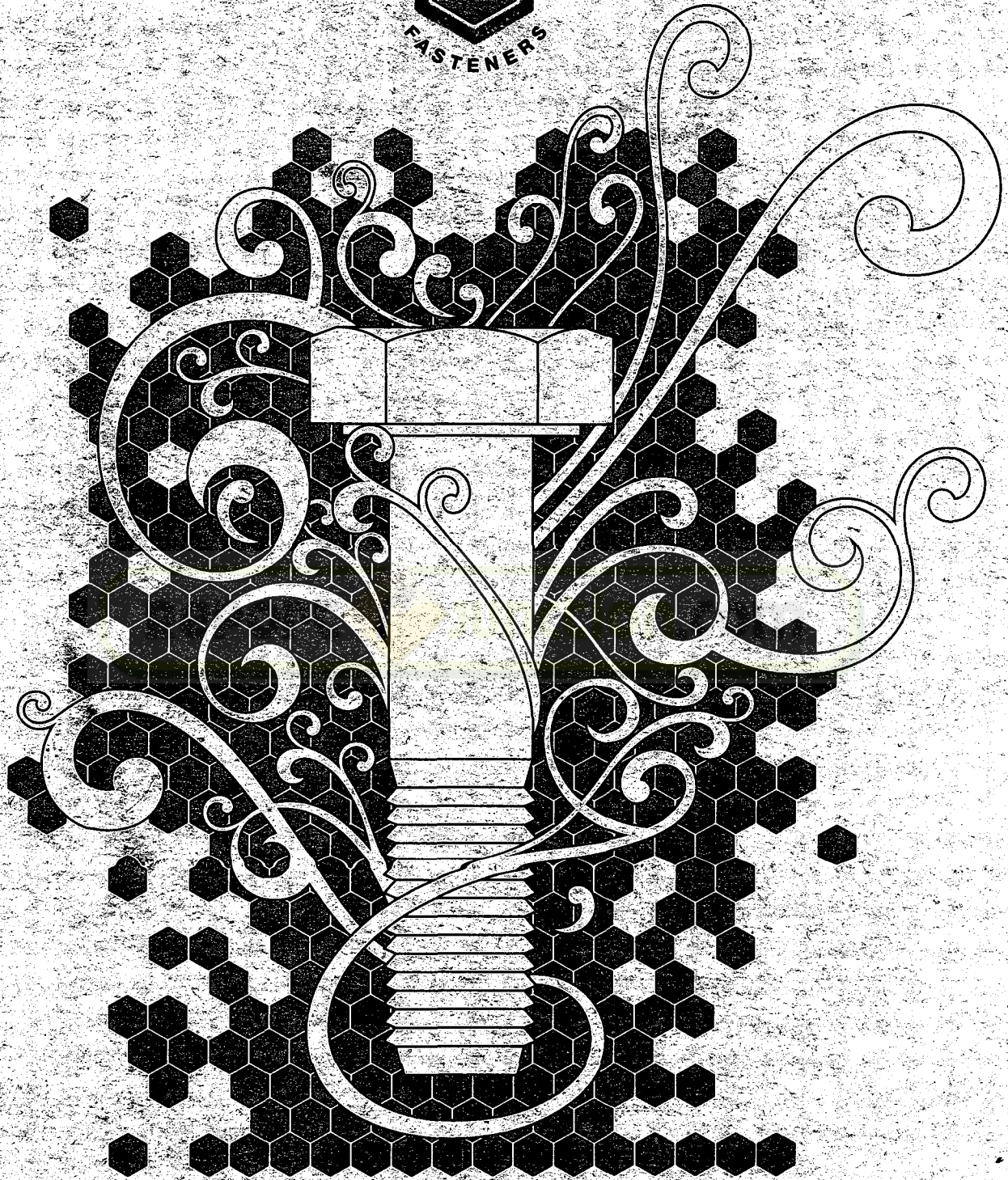


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ANNUAL REPORT
2006-2007



Registered Office

F-37, Okhla Industrial Area, Phase-I
New Delhi - 110 020
Tel. : 41615428, 41616055, 41616056
Fax : 2681 0091

Corporate Office :

Plot No. 4, DLF Industrial Estate
Faridabad - 121 003 Haryana

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, Ballabgarh
Faridabad (Haryana)

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

Banker

Oriental Bank of Commerce
HDFC Bank Limited.

Auditors

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

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Notice for the Annual General Meeting

Notice is hereby given that Twenty Eight Annual General Meeting of the Members of Sterling Tools Limited will be held at **Hotline Mukesh Aggarwal Auditorium**, ELCINA House, 422, Okhla Industrial Estate, New Delhi-110020 on Tuesday, 11th September, 2007 at 9:30 A.M. to transact the following business(s):

Ordinary Business

1. To receive, consider and adopt the audited Balance Sheet as at 31st March 2007 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 payment of Interim Dividend for the year 2006-07.
3. To appoint a Director in place of Shri C.R. Sharma, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Dr. T. N. Kapoor, who retires by rotation, and being eligible, offers himself for re-appointment.
5. 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

6. To consider and if thought fit, pass the following resolution with or without modifications, as an **Ordinary Resolution**:

Power to Borrow Money

Resolved that pursuant to the provisions of Section 293 (1) (d) and other applicable provisions, if any, of the Companies Act, 1956, provisions of the Articles of Association of the Company and in suppression of the resolution passed in the Annual General Meeting held on 30th Day of September, 1996, the consent of the members of the Company be and is hereby accorded to the Board of Directors of the Company to borrow for and on behalf of the company, from time to time, any sum or sums of money from any one or more of the Company's bankers and/or from any one or more individuals/firms/bodies corporate/financial institutions on such terms & conditions as the Board of Directors may deem fit, notwithstanding the fact that the moneys to be borrowed together with the moneys already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business such as loans repayable on demand or within 6 months from the date of the loan, cash credit arrangements, the discounting of bills and the issue of other short term loans of a seasonal character, but not including loans raised for the purpose of financing expenditure of a capital nature) will or may exceed the aggregate of the paid-up share capital of the company and its free reserves (that is to say reserves not set apart for any specific purpose) but such borrowings (apart from above said temporary loans obtained from the Company's bankers in the ordinary

course of business such as loans repayable on demand or within 6 months from the date of the loan, cash credit arrangements, the discounting of bills and the issue of other short term loans of a seasonal character, but not including loans raised for the purpose of financing expenditure of a capital nature)) will not exceed Rs. 100 Crores (Rupees One Hundred Crores Only) at any point of time.

By order of the Board

Date: 23rd July, 2007

Place: Faridabad

(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. The Register of Members and Share Transfer Books of the Company will be closed from Friday, 7th September, 2007 to Tuesday, 11th September, 2007 (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 Directors' Report, Auditors' Report and Audited Balance Sheet as at 31st March 2007 and the Profit and Loss Account for the financial year ended on that date are enclosed.
4. In view of the amended section 205-C of the Companies Act, 1956, followed by the issue of Investor Education & Protection Fund (Awareness and Protection of the Investors) Rules, any money 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 1999-2000 shall become transferable to the fund on 26th June, 2007, 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 1999-2000 onwards, before the respective amounts become due for transfer to the fund.

5. Those members who have not so far claimed their dividend for the financial year 2000-2001, 2001-2002, 2002-2003, 2003-2004, 2004-2005, 2005-2006 and 2006-2007 are requested to make their claims to the Company for obtaining duplicate dividend warrants.
6. The Explanatory Statement pursuant to the provision of Section 173(2) of the Companies Act, 1956 is annexed herewith.

Explanatory Statement

(Pursuant to the provisions of Section 173(2) of the Companies Act, 1956)

Item No. 6

The Company in its Annual General Meeting held on 30th Day of September, 1996 approved the limits for the borrowings to be made by the Board of Directors of the company from time to time upto Rs. 50 Crores. During last 4-5 years, the Company has made substantial borrowings from banks by way of term loans to meet its expansion program and for upgradation of the plant & machinery. Presently, the total money borrowed by the Company by way of Term Loans is Rs. 44.08 Crores from Oriental Bank of Commerce (apart from the Temporary Loans).

Keeping in view the proposed expansion program and consistent enhancement of producing capacity and technical upgradation of Plant & Machinery, it is required to enhance the borrowing powers of the Board.

Hence the above said resolution.

None of the directors interested in the said Resolution

Brief Resume and other information in respect of the Directors seeking re-appointment at the Annual General Meeting

Shri C. R. Sharma

Mr. C R Sharma aged about 65 years, a banker by profession has an experience of more than 40 years in the Banking Industry. He started his career with Citi Bank in 1964 and joined Oriental Bank of Commerce in 1978 and worked there in various capacities before joining Andhra Bank in 2000 as Executive Director. He has also worked with Bank of Punjab Limited between 2002 to 2005 as Managing Director and Chief Executive Officer. After the merger of Bank of Punjab Limited with Centurion Bank, he is acting as Senior Advisor, Centurion Bank of Punjab Limited since 1st October 2005. He was member of managing committee of Indian Bank's Association during June, 2002 to May, 2004 representing private sector banks.

Mr. C R Sharma possesses a wide ranging experience and knowledge of corporate banking and international banking affairs having been associated with reputed Banks for past over 40 years.

He is member of the Audit Committee & Remuneration Committee of the Company.

Details of other Directorships/Committee Memberships held by him

Directorship	Committee Membership
NIL	NIL

Dr. T. N. Kapoor

Dr. T. N. Kapoor aged about 75 years, a doctorate in commerce and also had professional training in Management both in India & abroad. He has held various responsible positions with the Punjab University, Chandigarh including as Founder Chairman, University Business School (formerly Department of Commerce and Business Management) during 1963-81, Dean, Faculty of Business Management & Commerce 1977-1991 & Vice Chancellor 1991-1997. He has also been Executive Director, Management Development Institute, Gurgaon during 1984-1986. He is/has also been involved with several professional associations / management institutes at Governing Board / Council level that include International Association of Universities, Paris, All India Management Association, New Delhi, LBSIM Delhi, IIM-Bangalore, IIM-Kolkatta, IIPA-New Delhi & IAMR-New Delhi.

Dr. T. N. Kapoor possesses a diverse and wide ranging experience and knowledge of corporate affairs having been associated as independent / non-executive/nominee director with several well known public limited companies for past over 29 years.

An eminent management advisor and educationist of over 50 years standing, Dr. Kapoor's subject areas of specialisation include Corporate Management policy, Finance & Human Resources Management.

He is member of the Audit Committee, Remuneration Committee & Investors Grievances Committee of the Company.

Details of other Directorships/Committee Memberships held by him

Directorship	Committee Membership
Vardhman Textiles Limited (Formerly Mahavir Spinning Mills Limited)	Shareholders'/Investors' Grievances Committee
Omax Auto Limited	Audit Committee Shareholders'/Investors' Grievances Committee
Swaraj Engine Limited	Audit Committee Shareholders'/Investors' Grievances Committee
Modern Steel Limited	Audit Committee Shareholders'/Investors' Grievances Committee
Kamla Dials & Devices Limited	Audit Committee
Haryana Telecom Limited	

Directors' Report

To
The Members,

We are delighted to present our Twenty-Eight Annual Report on the business and operations of the Company for the Financial Year ended 31st March 2007.

Business Review

During the fiscal 2006-2007, Sales at Rs. 16258.59 Lacs increased by 20.60% as compared to Sales at Rs. 13481.59 Lacs in the previous financial year.

With increase in Sales by 20.60%, there has been an increase in Profit before Tax by 25.98% and in Profit after Tax by 24.71% as compared to previous year.

Your Directors are hopeful in giving an upward trend in this graph of profitability in the years to come by growth in Company's Sales/ Turn over and by cutting cost. We seek long term partnerships with our clients while addressing their requirements. The Company's performance for the Financial Year 2006-2007 vis-à-vis 2005-2006 is summarised as under:

(Rs. in Lacs)

Particulars	Financial Year	
	2006-2007	2005-2006
Gross Sales Turnover	16258.59	13481.59
Profit before interest, depreciation and tax	1986.26	1436.34
Interest	424.14	216.15
Depreciation	479.29	360.64
Profit Before Tax (PBT)	1082.83	859.55
Provision for Tax	393.58	306.89
Profit After Tax (PAT)	689.25	552.66

Appropriations

Dividend

Keeping in view Sterling's tradition of high regard for its shareholders, the Directors had, in their meeting held on 19th March, 2007, recommended 30% interim dividend for fiscal year 2006-2007 against 30% dividend for the previous year. This interim dividend has already been paid and taking note of this payout, the Directors have not recommended any final dividend for fiscal year 2006-2007 and the Interim Dividend already declared and paid be considered as Final dividend for the Fiscal year 2006-2007

Transfer to Reserves.

We propose to transfer Rs. 100.00 Lacs to General Reserve and an amount of Rs. 2443.79 lacs is proposed to be retained in the Profit & Loss Account.

Liquidity

Your Company has enjoyed sound financial health throughout the financial year 2006-07. The Company has not accepted any deposits which come under the purview of Section 58A of the Companies Act, 1956. We maintain sufficient cash to meet our strategic objectives and the liquidity in the Balance Sheet needs to balance between earning adequate returns and the need to cover financial and business risks.

Current Performance

There has been growth of 18.65% in the gross sales for the period April-June-07 vis-à-vis April-June-06, i.e. for the corresponding period last year. In spite of a healthy growth in the sales figure, the profitability of the Company has gone down because of increase in the cost of raw materials. The Management has decided to relook at the sourcing policy wherein emphasis will be more on procuring raw material from overseas, keeping in mind the strong Rupee against the Dollar.

Further the Automobile Industry is also showing sign of slow down which may impact the operating margins this year.

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 Annual Report.

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.

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, 2007, the applicable accounting standards have been followed and there are no material departures;
- (ii) the Directors have selected such 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 or loss 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 31st March, 2007 on a 'going concern' basis.

Human Resources Development

The industrial relations continued to be cordial throughout the year. The development of human resources continues to be our focus area as they are the real assets of a Company. The recruitment of suitable candidate with merits and provide them the right career opportunities is the Company's recruitment practice.

The Company has focused on training for skills upgradation, competency development, attitudinal and behavioral change, employee motivation and employee productivity.

Talent management, talent deployment and talent retention has been strategised and implemented.

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.

Directors

In terms of Article 89 of the Articles of Association and Sections 255 & 256 of the Companies Act, 1956, Shri C. R. Sharma and Dr. T. N. Kapoor are liable to 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 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 2006-2007 are self-explanatory and therefore do not call for any further comments.

Acknowledgements

The directors thank customers, vendors, suppliers, shareholders, bankers and all associates for their continued support to your Company's growth. They place on record their appreciation for dedicated services rendered by employees at all levels, who have contributed to satisfactory performance of your Company.

for and on behalf of the Board

Date: 23rd July, 2007
Place: Faridabad

M. L. Aggarwal
Chairman