November 10, 2025

Sterling Tools Limited: Ratings reaffirmed; outlook revised to Stable

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term Fund-based – Term loan	44.82	32.92	[ICRA]AA- (Stable); reaffirmed; outlook revised to Stable from Positive
Long-term Fund-based – Working capital	144.00	144.00	[ICRA]AA- (Stable); reaffirmed; outlook revised to Stable from Positive
Short-term-Non Fund Based – Others	2.84	1.64	[ICRA]A1+; reaffirmed
Short-term – Unallocated	12.53	25.63	[ICRA]A1+; reaffirmed
Total	**204.19**	**204.19**	

**Instrument details are provided in Annexure I*

Rationale

The revision in the outlook on the long-term rating to Stable reflects the expectations of a slower-than-expected improvement in Sterling Tools Limited's (STL) business risk profile, led by a decline in contribution from the company's electric vehicle (EV) components segment. Although STL maintains a strong financial risk profile and steady performance in its core fastener business, the decline in its wholly owned EV subsidiary, Sterling E-Mobility Solutions Ltd.'s (SEMS) scale of operations, has moderated earlier expectations of an improvement in STL's scale of operations and business risk profile. SEMS formed 37% of STL's consolidated revenues in FY2025. A material decline in SEMS' revenues is expected to moderate its contribution to STL's revenues to around 15-20% in FY2026 and lead to an overall decline in the company's revenues. Nonetheless, STL is expected to maintain a healthy credit profile, aided by steady accruals from the fasteners business.

The ratings continue to favourably factor in STL's continuation of steady operating performance, aided by its established market position as the second-largest automotive fastener manufacturer in India. The company enjoys a healthy share of business (SOB) with leading automotive original equipment manufacturers (OEMs), including Maruti Suzuki India Limited (MSIL), Honda Motorcycles and Scooters India Limited (HMSI), Tata Motors Limited (TML), Ashok Leyland Limited (ALL), and Mahindra & Mahindra, among others. Benefitting from its expertise in developing value-added specialised and critical fasteners, including those used in engine and transmission systems, the company has maintained its position as a key supplier for various automotive OEMs.

STL reported consolidated revenues of Rs. 1,029 crore in FY2025, reflecting a YoY growth of ~10%, supported by healthy performance in SEMS (Rs. 380 crore, up ~19% YoY), which contributed 37% to consolidated revenues (up from 35% in FY2024 and 23% in FY2023). The standalone fastener business also grew by 6% YoY to Rs. 644 crore, driven by strong demand in the 2W and PV segments, where revenues increased by 18% and 10%, respectively. However, revenues from the commercial vehicle (CV) segment declined, owing to an overall slowdown in the domestic CV industry.

In Q1 FY2026, consolidated revenues declined by 32% YoY to Rs. 192 crore, primarily due to a fall in SEMS' revenue to Rs. 30 crore (from Rs. 130 crore in Q1 FY2025), following the insourcing of motor control unit (MCU) production for its newly launched Gen 3 platform vehicles by SEMS's largest customer, Ola Electric Technologies Private Limited (Ola). SEMS's margins also deteriorated significantly, falling to 1.2% in Q1 FY2026 from 8% in Q1 FY2025. ICRA expects SEMS's performance to remain subdued in FY2026. However, new customer homologations in the e3W and e-bus segments, along with product additions such as traction motors and on-board and off-board chargers, are expected to support volume growth over the medium term and lead to subsequent margin improvement for the subsidiary.

STL's standalone margins remained stable at 13.8% in FY2025 (13.9% in Q1 FY2026), supported by consistent demand and effective cost control. The company continues to maintain a healthy financial profile, with a net cash position of Rs. 5.8 crore and liquidity of Rs. 160 crore as of March 31, 2025, along with strong return indicators.

ICRA also notes that STL's business profile benefits from diversified revenue streams, with presence across various automotive segments, which provides insulation against downturns in any single industry to an extent. Its customer portfolio is well diversified, with the largest customer accounting for ~20% and the top five customers contributing ~61% of standalone revenues in FY2025.

Further, ICRA notes the company's ongoing efforts to diversify its product and customer base in the electric mobility and energy infrastructure segments, which are expected to support medium- to long-term growth. Under SEMS, STL formed a strategic partnership with Landworld Technology (China) during FY2026 to enable local manufacturing of EV power electronic components such as on-board chargers, DC/DC converters, and multi-function units. Additionally, the company signed a technology licensing agreement with Advanced Electric Machines (UK), which will allow SEMS to manufacture rare-earth-free traction motors, thereby reducing dependence on China-dominated supply chains. The company has also established Sterling Tech-Mobility Ltd. (STML), a new subsidiary focused on high-voltage and energy-efficient components, which has also entered into collaborations with tech partners. The partnership with Kunshan GLVAC Yuantong (China) aims to manufacture high-voltage DC contactors and relays, essential for EV safety and power management. A dedicated facility has already been set up in Devanahalli, Bangalore, with commercial operations expected to commence by Q3 FY2026. This joint venture is positioned to cater to both domestic and export markets.

STL has capex plans of around Rs. 75 crore (including SEMS and STML) towards capacity expansion, R&D, and maintenance in FY2025, likely to be funded through a mix of debt and internal accruals. With healthy operating profitability and accruals, credit metrics are expected to remain comfortable. However, with ~98% of revenues derived from domestic markets in FY2025, STL remains exposed to the inherent cyclicality of the automotive industry. While the company's limited product diversification has been a constraint, its ongoing efforts to expand its EV portfolio provide comfort.

The Stable outlook on the long-term rating reflects ICRA's opinion that STL will maintain healthy credit metrics going forward, supported by its established market position as a leading fastener manufacturer.

Key rating drivers and their description

Credit strengths

Leading player in the automotive fastener segment – STL is the second largest automotive fastener manufacturer in India in terms of revenue and market share. Supported by regular investments in product development, with a focus on specialised fasteners, the company has enhanced its share of business (SoB) with leading automobile OEMs in India. Despite stiff competition from both organised and numerous unorganised players in the fastener segment, the company has maintained its market position over the years.

Diversified revenue profile across automotive and customer segments; healthy relationship with key customers – STL's revenue profile is well diversified, catering to all major automotive as well as some non-automotive segments, with limited dependence on any single segment. In FY2025, the CV segment accounted for ~24% of standalone revenues, while PV (~27%), 2W (~26%) and tractor (~10%) segments contributed to the rest. This diversified mix provides some protection from demand downturns in any particular automotive segment. Further, the company caters to multiple OEMs, enjoying a healthy SoB with its leading customers. Its largest customer accounted for only ~20% of standalone revenues in FY2025, while its top five customers generated ~61%. STL's well-diversified profile, coupled with its healthy market position, augurs well for its business prospects.

Healthy financial risk profile with robust profitability, return indicators and comfortable credit metrics – The company reported a healthy standalone operating profit margin (OPM) of 13.8% in FY2025, broadly stable compared to 14% in FY2024, supported by consistent demand in the fastener business, particularly from the 2W and PV segments. While SEMS's margins remained flat at 6.8% in FY2025, they declined sharply to 1.2% in Q1 FY2026 due to reduced volumes from Ola Electric. Going forward, the company's standalone margins are expected to remain stable, while moderation is anticipated at the consolidated level due to weaker performance from SEMS.

The company continues to maintain a strong credit profile, backed by a conservative capital structure and healthy liquidity. As of March 31, 2025, STL reported a net cash position of Rs. 5.8 crore, with consolidated cash and liquid investments of Rs. 160 crore and significant unutilised working capital limits. Consolidated gearing remained healthy at 0.3-0.4 times, and coverage indicators were robust, with net debt/OPBDITA at -0.1 times and interest coverage at 11.7 times in FY2025. Although SEMS's leverage ratios deteriorated due to higher working capital and long-term debt, its healthy cash reserves are expected to support debt servicing. Going forward, with moderate capex requirements and new product additions in the EV segment, the company is likely to maintain a healthy financial risk profile and comfortable debt metrics.

Credit challenges

Exposed to inherent cyclicality of domestic automotive industry – With ~99% of STL's revenues derived from domestic sales, it remains exposed to cyclicality in the domestic automobile market. The sharp downturn in the auto industry during FY2020-FY2021 had a significant impact on STL. However, the situation improved in FY2022 and FY2023 as the domestic automotive market recovered strongly, enabling the company to record 43% and 51% YoY growth in consolidated revenues, respectively. In FY2024, a downturn in the commercial vehicle and tractor segments led to muted growth in the fastener business, with standalone revenues rising marginally by 2%. Nevertheless, the company's performance was largely in line with industry volumes in FY2025, as STL delivered a stronger performance in the (2W) and passenger vehicle segments compared to FY2024.

High geographical concentration with major portion of revenues derived from domestic automotive industry – The company's export revenues have materially declined over the past three years, accounting for 1% of consolidated revenues in FY2025 and 2% in Q1 FY2026, down from 7-9% during FY2020-FY2022. As export sales are likely to remain subdued due to macroeconomic challenges in its key market (Europe), revenues are expected to remain dependent on domestic automotive performance.

Limited product diversification, with fasteners constituting bulk of revenues; ramp-up of EV components business to help mitigate the risk – STL has historically operated in the fastener segment, which continues to form the bulk of its revenues. While this limited product diversification posed some concentration risk, STL's strong market position as India's second-largest fastener manufacturer and its extensive relationships with leading OEMs have provided stability to its core business. In recent years, STL made a strategic push to diversify into EV components through its subsidiary, Sterling E-Mobility Solutions Limited (SEMS), which commenced supplies of motor control units (MCUs) in early 2022. SEMS initially recorded healthy revenue growth, largely driven by Ola. However, the diversification effort faced a setback in FY2026 as Ola shifted to in-house MCU production, leading to a sharp decline in SEMS's revenues and margins. Despite this challenge, STL remains committed to expanding its EV portfolio and has announced multiple strategic partnerships to strengthen its presence in the segment. These include collaborations with Landworld Technology (China) for EV power electronics, MOTIVELINK (South Korea) for magnetic components, and Advanced Electric Machines (UK) for rare-earth-magnet-free traction motors. Additionally, STL's other subsidiary, Sterling Tech-Mobility Ltd. (STML), has entered into joint venture with Kunshan GLVAC Yuantong to manufacture high-voltage contactors. These partnerships are expected to drive STL's long-term growth and support its transition into a full-stack EV solutions provider. The diversification into EV components is expected to augur well for the company's revenue growth prospects going forward.

Environmental and social risks

Environmental considerations – Although STL is not directly exposed to climate transition risks arising from tightening emission control regulations, given that its products are used across various fuel powertrains, its automotive manufacturing customers are more vulnerable to such risks. Accordingly, STL's prospects are linked to its customers' ability to meet these evolving requirements. The company has been taking steps to reduce its carbon footprint by increasing reliance on renewable energy sources and adopting energy-efficient fixtures, equipment, and extensive water recycling. Its exposure to litigation or penalties related to waste and water management remains relatively limited..

Social considerations – Like most automotive component suppliers, STL is heavily dependent on human capital. Hence, retaining talent and maintaining strong relationships with employees and suppliers are crucial for ensuring disruption-free operations. STL's annual reports indicate that it supports vendors in upgrading their operations, skills, quality, and technology. Another social risk pertains to product safety and quality, where product recalls or high warranty costs could have financial implications and damage reputation. In this regard, STL's strong track record in catering to leading automotive manufacturers underscores its ability to mitigate these risks. The company's technological capabilities are also likely to help it align its products with changing customer preferences.

Liquidity position: Strong

The company has a strong liquidity position, with funds parked in cash and liquid investments (Rs. 160 crore as on March 31, 2025) and a healthy buffer in undrawn working capital limits. Its average working capital utilisation remains low. Repayment obligations are moderate at around Rs. 17 crore in FY2026 and Rs. 10.4 crore in FY2027 for existing loans, which are expected to be comfortably met through internal accruals. The company's moderate capex plans (~Rs. 75 crore in FY2026) are also expected to be funded through internal accruals.

Rating sensitivities

Positive factors – A sustained improvement in business risk profile, characterised by an expanded product portfolio and significant scale-up in operations while maintaining profitability, credit metrics, and liquidity at healthy levels, would be important for a long-term rating upgrade.

Negative factors – Sustained pressure on revenues and earnings, resulting in deterioration in credit metrics, could lead to a downgrade in ratings. Specific credit metrics for ratings downgrade include total debt/OPBITDA above 1.5 times on a sustained basis.

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. As on March 31, 2025, the company had three subsidiaries, which are enlisted in Annexure-II.

About the company

Established in 1979, Sterling Tools Ltd. (STL) is India's second-largest manufacturer of high-tensile cold-forged fasteners, primarily serving the automobile industry. Its business is marked by strong diversification across segments and customers. In FY2025, the CV segment contributed ~24% to standalone revenues, followed by PV (~27%), two-wheelers (~26%), and tractors (~10%). STL supplies to leading Indian automotive OEMs, with products used in both automotive and non-automotive applications.

STL operates fastener plants in Faridabad, Palwal (Haryana), and Bengaluru (Karnataka), with a wire drawing unit in Ballabhgarh supporting job work for the other plants. The Bengaluru plant, commissioned in 2019, has ramped up to ~9,600 MT annual capacity. In FY2018, STL partnered with Japan's Meidoh Co. Ltd to enhance its design and development capabilities, particularly for Japanese OEMs in India. Meidoh acquired a 5% stake in STL for Rs. 44.3 crore under this collaboration.

In January 2020, STL launched Sterling E-Mobility Solutions Ltd. (SEMS) to produce motor control units (MCUs) for high-speed 2W, 3W, and LCV EVs. SEMS benefits from technical support from China's Gtake and STL's financial backing. Its Faridabad facility has an annual capacity of 4 lakh MCUs, with Ola Electric contributing over 94% of FY2025 sales.

In FY2025, STL signed an MoU with South Korea's MOTIVELINK Co., Ltd (formerly Yongin Electronics) to manufacture EV components like onboard/offboard chargers and battery management systems. It also partnered with China's Kunshan GLVAC Yuantong New Energy Technology Co., Ltd to produce high-voltage DC contactors and relays for EVs and HEVs. This venture falls under STL's new subsidiary, Sterling Tech Mobility Ltd. (STML), which is setting up a plant in Bengaluru, expected to begin production in January 2026.

Key financial indicators (audited)

STL Consolidated	FY2024	FY2025
Operating income	932.0	1,029.8
PAT	55.4	58.3
OPBDIT/OI	11.6%	11.1%
PAT/OI	5.9%	5.7%
Total outside liabilities/Tangible net worth (times)	0.6	0.6
Total debt/OPBDIT (times)	1.1	1.4
Interest coverage (times)	11.4	11.7

Source: Company, ICRA Research; 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

Instruments	Current (FY2026)			Chronology of rating history for the past 3 years					
				FY2025		FY2024		FY2023	
	Type	Amount rated (Rs. crore)	Nov 10, 2025	Date	Rating	Date	Rating	Date	Rating
Fund-based – Term loan	Long term	32.92	[ICRA]AA- (Stable)	Nov 14, 2024	[ICRA]AA- (Positive)	Dec 04, 2023	[ICRA]AA- (Stable)	Oct 07, 2022	[ICRA]AA- (Stable)
				Jul 10, 2024	[ICRA]AA- (Stable)				
Fund-based – Working capital	Long term	144.00	[ICRA]AA- (Stable)	Nov 14, 2024	[ICRA]AA- (Positive)	Dec 04, 2023	[ICRA]AA- (Stable)	Oct 07, 2022	[ICRA]AA- (Stable)
				Jul 10, 2024	[ICRA]AA- (Stable)				
Non-Fund Based- Others	Short term	1.64	[ICRA]A1+	Nov 14, 2024	[ICRA]A1+	Dec 04, 2023	[ICRA]A1+	Oct 07, 2022	[ICRA]A1+
				Jul 10, 2024	[ICRA]A1+				
Unallocated	Short term	25.63	[ICRA]A1+	Nov 14, 2024	[ICRA]A1+	Dec 04, 2023	[ICRA]A1+	Oct 07, 2022	[ICRA]A1+
				Jul 10, 2024	[ICRA]A1+				

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term Fund-based – Term loan	Simple
Long-term Fund-based – Working capital	Simple
Short Term-Non-Fund Based-Others	Simple
Short Term-Unallocated	Not Applicable

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 analysing 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 are 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-II**	FY2024	NA	FY2029	7.33	[ICRA]AA- (Stable)
NA	**Term loan-III**	FY2019-FY2024	NA	FY2025-FY2029	25.59	[ICRA]AA- (Stable)
NA	**Long-term Fund-based – Working capital**	NA	NA	NA	144.00	[ICRA]AA- (Stable)
NA	**Short term-Non-Fund Based-Others**	NA	NA	NA	1.64	[ICRA]A1+
NA	**Unallocated**	NA	NA	NA	25.63	[ICRA]A1+

Source: Company

[*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 E-Mobility Solutions Limited	100.00%	Full Consolidation
Sterling Tech-Mobility Ltd.	100.00%	Full Consolidation
Sterling E-Mobility Private Ltd	100.00%	Full Consolidation
Sterling Overseas Pte Ltd.	100.00%	Full Consolidation
Sterling Advanced Electric Machines Pvt Ltd	100.00%	Full Consolidation

Source: Sterling Tools Limited; annual report;

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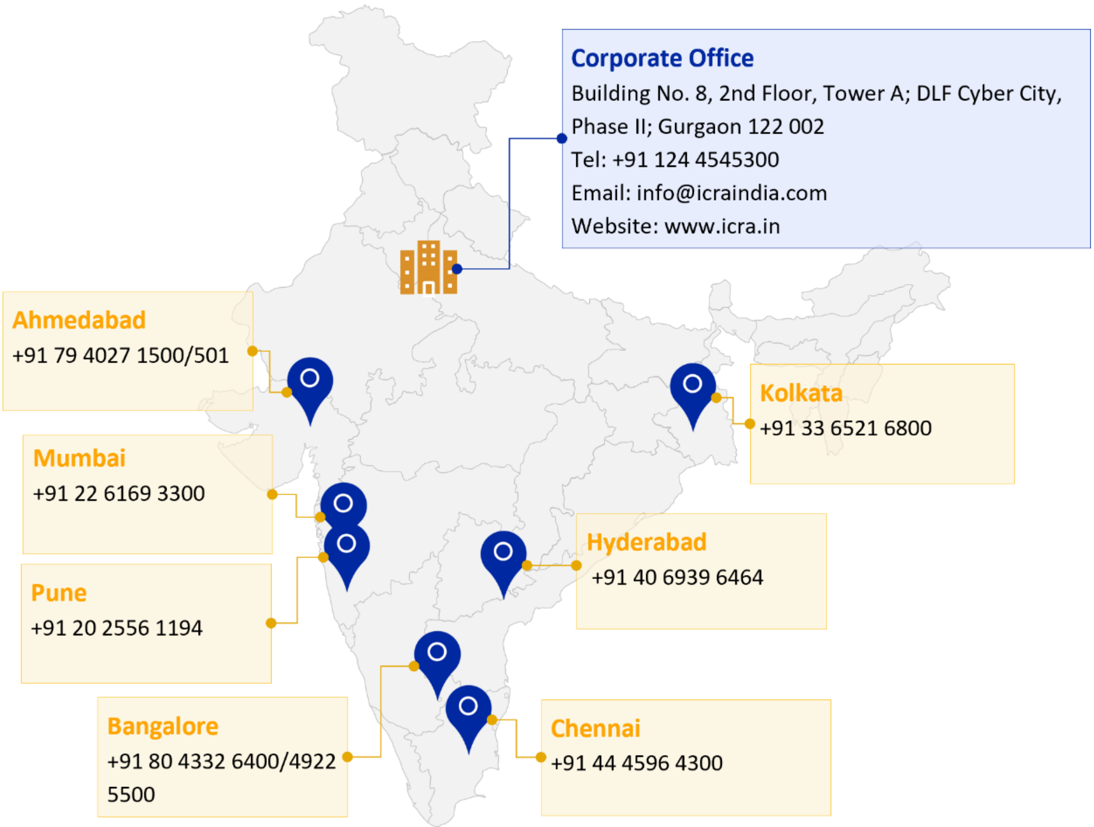

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