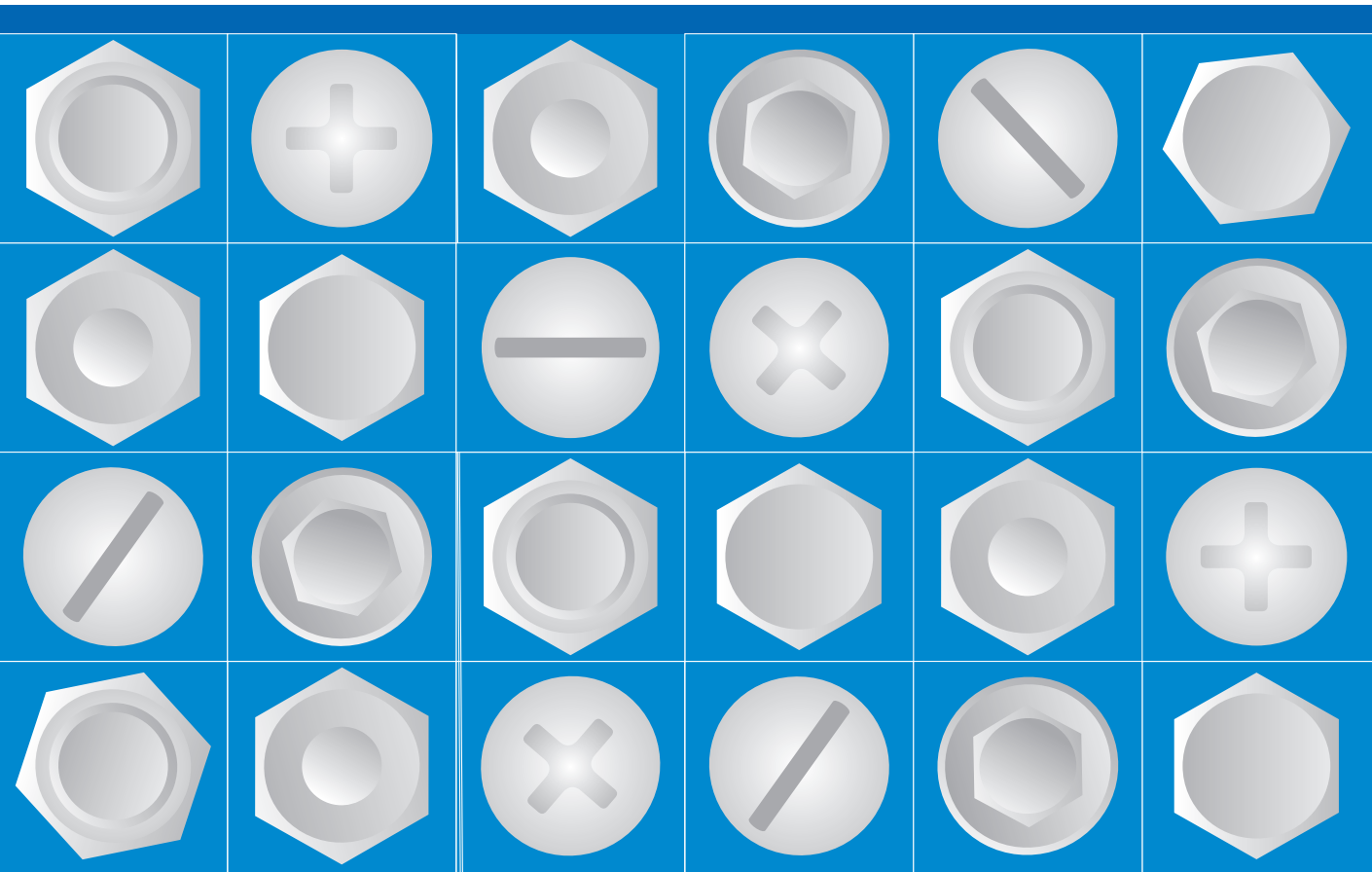


STERLING TOOLS LIMITED

Annual Report 2019-2020



Registered Office:

Unit No. 515, DLF Tower A
Jasola District Centre
New Delhi-110025

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)

Plot No. 109 P1, 109 P2, 110
Vemagal Industrial Area
Harjenahalli Village
Kolar (District),
Karnataka-563102

Bankers

Oriental Bank of Commerce
State Bank of India
HDFC Bank Limited

Board of Directors

Shri Manohar Lal Aggarwal
Chairman-Emeritus

Shri Anil Aggarwal
*Chairman-cum-
Managing Director*

Shri Atul Aggarwal
Whole Time Director & CFO

Dr. T.N. Kapoor
Director

Shri C.R. Sharma
Director

Ms. Malini Sud
Director

Shri Jaideep Wadhwa
Director

Shri Rahoul Kabir Bhandari
Director

Shri Akhill Aggarwal
Director

Shri Shailendra Swarup
Director

Compliance Officer

Ms. Vaishali Singh

Auditors**Statutory Auditors**

Walker Chandiok & Co LLP
(Formerly Walker Chandiok & Co)
L-41, Connaught Circus
New Delhi-110001

Internal Auditors

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

Secretarial Auditors

Dhananjay Shukla & Associates,
Company Secretaries,
23, Sector-30,
Gurgaon-122001

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 41st Annual Report on the business and operations of your Company and Audited Financial Statements (Standalone and Consolidated) for the financial year ended March 31, 2020.

Financial Summary & Highlights

The Company's performance for the Financial Year 2019-2020 vis-à-vis 2018-2019 is summarized as under:

(Amount in Lacs)

Particulars	Standalone		Consolidated	
	2019-2020	2018-2019	2019-2020	2018-2019
Profit Before Tax	3370.26	6958.86	3600.61	6989.08
Less: Current Tax	593.95	2356.10	597.17	2360.98
Deferred Tax	(128.60)	116.70	(47.00)	116.36
Profit for the Year	2904.91	4486.06	3050.44	4511.74
Add: Other Comprehensive Income	413.57	(0.51)	413.57	(0.51)
Total Comprehensive Income for the Year	3318.48	4485.55	3464.01	4511.23
Appropriations:				
Interim Dividend	720.48	720.48	720.48	720.48
Tax on Interim Dividend	148.10	148.10	148.10	148.10
Transfer to General Reserve	0.00	0.00	0.00	0.00
Balance Carried to Balance Sheet	2449.9	3616.97	2595.43	3642.64

Covid-19

In the last month of F.Y. 2019-20, the Covid-19 Pandemic developed rapidly into a global crisis, forcing the Government of India to announce nationwide Lockdown to contain the spread of Covid-19 disease. Accordingly, the manufacturing and other activities of the Company were closed from March 22nd, 2020 to 17th May, 2020. While the lockdowns and restrictions imposed on various activities were necessary to contain the spread, it has significantly impacted the business operations of the Company. Consequently, revenues and profitability have been adversely affected.

But there has been no change in the controls and processes of the Company.

The operations of the Company have been resumed from 18th May, 2020 but at partial capacity levels and with limited manpower and the production will be enhanced in a phased manner based on the directives of the Government as well as demand from Customers.

The Company has developed the SOPs for the employees to work safely and with full security at workplace. All the facilities have been properly sanitized and all safety protocols of temperature sensing, social distancing etc. are being adhered to very stringently.

The circumstances are extremely dynamic, hence the Company is not in a position to ascertain, the future impact on its operations. However, the company is sure to adapt with the changing business requirements.

Company's performance and Future outlook

The highlights of the Company's performance (Standalone) during the Financial Year 2019-20 are as under:

- Profit before tax decreased by 51.57% at Rs. 3370.26 Lacs.
- Total Comprehensive Income decreased by 26.02% at Rs. 3318.48 Lacs.
- Cash Profit decreased by 15.08% at Rs. 5526.40 Lacs.

Financial Year 2019-20 has been a challenging year with weak macro-economic conditions, slow market growths in Automobile Sector and finally, COVID-19 outbreak and containment measures towards the end of the year. Despite of all these challenges, we have given competitive and profitable growth.

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

Dividend

Keeping in view the reward paying trends of the Company, the Directors had, in their meeting held on 2nd August, 2019 recommended 100% interim dividend for the financial year 2019-2020 against 100% dividend in the previous financial year. The interim dividend had already been paid and taking note of this payout, the Directors have not recommended any final dividend for the financial year 2019-2020 and the interim dividend already declared and paid to be considered as final dividend for the financial year 2019-2020.

The total outflows on account of said Interim Dividend (including Dividend Distribution Tax, Surcharge and Education Cess) amount to Rs. 868.58 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, 2020, 99.72% of the Company's total paid-up Capital representing 35922614 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, 2020, the Company has Authorised Share Capital of Rs.10,00,00,000/-and Paid Up Share Capital of Rs. 7,20,48,422/-. 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 65.77% share capital of the Company as on 31st March, 2020.

There is no change in share capital during the year.

Subsidiaries, Joint Venture and Associate Companies

As on date, the Company has two Joint Ventures named:

1. Sterling Fabory India Private Limited- 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 2019-2020.
2. Sterling Gtake E-Mobility Limited- a Joint Venture on 51:44 basis with a China based Company named Jiangsu Gtake Electric Company Ltd. This Company has been formed in January 2020 for the purpose of manufacturing Motor Control Units (MCUs) for Electric Vehicles.

Though it is a Joint Venture with a China based Company but due to spread of Covid-19 and then changed FDI Guidelines by the Government of India, the Chinese JV Partner is to infuse the funds upon receipt of Government' approval which will take 3 to 4 months atleast. So as on date, the said JV Company is funded by Sterling Tools Limited and is termed as a Subsidiary of our Company for the time being.

Further the Company has acquired 100% shareholding of Haryana Ispat Pvt. Ltd. on 25th November, 2016. Hence the said Company is a wholly owned Subsidiary of our Company w.e.f. 25th 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 Joint Venture Companies named Sterling Fabory India Private Limited, Sterling Gtake E-mobility Limited and Wholly Owned Subsidiary Company named Haryana Ispat Private Limited by way of **Form AOC-1** is attached to the Accounts as an **Annexure -I**.

In accordance with the 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 have been placed on the website of the Company, <https://stlfasteners.com/home/investors/>.

Number of meetings of the Board and attendance of the Directors

5 (Five) 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. 56** of Corporate Governance Report attached to this Annual Report.

Disclosure under Secretarial Standards (SS-1 & SS-2):

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

The Board of Director vide their meeting held on 17th December, 2019 subject to approval of shareholders, appointed Shri Shailendra Swarup as Non-Executive Independent Director of the Company for a term of 5 Years w.e.f. 17th December, 2019 to 16th December, 2024 and approval of shareholders was sought on 29th January, 2020 for his appointment as an Independent Director of the Company.

Shri Atul Aggarwal retires by rotation and being eligible offers himself for re-appointment. A resolution seeking shareholders' approval for his re-appointment forms part of the Notice.

Pursuant to the provisions of Section 149 of the Act, the independent directors have submitted declarations that each of them meet the criteria of independence as provided in Section 149(6) of the Act along with Rules framed thereunder and Regulation 16(1)(b) of the SEBI Listing Regulations. There has been no change in the circumstances affecting their status as independent directors of the Company.

During the year under review, the non-executive directors of the Company had no pecuniary relationship or transactions with the Company other than sitting fees, Advisory fees if any and reimbursement of expenses incurred by them for the purpose of attending meetings of the Board /Committee of the Company

During the year, Shri Narayan Vijay Gopal resigned from the post of Chief Financial Officer and Shri Atul Aggarwal has been designated as Chief Financial Officer of the Company.

Pursuant to the provisions of Section 203 of the Act, the Key Managerial Personnel of the Company are Shri Anil Aggarwal, Chairman & Managing Director, Shri Atul Aggarwal, Whole Time Director and Chief Financial Officer of the company and Vaishali Singh, the Company Secretary

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

The Company recognizes and embraces the benefits of having a diverse board, and sees increasing diversity at board level as an essential element in maintaining a competitive advantage. A truly diverse board will include and make good use of differences in the skills, regional and industry experience, background, race, gender and other distinctions between directors. These differences will be considered in determining the optimum composition of the board and when possible should be balanced appropriately. All board appointments are made on merit, in the context of the skills, experience, independence and knowledge which the board as a whole requires to be effective.

The Nomination and Remuneration Committee reviews and assesses board composition on behalf of the board and recommends the appointment of new directors. The committee also oversees the conduct of the annual review of board effectiveness.

The said Committee has adopted a formal policy on Board diversity which sets out a framework to promote diversity on Company's Board of Directors

Particulars of Loans, Guarantees or Investments under section 186

The Company has invested Rs. 3 crores in Equity Share Capital of Sterling Gtack E-Mobility Limited, a Joint Venture / Subsidiary Company. However, no other loan or guarantees or any other investments under section 186 has been made during the year.

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.

Four 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. 62** of Corporate Governance Report attached to this Annual Report.

Board Evaluation

The Board of Directors has carried out an annual evaluation of its own performance, board committees, and individual directors pursuant to the provisions of the Act and SEBI Listing Regulations

Based on the guidance note on Board Evaluation issued by the Securities and Exchange Board of India on January 5, 2017, a structured questionnaire was prepared after taking into consideration the various aspects of the Board's functioning, composition of the Board and its Committees, culture, execution and performance of specific duties, obligations and governance.

In a separate meeting of independent directors, the performance of non-independent directors, the board as a whole and the Chairman of the Company was evaluated, taking into account the views of Executive Directors and Non-executive Directors.

The Board and the Nomination and Remuneration Committee reviewed the performance of individual directors on the basis of criteria such as the 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 the Board meeting that followed the meeting of the independent directors and meeting of the Nomination and Remuneration Committee, the performance of the board, its committees, and individual directors was also discussed. Performance evaluation of independent directors was done by the entire board, excluding the independent director being evaluated.

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.

Change in Business activities

The Company is in the business of manufacturing of High Tensile Cold Forged fasteners since the beginning and there is no change in the business activities during the period under review.

Credit Rating

The ICRA Limited ("ICRA"), the credit rating agency has reaffirmed the Long-Term Credit rating AA-Outlook Negative as well as Short Term Credit Rating A1+ of the Company. This rating indicates the strong financial health and credibility of the Company.