



TOOLS LIMITED

STER

ANNUAL REPORT 2002 - 2003

superior fasteners. greater value

'Superior fasteners. Greater value.'
That is the STL promise. To provide our customers with better quality, greater satisfaction and higher standards of excellence, we put in concerted efforts, superior performances and provide efficient services. For our discerning customers, this translates into great value, every step of the way.

Registered Office

F-37, Okhla Industrial Area, Phase - I
New Delhi - 110 020
Tel. : 5161 5428, 5161 6055, 5161 6056
Fax : 2681 0091

Works :

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

• **Board of Directors**

• **Shri M.L. Aggarwal**
• *Chairman*

• **Shri Anil Aggarwal**
• *Managing Director*

• **Shri Atul Aggarwal**
• *Director*

• **Shri D.K. Chakraborty**
• *Director*

• **Dr. T.N. Kapoor**
• *Director*

• **Shri K.R. Gupta**
• *Director*

• **Company Secretary**
• **Cum Manager (Finance) &**
• **Compliance Officer**

• Shri Suwendu Sahu

• **Banker**

• Oriental Bank of Commerce

• **Auditors**

• S.R. Dinodia & Co.

• Chartered Accountants

• C-37, Connaught Place

• New Delhi - 110 001

Report of the Directors	1
Annexures to Report of the Directors	3
Report on Corporate Governance	6
Management Discussion And Analysis Report	12
Auditor's Report	14
Balance Sheet	16
Profit and Loss Account	17
Schedules to Accounts	18
Balance Sheet Abstract	28
Cash Flow Statement	29

Report of the Directors

Your Directors have pleasure in presenting the Twenty-Fourth Annual Report and Audited Accounts for the Financial Year ended 31st March 2003.

Business Review

The fiscal 2002-2003 has been a satisfactory year with the Company achieving all-round progress. Sales at Rs. 6165.27 Lacs increased by 14% as compared to Sales of Rs. 5420.17 Lacs in the previous financial year.

The Directors are happy to inform that on the strength of volume growth, Profit Before Tax for fiscal 2002-2003 rose to Rs. 611.63 Lacs (up by 7.2%) against Rs. 570.85 Lacs and Profit After Tax rose to Rs. 420.33 Lacs (up by 10.1%) as against Rs. 381.66 Lacs for the previous financial year. The following table gives the salient features of the performance of the Company.

(Rs. in Lacs)

Particulars	Financial Year	
	2002-2003	2001-2002
Gross Sales Turnover	6165.27	5420.17
Profit before interest, depreciation and tax	944.10	873.71
Interest	119.62	112.11
Depreciation	212.85	190.75
Profit Before Tax (PBT)	611.63	570.85
Provision for Tax including Deferred Tax Liability	191.30	189.19
Profit After Tax (PAT)	420.33	381.66

Dividend and Appropriations

Keeping in view the Sterling's tradition of high regard for its shareholders, your Directors recommend 35% Dividend for the financial year 2002-2003.

With the proposed dividend payment of Rs. 119.78 Lacs and distribution tax @12.81% on dividend absorbing Rs. 15.35 Lacs, a sum of Rs. 100 Lacs has been transferred to General Reserve.

Finance

Your Company has enjoyed sound financial health throughout the year. The Company has not accepted any deposits which come under the preview of Section 58A of the Companies Act, 1956.

Current Performance

It is matter of great satisfaction that fiscal 2003-2004 has begun with a promising note. Gross sales of the April-June quarter of the current financial year reached at Rs. 1798.44 Lacs as against Rs. 1425.96 Lacs during the corresponding quarter of the previous year, registering a growth of almost 26.1%. Margins are however under pressure due to substantial increase in steel prices - our raw material, coupled with prevailing keen market competition.

We see this trend of growth in our sales to continue through-out the year, due to new product developments, focus on key customers, aggressive marketing for Exports and encouraging response of dealers to the sale of STL High Tensile Fasteners in the replacement market.

Corporate Governance

The Company is committed to build a long term shareholder value with full emphasis on corporate governance. In achieving this objective, the Company has always endeavoured to operate as a responsible and law abiding corporate entity. The corporate governance practices followed by your Company are given separately in the Annual Report.

Management Discussion and Analysis

A Management Discussion and Analysis report covering issues relating to Industry structure, Opportunities, Challenges, Outlook and Performance, etc. and forming part of this Annual Report has given separately.

Directors Responsibility Statement

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

- (i) that in the preparation of the accounts for the Financial Year ended 31st March, 2003, the applicable accounting standards have been followed;
- (ii) that the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the year under review;
- (iii) that the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) that the Directors have prepared the accounts for the Financial Year ended 31st March, 2003 on a 'going concern' basis.

Human Resources

The industrial relations continued to be cordial throughout the year and human resources and its development continue to be our focus area. Due to intensive training, there has been an improvement in terms of quality, productivity and house keeping. Your Directors wish to thank all its employees and place on record their appreciation of the contributions made by your Company's employees at all levels during the year under review.

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 at **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 at **Annexure-II** to this Report.

Directors

In terms of Article 89 of the Articles of Association and Sections 255 & 256 of the Companies Act, 1956, Shri K. R. Gupta and Dr. T. N. Kapoor retire by rotation in the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment.

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. As recommended by the Audit Committee, your Directors have proposed 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.

b) Report

The remarks of the Auditors in their Report and Notes attached to the Accounts for the financial Year 2002-2003 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, suppliers, shareholders, bankers and all associates for their continued support to your Company's growth and also wish to place on record their appreciation for dedicated services rendered by employees at all levels who have contributed to a satisfactory performance of your Company.

for and on behalf of the Board.

Date : 24th July, 2003

Place : New Delhi

M. L. Aggarwal

Chairman

Annexure - I to Directors' Report

Information as required under 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 2003.

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
Mr. M. L. Aggarwal	Chairman	24,23,285	B. Sc.	73	49	07.06.1979	NONE
Mr. Anil Aggarwal	Managing Director	20,61,060	B. Com.	45	24	07.06.1979	NONE
Mr. Atul Aggarwal	Whole Time Director	20,09,803	MBA	39	14	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 employee employed during the year drawing remuneration of more than Rs. 2,00,000 p.m.

Annexure - II to Directors' 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 | : | <ul style="list-style-type: none"> a) Established a continuous heat treatment line to save electrical energy vis-a-vis conventional hardening on SHF. b) Introduced thermal heating in new Phosphating Plant for improving heating efficiency. c) Installed bulk storage of LPG (Underground) by which consumption of LPG has been brought down vis-a-vis usage of Cylinders. d) To maintain the PF at 0.92 for effectiveness. e) Commissioned water recycling plant to conserve water. f) Successful completion of rain water harvesting project to conserve water. |
| 2) Additional investment and proposals, if any, for reduction of consumption of energy | : | <ul style="list-style-type: none"> a) Installation of additional continuous heat treatment line to save electrical energy. b) Phased replacement of old low efficiency machines. c) Installation of power saving equipment. |
| 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 | : | Design & Engineering <ul style="list-style-type: none"> a) Increased the productivity to improve the service level to the customers. b) Concentrated more on critical items including engine fasteners supplied to key / important customers. c) Re-laid the factory based on the Material Flow Management. d) Introduced cellular system of manufacturing to improve the productivity and reduce the work in progress. e) Upgraded quality equipments to meet the demand of the customers. |
| 2) Benefits | : | <ul style="list-style-type: none"> a) Reduction in inventory ratios. b) Schedule adherence has improved to approx. 92% in aggregate. c) Improvement in customer's satisfaction. |
| 3) Future plan of action | : | <ul style="list-style-type: none"> a) Started TPM activities as planned to eliminate machine breakdown & to promote autonomous maintenance of equipments by the workers, thus to bring improvement in overall equipment effectiveness. b) Certification of TS 16949 Management System. c) Import of Continuous hardening and tempering furnace to achieve effective manpower and quality. |
| 4) Expenditure on R&D | : | Expenditure on R&D though incurred yet 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 has adopted QS 9000 Management System. |
| 2) Benefits | : | The process flow management is very well defined by effective systems which has brought down rejection PPM phenomenally. |

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, Australia, France, Belgium and Italy have been chosen for special thrust in future.
- 2) Earnings and Outgo : (1) Foreign Exchange earnings Rs. 1,97,16,997.00
(2) Foreign Exchange outgo Rs. 1,13,91,150.00

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

	Current Year	Previous Year
1. Electricity		
(a) Purchased		
Unit (KWH' 000)	6267	5328
Total amount (Rs in lacs)	265.32	231.57
Rate/unit (Rs)	4.23	4.35
(b) Own generation		
I. Through diesel generator		
Unit (KWH'000)	1195	1273
Unit per ltr of diesel oil	3.34	2.62
Cost/unit (Rs)	5.99	5.96
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)	889	812
Diesel (in Liter)	50.57	74.16
Coal (specify quality)	Nil	Nil
Others (specify)	Nil	Nil

Report on Corporate Governance

The Board of Directors accepts and acknowledges that the responsibility for governing the Company primarily rests with itself. In order to ensure proper discharge of responsibility, the Board is conscious of the need to maintain the highest standards of character and competence among its members severally and collectively. In pursuit of these objectives, the Board has adopted policies in compliance with the various recommendations prescribed by SEBI and the Listing Agreement.

Composition & Responsibilities of Board of Directors

The Board Comprises of three Whole Time Directors including the Executive Chairman and the Managing Director and three Non-Executive Directors, taking present strength to Six Directors. The Non-Executive Directors bring wide-ranging experience and independent judgement to the Board's deliberations and decisions. These Non-Executive Directors are Independent Directors. The Chairman is a well qualified and experienced professional.

Name of the Director	Designation	Category
Shri. M. L. Aggarwal	Chairman	Executive
Shri Anil Aggarwal	Managing Director	Executive
Shri Atul Aggarwal	Whole Time Director	Executive
Shri D.K. Chakraborty	Director	Independent, Non-Executive
Dr. T. N. Kapoor	Director	Independent, Non-Executive
Shri K. R. Gupta	Director	Independent, Non-Executive

The Board has a formal schedule of matters reserved for its consideration and decision including approval of Annual Business Plan, Capital Budget, Investments and borrowings and review of Operations & financial results, besides taking due and proper note of all the decisions of Board Sub Committees. Board Members ensure that their other responsibilities do not materially impact on their responsibilities as a Director of the Company. During the Financial Year 2002-2003, the Board met 4 times-on 10th May 2002, 27th July 2002, 29th October 2002 and 23rd January 2003.

Name of the Director	No. of Board Meeting attended	Whether attended last AGM	No. of Directorships held in other companies	No. of Chairmanship/ Membership in Board committee of other companies	
				Chairman	Member
Shri. M. L. Aggarwal	4	Yes	1	Nil	Nil
Shri Anil Aggarwal	4	Yes	2	Nil	Nil
Shri Atul Aggarwal	3	Yes	3	Nil	Nil
Shri Yash Mahajan *	1	--	--	--	--
Shri D.K. Chakraborty	4	No	Nil	Nil	Nil
Dr. T. N. Kapoor	4	Yes	6	4	4
Shri K. R. Gupta	3	Yes	1	1	1

* Shri Yash Mahajan ceased to be a Director of the Company w.e.f. 12th September, 2002.

Board Committees

To enable better and more focused attention on its affairs, virtually since becoming a Public Limited Company, The Company has had Board Sub Committees for key functional areas. At present the Company has the following three Board sub-committees :

- (i) Audit Committee
- (ii) Investors' Grievances Committee
- (iii) Share Transfer Committee

Audit Committee

The Audit Committee comprises of following Directors as members having wide experience and knowledge of Corporate Affairs, Income Tax & Finance. All of them except Mr. Anil Aggarwal are independent Directors.

- Shri. K. R. Gupta - Chairman & Non Executive Independent Director
- Dr. T. N. Kapoor - Non Executive Independent Director
- Shri D.K. Chakraborty - Non Executive Independent Director
- Shri Anil Aggarwal - Managing Director

The role, terms of reference, authority and powers of this Committee are in conformity with the requirements of the Listing Agreements. The essential functions of the Committee include review of internal control systems, overseeing of Company's financial reporting process and disclosure of its financial information, review of internal control/audit functions and conducting discussions with internal auditors on any significant findings, recommending the appointment of auditors and their fees and reviewing with management annual financial statements before submission to the Board.

Shri Suvendu Sahu, Company Secretary-Cum-Manager (Finance), is the Secretary to the Committee.

During the Financial Year 2002-2003, the Audit Committee met 3 times-on 2nd May 2002, 29th October 2002 and 29th March, 2003.

Investors' Grievances Committee

The Investors Grievances Committee comprises following Directors as members:

- Dr. T. N. Kapoor - Chairman & Non Executive Independent Director
- Shri K. R. Gupta - Non Executive Independent Director
- Shri Atul Aggarwal - Whole Time Director

The Committee has the role to look into the grievances of all the Investors like refusal 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.

Shri Suvendu Sahu, Company Secretary-Cum-Manager (Finance), is the Compliance Officer of the Company.

During the financial year 2002-2003 the Committee met once on 29th March, 2003 to review the grievances/complaints received from Shareholders.

1.	Number of shareholders' complaints received during the financial year 2002-2003	17
2.	Number of shareholders' complaints solved to the satisfaction of Shareholders.	17
3.	Number of pending shareholders' complaints	NIL

Share Transfer Committee

The Share Transfer Committee comprises following Directors as members:

- Shri M. L. Aggarwal - Chairman
- Shri Anil Aggarwal - Managing Director
- Shri Atul Aggarwal - Whole Time Director

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 2002-2003 the committee met 17 (Seventeen) times.