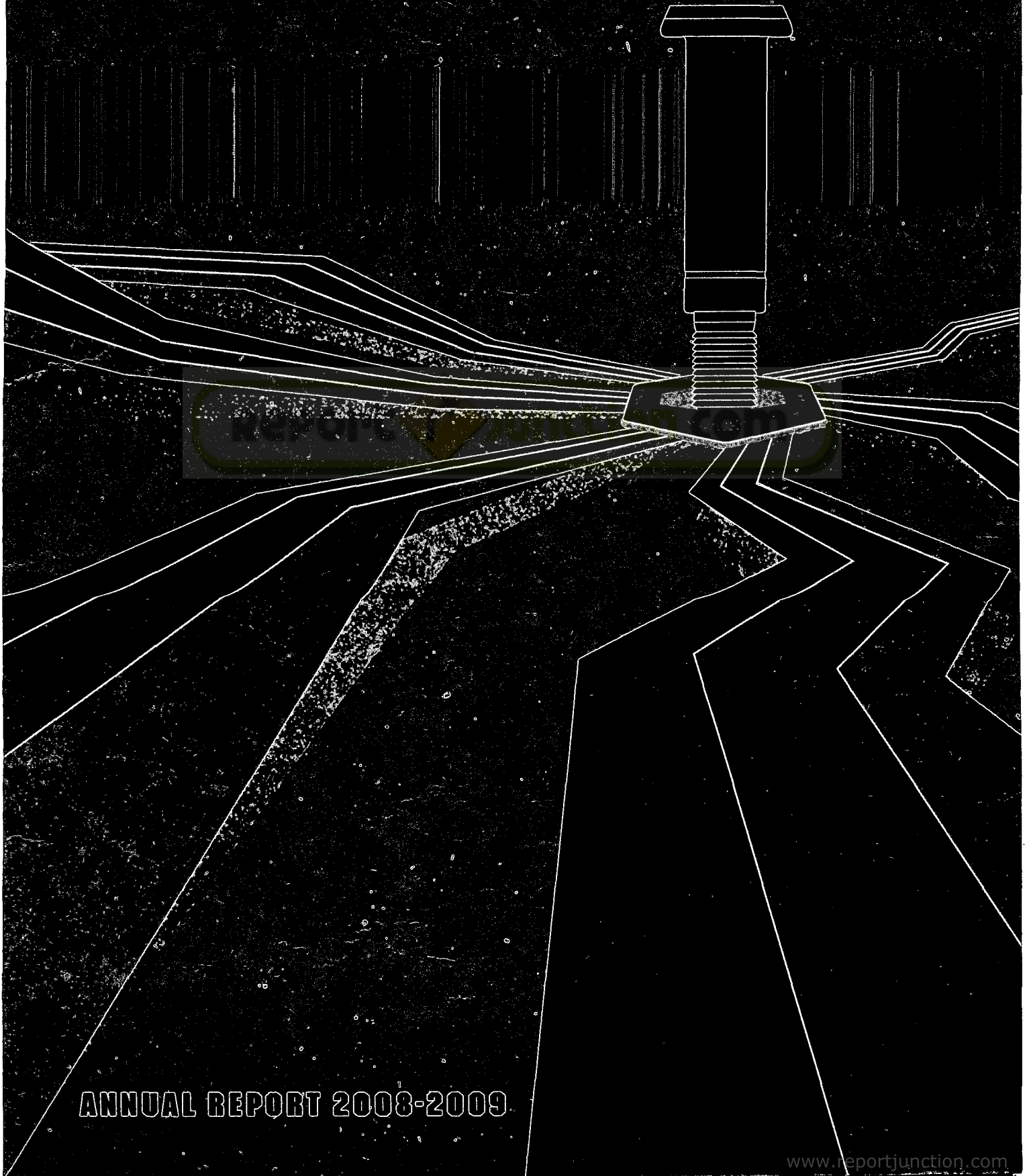


STERLING TOOLS LIMITED



ANNUAL REPORT 2008-2009

Registered Office

F-37, Okhla Industrial Area, Phase-I
New Delhi - 110 020

Corporate Office :

Plot No. 4, DLF Industrial Estate
Faridabad - 121 003 Haryana
Tel. : 0129-2270621-25
Fax : 0129-2277359

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, Ballabhgarh
Faridabad (Haryana)

Bankers

Oriental Bank of Commerce
HDFC Bank Limited.

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

Auditors**Statutory Auditor**

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

Internal Auditor

JRA & Associates
Chartered Accountants
A-119, 2nd Floor,
DDA Shed, Okhla Industrial
Area, Phase-II,
New Delhi-110020

Registrar & Transfer Agent

MAS Services Limited
T-34, 2nd Floor,
Okhla Industrial Area,
Phase-II, New Delhi-110020

Notice for the Annual General Meeting	1
Directors' Report	5
Annexures to Directors' Report	9
Report on Corporate Governance	12
Management Discussion and Analysis Report	25
Auditors' Report	28
Balance Sheet	32
Profit and Loss Account	33
Cash Flow Statement	34
Schedules to Accounts	35
Balance Sheet Abstract	56

Notice for the Annual General Meeting

Notice is hereby given that Thirtieth Annual General Meeting of the Members of Sterling Tools Limited will be held at **Lakshmipat Singhanian Auditorium**, PHD Chamber of Commerce and Industry, PHD House, 4/2, Siri Institutional Area, August Kranti Marg, New Delhi-110016 on Tuesday, 1st September, 2009 at 10:00 A.M. to transact the following business(s):

Ordinary Business

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2009 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 2008-2009.
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 Shri K. R. Gupta, 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.



By order of the Board
For Sterling Tools Limited

Date: 20th July, 2009

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, 28th August, 2009 to Tuesday, 1st September, 2009 (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 1st September, 2009 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 27th August, 2009. (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 27th August, 2009.
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 31st March 2009 and the Profit and Loss Account for the financial year ended on that date are enclosed.
8. The Company has designated an exclusive e-mail ID called vaishalis@stlfasteners.com for redressal of shareholders' / investors' complaints / grievances. In case you have any queries / complaints or grievances, then please write to us at the above e-mail address.
9. Members holding shares in electronic form may please note that the bank account details and 9 digit MICR code of their Bankers, as noted in the records of their depository, shall be used for the purpose of remittance of dividend through Electronic Clearing Service (ECS), or for printing on dividend warrants wherever applicable. Members are therefore requested to update their bank account particulars, change of address and other details with their respective Depository Participants for shares held in demat mode and to the Registrar and Share Transfer Agent for shares held in physical form.
10. Reserve Bank of India (RBI) is providing ECS facility for payment of Dividend in selected cities. Members holding shares in physical form are advised to submit particulars of their bank account, viz., names and address of the branch of the bank, 9 digit MICR code of the branch, type of account and account number latest by 27th August, 2009, to MAS Services Limited, T-34, 2nd Floor, Okhla Industrial Area, Phase-II, New Delhi-110020.
11. In view of the amended section 205C of the Companies Act, 1956, followed by the issue of Investor Education & Protection Fund (Awareness and Protection of the Investors) Rules, any dividend transferred by the Company to the unpaid dividend account and remaining unclaimed for a period of seven years from the dates, that they first became due for payment, 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 2001-2002 shall become transferable to the fund on 11th September, 2009, 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 2001-2002 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:

Dividend Year	Date of declaration of dividend	Last Date for claim
2001-02	12/09/2002	11/09/2009
2002-03	04/09/2003	03/09/2010
2003-04	29/09/2004	28/09/2011
2004-05	29/09/2005	28/09/2012
2005-06	12/09/2006	11/09/2013
2006-07	19/03/2007	18/03/2014
2007-08	07/08/2008	06/08/2015

Those members who have not so far claimed their dividend for the financial year 2001-2002, 2002-2003, 2003-2004, 2004-2005, 2005-2006, 2006-2007 and 2007-2008 are requested to make their claims to the Company.

12. In terms of Section 109A of the Companies Act, 1956, nomination facility is available to individual shareholders. Members holding shares in physical form may nominate a person in respect of all the shares held by them whether singly or jointly. Members who hold shares in individual name are advised to avail of the nomination facility by filing Form No. 2B in their own interest. Bank form can be had from MAS Services Limited on request. Members holding shares in dematerialized form may contact their respective DP's for registration of nomination.
13. Members holding physical shares in multiple folios in identical name are requested to send their share certificates to Company's Registrar and Share Transfer Agent, MAS Services Limited for consolidation.
14. 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.
15. 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.
16. Members are requested to note that no **GIFT** will be distributed at the meeting.

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

Date: 20th July, 2009
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. C. R. Sharma	Mr. K.R. Gupta
Date of Birth	13/11/1942	05/05/1934
Qualification	B. A.	M. Com.
Experience / Expertise	<p>A banker by profession has an experience of more than 42 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 a member of managing committee of Indian Bank's Association during June, 2002 to May, 2004 representing private sector banks.</p> <p>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 42 years.</p>	<p>A tax consultant and has experience of more than 51 years in taxation & financial matters. He joined Indian Revenue Service in 1957 and worked in various capacities in Income tax Department before he retired as Member Central Board of Direct Taxes, New Delhi in 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 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 Advisor 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>
Directorships held in other Companies	PNC Infratech Limited Ka-Sh Advisory Services Pvt. Ltd.	APM Industries Limited
Memberships / Chairmanships of committees of other Public Companies	PNC Infratech Limited: Audit Committee – Member Investors Grievances Committee – Member Share Transfer Committee – Member	APM Industries Limited: Audit Committee – Chairman Investors Grievances Committee – Chairman

By order of the Board
For Sterling Tools Limited

Date: 20th July, 2009
Place: Faridabad

(Vaishali Singh)
Company Secretary

Directors' Report

Dear Members

On behalf of the Board of Directors of your Company, it is my privilege to present the Thirtieth Directors' Report on the business operations and financials of the Company for the Financial Year ended 31st March 2009.

Financial Results

The Company's performance for the Financial Year 2008-2009 vis-à-vis 2007-2008 is summarised as under:

(Rs. in Lacs)

Particulars	Financial Year	
	2008-2009	2007-2008
Gross Sales Turnover	17032.44	18011.77
Profit before interest, depreciation and tax	1580.17	2331.11
Interest	665.97	559.23
Depreciation	614.84	568.42
Profit Before Tax (PBT)	299.36	1203.46
Provision for Tax	127.64	442.31
Profit After Tax (PAT)	171.72	761.15
Add: Balance brought forward from the previous year	2864.71	2443.80
Less: Tax adjustments for earlier years	11.89	—
Appropriations:		
Proposed Dividend	68.45	205.34
Tax on Proposed Dividend	11.63	34.90
Transfer to General Reserve	—	100.00
Balance Carried to Balance Sheet	2944.46	2864.71

Review of Operations

During the year under review, sales at Rs. 17032.44 lacs decreased by 5.44% as compared to sales at Rs. 18011.77 lacs in the previous financial year and the Profit before Tax for the Financial Year 2008-09 at Rs. 299.36 lacs decreased by 75.13% as compared to Rs. 1203.46 lacs in the previous financial year. The main reasons for decreased profits for the financial year 2008-2009 are decreased Sales due to recession in Automobile Industry, High Cost of Raw Materials and appreciation of value of US Dollar vis-à-vis Indian Rupee.

Dividend

Keeping in view the lower Profits of the Company as compared to previous year, the Directors recommend a dividend of 10% (Rs. 1 per equity share) for the year ended 2008-2009 on the paid up equity share capital.

Deposits

The Company has not accepted any deposits, which come under the purview of Section 58A of the Companies Act, 1956.

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.

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.

Corporate Governance

Your Company acknowledges its responsibility towards all stakeholders and recognizes the importance of good Corporate Governance towards establishing stakeholders' confidence and improving investor protection.

A report on Corporate Governance pursuant to the provisions of Clause 49 of Listing Agreement supported by a Certificate given by the Statutory Auditors of the Company confirming compliance of conditions, form part of this Annual Report as Annexure-III.

Your Company has made all the information, required by Investors, available on the Company's Corporate Website www.stlfasteners.com.

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 as Annexure-IV.

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, 2009, 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 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, 2009 on a 'going concern' basis.

Human Resources Development

Your Company believes that the real wealth of a Company is its Human Resources. Therefore, it is the endeavour of your Company to nurture and develop this wealth

a) Industrial Relations

During the year under review, harmonious industrial relations were maintained in your Company.

b) Trainings for development of Human Resources

During the year under review, your Company conducted both technical and soft skills training and even some of the employees were sent to IIMs, etc. for Management Development Programmes as well as Outbound Training was also conducted for team building.

Moreover, your Company had conducted Induction training for all new recruits.

c) Mentoring:

Your Company started Mentoring system to groom employees, inculcate in them the organizational values and for better retention of people.

d) Award to meritorious children of employees:

Your Company launched Award for employees children who scored 90% or more marks in Class X or XII Board examinations. A few children were awarded last year.

e) Kaizens:

Your Company had done extremely well in Kaizens last year by implementing 2200 kaizens, resulting to savings and lot of improvements in 5S, Systems, Process, Safety, Morale, Methods, Productivity, reducing wastages, etc.

Statutory Disclosures

Your Directors have made necessary disclosures, as required under various provisions of the Act and Clause 49 of the Listing Agreement.

Material Changes and Commitments

There were no material changes and commitments, affecting the financial position of the Company that have occurred between the end of the financial year of the Company and the date of signing of 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 Shri K. R. Gupta retire by rotation in the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment.

Statutory Auditors

I) 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.

II) Report

(A) Adverse comment In Auditor's Report

The directors wish to give their explanation on an Adverse Comment in Auditors' Report as under:

Wealth Tax: Inadvertently, the Company had not deposited payment against provision of Wealth Tax for the period 2007-08 for Rs. 67800/-. The Company has now self assessed actual liability at Rs. 49600/- against aforesaid provision and has already deposited this amount alongwith interest during current year i.e. Accounting Year 2009-2010. The excess provision of Rs. 18200/- will be reversed during the Current Year 2009-2010.

(B) Other remarks of the Auditors in their Report and **Notes** attached to the Accounts for the financial year 2008-2009 are self-explanatory and therefore do not call for any further comments.

Internal Control System

The Company has well established and efficient Internal Control Systems under the assistance of M/s JRA & Associates, the Internal Auditors of the Company.

The Company has also well defined powers of various executives working at different levels within the Company.

The Report of Internal Audit on quarterly basis is subject to review and approval by Audit Committee of the Board and necessary directions are issued wherever necessary.

Subsidiaries

Your Company does not have any subsidiary Company.

Environment

All the manufacturing plants of your Company are running in an eco-friendly manner and have a focus on workplace health and safety.

We enjoy ISO 14001 Certification for our Plant situated at 5A, DLF Industrial Estate.

We have achieved significant improvement in effluent treatment plant to discharge chemicals free effluents.

Further all the Plants use to have the Audits of Noise, Air, Effluent discharges level, from time to time, to ascertain compliance with the norms/standards fixed by the relevant Authorities.

Your Company is a Member of Haryana Environmental Management Society for upto date information & awareness on environmental issues.

Cash Flow Analysis

In compliance with the provisions of Clause 32 of the Listing Agreement, the Cash Flow Statement for the year ended 31-03-2009 is annexed hereto.

Acknowledgements

Your Directors recognize all shareholders, business partners, bankers, vendors, suppliers and members of STL Family for their sustained support.

for and on behalf of the Board

Date: 20th July, 2009
Place: Faridabad

M. L. Aggarwal
Chairman