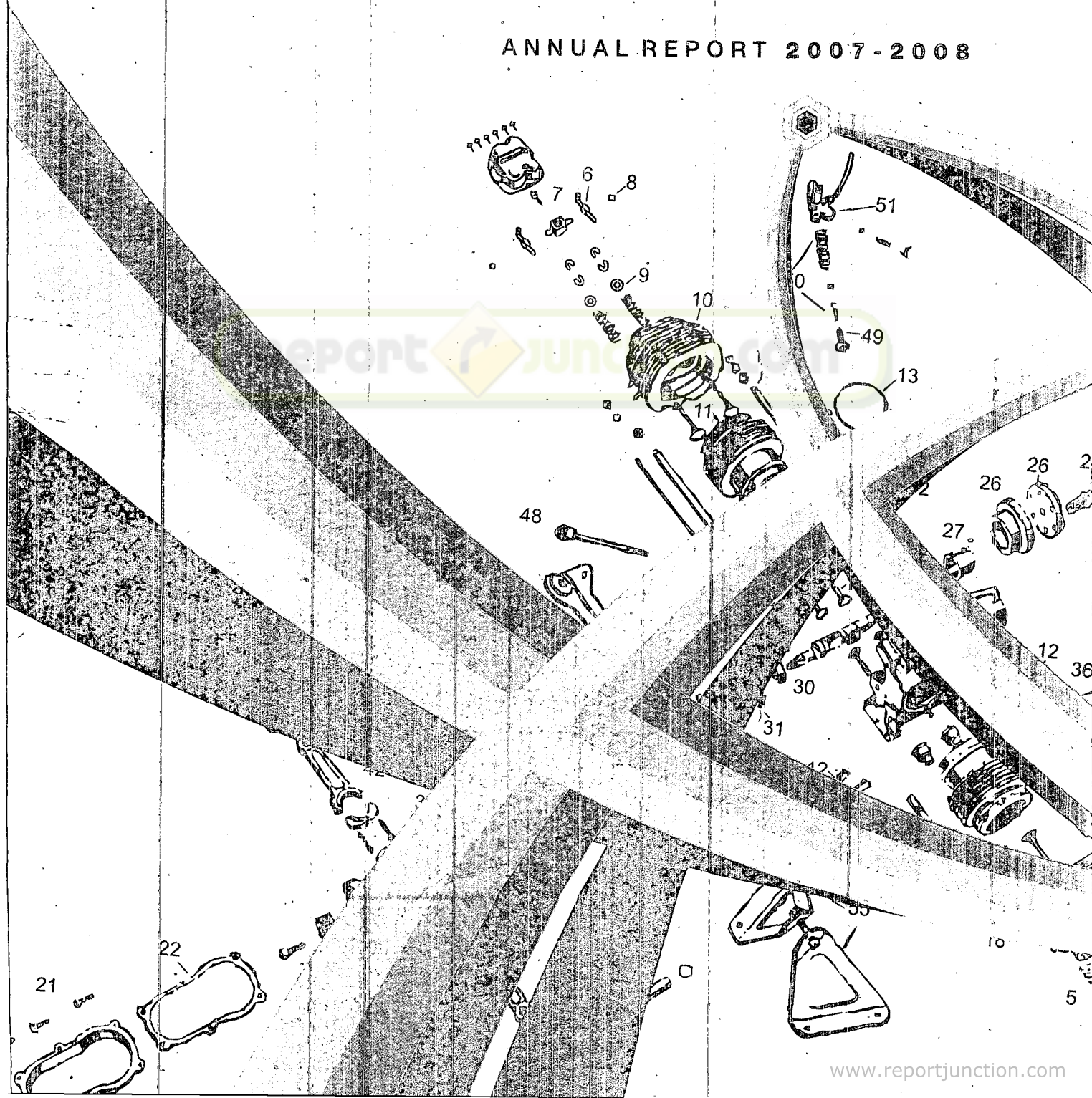




## ANNUAL REPORT 2007-2008



## Notice for the Annual General Meeting

Notice is hereby given that Twenty Ninth Annual General Meeting of the Members of Sterling Tools Limited will be held at **Modi Hall**, PHD Chamber of Commerce & Industry, PHD House, 4/2, Siri Institutional Area, August Kranti Marg, New Delhi-110016 on Thursday, 7<sup>th</sup> August, 2008 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 31<sup>st</sup> March 2008 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 declare Dividend for the Financial Year 2007-2008.
3. To appoint a Director in place of Shri K.R. Gupta, 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 a Special Resolution:

#### POWER TO MAKE INVESTMENTS

**Resolved**, pursuant to the provisions of Section 372A(1)(c) and other applicable provisions, if any, of the Companies Act, 1956, provisions of the Articles of Association of the Company, in suppression of the resolution passed in the Annual General Meeting held on 30<sup>th</sup> 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 invest from time to time by way of subscription, purchase or otherwise the securities of any other body corporate, any sum or sums of money which together with the money already invested by the Company shall not exceed Rs. 80 Crores (Rupees Eighty Crores Only) at any point of time.

**By order of the Board  
For Sterling Tools Limited**

Date: 25<sup>th</sup> June, 2008

Place: Faridabad

(Vaishali Singh)  
Company Secretary

#### Registered Office:

F-37, Okhla Industrial Area  
Phase-I, New Delhi-110020



## 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 relevant details as required by Clause 49 of the Listing Agreements entered into with the Stock Exchanges of persons seeking re-appointment as directors under Item No. 3 and 4 are annexed herewith.
3. Members who hold shares in dematerialized form are requested to bring their DP ID and Client ID numbers for easy identification of attendance at the meeting.
4. The Register of Members and Share Transfer Books of the Company will be closed from Friday, 1<sup>st</sup> August, 2008 to Thursday, 7<sup>th</sup> August, 2008 (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.
5. The dividend as recommended by the Board of Directors, if declared at the Annual General Meeting, will be paid at par after 7<sup>th</sup> August, 2008 to (i) those shareholders whose names appear on the Company's Register of Members after giving effect to all valid share transfers in physical form lodged with the company on or before 31<sup>st</sup> July, 2008. (ii) in respect of shares held in electronic form to those beneficiaries whose names appear in the statements of beneficial ownership by National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) as at the end of business hours on 31<sup>st</sup> July, 2008.
6. For the convenience of the Members, attendance slip is enclosed elsewhere in the Annual Report. Members/Proxy Holders/Authorised Representatives are requested to fill in and affix their signatures at the space provided therein and surrender the same at the venue of the AGM. Proxy/Authorised Representatives of a member should state on the attendance slip as 'Proxy or Authorised Representative' as the case may be.
7. The Directors' Report, Auditors' Report and Audited Balance Sheet as at 31<sup>st</sup> March 2008 and the Profit and Loss Account for the financial year ended on that date are enclosed.
8. In view of the amended section 205A(5) of the Companies Act, 1956, any dividend 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 2000-2001 shall become transferable to the fund on 31<sup>st</sup> October, 2008, 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 2000-2001 onwards, before the respective amounts become due for transfer to the fund. The following are the details of the dividends declared by the Company and respective due dates for claiming by the shareholders:



<b>Dividend Year</b>	<b>Date of declaration of dividend</b>	<b>Last Date for claim</b>
2000-01	29/09/2001	31/10/2008
2001-02	12/09/2002	14/10/2009
2002-03	04/09/2003	06/10/2010
2003-04	29/09/2004	01/11/2011
2004-05	29/09/2005	31/10/2012
2005-06	12/09/2006	14/10/2013
2006-07	19/03/2007	20/04/2014

Those members who have not so far claimed their dividend for the financial year 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.

9. The Explanatory Statement pursuant to the provision of Section 173(2) of the Companies Act, 1956 is annexed herewith.
10. The Copies of the Annual Reports will not be distributed at the Annual General Meeting. Members are requested to bring their copies to the meeting.
11. In case of any query, Members are requested to send the same to the Company Secretary atleast 10 days before the date of the meeting so that information can be made available at the meeting.

**By order of the Board  
For Sterling Tools Limited**

Date: 25<sup>th</sup> June, 2008  
Place: Faridabad

(Vaishali Singh)  
Company Secretary

## DETAILS OF DIRECTORS SEEKING RE-APPOINTMENT AT ANNUAL GENERAL MEETING

(In Pursuance of Clause 49 of Listing Agreement)

Name	Mr. K.R. Gupta	Dr. T.N. Kapoor
Date of Birth	05/05/1934	02/06/1932
Qualification	M. Com.	M. Com. L L B, Ph. D.
Experience / Expertise	<p>A tax consultant and has experience of more than 50 years in taxation &amp; financial matters. He joined Indian Revenue Service in 1957 and worked in various capacities in Income tax Department from 1957 to 1992. He worked as Commissioner of Income tax at Delhi and Mumbai, Member, Appropriate Authority, Delhi and the Chief Commissioner of Income Tax, Rajasthan and Madhya Pradesh. He pursued a course of Study and Research in International Taxation at Harvard Law School, U.S.A. from August 1978 to June 1979 and worked as incharge of Foreign Tax Division of CBDT, New Delhi and was a member of Indian Tax Delegation for finalization of Double Taxation Avoidance Agreements and visited several countries including Sweden, Mauritius, Syria and Thailand.</p> <p>Presently, he is working as a Tax Consultant in Direct Taxes and Tax Adviser of some reputed business houses. Being an expert Tax Consultant, his inclusion in the Board of the Company shall prove to be very beneficial.</p>	<p>A doctorate in commerce and also had professional training in Management both in India &amp; abroad. He has held various responsible position 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 &amp; Commerce 1977-1991 &amp; 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-Calcutta, IIPA-New Delhi &amp; IAMR-New Delhi.</p> <p>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 30 Years. An eminent management advisor and educationist of over 45 years standing, Dr. Kapoor's subject areas of specialisation include Corporate Management policy, Finance &amp; Human Resources Management.</p>
Directorships held in other Companies	APM Industries Limited	<p>Vardhman Textiles Limited (Formerly Mahavir Spinning Mills Ltd. Omax Autos Limited Swaraj Engines Limited Modern Steels Limited Haryana Telecom Limited KDDL Limited (Formerly Kamla Dials and Devices Limited)</p>





<b>Memberships / Chairmanships of committees of other Public Companies</b>	<b>APM Industries Limited</b> Audit Committee – Chairman Investors Grievances Committee – Chairman	<b>Vardhman Textiles Limited</b> (Formerly Mahavir Spinning Mills Ltd. Investors Grievances Committee-Chairman <b>Omax Autos Limited</b> Investors Grievances Committee-Chairman Audit Committee - Member <b>Swaraj Engines Limited</b> Investors Grievances Committee-Chairman Audit Committee - Member <b>Modern Steels Limited</b> Investors Grievances Committee-Member Audit Committee - Member <b>KDDL Limited</b> (Formerly Kamla Dials and Devices Limited) Audit Committee - Member
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**By order of the Board  
For Sterling Tools Limited**

Date: 25<sup>th</sup> June, 2008

Place: Faridabad

(Vaishali Singh)

Company Secretary

## EXPLANATORY STATEMENT

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

The Company in its Annual General Meeting held on 30<sup>th</sup> Day of September, 1996 approved the limits for the Investments to be made by the Board of Directors of the company from time to time upto Rs. 10 Crores.

The management is of the view to revise the above said investment limits, to subscribe/purchase the other Company's securities from time to time, Keeping in view the growth prospects and the long term interest of the Company.

Hence the above said resolution.

None of the directors interested in the said Resolution

**By order of the Board  
For Sterling Tools Limited**

Date: 25<sup>th</sup> June, 2008

Place: Faridabad

(Vaishali Singh)

Company Secretary

## Directors' Report

To  
The Members,

We are delighted to present our Twenty-Ninth Annual Report on the business operations and financials of the Company for the Financial Year ended 31<sup>st</sup> March 2008.

### Financial Results

The Company's performance for the Financial Year 2007-2008 vis-à-vis 2006-2007 is summarised as under:

(Rs. in Lacs)

Particulars	Financial Year	
	2007-2008	2006-2007
Gross Sales Turnover	17914.13	16258.59
Profit before interest, depreciation and tax	2331.11	1986.26
Interest	559.23	424.14
Depreciation	568.42	479.29
Profit Before Tax (PBT)	1203.46	1082.83
Provision for Tax	442.31	393.58
Profit After Tax (PAT)	761.15	689.25
Appropriations:		
Proposed Dividend	205.34	205.34
Tax on Proposed Dividend	34.90	28.80
Transfer to General Reserve	100.00	100.00
Balance Carried to Balance Sheet	2864.71	2443.80

### BUSINESS REVIEW

During the fiscal 2007-2008, Sales at Rs. 17914.13 Lacs increased by 10.18% as compared to Sales at Rs. 16258.59 Lacs in the previous financial year.

With increase in Sales by 10.18%, there has been an increase in Profit before Tax by 11.14% and in Profit after Tax by 10.43% as compared to previous year.

Directors of your Company assure continued efforts towards technological upgradation and are hopeful to give an upward trend to this Graph of profitability in the years to come by growth in Company's Sales / Turn over and by cutting cost wherever possible. We seek long term partnerships with our valued customers while addressing their requirements in respect of quality and timely deliveries to their satisfaction.

### Appropriations

#### Dividend

Keeping in view the Company's Performance, the Directors are pleased to recommend a dividend of 30% for the year ended March 31,2008 (Rs. 3 per equity share) on the paid up equity share capital.

## Transfer to Reserves.

We propose to transfer Rs. 100 Lacs to General Reserve and an amount of Rs.2864.71 Lacs is proposed to be retained in the Profit & Loss Account.

## Liquidity

Your Company has enjoyed sound financial health throughout the financial year 2007-08. 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 to achieve a balance between earning adequate returns and the need to cover financial and business risks.

## Listing

The equity shares of the Company are listed with Bombay Stock Exchange Limited and National Stock Exchange of India Limited. There are no arrears on account of payment of listing fees to the said Stock Exchanges.

## 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 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 forms 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 31<sup>st</sup> March, 2008, the applicable accounting standards have been followed and there are no material departures;
- (ii) the Directors have selected 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 controls & 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 31<sup>st</sup> March, 2008 on a 'going concern' basis.



## Human Resources Development

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

During the year under review the Company has provided various types of trainings (Indoor as well as Outdoor) to its employees related to their work specializations, team building, improvement in communication skills and maintenance of health.

## 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 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 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 2007-2008 are self-explanatory and therefore do not call for any further comments.

## Acknowledgements

The directors wish to convey their appreciation to business associates for their support and contribution during the year. The Directors also thank the Company's customers, vendors, suppliers, shareholders, bankers for the 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: 25<sup>th</sup> June, 2008  
Place: Faridabad

**(M. L. Aggrawal)**  
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 2008.

Name of the Employee	Designation and nature of duties	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	47,10,069.00	B. Sc.	78	54	07.06.1979	None
2. Mr. Anil Aggarwal	Managing Director	43,85,121.00	B. Com.	50	29	07.06.1979	None
3. Mr. Atul Aggarwal	Whole Time Director (Finance & Marketing)	41,05,888.00	MBA	44	19	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) Localised pressure boosters have been provided to meet the pressure requirement of specific machines instead of increasing the pressure in the full supply line
  - b) Where ever air is required for agitation of the solution separate low pressure compressor have been installed instead of using high pressure supply line
  - c) Discharge air from solenoid vales used for agitation of quenching oil for shaker heart furnace thereby eliminating motors.
  - d) Timer used in product movement and scrap movement conveyor to reduce the running time of the motors
  - e) 500W halogen lamps replaced with 150 W street lamp tubes.
  - f) Toggle switch provided in the tube light of the office area to enable user to operate the light thereby to conserve.
  - g) 2 motors used for feeding the nut in the nut tapping replaced with one motor to reduce energy consumption.
- 2) Additional investment proposals, if any, for reduction of consumption per unit production :
  - a) Use of hot water generator which is already available to heat pre-washing water in furnace thereby replacing water heaters.