

General Manager
Department of Corporate Services
Bombay Stock Exchange Limited
1st Floor, P. J. Towers
Dalal Street, Fort
Mumbai – 400001

Date: 11th November, 2016
Ref.: STL/SD/02/2016-2017

Ref.: Security Code No.: 530759

Sub: Clarification on Outcome of Meeting of the Board of Directors under Clause 30(4) of Listing Regulation submitted on 5th November, 2016.

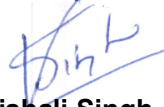
Dear Sir,

With reference to the subject matter, please find attached a detailed clarification on following two material events:

- i) Sub-division of 1 (one) Equity Share of face value of Rs. 10/- each into 5 (Five) Equity Shares of Rs. 2/- each subject to approval by shareholders through postal ballot.
- ii) To purchase 100% Shareholding of M/s Haryana Ispat Private Limited under section 186 read with section 188 of the Companies Act, 2013. The said Company has become wholly owned subsidiary of Sterling Tools Limited. .

Hope you will find the same in order.

Sincerely
For **Sterling Tools Limited**



Vaishali Singh
Company Secretary

Encl.: as above.

CLARIFICATION ON SUB-DIVISION OF ONE EQUITY SHARE OF RS. 10/- EACH INTO 5 EQUITY SHARES OF RS. 2/- EACH.

1) Rationale behind the Split: The Equity Shares of the Company are listed and actively traded on the BSE and NSE. The operations of the Company have grown significantly over the years, FY13-16 EBITDA CAGR of ~20% and EPS CAGR of ~38%. The market price of Company shares have also increased significantly over the years. In order to improve the liquidity of Company's shares, reduce volatility and to enhance the investor value by encouraging wider participation of small and retail investors, the Board of Directors has decided to sub-divide the share capital of the Company.

2) Pre and Post Share Capital:

Authorised Share Capital		Subscribed Share Capital		Paid Up Share Capital	
Pre	Post	Pre	Post	Pre	Post
1 Crore Equity shares of Rs. 10/- each	5 Crore Equity shares of Rs. 2/- each.	68,44,600 Equity Shares of Rs. 10/- each.	3,42,23,000 Equity shares of Rs. 2/- each.	6844600 Equity Shares of Rs. 10/- each.	3,42,23,000 Equity shares of Rs. 2/- each.

3) Expected Time of Completion: it will be completed by second week of January 2017.

4) Class of Shares which are consolidated or subdivided: Equity Shares of the Company.

5) Number of Shares of each class pre and post split or consolidation:

Equity Shares	
Pre	Post
6844600 Equity Shares	3,42,23,000 Equity shares

6) Number of shareholders who did not get any shares in consolidation and their pre-consolidation shareholding: N.A.

CLARIFICATION ON PURCHASE OF 100% SHARES OF M/S HARYANA ISPAT PRIVATE LIMITED

7. **Name of the Target Entity, details in brief such as size, turnover etc.:** The target entity is Haryana Ispat Private limited(HIPL) having its Registered office at K-39, Connaught Circus, New Delhi. The said Company has no operational income. It has only one source of income i.e. Rental income from one of its Property situated at Plot No. 81, Sector 25, Faridabad(Haryana) which has been given to Sterling tools limited(STL) on lease since 1996 fetching a rental income of Rs. 70.32 lacs annually. HIPL has no other source of Income.
8. **Related Party Transaction:** The said transaction is a related party transaction as the Promoter Directors of Sterling Tools Limited(MLA group) hold with their family members 100% shareholding of Haryana Ispat Pvt. Ltd. . Thus both the entities are related parties. It is pertinent to brief the background of this related party transaction here:
- One of the manufacturing facilities of Sterling Tools Limited is located on a lease hold Plot at Plot no. 81, Sector 25, Ballabgarh, Faridabad (Haryana) which is owned by Haryana Ispat Private Limited ("HIPL").
 - The said plot of land, measuring 88,000 Sq. Ft. approx. (9,778 Sq. Yds.), was leased by HIPL to STL in 1996 and STL constructed the factory and related buildings on the plot of land. The lease of the said plot of land has been renewed from time to time, and was last renewed for a period of five years, vide lease agreement dated 16-01-2012 valid upto 31st December, 2016.
 - The gross investment by STL, as 30th September, 2016, in respect of the manufacturing facilities put up on the said leased plot of land, is as under:

Description	Gross Cost Amt. Rs. Lacs	Net cost, post depreciation Amt. Rs. Lacs
Buildings	241.34	103.28
Plant & Machinery	834.45	548.56
Furniture & Fixtures	5.36	3.13
Other assets	233.11	93.94
Total	1314.26	748.91

- The factory put up on the said premises is engaged in "drawing of steel rods into wires" and caters to the requirement of the manufacturing units of STL located at 5A, DLF Industrial Estate, Faridabad (Haryana) and Village Prithla, District Palwal (Haryana), that manufacture high tensile fasteners. Thus, the operations at the said unit, i.e. wire drawing, are, therefore, critical to the operations of the other two manufacturing units.
- The entire equity share capital of HIPL is owned by members of MLA Group. The same individuals also hold, either by themselves or along with certain other relatives, approx. 70% of the paid up equity share capital of STL. Other than the lease of the said plot of land, HIPL does not have any other source of income and is also not engaged in any other business activity.

- The shareholders of HIPL i.e. MLA Group were in need of funds for their other business activities and they approached to Board of Directors of Sterling Tools Limited to buy their 100% shareholding in HIPL or else they have to transfer these shares to a third party. STL had to then decide on the issue as the sale of the shares of HIPL to any third party would seriously jeopardize the interests of STL, considering the substantial investment in the said plot of land and critical nature of operations carried on there. The lease agreement between STL and HIPL being in force only till end of 2016, in case of transfer of shares of HIPL to a third party, STL might have to renegotiate the terms of lease, if the new owners are inclined for that, or vacate the premises. Both the options might result in significant realignment and/ or disruption of operations, also involving substantial costs.

Thus the Board of Directors of STL vide their meeting held on 05th November, 2016 approved to buy 100% shareholding of Haryana Ispat Pvt. Ltd.

The said transaction to acquire 100% shareholding of Haryana Ispat Pvt. Ltd. is done at “arm’ length” basis by adopting the following strategy:

- a) Haryana Ispat Pvt. Ltd. has no other business income and has only one asset i.e. plot of land situated at Plot no. 81, Sector 25, Faridabad. Thus the market price of said plot of land was made base for deriving the current market price of the shares of HIPL. The said plot of land was valued by two Valuers i.e. Jones Lang Lasalle, an International Approved Valuer and CSV Techno Solutions LLP, an Income Tax approved valuer to ascertain the current Market price of said land. Both the Valuers given the Market price range between 14 CR to 15 CR and the circle rate as per Collector’ Notification for said Plot of Land is Rs. 8 Crores.
 - b) Based on above said Valuation and keeping in view the transaction model i.e. purchase of shares, both HIPL and STL agreed for a negotiated price of Rs. 10 CR for said plot of land.
 - c) M/s D. Ranganathan & Associates, Chartered Accountants derived the value of share of HIPL, based on negotiated price of land and after providing for reserves & surplus, cash & Bank Balances and other current assets as well as current liabilities, which came out Rs. 1195/- per share.
 - d) Thus based on the share valuation report, the Board of Directors of Sterling Tools Limited approved to purchase 100% shareholding of Haryana Ispat Pvt. Ltd.
 - e) The total transaction size is Rs. 11.95 Crores comprising 1 lac equity shares @ Rs. 1195/- per share.
9. **Industry to which entity acquired belongs:** The said Company was incorporated for carrying out manufacturing activities as an Auto Ancillary industry but is not operational.
 10. **Objects and Effects of Acquisition:** The object of said acquisition is already explained under point no. 8 and after this acquisition, Haryana Ispat Pvt. Ltd. has become the wholly owned subsidiary of Sterling Tools Limited and Sterling Tools Limited is not required to pay lease rental of Rs. 6 lacs per month for said plot of land as well as absolute control over said property.
 11. **Brief details of any governmental or regulatory approvals required for the acquisition:** N.A

12. **Indicative time period for completion of the acquisition;** The said process will be completed by 15th November, 2016.
13. **Cost of acquisition or the price at which the shares are acquired:** Rs. 1195 per share and the total cost of acquisition is Rs. 11.95 Crores.
14. **Nature of consideration - whether cash consideration or share swap and details of the same:** Consideration will be paid in cash only.
15. **Percentage of shareholding / control acquired and / or number of shares acquired:** 100% control acquired by acquiring 100% shareholding of HIPL.
16. **Brief background about the entity acquired in terms of products/line of business acquired, date of incorporation, history of last 3 years turnover, country in which the acquired entity has presence:**

Date of Incorporation of Acquired Entity	2 nd March 1971		
Line of Business	Manufacturing/		
Turnover of last 3 years	No operational income .		
Any other income	Rental Income(Rs.)		
	2016	2015	2014
	Rs. 70.33 lacs	Rs. 66.98 lacs	Rs. 63.79 lacs