rate of 1% of the net profits of the Company in a particular financial year as computed in the manner referred to in section 198 of the Companies Act, 1956.

#### **c. Perquisites and Allowances**

In addition to the above Basic Salary and Commission, he shall be entitled to the following perquisites and allowances:

- i. **Housing:** Rent free fully furnished accommodation maintained by the Company to be valued as per Income Tax Rules or House Rent Allowance of Rs. 50000/- Per Month.
- ii. **Medical Expenses:** Reimbursement of all medical expenses including hospitalization and surgical charges incurred in India and abroad for self and family.

- iii. **Leave:** On full pay & allowances in accordance with the rules of the Company.
- iv. **Encashment of Leave:** Encashment of accumulated leave at the end of term of office in accordance with the rules of the Company.
- v. **Leave Travel Concession:** For self and family once in a year in accordance with the rules of the Company.
- vi. **Club Fees:** Fees of clubs including admission and life membership fees.
- vii. **Personal Accident Insurance:** For Self with a sum insured of Rs. 50 Lacs P.A.
- viii. **Gratuity:** Fifteen days salary for each completed year of service.
- ix. **Provident Fund and Superannuation Fund:** Contribution to Provident Fund and Superannuation Fund in accordance with the rules of the Company.
- x. **Telephone:** Use of Telephone/mobile/telefax/internet and other suitable communication facilities at the residence.
- xi. **Car:** Use of Company's cars with chauffeurs for official as well as personal use.

**d. Valuation of Perquisites**

Perquisites/Allowances shall be valued as per the income Tax Rules, wherever applicable, and in the absence of any such rules, shall be valued at actual cost.

- e. **Ceiling:** Subject to the provisions of Section 198, 269 and 309 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII of Companies Act, 1956, when the profits in a financial year are adequate, the remuneration payable to him by way of salary, perquisites, commission and other allowances shall not exceed five percent of the Company's net profits, provided that if there is more than one managerial person, it shall not exceed 10% of the Company's net profits for all of them together in a financial year.

**f. Minimum Remuneration**

In the event of loss or inadequacy of profits in any financial year during the tenure of Shri Anil Aggarwal as Managing Director of the Company, he shall be entitled to receive and be paid the remuneration by way of salary, perquisites and other allowances not exceeding the ceiling limits as specified under Section II of part II of Schedule XIII to the Companies Act, 1956, including any statutory modification or re-enactment thereof, for the time being in force.

**g. Other terms & conditions:**

- i. As long as Mr. Anil Aggarwal functions as Managing Director of the Company, no sitting fees will be payable to him for attending the meetings of the Board of directors or Committees thereof.
- ii. Mr. Anil Aggarwal shall not retire by rotation whilst he continues to hold office of Managing Director.
- iii. Mr. Anil Aggarwal shall be entitled to reimbursement of expenses actually incurred by him, in the course of legitimate business of the Company and traveling, hotel and other expenses incurred by him in India and abroad for the business of the Company.
- iv. The terms & conditions of the said re-appointment may be altered, amended, varied from time to time by the Board of Directors subject to recommendation of Remuneration Committee as may be permissible and if deemed fit, within the limits prescribed in Schedule XIII to the Companies Act, 1956 or any amendment(s) and/or modification(s) and/or re-enactment(s) made thereto.

Details of other Directorships/Committee Memberships held by him

Directorship	Committee Membership
Sterling Fincap Private Limited (Formerly Precision Wire Products Private Limited)	NIL
Sterling Automobiles Private Limited	
Sterling Metalfabriks Private Limited	
Sterling Mobikes Private Limited (Formerly Supreme Metalforms Private Limited)	
Jaycee Automobiles Private Limited	
Sterling Fabory India Private Limited	

The above may also be treated as an Abstract of the variation under Section 302 of the Companies Act, 1956. Although not necessary, a draft copy of the Agreement containing the terms and conditions of appointment of Shri Anil Aggarwal as Managing Director is available for inspection of the members to ascertain any information that they may require at the Registered Office of the Company between the hours 10 a.m. to 2 p.m. on all working days (except Sundays and public holidays during office hours) upto the date of the ensuing Annual General Meeting.

Except Shri M L Aggarwal, Shri Anil Aggarwal and Shri Atul Aggarwal, none of the other Directors of the Company is, in any way concerned or interested in the Resolution.

The proposal as set out at Item No. 6 of the notice is placed for consideration and approval.

#### **Item No. 7**

Shri Atul Aggarwal was re-appointed as the Whole Time Director of the Company as per the resolution passed at the Annual General Meeting of the Company held on 29<sup>th</sup> September, 2005 on the terms and conditions set out in that resolution. Shri Atul Aggarwal, aged about 46 years a MBA (Finance) has 21 years of rich experience of Marketing / Sales, Accounts, Projects and Quality functions and is presently in charge of the entire Marketing & Finance operations and Strategic Sourcing function.

He has handled his various responsibilities with dedication and high degree of competence. He is also the member of Share Transfer Committee, Investor's Grievances Committee and Special Invitee of the Audit Committee.

Looking into his wide experience, capabilities and successful handling of assignments the Remuneration Committee has recommended his re-appointment as Whole Time Director of the Company with emoluments and the terms given in the resolution. The Board have approved the re-appointment of Mr. Atul Aggarwal as Whole Time Director for a period of 5 years commencing from 1<sup>st</sup> April, 2010 to 31<sup>st</sup> March, 2015, subject to the approval of the shareholders at the ensuing Annual General Meeting.

The details of remuneration payable to Shri Atul Aggarwal, as Whole Time Director are set out as below:

#### **a. Basic Salary**

Rs.2,80,000/- per month with an Annual Increment of 12% P.A.

#### **b. Commission**

Commission in addition to Basic Salary, Perquisites and other allowances, benefits or amenities at

the rate of 1% of the net profits of the Company in a particular financial year as computed in the manner referred to in section 198 of the Companies Act, 1956.

**c. Perquisites and Allowances**

In addition to the above Basic Salary and Commission, he shall be entitled to the following perquisites and allowances:

- i. **Housing:** Rent free fully furnished accommodation maintained by the Company to be valued as per Income Tax Rules or House Rent Allowance of Rs. 50000/- Per Month.
- ii. **Medical Expenses:** Reimbursement of all medical expenses including hospitalization and surgical charges incurred in India and abroad for self and family.
- iii. **Leave:** On full pay & allowances in accordance with the rules of the Company.
- iv. **Encashment of Leave:** Encashment of accumulated leave at the end of term of office in accordance with the rules of the Company.
- v. **Leave Travel Concession:** For self and family once in a year in accordance with the rules of the Company.
- vi. **Club Fees:** Fees of clubs including admission and life membership fees.
- vii. **Personal Accident Insurance:** For self with a sum insured of Rs. 50 Lacs P.A.
- viii. **Gratuity:** Fifteen days salary for each completed year of service.
- ix. **Provident Fund and Superannuation Fund:** Contribution to Provident Fund and Superannuation Fund in accordance with the rules of the Company.
- x. **Telephone:** Use of Telephone/mobile/telefax/internet and other suitable communication facilities at the residence.
- xi. **Car:** Use of Company's cars with chauffeurs for official as well as personal use.

**d. Valuation of Perquisites**

Perquisites/Allowances shall be valued as per the income Tax Rules, wherever applicable, and in the absence of any such rules, shall be valued at actual cost.

- e. Ceiling:** Subject to the provisions of Section 198, 269 and 309 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII of Companies Act, 1956, when the profits in a financial year are adequate, the remuneration payable to him by way of salary, perquisites, commission and other allowances shall not exceed five percent of the Company's net profits, provided that if there is more than one managerial person, it shall not exceed 10% of the Company's net profits for all of them together in a financial year.

**f. Minimum Remuneration**

In the event of loss or inadequacy of profits in any financial year during the tenure of Shri Atul Aggarwal as Whole Time Director of the Company, he shall be entitled to receive and be paid the remuneration by way of salary, perquisites and other allowances not exceeding the ceiling limits as specified under Section II of part II of Schedule XIII to the Companies Act, 1956, including any statutory modification or re-enactment thereof, for the time being in force.

**g. Other terms & conditions:**

- i. As long as Mr. Atul Aggarwal functions as Whole Time Director of the Company, no sitting fees will be payable to him for attending the meetings of the Board of directors or Committees thereof.
- ii. Mr. Atul Aggarwal shall retire by rotation whilst he continues to hold office of Whole Time Director.
- iii. Mr. Atul Aggarwal shall be entitled to reimbursement of expenses actually incurred by him, in the course of legitimate business of the Company and traveling, hotel and other expenses incurred by him in India and abroad for the business of the Company.
- iv. The terms & conditions of the said re-appointment may be altered, amended, varied from time to time by the Board of Directors subject to recommendation of Remuneration Committee as may be permissible and if deemed fit, within the limits prescribed in Schedule XIII to the Companies Act, 1956 or any amendment(s) and/or modification(s) and/or re-enactment(s) made thereto.

Details of other Directorships/Committee Memberships held by him

Directorship	Committee Membership
Prism Global Creative Products Private Limited	NIL
Sterling Automobiles Private Limited	
Sterling Metalfabriks Private Limited	
Sterling Mobikes Private Limited] (Formerly Supreme Metalforms Private Limited)	
Jaycee Automobiles Private Limited	
Sterling Fabory India Private Limited	

The above may also be treated as an Abstract of the variation under Section 302 of the Companies Act, 1956. Although not necessary, a draft copy of the Agreement containing the terms and conditions of appointment of Shri Atul Aggarwal as Whole Time Director is available for inspection of the members to ascertain any information that they may require at the Registered Office of the Company between the hours 10 a.m. to 2 p.m. on all working days (except Sundays and public holidays during office hours) upto the date of the ensuing Annual General Meeting.

Except Shri M L Aggarwal, Shri Anil Aggarwal and Shri Atul Aggarwal, none of the other Directors of the Company is, in any way concerned or interested in the Resolution.

The proposal as set out at item No. 7 of the notice is placed for consideration and approval.

**By order of the Board  
For Sterling Tools Limited**

**Date: 19<sup>th</sup> July, 2010**

**Place: Faridabad**

**Registered Office:**

A-40, Mohan Co-operative Industrial Estate  
Mathura Road, New Delhi-110044

**(Vaishali Singh)  
Company Secretary**

## Directors' Report

Dear Shareholders,

Your Directors are pleased to present the 31<sup>st</sup> Annual Report on the business operations and financials of the Company for the Financial Year ended 31<sup>st</sup> March 2010.

### Financial Results

The Company's performance for the Financial Year 2009-2010 vis-à-vis 2008-2009 is summarized as under:

(Rs. in Lacs)

Particulars	Financial Year	
	2009-2010	2008-2009
Gross Sales Turnover	19451.72	17032.44
Profit before interest, depreciation and tax	3027.58	1580.17
Interest	534.38	665.97
Depreciation	629.07	614.84
Profit Before Tax (PBT)	1864.13	299.36
Provision for Tax	705.25	127.64
Profit After Tax (PAT)	1158.88	171.72
<b>Appropriations:</b>		
Proposed Dividend	342.23	68.45
Tax on Proposed Dividend	57.63	11.63
Transfer to General Reserve	120.00	0.00
Balance Carried to Balance Sheet	3583.48	2944.46

### Review of Operations

The performance of your Company during the Year under review has shown improvement over the previous year. Sales at Rs. 19451.72 Lacs increased, by 14.20% as compared to sales at Rs. 17032.44 Lacs in the previous financial year and the Profit before Tax for the Financial Year 2009-2010 at Rs. 1864.13 Lacs increased by 522.71% as compared to Rs. 299.36 Lacs in the previous financial year.

### Dividend

In view of Sterling's tradition of high regard for its shareholders, the Directors had, in their meeting held on 18<sup>th</sup> February, 2010, recommended 30% interim dividend for fiscal year 2009-2010 against 10% dividend for the previous year. This interim dividend has already been paid and taking note of this payout, your Directors are pleased to recommend the payment of final dividend for the Year ended 31<sup>st</sup> March, 2010 at Rs. 2/- Per Share (20%) on face value of Rs. 10/- per share (Previous Year Rs. 1/- per Share (10%)), subject to approval of shareholders in ensuing Annual General Meeting.

### Transfer to General Reserve

Your Company has transferred Rs. 120 Lacs to General Reserves during the Financial Year 2009-10 as compared to Rs. Nil in previous Financial Year.

## Deposits

The Company has not accepted any deposits, which come under the purview of Section 58A of the Companies Act, 1956.

## Listing

The equity shares of the Company are listed with Bombay Stock Exchange Limited and National Stock Exchange of India Limited. There are no arrears on account of payment of listing fees to the said Stock Exchanges.

## Shifting of Registered Office

The Registered Office of your Company has been shifted from F-37, Okhla Industrial Area, Phase-I, New Delhi-110020 to A-40, Mohan Co-operative Industrial Estate, Mathura Road, New Delhi-110044 with effect from 2<sup>nd</sup> March, 2010.

## Joint Venture

During the Year under review, Your Company has entered into a Joint Venture Agreement with M/s Borstlap Masters in Fasteners Group B.V. (Fabory), a Netherland based Company to form a Joint Venture Company in India in ratio of 50:50. Accordingly a Joint Venture Company named Sterling Fabory India Private Limited has been formed in March, 2010 with its Registered Office in Delhi. Till date Your Company has invested Rs. 1,75,00,000/- in the said JVC in form of Share Capital.

The Joint Venture Company will be doing business of wholesale distribution, supply chain and vendor management of non-automotive and automotive fasteners and standard and non-standard(customer specific) non automotive electronic and other components, assemblies and sub-assemblies and fittings, of all kinds and for all industries and components thereof.

## Particulars of Employees

As required by Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, a statement on information relating to employees has been given by way of Annexure-I to this Report.

## Conservation of energy, technology absorption and foreign exchange earnings and outgo

Information pursuant to the provisions of Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, relating to conservation of energy, technology absorption & foreign exchange earnings and outgo are given by way of Annexure-II to this Report.

## Corporate Governance

Your Company follows the principles of the effective Corporate Governance practices as set out by SEBI vide Clause 49 of the Listing Agreement.

A report on Corporate Governance pursuant to the provisions of Clause 49 of Listing Agreement supported by a Certificate given by the Statutory Auditors of the Company confirming compliance of conditions, form part of this Annual Report as ANNEXURE-III.

Your Company has made all the information, required by Investors, available on the Company's Corporate Website [www.stlfasteners.com](http://www.stlfasteners.com).

## Management discussion & Analysis

Management Discussion and Analysis Report covering issues relating to Industry structure, Opportunities, Challenges, Outlook and Performance etc. has been given separately and form part of this Annual Report as ANNEXURE-IV.

## Director's Responsibility Statement

Pursuant to the requirement under section 217(2AA) of the Companies (Amendment) Act, 2000, with respect to Director's Responsibility Statement, it is hereby confirmed that:

- (i) in the preparation of the accounts for the Financial Year ended 31st March, 2010, the applicable accounting standards have been followed and there are no material departures;
- (ii) the Directors have selected accounting policies in consultation with Statutory Auditors 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 financial year under review;
- (iii) the directors have taken proper and sufficient care to the best of their knowledge and ability for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956. The directors have confirmed that there are adequate control & systems for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) the Directors have prepared the accounts for the Financial Year ended 31<sup>st</sup> March, 2010 on a 'going concern' basis.

## Human Resources Development

Your Company strongly believes that its ability to maintain and continue its growth depends largely on its strength of attracting, developing, motivating and retaining the talent. Therefore, it is the endeavour of your Company to nurture and develop this wealth

### a) Industrial Relations

During the year under review, harmonious industrial relations were maintained in your Company.

### b) Trainings for development of Human Resources

During the year under review, Your Company had training target of 4 man days of training for every employee and we have achieved the target.

Your Company had prepared Skill/Competency Matrix for all employees .The training need identification was done through analysis of Skill/Competency Matrix.

Your Company conducted both technical and soft skills training and even some of the employees were sent to IIMs, etc. for Management Development Programmes as well as Outbound Training was also conducted for team building. One employee was sent for AOTS training in Japan.

Moreover Your Company had conducted Induction training for all new recruits.

Your company won the HR Excellence Award of Amity University.

### c) Kaizens:

Your Company had done well in Kaizens last year by implementing 1600+ kaizens, resulting to savings and lot of improvements in 5S, Systems, Process, Safety, Morale, Methods, Productivity, reducing wastages, energy saving ,etc

Your company won the 2<sup>nd</sup> position in the CII/ACMA Kaizen Competition.

## Statutory Disclosures

Your Directors have made necessary disclosures, as required under various provisions of the Act and Clause 49 of the Listing Agreement.

## Material Changes and Commitments

There were no material changes and commitments, affecting the financial position of the Company that have occurred between the end of the financial year of the Company and the date of signing of this report.

## Directors

In terms of Article 89 of the Articles of Association and Sections 255 & 256 of the Companies Act, 1956, Shri Atul Aggarwal retire by rotation in the forthcoming Annual General Meeting and being eligible offer himself for re-appointment.

## Statutory Auditors

### I) Appointment

M/s. S. R. Dinodia & Co., the Statutory Auditors of the Company, retire at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment. M/s S.R. Dinodia & Co., have, under Section 224(1) of Companies Act, 1956, furnished the certificate of their eligibility for reappointment. As recommended by the Audit Committee, your Directors propose that they may be reappointed as Auditors of the Company from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company.

### II) Report

The Auditors' Report and Notes on Accounts for the financial year 2009-2010 are self explanatory and therefore do not call for any further comments.

## Internal Control System

The Company has well established and efficient Internal Control Systems under the assistance of M/s JRA & Associates, the Internal Auditors of the Company.

The Company has also well defined powers of various executives working at different levels within the Company.

The Report of Internal Audit on quarterly basis is subject to review and approval by Audit Committee of the Board and necessary directions are issued wherever necessary.

## Subsidiaries

Your Company do not have any subsidiary Company.

## Cash Flow Analysis

In compliance with the provisions of Clause 32 of the Listing Agreement, the Cash Flow Statement for the year ended 31-03-2010 is annexed hereto.

## Acknowledgements

Your Directors would like to express their appreciation to all the Company's employees for their performance and continued support. The Directors would also like to thank all the shareholders, vendors, bankers, consultants, customers and governmental & statutory authorities for their sustained support.

**for and on behalf of the Board**

**Date: 19<sup>th</sup> July, 2010**

**Place: Faridabad**

**M. L. Aggarwal**

**Chairman**

**DIN No. 00027380**

## Annexure - I to Directors' Report

Information as per Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 forming part of the Directors' Report for the year ended 31<sup>st</sup> March 2010.

Name of the Employee	Designation and nature of duties	Remuneration (Rs)	Qualifications	Age in years	Experience in years	% of Share-holding	Date of commencement of employment	Last employment held and designation
1. Mr. M. L. Aggarwal	Chairman	68,39,675	B. Sc.	80	56	10.73	07.06.1979	None
2. Mr. Anil Aggarwal	Managing Director	59,31,684	B. Com.	52	31	22.65	07.06.1979	None
3. Mr. Atul Aggarwal	Whole Time Director (Finance & Marketing)	57,24,875	MBA	46	21	25.10	01.07.1989	None

### Note:

1. Remuneration means gross remuneration calculated in accordance with provisions of Section 198 of the Companies Act, 1956.
2. During the Year under review, the above said directors have voluntarily surrendered 10% of their gross remuneration.
3. The nature of employment in all cases is contractual.
4. The above employees are directors in whole time employment with the Company and are related to each other.
5. There is no other employee employed during the year drawing remuneration of more than Rs. 2,00,000/- p.m.

## Annexure - II to Director's Report

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo pursuant to Section 217 (1) (e) of the Companies Act, 1956 and Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988.

### A. Conservation of Energy

- 1) Measures taken :
  - a) The Heat Treatment furnace consumes bulk of the energy consumed in the plant. With optimisation of the motors used in furnace there have been 5 % reductions in energy consumption.
  - b) In forging machine with the use of star delta concept the energy consumption have been reduced.
  - c) Similar actions have been taken by installation of the Oil coolers thereby replacing the cooling towers.
  - d) The energy consumption in the compressors have been reduced by reducing the line pressure.
- 2) Additional investment proposals, if any, for reduction of consumption per unit production :
  - a) Further optimisation in the energy consumption is planned this year in the furnace and in the forging machine by small improvements.b) Use of AC drive in the rolling machine and in some forging machine to reduce the energy consumption

- 3) Impact of (1) & (2) : Optimum use of energy
- 4) Total energy consumption and energy consumption per unit of production. : As given in Form A (enclosed)

### **B. Technology Absorption**

- 1) Specific areas : Implementation of Alkaline Zinc Plating Process
- 2) Benefits : Improvement in customer's satisfaction by giving a better quality product to the customer
- 3) Future plan of action : Implementation of the Hot forging for the Heavy commercial vehicle nuts
- 4) Expenditure on R&D : The Company has not incurred any expense towards R&D during the Financial Year under review.

### **Technology Absorption, Adaptation & Innovation**

- 1) Efforts made : No technology ties up were entered into. The Company keeps itself updated with latest technological innovations by way of constant communication, personal discussions and visits to foreign countries/plants.

### **C. Foreign Exchange Earnings and outgo:**

- 1) Efforts : Despite severe recession in the international market the company have focused in OEMs and Tier-1 Customers globally to increase its Export Turnover. This has resulted in maintaining of the export sales with marginal reduction. Company developed lot of new parts which have contributed to 20% of Export Turnover.
- 2) Earnings and Outgo : (1) Foreign Exchange earnings Rs. 57259627.00  
(2) CIF Value of imports Rs. 240997234.00  
(3) Expenditure in Foreign Exchange Rs. 1568392.00

## Form A

### a) Power and fuel consumption

	Current Year	Previous Year
1. Electricity		
(a) Purchased		
Unit (KWH' 000)	12411	9848
Total amount (Rs in lacs)	538	439
Rate/unit (Rs)	4.50	4.46
(b) Own generation		
I. Through diesel generator		
Unit (KWH'000)	5554	3333
Unit per ltr of diesel oil	3.56	3.53
Cost/unit (Rs)	8.80	9.60
II. Through steam turbine/generator	Nil	Nil
Units		
Units per ltr of fuel oil/gas		
Cost/units		
2. Coal (specify quantity and where used)	Nil	Nil
Quantity (tonnes)		
Total cost		
Average rate		
3. Furnace Oil	Nil	Nil
Quantity (K.ltrs)		
Total amount		
Average rate		
4. Other/internal generation	Nil	Nil
<b>b) Consumption per unit of production</b>		
(Per MT of High Tensile Fasteners)		
Electricity (in KWH)	756	738
Diesel (in Liter)	100	71
Coal (specify quality)	Nil	Nil
Others (specify)	Nil	Nil

## Annexure - III to Director's Report

### Report on Corporate Governance

Sterling Tools Limited' philosophy on Corporate Governance is to maintain balance between shareholders' interest and corporate goals by providing transparency, accountability and equity in all levels of its operations, by providing long-term vision to its business and by adopting best corporate governance practices globally available and disclosures.

Sterling Tools Limited, being a listed entity has various roles to play towards various stakeholders like shareholders, employees, lenders, Govt. bodies etc. Good Corporate Governance is to satisfy interest of all stakeholders, enhancing their trust and confidence in the Company without compromising with laws and regulations.

We strongly believe not only to run the operations of the Company for the sake of earning more and more profits but also to enhance the value of stakeholders over a period of time.

A report briefing the implementation of Corporate Governance as per the Listing Agreement is furnished below:

#### 1. Composition and Responsibility of Board of Directors

As of 31<sup>st</sup> March, 2010, the Board of Directors of the Company ("the Board") has an optimum combination of directors.

The Board comprises of six directors and in order to ensure the independence of the Board, half of the directors are independent directors.

Name of the Director	Category of Directorship	No. of Directorships* held in other companies	No. of Chairmanship/ Membership in Board Committee of other companies	
			Chairman	Member
Shri. M. L. Aggarwal	Chairman & Executive Director	0	Nil	Nil
Shri Anil Aggarwal	Managing Director	0	Nil	Nil
Shri Atul Aggarwal	Whole Time Director	0	Nil	Nil
Dr. T. N. Kapoor	Non Executive Independent Director	5	3	3
Shri K. R. Gupta	Non Executive Independent Director	1	2	Nil
Shri C. R. Sharma	Non Executive Independent Director	1	Nil	3

- For the purpose of considering directorships, only Public Limited Companies (Listed as well as Unlisted) have been included.
- For the purpose of calculating Chairmanship / Membership of Committees only Audit Committee and Shareholders' / Investors' Grievance Committee of all Public Limited Companies have been considered.

## 1.1 Board Meetings and Procedures thereof:

In order to comply with the provisions of Company Law as well as Listing Agreement, 4 meetings of Board of Directors with a gap of not more than 4 months between two meetings are atleast held in a particular Financial Year. The Agendas thereof are provided in advance before the Board Meeting and the status of decisions/actions taken/approved by the Board is presented in the successive Board Meeting in the form of Follow-up Action Report. Minutes of every Board Meeting are recorded and are discussed before approval by the members of the Board at successive Board Meeting.

## 1.2 Information supplied to the Board:

Among others, this includes:

- i) Annual operating plans and budgets and any updates.
- ii) Quarterly Results of the Company.
- iii) Capital Budgets-Plant wise as well as Company as a whole.
- iv) Minutes of Audit Committee, Investors' Grievance Committee, Share transfer Committee.
- v) Information relating to recruitment of Senior Officers just below the Board level.
- vi) Certificates given by the Plant Heads/Admn. Heads detailing compliances with the various provisions of Factories Act, Safety, Health and Environmental norms etc.
- vii) Details of any Joint Venture, Collaboration etc.
- viii) Non-compliance of any statutory, regulatory or listing requirements and shareholders service such as non-payment of dividend, delay in share transfer etc.
- ix) All other information which is required to be provided pursuant to the provisions of Clause 49(ii)(d) of Listing Agreement.

## 1.3 Details of Board Meetings held during the Financial Year

During the Financial Year 2009-2010, the Board met 6 times—on 24<sup>th</sup> April, 2009, 20<sup>th</sup> July, 2009, 29<sup>th</sup> October, 2009, 20<sup>th</sup> January, 2010 and 18<sup>th</sup> February, 2010.

Name of the Director	No. of Board Meeting attended	Whether attended last AGM
Shri. M. L. Aggarwal	5	Yes
Shri Anil Aggarwal	5	Yes
Shri Atul Aggarwal	5	Yes
Dr. T. N. Kapoor	5	Yes
Shri K. R. Gupta	5	Yes
Shri C. R. Sharma	5	No

## 1.4 Compensation to the Members of the Board

### Executive Directors

The terms of existing remuneration of Shri M. L. Aggarwal, Shri Anil Aggarwal and Shri Atul Aggarwal have already been fixed by the Board of Directors and approved by the shareholders in the AGM.

Details of the remuneration paid to Executive Directors during the year 2009-2010 are given below:

(Amount in Rs.)

Name of the Director	Salary and other Allowances	Commission	Perquisites	Total
Shri. M. L. Aggarwal	46,32,000	20,92,292	1,15,383	68,39,675
Shri Anil Aggarwal	37,41,600	20,92,292	97,792	59,31,684
Shri Atul Aggarwal	34,56,000	20,92,292	1,76,583	57,24,875

During the Year under review, the Executive Directors have voluntarily surrendered 10% of their Gross Remuneration.

#### Non-executive Directors

The Non-Executive Directors are entitled to sitting fee for attending the Board / Committee Meetings. A sitting fee of Rs. 10000/- for attending each Meeting of the Board as well as Committee meeting is paid to an Independent director.

There has been no pecuniary relationship or transactions of the Non-Executive Directors vis-à-vis the Company during the year under review.

Sterling Tools Limited has no stock option plans and hence, such instruments do not form a part of the remuneration package payable to any executive and/or non-executive director. During the year under review, none of the directors was paid any performance-linked incentive.

During the year 2009-2010, the Company did not advance any loans to any of the executive and/or non-executive directors.

#### 1.5 Details of shareholding of Directors as on 31.03.2010 are given as under:

Name of the Director	No. of Equity Shares	% of Holding
Shri Manohar Lal Aggarwal	734463	10.73
Shri Anil Aggarwal	1550400	22.65
Shri Atul Aggarwal	1718302	25.10
Shri Triloki Nath Kapoor	Nil	Nil
Shri Khushi Ram Gupta	Nil	Nil
Shri Chhotu Ram Sharma	Nil	Nil

## 2. Board Committees

The Board of the Company has constituted its different Committees for regulating various working aspects of the Company.

At present the Company has four Board Committees:

- (i) Audit Committee
- (ii) Shareholders' / Investors' Grievances Committee
- (iii) Share Transfer Committee
- (iv) Remuneration Committee

## 2.1 Audit Committee

The constitution, quorum, scope etc. of the Audit Committee is in line with the Companies Act, 1956 and provisions of the Listing Agreement.

At present, the Audit Committee comprises of following Directors as members having wide experience and knowledge of Corporate Affairs, Income Tax & Finance.

- Shri. K. R. Gupta – Chairman(Non Executive Independent Director)
- Dr. T. N. Kapoor – Member(Non Executive Independent Director)
- Shri C. R. Sharma – Member(Non Executive Independent Director)
- Shri Anil Aggarwal – Member(Managing Director)

The role and terms of reference of the Audit Committee cover areas mentioned in the Clause 49 of Listing Agreement with Stock Exchange and section 292A of the Companies Act. 1956 which, among others, include:

1. A periodic review of efficacy of the financial control systems and suggestions for improvement therein.
2. Review of operating results on a quarterly basis, prior to their submission for the consideration and adoption by the Board.
3. Advice to the Board on appointment / removal of statutory auditors and fixing their remuneration.
4. Review with statutory auditors their audit findings & to address any areas of concern cited by them.
5. Advice to the Board on the adequacy of Company's risk management measures and implementation of financial policies and procedures.

Ms. Vaishali Singh, Company Secretary, is the Secretary to the Committee.

### Meetings of Audit Committee

During the Financial Year 2009-2010, the Audit Committee met 5 times – on 24<sup>th</sup> April, 2009, 20<sup>th</sup> July, 2009, 29<sup>th</sup> October, 2009, 20<sup>th</sup> January, 2010 and 18<sup>th</sup> February, 2010. The attendance of each Member of the Committee is given below:

Name of Directors	No. of Meetings attended
Shri. K. R. Gupta	5
Shri. C. R. Sharma	5
Shri. T. N. Kapoor	5
Shri. Anil Aggarwal	5

## 2.2 Shareholders' / Investors' Grievances Committee

The Investors Grievances Committee comprises of following Directors:

- Dr. T. N. Kapoor – Chairman (Non-Executive Independent Director)
- Shri K. R. Gupta – Member(Non-Executive Independent Director)
- Shri Atul Aggarwal – Member(Whole Time Director)

## Terms of reference

The Committee looks into the grievances of the investors relating to transfer/transmission of Shares, Non-issue of duplicate share certificates/Consolidation/ Split of Shares, Non receipt of Annual Report/ Declared Dividend, review status of investor grievances and the functioning of the Share Department to render efficient, effective and satisfactory services to investors.

Ms. Vaishali Singh, Company Secretary, is the Secretary to the Committee.

## Meetings of Shareholders'/Investors' Grievances Committee

During the financial year 2009-2010 the Committee met 4 times-on 24<sup>th</sup> April, 2009, 20<sup>th</sup> July, 2009, 29<sup>th</sup> October, 2009 and 20<sup>th</sup> January, 2010 to review the grievances / complaints received from Shareholders.

1.	Number of shareholder's complaints received during the financial year 2009-2010	2
2.	Number of shareholder's complaints solved to the satisfaction of shareholders.	2
3.	Number of pending shareholders' complaints	NIL

## 2.3 Share Transfer Committee

The Share Transfer Committee comprises of following Directors:

- Shri M. L. Aggarwal – Chairman
- Shri Anil Aggarwal – Member(Managing Director)
- Shri Atul Aggarwal – Member(Whole Time Director)
- Shri K. R. Gupta – Member(Non-Executive & Independent Director)

## Meetings of Share Transfer Committee

The Committee meets at frequent intervals, to approve inter-alia, transfer/transmission of Shares, de-materialization of shares, issue of duplicate share certificate, Consolidation and Split of Share Certificate and any other powers / responsibilities entrusted by the Board. During the Financial Year 2009-2010 the committee met 12 (Twelve) times.

## 2.4 Remuneration Committee

The Remuneration Committee comprises of following Directors:

- Shri K. R. Gupta – Chairman (Non-Executive Independent Director)
- Shri C. R. Sharma – Member(Non-Executive Independent Director)
- Dr. T. N. Kapoor – Member(Non-Executive Independent Director)
- Shri M L Aggarwal – Member(Executive Chairman)

## Terms of Reference

The role and terms of reference of the Remuneration Committee cover areas mentioned in the Clause 49 of Listing Agreement with Stock Exchange, which, among others, include:

- to formulate the remuneration policy for all executive directors including retirement benefits to be paid to them and deal with matters pertaining to Employees' Stock Option Schemes
- to adhere proper disclosure of remuneration paid /payable to Executive of the Company during any financial period

- to identify and ensure disclosure of all pecuniary relationship or transaction with Executive Directors of the Company.
- to ensure compliance of all statutory laws related to remuneration policy
- to obtain outside legal or professionals advice and to access the criteria and industry benchmarks for formulation of remuneration package of Executive Directors
- to recommend the appointment/removal and fix the remuneration of Executive Directors of the Company
- Any other Powers /responsibilities, as the Board of directors may from time to time, delegate by a resolution.

### Meetings of Remuneration Committee

During the Financial Year 2009-2010, the Committee met 1 time-on 20<sup>th</sup> January, 2010.

**Besides above mentioned Committees, the Company has an another Committee i.e. Risk Management Committee for the purpose of assessing, analyzing the foreseen risks which can affect the working, productivity, operations, credibility or profitability of the Company.**

**The purpose of this committee is not only to assess the type of risks but also to suggest treatment measures for controlling such risks or if the risk is uncontrollable then to suggest, how the consequences of that risk can be mitigated.**

### 3. Compliance Officer

Ms. Vaishali Singh, the Company Secretary is the Compliance Officer of the Company. The Compliance Officer can be contacted at:

5A DLF Industrial Estate,  
Faridabad-121003  
Tel.: 91-129-2270621-25 (Extn. 146)  
Email: vaishalis@stlfasteners.com

### 4. Subsidiary Companies

The Company don't have any subsidiary.

### 5. Disclosures

#### 5.1 Details of shares held by the Directors and dividend paid to them during the Financial Year 2009-10.

Name of the Director	No. of Equity Shares	* Dividend paid during the Financial Year 2009-2010 (In Rs)
Shri Manohar Lal Aggarwal	734463	29,37,852
Shri Anil Aggarwal	1550400	62,01,600
Shri Atul Aggarwal	1718302	68,73,208
Shri Triloki Nath Kapoor	Nil	Nil
Shri Khushi Ram Gupta	Nil	Nil
Shri Chhotu Ram Sharma	Nil	Nil

\* It includes final payment @ Rs. 1/- Per Share for the Financial Year 2008-2009 and Interim Dividend @ Rs. 3/- Per Share for the Financial Year 2009-2010.

## **5.2 Disclosures on materially significant related party transactions**

The related party transactions contain

- a) Payment of remuneration to Managerial Personnel
- b) Payment of Rent for the premises taken on lease
- c) Purchase of vehicles as well as service of vehicles from group Companies.

Details of related party transactions are included in the Notes to the Accounts as per Accounting Standard-18 in Companies (Accounting Standards) Rules, 2006.

All details relating to financial and commercial transactions where Directors may have potential interest are provided to the Board and the interested Directors neither participated in the discussion nor did they vote on such matters.

## **5.3 Disclosure of Accounting Treatment**

There is no deviation in following the treatments prescribed in any Accounting Standard in preparation of financial statements of the Company during the year.

## **5.4 Details of Loans/Advances and Investments**

During the F.Y. 2009-10, the Company has entered into a Joint Venture with a Netherlands based Company i.e. Borstlap Masters in Fasteners Group B.V.(Fabory Group). Accordingly a closely held Company in India is incorporated in 50:50 ratio with its Registered Office in Delhi. The Joint Venture Company will be doing business of wholesale distribution, supply chain and vendor management of non-automotive and automotive fasteners and standard and no-standard(customer specific) non automotive electronic and other components, assemblies and sub-assemblies and fittings, of all kinds and for all industries and components thereof.

Initially both the Companies i.e. Sterling Tools Ltd. and Borstlap Masters in Fasteners Group B.V. have invested Rs. 1,75,00,000/- each in the said Joint Venture Company.

Besides the above said investment, the Company has not made any investment in any other group company or any outside company as well as has not provided any loan / advance to any of its directors or to any group Company in which directors are interested.

## **5.5 Details of non-compliance with regard to the Capital Market**

There was neither any non-compliance by the Company on any matter relating to capital markets during previous three years nor did the Company attract any penalties or strictures by the Stock Exchanges, SEBI or any Statutory Bodies with regard to Capital Market.

## **6. Management**

### **6.1 Management Discussion and Analysis**

A detailed Management Discussion and Analysis forms part of the Directors' Report as ANNEXURE-IV.

### **6.2 Disclosures by Management to the Board**

All details relating to financial and commercial transactions where Directors may have a potential interest are provided to the Board and the interested directors neither participate in the discussion nor do they vote on such matters.

## 7. Shareholders

### 7.1 Disclosures regarding appointment or re-appointment of Directors

The Company has provided all the details of the directors seeking appointment or re-appointment in the AGM Notice enclosed with this Annual Report.

### 7.2 Communication to Shareholders

The quarterly/half yearly results are being furnished to stock exchanges and also are being published in leading English and Hindi Newspapers and are displayed on the website of the Company—[www.stlfasteners.com](http://www.stlfasteners.com).

### 7.3 General Body Meetings

The details of Annual General Meetings held in the last three years are given below:

Financial Year	Date	Time	Venue
2008–2009	01.09.2009	10:00 A.M.	Lakshmi Pat Sighania Auditorium, PHD Chamber of Commerce & Industry, PHD House, 4/2, Siri Institutional Area, August Kranti Marg, New Delhi-110016
2007–2008	07.08.2008	09:30 A.M.	Modi Hall, PHD Chamber of Commerce & Industry, PHD House, 4/2, Siri Institutional Area, August Kranti Marg, New Delhi-110016
2006–2007	11.09.2007	09:30 A.M.	ELCINA House, 422, Okhla Industrial Estate, New Delhi – 110 020

### 7.4 Special Resolutions passed at the last 3 AGMs:

Date	Time	Special Resolution
01.09.2009	10:00 A.M.	-NONE-
07.08.2008	09:30 A.M.	Power to make investments, pursuant to the provisions of section 372(1)(c) of the Companies Act 1956, upto Rs. 80 Crores.
11.09.2007	09:30 A.M.	Power to Borrow Money upto Rs. 100 Crores.

### 7.5 Special Resolution through Postal Ballot:

No special resolutions were required to be put through postal ballot last year.

No special resolution requiring postal balloting as recommended under Clause–49 of the Listing Agreement are placed for shareholders' approval at this meeting.

## 8. CEO/CFO Certification

As required by Clause 49 of the Listing Agreement, the CEO/CFO certification is given elsewhere in the Annual Report.

## 9. Report on Corporate Governance

This Corporate Governance Report forms part of the Annual Report. The Company is fully compliant with all the provisions of Clause 49 of the Listing Agreement of the Stock Exchanges of India.

## 10. Compliance

A Certificate from the Statutory Auditors of the Company, confirming compliance with all the conditions of Corporate Governance, as stipulated in Clause 49 of the Listing Agreement of the stock exchanges is annexed to the Directors' Report and forms part of the Annual Report.

## 11. Code of conduct

The Board of Directors has laid down Code of Conduct for all Board Members and Senior Management of the Company as required under Clause 49(1D) of Listing Agreement. This code is also posted on the website of the Company i.e. [www.stlfasteners.com](http://www.stlfasteners.com).

The Members of the Board of Directors and Senior Management personnel have affirmed the compliance with the Code applicable to them during the year ended March 31, 2010. The Annual Report of the Company contains a certificate by the Managing Director & CEO in this regard.

## 12. General Shareholder Information

### (i) Annual General Meeting

Date	: 30 <sup>th</sup> August, 2010
Time	: 10:00 A.M.
Venue	: <b>Lakshmopat Singhania Auditorium</b> PHD Chamber of Commerce and Industry PHD House, 4/2, Siri Institutional Area August Kranti Marg, New Delhi-110016

### (ii) Financial Calendar

Financial Year	: 1 <sup>st</sup> April to 31 <sup>st</sup> March
Unaudited first quarter financial results	: Second Half of July 2010
Unaudited second quarter financial results	: Second Half of October 2010
Unaudited third quarter financial results	: Second Half of January 2011
Audited annual results for the year ending 31 <sup>st</sup> March 2011	: Second Half of May 2011

### (iii) Dividend Announcement

: The Board of Directors of Sterling Tools Limited had recommended an interim dividend of Rs. 3.00 per equity share (30%) for fiscal year 2009-2010 in their meeting held on 18<sup>th</sup> February, 2010 which has already been paid. Further, the Board of Directors have recommended final dividend of Rs. 2.00 per equity share (20%) for the financial year ended 31<sup>st</sup> March 2010. Dividend paid in the previous year was Rs. 1.00 per equity share (10%)

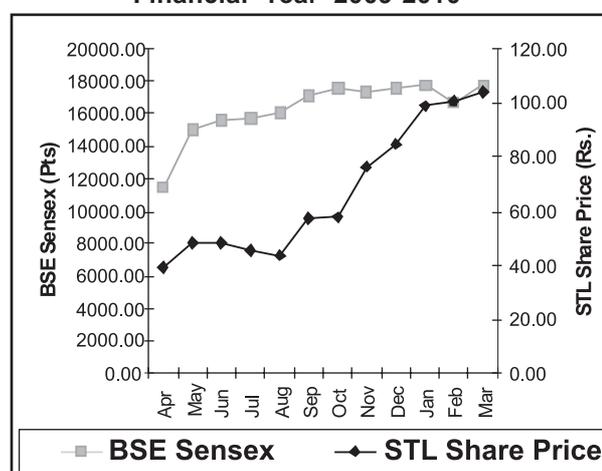
- (iv) Dates of Book Closure** : The Register of Members and Share Transfer Books of the company will remain closed from Thursday, 26<sup>th</sup> August, 2010 to Monday, 30<sup>th</sup> August, 2010 both days inclusive, for the purpose of Annual General Meeting.
- (v) Date of Dividend Payment** : The payment of dividend, upon declaration by the shareholders at the forthcoming Annual General Meeting, will be made on or after 30<sup>th</sup> August, 2010 as under:
- To all those beneficial owners holding shares in electronic form, as per the beneficial ownership data made available to the company by National Securities Depository Limited (NSDL) and the Central Depository Services (India) Limited (CDSL) as on the end-of-the-day on 25<sup>th</sup> August, 2010 and
- To all those shareholders holding shares in physical form, after giving effect to all the valid share transfers lodged with the company on or before the closing hours on 25<sup>th</sup> August, 2010.
- (vi) Share Transfer System** : All transfers of the shares received in physical mode are processed and approved by the Share Transfer Committee within a period of 15 days from the date of receipt provided the documents lodged are clear in all.
- (vii) Registrar and Transfer Agent** : MAS Services Private Limited T-34, 2<sup>nd</sup> Floor, Okhla Industrial Area, Phase-II, New Delhi-110020
- (viii) Dematerialisation of Shares** : The Shares of the Company are in Compulsory Demat segment. As on 31<sup>st</sup> March, 2010, 6630857 Equity Shares of the Company stand dematerialised.
- (ix) Company's ISIN No.:** : **INE334A01015**
- Stock Code**
1. BSE, Mumbai : 530759
2. NSE, Mumbai : STERTOOLS
- (x) Listing on Stock Exchange**
- Shares of Sterling Tools Limited are listed on the following stock exchange:
1. Bombay Stock Exchange Limited, Mumbai (BSE) : 1<sup>st</sup> Floor, Phiroze Jeejeebhoy Towers Dalal Street, Mumbai-400 001
2. National Stock Exchange of India Limited, Mumbai (NSE) : "Exchange Plaza", Plot No. C-1, Bandra Kurla Complex, Bandra (E), Mumbai-400 051

- (xi) **Plant Locations** : 5A, DLF Industrial Estate, Faridabad 121 003, Haryana  
81, Sector-25, Ballabgarh, Faridabad, Haryana  
49 KM Stone, Delhi Mathura Road, Village-Prithla, Distt.-Palwal
- (xii) **Address for correspondence** : Investors and Shareholders are requested to send all correspondence to the Registrar & Transfer Agent at the address given above.
- (xiii) **Electronic Clearing Services (ECS)** : The Company is availing of the ECS facility to distribute dividend in main cities to those Members who have opted for it.

(xiv) **Market Share price data on BSE during the financial year 2009-2010**

Month	High	Low
April 2009	39.40	30.75
May 2009	48.00	32.25
June 2009	48.00	38.00
July 2009	45.75	36.15
August 2009	43.80	37.35
September 2009	57.00	39.60
October 2009	57.80	43.00
November 2009	76.30	49.00
December 2009	84.45	67.45
January 2010	99.00	76.55
February 2010	100.60	81.00
March 2010	103.80	84.10

**Stock Price Performance-STL Vs BSE Sensex Financial Year 2009-2010**



Note: Based on the Monthly highest data of STL (Rs. Per Share) and BSE Sensex (Pts.)

(xv) **Shareholding Pattern:**

	As on 31 <sup>st</sup> March 2010		As on 31 <sup>st</sup> March 2009	
	No. of shares	% to total Capital	No. of shares	% to total Capital
Promoters	4735765	69.19	4735765	69.19
Mutual Funds	22400	0.33	22400	0.33
NRIs and OCBs	22005	0.32	34434	0.50
Body Corporate	392480	5.73	278492	4.07
Indian Public	1671950	24.43	1773509	25.91
<b>Total</b>	<b>6844600</b>	<b>100.00</b>	<b>6844600</b>	<b>100.00</b>

**(xvi) Distribution of shareholding as on 31<sup>st</sup> March, 2010**

**Nominal Value of each shares – Rs. 10/-**

Number of Share Holders	% To Total	Share Holding of Nominal Value of Rs.	No. of shares	Amount in Rs.	% To Total
3488	87.353	1 to 5,000	450361	4503610	6.580
279	6.987	5,001 to 10,000	226643	2266430	3.311
107	2.680	10,001 to 20,000	168176	1681760	2.457
34	0.851	20,001 to 30,000	86075	860750	1.258
14	0.351	30,001 to 40,000	50905	509050	0.744
19	0.476	40,001 to 50,000	87205	872050	1.274
19	0.476	50,001 to 1,00,000	132007	1320070	1.929
33	0.826	1,00,001 & ABOVE	5643228	56432280	82.448
3993	100.000	Total	6844600	68446000	100.000

**xvii) Non-Mandatory Requirements**

**Whistle Blower Policy**

The Company has not adopted any separate “Whistle Blower Policy”. However it has a mechanism for employees to report to the management concerns about unethical behavior, actual or suspected fraud or violation of the Company’ code of business conduct and ethics.

## CEO AND CFO CERTIFICATION

We, Anil Aggarwal, Managing Director and Atul Aggarwal, Whole Time Director of Sterling Tools Ltd., to the best of our knowledge and belief, certify that:

1. We have reviewed the Balance Sheet and Profit and Loss Account and all its Schedules and Notes on accounts, as well as the Cash Flow Statements for the Year ended 31-03-2010 and to the best of our knowledge and belief :
  - i) these statements do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made or contain statements that might be misleading;
  - ii) the financial statements and other financial information included in this report, present in all material respects, a true and fair view of the company's affairs, the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report, and are in compliance with the existing accounting standards and/or applicable laws and regulations.
2. To the best of our knowledge and belief, no transactions entered into by the company during the year are fraudulent, illegal or violative of the Company's code of conduct.
3. The Company's other certifying Officers and we are responsible for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of internal control systems of the company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
4. We have indicated to the auditors and the Audit Committee:
  - i) significant changes in internal control over financial reporting during the year.
  - ii) Significant changes in accounting policies during the year and that same have been disclosed in the notes to the financial statements; and
  - iii) Any fraud, which we have become aware and that involves management or an employee having a significant role in the Company's internal control system over financial reporting.

We further declare that all Board Members and Senior Management Personnel have affirmed compliance with the Code of Conduct for the year ended 31.03.2010.

**Date: 19<sup>th</sup> July, 2010**

**Place: Faridabad**

**Anil Aggarwal**  
**Managing Director**  
**DIN No. 00027214**

**Atul Aggarwal**  
**Whole Time Director**  
**DIN No. 00125825**

# **Auditors' Certificate on compliance of conditions of Corporate Governance as per clause 49 of the Listing Agreement with the Stock Exchange**

To the Members of

## **M/S. STERLING TOOLS LIMITED**

We have examined the compliance of the conditions of Corporate Governance by Sterling Tools Limited, for the year ended on 31<sup>st</sup> March 2010, as stipulated in clause 49 of the Listing agreement of the said Company with the stock exchange.

The compliance of the conditions of the Corporate Governance is the responsibility of the management. Our examination has been limited to a review of the procedure and implementations thereof, adopted by the Company for ensuring compliance with the conditions of Corporate Governance. It is neither an audit nor an expression of opinion of the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in clause 49 of the above mentioned Listing agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

**For S.R. Dinodia & Co.  
Chartered Accountants**

**(Sandeep Dinodia)**

**Partner**

**M. No. 083689**

**Place: New Delhi**

**Dated: 13<sup>th</sup> July, 2010**

## Annexure - IV to Director's Report

### Management Discussion and Analysis Report

The Management of Sterling Tools Limited is pleased to present Management Discussion and Analysis Report covering performance for the year 2009–2010 and the outlook for the future. The report contains future predictions for the Company's business based on current scenario:

#### Industry Structure and Developments

The demand of cold forged high tensile fasteners industry in India is mainly from automobile, general engineering, consumer durables, railways and auto replacement market.

The Automobile Industry accounts for 75% of the total demand of Fasteners Industry, therefore, the growth of Fasteners Industry is dependent on the growth of Automobile Sector in India.

The trends in the Automobile industry for the last two years are given below:

#### DOMESTIC SALE TRENDS:

CATEGORY	2009-2010	2008-2009	INCREASE %
Passenger Vehicles	1949776	1552703	25.57%
Commercial Vehicles	531395	384194	38.31%
Three Wheelers	440368	349727	25.92%
Two Wheelers	9371231	7437619	26.00%
<b>Grand Total</b>	<b>12292770</b>	<b>9724243</b>	<b>26.41%</b>

(SOURCE OF INFORMATION: SIAM)

#### EXPORT SALE TRENDS:

CATEGORY	2009-2010	2008-2009	INCREASE %
Passenger Vehicles	446146	335729	32.89%
Commercial Vehicles	45007	42625	5.59%
Three Wheelers	173282	148066	17.03%
Two Wheelers	1140184	1004174	13.54%
<b>Grand Total</b>	<b>1804619</b>	<b>1530594</b>	<b>17.90%</b>

(SOURCE OF INFORMATION: SIAM)

#### Opportunities

The opportunities of growth of high tensile fasteners Industry in India are directly related with the growth of Automobile Sector in India. Today, India is well known as potential emerging automobile market and several foreign companies have invested as well as investing in Automobile Companies in India. India is major Three Wheeler market and Two Wheeler manufacturer in the World. It is also the second largest manufacturer of Tractors in the World. India is a home to many Indian and international Automobile Companies. The scope of Automobile Sector is rising rapidly in India.

The demand of Fasteners on global basis is expected to grow at a healthy pace of 4.8% yearly through 2012 (Source: Freedonia Group-International Industrial Research Company)

As per the report of SIAM, the Automobile Sector in domestic market has booked a growth of 26.41% and in Export Market, it is 17.90% in F.Y. 2009-10 as compared to previous year.

Your Company STL, with its established brand and long term cordial relationships with Original Equipment Manufacturers in India, is well positioned to take advantage of this anticipated demand growth on a long term basis.

## **Challenges**

The Fastener Industry in India is facing lot of challenges. Every Auto Manufacturer has its own designs, specifications, standards for its assemblies, accordingly Fasteners Manufacture has to maintain a large inventory to cater its various clients.

The increased cost of steel i.e. raw material for fastener industry and competition from unorganised sector of fasteners manufacturers in India as well as low cost countries such as China, Taiwan etc. do act as a challenge.

## **Risk & Concerns**

The risks that may affect the functioning of the Company include, but are not limited to:

- Economic Conditions
- Increasing cost of raw materials.
- Competitive market conditions.
- Any industrial, particularly automobile, slowdown may affect the demand supply potential affecting profitability of all high tensile fasteners manufacturers in India.
- Compliance and regulatory pressures including changes to tax laws etc.

Your Company has a well defined Risk Management Strategy and has constituted a Risk Management Committee whose primarily role is to identify the risks, suggest methods to mitigate its affects etc. This committee continuously reviews existing and new risks and suggests various risk mitigation measures.

## **Adequacy of Internal Controls**

Your Company has put in place a proper system of internal controls that ensures the effectiveness and efficiency in all its operations and compliance with laws and regulations. In order to have better control, an Independent Audit Firm M/s JRA & Associates reviews the operation and financials of the Company and a detailed report is presented to the Management for discussions and future compliances.

The significant findings of the Internal Audit Team is reported to the Audit Committee on quarterly basis in form of an Executive Summary and appropriate remedial measures are taken.

The Audit Committee reviews the adequacy of Internal Controls periodically to meet the requirements of the Company.

## Review of Operations

Sales for the year ended March 31, 2010 at Rs. 19451.72 Lacs did show an increase of 14.20% against Rs. 17032.44 Lacs for the previous year despite enormous competition in automotive and other sector.

- Operating profit, excluding other income was Rs. 3007.85 Lacs for the year 2009-2010 increased by 95.07% as compared Rs. 1541.97 Lacs for the year 2008-2009.
- Operating margin was 16.75% for the year 2009-2010 as against 10.22% for the year 2008-2009.
- Other income was Rs. 39 Lacs for the year 2009-2010 decreased by 50% as against Rs. 77 Lacs for the year 2008-2009.
- Interest expenses were Rs. 534 Lacs for the year 2009-2010 as against Rs. 666 Lacs for the year 2008-2009.
- Corporate tax liability including Deferred, Fringe Benefit and Wealth Tax Liability for the year was Rs. 705.25 Lacs for the year 2009-2010 as against Rs. 127.64 Lacs for the year 2008-2009.
- Net profit was Rs. 1159 Lacs for the year 2009-2010 increased by 574.85% as against Rs. 172 Lacs for the year 2008-2009.
- Paid up equity share capital as on March 31, 2010 stood at Rs. 684.46 Lacs
- Earnings Per share (EPS) for the year is Rs. 16.93/- for the year 2009-2010 as against Rs. 2.33/- for the year 2008-2009.
- Cash Earnings Per Share (CEPS) was Rs. 26.12 for the year 2009-2010 as against Rs. 11.32 for the year 2008-2009.
- STL has contributed a foreign exchange to the tune of Rs. 572.60 Lacs for the year 2009-2010 as against Rs. 629.61 Lacs for the year 2008-2009.

## Human Resources Development

Your Company firmly believes that a competent work force is the key contributor to the success of any organisation and also recognizes that its success depends on the quality of its human resources.

The culture of your Company is to procure good talent, motivate it by providing trainings, welfare programmes, pay for performance, incentives and retain it with STL for long term.

The Company employed 509 persons during the year under review.

## Cautionary Statement

Statements in this management Discussion and Analysis Report describing the Company's objectives, projections, estimates and expectation may be "forward looking statement" within the meaning of applicable laws and regulations. Actual results might differ from those either expressed or implied. Important factors that could affect the Company's performance include economic developments within the country, demand and supply conditions in the Industry, changes in the Government regulations, tax laws and other factor such as litigation and industrial relations.

# AUDITORS' REPORT

## TO THE MEMBERS OF M/S STERLING TOOLS LIMITED

1. We have audited the attached balance sheet of **M/S STERLING TOOLS LIMITED**, as at **31 March 2010**, the profit and loss account and also the cash flow statement 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 the 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 (a) examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement (b) assessing the accounting principles used in the preparation of the financial statements (c) assessing significant estimates made by management in the preparation of the financial statements and (d) evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 [as amended by the Companies (Auditor's Report) (Amendment) Order 2004] issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
  - (i) 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;
  - (ii) 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 those books;
  - (iii) The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
  - (iv) In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
  - (v) On the basis of written representations received from the directors as on 31 March 2010 and taken on record by the Board of Directors. We report that none of the directors is disqualified as on 31 March 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
  - (vi) 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:
    - (a) In the case of the balance sheet, of the state of affairs of the Company as at 31 March 2010;
    - (b) in the case of the profit and loss account, the profit for the year ended on that date; and
    - (c) in the case of the cash flow statement, of the cash flows for the year ended on that date.

**For S.R.DINODIA & CO.**  
**CHARTERED ACCOUNTANTS**  
**Reg. No. 01478N**

**(SANDEEP DINODIA)**  
**PARTNER**  
**M. NO. 83689**

**PLACE: NEW DELHI**  
**DATE: 10<sup>th</sup> May, 2010**

## **ANNEXURE TO THE AUDITORS' REPORT** **(Referred to in paragraph 3 of our audit report of even date)**

### **RE: M/S STERLING TOOLS LIMITED**

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- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) All the assets have been physically verified by the management during the year and there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) In our opinion and according to the information and explanations given to us, fixed assets disposed off during the year were not substantial, and therefore, do not affect the going concern assumption.
- (ii) (a) The inventory, except goods in transit, has been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable.
- (b) The procedures for physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The company is maintaining proper records of inventory. The discrepancies noted between the stocks as per physical verification and the book records have been properly dealt with in the books of account.
- (iii) As informed, the Company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, provisions of paragraph 4(iii) (b), (c), (d), (f) and (g) of the Order are not applicable.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business with regard to purchase of inventory and fixed assets and for the sale of goods. Further, on the basis of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices, there is no continuing failure to correct the weaknesses in the aforesaid internal control systems.
- (v) (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that section.
- (b) In our opinion and according to explanation given to us, the transactions made in pursuance of such contracts or arrangements entered in the register maintained u/s 301 of the Companies Act, 1956 and exceeding values of Rs.5 Lacs have been made at prices which are reasonable with regard to the prevailing market prices at the relevant times.
- (vi) In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits within the meaning of section 58A, 58AA and the other relevant provisions of the Companies Act, 1956 and rules framed there-under.
- (vii) In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.

(viii) We have broadly reviewed the books of accounts maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956 and are of the opinion that, prime facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.

(ix) (a) According to the information and explanations given to us and on the basis of our examination of the records of the company, amounts deducted/accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Employees' State Insurance, Income-tax, Sales-tax, Customs duty, Excise duty, Service tax, Investor Education and Protection Fund and other material statutory dues have generally been regularly deposited during the year by the Company with the appropriate authorities,

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income-tax, Customs duty, Service tax, Investor Education and Protection Fund and cess and other material statutory dues were in arrears as at 31 March 2010 for a period of more than six months from the date they became payable.

(b) According to the information and explanations given to us, there are no dues of Income-tax, Customs duty, Sales tax, Wealth tax and Cess which have not been deposited with the appropriate authorities on account of any dispute.

The following dues of Excise duty and Service tax have not been deposited by the Company on account of dispute:

Name of the Statute	Nature of Dues	Amount (Rupees)	Period to which amount relates	Forum where dispute is pending
Central Excise and Salt Act	Excise Duty	335,825	2006-2007	'Faridabad' Range-24
		451,784	2006-2007	'Faridabad' Range-17
		6,196,734	2006-2007, 2007-2008 & 2008-2009, (up to September 2008)	'Faridabad' Range-8
Central Excise and Salt Act	Service Tax	2,285,015	2005-2006	'Faridabad' Range-24
		2,629,127	2006-2007	'Faridabad' Range-24
		7,725,685	2006-2007	'Faridabad' Range-17
		4,835,135	2007-2008	'Faridabad' Range-24

(x) The company does not have any accumulated losses at the end of the financial year and has not incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.

(xi) In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to banks during the year. There were no dues payable to any financial institution or debenture holders.

(xii) The company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Therefore, the provisions of clause 4(xii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.

- (xiii) The company is not a chit fund or a nidhi mutual benefit fund society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (xiv) The company is not dealing or trading in shares, securities, debentures and other investments. Therefore, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (xv) In our opinion and on the basis of information and explanation given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions. Therefore, the provisions of clause 4(xv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (xvi) On the basis of information and explanation given to us, we are of opinion that the term loans were applied for the purposes for which the loans were obtained.
- (xvii) According to the information and explanations given to us and on the basis of an overall examination of the balance sheet of the company, in our opinion, funds raised on short term basis have not been used for long term investments.
- (xviii) During the year, the Company has not allotted any shares on preferential basis to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
- (xix) The Company has not issued any debentures during the year. Therefore, the provisions of clause 4(xix) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- (xx) According to the information and explanation given to us, the company has not raised any money by way of public issue during the period covered under audit. Therefore, the provisions of clause 4(xx) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- (xxi) During the course of our examination of the books and records of the Company carried out in accordance with the generally accepted auditing practices in India and according to the information and explanation given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year nor have we been informed of such case by the management.

**For S.R.DINODIA & CO.  
CHARTERED ACCOUNTANTS  
Reg. No. 01478N**

**PLACE: NEW DELHI  
DATE: 10<sup>th</sup> May, 2010**

**(SANDEEP DINODIA)  
PARTNER  
M. NO. 83689**

## Balance Sheet as at March 31, 2010

(Amount in Rs.)

PARTICULARS	Schedule	As at March 31, 2010	As at March 31, 2009
<b>SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS' FUNDS</b>			
Share Capital	1	68,446,000	68,446,000
Reserves & Surplus	2	525,529,918	449,628,235
		593,975,918	518,074,235
<b>LOAN FUNDS</b>			
Secured Loans	3	561,354,610	520,784,991
<b>Deferred Tax Liability</b>		89,600,256	82,945,502
( Refer to note 2j of Schedule 15 )			
		<b>1,244,930,784</b>	<b>1,121,804,728</b>
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
	4		
Gross Block		1,177,782,300	1,142,367,115
Less : Depreciation		411,136,338	357,784,776
Net Block		766,645,962	784,582,339
Capital work in progress		4,016,274	4,841,829
<b>Total</b>		<b>770,662,236</b>	<b>789,424,168</b>
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>			
Inventories	5	221,443,036	131,493,966
Sundry Debtors	6	313,905,543	299,352,292
Cash & Bank balances	7	16,898,409	13,296,466
Loans & Advances	8	82,496,639	44,323,312
		634,743,627	488,466,036
<b>CURRENT LIABILITIES AND PROVISIONS</b>			
	9		
Current Liabilities		130,847,136	133,063,701
Provisions		29,627,943	23,021,775
		160,475,079	156,085,476
<b>Net Current Assets</b>		<b>474,268,548</b>	<b>332,380,560</b>
<b>Total</b>		<b>1,244,930,784</b>	<b>1,121,804,728</b>
<b>Significant Accounting Policies &amp; Notes to the account</b>			
	15		

As per our report of even date attached

**For S . R. Dinodia & Co.**  
Chartered Accountants  
Reg. No. 01478N

**Sandeep Dinodia**  
Partner  
M.No. 083689

Place : New Delhi  
Date : 10<sup>th</sup> May, 2010

**For & on behalf of the Board**

**M. L. Aggarwal**  
Chairman  
DIN No. 00027380

**Vaishali Singh**  
Company Secretary

**Anil Aggarwal**  
Managing Director  
DIN No. 00027214

## Profit & Loss Account for the year ended March 31, 2010

(Amount in Rs.)

PARTICULARS	Schedule	Year ended March 31, 2010	Year ended March 31, 2009
<b>INCOME</b>			
Sales ( Gross )		1,945,172,021	1,703,243,948
Less : Excise Duty		149,918,495	193,985,672
Sales ( Net )		<b>1,795,253,526</b>	<b>1,509,258,276</b>
Other Income	<b>10</b>	3,849,540	7,672,720
		<b>1,799,103,066</b>	<b>1,516,930,996</b>
<b>EXPENDITURE</b>			
Manufacturing & other expenses	<b>11</b>	1,380,279,164	1,201,207,021
Reduction / (Accretion ) to Stock	<b>12</b>	(50,111,952)	14,527,860
Personnel Expenses	<b>13</b>	164,301,380	139,326,496
Financial Charges	<b>14</b>	55,314,681	70,449,788
Depreciation	<b>4</b>	62,906,631	61,484,025
		<b>1,612,689,904</b>	<b>1,486,995,190</b>
<b>Profit Before Tax</b>		<b>186,413,162</b>	<b>29,935,806</b>
Less: Provision for tax			
- Current Tax		63,800,000	15,120,000
- Deferred Tax		6,654,754	(4,671,559)
- Fringe Benefit Tax		-	2,259,000
- Wealth Tax		70,400	56,500
		<b>70,525,154</b>	<b>12,763,941</b>
<b>Profit After Tax</b>		<b>115,888,008</b>	<b>17,171,865</b>
Add : Balance brought forward from the previous year		294,445,589	286,471,470
Add/(Less) Tax adjustments for earlier years		-	(1,189,906)
<b>Balance Available For Appropriations</b>		<b>410,333,597</b>	<b>302,453,429</b>
Provision for Final Dividend		13,689,200	6,844,600
Provision for Tax on Final Dividend		2,273,605	1,163,240
Interim Dividend Paid		20,533,800	-
Tax paid on Interim Dividend		3,489,720	-
Transfer to General Reserve		12,000,000	-
		51,986,325	8,007,840
<b>Balance carried forward to the Balance Sheet</b>		<b>358,347,272</b>	<b>294,445,589</b>
<b>Basic / Diluted Earning per Share</b> ( Equity Shares, Par Value Rs 10 each (Refer Note No. 2i) of Schedule 15)		<b>16.93</b>	<b>2.33</b>
No of Shares Used in Computing Earnings Per Share ( Basic & Diluted )		6,844,600	6,844,600
<b>Significant Accounting Policies &amp; Notes to the account</b>	<b>15</b>		

As per our report of even date attached

**For S . R. Dinodia & Co.**  
Chartered Accountants  
Reg. No. 01478N

**Sandeep Dinodia**  
Partner  
M.No. 083689

Place : New Delhi  
Date : 10<sup>th</sup> May, 2010

**For & on behalf of the Board**

**M. L. Aggarwal**  
Chairman  
DIN No. 00027380

**Vaishali Singh**  
Company Secretary

**Anil Aggarwal**  
Managing Director  
DIN No. 00027214

## Cash Flow Statement for the year ended 31 March, 2010

(Amount in Rs.)

	Year Ended March 31, 2010	Year Ended March 31, 2009
<b>A. Cash Flow from operating activities</b>		
<b>Net Profit before tax</b>	<b>186,413,162</b>	<b>29,935,806</b>
Adjustments for :		
Depreciation (Net)	62,906,631	61,484,025
Unrealised Foreign Exchange (Gain)/Loss	1,778,693	7,162,939
(Profit)/Loss on sale of fixed assets	541,208	783,969
Interest Expenses	53,438,336	66,597,197
<b>Operation profit before working capital changes</b>	<b>305,078,030</b>	<b>165,963,936</b>
<b>Adjustment for :</b>		
Trade Receivables	(14,553,251)	24,888,227
Other Recievables	(44,340,766)	44,991,167
Inventories	(89,949,070)	77,889,663
Trade Payables	(13,381,277)	(41,302,376)
Other Liabilities	11,164,714	(2,752,040)
Provisions	(7,307,954)	14,954,468
	<b>(158,367,604)</b>	<b>118,669,109</b>
<b>Net Cash generated from operations</b>	<b>146,710,426</b>	<b>284,633,045</b>
Direct taxes paid	(51,743,804)	(26,319,179)
<b>Net cash from operating activities (A)</b>	<b>94,966,622</b>	<b>258,313,866</b>
<b>B. Cash flow from investing activities</b>		
Purchase of fixed assets	(49,004,267)	(79,876,056)
Sale of fixed assets	4,338,772	2,444,747
<b>Net cash used in investing activities (B)</b>	<b>(44,665,495)</b>	<b>(77,431,309)</b>
<b>C. Cash flow from financing activities</b>		
Proceeds from long-term borrowings- from banks	8,060,644	21,636,314
Dividend paid including Dividend Tax	(32,031,360)	(24,023,520)
Repayment of long-term borrowings-to banks	(25,555,883)	(54,291,042)
Short Term Borrowings	58,064,858	(63,514,088)
Interest paid	(53,458,750)	(67,805,672)
<b>Net cash used in financing activities (C)</b>	<b>(44,920,491)</b>	<b>(187,998,008)</b>
<b>Net increase in cash &amp; cash equivalent (A+B+C)</b>	<b>5,380,636</b>	<b>(7,115,451)</b>
<b>Cash and Cash equivalents as at 01.04.2009 (Opening Balance)</b>	<b>13,296,466</b>	<b>27,574,856</b>
<b>Unrealised Foreign Exchange Gain/(Loss)</b>	<b>(1,778,693)</b>	<b>(7,162,939)</b>
<b>Cash and Cash equivalents as at 31.03.2010 (Closing balance)</b>	<b>16,898,409</b>	<b>13,296,466</b>

### Notes:-

- All figures in brackets are outflows.
- Cash & Cash Equivalent is Cash & Bank Balances as per Balance Sheet.
- Previous year figures have been regrouped/ restated wherever necessary.

As per our report of even date attached

**For S . R. Dinodia & Co.**  
Chartered Accountants  
Reg. No. 01478N

**Sandeep Dinodia**  
Partner  
M.No. 083689

Place : New Delhi  
Date : 10<sup>th</sup> May, 2010

**For & on behalf of the Board**

**M. L. Aggarwal**  
Chairman  
DIN No. 00027380

**Vaishali Singh**  
Company Secretary

**Anil Aggarwal**  
Managing Director  
DIN No. 00027214

## Schedules forming part of the accounts

(Amount in Rs.)

	As at March 31, 2010	As at March 31, 2009
<b>Share Capital</b>		<b>Schedule 1</b>
<b>Authorised</b>		
10,000,000 (P.Y. 10,000,000) equity Shares of Rs. 10/- each	<b>100,000,000</b>	<b>100,000,000</b>
<b>Issued, Subscribed &amp; Paid-up</b>		
6,844,600 (P.Y. 6,844,600) equity Shares of Rs. 10/- each, fully paid up	68,446,000	68,446,000
	<b>68,446,000</b>	<b>68,446,000</b>

### Notes :

Out of the above :

- (1) 2,280,000 equity shares ( Previous Year 2,280,000) have been allotted as fully paid up bonus shares by capitalisation of general reserve.
- (2) 3,422,300 equity shares ( Previous Year 3,422,300 ) have been allotted as fully paid up bonus shares by capitalisation of Securities Premium Account.

## Reserves & Surplus

**Schedule 2**

<b>Capital Reserve</b>			
As per last Balance Sheet			
Shares Forfeited	67,500	67,500	
Capital Reserve	597,250	664,750	597,250
			664,750
<b>Securities Premium</b>		34,071,500	34,071,500
<b>General Reserve</b>			
As per last Balance Sheet			
Add : Transfer from Profit and Loss Account	120,446,396	120,446,396	
			-
			120,446,396
<b>Surplus</b>			
Profit and Loss Account		358,347,272	294,445,589
		<b>525,529,918</b>	<b>449,628,235</b>

## Secured Loans

**Schedule 3**

<b>From Banks</b>			
A. Working Capital facilities		321,833,897	263,769,039
B. Term Loans		236,356,275	250,647,552
C. Vehicle Loan		2,129,918	4,837,353
<b>From Others</b>			
A. Vehicle Loan		1,034,520	1,531,047
		<b>561,354,610</b>	<b>520,784,991</b>

### Notes :

#### 1. Working Capital Limits

Secured by mortgage of Stock in Trade, Receivables, equitable mortgage of Land and Building and other Fixed Assets. and personal guarantee by some of the Directors of the Company.

#### 2. Term Loans

-Secured by mortgage of Land & Building, Plant & machinery including future Plant & Machinery, Movable Assets, other Fixed Assets and personal guarantee by some of the Directors of the Company.

-Repayable within one year Rs. 85,716,704/- (Previous year : Rs.6,564,050/-)

-OBC had allowed moratorium for 18 months for repayment of principal amount w.e.f 01.05.2009. However, the company has commenced repayment from February 2010.

#### 3. Vehicle Loans

- Secured by Hypothecation of Vehicles.

- Repayable within one year Rs. 1,994,328 /- ( Previous year Rs. 2,423,417 /-)

Schedules forming part of the accounts

(Amount in Rs.)

Fixed Assets		Schedule 4								
		Gross Block		Depreciation		Net Block				
Description of Assets	As at April 1 2009	Additions during the year	Deductions/ Adjustment during the year	As at March 31 2010	Upto April 1 2009	For the year	Adjustment during the year	Upto March 31 2010	As at March 31 2010	As at March 31 2009
LAND- ( Free hold )	77,636,222	-	-	77,636,222	-	-	-	-	77,636,222	77,636,222
BUILDING	219,787,403	-	-	219,787,403	33,952,309	7,292,180	-	41,244,489	178,542,914	185,835,094
PLANT & MACHINERY	812,489,043	44,924,829 *	11,389,460	846,024,412	312,619,964	52,531,795	7,936,619	357,215,140	488,809,272	499,869,079
FURNITURE & FITTINGS	9,669,076	769,586	-	10,438,662	4,590,635	834,272	-	5,424,907	5,013,755	5,078,441
VEHICLES	22,785,371	4,155,820	3,045,590	23,895,601	6,621,868	2,248,384	1,618,450	7,251,802	16,643,799	16,163,503
<b>GRAND TOTAL</b>	<b>1,142,367,115</b>	<b>49,850,235 *</b>	<b>14,435,050</b>	<b>1,177,823,300</b>	<b>357,784,776</b>	<b>62,906,631</b>	<b>9,555,069</b>	<b>411,136,338</b>	<b>766,645,962</b>	<b>784,582,339</b>
<b>PREVIOUS YEAR</b>	<b>1,064,855,564</b>	<b>85,177,248</b>	<b>7,665,697</b>	<b>1,142,367,115</b>	<b>300,737,732</b>	<b>61,484,025</b>	<b>4,436,981</b>	<b>357,784,776</b>	<b>784,582,339</b>	<b>764,117,832</b>
<b>CAPITAL WORK IN PROGRESS</b>	<b>4,841,829</b>	<b>4,016,274</b>	<b>4,841,829</b>	<b>4,016,274</b>	-	-	-	-	<b>4,016,274</b>	<b>4,841,829</b>

Notes:

- (A) \* Includes Interest capitalised of Rs 20,414/- ( Previous year 1,208,475/-) capitalised during the year as per AS-16 Borrowings Cost  
 (B) Capital WIP Includes Capital Advances of Rs 39,37,497/- ( Previous Year Rs 4,769,136 )

## Schedules forming part of the accounts

(Amount in Rs.)

	As at March 31, 2010			As at March 31, 2009
<b>Inventories</b>				<b>Schedule 5</b>
<b>(As taken valued and certified by the management)</b>				
Raw Materials	62,124,997			22,577,613
Goods in Transit-Raw Material	394,113			450,693
Work in Progress	47,051,604			36,952,109
Finished Goods(including stock in transit)	87,624,825			47,458,058
Scrap	56,866			211,176
Stores & Spare Parts	21,332,963			21,766,980
Loose Tools	2,857,668			2,077,337
	<b>221,443,036</b>			<b>131,493,966</b>
<b>Sundry Debtors</b>				<b>Schedule 6</b>
Debts Outstanding for a period exceeding six months				
- Secured - Considered Good	-			-
- Unsecured - considered good	5,256,058			2,901,279
- considered doubtful	5,017,647			1,239,067
	10,273,705			4,140,346
Less; Provision for Doubtful debts	5,017,647	5,256,058	1,239,067	2,901,279
Other debts- Considered Good				
- Secured	100,000			100,000
- Unsecured	308,549,485			296,351,013
	<b>313,905,543</b>			<b>299,352,292</b>
<b>Cash &amp; Bank Balances</b>				<b>Schedule 7</b>
Cash in hand	394,141			594,180
Balances with Scheduled banks :				
- In Current Accounts	9,071,058			7,736,689
- In Fixed Deposit Accounts *	5,569,730			3,462,730
- In Dividend Accounts	1,863,480	16,504,268	1,502,867	12,702,286
	<b>16,898,409</b>			<b>13,296,466</b>
* Fixed Deposit receipts are pledged with the bank as margin for letters of credit / bank guarantee issued by them.				

## Schedules forming part of the accounts

(Amount in Rs.)

	As at March 31, 2010	As at March 31, 2009
<b>Loans and Advances</b>		<b>Schedule 8</b>
(Unsecured, considered good)		
Advances recoverable in cash or in kind, or for value to be received *	62,066,386	22,920,685
Balances with Customs, Excise, Port Trusts etc	20,065,618	14,870,553
Advance Income Tax (Previous Year Net of Provision for Income Tax of Rs 75,520,000)	-	6,517,132
Advance Fringe Benefit Tax (Net of Provision for FBT of Rs 6,936,000 Previous Year Rs.6,936,000)	364,635	14,942
<b>Total</b>	<b>82,496,639</b>	<b>44,323,312</b>

## Current Liabilities and Provisions

Schedule - 9

### Current Liabilities

Sundry Creditors				
- Due to Micro, Small and Medium Scale Enterprises (Refer Note no. 2g) of schedule 15)	3,228,876		3,540,322	
- Other's	78,919,547	82,148,423	91,989,380	95,529,702
Unclaimed Dividend		1,863,480		1,502,867
( It does not contain any amount due to Investor Protection Fund.)				
Other Liabilities		46,784,487		35,980,386
Interest Accrued but not Due on Loans		50,746		50,746
		<b>130,847,136</b>		<b>133,063,701</b>

### PROVISIONS

Provision for Income Tax (Net of Advance Income Tax Rs 133,321,175, P.Y Nil)	5,998,825			-
Provison for Wealth Tax		85,632		125,300
Proposed Dividend		13,689,200		6,844,600
Tax on Proposed Dividend		2,273,605		1,163,240
Provision for Contingencies (Refer note no. 2p) of Schedule 15)		-		5,300,965
Provision for Employee Benefits (Refer note no. 2m) of Schedule 15)		3,357,427		3,509,670
Provision for Expenses (Refer note no. 2p) of Schedule 15)		4,223,254		6,078,000
		<b>29,627,943</b>		<b>23,021,775</b>
<b>GRAND TOTAL</b>		<b>160,475,079</b>		<b>156,085,476</b>

(Other Liability includes amount due to Directors Rs.6,823,561 (Previous year Rs.584,164). Maximum amount due Rs.6,823,561 (previous year Rs. 584,164))

## Schedules forming part of the accounts

(Amount in Rs.)

	Year ended March 31, 2010	Year ended March 31, 2009
<b>Other Income</b>		<b>Schedule 10</b>
Interest - Fixed deposit		
[Tax deducted at source Rs.41,723/- ( Previous year Rs.1,39,350 /-)]	363,383	571,169
Rent Received		
- Machine rent	-	55,000
- Godown rent [Tax deducted at source Rs Nil/ ( Previous year Rs.9,50,215/- )]	-	4,108,968
Export Incentive	2,338,250	1,316,921
Cash Discount Received	13,032	817,360
Miscellaneous Income	1,134,875	803,302
	<b>3,849,540</b>	<b>7,672,720</b>

<b>Manufacturing &amp; Other Expenses</b>				<b>Schedule 11</b>
<b>Raw Material Consumed</b>				
Opening Stock	22,577,613		80,732,916	
Add : Purchases	856,752,330		681,220,013	
	879,329,943		761,952,929	
<b>Less</b> : Closing Stock	62,124,997	817,204,946	22,577,613	739,375,316
Other Manufacturing Expenses		68,119,654		56,252,597
Packing Materials		28,656,938		20,983,157
Consumable Stores & tools		156,292,597		122,352,928
Freight Outward		36,505,707		29,399,523
Increase/(Decrease) in Excise Duty		5,153,800		(954,266)
Power & Fuel		124,509,545		96,905,728
Rent (Refer to Note no. 2l) of Schedule 15)		5,779,832		5,657,400
Repairs : Building		7,487,434		3,704,242
: Plant & Machinery		37,457,239		26,962,202
: Others		4,287,317		5,114,269
Insurance		2,122,776		2,223,785
Rates and taxes		747,680		587,350
Travelling & conveyance expenses (Refer to Note no. 2f)vi) of Schedule 15)		15,076,994		14,680,893
Audit Fees (Refer to Note no. 2c) of Schedule 15)		440,000		350,000
Legal & Professional Exp		5,509,953		3,914,471
Directors Meeting/Committee sitting fees		460,000		372,500
Loss/ (Profit ) on Sale of Fixed Assets ( Net )		541,208		783,969
Provision for Doubtful Debts		3,778,580		1,239,067
Cash Discount on Sales		12,886,658		11,792,754
Miscellaneous Expenses		30,201,532		25,503,002
Advertisement & Publicity		239,150		222,102
Sales Promotion		3,479,763		4,763,434
Exhibition & Seminar Expenses		2,120,462		1,757,771
Communication Expenses		2,758,792		2,761,050
Exchange Fluctuation		1,778,693		7,162,939
Sales Tax expenses		1,993,599		13,412,711
Charity & Donations		309,620		211,000
Printing & Stationery		4,318,866		3,067,984
Excise Duty Paid		59,829		647,143
		<b>1,380,279,164</b>		<b>1,201,207,021</b>

## Schedules forming part of the accounts

(Amount in Rs.)

	Year ended March 31, 2010	Year ended March 31, 2009
<b>REDUCTION/(ACCRETION) TO STOCKS OF FINISHED</b>		<b>Schedule 12</b>
<b>Products, Work in Progress &amp; Scrap</b>		
Closing stock - Finished Goods	87,624,825	47,458,058
- Work in progress	47,051,604	36,952,109
- Scrap	56,866	211,176
	134,733,295	84,621,343
<b>Less:</b>		
Opening stock - Finished Goods	47,458,058	36,239,177
- Work in progress	36,952,109	61,556,660
- Scrap	211,176	1,353,366
	84,621,343	99,149,203
Reduction/(Accretion) to Stocks	<b>(50,111,952)</b>	<b>14,527,860</b>
<b>Personnel Expenses</b>		<b>Schedule 13</b>
Salary, Wages & Bonus	148,896,864	126,007,346
Contribution/Provisions to and for Provident & Other Funds	10,356,604	9,804,513
Employee Welfare Expenses	5,047,912	3,514,637
	<b>164,301,380</b>	<b>139,326,496</b>
<b>Financial Charges</b>		<b>Schedule 14</b>
<b>Interest</b>		
<b>(a) Fixed Loans</b>		
Term Loans	23,146,756	29,036,917
Vehicle Loans	574,264	460,312
<b>(b) Working Capital Loans</b>	<b>29,364,743</b>	<b>33,966,956</b>
<b>(c) Others</b>	<b>352,573</b>	<b>3,133,012</b>
Bank Charges	1,876,345	3,852,591
	<b>55,314,681</b>	<b>70,449,788</b>

## Schedules forming part of the accounts

### Significant Accounting Policies and Notes to Accounts

Schedule 15

#### 1. Significant Accounting Policies

##### a. Basis of Accounting

The financial statements of Sterling Tools Limited (“the Company”) have been prepared under the historical cost convention in accordance with the Indian Generally Accepted Accounting Principles (“GAAP”), mandatory accounting standards and the provisions of the Companies Act, 1956 (“the Act”) as adopted consistently by the Company. All income and expenditure having a material bearing on the financial statement are recognized on accrual basis.

##### b. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Examples of such estimates include estimated provision for doubtful debts, future obligations under employee retirement benefit plans and estimated useful life of fixed assets. Actual results could differ from these estimates. Difference between the actual results and estimates are recognized in the year in which the results are known / materialized.

##### c. Fixed Assets and Depreciation

Fixed assets are stated at cost of acquisition inclusive of freight, duties & taxes and incidental expenses related to acquisition up to the date of installation. Cost of Fixed assets are further adjusted by the amount of Modvat/Cenvat credit availed and Vat credit wherever applicable. Fixed assets under construction, advance paid towards acquisition of fixed assets and cost of assets not put to use before year end, are shown as capital work in progress. Interest and finance charges incurred are allocated to the respective fixed assets on installation.

Depreciation on fixed assets is provided, on straight line method, at the rates prescribed in Schedule XIV to the Companies Act, 1956. The depreciation on assets acquired/sold/discarded during the year is provided from/up to the month in which the asset is commissioned/sold/discarded except in case of fixed assets costing up to Rs. 5,000/- where, depreciation is provided for whole year.

##### d. Revenue recognition

Domestic Sales are recognised at the point of dispatch of goods to the customers. The sales are accounted for net of trade discount, sales tax, sale returns but includes excise duty. Export Sales are recognized at the time of the clearance of goods and approval of excise authorities. Other income is accounted for on accrual basis.

##### e. Purchases

Purchases are recognized upon receipt of such goods by the Company. Purchases of imported goods are recognised after completion of custom clearance formalities and upon receipt of such goods by the Company.

##### f. Inventories

Inventories are valued at the lower of cost and net realizable value. The cost of raw material is determined on the basis of First-in-First-Out (FIFO) method.

The cost of manufactured finished goods and work-in-progress includes raw material value determined on the basis of First-in-First-Out (FIFO) method and includes conversion and other costs incurred in bringing the inventories to their present location and condition. Finished manufactured goods also include excise duty.

Provision is made for cost of obsolescence and other anticipated losses wherever considered necessary.

Stock of Tools & dies is considered to be of last one month purchase and is valued at lower of cost and net realizable value.

Stores & Consumables, Packing Materials and are valued at lower of cost and net realizable value.

Stock in Transit is valued at lower of cost and net realizable value.

Scrap is valued at estimated net realizable value.

**g. Employee's Benefits**

Expenses and Liabilities in respect of employee benefits are recorded in accordance with Revised Accounting Standard 15 – Employees Benefits (Revised 2005) issued by the Company (Accounting Standard) Rules, 2006.

**Post Employment Benefit Plans**

Payments to Defined Contribution Retirements Benefit Schemes are charged as an expense as they fall due.

**For Defined Benefit Schemes**, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognized in full in the profit and loss account for the period in which they occur. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight line basis over the average period until the benefit become vested.

The retirement benefit obligation recognized in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognized past service cost and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the scheme.

**Short Term Employee Benefits**

The undiscounted amount of short term employee benefits expected to be paid in exchange for the services rendered by employees is recognized during the period when the employee renders the service.

**h. Borrowing Cost**

Borrowing costs that are attributable to the acquisition for construction of qualifying asset are capitalized as part of the cost of such asset. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to revenue.

**i. Modvat Claim**

Modvat claim on raw material purchased is credited to cost of material. In case of capital goods it is reduced from the cost of assets.

**j. Foreign Currency Transactions**

The transactions in foreign currency are initially accounted for at the rate prevailing as on the transaction date. Gain / (Loss) arising out of fluctuation in rate between transaction date and settlement date are recognized in the profit & loss account.

The monetary items denominated in the foreign currency are stated at the exchange rate prevailing at the year end and the overall net gain/ (loss) is adjusted to the profit & loss account.

In case of forward exchange contracts, the premium or discount arising at the inception of such contracts, is amortized as income or expense over the life of the contract and exchange difference on such contracts i.e. difference between the exchange rates at the reporting/settlement date and the exchange rate on the date of inception of contract/the last reporting date, is recognized as income/expense for the period.

**k. Taxes on Income**

Income taxes are accrued in the same period the related revenue and expenses arise. The differences that result between the taxable profit and the profit as per the financial statement are identified and thereafter deferred tax assets or deferred tax liabilities are recorded as timing differences, namely the differences that originate in one accounting period and reverse in another, based on the tax effect of the aggregate amount being considered. The tax effect is calculated on the accumulated timing differences at the end of an accounting period based on tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only if there is reasonable certainty that they will be realized in future. Where there are unabsorbed depreciation or carry forward losses, deferred tax assets are recognised only to the extent there is virtual certainty of such assets. Such assets are reviewed for appropriateness of their respective carrying values at each balance sheet date

Advance taxes and provisions for current income taxes are presented in the balance sheet after offsetting advance taxes paid and income tax provisions.

**l Impairment of Assets**

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount and the reduction is treated as an impairment loss and is recognized in the profit and loss account. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to the maximum of depreciated historical cost and is accordingly reversed in the profit and loss account.

**m Provisions, Contingent Liabilities and Contingent Assets**

Provisions are recognized in the accounts in respect of present probable obligations arising as a result of past events and it is probable that there will be an outflow of resources, the amount of which can be reliably estimated.

Contingent liabilities are disclosed in respect of possible obligations that arise from past events but their existence is confirmed by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Company.

Contingent Assets are neither recognized nor disclosed in the financial statements.

**n Leases**

Lease arrangements where the risks and rewards incident to the ownership of assets substantially vests with the lessor, are recognized as operating leases. Lease rent under operating leases are recognized under profit and loss account on a straight line basis over the lease term.

**o Earning per share**

Basic earning per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting attributable taxes) by the weighted average number of equity shares outstanding during the year.

For the purpose of calculating Diluted Earning per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

**p Cash Flow Statement**

Cash flows are reported using the indirect method as specified in Accounting Standard (AS-3) "Cash Flow Statement".

**q. Segmental Reporting**

i. The Company is engaged in manufacture of high tensile fasteners. The entire operations are governed by same set of risk and returns, hence, the same has been considered representing a single primary segment. The said treatment is in accordance with the guiding principles enunciated in the Accounting Standard-17 on Segment Reporting issued by Company (Accounting Standard) Rules, 2006.

ii. The Company sells its products mostly within India with insignificant export income and does not have any operations in economic environments with different risks and returns, hence, its considered operating in single geographical segment.

**r. Financial reporting of interest in Joint Venture**

The Company's interests in its joint ventures are accounted for using the equity method of accounting. These are entities over which the Company has entered into a contractual agreement with a third party to share control. The reporting dates of the joint ventures and the Company are identical and the accounts are prepared on the basis of the Company's accounting policies.

Under the equity method, the income statement reflects the share of the results of operations of the joint ventures. Where there has been a change recognised directly in the joint ventures' equity, the Company recognises its share of any changes.

**2. Notes to Account**

a. Estimated amount of contracts remaining to be executed on the capital account and not provided for in the account Rs. 4,827,913/- (Previous year Rs. 9,470,764/-)

**b. Contingent Liabilities:**

	(Amount in Rs.)	
	As At 31 <sup>st</sup> March, 2010	As At 31 <sup>st</sup> March, 2009
Bills Discounted	8,715,781	5,205,323
Disputed Liability under Central Excise Act *	24,459,305	24,464,955
Letter of Credit (Net of Margin)	81,649,792	62,437,575

\* Against which the Company has filed the appeal.

The Company has provided a guarantee towards repayment of EMI of car loans taken by the employees from MUL for which deductions are made from the salaries of respective employees. The outstanding loan amount at the year end is Rs 22,54,593/- (Previous Year Rs 3,022,023/-).

**c. Payment to the Auditors**

	(Amount in Rs.)	
	Current year	Previous year
Audit fee	375,000	300,000
Tax Audit Fee	65,000	50,000
Other Matters	135,000	46,500
Service Tax	57,468	41,798
Out of Pocket expenses	59,417	53,172
<b>TOTAL</b>	<b>691,885</b>	<b>491,470</b>

**d. Remuneration to the Managing Director and Whole-Time Directors**

	(Amount in Rs.)	
	Current year	Previous year
<b>Managing / Wholetime Director</b>		
Salary	10,755,000	11,700,000
Medical reimbursement	4,771	16,996
Contribution to Provident Fund	1,074,600	1,188,000
Commission	6,276,876	—
<b>Perquisites:</b>		
Other perquisites	384,987	246,671
<b>TOTAL (A)</b>	<b>18,496,234</b>	<b>13,151,667</b>
<b>Non Executive Director</b>		
Sitting Fees (B)	460,000	372,500
<b>TOTAL (A+B)</b>	<b>18,956,234</b>	<b>13,524,167</b>

**e. Computation of Net Profit as per Section 349 of Companies Act 1956 for calculation of Commission payable to Managing Directors & Whole-Time Directors.**

	(Amount in Rs.)	
	Current year	Previous year
Profit as per Profit and Loss Account	186,413,162	29,935,806
Add : Depreciation charged to the Profit and Loss Account	62,906,631	61,484,025
: Loss on sale of fixed assets debited to Profit and Loss Account	541,208	783,969
: Provision for Doubtful Debts	3,778,580	1,239,067
: Managerial Remuneration	12,219,358	13,524,167
: Commission	6,276,876	-
Less : Depreciation Charged to Profit & Loss A/c	62,906,631	61,484,025
Net Profit as per Section 349 of the Companies Act, 1956	209,229,184	45,483,009
Maximum Permissible remuneration to Managing/ Whole time Directors as per Section 198 and 309 of the Companies Act 1956	20,922,918	4,548,300
Remuneration Paid as per service agreement to Managing/ Whole time Directors including Commission	18,496,234	13,151,667
Excessive Remuneration	-	8,603,367

*In the previous year the Company had received approval of the Central Government for the excess remuneration paid to Executive Chairman/Managing/ Whole time Directors vide its approval letter SRN No's. A55976484-CL.VII, A55977219-CL.VII and A55976484-CL.VII dated 30<sup>th</sup> June, 2009.*

- f. Additional information pursuant to Para 3 & 4 of part II of Schedule VI to the Companies Act, 1956, is as under:

i) Quantitative information in respect of goods manufactured

	Current Year Qty ( MT)	Previous year Qty ( MT)
<b>High Tensile Fasteners</b>		
Licensed Capacity	Not applicable	Not applicable
Installed Capacity	22,500.000	22,000.000
Actual Production	17,050.804	13345.941

Note:

Installed Capacity, being a technical matter is taken on the basis of certificate of the management.

ii) Particulars Opening Stock, Closing Stock and Sales

High Tensile Fasteners	Current Year		Previous Year	
	Qty (MT)	Amount (Rs.)	Qty(MT)	Amount (Rs.)
Opening Stock	444.169	47,458,058	448.351	36,239,177
Closing Stock	1093.724	87,624,825	444.169	47,458,058
Shortage/( Excess)	(0.184)		1.167	
Sales	16,401.433	1,775,458,895	13,348.956	1,483,893,154
Scrap Sales	-	19,794,631	-	25,365,122

iii) Raw Material Consumed

	Current Year		Previous Year	
	Qty (MT)	Amount (Rs.)	Qty(MT)	Amount (Rs.)
Cold Head Quality Steel Wire/Wire Rods Straight Length Bar	19,131.344	817,204,946	14,542.528	739,375,316

iv) CIF value of imports

	(Amount in Rs.)	
	Current Year	Previous year
Raw Materials	209,633,414	374,656,253
Consumable stores & tools	21,567,924	36,949,051
Capital goods	9,795,896	23,644,839

v) **Raw Material and stores consumed**

	Current year		Previous year	
	Rs.	%	Rs.	%
<b>Raw Materials</b>				
Imported	205,288,115	25.12	425,182,885	57.51
Indigenous	611,916,831	74.88	314,192,431	42.49
	<b>817,204,946</b>	<b>100.00</b>	<b>739,375,316</b>	<b>100.00</b>
<b>consumable Stores</b>				
Imported	21,567,924	13.80	36,949,051	30.20
Indigenous	134,724,673	86.20	85,403,877	69.80
	<b>156,292,597</b>	<b>100.00</b>	<b>122,352,928</b>	<b>100.00</b>

vi) **Expenditure in foreign currency**

	Current year	Previous year
	Rs.	Rs.
Traveling	1,203,208	1,060,829
Others	365,184	2,079,076
	<b>1,568,392</b>	<b>3,139,905</b>

vii) **Earnings in foreign exchange**

	Current year	Previous year
	Rs.	Rs.
Export of goods (FOB)	57,259,627	62,961,455

- g. Pursuant to amendments to schedule VI to Companies Act, 1956 vide notification number GSR 719 (E) dated November 16, 2007, the amount due as of March 31, 2010 due to micro, small & medium enterprises as defined in Industries (Development and Regulation) Act, 1951 is as given below :

(Amount in Rs.)

	Current Year	Previous Year
i) The Principal Amount & Interest due thereon remaining unpaid to any supplier as at March 31, 2010		
Principal Amount	3,228,876	3,540,322
Interest	6,351	2,230
ii) The amount of Interest due and payable for the period of delay in making payment (beyond the appointed day during the year)	6,351	2,230
iii) The amount of Interest accrued and remaining unpaid for the year ending March 31, 2010	6,351	2,230

This information has been compiled in respect of parties to the extent they could be identified as Micro, Small-scale and Medium Enterprises on the basis of information available.

**h. Related Party Disclosure - (Accounting Standard -18)**

**Name of the Related Parties and description of relationship:**

I. Associates	<p>Sterling Fincap Pvt Ltd. (Formerly PrecisionWire Products Pvt Ltd ) Haryana Ispat Pvt. Ltd. Sterling Technologies Pvt Ltd. Prism Global Creative Products Pvt. Ltd. Sterling Automobiles Pvt. Ltd. Sterling Mobike Pvt.Ltd. (Formerly Supreme MetalForms Pvt. Ltd). Jaycee Automobiles Pvt. Ltd. Sterling Metal Fabriks Pvt Ltd. Anuradha Mittal Benefit Trust M. L. Aggarwal – HUF Anil Aggarwal – HUF Atul Aggarwal - HUF</p>
II. Key Management Personnel	<p>Mr. M. L. Aggarwal - Chairman Mr. Anil Aggarwal – Managing Director Mr. Atul Aggarwal – Whole Time Director</p>
III Joint Venture	<p>Sterling Fabory India Pvt. Ltd</p>

**Disclosure of Related Parties Transactions:**

	(Amount in Rs.)	
Transaction with Associates	Current Year	Previous Year
<b>Sale of Assets</b>		
Sterling Automobile Pvt. Ltd.	410,000	-
<b>Repair and Maintenance (Vehicle)</b>		
Sterling Automobile Pvt. Ltd.	336,893	116,398
Jaycee Automobile Pvt. Ltd.	38,679	68,694
<b>Rent paid</b>		
Haryana Ispat Pvt. Ltd.	5,358,000	5,103,000
Sterling Technologies Pvt. Ltd.	292,800	278,400
<b>Purchase of Asset</b>		
Sterling Automobile Pvt. Ltd.	1,600,527	3,061,340
Jaycee Automobile Pvt. Ltd.	-	4,051,125
<b>Sale Of Material</b>		
Sterling Automobile Pvt. Ltd.	-	3,121
<b>Reimbursement of Expenses</b>		
Sterling Fincap Pvt Ltd	-	299,048
Sterling Automobile Pvt. Ltd.	11,599	1,425,146
Jaycee Automobile Pvt. Ltd.	-	146,145

**Purchase of Material**

Sterling Fincap Pvt Ltd	-	332,876
Prism Global Creative Products Pvt. Ltd.	-	163,125
Sterling Automobile Pvt. Ltd.	-	708

	(Amount in Rs.)	
Transaction with Key Management Personnel	Current Year	Previous Year
<b>Remuneration Paid</b>		
Mr.Manohar Lal Aggarwal	6,839,675	4,704,721
Mr.Anil Aggarwal	5,931,684	4,357,453
Mr.Atul Aggarwal	5,724,875	4,089,493
	18,496,234	13,151,667
<b>Rent paid</b>		
Mr.Atul Aggarwal	69,000	276,000
<b>Transaction with Joint venture</b>		
Share Application Money	650,439	-

**OUTSTANDING BALANCES**

	(Amount in Rs.)	
Associates - Creditors/ Payables	Current Year	Previous Year
Sterling Technologies Pvt Ltd ( Rent Payable)	-	20,417
<b>Joint Venture – Share Application Money</b>		
Sterling Fabory India Pvt Ltd.	650,439	-
<b>Total</b>	<b>650,439</b>	<b>20,417</b>

	(Amount in Rs.)	
Key Management Personnel - Remuneration payable	Current Year	Previous Year
Mr.Manohar Lal Aggarwal	2,306,287	198,995
Mr.Anil Aggarwal	2,272,987	186,994
Mr.Atul Aggarwal	2,244,287	179,085
<b>Total</b>	<b>6,823,561</b>	<b>565,074</b>

	(Amount in Rs.)	
Key Management Personnel - Rent payable	Current Year	Previous Year
Mr.Atul Aggarwal	-	19,090

**i. Earning per Share**

	(Amount in Rs.)	
	Current Year	Previous Year
Profit after Tax	115,888,008	17,171,865
Add/(Less) Taxes for earlier years	-	(1,189,906)
Adjusted Profit After Tax	115,888,008	15,981,959
Weighted average equity Shares outstanding (Nos)	6,844,600	6,844,600
Earning per Share - basic/diluted (Rs)	16.93	2.33

- j. In view of Accounting Standard – 22, “Accounting for Taxes on Income” issued by the Company (Accounting Standard) Rules, 2006, computation of deferred tax liabilities (net) is provided hereunder:-

(Amount in Rs.)			
	Upto 31.03.09	For the Year	Upto 31.03.10
<b>Deferred Tax Asset/Liability</b>			
Tax impact of difference between carrying amount of fixed assets in the financial statements and the income tax.	90,153,579	4,355,520	94,509,099
<b>Deferred Tax Asset</b>			
Tax impact of expenses charged in the financial statements but allowable as deductions in future years under income tax.	(7,208,077)	2,299,234	(4,908,843)
<b>Net Deferred Tax (Asset) / Liability</b>	<b>82,945,502</b>	<b>6,654,754</b>	<b>89,600,256</b>

The Provision for Deferred Tax Liability (net) is of Rs. 6,654,752/- (Previous year Deferred Tax Asset (net) Rs. 4,671,559/-) for the year ended March 31, 2010 has been charged to the Profit and Loss account under the head Provision for Taxes.

- k. **Prior Period Expenditures and Income includes the following :**

(Amount in Rs.)			
<b>Prior Period Expenditures</b>			
S.No.	Particulars	Current Year	Previous Year
1	Sales Promotion	-	7,720
2.	Depreciation	-	583,309
3.	Repair & Maint.-Vehicle	31,357	-
4.	Legal & Professional	157,583	36,000
5.	Freight	18,767	120,776
6.	Rates & Taxes	-	1,175
7.	Conveyance	-	839
8.	Medical reimbursement	-	348
9.	Sundry Balances W/o	-	21,94,977
10.	Telephone Expenses	-	41,770
11.	Foreign Traveling	-	6,200
12.	Office Expenses	-	4,150
13.	Postage & Telegram	-	1,284
	<b>Total (A)</b>	<b>207,707</b>	<b>2,998,548</b>
<b>Prior Period Income</b>			
1	Depreciation	55,830	-
2	Exchange Fluctuation	-	1,214,502
3	Notice Pay	-	14,500
	<b>Total (B)</b>	<b>55,830</b>	<b>1,229,002</b>
	<b>Net (A) – (B)</b>	<b>151,877</b>	<b>1,769,546</b>

## I. Leases

The details of Leases in compliance of AS 19 are as under:

### i) Assets taken on Operating leases:

- a) The Company has taken Factory Premises on non-cancellable operating lease. Lease Agreement is valid for the further period of 1.75 years. Lease rental amounting to Rs. 5,358,000 (Previous Year: Rs.5,103,000) has been debited to Profit and Loss Account. Future minimum lease rentals as on 31 March 2010 are as under:

Particulars	(Amount in Rs.)	
	As at 31 <sup>st</sup> March, 2010	As at 31 <sup>st</sup> March, 2009
Not later than one Year	5,626,058	5,358,150
Later than one year and not later than five years	4,375,823	10,001,880
Later than Five Years	-	-
<b>Total</b>	<b>10,001,880</b>	<b>15,360,030</b>

Details of Leasing Agreement is enumerated below:

Property taken on lease	Date of termination of lease	Escalation Clause	Terms of Renewal	Purchase Option
Plot No. 81, Sector 25, Ballabhgarh, Faridabad. (Factory Premise)	31.12.2011	Yes	Yes	No

- b) The Company has taken Gas Bullets on non-cancelable operating lease. Lease Agreement is valid for the further period of 5.5 years. Lease rental amounting to Rs. 133,344/- (Previous Year: Rs. 133,344/-) has been debited to Profit and Loss Account. Future minimum lease rentals as on 31 March 2010 are as under:

Particulars	(Amount in Rs.)	
	As at 31 March 2010	As at 31 March 2009
Not later than one Year	133,344	133,344
Later than one year and not later than five years	533,376	533,376
Later than Five Years	66,672	200,016
<b>Total</b>	<b>733,392</b>	<b>866,736</b>

Details of Leasing Agreement is enumerated below:

Property taken on lease	Date of termination of lease	Escalation Clause	Terms of Renewal	Purchase Option
2 Bullets of 5 MT (10,000 Lts water capacity)	27.09.2015	No	Yes	No

- c) The Company has taken a godown on cancelable operating lease. Lease Agreement is valid for the further period of 1 years. Lease rental amounting to Rs. 292,800/- (Previous Year Rs. 278,400/-) has been debited to Profit and Loss Account.

- d) The Company had taken furnished office space on operating cancelable lease. Lease Agreement was valid for the further period of 4 years as on 31.03.2009. This lease agreement has been cancelled w.e.f July 2009. Lease rental amounting to Rs. 69,000/- ( Previous Year Rs.276,000/-) has been debited to Profit and Loss Account.
- e) The Company has taken furnished office space on operating cancelable lease. Lease Agreement is valid for the further period of 3 years. Lease rental amounting to Rs. 16,000/- (Previous Year Nil/-) has been debited to Profit and Loss Account.
- f) The Company had taken office space on operating lease for the period from July, 2009 to March, 2010. Lease rental amounting to Rs. 44,032/- (Previous Year Nil) has been debited to Profit & Loss Account.

**ii) Assets given on Operating Leases**

The Company had given two machines on non-cancellable operating lease on or after 2001 which was valid for a further period of two years as on 31.03.2009. The said lease has been cancelled and lease rental amounting to Rs. Nil /- (Previous Year: Rs.4,163,968/-) has been credited to Profit and Loss Account. The detail as to future lease rentals is as follows:

Particulars	(Amount in Rs.)	
	As at 31 March 2010	As at 31 March 2009
Not later than one Year	-	120,000
Later than one year and not later than five years	-	120,000
Later than Five Years	-	-
<b>Total</b>	-	<b>240,000</b>

**m. Employee Benefits**

**(i) Defined Contribution Plan**

The Company makes contribution towards provident fund to a defined contribution retirement benefit plan for qualifying employees. The provident fund plan is operated by the Regional Provident Fund Commissioner and the Company is required to contribute a specified percentage of payroll cost to the retirement benefit schemes to fund the benefits.

The Company recognized Rs.8,484,144 (Previous Year: Rs. 7,793,431/-) for provident fund contributions and Rs 1,829,433/- ( Previous year 1,670,121/-) for ESI contribution in the profit and loss account. The contribution payable to these plans by the Company is at rates specified in the rules of the schemes.

**(ii) Defined Benefit Plan**

The employees gratuity fund scheme managed by Life Insurance Corporation of India is a defined benefit plan. The present value of obligation is determine based on actuarial valuation using the Projected Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligations. The obligation for leave encashment is recognized in the same manner as gratuity.

**(a) Reconciliation of opening and closing balances of Defined Benefit Obligations**

	(Amount in Rs.)			
	Gratuity (Funded)		Earned leave (Unfunded)	
	Current Year	Previous Year	Current Year	Previous Year
Defined benefit obligations				
at beginning of the year	10,538,128	6,785,212	3,509,671	2,152,303
Current Service Cost	2,094,327	946,017	1,369,703	1,532,678
Interest Cost	843,050	542,817	280,774	150,661
Actuarial (gain)/loss	767,371	2,860,887	(1,029,819)	329,187
Benefits paid	(268,091)	(596,805)	(772,902)	(655,159)
Defined Benefit				
Obligations at year end	13,974,785	10,538,128	3,357,427	3,509,670

**(b) Reconciliation of opening and closing balances of fair value of plan assets**

	(Amount in Rs.)			
	Gratuity (Funded)		Earned leave (Unfunded)	
	Current Year	Previous Year	Current Year	Previous Year
Fair value of plan assets				
at beginning of the year	8,942,266	5,823,586	N.A	N.A
Expected Return on				
plan assets	817,480	516,741	—	—
Contribution	2,791,686	3,198,744	—	—
Actuarial (gain)/loss	—	—	—	—
Benefits paid	(268,091)	(596,805)	—	—
Fair value of plan assets				
at the year end.	12,283,341	8,942,266	N.A	N.A

**(c) Reconciliation of fair value of assets and obligations**

	(Amount in Rs.)			
	Gratuity (Funded)		Earned leave (Unfunded)	
	Current Year	Previous Year	Current Year	Previous Year
Fair value of plan assets				
at 31 March	12,283,341	8,942,266	N.A	N.A
Present value of obligation				
as at 31 March	13,974,785	10,538,128	3,357,427	3,509,670
Amount recognized in				
balance sheet	1,691,444	1,595,862	3,357,427	3,509,670

(d) Expenses recognized during the year

(Amount in Rs.)

	Gratuity (Funded)		Earned leave (Unfunded)	
	Current Year	Previous Year	Current Year	Previous Year
	Current Service Cost	2,094,327	946,017	1,369,703
Interest Cost	843,050	542,817	280,774	150,661
Expected return on plan assets	(817,480)	(516,741)	Nil	Nil
Actuarial (gain)/loss	767,371	2,860,887	(1,029,819)	329,187
Net Cost	2,887,268	3,832,980	620,658	2,012,526

(e) Actuarial Assumptions

(Amount in Rs.)

	Gratuity (Funded)		Earned leave (Unfunded)	
	Current Year	Previous Year	Current Year	Previous Year
	Discount Rate (per annum)	8%	8%	8%
Future increase in compensation	7%	7%	7%	7%
Expected rate of return on plan assets	8%	8%	N.A	N.A
In Service Mortality	L.I.C 1994-96 Ultimate	L.I.C 1994-96 Ultimate	L.I.C 1994-96 Ultimate	L.I.C 1994-96 Ultimate
Retirement age	58 Years	58 Years	58 Years	58 Years
Withdrawal rates	1.00 % p.a	1.00 % p.a	1.00 % p.a	1.00 % p.a

n. Disclosures in respect of Joint Venture

During the year the company has entered into an agreement with Borstlap Masters in fasteners group B.V (Fabory) to form a joint venture company in India which will be engaged in the business of sourcing, marketing and supply chain management of high quality standard and non- standards fasteners and providing value added services. As per the terms of agreement a joint venture company "Sterling Fabory India (P) Limited" was incorporated on 6<sup>th</sup> March 2010. The Preliminary & Pre incorporation and other expenses of Rs. 650,439 incurred has been treated as Share Application Money and is included under the Schedule Loans & Advances.

- o. (a) As the Accounting Standard 30, 31 & 32 (i) 'Financial Instruments: Recognitions & Measurement' (ii) 'Financial Instruments: Presentation' and (iii) 'Financial Instrument: Disclosures' are recommendatory in nature, the details of required disclosures are as under:

Derivative instruments outstanding.

Category of Derivative Instruments	Number of Contracts	Purpose of Derivative Instruments	Amount of Hedged Foreign Currency
Forward Contracts (Buy)			
As at 31.03.2009	One	Hedging	US \$ 105,223.37
As at 31.03.2010	Seven	Hedging	US \$ 378,295.60
Foreign currency exposure not hedged (Buy) by derivative instruments or otherwise:-			
<b>Currency</b>	<b>As at 31.03.2010</b>		<b>As at 31.03.2009</b>
Japanese Yen	-		59,633
US Dollar	575,825		6,030,818

Foreign currency exposure not hedged (Sell) by derivative instruments or otherwise:-

<b>Currency</b>	<b>As at 31.03.2010</b>	<b>As at 31.03.2009</b>
Euro	16,152,543	3,929,962
US Dollar	8,982,546	3,093,632
GBP	1,228,050	-

- b) The amount of exchange rate difference in respect of outstanding forward exchange Contract, to be recognized in profit & loss of subsequent accounting period is Rs.28,722 (Previous year Rs.19,835)

**p. Provision for Contingencies & Expenses**

The movement in provision for contingencies towards taxation matters is given below:

	<b>As at 31 March 2010</b>	<b>(Amount in Rs.) As at 31 March 2009</b>
Balance at the beginning of the year	5,300,969	-
Additional Provision	-	5,300,969
Provision Reversed	5,300,969	-
Balance at the end of the year	-	5,300,969

The movement in provision made for rate reduction is given below:

	<b>As at 31 March 2010</b>	<b>(Amount in Rs.) As at 31 March 2009</b>
Balance at the beginning of the year	6,078,000	-
Additional Provision	-	6,078,000
Provision Reversed	1,854,746	-
Balance at the end of the year	4,223,254	6,078,000

- q. In view of the management, the current assets, loans and advances have a value on realization in the ordinary course of business at least equal to the amount at which they are stated in the balance sheet as at 31.03.2010.
- r. The closing balances of debtors, creditors and loans and advances are subject to confirmation.
- s. Previous year figures have been rearranged, regrouped and recast wherever considered necessary.
- t. All financial figures have been rounded off to the nearest rupee.

**Signatures to Schedule 1 to 15**

As per our report of even date attached

**For S . R. Dinodia & Co.**  
Chartered Accountants  
Reg. No. 01478N

**Sandeep Dinodia**  
Partner  
M.No. 083689

Place : New Delhi  
Date : 10<sup>th</sup> May, 2010

**For & on behalf of the Board**

**M. L. Aggarwal**  
Chairman  
DIN No. 00027380

**Vaishali Singh**  
Company Secretary

**Anil Aggarwal**  
Managing Director  
DIN No. 00027214

**Information pursuant to part IV of schedule VI of the Companies Act, 1956**

**Balance Sheet Abstract and Company's general business profile**

**I. Registration details**

Registration No.  State Code   
 Balance Sheet Date   
 Day Month Year

**II. Capital raised during the year (amount in Rs. thousands)**

Public Issue  Right Issue   
 Bonus issue  Private Placement

**III. Position of mobilisation and deployment of funds (amount in Rs. thousands)**

Total Liabilities  Total Assets

**Sources of Funds**

Paid-up Capital  Reserves and Surplus   
 Secured Loans  Unsecured Loans   
 Deferred Tax Liability

**Application of Funds**

Net Fixed Assets  Investments   
 Net Current Assets  Miscellaneous Expenditure   
 Accumulated Losses

**IV. Performance of Company (amount in thousands)**

Turnover  Total Expenditure   
 Profit/Loss Before Tax  Profit/Loss After Tax   
 Please tick Appropriate box (+) for Profit (-) for loss  
 Earning per Share (Rs.)  Dividend Rate%

**V. Generic names of three principal products/services of Company (as per monetary terms)**

Item Code No.   
 (ITC Code)  
 Product Description

**STERLING TOOLS LIMITED****ATTENDANCE SLIP**

A-40, Mohan Co-operative Industrial Estate,  
Mathura Road, New Delhi - 110044 (India)

Please complete this attendance slip and hand it over at the entrance of the meeting hall.

L.F.No. **A00** \_\_\_\_\_

No. of Shares \_\_\_\_\_

DP Id.*	_____
---------	-------

Client Id.*	_____
-------------	-------

	Name(s) in full	Father/Husband's Name	Address as Registered with the Company
1.	_____	_____	_____
2.	_____	_____	_____
3.	_____	_____	_____

I/We hereby record my/our presence at the 31st Annual General Meeting of the Company being held on 30th August, 2010 at 10:00 A.M. at **Lakshmipat Singhania Auditorium**, PHD Chamber of Commerce & Industry, PHD House, 4/2, Siri Institutional Area, August Kranti Marg, New Delhi-110016.

*Signature of the shareholder(s) / Proxy\*\**

1. \_\_\_\_\_ 2. \_\_\_\_\_ 3. \_\_\_\_\_

\* Applicable for investors holding shares in electronic form

\*\* Strike out whichever is not applicable

Note : Attendance slip in original should be complete in all respect

**STERLING TOOLS LIMITED****PROXY**

A-40, Mohan Co-operative Industrial Estate,  
Mathura Road, New Delhi - 110044 (India)

L.F.No. **A00** \_\_\_\_\_

No. of Shares \_\_\_\_\_

DP Id.*	_____
---------	-------

Client Id.*	_____
-------------	-------

	Name(s) in full	Father/Husband's Name	Address as Registered with the Company
1.	_____	_____	_____
2.	_____	_____	_____
3.	_____	_____	_____

being a member/members of **Sterling Tools Ltd.** hereby appoint \_\_\_\_\_ or failing him/her \_\_\_\_\_ of \_\_\_\_\_ as my/our proxy to vote for me/us and on behalf at the 31st Annual General Meeting of the Company being held on 30th August, 2010 at 10:00 A.M. at **Lakshmipat Singhania Auditorium**, PHD Chamber of Commerce & Industry, PHD House, 4/2, Siri Institutional Area, August Kranti Marg, New Delhi-110016 and at the adjournment thereof.

Signature of the shareholder(s)

Signature of Proxy

1. \_\_\_\_\_ 2. \_\_\_\_\_ 3. \_\_\_\_\_ 1 \_\_\_\_\_

\* Applicable for investors holding shares in electronic form



2 \_\_\_\_\_

Date : / /2010

**Notes:** The proxy must be returned so as to reach the registered office of the Company not less than 48 hours before the time for holding the aforesaid. The proxy need not be a member of the Company.

**STERLING TOOLS LIMITED**

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**Regd. Office:**

A-40, Mohan Co-operative  
Industrial Estate, Mathura Road  
New Delhi - 110044 (India)  
Tel: +91-11-26990093

**Corporate Office:**

Plot No. 4, DLF Industrial Estate  
Faridabad - 121 003 (Haryana)  
Tel: +91-129-227 0621  
Fax: +91-129-227 7359

**Website: [www.stlfasteners.com](http://www.stlfasteners.com)**

**Pune Office:**

SC-1-22 & 23, 3rd Floor  
Kohinoor Estate Wakdewadi  
Bombay - Poona Road  
Pune - 411 003  
Telefax: +91-20-2581 1566  
E-mail: [santoshp@stlfasteners.com](mailto:santoshp@stlfasteners.com)

**Chennai Office:**

606, 6th Floor, Challa Mall  
11 & 11A Sir Thiagaraya Road  
T.Nagar Chennai - 600 017  
Telefax: +91-44-4212 9372  
E-mail: [pushpanathan@stlfasteners.com](mailto:pushpanathan@stlfasteners.com)

**Works**

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Tel: +91-129-227 0621 to 24, 225 5551 to 53  
Fax: +91-129-227 7359  
E-mail: [sterling@stlfasteners.com](mailto:sterling@stlfasteners.com)

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Village - Prithla, Tehsil - Palwal  
Distt. - Faridabad, Haryana (India)  
Tel: +91-1275-270 134 to 136

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