



Early signs of recovery expected in Q4FY25

Key Financial details:

- Revenue from operations: Rs 1267 Mn vs Rs 1277 Mn (-1% YoY) & Rs 1260 Mn (+1% QoQ)
- EBITDA : Rs 237 Mn vs Rs 292 Mn (-8% YoY) & Rs 237 Mn (+14% QoQ)
- EBITDA Margins: 21.3% vs 22.53%(YoY) & 18.8%(QoQ)- saving in other expenses have boosted margins sequentially
- PAT: 199 Mn vs 203 Mn(-2% YoY) & 178 Mn(+12% QoQ)
- EPS: 3.41 vs 3.53 (YoY) vs 3.09(QoQ)

Volume Details[excluding scrap & throughput loss

- Total: 449 tonnes in Q2FY25 vs 447 tonnes in Q2FY24 (+0.5% growth YoY)
- Bimetal Volumes: 258 tonnes in Q2FY25 vs 281 tonnes in Q1FY24 (-8% growth YoY) – mainly due to decline in USA
- Shunt Volumes: 191 tonnes in Q2FY25 vs 166 tonnes in Q2FY24 (+15% growth YoY) – mainly due to smart meters growth in India

Key Guidance For FY25:

Revenue : Q3 to see gradual improvement, Q4 to show a double digit growth – overall FY25 to end up showing low single digit kind of growth due to headwinds in Europe & USA.

Margins estimated to be around 21%-23% for FY25

Financial Summary

Y/E Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net sales	3,240	4,704	5,089	5,425	6,520	7,774
EBIDTA	735	1,089	1,063	1,119	1,423	1,771
Margins (%)	22.7	23.2	20.9	20.6	21.8	22.8
Adjusted net profit	551	791	843	828	1,072	1,351
EPS (Rs)	14.4	13.7	14.6	14.38	18.6	23.5
P/E (x)	42	43	41	41	32	25
EV/EBITDA (x)	32	32	32	30	23	18
RoCE (%)	29.49%	33.66%	27.70%	24.45%	25.46%	25.68%
RoE (%)	28.76%	29.79%	24.67%	19.93%	20.90%	21.19%

Source: Company

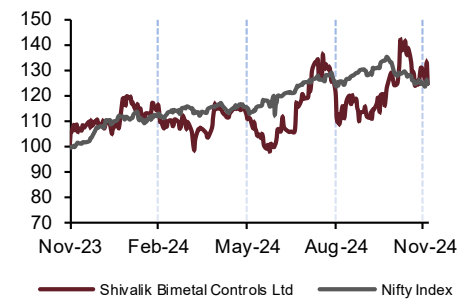
Rating	TP (Rs)	Up/Dn (%)
HOLD	631	0.6

Market Data

Current price	Rs	627
Market Cap (Rs.Bn)	(Rs Bn)	36
Market Cap (US\$ Mn)	(US\$ Mn)	429
Face Value	Rs	2
52 Weeks High/Low	Rs	729.8 / 460
Average Daily Volume	('000)	185
BSE Code		513097
Bloomberg		SBC.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Sep-24	Jun-24
Promoters	51.14	51.13
Public	48.86	48.87
Total	100	100

Source: Bloomberg

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Points to Note:

Revenue: Shivalik's topline growth has been flattish, primarily affected by the slowdown in North America and the softening of commodity prices. The decline in demand in North America can be attributed to two main factors: firstly, a **destocking** trend within the automotive sector due to the **slowdown in demand** for EV's this year, and secondly, anticipation surrounding the **upcoming elections in Nov'2024**. The company anticipates a resurgence in North American demand now that the elections have been called and expects recovery in demand for its products in the US market from Q4 onwards.

Margins which had dipped to levels of ~18% have improved sequentially by ~250 bps mainly due to a favourable product mix & sales of more value-added products in both shunt & bimetals segments in component form vis-à-vis in strip form which was more in last quarter.

Concall Highlights:

Shunt Business:

- FY25 should be broadly in line with FY24 for the shunts segment, growth in the smart meter business will be offset by decline in automotive shunt business.
- Shunt Resistor Revenue Breakup: Automotive –61%, Smart Meter related shunts – 30%, balance 9% from energy storage & other miscellaneous demand.
- Gross Margins for Shunts on the higher side– 46% to 48%. EBITDA margins higher for automotive shunts as compared to smart meter related shunts & for parts sold as components as compared to supply of shunt resistor strips.
- Smart metering– India Business in H1FY25 ~20 Crs– further 10–15% can be expected in H2FY25 vs 5 crs in H1FY24.
- Automotive business for shunt resistors should pick up from Q4 onwards & management expects a double digit growth in Q4FY25.

Bimetals Business:

- Bimetals Revenue Split – around 80% sales was for switchgears & circuit breakers, balance for electrical appliances, gas meters & others.
- Gross Margins in Bimetals business are lower than shunts being in the range of 40%–42%
- On the back of strong public & private capex locally in India & strong outlook given by major clients such as Schneider, ABB, etc the company expects growth in Bimetals– India business growth to sustain at a 15–20% atleast in the domestic market for the next couple of years & demand to recover in India for Bimetals in H2. However due to slowness in other economies such as Europe & USA will persist slightly longer as per management estimates hence diluting overall Bimetals segment growth in H2.

Contacts Business:

- Contacts are seeing good growth due to demand from smart meter segment, company anticipates a revenue of ~18–20 Cr for the year.
- Company has formed an MoU with Metalor wont convert into JV due to terms not being feasible.

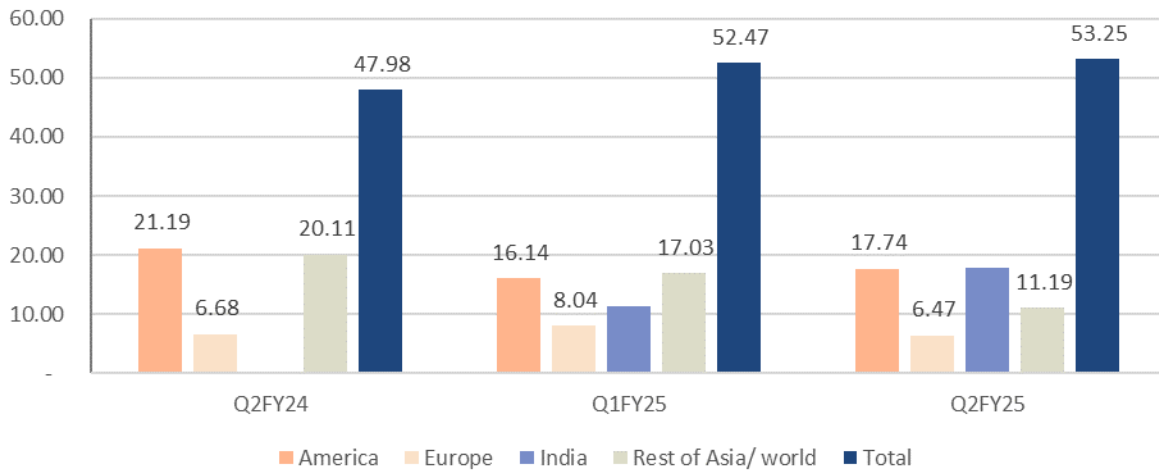
Other KTA's:

- Debtor days' have increased to 75 days in H1FY25 from 71 days in H1FY24, the company expects to keep it below 90 days in FY25 as well.

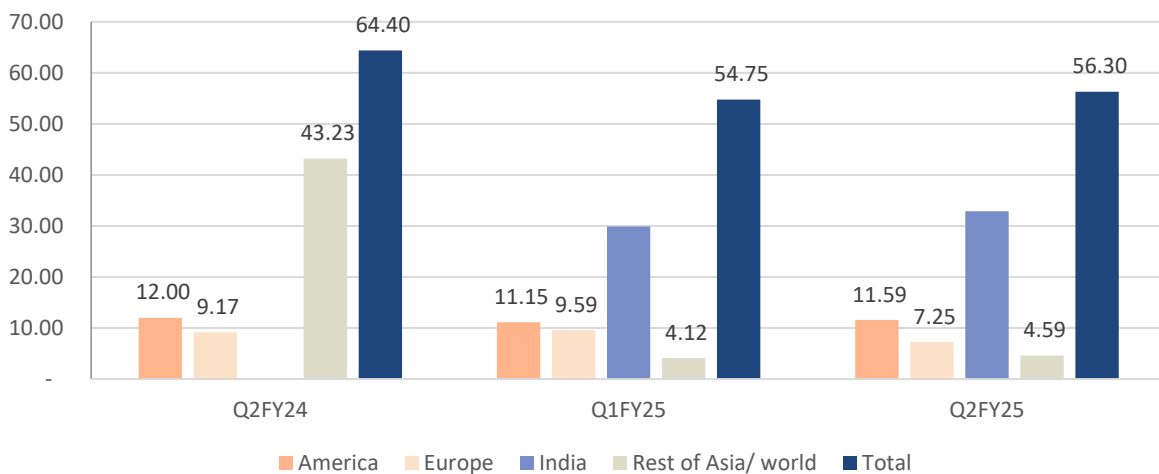
- Inventory Days have gone up from 164 to 191 for H1FY25 days on Y/Y basis –mainly due to more RM kept in stock.
- Company to continue to receive PLI Incentive in FY25 as well however it will be at a lower rate of 3% of the sales.

Region wise Sales

Shunt



Thermostatic Bimetals



Source: Company, Dalal & Broacha Research

Valuations and Outlook:

The company anticipates robust growth in its **domestic Bimetals** segment, projecting a 20-22% CAGR over the next couple of years, driven by the increasing demand for electrification within the country. Similarly, for its shunt resistors, there is an expectation of rapid demand growth fueled by **smart meter** players, as manufacturing and installation of meters are set to ramp up in the latter half of FY25. In the automotive sector, the company holds a bullish outlook on the demand for electric 2w's in India for FY25, with expectations of a surge in demand for 4-wheeler EV's in North America starting from Q3FY25. Overall on the **shunt side**, the growth in smart meters worldwide to offset the slowness in EV demand. Furthermore, the contacts business remains promising, especially with the emergence of relay manufacturers in India catering to the smart meter market. The company anticipates double-digit CAGR for **contacts** in the coming years.

With Industry themes such as electric vehicles, smart meters & switchgears- the company has multiple levers for growth, Shivalik's key customers like Vishay, Schneider setting up capacities - SBCL's management remains confident about 20-25% CAGR. The company has consistently shown a 10% volume growth over the past 5 years. Hence we have projected a 28% CAGR in Revenue, 31% CAGR in EBITDA & 29% CAGR in PBT & PAT from FY24-26E period.

At current market price, Shivalik trades at 41x/32x/25x FY25/26/27e EPS of Rs 14.3/18.6/23.5 respectively and have downgraded our EPS by 7%/13% for FY25/26/27 respectively. Electrification & decarbonisation to continue to remain a relevant theme for the next decade, we remain positive about SBCL's future prospects however due to recent headwinds faced in Europe & North America, we foresee challenges in earnings trajectory for Shivalik in the near-term & hence expect the stock to consolidate atleast for 1-2 quarters thus have revised our rating from "BUY" to "HOLD". We have valued Shivalik at 30x Sep'26e EPS of Rs 21 for Rs 631(0.13% Upside).

Q3FY24 Snapshot

(Rs.Mn)	Q2FY24	Q1FY25	Q2FY25	YoY Growth	QoQ Growth
Revenue from Operations	1,277.6	1,259.8	1,266.5	-1%	1%
Other Income	23.5	28.6	31.0	32%	8%
Total Mfg Cost	696.6	730.5	712.5	2%	-2%
Employee Benefits Expense	103.3	119.4	121.0	17%	1%
Other Expenses	186.1	172.9	163.3	-12%	-6%
Total Expenses	985.9	1,022.9	996.8	1%	-3%
EBITDA (Excluding Other Income)	291.7	236.9	269.7	-8%	14%
Depreciation and Amortisation Expenses	29.2	28.4	28.7	-2%	1%
EBIT / PBIT	286.0	237.2	272.0	-5%	15%
Finance Costs	12.2	9.9	8.2	-32%	-17%
Profit before share in profit of associate & tax	273.8	227.3	263.8	-4%	16%
Share in profit of associate (net of tax)	0.8	8.0	1.9	140%	-76%
EBT/PBT	274.6	235.2	265.7	-3%	13%
Tax Expense	71.1	57.0	66.3	-7%	16%
Net Profit after Tax	203.4	178.2	199.4	-2%	12%
Adj Earning Per Share	3.53	3.09	3.46	-2%	12%
Margins (%)					
Gross Margins	45.48%	42.01%	43.75%	-173	173
EBITDA Margins (Excl Other Income)	22.83%	18.81%	21.30%	-153	249
PAT Margins	15.63%	13.83%	15.37%	-26	154
As a % to sales					
RM as a % to sales	54.52%	57.99%	56.25%	173	-173
EE Cost as a % to sales	8.08%	9.48%	9.55%	147	7
Other exps as a % to sales	14.56%	13.72%	12.89%	-167	-83

Source: Company, Dalal and Broacha Research

Financials

P&L (Rs mn)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net Sales	3,240	4,704	5,089	5,425	6,520	7,774
Total Raw material consumed	1,611	2,452	2,828	3,024	3,488	4,082
Employee Cost	271	389	427	492	565	678
Other Expenses	623	774	771	790	1,043	1,244
Operating Profit	735	1,089	1,063	1,119	1,423	1,771
Depreciation	64	105	121	137	144	151
PBIT	671	984	942	982	1,279	1,620
Other income	54	99	191	136	163	194
Interest	28	70	49	54	65	78
PBT (Before share of JV/associates)	698	1,013	1,084	1,063	1,377	1,736
Share of JV/Associates	35	10	33	42	52	65
PBT	733	1,023	1,118	1,105	1,429	1,801
Provision for tax	182	232	275	276	357	450
PAT (From continuing operations)	551	791	843	828	1,072	1,351
PAT (From Discontinuing operations)	-	-	-	-	-	-
Reported PAT	551	791	843	828	1,072	1,351
Adjusted Profit	551	791	843	828	1,072	1,351

Balance Sheet (Rs mn)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Equity capital	77	115	115	115	115	115
Reserves	1,839	2,540	3,300	4,042	5,013	6,260
Net worth	1,916	2,655	3,415	4,157	5,128	6,375
Minority Interest	-	-	-	-	-	-
Non Current Liabilities	208	290	191	167	150	137
Current Liabilities	954	953	822	917	1,078	1,273
Other Liabilities(associated with discontinued operations/ assets held for sale)	-	-	-	-	-	-
TOTAL LIABILITIES	3,084	3,897	4,428	5,241	6,356	7,784
Non Current Assets	1,085	1,361	1,478	1,350	1,325	1,298
Fixed Assets	850	1,203	1,298	1,165	1,111	1,050
Goodwill	-	20	127	20	20	20
Non Current Investments	185	98	131	138	162	190
Loans						
Non-current assets tax (net)	0	1	2	2	2	2
Deferred Tax Asset	-	-	-	-	-	-
Other Financial Assets	-	4	5	-	-	-
Other Non Current Assets	50	36	25	26	32	38
Current Assets	1,993	2,536	2,949	3,891	5,030	6,487
Current investments	-	-	-	-	-	-
Inventories	1,149	1,320	1,279	1,491	1,720	2,013
Trade Receivables	593	932	1,137	1,115	1,340	1,597
Cash and Bank Balances	109	177	386	1,129	1,785	2,655
Other bank balances	9	2	3	3	3	3
Short Term Loans and Advances	-	-	-	-	-	-
Other Financial Assets	0	1	88	93	112	134
Other current assets tax (net)	0	1	2	2	2	2
Other current assets	133	103	54	57	69	82
TOTAL ASSETS	3,078	3,897	4,428	5,241	6,356	7,784

Cash Flow St. (Rs. mn)	FY22	FY23	FY24	FY25E	FY26E	
PBT (excluding JV/Associates)	698	1,013	1,084	1,063	1,377	
Add: Dep. & Amort.	64	105	121	137	144	
Add: Interest Expenses	28	70	49	54	65	
Operating profit before working capital change	789	1,189	1,254	1,254	1,586	
(Inc)/Dec in						
Working capital adjustment	(500)	(396)	(198)	(123)	(384)	
Gross cash generated from operations	290	792	1,056	1,131	1,202	
Direct taxes paid	(182)	(232)	(275)	(276)	(357)	
Others	(143)	98	(96)	10	13	
CF from Oper. activities	(35)	658	685	865	858	
CF from Inv. activities	(242)	(431)	(184)	(18)	(133)	
CF from Fin. activities	229	(185)	(292)	(104)	(69)	
Cash generated/(utilised)	(48)	42	209	743	656	
Cash at start of the year	157	109	177	386	1,129	
Cash at end of the year	109	177	386	1,129	1,785	
Balance sheet	109	151	386	1,128	1,785	
Ratios	FY22	FY23	FY24	FY25E	FY26E	FY27E
OPM	22.68%	23.16%	20.88%	20.62%	21.83%	22.78%
NPM	16.73%	16.47%	15.96%	14.90%	16.04%	16.95%
Tax Rate	24.81%	22.68%	24.60%	25.00%	25.00%	25.00%
Growth Ratios (%)						
Net Sales	18.00%	45.18%	8.20%	6.59%	20.18%	19.25%
Operating Profit	103.34%	48.27%	-2.44%	5.25%	27.22%	24.41%
PBT	34.68%	45.13%	7.06%	-1.97%	29.53%	26.09%
PAT	35.96%	43.53%	6.53%	-1.69%	29.36%	26.05%
CFO/EBITDA Ratio	-0.05	0.60	0.64	0.77	0.60	0.60
CFO/PAT Ratio	-0.06	0.83	0.81	1.04	0.80	0.79
Per Share (Rs.)						
Net Earnings (EPS)	14.35	13.73	14.63	14.38	18.60	23.45
Cash Earnings (CPS)	16.01	15.56	16.72	16.76	21.10	26.07
Payout ratio	7%	9%	10%	10%	9%	8%
Dividend	1.00	1.20	1.40	1.50	1.75	1.80
Book Value per share (BVPS)	49.89	46.09	59.29	72.17	89.02	110.67
Free Cash Flow	(263)	179	470	860	768	-
Valuation Ratios						
P/E(x)	41.53	43.40	40.74	41.44	32.04	25.42
P/B(x)	11.95	12.93	10.05	8.26	6.70	5.39
EV/EBIDTA(x)	31.78	31.88	32.34	30.05	23.19	18.18
Div. Yield(%)	0.17	0.20	0.23	0.25	0.29	0.30
FCFF Yield(%)	(1.15)	0.52	1.37	2.50	2.24	-
Return Ratios (%)						
ROE	28.76%	29.79%	24.67%	19.93%	20.90%	21.19%
ROCE	29.49%	33.66%	27.70%	24.45%	25.46%	25.68%

Source: Company, Dalal and Broacha Research

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