



STERLING TOOLS LIMITED

CIN No.: L29222DL1979PLC009668

Regd. Office: Office No. 515, DLF Tower-A, Jasola District Centre, New Delhi-110025

Corporate Office: Plot No. 4, D L F Industrial Estate, Faridabad-121003

E-mail: csec@stlfasteners.com, Website: www.stlfasteners.com

Tel: 91 129 2270621-25 / Fax: 91 129 2277359

Dear Shareholders:

Today, as we convene the 42nd Annual General Meeting of Sterling Tools Ltd., I warmly welcome everyone on behalf of the Board of Directors to this virtual platform.

May I start by observing a minute of silence in memory of the citizens of our country and specifically our colleagues, associates, friends and acquaintances who passed away during this terrible Pandemic. My colleagues on the Board and I offer our heartfelt condolences to all those who have lost loved ones in the last year.

Esteemed shareholders,

I would like to acknowledge and appreciate the efforts that have been taken by the Government and especially the medical community in this fight against Covid.

The COVID-19 global pandemic has changed human as well as organizational behavior, in some cases permanently, in response to this new reality. As a responsible corporate citizen, it is your Company's relentless endeavor to ensure the health and safety of its employees. We are working with various local authorities, agencies and hospitals, supporting them financially and also meeting some of their requirements of medical products/equipment. As a part of the CSR activities, your company has made significant contributions in the fight against Covid-19.

In addition to Covid-19 relief your company's CSR funds have largely been invested in other health projects including cancer relief and Cochlear implants as well as on education of economically weaker sections of society.

Performance of Auto Industry in 2020-21

The Indian auto industry has experienced some unforeseen volatility and disruptions, along with many planned changes over the past 5-6 years – CV axle loading norm revisions, BSVI transition, new safety norms, NBFC crisis, EV policy, GST, etc. The impact of all these changes was a decline in vehicle sales over the past 3 years from a growth of 5% in FY19, to a degrowth of 18% in FY20. In FY 21, the automobile industry witnessed a significant impact due to the pandemic and registered a further degrowth of 13%. Passenger vehicles sales volumes are now below FY16, two wheelers - lowest since FY15, commercial vehicles – lowest since FY11 and three wheelers – lowest since FY03. Undoubtedly, FY21 was a difficult year for the automobile industry including auto-ancillaries.

The turnover of the **automotive component industry** stood at ₹3.40 lakh crore (\$45.9 billion) for the period April **2020** to March 2021, registering a degrowth of 3 per cent over the previous year. In the volatility created by the pandemic the industry displayed great resolve, including your Company, and supported our customers by ensuring business continuity across the value chain.

Financial Performance of your Company during F.Y. 2020-21:

Inspite of several challenges because of Covid-19 and the slow down in Automotive Sector in Financial Year 2020-21, your Company was able to

deliver a reasonable financial as well as operational performance. At a standalone Company level, revenue from operations decreased marginally from Rs. 36,424 lacs to 35,295 lacs. Profit After Tax (PAT) decreased from Rs. 2904.91 lacs to Rs. 2441.80 lacs. The complete details of the performance of the Company, have been included in the Annual Report, which is circulated to all the stakeholders and is with you. With your permission, I would like to take them as read.

Considering the overall financial performance of the Company for the year and to maintain a consistent track record of declaring dividends, the Board of Directors have recommended a dividend of Rs. 1 per equity share (50%) for the financial year 2020-2021.

Despite a challenging year, Sterling Tools has continued to invest and build a strong Leadership Team as it foresees numerous opportunities for both organic and inorganic growth in the near future.

Your Company maintains low debt levels and capital deployment is closely monitored regularly.

Outlook for Future

As per the International Monetary Fund (IMF), the latest forecast for India's GDP growth is about 9.5% and the long-term prospects for the Indian economy continue to be robust. Various reforms and growth initiatives of the Government, including privatization of public sector enterprises, targeted investment incentives through the Production-Linked Incentives (PLI) Schemes and the new Labor Code, are likely to spur investments and drive business growth in the medium-term.

Vehicle sales are expected to record strong growth in 2021-22, post recovery from effects of the COVID-19 pandemic and absence of third wave. Electric vehicles, especially two-wheelers, are also likely to witness strong sales growth in 2021-22, driven by incentives from Central and State Governments and increasing number of new brands and models on offer in the market.

In the medium term, the Indian automotive industry (including component manufacturing) is expected to reach a turnover of Rs. 16 to-18 trillion (US\$ 251.4-282.8 billion) by 2026.

Road Map for your Company

The Indian Auto Industry is beginning to transition from ICE based vehicles to electric vehicles in future and Sterling is also adapting itself to this shift in powertrain technology. Even though the impact of the shift to EVs will not be substantial on the demand for fasteners in the short term, the Company is preparing itself to take on this challenge in future.

The Company's Electric Vehicle Component Subsidiary, Sterling Gtake E-Mobility Ltd., which was incorporated in January 2020 provides a foothold in the EV segment and positions the Company to be "Future Ready". The said Subsidiary Company has bagged an Order of Rs. 60 Crores from a major renowned Indian Two-Wheeler EV Manufacturer for Motor Control Units (MCUs).

Further, the state-of-the-art fastener manufacturing facility at Bangalore is now commissioned to enable the Company to increase its share of business in South India.

With intense impetus on the vaccination program and other proactive initiatives of the Government, we are confident of a strong resurgence in customer demand in FY22 and anticipate a strong business pipeline. Additionally, we are also taking initiatives to reduce costs wherever possible.

I take this opportunity to sincerely appreciate the dedication and zeal of all our employees who strived through a difficult period and ensured that as an organization, we surmounted all the challenges and progressed. I would also like to thank all my colleagues on the Board for their continued guidance. We acknowledge the unstinted support extended by our valued Customers, Associates, Business Partners, Bankers and the State and Union Governments. Finally, I thank all our shareholders for their enduring trust and confidence. Your support has given us the confidence to keep pushing ourselves, beyond challenges, and complexities, to deliver good returns and consistent value for you year after year.

I wish all of you and your families a safe and healthy year ahead.

Thank You

Anil Aggarwal
Chairman & Managing Director