

Q2 FY2014 PAT growth of 100% and EBITDA margin expands to 15.3%

| (Rs. Million) | Q2 | | y-o-y | Q1 | q-o-q | YTD | | y-o-y |
|------------------------|--------|--------|------------|--------|------------|--------|--------|------------|
| | FY2014 | FY2013 | Growth (%) | FY2014 | Growth (%) | FY2014 | FY2013 | Growth (%) |
| Total Income | 784 | 720 | 8.8% | 636 | 23.2% | 1,420 | 1,430 | (0.8)% |
| EBITDA | 120 | 82 | 47.2% | 95 | 25.7% | 215 | 179 | 20.4% |
| Margin (%) | 15.3% | 11.3% | | 15.0% | | 15.2% | 12.5% | |
| Profit Before Tax | 68 | 40 | 71.7% | 49 | 38.7% | 118 | 84 | 39.9% |
| Margin (%) | 8.7% | 5.5% | | 7.8% | | 8.3% | 5.9% | |
| Profit After Tax (PAT) | 49 | 24 | 99.6% | 31 | 58.8% | 80 | 51 | 57.0% |
| Margin (%) | 6.2% | 3.4% | | 4.8% | | 5.6% | 3.5% | |
| Basic EPS (Rs.) | 7.14 | 3.58 | 99.4% | 4.50 | 58.7% | 11.64 | 7.41 | 57.0% |

Commenting on the results, **Mr. Atul Aggarwal, Whole Time Director of Sterling Tools Limited** said:

“We are pleased to report a strong EBITDA growth of 47% with margins expanding by 4%. Our interest coverage ratio have improved meaningfully with Net Debt/Equity of only 0.83x. Management remain focused on cost optimization initiatives, quality improvement program and enhancing our customer relationships

However, in the near term we expect demand in the auto industry to remain depressed due to the continued economic uncertainties and weak consumer sentiment.”

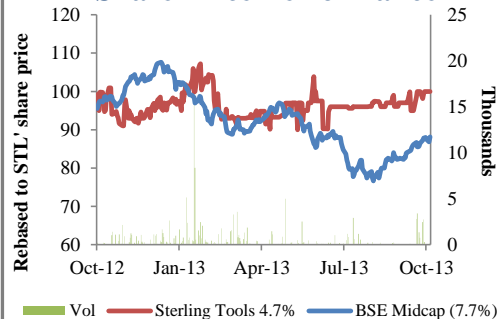
Commentary Q2 FY2014 vs. Q2 FY2013

- Total Income increased by 8.8% y-o-y with sales volume improving by 5% y-o-y. Exports now contribute ~11% of total sales. Average selling price increased by ~5% y-o-y
- EBITDA margins improved significantly by ~399 bps. Margins benefitted from optimized cost of production and increase in Other Income. However, employee cost increased by 34% y-o-y during the quarter. Production volumes increased by 8% y-o-y with utilization levels remaining flat during the quarter
- Net Profit increased by 99.6% y-o-y with margins further improving by ~283 bps due to improved EBITDA margins and lower incidence of tax. This has been offset to some extent by adverse exceptional items
- Total Debt of Rs 837 mm, Cash Rs 30 mm, Net Debt Rs 807 mm and Net Worth of Rs 970 mm. Net Debt / Equity is 0.83x, Current Ratio of 1.18x
- Interest coverage increased from 2.40x to 3.68x in Q2 FY2014

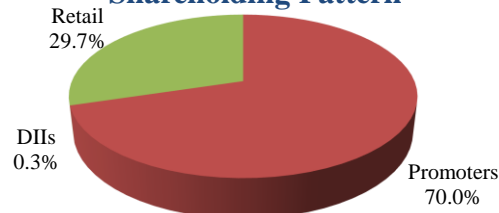
Market Data (29 October 2013)

| | |
|-------------------------|------------------------|
| Share Price | Rs. 100.00 |
| Market Cap (Rs. mn) | 684 |
| Enterprise Val (Rs. mn) | 1,492 |
| Out. Shares (mn) | 6.845 |
| Free Float (%) | 34% |
| FY2013 Dividend/yield | Rs. 5.00 /5.3% |
| 52 Week H/L (Rs.) | 116.0 /79.00 |
| 12m ADT (Rs. '000) | 75 |
| Bloomberg | STRT:IN |
| Sector | Auto Parts & Equipment |

Share Price Performance



Shareholding Pattern



Business Overview

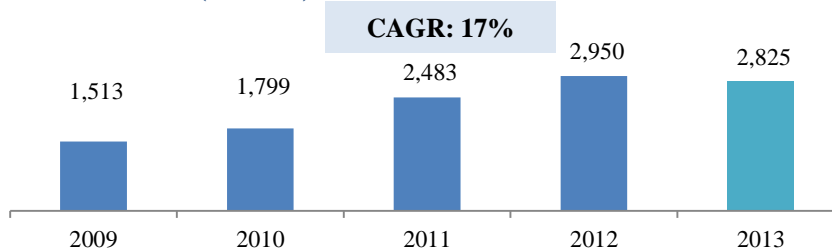
Sterling Tools Limited (STL), founded in 1979, engages in manufacturing of high-tensile (HT) cold forged fasteners mainly for automobiles. The Company is one of top 3 fasteners manufacturers in India and caters to leading automotive companies in India, Europe, South America and USA-NAFTA. STL has 3 plants which are located in Faridabad and has over 1,000 employees

The product portfolio includes special fasteners, standard fasteners, surface treatment and coatings, chassis fasteners and engine fasteners

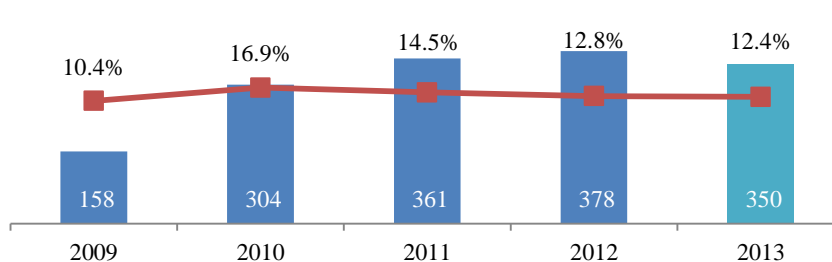
Name Management Position

| | |
|---------------|--|
| ML Aggarwal | Chairman |
| Anil Aggarwal | Managing Director |
| Atul Aggarwal | Whole Time Director, Finance and Marketing |

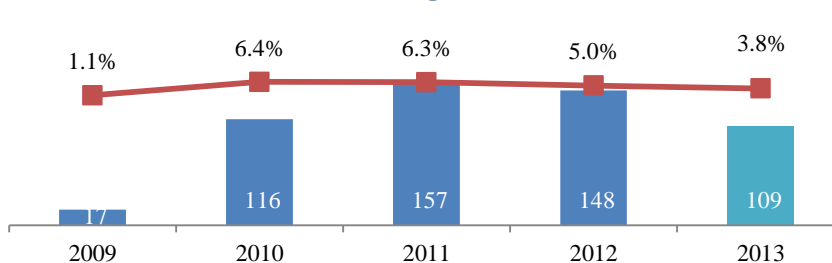
Net Revenue (Rs. mn)



EBITDA (Rs. mn) and Margin (%)



Net Income (Rs. mn) and Margin (%)

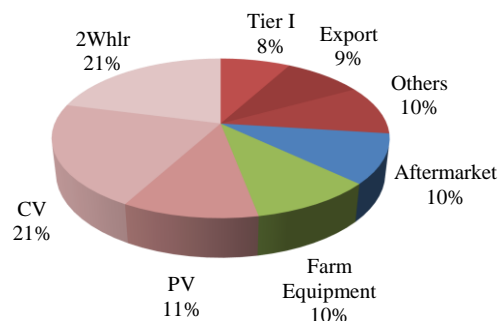


Valuation Metrics

| FYE Mar 31 | FY12 | FY13 |
|------------|------|------|
| EV/Revenue | 0.5x | 0.5x |
| EV/EBITDA | 3.9x | 4.3x |
| P/E | 4.6x | 6.3x |
| P/BV | 0.9x | 0.7x |

Sterling Tools - FY2013

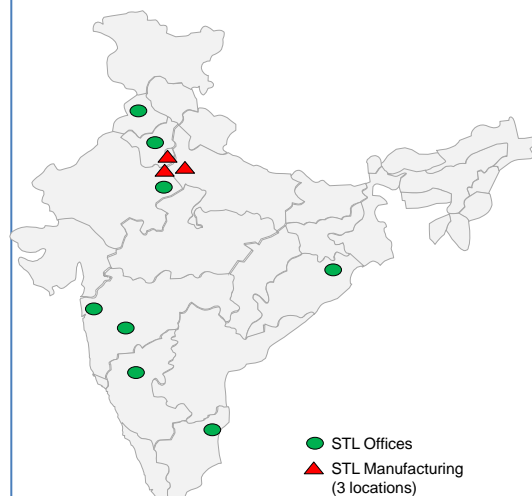
Revenue by End Markets




Global Partners



Domestic Network



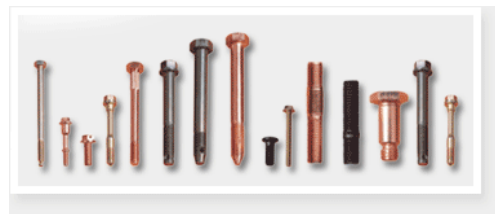
Company Factsheet

| Market Positioning | Best-in-Class Operations | Blue Chip Customer Base | Strategic Vision |
|--|---|--|---|
| <ul style="list-style-type: none"> One of the top 3 manufacturer of fasteners in India Created a niche for itself as a supplier to the leaders in the various segments of the automobile industry Caters to varied and customised demand of clients Largest supplier of HT fasteners to Honda and the second-largest supplier to Maruti and Tata | <ul style="list-style-type: none"> Three manufacturing plants having a total capacity of 38,400 MT located at Faridabad Product range includes over 2,000 types of fasteners ranging from 5 mm to 24 mm in diameter State of the art in-house R&D and technical centre Certifications: ISO 14001:2004 , ISO/TS - 16949:2002 and AS 9100 and ISO 17025 Certification by NABL |  | <ul style="list-style-type: none"> Become a specialty manufacturer of engine and special fasteners Supplier of special fasteners to the Tier-I companies world wide Transform from a manufacturer to a value chain partner Achieve best standards through continuous up-gradation and enhancement of process capabilities |

Product Profile

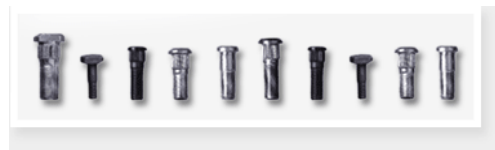
Special Fasteners

- Special fasteners are manufactured to meet unique customer specifications
- Available in a variety of surface protection coatings



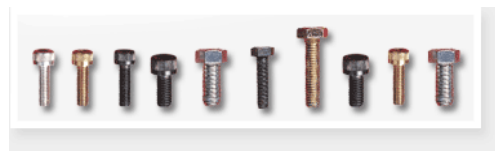
Standard Fasteners

- Standard fasteners include socket head cap screws, hexagonal head bolts, studs, hexagon nuts and weld nuts
- The dual benefits of better fatigue resistance and superior strength have made these fasteners a popular choice



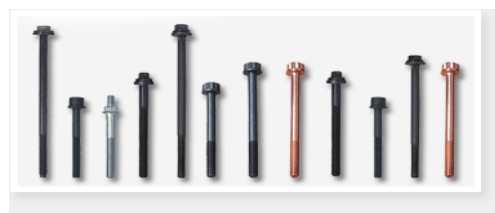
Chassis Fasteners

- Chassis fasteners include hub/wheel bolts, hub nuts, wheel studs, suspension bolts, propeller shaft bolts/nuts, centre bolts, track shoe bolts/nuts & 2 wheeler spindles/wheel axles
- Used in automobiles and heavy earth moving equipment's



Engine Fasteners

- Engine fasteners include cylinder head bolts/screws, fly wheel nuts/bolts, connecting rod bolts/nuts, balance weight bolts and main bearing cap bolts
- Widely used in internal combustion engines





Important Notice

Information Sources: Share price information is sourced from FactSet. Company description and financials are sourced from annual reports and presentations. Net debt is as of September 30, 2013. Free float: Shareholdings of investors that would not, in the normal course, come into the open market for trading are treated as 'Controlling/ Strategic Holdings' and hence not included in free-float.

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