

MD		BKC	
CS		DPY	
RO		DIV	
TRA		AC	
ACM		SHI	
YE			

Board of Directors

Shri M.L. Aggarwal	Chairman & Managing Director
Shri Anil Aggarwal	Director
Shri Atul Aggarwal	Director
Shri Yash Mahajan	Director
Shri D.K. Chakraborty	Director

Company Secretary

Shri Sanjay Grover

Bankers

Oriental Bank of Commerce

Auditors

S.R. Dinodia & Co.

Chartered Accountants

C-37 Connaught Place

New Delhi 110 001

Registered Office

F-37, Okhla Industrial Area Phase - I

New Delhi 110 020

Tel: 681 0061, 681 0092, 681 0337

Fax: 681 0091

Works:

5-A, DLF Industrial Estate

Faridabad (Haryana) 121 003

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THE COLD FORGED HIGH TENSILE FASTENER COMPANY



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Directors' Report

The Directors present their Eighteenth Annual Report alongwith the Audited Accounts for the year ended 31st March 1997.

Business review

Total revenues for the year exceed Rs 30 crores, registering a modest growth of 2.74% over previous year.

Members may note that in the year under review, business environment, particularly in the auto sector, was dominated by a number of external factors which led to a perceptible slackening of demand for your Company's products.

Additionally, with low demand restricting production, operations got burdened with high incidence of interest and depreciation.

Against the above backdrop, Company's margins came under pressure resulting in a Profit before Tax of Rs 2.88 crores against Rs 5.26 crores for the previous year. While regretting the drop in profit, the Directors seek members understanding that under the circumstances that prevailed such a set back could not be avoided inspite of best endeavours.

Dividend and Appropriations

However, notwithstanding the above reduction in profits during fiscal 1996-97, but guided by their responsibility to the shareholders, the Directors are pleased to recommend a dividend of 20% for 1996-97- same as was paid last year.

As members would be aware, unlike past years, this year's dividend will be completely exempt from Income Tax in the hands of receiving shareholders.

With dividend absorbing Rs 68.45 lacs, tax at 10% on proposed dividend absorbing Rs 6.85 lacs, a sum of Rs1.00 cores has been transferred to General Reserve.

Finance

Keeping in the prevailing business environment, the Directors took a timely decision to defer the capital spending programme of nearly Rs 4.30 crores on the Backward integration project for Annealing and Wire Drawing facilities.

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

Comparison of projections made during the initial Public Issue and the actual performance.

In pursuance of clause 43 of the listing agreement, your directors submit a comparison of the performance of the year against the projections contained in prospectus dated 6.3.95 relating to the Public Issue.

STERLING TOOLS LIMITED



	Projections Rs Laacs	Actual Rs Laacs
Gross Income	4278.58	3049.30
PBDIT	896.34	540.44
Interest	88.23	127.05
Depreciation	101.59	125.69
Provision for Taxation	231.70	45.00
Net Profit	474.82	242.70

	Projections Rs Laacs	Actual Rs Laacs
Equity Share Capital	342.00	341.37
Reserve & Surplus	1547.56	1429.45
Debt Equity Ratio	0.04:1	0.13:1
Book Value per Share	55.25	51.87
Earning Per Share	13.88	7.09

Due to sluggish market conditons-reasons beyond the control of the management, gross revenues as also the net profit could not be achieved to the desired level, in line with projections.

Current Performance

Since the demand pick up did not take place in the first quarter, Company has achieved a sale turnover of Rs 7.67 crores during the period April-June' 97 against same period last year's sale of Rs 7.19 crores. However, on the strength of initiatives already taken, the Directors are hopeful of achieving higher sales in financial year 1997-98 as compared to last year's sale.

Human Resources

Industrial relations remained cordial throughout the year. The Directors record their appreciation of the hard work put in by employees at all levels.

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.

Directors

Members are aware that Shri M.L.Aggarwal has been the Chairman & Managing Director of the Company since its inception. During his stewardship, the Company has achieved impressive all round growth.

Shri M.L.Aggarwal is 67 years of age & has expressed his desire to be relieved of his responsibilities as Managing Director of the Company.

Respecting his wishes, the Board has accepted his resignation as Managing Director of the Company w.e.f. 1.10.1997 and has placed on record its deep appreciation for his outstanding contribution as Managing Director of the Company.



Taking note of the challenges that face the Company in the new environment, the Board has appointed Shri M.L.Aggarwal as a Whole Time Chairman of the Company for a period of 5 years w.e.f 1.10.1997 at the same remuneration as he is currently drawing.

Members are also aware that Shri Anil Aggarwal has been associated with the Company since 1980. He is largely responsible for building up abiding business relationships with OEM's like Ashok Leyand, Escorts, Eicher, Maruti, Hero Honda, Punjab Tractors, Tafe, Telco etc.

Additionally, since 1988 Shri Anil Aggarwal has also been incharge of Production and Administration functions. He has handled his various responsibilities with dedication and high degree of competence.

Recognising his outstanding contribution to the growth of the Company and his leadership qualities, the Board has decided to elevate Shri Anil Aggarwal as Managing Director of the Company w.e.f 1.10.1997 for a period of 5 years.

Both these appointments were made subject to the approval of shareholders in the ensuing Annual General Meeting.

In terms of Article 89 of the Articles of Association, Shri D.K.Chakraborty, retires by rotation in the forthcoming Annual General Meeting, and being eligible, offers himself for reappointment.

Auditors

a) 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. Your Directors recommended that they be re-appointed 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

b) Report

The remarks of the Auditors in their report and notes attached to the accounts are self-explanatory and therefore do not call for any further comments.

Acknowledgements

Your directors wish to take this opportunity to thank the customers, vendors, investors, bankers and all associates for their continuing support to your Company's growth.

for and on behalf of the Board

Date : 24-07-97
Place : New Delhi

M. L. Aggarwal
Chairman & Managing Director

STERLING TOOLS LIMITED



Annexure – I to Directors Report

Information as per Section 217(2A) of the Companies Act 1956 read with Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended 31st March 1997

Name of the Employee	Designation and nature of duties	Remuneration	Qualifications	Age in years	Experience in years	Date of commencement of employment	Last employment held and designation
1. Mr. M. L. Aggarwal	Chairman & Managing Director	8,56,307.00	B. Sc.	67	43	07.06.1979	NONE
2. Mr. Anil Aggarwal	Whole Time Director	6,12,883.00	B. Com.	39	18	07.06.1979	NONE
3. Mr. Atul Aggarwal	Whole Time Director	6,12,883.00	MBA	33	08	01.07.1989	NONE

Note :

1. Remuneration means the gross remuneration calculated in accordance with provisions of the Section 198 of the Companies Act, 1956
2. The nature of employment in all cases is contractual.
3. The above employees are directors in whole time employment with the Company and are related to each other.
4. There is no other employees employed during the year drawing remuneration more than Rs 25,000 p.m

Annexure - II to Directors' Report for the year ended 31st March, 1997.

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) Effective relining and maintenance of furnace to avoid heat loss, utilisation of full capacity of furnaces by proper coordination of load and improvement of power factor.
 - b) Planning of production process to reduce power consumption.
 - c) Replacement of conventional lamps/tube lights by special compact fluorescent lamps.
 - d) Reduction on Consumption of Oil in generator sets.



- 2) Additional investment and proposals, if any, for reduction of consumption of energy
- a) Installation of voltage stabilisers.
 - b) Phased replacement of old machines.
 - c) Installation of power saving equipments.
 - d) Paralleling of DG sets with HSEB.
- 3) Impact of (1)&(2) : Optimum use of Fuel & Power.
- 4) Total energy consumption and energy consumption per unit of production : As given in Form A (enclosed)

B. Technology Absorption

- 1) Specific areas
- a) Improvement in design engineering of tools.
 - b) Productivity improvement of forging machines.
 - c) Modification of product range to meet the international standards for the Exports market.
- 2) Benefits derived
- a) Expansion in product range.
 - b) Improvement in product quality.
 - c) Saving in foreign exchange.
- 3) Future plan of action : To continuously upgrade process, technology, productivity and develop innovative design systems.
- 4) Expenditure on R&D : Expenditure on R&D though incurred but has not been quantified as research and development expenses.

Technology Absorption, Adaptation & Innovation

- 1) Efforts made : No technology ties up were entered into during the last five years. The Company keeps itself updated with latest technological innovations by way of constant communication, personal discussions and visits to foreign countries/plants. The Company is in the process of adoption of ISO 9000 Management System.
- 2) Benefits : ISO 9000 Management System is expected to improve productivity and considerable reduction in machine down time. Improvement in productivity and cost saving will enable the Company to gain and retain the competitive edge in the market.

C: Foreign Exchange Earnings and outgo:

- 1) Efforts : Despite severe competition for China & Taiwan, the Company has made efforts on various fronts for promotion of Exports like manufacturing products as per the international specifications, improvement in packaging and finishing. Specific market like U. K., Germany France Belgium and Italy have been chosen for special thrust in future.
- 2) Earnings and Outgo : (1) Foreign Exchange earnings Rs. 1,44,19,846.00
(2) Foreign Exchange outgo Rs. 1,11,162.00

Form A**a) Power and fuel consumption**

	Current Year	Previous Year
1. Electricity		
(a) Purchased		
Unit (KWH' 000)	1481	1419
Total amount (Rs in lacs)	51.68	38.03
Rate/unit (Rs)	3.49	2.68
(b) Own generation		
I. Through diesel generator		
Unit (KWH'000)	16.51	906
Unit per ltr of diesel oil	3.08	2.73
Cost/unit (Rs)	2.63	2.78
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) Consumption per unit of production

(Per MT of High Tensile Fasteners)

Electricity (in KWH)	0.39	0.37
Diesel (in Litre)	139.39	86.96
Coal (specify quality)	Nil	Nil
Others(specify)	Nil	Nil



STERLING TOOLS LIMITED



Auditor's Report

To the Members of Sterling Tools Limited

We have audited the attached Balance sheet of **Sterling Tools Limited** as on 31st March, 1997 and Profit & Loss Account of the Company for the year ended on that date, annexed thereto.

We report as follows:

1. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Company Law Board, in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in the paragraphs 4 and 5 of the said order.
2. Further to our comments in the annexure referred to in paragraph 1 above:
 - a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - b. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the books.
 - c. The Company's Balance Sheet and the Profit & Loss Account dealt with by this report are in agreement with the books of account.
 - d. In our opinion and to the best of our information and according to the explanations given to us, the said accounts, together with the Schedules and Notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view:
 - i.) In the case of the Balance Sheet of the state of affairs of the Company as on 31st March, 1997 and
 - ii.) in the case of the Profit & Loss Account of the Profit for the year ended on that date.

for **S.R. Dinodia & Co.,**
Chartered Accountants

Place : New Delhi
Dated : 24-07-97

Sandeep Dinodia
Partner

STERLING TOOLS LIMITED



Annexure referred to in Paragraph I of the Auditor's report to the members of Sterling Tools Limited on the accounts for the year ended on 31st March 1997

- i. The Company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets. We are informed by the management that the fixed assets have been physically verified at reasonable intervals, which, in our opinion, is reasonable having regard to the size of the Company and the nature of the assets. As explained to us, no material discrepancies were noticed on such verification as compared with the available records as stated above.
- ii. None of the fixed assets of the Company have been revalued during the year.
- iii. Physical verification of the finished goods, stores, spare parts and raw-materials except those lying with outside parties has been conducted by the management at reasonable intervals.
- iv. In our opinion, the procedures of physical verification of stocks except those lying with outside parties followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- v. The discrepancies noticed on physical verification of stocks as compared to book records were not material and the same have been properly dealt with in the books of account.
- vi. In our opinion, the valuation of stocks is fair and proper and is in accordance with the normally accepted accounting principles so far as appears from our examination of the stock records and the basis of valuation of stocks is same as in the preceding year.
- vii. The Company has not taken loans from parties listed in the register maintained u/s 301 of the Companies Act, 1956, and from a Company under the same management as defined under sub Section (1B) of Section 370 of the Companies Act, 1956.
- viii. The Company has not granted any loans to Companies, firms or other Parties listed in the registers maintained under Section 301 or to the Companies under the same management as defined under sub Section (1B) of Section 370 of the Companies Act, 1956.
- ix. In respect of loans and advances in the nature of loans given by the Company, the repayments of Principal and interest where applicable, are in accordance with the stipulated terms.
- x. In our opinion and according to the information and explanations given to us there is adequate internal control procedure commensurate with the size of the Company and the nature of its business with regard to the purchase of stores, raw-materials including components, plant and machinery, equipment and other assets and for sale of goods.
- xi. In our opinion and according to the information and explanations given to us the transactions of purchases of goods & materials and sale of goods, materials and services, made in pursuance of contracts or arrangements entered in the register maintained under Section 301 the Companies Act, 1956 and aggregating during the year to Rs. 50,000/- or



STERLING TOOLS LIMITED