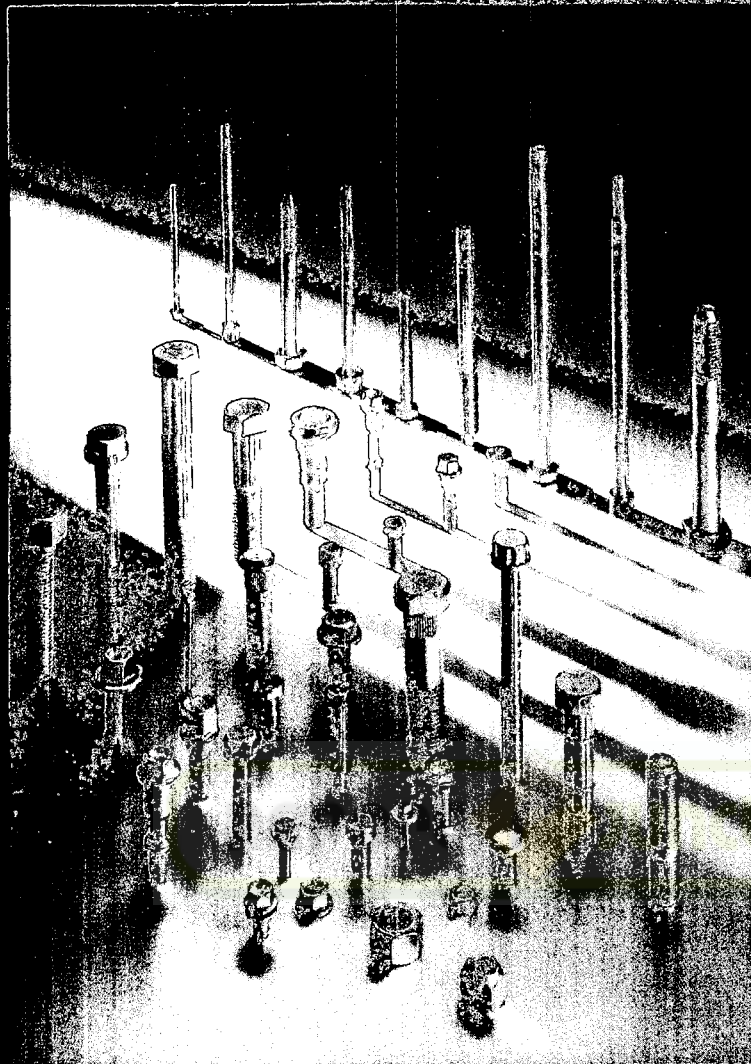


A N N U A L R E P O R T 1 9 9 7 - 9 8



STERLING TOOLS LIMITED

MD			BKC	
CS			DPY	
RO			DIV	
TRA			AC	
AGM			SHI	
YE				

Board of Directors

Shri M.L. Aggarwal	Chairman
Shri Anil Aggarwal	Managing 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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Notice for the Annual General Meeting

Notice is hereby given that Nineteenth Annual General Meeting of the Members of the Sterling Tools Limited will be held at Hotline Mukesh Aggarwal Auditorium, ELCINA House, 422, Okhla Industrial Estate, New Delhi-110020 on Monday, 20th July 1998 at 10.00 a.m. to transact the following business:

Ordinary Business

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 1998 and the Profit and Loss Account for the year ended on that date together with the Directors' Report and Auditors' Report thereon.
2. To declare dividend on Equity Shares for the year ended 31st March, 1998.
3. To consider and appoint a Director in place of Mr. Yash Mahajan, 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 authorise the Board of Directors to fix their remuneration. M/s S. R. Dinodia & Co. Chartered Accountant, New Delhi, the retiring Auditors, being eligible, offer themselves for re-appointment.

Registered Office:

F-37, Okhla Industrial Area, Phase I,
New Delhi - 100 020

Date: 28-05-98

Place: Chandigarh

MD	✓	MD	✓
CS	✓	CS	NA
RO	✓	RO	✓
TRA	NA	TRA	✓
AGM	✓	AGM	✓
YE	✓	YE	✓

By order of the Board

Sanjay Grover
(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. The Register of Members and Share Transfer Books of the Company will be closed from Thursday, 16th July, 1998 to Monday, 20th July, 1998 (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.
3. The Dividend on the Equity Shares as recommended by the Directors for the year ended 31st March, 1998, will be payable to those members whose name appear on the Register of Members of the Company as on 20th July, 1998.
4. With a view to providing protection against fraudulent encashment of dividend warrants, the members are requested to provide their bank account numbers, names of the banks and addresses of the branches to enable the Company to incorporate the said details in the dividend warrants. Those members who have not yet provided such information are again requested to provide the same quoting their folio numbers, to reach the Company latest by 20th July, 1998 to enable the Company to incorporate this information in the dividend warrants. Members will appreciate that the Company will not be responsible for any loss arising out of such fraudulent encashment of dividend warrants.
5. Members holding shares in identical order of names in more than one folio are requested to write to the Company at its Registered Office enclosing their share certificates to enable the Company to consolidate their holdings in one folio.
6. Members are requested to notify immediately, changes in their addresses, if any, to the Company's registered office, quoting their folio number so that dividend warrants are correctly dispatched.
7. Those members who have not so far claimed their dividend for the financial year 1995-96 & 1996-97 are requested to make their claims to the Company for obtaining duplicate dividend warrants.



Directors' Report

The Directors present their Nineteenth Annual Report alongwith the Audited Accounts for the year ended 31st March 1998.

Business review

Directors report that the slow down of the economy which began in September, 96, continued throughout fiscal 97-98. Affected by depression in the auto sector, company's total revenue for the financial year 97-98 increased marginally to Rs. 31.15 Crores against previous year's revenue of Rs. 30.05 Crores.

Despite this modest revenue growth (3.66%), profit before tax rose to Rs. 3.60 Crores as compared to last year's profit of Rs. 2.88 Crores registering a growth of 25%. Having regard to the tough marketing conditions that prevailed during the year under review, the Directors feel the corporate performance is satisfactory.

The Directors believe that this magnitude of profit growth would not have been possible but for the commendable efforts put in by the operating team backed up by effective cost containment measures.

Members would be pleased to learn that the company has been granted ISO 9002 certification. This will strengthen customer confidence in the quality of your Company's products.

Dividend and Appropriations

Taking note of improved earnings and guided by the consideration to provide superior returns to members, the Directors are pleased to recommend a dividend of 25% for 1997-98 as compared to 20% paid last year. Dividend on equity shares, if approved, will be paid to those members whose names appear on the Register of Members as on 20th July, 98.

With dividend absorbing Rs 85.56 Lacs, tax at 10% on proposed dividend absorbing Rs 8.56 Lacs, a sum of Rs.1.00 Crore has been transferred to General Reserve.

Finance

The Directors report with satisfaction that fund position generally stayed easy for most part of the year even in the face of significant down turn in the market. As a result, interest burden came down in a noticeable manner.

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 financial year 97-98 against the projections contained in prospectus dated 6.3.95 relating to the Public Issue.

	Projections Rs Laes	Actual Rs Laes
Gross Income	5750.16	3161.92
PBDIT	1241.48	605.87
Interest	84.82	89.39
Depreciation	123.15	156.18
Provision for Taxation	375.30	70.00
Net Profit	658.21	290.30

	Projections Rs Laes	Actual Rs Laes
Equity Share Capital	342.00	341.37
Reserve & Surplus	2137.37	1608.34
Debt Equity Ratio	0.02:1	0.11:1
Book Value per Share(Rs.)	72.50	57.11
Earning Per Share(Rs.)	19.25	8.48

As reported earlier, depressed demand in the auto sector, a factor over which the management had no control, was the main cause for actual revenues as also net profits not being in line with projections.

Current Performance

Members may note that despite a further dip in the economy, total revenues for April-May, 98 are in line with the expectations. Besides maintaining the market thrust, Company is also focussing intense efforts to further enhance customers satisfaction – 'a Mantra' which will provide the cutting edge in the emerging scenario.

A development which will have an impact on the working of the company relates to the installation of wire drawing facility which will become operative w.e.f. Oct, 98.

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

In terms of Article 89 of the Articles of Association, Shri Yash Mahajan, retires by rotation in the ensuing Annual General Meeting & 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. The Company has obtained the certificate as required under section 224(1B) of the Companies Act, 1956 to the effect that their reappointment, if made, would be in conformity with the limits specified in that section.

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.

Date : 13-06-98
Place : New Delhi

for & on behalf of the Board
M.L. Aggarwal
Chairman



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 1998.

Name of the Employee	Designation	Remuneration Rs.	Qualifications	Age in years	Experience in years	Date of commencement of employment	Last employment held and designation
1. Mr. M. L. Aggarwal	Chairman	11,81,089.00	B. Sc.	68	44	07.06.1979	NONE
2. Mr. Anil Aggarwal	Managing Director	8,99,865.00	B. Com.	40	19	07.06.1979	NONE
3. Mr. Atul Aggarwal	Whole Time Director	8,79,660.00	MBA	34	09	01.07.1989	NONE
4. Mr. S. K. Kanwar	G.M.(Finance)	3,42,224.00	B.Com., ACA	40	10	05.01.96	Pratap Steel Limited G.M.(Finance)

Notes :

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 other than mentioned at Sr. number 4, are directors in whole time employment with the company and are related to each other.
4. There is no other employee employed during the year drawing remuneration more than Rs 25,000 p.m.

Annexure - II to Directors' Report for the year ended 31st March, 1998.

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 QS 9000 Management System.
- 2) Benefits : QS 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 from 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.
- 2) Earnings and Outgo : (1) Foreign Exchange earnings Rs. 56,72,458.00
(2) Foreign Exchange outgo Rs. 3,57,906.00

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

	Current Year	Previous Year
1. Electricity		
(a) Purchased		
Unit (KWH' 000)	1914	1481
Total amount (Rs in lacs)	67.12	51.68
Rate/unit (Rs)	3.51	3.49
(b) Own generation		
I. Through diesel generator		
Unit (KWH'000)	2584	1651
Unit per ltr of diesel oil	3.77	3.08
Cost/unit (Rs)	2.47	2.63
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)	0.50	0.39
Diesel (in Litre)	177.76	139.39
Coal (specify quality)	Nil	Nil
Others(specify)	Nil	Nil