

STERLING TOOLS LIMITED



ANNUAL REPORT 2014 - 2015

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 &
Chief Financial Officer*

Dr. T.N. Kapoor
Director

Shri C.R. Sharma
Director

Ms. Malini Sud
Additional Director

Compliance Officer

Ms. Vaishali Singh

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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Board's Report

Dear Members,

Your Directors are pleased to present the 36th Annual Report on the business and operations of your Company and Audited Financial Statements for the financial year ended March 31, 2015.

Financial Results

The Company's performance for the Financial Year 2014-2015 vis-à-vis 2013-2014 is summarized as under:

(Amount in Lacs)

Particulars	Financial Year	
	2014-2015	2013-2014
Revenue from Operations (Net)	34275.72	30135.95
Profit before interest, depreciation and tax	4732.51	4165.22
Interest	655.44	714.60
Depreciation	1203.13	1029.84
Profit Before Tax (PBT)	2873.94	2420.77
Provision for Tax	751.78	858.35
Profit After Tax (PAT)	2122.16	1562.42
Appropriations:		
Interim Dividend	342.23	342.23
Proposed Dividend		-
Tax on Interim Dividend	58.16	58.16
Tax on Proposed Dividend		-
Transfer to General Reserve	212.00	155.00
Balance Carried to Balance Sheet	8587.68	7126.25

Company's performance

The Company performed very well and demonstrated good performance during the Financial Year 2014-2015.

The highlights of the Company's performance during the Financial Year 2014-15 are as under:

- Revenue from operations increased by 13.73% to Rs. 34275.72 Lacs
- Exports increased by 4.97% to Rs. 3630.87 Lacs.
- PBDIT increased by 13.62% at Rs. 4732.51 Lacs.
- Profit before Tax increased by 18.72% at Rs. 2873.94 Lacs.
- Net Profit increased by 35.83% to Rs. 2122.16 Lacs

Dividend

Considering the financial performance of the Company and keeping in view Sterling' tradition of high regard for its shareholders, the Directors had, in their meeting held on 11th August, 2014,

recommended 50% interim dividend for financial year 2014-2015 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 2014-2015 and the interim dividend already declared and paid be considered as final dividend for the financial year 2014-2015.

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. 212.00 Lacs has been transferred to General Reserves during the year and total General Reserves of the Company are Rs. 2111.46 Lacs as on 31st March, 2015.

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, 2015, 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, 2015, 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 70.15% share Capital of the Company as on 31st March, 2015 as against 70.05% as on 31st March, 2014.

Performance of Joint Venture Company

Pursuant to the provisions of Section 129(3) of the Companies Act, 2013, a Statement containing the salient features of financial statements of Joint Venture Company named Sterling Fabory India Pvt. Ltd. In Annexure I by way of Form AOC 1 is attached to the Accounts.

Number of meetings of the Board and attendance of the Directors

7 (seven) board meetings were conducted during the year in respect of which proper notices were given and the proceedings were properly recorded. For details of the meetings of the Board and attendance of the Directors, please refer Page No. 37 of Corporate Governance Report attached to this Annual Report.

Extract of Annual Return

As provided under section 134(3)(a) and Section 92(3) of the Companies Act, 2013, the extract of Annual Return in the prescribed form MGT-9 has been given by an Annexure-II attached to this Report.

Declaration of Independence

All independent Directors have submitted a declaration that each of them meets the criteria of independence as provided in Section 149(6) of the Act and there has been no change in the circumstances which may affect their status as Independent Director during the year.

The details of training given to Independent Directors are provided separately in Corporate Governance Report.

Policy on Directors' appointment and remuneration and other details

The Company's policy on Directors' appointment and remuneration including criteria for determining qualifications, positive attributes, independence of a Director and other matters provided in Section 178(3) and Section 134(3) (e) of the Act has been disclosed in an **Annexure-III** attached to this Report.

Policy on Board Diversity

In accordance with the clause 49(IV) of the Listing Agreement, the Nomination and Remuneration Committee (NRC) has framed and adopted a formal policy on Board diversity which sets out a framework to promote diversity on Company's Board of Directors. The Company recognizes the importance and benefits of having the diverse Board to enhance quality of its performance. The policy inter-alia specifies optimum combination of Executive Directors, Non-Executive Directors and Independent Directors, the recommendatory requirement for each of the Directors to possess functional diversity and role of NRC to ensure that the same policy is considered while recommending the appointment of new Directors on the Board of company.

Particulars of Loans, Guarantees or Investments under section 186

The Company has not provided any loans or Guarantees under Section 186 during the year. It has invested Rs.5,88,25,000/- (Rupees five Crore eighty eight lac twenty five thousand only) in Equity Share Capital of Sterling Fabory India Private Limited, a Joint venture Company till 31st March 2015.

Transactions with Related Parties

Information on transactions with Related Parties pursuant to Section 134(3)(h) of the Act read with rule 8(2) of the Companies (Accounts) Rules, 2014 are given in Annexure-IV in Form AOC-2 and the same forms part of this report.

Risk Management

During the year, your Company has constituted a Risk Management Committee on 13th February, 2015 to frame, implement and monitor the risk management plan for the Company.

The Company has adopted a Risk Management Policy describing the risk management methodology, structure and system employed across the Sterling in its Board meeting held on 13th February, 2015 effective from 01st October, 2014. Details of said Committee have been disclosed at Page No. 46 of Corporate Governance Report attached to this report.

Audit Committee, Meetings of the Committee & Attendance of Members:

The Committee's composition meets with requirements of Section 177 of the Companies Act, 2013 and Clause 49 of the Listing Agreement. Members of the Audit Committee possess financial/ accounting expertise / exposure. The purpose of this Committee is to ensure the objectivity, credibility and correctness of the Company's financial reporting and disclosures process, internal controls, risk management policies and processes, tax policies, compliance and legal requirements and associated matters.

At present, the Audit Committee comprises of following Directors as members having wide experience and knowledge of Corporate Affairs, Income Tax & Finance.

- | | |
|----------------------|--|
| • Shri. C. R. Sharma | – Chairman(Non-Executive Independent Director) |
| • Dr. T. N. Kapoor | – Member(Non-Executive Independent Director) |
| • Ms. Malini Sud | – Member(Non-Executive Independent Director) |
| • Shri Anil Aggarwal | – Member(Managing Director) |

All the recommendations made by the Audit committee during the year had been accepted by the Board.

Six meetings were conducted during the year in respect of which proper notices were given and the proceedings were properly recorded. For details of the meetings of the Audit Committee and attendance of the Members, please refer Page No. 42 of Corporate Governance Report attached to this Annual Report.

Board Evaluation

During the year, the Evaluation cycle was completed internally by the Nomination & Remuneration Committee of the Company on its meeting held on 30th March, 2015 which included the evaluation of all Directors. First of all, all Executive Directors were evaluated keeping in view their KRAs and performance of the Company. Thereafter, the performances of all Independent Directors were evaluated. The exercise was led by the Non-Executive Chairman, among the Independent Directors alongwith a Senior Independent Director of the Company. The performance evaluation of Independent Directors had been done by entire members of the Committee (excluding the Director being evaluated).

Key changes:

There was no change in the nature of business of the Company during the year under review. The details of changes in the Directorship & KMP are as follows:

Ms. Malini Sud was appointed as an Additional Director in the capacity of an Independent Director on the Board of the Company with effect from 15th September, 2014 and is eligible to be appointed as an Independent Director in the forthcoming Annual General meeting for a term of five years upto 14th September, 2019.

Shri Anil Aggarwal retires by rotation and being eligible offer himself for re-appointment.

Shri Atul Aggarwal, the Whole Time Director of the Company was appointed as Chief Financial Officer of the Company by the Board of Directors in their meeting held on 13th February, 2015.

Mr. K.R. Gupta resigned from the Board of the Company with effect from 22nd May, 2014.

The Company has not received any show cause notices/orders from any Regulatory Bodies during the year under review.

During the year under review, Your Company does not have any Associate or Subsidiary Company.

Credit Rating

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

Corporate Social Responsibility

Composition of the Corporate Social Responsibility Committee has been disclosed in the Corporate Governance Report, attached to this report. The brief outline of the Corporate Social Responsibility (CSR) Policy of the Company and the initiatives undertaken by the Company on CSR activities during the year are set out in **Annexure – V** of this report in the format prescribed in the Companies (Corporate Social Responsibility Policy) Rules, 2014. The policy on CSR is available on the website of the Company.

Particulars of Employees

The information required under Section 197 of the Act read with rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 has been given by way of Annexure- VI to this Report.

Capital Expenditure

As on March 31, 2015, the Gross Fixed Assets (including Capital WIP) stood at Rs. 21427.46 Lacs and Net Fixed Assets stood at Rs. 13053.10 Lacs. Additions during the year amounted to Rs. 5843.47 Lacs.

Conservation of energy, technology absorption and foreign exchange earnings and outgo

Information pursuant to the provisions of Section 134(3)(m) of the Companies Act, 2013 read with Rule 8(3) of the Companies (Accounts) Rules, 2014 relating to conservation of energy, technology absorption & foreign exchange earnings and outgo are given by way of Annexure-VII to this Report.

Transfer of Amounts to Investor Education and Protection Fund

Pursuant to the provisions of Section 205A 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 2nd September, 2014 (date of last Annual General Meeting) on the Ministry of Corporate Affairs' website.

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 this 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.

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 & developments, Opportunities & Threats, Segment-wise or product wise performance, Outlook, Risks & Concerns, Internal Control Systems & their adequacy, Discussion on financial performance and material developments in Human Resources etc. has been given separately and form part of this Annual Report.

Director's Responsibility Statement

Pursuant to the requirement under section 134(3) (c) of the Companies Act, 2013 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, 2015, 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, 2013. 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, 2015 on a 'going concern' basis.
- (v) the Directors have laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and are operating effectively.
- (vi) the Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively

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 Companies Act, 2013 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 had occurred between the end of the financial year of the Company and the date of signing of this report.