

STERLING TOOLS LIMITED



ANNUAL REPORT 2013 - 2014



Registered Office:

K-40, Connaught Circus
New Delhi - 110001

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)

49 K.M. Stone Delhi Mathura Road,
Village-Prithla, Tehsil-Palwal
Distt.-Palwal (Haryana)

81, Sector 25, Ballabhgarh
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 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
B-15 (LGF), G.K. Enclave - II
New Delhi - 110048 (India)

Registrar & Transfer Agent

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

Bankers

Oriental Bank of Commerce
State Bank of India
HDFC Bank Limited

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Directors' Report

Dear Members,

Your Directors are pleased to present the 35th Annual Report on the business and operations of your Company and Audited Accounts for the financial year ended March 31, 2014.

Financial Results

The Company's performance for the Financial Year 2013-2014 vis-à-vis 2012-2013 is summarized as under:

(Rs. in Lacs)

Particulars	Financial Year	
	2013-2014	2012-2013
Revenue from Operations (Net)	30135.95	28250.59
Profit before interest, depreciation and tax	4165.22	3630.94
Interest	714.60	960.57
Depreciation	1029.84	940.76
Profit Before Tax (PBT)	2420.78	1729.61
Provision for Tax	858.36	642.09
Profit After Tax (PAT)	1562.42	1087.52
Appropriations:		
Interim Dividend	342.23	342.23
Proposed Dividend	-	-
Tax on Interim Dividend	58.16	55.52
Tax on Proposed Dividend	-	-
Transfer to General Reserve	155.00	110.00
Balance Carried to Balance Sheet	7126.25	6119.22

Results of Operations

Despite operating in a volatile and uncertain economic environment, the Company demonstrated its best performance during the F.Y. 2013-14.

The highlights of the Company's performance during the F.Y. 2013-14 are as under:

- Revenue from operations increased by 6.50% to Rs. 33513.63 Lacs
- Exports increased by 41.87% to Rs. 3458.91 Lacs.
- PBDIT increased by 14.71% at Rs. 4165.22 Lacs
- Profit before Tax increased by 39.96% at Rs. 2420.78 Lacs.
- Net Profit increased by 43.67% to Rs. 1562.42 Lacs

The significant factors which led to increased profitability are as follows:

- Reduced Raw Material Cost.
- Change in Product Mix.
- Savings on account of reduced Finance Cost.

Dividend

Keeping in view Sterling' tradition of high regard for its shareholders, the Directors had, in their meeting held on 22nd January, 2014, recommended 50% interim dividend for financial year 2013-2014 against the same rate of dividend i.e. 50% in previous financial year. This interim dividend has already been paid and taking note of this payout, the Directors have not recommended any final dividend for financial year 2013-2014 and the interim dividend already declared and paid be considered as final dividend for the financial year 2013-2014.

The said dividend payout for the year under review has been formulated in accordance with shareholders' aspirations and the Company's policy to pay sustainable dividend linked to long term growth objectives of the Company to be met by internal cash accruals.

Transfer to General Reserve

Out of the profits of the Company, a sum of Rs. 155.00 Lacs has been transferred to General Reserves during the year and total General Reserves of the Company are Rs. 1899.46 Lacs as on 31st March, 2014.

Deposits

The Company has not accepted any deposits during the year which come under the purview of Section 73 of the Companies Act, 2013 and as such no amount on account of principal or interest was outstanding as on the date of Balance Sheet.

Depository System

As the members are aware, the Company' shares are compulsorily tradable in electronic form. As on March 31, 2014, 98.99% of the Company's total paid-up Capital representing 6775271 shares are in dematerialized form. In view of numerous advantages offered by the Depository System, members holding shares in physical mode are advised to avail of the facility of dematerialization from either of the Depositories.

Capital Structure and Listing

As on 31st March, 2014, the Company has Authorised Share Capital of Rs.10,00,00,000/-and Paid Up Share Capital of Rs. 6,84,46,000/-. 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.

The Promoters and Persons acting in concert with them hold 70.05% share Capital of the Company as on 31st March, 2014 as against 69.96% as on 31st March, 2013.

Financial Performance of Joint Venture Company

Your Company has invested Rs. 4,75,75,000/-(Rupees Four Crores Seventy Five Lacs Seventy Five Thousand only) in Equity share Capital of Sterling Fabory India Private Limited, a Joint venture Company till 31st March 2014.

The Joint Venture Company made Gross Sales of Rs. 608.38 Lacs during the financial year 2013-2014. The said Joint Venture Company is involved in trading business of supplying fasteners in India and has started its operations in financial year 2010-2011. It is expected that the said Joint Venture Company will achieve its Break even in financial year 2015-2016.

Credit Rating

The Company continues to enjoy the domestic credit rating of (A-) from CRISIL which reflect the Company's financial discipline and prudence.

Corporate Social Responsibility Committee

As the provisions of Corporate Social Responsibility(CSR) as prescribed under section 135 of the Companies Act, 2013 are applicable to the Company, your directors have constituted the Corporate Social Responsibility Committee (CSR

Committee) in their meeting held on 30th May, 2014 comprising Shri Anil Aggarwal as the Chairman, Shri Atul Aggarwal and Shri C.R. Sharma as members.

The said Committee has been entrusted with the responsibility of formulating and recommending to the Board, a Corporate Social Responsibility Policy (CSR Policy) indicating the activities to be undertaken by the Company, monitoring the implementation of the framework of the CSR Policy and recommending the amount to be spent on CSR activities.

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.

Capital Expenditure

As on March 31, 2014, the Gross Fixed Assets (including Capital WIP) stood at Rs. 18513.74 Lacs and Net Fixed Assets stood at Rs. 11222.10 Lacs. Additions during the year amounted to Rs. 1587.61 Lacs.

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.

Transfer of Amounts to Investor Education and Protection Fund

Pursuant to the provisions of Section 205A(5) and 205C of the Companies Act, 1956, relevant amounts which remained unpaid or unclaimed for a period of seven years have been transferred by the Company, from time to time on due dates, to the Investor Education and Protection Fund. Pursuant to the provisions of Investor Education and Protection Fund (Uploading of information regarding unpaid and unclaimed amounts lying with companies) Rules, 2012, the Company has uploaded the details of unpaid and unclaimed amounts lying with the Company as on July 08, 2013 (date of last Annual General Meeting) on the Ministry of Corporate Affairs' website (www.iepf.gov.in).

Corporate Governance

The Company is committed to maintain the highest standards of corporate governance and adhere to the corporate governance requirements set out by SEBI. The Company has also implemented several best corporate governance practices. The Report on corporate governance as stipulated under Clause 49 of the Listing Agreement forms part of the Annual Report.

The requisite certificate from the Auditors of the Company confirming compliance with the conditions of corporate governance as stipulated under the aforesaid Clause 49, is attached to the Report on corporate governance by way of **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, 2014, 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, 2014 on a 'going concern' basis.

Industrial Relations

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

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 152 of the Companies Act, 2013, Shri Atul Aggarwal retires by rotation in the forthcoming Annual General Meeting and being eligible offer himself for re-appointment.

Further, the Board of Directors has recommended the appointment of Dr. T.N. Kapoor and Shri C.R. Sharma as Independent Directors for a period of 5 years w.e.f. 1st April, 2014.

The Company has received declarations from all the Independent Directors of the Company confirming that they meet with the criteria of independence as prescribed both under sub-section (6) of Section 149 of the Companies Act, 2013 and under Clause 49 of the Listing Agreement with the Stock Exchanges.

Further Shri K.R. Gupta acting as Independent Director of our Company since 2001 has resigned on 22nd May, 2014 for health reasons. The Board of Directors has accepted his resignation vide its meeting held on 30th May, 2014 and placed on record the great contribution that he had made consistently to the deliberations of the Board. The Company had the benefit of his valuable advice during the long period of association with the Company.

Statutory Auditors

I) Appointment

M/s. S. R. Dinodia & Co. LLP. the Statutory Auditors of the Company, retire at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment. M/s S. R. Dinodia & Co. LLP. have, under Section 141(3)(g) of Companies Act, 2013, furnished the certificate of their eligibility 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

The Auditors' Report and Notes on Accounts for the financial year 2013-2014 are self explanatory and therefore do not call for any further comments.

Cost Auditors

The Company appointed M/s G.T. & Co., the Cost Auditors to conduct the cost audit of the Company' cost records for financial year 2013-2014.

The Audit Committee vide their meeting held on 30th May, 2014 has recommended the re-appointment of M/s G.T. & Co. for the financial year 2014-2015.

Internal Control System

Your Company has instituted internal control systems which are adequate for the nature of its business and the size of its operations. In the beginning of the year, the scope of audit exercise and the key business processes and selected risk areas to be audited are decided in consultation with the Audit Committee. The Internal Audit is carried out by a firm of external Chartered accountants and covers all departments. All significant audit observations and follow up actions thereon are reported to the Audit Committee.

Safety, Health and Environment (SHE) Measures

Protection of environment is the prime concern of your company. Your company complies with the relevant laws and regulations as well as take any additional measures considered necessary to Prevent pollution, maximize recycle, reduce waste, discharges and emissions. Company Conserve natural resources by their responsible and efficient use in all our operations and plant trees

Quality Management System

Sterling Tools Limited has three units- Wire drawing unit which supplies Raw Material is certified for ISO -9001:2008.

Manufacturing units at Faridabad and Prithla are certified for TS-16949:2009. Our Plant at Prithla is certified for AS 9100 B.

Laboratory at Faridabad is NABL accredited and aligned to ISO -17025:2005. Faridabad plant is certified under Environment Management systems ISO -14001:2004.

Subsidiaries

Your Company does not have any subsidiary Company.

Cash Flow Analysis

In compliance with the provisions of Clause 32 of the Listing Agreement, the Cash Flow Statement for the year ended 31-03-2014 is annexed hereto.

Acknowledgements

Your Directors would like to express their appreciation for the assistance and co-operation received from the Banks, Government authorities, customers, vendors and members during the year under review. Your Directors also wish to place on record their deep sense of appreciation for the committed services by the Company's executives, staff and workers.

Your Directors look forward to their continued support.

for and on behalf of the Board

Date: 30th May, 2014
Place: Faridabad

M. L. Aggarwal
Chairman
DIN No. 00027380

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 2014.

Name of the Employee	Designation and nature of duties	Remuneration (Rs)	Qualifications	Age in years	Experience in years	% of Share holding	Date of commencement of employment	Last employment held and designation
1.Mr. M. L. Aggarwal	Chairman	91,63,992	B. Sc.	84	60	11.27	07.06.1979	NONE
2.Mr. Anil Aggarwal	Managing Director	85,22,122	B. Com.	56	35	22.91	07.06.1979	NONE
3. Mr. Atul Aggarwal	Whole Time Director (Finance & Marketing)	83,43,299	MBA	50	25	25.17	01.07.1989	NONE

Note:

1. Remuneration means gross remuneration calculated in accordance with provisions of Section 198 of the Companies Act, 1956.
3. The nature of employment in all cases is contractual.
4. The above employees are directors in whole time employment with the Company and are related to each other.
5. There is no other employee employed during the year drawing remuneration of more than Rs. 5,00,000 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) The hot water generator system relaid to make it more efficient. Provision made to isolate systems which are not used
 - b) The old furnace reel innig done to reduce power consumption.
 - c) Variable speed drive installed and optimisation carried out in the air line to reduce power consumption
 - d) New shop floor light used are energy efficient /LED lights
 - e) Small Kaizens carried out in each section to conserve energy
 - f) In some forging machines and rolling machine drive introduced to reduce energy consumption
- 2) Additional investment proposals, if any, for reduction of consumption per unit production :
 1. The Air pipeline in being changed with aluminium pipe to reduce the distribution loss.
 2. Energy consumption monitoring instrument is being purchased to carry out study of energy consumption on continuous basis and optimising it.
- 3) Impact of (1) & (2) : Optimum use of energy
- 4) Total energy consumption and energy consumption per unit of production. : As given in Form A (enclosed)



B. Technology Absorption

- 1) Specific areas : This year the focus was on consolidation of the technology absorbed in the previous years and horizontal deployment of the same.
- 2) Benefits : With the consolidation of the technology we could horizontally deploy the same in other units
- 3) Future plan of action : Continue in using the facilities in technical centre to have a deeper understanding of the product and process

Carry out trials and validation and product benchmarking

Develop capability to work on part former

Develop automatic inspection system for studs and taper plugs

Improve material handling system
- 4) Expenditure on R&D : The Company has not incurred any expense towards R&D during the Financial Year under review.

Technology Absorption, Adaptation & Innovation

- 1) Efforts made : During the year under review, the Company has entered into a Technology Tie-up with Illinois Tool Works, a USA based company for importing Technology for manufacturing of Fasteners. The Company keeps itself updated with latest technological innovations by way of constant communication, personal discussions and visits to foreign countries/plants.

C. Foreign Exchange Earnings and outgo:

- 1) Efforts : The company made exports worth Rs. 3458.90 Lacs in the year as compared to Rs.2438.05 Lacs in the previous year decreased by 41.87% approx.

In the last few years we have added new customers in our portfolio across the world. Most of our existing customers have shown their keen intent to engage with STL as their preferred supplier and work as a long term strategic partner, resulting in increased business and new part development. This intent is based on the demonstrated ability to supply superior quality and critical parts to our customers.

In our endeavour to attach new customers and reinforce our relationships with existing ones, we have participated in trade shows and fairs across the world which as led to the generation of new enquiries.
- 2) Earnings and Outgo : (1) Foreign Exchange earnings Rs. 345,890,916.00

(2) CIF Value of imports Rs. 202,646,812.00

(3) Expenditure in Foreign Exchange Rs. 6,911,181.00

Form A

a) Power and fuel consumption

	Current Year	Previous Year
1. Electricity		
(a) Purchased		
Unit (KWH' 000)	25837	18777
Total amount (Rs in lacs)	1946	1214
Rate/unit (Rs)	7.53	6.47
(b) Own generation		
I. Through diesel generator		
Unit (KWH'000)	2108	7047
Unit per ltr of diesel oil	3.52	3.59
Cost/unit (Rs)	14.33	10.84
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)	1116	858
Diesel (in Liter)	26	90
Coal (specify quality)	Nil	Nil
Others (specify)	Nil	Nil

