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Sterling Tools

A First Class Fastener Business Funding a Second Act in EV Parts

India number two fastener maker at 1.39x book, a net debt free core, and an EV rebuild to prove

NSE: STERTOOLS · BSE: 530759

October 29, 2026

Reference: Rs 201.63, NSE close of October 29, 2026.
Market cap about Rs 735 cr; 52-week range Rs 155 to Rs 321.
Business, financials, competition, management, valuation vs peers, risks, and FY2029 scenarios.

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VERDICT

56 / 100 : Neutral

Sterling Tools Ltd is two companies sharing one balance sheet. The first is India's second largest maker of high tensile cold forged fasteners, a business founded in 1979, supplying almost every major vehicle maker in the country, running at 90 to 95% utilisation, and earning a standalone EBITDA margin of about 15%. In FY26 that business grew total income 11.4% to Rs 725.9 cr and lifted standalone PAT 49.8% to Rs 64.20 cr. In Q2 FY27 standalone total income hit a record Rs 228.0 cr, up 32.4% year on year. As a fastener company, Sterling is genuinely good.

The second company is the electric vehicle pivot built since 2020 through subsidiaries. Sterling E-Mobility Solutions (SEM, formerly Sterling Gtake) scaled motor control units to Rs 380 cr of revenue in FY25, 37% of group revenue, with over 94% of that coming from one customer, Ola Electric. Ola then insourced MCU production for its Gen 3 platform. About Rs 280 cr of annual revenue vanished. Consolidated revenue fell from Rs 1,026 cr in FY25 to Rs 828 cr in FY26, consolidated PAT halved from Rs 58 cr to Rs 29 cr, and the slide continued into FY27: in Q2 FY27 consolidated PAT was Rs 2.97 cr, down 83% year on year, as two EV subsidiaries lost Rs 9.81 cr in a single quarter on Rs 24.46 cr of revenue.

Management's response is a partnership spree, and it is not nothing. SEM now has 33 active customer programs, onboard charger lines commissioned in Q2 FY27, and technology partners for magnet free motors (AEM, UK), chargers and converters (Landworld), HVDC contactors (GLVAC), latching relays (Meishuo) and two wheeler rider assistance (Nanjing Haohang). But management itself guides that SEM and Sterling Tech-Mobility (STML) lose money through FY27, with breakeven targeted in FY28 at revenue thresholds of about Rs 175 cr for SEM and about Rs 70 cr for STML, against SEM revenue of only about Rs 37 cr in H1 FY27. The FY27 capex plan was just raised to about Rs 135 cr. The fastener cash cow is funding all of it.

At Rs 201.63 the stock has fallen 37% in a year and trades at 62x trailing earnings on a trough EPS of Rs 3.30, 25x FY26 earnings, and 1.39x book value of Rs 145. The book and the standalone business argue the fall has gone far enough. The consolidated earnings, the rising borrowings (up 38% since March 2026 to about Rs 203 cr), the negative H1 FY27 operating cash flow, and an institutional register that has exited almost completely argue for waiting for proof. Neutral.

Reference price: Rs 201.63 (NSE close, October 29, 2026). Market cap about Rs 735 cr. 52-week range Rs 155 to Rs 321. Latest quarter is Q2 FY27 (September 2026), reported October 27, 2026.

FY2029 targets: Bear Rs 120 / Base Rs 285 / Bull Rs 510. See Section 14 for assumptions.

1. SNAPSHOT

Item	Detail
Company	Sterling Tools Ltd (STL), HQ Faridabad, Haryana

Item	Detail
Incorporated	June 7, 1979; commercial production from 1981; listed 1995
Core business	High tensile cold forged fasteners, over 2,000 types, 5 mm to 24 mm diameter
Market position	Second largest automotive fastener maker in India by revenue and share (ICRA)
Plants	Fasteners at Faridabad, Prithla and Bengaluru; wire drawing at Ballabgarh; EV campus at Faridabad; new STML plant at Bengaluru; 18 warehouses, 100+ distributors
Subsidiaries	Sterling E-Mobility Solutions (SEM, EV powertrain and power electronics), Sterling Tech-Mobility (STML, HVDC contactors and relays), Sterling Advanced Electric Machines
FY26 consolidated	Revenue Rs 828 cr (-19%); operating profit Rs 77 cr (9%); PAT Rs 29 cr (-50%)
FY26 standalone	Total income Rs 725.9 cr (+11.4%); PAT Rs 64.20 cr (+49.8%); EBITDA margin 15.3%
Q2 FY27 consolidated	Revenue Rs 250.35 cr (+20.4%); PAT Rs 2.97 cr (-82.7%); operating margin 7.9%
Balance sheet	Net worth Rs 526 cr (March 2026); borrowings Rs 147 cr in March 2026, about Rs 203 cr by September 2026
Promoters	64.86% (September 2026), Aggarwal family; pledging 0.00% in September 2026 (0.05% in March 2026)
Dividend	Rs 2.75 a share for FY26, payout 34% of consolidated PAT; yield 1.36%

2. FOUNDING STORY: FORTY SEVEN YEARS OF BOLTS, FIVE YEARS OF ELECTRONICS

A Faridabad fastener shop that outlasted its customers' cycles. Sterling Tools was incorporated on June 7, 1979 and began commercial production in 1981. The founding bet was narrow and technical: high tensile cold forged fasteners for vehicles, made in India to the standards global OEMs were starting to demand. Capacity rose in stages, from 4,000 tonnes a year to 6,600 tonnes with the 1995 expansion funded by its maiden public issue that April, and on to a combined 45,324 MTPA across four facilities on recent company material.

The customer list became the moat. Over four decades Sterling worked its way onto the approved vendor lists of nearly every vehicle maker in India: Maruti Suzuki, Honda, Hyundai, Hero, Tata Motors, Mahindra, Bajaj Auto, Ashok Leyland, Eicher, Volvo, Daimler, Cummins, John Deere and JCB, among others. ICRA describes it as India's second largest automotive fastener maker. In a business where a failed bolt can recall

a vehicle, that approval history is the asset everything else sits on.

The second act started in January 2020. Sterling set up what is now Sterling E-Mobility Solutions to make motor control units (MCUs), the power electronics that drive an electric motor, under licence from Jiangsu Gtake Electric of China. The timing looked inspired. EV two wheeler volumes exploded, SEM became India's largest MCU maker for high speed electric scooters, cumulative MCU production passed one million units, and SEM revenue reached Rs 380 cr in FY25.

Then the anchor customer left. Ola Electric, over 94% of SEM's FY25 sales, brought MCU production in house for its Gen 3 platform. Management quantified the loss at close to Rs 280 cr of annual revenue. The episode is the single most important event in this company's recent history, and this report treats it that way: a concentration that was visible in the filings (ICRA flagged the customer shares) was allowed to reach a scale where one customer's make versus buy decision could halve group profit.

The family is still the company. The Aggarwal family holds 64.86%. Anil Aggarwal is Chairman. Atul Aggarwal is Managing Director on recent filings (Whole Time Director in some compilations). The next generation, Anish Agarwal and Akhill Aggarwal, run the new businesses and business development. In June and August 2026 Anil Aggarwal transferred shares to immediate relatives by gift in inter se promoter transfers; the group holding was unchanged, a succession tidying rather than an exit.

3. WHAT THE BUSINESS ACTUALLY DOES

Fasteners: cold forging, explained plainly. A high tensile fastener starts as a steel wire rod. Sterling draws the wire at Ballabgarh, then cold forges it: the steel is shaped under enormous pressure at room temperature rather than cast or machined hot, which aligns the grain, raises strength, and holds tight tolerances. Heat treatment, threading, coating and inspection follow. The output is over 2,000 types of bolts, nuts and special fasteners from 5 mm to 24 mm, including critical engine, transmission, chassis and safety fasteners where failure is not an option and vendor approval takes years.

Why the core earns 15% EBITDA. Three reasons. First, qualification: once a fastener is designed into a platform, the OEM does not casually re-source it, so volumes run for the life of the model. Second, mix: special and critical fasteners carry better margins than standard parts, and management has pushed value added and commercial vehicle programs, with inroads into LCV and HCV and entry into Tata Passenger Vehicles among about Rs 64 cr of new business wins in FY26. Third, steel pass through: raw material inflation is largely passed to customers under pricing arrangements, with a lag that pinched Q2 FY27 (standalone EBITDA margin 12.1% in the quarter, 15.4% in Q1 FY27) as lower cost inventory ran out.

SEM: from one product to a power electronics shelf. The MCU remains the base product, made under the Gtake licence, now co-branded across partners. Around it SEM has added traction motors, integrated motor and controller units, onboard chargers (OBC), off board chargers, DC/DC converters, power distribution units and multifunction units. OBC and multifunction production lines were commissioned in Q2 FY27, with commercial supplies starting. SEM reported 33 active customer programs on the Q1 FY27 call, four new OEM confirmations, and H1 FY27 revenue of about Rs 37 cr. That last number is the honest scale of the rebuild today.

STML: the Bengaluru bet on high voltage switching. Sterling Tech-Mobility makes the components that connect and disconnect a vehicle's high voltage battery safely: HVDC contactors and relays under a GLVAC Yuantong collaboration (a planned Rs 40 cr Bengaluru facility, with a company cited revenue ambition of about Rs 250 cr by FY30), and latching relays for smart meters, grids and appliances under a Zhejiang Meishuo collaboration (Rs 20 cr initial investment, about Rs 200 cr by FY30 ambition). Commercial production of HVDC contactors was guided for July to August 2026. These are real products in a genuine import substitution niche, at pre-scale revenue.

ARAS and ADAS: the newest option. In April 2026 Sterling signed a technology collaboration and supply agreement with Nanjing Haohang for Advanced Rider Assistance Systems for two wheelers: front and rear collision warning, blind spot detection, lane change warning and wrong side alert, tested on Indian roads, with Sterling leading local development, manufacturing and sales. A separate MINIEYE collaboration covers driver assistance and monitoring for vehicles. No revenue figures have been disclosed for either. They are options, not businesses, today.

4. WHERE THE REVENUE COMES FROM

Line	FY25 (Rs cr)	FY26 / latest	Note
Standalone fasteners	645 revenue, 652 total income	717 revenue, 726 total income	FY26 PAT Rs 64.20 cr; H1 FY27 total income about Rs 430 cr, record Q2
SEM (EV components)	380	Collapsed after Ola exit; H1 FY27 about 37	FY25 was 37% of group revenue, over 94% from Ola
STML and other subs	Small	Pre-scale; HVDC production from mid 2026	Breakeven targeted FY28 at about Rs 70 cr revenue
Consolidated	1,026	828	Difference vs standalone is the EV drag and eliminations

Consolidated sales on Screener basis; standalone revenue from operations Rs 716.72 cr in FY26. Segment reporting is limited, so the split above is built from company presentations, calls and rating material, and is labelled as such.

Customer concentration cuts both ways. In fasteners the largest customer was about 20% of standalone revenue in FY25 and the top five about 61% (ICRA). That is concentrated but diversified across vehicle segments: passenger vehicles, two wheelers, commercial vehicles, tractors and construction equipment do not all fall at once. In SEM the concentration was of a different kind entirely: one customer, one product, one platform decision. The diversification programme since (33 programs, commercial vehicle traction, chargers) is the direct answer, and its revenue is still small.

Geography is a weakness to note. About 99% of FY25 revenue was domestic on company compilations, with exports down to about 1% from 7 to 9% in FY20 to FY22, mainly on European weakness. Sundram Fasteners, the larger rival, earns a far larger export share. Sterling's growth is therefore a near pure play on Indian vehicle production, which was strong in FY26 (passenger vehicles at a record 46.4 lakh units, two

wheelers at 2.17 crore units) but is cyclical by definition.

5. FINANCIALS: THE CONSOLIDATED LINE HIDES A HEALTHY CORE

Year	Revenue (Rs cr)	YoY	Operating profit (Rs cr)	OPM	PAT (Rs cr)	EPS (Rs)
FY22	510	n.a.	66	13%	26	7.09
FY23	772	+51%	98	13%	48	13.29
FY24	932	+21%	108	12%	55	15.37
FY25	1,026	+10%	110	11%	58	16.11
FY26	828	-19%	77	9%	29	8.07
H1 FY27	464	+16%	42	9%	9	2.43

Consolidated, Screener basis. FY26 standalone PAT of Rs 64.20 cr included a Rs 9.50 cr exceptional gain (enhanced Delhi Metro Rail compensation for land acquired earlier, booked in Q2 FY26 on the standalone accounts and in the FY26 exceptional line). H1 FY27 operating profit is the sum of Q1 (Rs 22.67 cr) and Q2 (Rs 19.77 cr). Q2 FY27 PAT fell 83% partly against a base quarter that carried that exceptional gain at standalone level.

Read the five years as a rise, a peak, and a customer event. FY22 to FY25 is a genuine growth story: revenue doubled as SEM scaled on Ola's volumes and fasteners compounded. FY26 is not an industry downturn; Indian vehicle production hit records that year and standalone fastener income rose 11.4%. FY26 is one customer's insourcing decision flowing through a consolidated P and L. That distinction matters for what can recover: the demand did not disappear, the supply contract did.

Returns have collapsed at group level. Screener puts FY26 consolidated ROCE at 7.2% and ROE at 3.1% (5.6% on some compilations using average equity). Standalone returns are far better, with standalone ROE of about 12% in FY26. The gap between those two return lines is, in one ratio, the entire investment debate: how long should fastener returns subsidise EV losses before the EV book must carry itself?

The quarterly trend is not yet a recovery. Q3 FY26 PAT was Rs 1.56 cr and Q4 FY26 Rs 1.59 cr, Q1 FY27 Rs 5.86 cr and Q2 FY27 Rs 2.97 cr. Consolidated PAT margin in Q2 FY27 was 1.2%. Tax rates have been volatile (54% in Q1 FY27, 66% in Q2 FY27 on Screener) because losses in subsidiaries do not shelter profits in the parent. Until SEM and STML at least break even, consolidated earnings will keep understating the core and disappointing anyone who only reads the headline.

6. BALANCE SHEET AND CASH FLOW: STRONG PARENT, RISING GROUP DEBT

Item (Rs cr)	FY24	FY25	FY26
Net worth	447	500	526
Borrowings	118	155	147
Fixed assets	278	319	317
Operating cash flow	102	124	56
Free cash flow	73	50	5
Dividend per share (Rs)	2.00	2.50	2.75

Consolidated, Screener basis. Borrowings at September 2026 were about Rs 203 cr, up 38% since March 2026, per results compilations. Standalone management describes the fastener business as net debt free; the borrowings sit largely against group growth spending.

The parent fortress is real. The standalone fastener business is described by management as net debt free and strongly cash generative, and the standalone accounts support it: operating cash flow of Rs 83 cr in FY26 on the standalone books, against group operating cash flow of Rs 56 cr. Promoter pledging is effectively zero (0.00% in September 2026, 0.05% in March 2026). The dividend has risen three years in a row to Rs 2.75, even as consolidated PAT halved, which is either confidence or a signal the family does not see the EV drag as permanent.

Working capital is the quiet leak. Consolidated inventory days rose to 172 in FY26 from 124, debtor days to 44 from 23, and the cash conversion cycle to 136 days from 103. Some of that is the EV subsidiaries carrying inventory for programs that have not ramped, and some is a disputed receivable: in July 2026 reports, SEM filed a Section 9 insolvency petition against Ola Electric over about Rs 29.8 cr of claimed dues, which Ola contests, raising quality concerns about parts supplied. A Rs 29.8 cr contested receivable is over a third of H1 FY27 SEM and STML combined revenue scale, and its recovery is a cash event, not an accounting one.

Cash conversion has thinned to near zero at the point capex rises. Free cash flow fell from Rs 73 cr in FY24 to Rs 5 cr in FY26. H1 FY27 operating cash flow was negative on results compilations despite a reported profit. Against that, the FY27 capex plan was raised on October 27, 2026 to about Rs 135 cr across businesses (fastener capacity toward a Rs 900 to 1,000 cr revenue potential on earlier guidance, plus EV lines). Funding that from a net debt free parent is possible. Funding it while borrowings climb 38% in six months is the trend to watch.

7. EXPANSION AND DEALS: A PARTNERSHIP FOR EVERY PRODUCT

Move	Partner / size	Terms and status
MCU licence	Jiangsu Gtake Electric (China)	Original SEM licence; over 1 million MCUs produced cumulatively; SEM renamed Sterling E-Mobility Solutions in October 2025, co-branding Gtake, AEM and Landworld

Move	Partner / size	Terms and status
Magnet free traction motors	Advanced Electric Machines (UK), May 2025	Technology licence to make rare earth magnet free motors at Faridabad; company cites a Rs 15,000 cr India traction motor market by 2030; AEM holds 46 patents
OBC, DC/DC, PDU	Landworld Technology (China), September 2025	Licence and supply pact, made at Faridabad EV campus; company expects about Rs 450 cr of business by FY30 against a cited Rs 3,000 cr market
HVDC contactors and relays	Kunshan GLVAC Yuantong (China) via STML	About Rs 40 cr Bengaluru facility; company ambition about Rs 250 cr revenue by FY30; production guided from July to August 2026
Latching relays	Zhejiang Meishuo Electric (China) via STML	Rs 20 cr initial Bengaluru investment; ambition about Rs 200 cr by FY30; smart meters, grids, appliances
Rider assistance (ARAS)	Nanjing Haohang (China), April 2026	Technology collaboration and supply agreement; Sterling leads India development, manufacturing and sales; five features tested on Indian roads
Driver assistance	MINIEYE (China)	Collaboration for ADAS and driver monitoring; no financial terms disclosed in reviewed material
Capex plan FY27	About Rs 135 cr	Raised at Q2 FY27 results, October 27, 2026; plus Rs 15 cr equity into STML approved in August 2026 and up to Rs 20 cr into SEM approved with FY26 results

The pattern is consistent, and its risk is the same each time. Every new product arrives as a foreign partner's technology, Sterling's Indian manufacturing and OEM relationships, and a revenue ambition for FY30 that is five to ten times the subsidiary's current revenue. The model is capital light on R and D and fast to launch. It also means Sterling owns distribution and manufacturing, not the core intellectual property, in segment after segment, and that at least four of its technology partners are Chinese companies in a policy environment that scrutinises Chinese supply chains. The Gtake relationship already shows both sides: it built the largest MCU business in India, and it could not stop the customer taking the product in house.

8. ROADMAP AUDIT: WHAT WAS PROMISED, WHAT ARRIVED

Commitment	Promised	Delivered	Score
Non-fastener share	50% of revenue from non-fastener businesses, originally targeted earlier this decade	SEM at 37% of revenue in FY25, then collapsed; target pushed out, with a 50% by 2030 framing in 2026 commentary	Missed, reset
EV adoption timeline	SEM scale on rapid EV two wheeler growth	Management said in May 2026 that EV adoption timelines have shifted by nearly 3 to 5 years	Missed (industry)
SEM profitability	Profitable growth through FY25	Loss making in FY26 and H1 FY27; breakeven guided for FY28 at about Rs 175 cr revenue	Missed, pending
STML profitability	New verticals to scale from FY26	Breakeven guided for FY28 at about Rs 70 cr revenue; HVDC production from mid 2026	Pending
OBC and DC/DC launch	Commercial supplies from Q3 FY27 on May 2026 guidance, lines in Q2 FY27	OBC lines commissioned in Q2 FY27, supplies starting	On track
Fastener outgrowth	Grow faster than the auto industry	Standalone income +11.4% in FY26, record quarter in Q2 FY27, about Rs 64 cr of new wins including Tata Passenger Vehicles entry	Met
Fastener margin	Steady state EBITDA margin about 15%	15.3% in FY26, 15.4% in Q1 FY27, 12.1% in Q2 FY27 on steel pass through lag	Mostly met
Dividend	Progressive payout	Rs 2.00, Rs 2.50, Rs 2.75 across FY24 to FY26	Met

The audit splits cleanly in two. Everything management promised about the business it has run for 47 years has broadly landed: growth, margins, new customers, dividends. Everything promised about the timeline of the new businesses has slipped: the revenue mix target, the adoption curve, and profitability, each by years. That is not a character judgment. It is the record, and it is why this report prices the EV recovery on delivery rather than on guidance.

9. MANAGEMENT AND GOVERNANCE

Promoter behaviour is steady, not heroic. The Aggarwal family held 65.77% for years, easing to 65.02% in FY25 and 64.86% by March 2026, where it has stayed. There has been no large sale and no meaningful buying either. Pledging is 0.00% (September 2026). The 2026 inter se gift transfers moved shares within the

family (including 10 lakh shares from Anil Aggarwal in June 2026 and 80,000 shares to Akhill Aggarwal in August 2026, the latter requiring a corrected SAST disclosure in October 2026 after the NSE flagged errors in the original filing). Small disclosure slips of that kind are worth recording in a microcap file, and no more than that.

The institutional exit is the loudest governance datum. Domestic institutions held 5.49% in March 2024 (mutual funds the bulk of it), 2.85% in March 2025, 0.34% in March 2026 and 0.01% in September 2026. FIIs hold 0.08%. The public float of 35.05% is now held almost entirely by retail holders across about 38,000 shareholders. Institutions did not wait for the EV rebuild, and their absence removes both a discipline and a future re-rating bid until earnings force the issue. Meidoh Co Ltd, a Japanese fastener maker, has held about 4.98% within the public category on recent compilations, a strategic name worth noting.

Leadership churn in the finance seat. Anish Agarwal, a promoter director who fronted the EV strategy, served as CFO, then resigned as CFO effective October 26, 2026 to focus on business development and strategy as a Director. Amit Dhadda, a chartered accountant with prior roles at Minda Corporation, Paytm, PwC and Deloitte, became CFO on October 27, 2026. A new Chief Manufacturing Officer, Roney John (ex Mahindra CIE and Endurance), joined in November 2025. None of this is alarming individually. Together with the strategy reset, it marks a company reorganising around a harder reality than the one it planned for.

Capital allocation is the open question. In eighteen months the group has committed to a raised Rs 135 cr FY27 capex plan, repeated equity infusions into loss making subsidiaries (Rs 15 cr into STML, up to Rs 20 cr into SEM), at least six technology partnerships, and a rising dividend, while consolidated free cash flow was Rs 5 cr. Each item is defensible alone. The test is sequencing: whether fastener capacity, which earns 15% EBITDA today, stays first in the queue when cash gets tight.

■ 10. COMPETITION: A GIANT IN FASTENERS, GIANTS EVERYWHERE IN ELECTRONICS

Competitor	Position	Quantified comparison (October 29, 2026)
Sundram Fasteners	India's largest fastener maker (TVS group); fasteners, powertrain, wind and EV parts	Price Rs 1,071.60; P/E about 37x; market cap about Rs 22,652 cr; FY26 revenue Rs 6,368 cr, PAT Rs 593 cr, ROE 13.8%
Sterling Tools	Second largest fastener maker; EV pivot	Price Rs 201.63; P/E 62x TTM (25x FY26); market cap about Rs 735 cr; FY26 revenue Rs 828 cr, PAT Rs 29 cr
Happy Forgings	Precision forgings and machined components	Price Rs 1,784.60 (October 27 close); P/E about 52x; market cap about Rs 16,998 cr
CIE Automotive India	Forgings, castings, gears, composites	Price Rs 363.90 (October 27 peer table); P/E about 21x; market cap about Rs 13,866 cr
Bharat Forge	Global forgings leader, defence and EV parts	Price Rs 1,760 (peer table); P/E about 69x; market cap about Rs 85,517 cr

Competitor	Position	Quantified comparison (October 29, 2026)
EV electronics rivals	OEM insourcing (Ola Gen 3 MCU), Tier 1 electronics makers, Chinese imports	Ola alone removed about Rs 280 cr of SEM revenue by insourcing; the rival that matters most in EV parts is the customer itself

In fasteners, the moat is qualification and trust, priced accordingly. Sterling is a clear number two to a rival thirty times its market cap, with comparable technology and a fraction of the export book. Its defence is 47 years of OEM approvals, 2,000 plus live part numbers, and plants running at 90 to 95% utilisation. That earns a solid industrial multiple on standalone earnings. It does not earn Sundram's multiple, because Sundram has the scale, the exports and the return profile Sterling's consolidated accounts currently lack.

In EV electronics, there is no moat yet, and the report will not invent one. MCUs, chargers, contactors and motors are contested by global Tier 1s, by specialist electronics firms, by Chinese imports, and, as Ola proved, by the OEMs themselves once volumes justify a captive line. Sterling's edge is local manufacturing, cost, and relationships with the same OEMs that buy its fasteners. That is a channel advantage, not a technology moat, and licensed partner IP sits behind every product line.

11. STRENGTHS

What to watch

SEM revenue above Rs 40 cr in a single quarter, a consolidated PAT quarter above Rs 15 cr with no exceptional items, and borrowings back below Rs 150 cr. Proof of the rebuild, not another partnership announcement, is what an upgrade waits for.

- 1. A genuinely strong core: India's number two fastener maker, 90 to 95% utilisation, record standalone income of Rs 228.0 cr in Q2 FY27, and a 15% plus standalone EBITDA margin in three of the last four reported quarters.
- 2. Standalone economics that stand on their own: FY26 standalone PAT of Rs 64.20 cr (Rs 57 cr plus even excluding the exceptional gain, on an approximate post tax basis), operating cash flow of Rs 83 cr, and a parent described as net debt free.
- 3. Customer breadth in the core: Maruti Suzuki, Honda, Hyundai, Hero, Tata, Mahindra, Ashok Leyland and others, across PV, 2W, CV, farm and construction, with about Rs 64 cr of new FY26 wins including entry into Tata Passenger Vehicles.
- 4. Promoter stability: 64.86% held, pledging at 0.00%, no large sale through the drawdown, and a dividend raised to Rs 2.75 in the worst consolidated year.
- 5. A real, if early, second shelf: 33 active SEM customer programs, OBC lines commissioned, HVDC contactors in production, and partners in motors, chargers, relays and rider safety that no domestic fastener rival has assembled.

- 6. Valuation support from the core and the book: 1.39x book value of Rs 145, and a market cap of about Rs 735 cr against a standalone business that earned Rs 64.20 cr last year.

12. WEAKNESSES AND RISKS

- 1. Customer concentration, proven the hard way: over 94% of SEM's FY25 revenue came from Ola Electric, and its insourcing removed about Rs 280 cr of revenue and halved group PAT. Fasteners also carry a top customer at about 20% and a top five at about 61% of standalone revenue.
- 2. EV losses with a long fuse: SEM and STML guided to lose money through FY27, breakeven in FY28 at revenue thresholds (about Rs 175 cr and about Rs 70 cr) that are multiples of current run rates (SEM about Rs 37 cr in H1 FY27).
- 3. Licensed, largely Chinese, technology: Gtake, Landworld, GLVAC, Meishuo, Haohang and MINIEYE supply the IP for the growth products. Licence, geopolitical and supply risks sit inside every new line.
- 4. Rising leverage and capex at the wrong point in the cycle: borrowings up 38% since March 2026 to about Rs 203 cr, an FY27 capex plan raised to about Rs 135 cr, and H1 FY27 operating cash flow negative.
- 5. Working capital and a contested receivable: inventory days of 172, a cash conversion cycle of 136 days, and about Rs 29.8 cr of claimed Ola dues under a Section 9 petition that Ola contests on quality grounds.
- 6. Institutional abandonment and thin liquidity: DII holding down from 5.49% to 0.01% in thirty months, mutual funds at zero, and traded value of only about Rs 43 lakh on October 29, 2026.
- 7. Cyclicality and steel: fastener demand follows Indian vehicle production, steel is the main input, and the Q2 FY27 margin dip to 12.1% standalone shows the pass through lag in action.

13. VALUATION VS PEERS

At Rs 201.63 (October 29, 2026): P/E 62.0x on TTM EPS of Rs 3.30 (Screener), 25.0x on FY26 EPS of Rs 8.07, 12.5x on FY25 EPS of Rs 16.11, P/B 1.39x on book value of Rs 145, dividend yield 1.36%. Shares outstanding 3.63 cr. Market cap about Rs 735 cr.

Company	Price (Rs)	P/E (x)	Market cap (Rs cr)	Note
Sterling Tools	201.63	62.0 TTM, 25.0 on FY26	735	Trough consolidated earnings; standalone PAT Rs 64.20 cr
Sundram Fasteners	1,071.60	about 37	22,652	Scale, exports, ROE 13.8%, the quality benchmark
Happy Forgings	1,784.60	about 52	16,998	Precision forgings, high returns

Company	Price (Rs)	P/E (x)	Market cap (Rs cr)	Note
CIE Automotive India	363.90	about 21	13,866	Diversified components, global parent
Bharat Forge	1,760	about 69	85,517	Global forgings and defence optionality

How to read the three P/Es. The 62x TTM multiple says the market refuses to capitalise trough earnings, and it is right not to: the core alone earned more than the group. The 12.5x on FY25 says what the stock costs if the EV book simply returns to its old scale, which it will not, because the old scale was one customer. The honest anchor is the standalone business: a market cap of Rs 735 cr is about 11.5x FY26 standalone PAT, for a net debt free number two fastener maker growing at 11 to 32%. On that anchor the EV subsidiaries are priced at roughly zero to negative, which is defensible today and wrong only if the FY28 breakeven actually arrives. Neutral, because roughly zero is a fair price for an unproven rebuild, and the core's quality is already the reason the stock is not cheaper.

14. FY2029 SCENARIOS (INR)

Built off FY26 consolidated revenue of Rs 828 cr and PAT of Rs 29 cr; 3.63 cr shares; assumptions explicit. DalalBytes estimates, not guidance.

Scenario	Revenue CAGR FY26-29	FY29 revenue (Rs cr)	PAT margin	FY29 PAT (Rs cr)	EPS (Rs)	Exit P/E	Target (Rs)
Bear	4%	931	3.6%	34	9.4	13.0x	120
Base	12%	1,155	5.9%	68	18.7	15.0x	285
Bull	17%	1,326	8.0%	106	29.2	17.5x	510

Bear Rs 120: the auto cycle turns, fastener growth slows to low single digits, steel stays firm, SEM and STML miss their FY28 breakeven and keep losing Rs 15 to 25 cr a year, and the Ola receivable is written down. Consolidated PAT stays near FY26 levels and the stock de-rates toward book value and below. Book value of Rs 145 a share is support only if the EV cash burn stops consuming it.

Base Rs 285: fasteners compound at about 11%, in line with FY26 and the new capacity, reaching roughly Rs 980 cr standalone; SEM rebuilds to its Rs 175 cr breakeven threshold during FY28 and STML approaches its threshold, so the EV drag ends by FY29; group revenue reaches Rs 1,155 cr with a 5.9% PAT margin, still below the standalone margin. A 15x exit multiple keeps a wide discount to Sundram.

Bull Rs 510: fasteners ride a full commercial vehicle and PV upcycle, OBC, motors and HVDC contactors each find an anchor OEM (a diversified one this time), SEM passes Rs 250 cr with positive margins, STML scales toward its FY30 ambitions early, and group PAT margin reaches 8.0%, close to the standalone level. Even then the 17.5x exit multiple is less than half of Sundram's current multiple, which is the right humility for

a company that has to re-earn institutional trust.

15. WHAT WOULD CHANGE THE VERDICT

Upgrade triggers: SEM revenue above Rs 40 cr in a single quarter with the customer count still rising; a consolidated quarter with PAT above Rs 15 cr and no exceptional items; SEM or STML breakeven pulled forward into H2 FY27; the Ola receivable recovered in cash; borrowings back below Rs 150 cr while capex continues; a first mutual fund holding above 1%.

Downgrade triggers: any promoter pledging or a fall in promoter holding below 60%; FY27 consolidated PAT below Rs 20 cr; borrowings above Rs 250 cr; a second anchor customer loss in any EV line; the Section 9 petition dismissed with the receivable written off in full; fastener standalone margin below 12% for two consecutive quarters.

16. WHY IT MATTERS

Sterling Tools is the cleanest small cap test in Indian auto components of a question every ICE supplier now faces: can the cash flows of a century old technology fund a credible place in the electric stack before the market stops paying for the attempt? The fastener answer is already in. Number two in India, record quarters, 15% margins, a net debt free parent, and a family that has not sold. The electric answer is also partly in, and it is harsher: a Rs 380 cr business built on one customer can be unbuilt by that customer in one platform change, and rebuilding it product by product, partner by partner, takes years and Rs 135 cr capex plans. At 56/100 Neutral, the verdict is that the core deserves a better multiple than the group will get until the subsidiaries stop subtracting, and that the next two results, not the next partnership announcement, are what will move this stock's story.

SOURCES

- Company filings and presentations: Annual Report FY26 (standalone revenue Rs 716.72 cr, total income Rs 725.87 cr, standalone PAT Rs 64.20 cr, exceptional item Rs 9.50 cr), Q1 FY27 results and earnings call transcript (August 6, 2026: standalone income Rs 201.9 cr, EBITDA margin 15.4%, SEM 33 active programs, breakeven thresholds), Q2 and H1 FY27 results, press release and investor presentation (October 27, 2026: consolidated revenue Rs 250.35 cr, PAT Rs 2.97 cr, standalone total income a record Rs 228.0 cr, capex plan about Rs 135 cr, CFO change), AGM reporting (September 4, 2026: consolidated EBITDA Rs 93.7 cr, PAT Rs 29.3 cr, new wins about Rs 64 cr)

- Market and financial data: Screener consolidated (price Rs 202 on October 29, 2026, market cap Rs 735 cr, P/E 62.0, book value Rs 145, ROCE 7.24%, ROE 3.09%, financial history, cash flow, ratios, shareholding), Finnhub (October 29, 2026 close Rs 201.63, 52-week range Rs 155 to Rs 321, peer closes for Sundram Fasteners)

- Shareholding and promoter actions: Screener and Upstox shareholding compilations (promoters 64.86%, DII 0.01%, pledging 0.00% in September 2026, 0.05% in March 2026), SAST disclosures for inter se gift transfers (June and August 2026, corrected filing October 2026)

- Competition and partnerships: ICRA rating material (second largest fastener maker, customer concentration, SEM revenue and Ola share), Autocar Professional (Q2 FY27 subsidiary losses of Rs 9.81 cr, GLVAC partnership terms), company partnership announcements (AEM May 2025, Landworld September 2025, Meishuo December 2024, Nanjing Haohang April 2026), peer tables (IIFL, Univest: Sundram, Happy Forgings, CIE, Bharat Forge)

- Ola receivable: July 2026 reporting of SEM's Section 9 petition claiming about Rs 29.8 cr, contested by Ola Electric on quality grounds