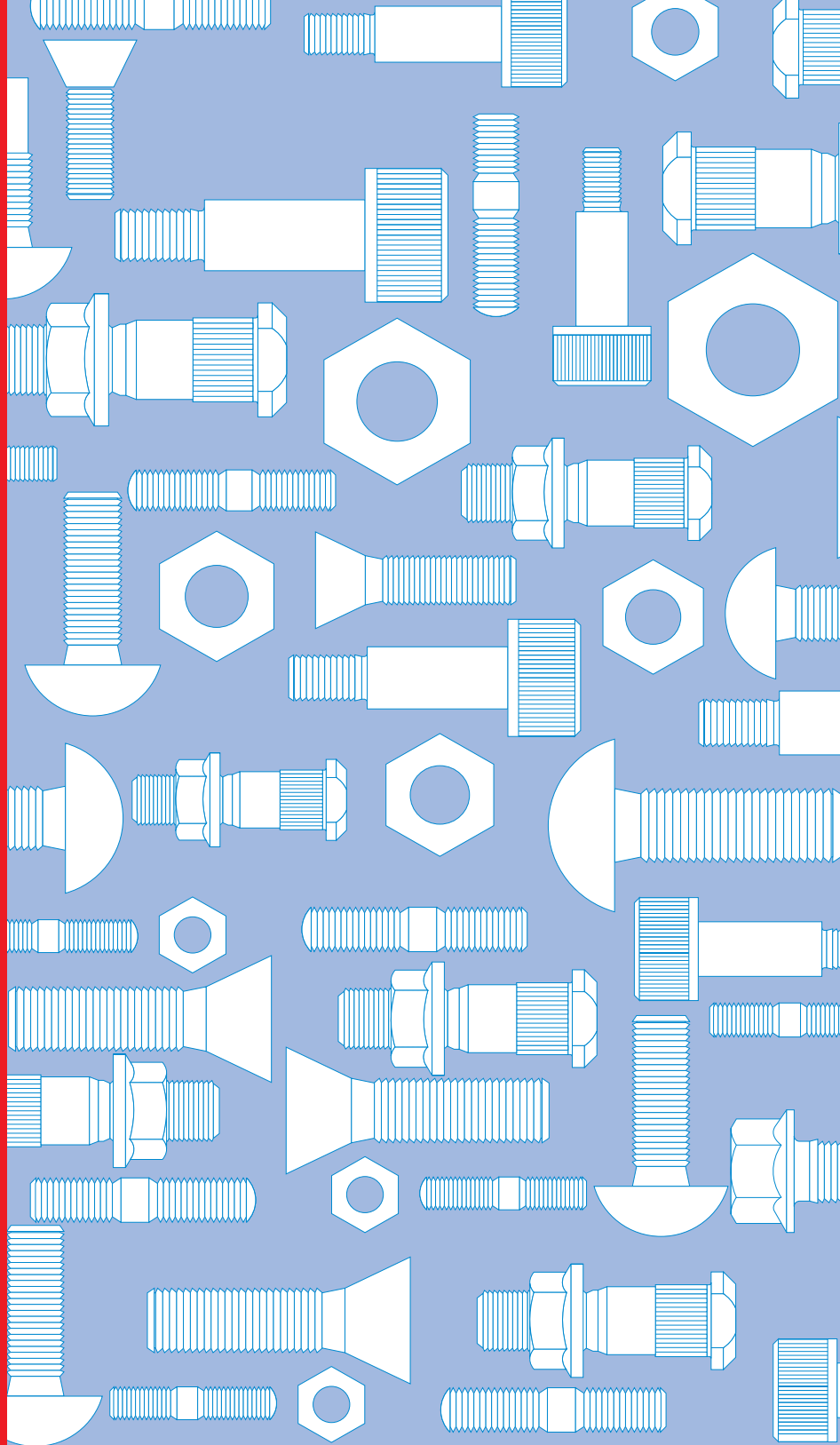




ANNUAL REPORT  
2017 - 2018



STERLING TOOLS LIMITED



**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)

**Bankers**

Oriental Bank of Commerce  
State Bank of India  
HDFC Bank Limited

**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**  
*Director*

**Compliance Officer**  
**Ms. Vaishali Singh**

**Auditors****Statutory Auditors**

Walker Chandio & Co LLP  
(Formerly Walker Chandio & Co)  
21<sup>st</sup> Floor, DLF Square  
Jacaranda Marg, DLF Phase II  
Gurugram 122002, India

**Internal Auditors**

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

**Secretarial Auditors**

M/s. Santosh Kumar Pradhan  
Company Secretaries  
706, 8<sup>th</sup> Floor, K.M. Trade Tower  
Hotel Radisson blu, Kaushambi  
Ghaziabad - 201010 U.P.

**Registrar & Transfer Agent**

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

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# Board's Report

Dear Members,

Your Directors are pleased to present the 39<sup>th</sup> Annual Report on the business and operations of your Company and Audited Financial Statements (Standalone and Consolidated) for the financial year ended March 31, 2018.

## Financial Results

The Company's performance for the Financial Year 2017-2018 vis-à-vis 2016-2017 is summarized as under:

(Amount in Lacs)

Particulars	Standalone		Consolidated	
	2017-2018	2016-2017	2017-2018	2016-2017
Profit Before Tax	7492.62	6037.13	7536.17	6029.21
Less: Current Tax	2645.39	2009.71	2649.87	2011.76
Deferred Tax	(18.88)	106.90	(18.88)	106.90
Profit for the year	4866.11	3920.52	4905.18	3910.55
Add: Other Comprehensive Income	(46.12)	(9.40)	(46.12)	(9.40)
Total Comprehensive Income for the year	4819.99	3911.12	4859.06	3901.15
<b>Appropriations:</b>				
Interim Dividend	720.48	684.46	720.48	684.46
Tax on Interim Dividend	146.67	139.34	146.67	139.34
Transfer to General Reserve	0.00	391.00	0.00	391.00
Balance Carried to Balance Sheet	3952.84	2696.32	3991.91	2686.35

## Company's performance and Future outlook

The highlights of the Company's performance (Standalone) during the Financial Year 2017-18 are as under:

- Profit before Tax increased by 24.11% at Rs. 7492.62 Lacs.
- Total Comprehensive Income increased by 23.24% to Rs. 4819.99 Lacs.
- Cash Profit increased by 18.00% to Rs. 6578.84 Lacs.

The Company is going to set up its fourth manufacturing facility at Vemagal Industrial Area, Kolar district, Bengaluru. Land admeasuring 10 acres for said purpose has already been taken on long term lease from Karnataka Industrial Authority Development Board (KIADB). The said facility would be operational in April, 2019 with its first phase annual capacity of 6000 MT by investing Rs. 90 Crores as initial capex including the cost of land.

The Management looks the future with optimism and hopes to do better in year to come.

## **Dividend**

Considering the good financial performance of the Company, the Directors had, in their meetings held on 7<sup>th</sup> September, 2017 and 13<sup>th</sup> February, 2018 recommended 50% dividend each time, thus aggregating to 100% interim dividend for financial year 2017-2018 against 100% dividend in previous financial year. These two interim dividends have already been paid and taking note of this payout, the Directors have not recommended any final dividend for financial year 2017-2018 and the interim dividends already declared and paid be considered as final dividend for the financial year 2017-2018.

The total outflows on account of said Interim Dividends (including Dividend Distribution Tax, Surcharge and Education Cess) amount to Rs. 867.15 Lacs.

## **Transfer to General Reserve**

The Company has not transferred any funds to General Reserves out of the amount available for appropriation.

## **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's shares are compulsorily tradable in electronic form. As on March 31, 2018, 99.65% of the Company's total paid-up Capital representing 35899614 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 31<sup>st</sup> March, 2018, the Company has Authorised Share Capital of Rs.10,00,00,000/-and Paid Up Share Capital of Rs. 7,20,48,422/-. During the year, Company has allotted 1801211 Equity Shares to Meidoh Co. Ltd. Japan on Preferential Basis on 20<sup>th</sup> June, 2017. 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 65.32% share Capital of the Company as on 31<sup>st</sup> March, 2018.

## **Subsidiaries, Joint Venture and Associate Companies**

As on date, the Company has one Joint Venture Company named Sterling Fabory India Pvt. Ltd.- a Joint Venture on 50:50 basis with a Netherland based Company named Fabory Masters in Fasteners Group B.V.. There has been no change in the nature of business carried out by said Joint Venture Company during Financial Year 2017-2018.

Further the Company has acquired 100% shareholding of Haryana Ispat Pvt. Ltd. on 25<sup>th</sup> November, 2016. Hence the said Company is a wholly owned Subsidiary of our company w.e.f. 25<sup>th</sup> November, 2016.

Pursuant to the provisions of Section 129(3) of the Companies Act, 2013, a Statement containing the salient features of financial statements of both the Companies Joint Venture Company named Sterling Fabory India Pvt. Ltd. and Wholly Owned Subsidiary Company named Haryana Ispat Pvt. Ltd. by way of **Form AOC-1** is attached to the Accounts as an **Annexure -I**.

In accordance with third proviso of Section 136(1) of the Companies Act, 2013, the Annual Report of the Company, containing therein its standalone and the consolidated financial statements has been placed on the website of the Company, [www.stlfasteners.com/new/news.asp](http://www.stlfasteners.com/new/news.asp).

## **Number of meetings of the Board and attendance of the Directors**

6 (Six) 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. 41** of Corporate Governance Report attached to this Annual Report.

## **Disclosure under Secretarial Standard-1 (SS-1):**

Adherence by a Company to the Secretarial Standards is mandatory as per Sub-section (10) of Section 118 of Companies Act, 2013. As per the disclosure requirement of para (9) of Secretarial Standard-1 (SS-1), the Company complies with the provisions of applicable Secretarial Standards in respect of the convening of the Board & General Meetings.

## **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.

## **Directors and Key Managerial Personnel**

Pursuant to the provisions of Section 149 of the Act, Mr. C.R. Sharma, Dr. T.N. Kapoor and Ms. Malini Sud have been appointed as Independent Directors. They 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.

Mr. Atul Aggarwal retires by rotation and being eligible offers himself for re-appointment.

Pursuant to the provisions of Section 203 of the Act, the Key Managerial Personnel of the Company are Mr. Anil Aggarwal, Managing Director, Mr. Atul Aggarwal, Whole time Director and Chief Financial Officer of the company and Vaishali Singh, the Company Secretary. There has been no change in the key managerial personnel during the year.

## **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 read with the SEBI (Listing Obligations & Disclosure Requirement) Regulation, 2015, 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 diversified 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. 6,88,25,000/- (Rupees Six Crores Eighty Eight Lacs Twenty Five Thousand only) in Equity share Capital of Sterling Fabory India Private Limited, a Joint venture Company and Rs. 11,98,50,000/- (Rupees Eleven Crores Ninety-Eight Lacs Fifty Thousand Only) in Equity Share Capital of Haryana Ispat Private Limited, a Subsidiary Company till 31<sup>st</sup> March 2018.

## Transactions with Related Parties

All contracts/arrangements/transactions entered by the Company during the financial year with related parties were in its ordinary course of business and on an arms' length basis.

During the year, the Company had not entered into any contract/arrangement/transaction with related parties which could be considered material in accordance with the policy of the Company on materiality of related party transactions.

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.

## 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 Regulation 18 of the Listing Regulations, 2015. 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.

Five 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. 44** of Corporate Governance Report attached to this Annual Report.

## Board Evaluation

The Board of Directors and Nomination and Remuneration Committee reviewed the performance of the Board after seeking inputs from all the directors on the basis of the criteria such as the board composition and structure, effectiveness of board processes, information and functioning etc.

The performance of the Committees was evaluated by the board after seeking inputs from the Committee members on the basis of the criteria such as composition of committees, effectiveness of committee meetings etc.

The Board of Directors and Nomination and Remuneration Committee reviewed the performance of the individual directors on the basis of the criteria such as contribution of the individual director to the board and committee meetings like preparedness on the issues to be discussed, meaningful and constructive contribution and inputs in meetings etc.

In addition to above said, Chairman of the Company was also evaluated on the key aspects of his role.

In a separate meeting of independent directors held on 25th December, 2017, performance of non-independent directors, performance of the board as a whole and performance of the Chairman was evaluated, taking into account the views of Executive and Non-executive directors.

## Material changes and commitments

In terms of Section 134(3)(l) of the Companies Act, 2013, no material changes and commitments which could affect the Company's financial position have occurred between the end of the financial year of the Company and date of this report.

## Credit Rating

The Company's domestic credit rating has been improved from A+ to of AA- by ICRA on 25<sup>th</sup> July, 2018 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, ([www.stlfasteners.com/new/news.asp](http://www.stlfasteners.com/new/news.asp)).

## Particulars of Employees

In terms of the provisions of Section 197(12) of the Act read with Rules 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, as amended, a statement showing the names and other particulars of the employees drawing remuneration in excess of the limits set out in the said rules are provided in the Annual Report, which forms part of this Report.

Disclosures relating to remuneration and other details as required under Section 197(12) of the Act read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are provided in the Annual Report, which forms part of this Report.

Having regard to the provisions of the first proviso to Section 136(1) of the Act and as advised, the Annual Report excluding the aforesaid information is being sent to the members of the Company. The said information is available for inspection on all working days, during business hours, at the Registered Office of the Company. Any member interested in obtaining such information may write to the Company Secretary and the same will be furnished on request.

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, 2018, the Gross Fixed Assets stood at Rs. 26934.74 Lacs and Net Fixed Assets stood at Rs. 14861.74 Lacs. Additions during the year amounted to Rs. 1772.34 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 is given by way of **Annexure-VII** to this Report.

## **Transfer of amounts to Investor Education and Protection Fund**

Pursuant to the provisions of Section 125 of the Companies Act, 2013, 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 (Accounting, Audit, Transfer & Refund) Rules, 2016, the Company has uploaded the details of unpaid and unclaimed amounts lying with the Company as on 28<sup>th</sup> September, 2017 (date of last Annual General Meeting) on the Ministry of Corporate Affairs' website.

## **Corporate Governance and Management Discussion & Analysis Report**

A separate section on corporate governance practices followed by the Company, together with a certificate from the auditors confirming its compliance, forms a part of this Annual Report, as per SEBI Regulations. Further, as per Regulation 34 read with Schedule V of the Listing Regulations, a Management Discussion and Analysis report is annexed to this 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 31<sup>st</sup> March, 2018, the applicable accounting standards have been followed and there are no material departures.