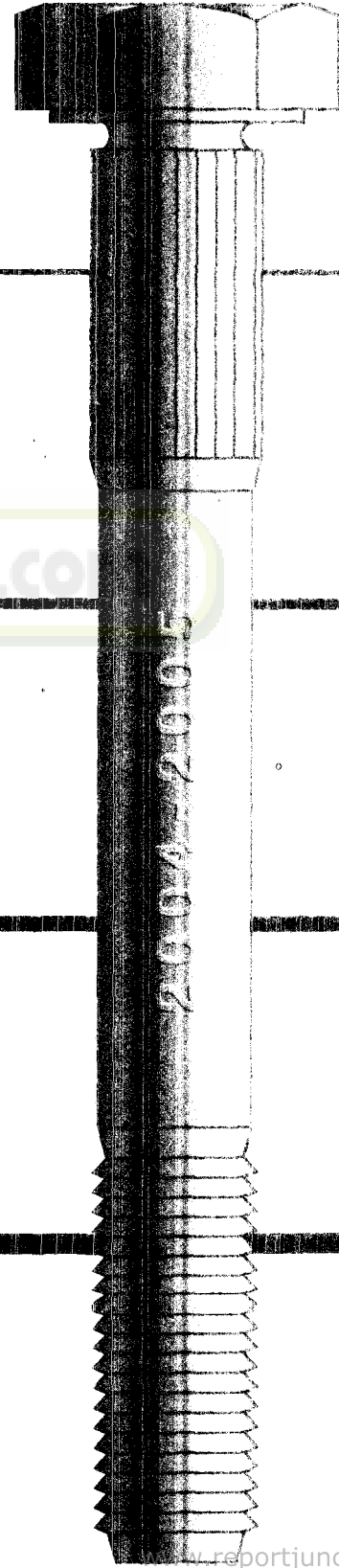
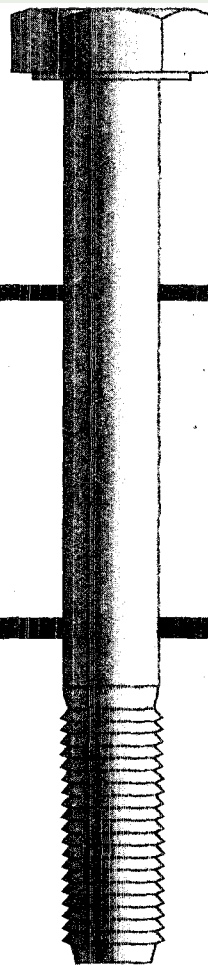




STERLING TOOLS LIMITED
ANNUAL REPORT 2004-2005

Report  Junction.com



Registered Office

F-37, Okhla Industrial Area, Phase-1
New Delhi - 110 020
Tel.: 51615428, 51616055, 51616056
Fax: 26810091

Works:

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

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

Compliance Officer

Shri Suwendu Sahu

*Company Secretary Cum
Manager (Finance)*

Banker

Oriental Bank of Commerce

Auditors

S. R. Dinodia & Co.

*Chartered Accountants
K-39, Connaught Circus
New Delhi - 110 001*

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Report of the Directors

Your Directors have pleasure in presenting the Twenty-Sixth Annual Report of your Company together with the Audited Accounts for the Financial Year ended 31st March 2005.

Business Review

The fiscal 2004-2005 has been a satisfactory year with the Company achieving all-round progress. Sales at Rs. 12583.92 Lacs increased by 42.88% as compared to Sales at Rs. 8807.41 Lacs in the previous financial year.

On the strength of volume growth, Profit Before Tax for the fiscal 2004-2005 rose to Rs. 1113.66 Lacs (up by 21.25%) against Rs. 918.52 Lacs and Profit After Tax rose to Rs. 748.15 Lacs (up by 23.82%) as against Rs. 604.22 Lacs for the previous financial year. The Company's performance for the Financial Year 2004-2005 vis-à-vis 2003-2004 is summarised as under:

(Rs. in Lacs)

Particulars	Financial Year	
	2004-2005	2003-2004
Gross Sales Turnover	12583.92	8807.41
Profit before interest, depreciation and tax	1577.96	1244.46
Interest	154.81	79.52
Depreciation	309.49	246.42
Profit Before Tax (PBT)	1113.66	918.52
Provision for Tax including Deferred Tax Liability	365.51	314.30
Profit After Tax (PAT)	748.15	604.22

Dividend and Appropriations

Keeping in view Sterling's tradition of high regard for its shareholders, your Directors have recommended 50% Dividend for the financial year 2004-2005 as against a dividend of 40% for the previous financial year 2003-2004.

With the proposed dividend of Rs. 171.12 Lacs and distribution tax @ 14.025% on dividend absorbing Rs. 24.00 Lacs, a sum of Rs. 100.00 Lacs has been transferred to General Reserve.

Issue of Bonus Shares

Your Directors recommend an issue of bonus shares in the ratio of 1 (one) equity share for every 1 (one) existing equity share of the Company held by the members on a date to be fixed by the Board, by capitalising a part of the Share Premium Account to the extent of Rs. 342.23 Lacs. The proposed issue of bonus shares is subject to the consent of the shareholders at the forthcoming Annual General Meeting. The bonus shares shall rank pari passu in all respects with the existing fully paid up equity shares of the Company, including any dividend that may be declared for the financial year in which the bonus shares are allotted.

Finance

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

Current Performance

It is matter of satisfaction that fiscal 2005-2006 has begun with a promising note. During April-June quarter of the current Financial Year gross sales reached at Rs. 3188.51 Lacs as against Rs. 2560.46 Lacs during the corresponding quarter of the previous financial year, registering a growth of almost 24.53%.

We hope this trend of growth in 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 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 alongwith a certificate from the Auditors of the Company confirming the compliance of Corporate Governance, have been given separately & form part of this Report.

Management Discussion and 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 Report.

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, 2005, the applicable accounting standards have been followed;
- (ii) 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) the directors had 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) the Directors have prepared the accounts for the financial year ended 31st March, 2005 on a 'going concern' basis.

Human Resources

The industrial relations continued to be cordial throughout the year and human resource 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.

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 and Sections 255 & 256 of the Companies Act, 1956, Shri D. K. Chakraborty retires by rotation in the forthcoming Annual General Meeting and being eligible offers himself for re-appointment.

Auditors

a) Appointment

M/s. S. R. Dinodia & Co., 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 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.

b) Report

The remarks of the Auditors in their Report and Notes attached to the Accounts for the financial year 2004-2005 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

Place: Faridabad

Date: 27-08-2005

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 2005.

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	31,81,563.00	B. Sc.	75	51	07.06.1979	NONE
2. Mr. Anil Aggarwal	Managing Director	28,58,788.00	B. Com.	47	26	07.06.1979	NONE
3. Mr. Atul Aggarwal	Whole Time Director	27,71,200.00	MBA	41	16	01.07.1989	NONE

Note:

1. Remuneration means gross remuneration calculated in accordance with provisions of 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 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) Major improvement done in pneumatic system towards air conservation resulting conservation of energy.
 - b) Installed temperature controller in furnace cooling tower to save energy.
 - c) Interlocked the conveyors & sorters of forging machine with main motor to save energy.
 - d) Installed fume exhaust blower system run by wind energy.
 - e) Power Factor has been consistently maintained at 0.93 or above for better effectiveness.
 - f) Fitted sensors in all the machines to stop the ideal running of machine thereby saving energy.
- 2) Additional investment proposals, if any, for reduction of consumption per unit production :
 - a) Installation of additional continuous heat treatment line to save electrical energy.
 - b) Plant to introduce indo-gas instead of methanol in furnace to save the conservation of energy.
 - c) Synchronization of D G Sets.

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

B. Technology Absorption

(I) Design & Engineering

- 1) Specific areas : a) Concentrated more on critical items including engine fasteners supplied to key / important customers.
b) Introduced defect detecting mechanism in processes to improve productivity.
c) Upgraded quality equipments to meet demand of the customers.
d) New breed of Fasteners development for Overseas Customers.
- 2) Benefits : a) Reduction in inventory level.
b) Improvement in customer's satisfaction.
- 3) Future plan of action : a) Introducing a new coating process plant.
b) Addition of one continuous heat treatment line to save at least 50 units KWH / MT viz-a-viz conventional hardening on SHF.
c) Implementation of simulation software for our tool designing.
d) Installation of an imported analyse system for torque angle clamp load for all the critical fasteners.
e) Implementing & commissioning of state-of-art plant as per expansion plan.
- 4) Expenditure on R&D : Expenditure on R&D though incurred yet has not been quantified as research and development expenses

(II) 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 TS16949 Management System.
- 2) Benefits : The process flow management is very well defined by effective systems which has brought down rejection Production Planning Management level 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. Specific markets like U. K., U.S.A., Germany, Australia, France and Italy have been chosen for special thrust in future.
- 2) Earnings and Outgo : (1) Foreign Exchange earnings Rs. 3,62,40,111.00
(2) Foreign Exchange outgo Rs. 9,24,62,725.00

Form A

a) Power and fuel consumption

	Current Year	Previous Year
1. Electricity		
(a) Purchased		
Unit (KWH' 000)	10108	8798
Total amount (Rs in lacs)	428.55	373.04
Rate/unit (Rs)	4.24	4.24
(b) Own generation		
I. Through diesel generator		
Unit (KWH'000)	1955	731
Unit per ltr of diesel oil	3.31	3.37
Cost/unit (Rs)	6.51	6.12
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)	0.89	0.92
Diesel (in Liter)	52.15	32.69
Coal (specify)	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 Comprise 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 Directors	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 2004-2005, the Board met 4 times—on 2nd June 2004, 14th July 2004, 26th October 2004 and 20th January 2005.

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	Nil	Nil	Nil
Shri Anil Aggarwal	4	Yes	1	Nil	Nil
Shri Atul Aggarwal	3	Yes	2	Nil	Nil
Shri D.K. Chakraborty	4	No	Nil	Nil	Nil
Dr. T. N. Kapoor	4	No	6	4	4
Shri K. R. Gupta	4	Yes	1	1	1

Board Committees

To enable better and more focused attention at its affairs, the Company, virtually since becoming Public Limited Company has constituted Board Committees for key functional areas. At present the Company has four Board Committees:

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

Audit Committee

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 – Non Executive Independent Director
- Shri D. K. Chakraborty – Non Executive Independent Director
- Shri Anil Aggarwal – 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.

During the financial year 2004-2005, Audit committee has been reconstituted and Shri. Anil Aggarwal, Managing Director, who was a permanent special invitee to the Committee earlier, has been added as a member of the Committee and Shri Atul Aggarwal, Whole Time Director of the Company has been added as a permanent special invitee to the Committee w. e. f. 20th January, 2005. Shri Suvendu Sahu, Company Secretary-Cum-Manager (Finance), is the secretary to the Committee.

During the financial year 2004-2005, the Audit Committee met 4 times—on 2nd June 2004, 14th July 2004, 26th October 2004 and 20th January 2005. The attendance of each member of the Committee is given below:

Name of Directors	No. of Meetings attended
Shri. K. R. Gupta	4
Shri. D. K. Chakraborty	4
Shri. T. N. Kapoor	4