

July 10, 2024

Sterling Tools Limited - Update on entity

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based – Term loan	46.35	44.22	[ICRA]AA-(Stable); outstanding
Long-term Fund-based – Working capital	125.00	125.00	[ICRA]AA-(Stable); outstanding
Non-fund based limits	2.84	2.84	[ICRA]A1+; outstanding
Unallocated	30.00	32.13	[ICRA]A1+; outstanding
Total	204.19	204.19	

Rationale

This rationale is being released to convey the change in the rated limits as depicted in the table above, based on the latest information received from Sterling Tools Limited (STL).

Please refer to the following link for the previous detailed rationale that captures Key rating drivers and their description, Liquidity position, Rating sensitivities: [Click here](#)

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Auto Components
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of STL, the details of which are enlisted in Annexure-II.

About the company

Established in 1979, STL manufactures and markets high tensile cold forged fasteners, primarily for the automobile industry. It is the second largest fastener manufacturer in India. The company caters to leading automotive companies in India and tier-I auto component manufacturers in Europe. STL's product portfolio includes fasteners, which find application in both automotive and non-automotive segments.

STL's manufacturing plants are in Faridabad and Palwal in Haryana and near Bengaluru in Karnataka. The company has a total manufacturing capacity of approximately 45,324 MT per annum, with an overall capacity utilisation of 73% in FY2023.

STL was founded by the first-generation entrepreneur, Mr. Manohar Lal Aggarwal, and was managed by his two sons, Mr. Anil Aggarwal and Mr. Atul Aggarwal, thereafter. The company is listed on the stock exchanges.

Key financial indicators (audited)

STL Consolidated	FY2023	FY2024*
Operating income	772.0	932.0
PAT	47.9	55.4
OPBDIT/OI	12.7%	11.6%
PAT/OI	6.2%	5.9%
Total outside liabilities/Tangible net worth (times)	0.6	0.6
Total debt/OPBDIT (times)	1.3	1.1
Interest coverage (times)	11.1	11.4

Source: Company, ICRA Research; *Limited Result; All ratios as per ICRA's calculations; Amount in Rs. Crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current Rating (FY2025)		Chronology of Rating History for the past 3 years			
		Amount Rated (Rs. crore)	Date & Rating	Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022	
			Jul 10, 2024	Dec 04, 2023	Oct 7, 2022	Aug 25, 2021	
1 Term loans	Long term	44.22	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)
2 Cash Credit	Long term	125.00	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)
3 Non-fund Based Limits	Short Term	2.84	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
4 Unallocated	Short Term	32.13	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+

Complexity level of the rated instrument

Instrument	Complexity Indicator
Term Loan	Simple
Cash Credit	Simple
Unallocated	Not Applicable
Non-fund Based Limits	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analyzing an entity's financial, business, industry risks or

complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments, is available on ICRA's website: [Click Here](#)

Annexure-I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term Loan- I	FY2024*	NA	FY2025	1.25	[ICRA]AA- (Stable)
NA	Term Loan- II	FY2024	NA	FY2029	10.00	[ICRA]AA- (Stable)
NA	Term Loan-III	FY2019-FY2023	NA	FY2025-FY2028	32.97	[ICRA]AA- (Stable)
NA	Fund based working capital limits	NA	NA	NA	125.00	[ICRA]AA- (Stable)
NA	Non-fund based working capital limits	NA	NA	NA	2.84	[ICRA]A1+
NA	Unallocated	NA	NA	NA	32.13	[ICRA]A1+

Source: Company; *as per latest renewal letter

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure-II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Sterling Gtack E-Mobility Limited	100.00%	Full Consolidation
Haryana Ispat Private Limited*	100.00%	Full Consolidation
Sterling Advanced Electric Machines Pvt Ltd**	100.00%	Full Consolidation

Source: Sterling Tools Limited; annual report; *the entity is under amalgamation process with and into STL; ** recently incorporated in H2-FY2024

ANALYST CONTACTS

Shamsher Dewan
+91 124 4545 300
shamsherd@icraindia.com

Srikumar Krishnamurthy
+91 44 45964318
ksrikumar@icraindia.com

Rohan Kanwar Gupta
+91 124 4545808
rohan.kanwar@icraindia.com

Astha Bansal
+91 124 4545342
astha.bansal@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)
info@icraindia.com

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ICRA Limited



Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



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