



Time to transition from Consolidation phase to Growth phase..

13 February 2025

Key Financial details:

- **Revenue from operations:** Rs 1232 Mn vs Rs 1262 Mn (-2% YoY) & Rs 1267 Mn (-3% QoQ)
- **EBITDA :** Rs 246 Mn vs Rs 252 Mn (-3% YoY) & Rs 270 Mn (-9% QoQ)
- **EBITDA Margins:** 19.9% vs 19.95%(YoY) & 21.3%(QoQ)- margins showed slight decline due to additional expense in the new subsidiary opened in Europe & building supply chains.
- **PAT:** 182 Mn vs 169 Mn(-2% YoY) & 199 Mn(+12% QoQ)
- **EPS:** 3.17 vs 2.94 (YoY) vs 3.46 (QoQ)

Volume Details [excluding scrap & throughput loss]

- **Total:** 427 tonnes in Q2FY25 vs 459 tonnes in Q3FY24 (-7% growth YoY)
- **Bimetal Volumes:** 246 tonnes in Q3FY25 vs 272 tonnes in Q3FY24 (-10% growth YoY) - mainly due to decline faced in Europe & Asia.
- **Shunt Volumes:** 181 tonnes in Q3FY25 vs 186 tonnes in Q3FY24 (-3% YoY)

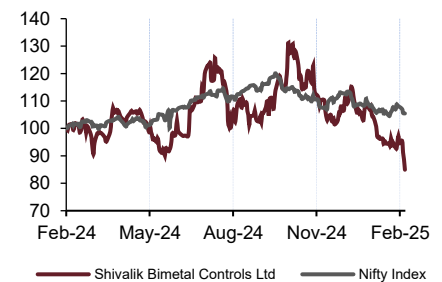
Rating	TP (Rs)	Up/Dn (%)
BUY	636	37

Market Data

Current price	Rs	463
Market Cap (Rs.Bn)	(Rs Bn)	27
Market Cap (US\$ Mn)	(US\$ Mn)	307
Face Value	Rs	2
52 Weeks High/Low	Rs	730 / 454
Average Daily Volume	('000)	117
BSE Code		513097
Bloomberg		SBC.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Dec-24	Sep-24
Promoters	33.17	33.17
Public	66.83	66.83
Total	100.00	100.00

Source: BSE

Financial Summary

Y/E Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net sales	3,240	4,704	5,089	5,047	6,011	7,145
EBIDTA	735	1,089	1,063	952	1,268	1,608
Margins (%)	22.7	23.2	20.9	18.9	21.1	22.5
Adjusted net profit	551	791	843	699	950	1,222
EPS (Rs)	14.4	13.7	14.6	12.13	16.5	21.2
P/E (x)	32	34	32	38	28	22
EV/EBITDA (x)	25	25	25	27	20	15
RoCE (%)	29.49%	33.66%	27.70%	21.52%	23.89%	24.82%
RoE (%)	28.76%	29.79%	24.67%	17.36%	19.47%	20.38%

Source: Dalal & Broacha Research, Company

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Key Comments by Management:

- Basis business volumes in Jan & current customer enquiries, company has reaffirmed their earlier guidance that Q4FY25 onwards topline numbers will start seeing growth .We have estimated an 19% CAGR from FY25-27E
- Margins estimated to improve from here considering the fact that Company has finalized lot of forward integration contracts with existing clients which will not only bring topline growth but will also be margin-accretive. We expect margins to improve from the current 20% for 9MFY25 to 21% in FY26 & 22.4% by FY26.

Conference Call KTA

Shunt Resistors Segment- The company expects a high-teens growth rate in this segment for FY26/27 given the forward integration measures & the new products that have been introduced which has enabled SBCL to increase wallet share from existing customers.

- **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 9MFY25 ~30 Crs. This business expected to grow at a healthy 25-30% CAGR growth considering the smart meter push given by the government.
- **Automotive business** for shunt resistors should pick up from Q4 onwards & management expects a double digit growth in Q4FY25. Apart from EV's SBCL expects good growth from 2W's in the automotive segment & re-iterates the fact that their Shunts find application across engine technologies - be it EV, Hybrid or even ICE. However pickup in EV's will enhance their revenues much faster.

Forward Integration Measures:

- **From Strips to Components for existing Shunt Clients: Company's currently supplies shunts in the form of strips to many clients.** From FY26- company has now formalized contracts to go one step ahead in terms of processing & supplying those shunts in the form of components - which can then be readily used in appliances. This value addition from strips to components will boost their current shunt margins of ~18-19% when supplied in strip form to ~22% in component form. SBCL currently has such contracts in place for ~100 Cr of their shunts business. These contracts are expected to add an incremental ~100 Cr in terms of topline & and incremental 26 Cr in terms of EBITDA.
- **From Component to Final Assembly by introducing their Smart DC Current sensor product:-** which is Higher precision, higher value-add extension of the current shunt resistor. This type of forward integration converts the resistor into final assembly by mounting the resistor on printed-circuit assembly board which can then be used as sensors in various appliances. Company has been long-working on the

prototype of this product , have finally got positive approvals from OEM's for these DC current sensors. The product is now at the final level of sampling & certification & expected to start contributing to revenues in H2FY26 and again expected to be margin-accretive. Apart from sales to OEM's the company is also exploring sales of these sensors through the distributor channel across different countries. Company expects atleast 20% of their shunt business sales to come from this product in FY26.

Bimetals:

- **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%
- **India Business** : Basis discussions with customers like Schneider, ABB, Co. expects its Bimetals India Business to keep growing at 20-25% growth rate.
- **Export Business**- Depending on global macro-economic conditions, this business has the potential to grow at 10-15% CAGR from here. Also the company is trying to penetrate further in Europe & improve their Bimetals market share.
- On the back of strong public & private capex locally in India & strong outlook given by major clients such as Schneider, ABB, LeGrand 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 Fy26 & Fy27.

Contacts Business: Management expects to continue the 15-20% growth trajectory shown in FY25 to continue till FY27.

- Contacts are seeing good growth due to demand from smart meter segment.
- Company now is trying to explore foreign markets for their electrical contact related products.

Other KTA's

Backward Integration Measures:

Since 75%+ sourcing of RM for SBCL is through imports, their inventory days have reached as high as ~200 days, & working capital days have risen to 247 days from 213 days in Q3FY24. Company is actively exploring ways to domestically source their RM requirements either through the inorganic route or by the organic route by setting up facilities to be able to internal processing of RM's.

This should enable SBCL to improve their working capital & inventory efficiency & thus enhancing return ratios.

Valuations and Outlook:

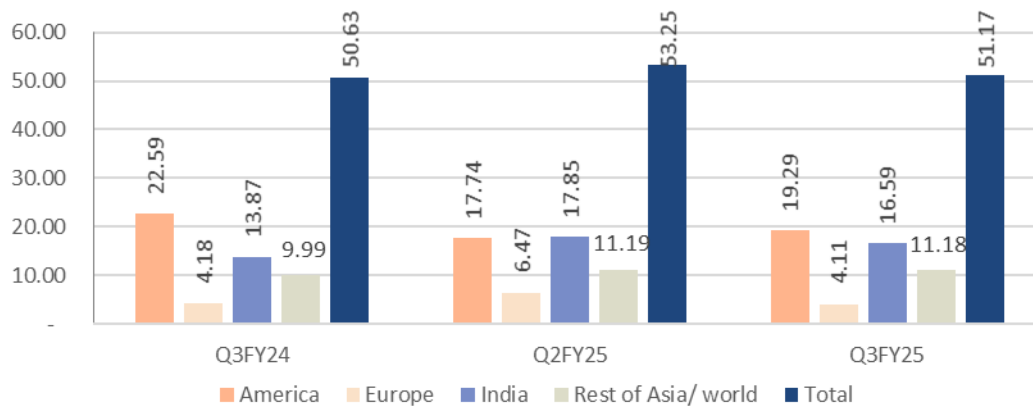
The company anticipates robust growth in its domestic Bimetals segment, projecting a 20%+ CAGR over the next couple of years, driven by the increasing demand for electrification within the country. Similarly, for its shunt resistors, there is an expectation of rapid demand growth fueled by smart meter 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 and a pickup in EV/4-wheeler PV sales in North America starting from Q4FY25. 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, FY25 being an exception. Hence we have projected a 19% CAGR in Revenue, 30% CAGR in EBITDA & 32% CAGR in PAT from FY25-27E period.

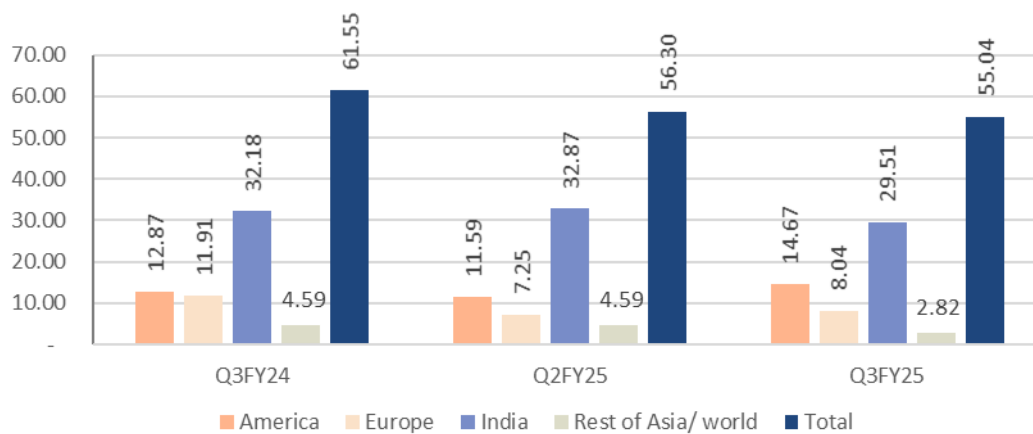
At current market price, Shivalik trades at 38x/28x/22x FY25/26/27e EPS of Rs 12.13/16.5/21.2 respectively. Electrification & decarbonisation to continue to remain a relevant theme for the next decade , we remain positive about SBCL's future prospects & expect a turnaround in numbers starting Q4FY25. Basis positive commentary from the management in concall & valuations becoming reasonable we revised our rating from HOLD to BUY valuing Shivalik at 30x Mar-27EPS of Rs 21.2 for Rs 636(37% Upside). (Hence at 1x peg).

Region wise Sales

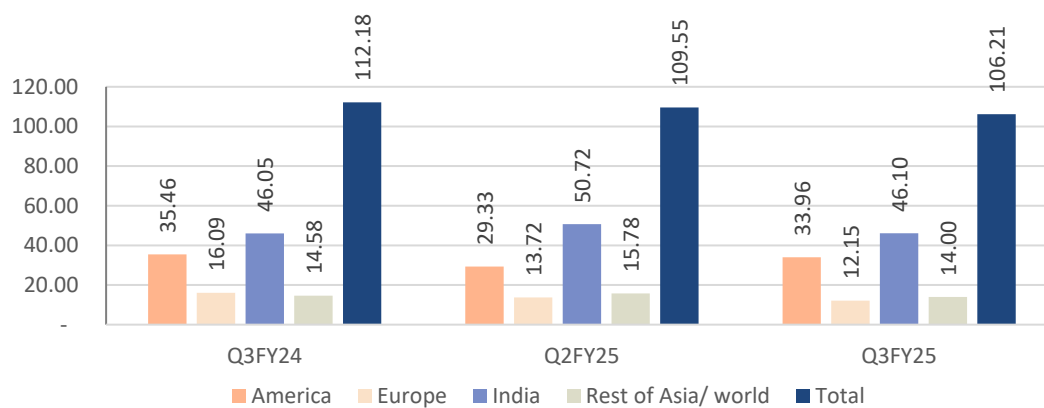
Shunt



Thermostatic Bimetals



Total Revenues



Source: Dalal & Broacha Research, Company

Quarterly Financial

(Rs.Mn)	Q4FY23	Q1FY24	Q3FY24	Q2FY25	Q3FY25	YoY Growth	QoQ Growth
Revenue from Operations	1,236.0	1,271.9	1,262.1	1,266.5	1,232.8	-2%	-3%
Other Income	17.2	14.3	13.7	31.0	35.0	156%	13%
Total Mfg Cost	645.5	678.1	718.5	712.5	695.6	-3%	-2%
Employee Benefits Expense	112.9	100.5	105.0	121.0	127.6	22%	5%
Other Expenses	198.9	191.7	186.8	163.3	164.0	-12%	0%
Total Expenses	957.4	970.4	1,010.3	996.8	987.3	-2%	-1%
EBITDA (Excluding Other Income)	278.6	301.5	251.8	269.7	245.5	-3%	-9%
Depreciation and Amortisation Expenses	27.6	29.4	31.0	28.7	30.0	-3%	5%
EBIT / PBIT	268.2	286.4	234.6	272.0	250.5	7%	-8%
Finance Costs	16.5	13.0	12.7	8.2	8.6	-32%	5%
Profit before share in profit of associate & tax	251.7	273.5	221.8	263.8	241.9	9%	-8%
Share in profit of associate (net of tax)	5.0	5.7	8.0	1.9	1.5	-82%	-22%
EBT/PBT	256.8	279.2	229.9	265.7	243.4	6%	-8%
Tax Expense	41.7	66.4	60.3	66.3	61.0	1%	-8%
Net Profit after Tax	215.1	212.8	169.6	199.4	182.4	8%	-9%
Adj Earning Per Share	3.73	3.69	2.94	3.46	3.17	8%	-9%
Margins (%)							
Gross Margins	47.77%	46.68%	43.07%	43.75%	43.57%	50	-17
EBITDA Margins (Excl Other Income)	22.54%	23.71%	19.95%	21.30%	19.92%	-4	-138
PAT Margins	17.40%	16.55%	13.29%	15.37%	14.39%	109	-98
As a % to sales							
RM as a % to sales	52.23%	53.32%	56.93%	56.25%	56.43%	-50	17
EE Cost as a % to sales	9.13%	7.90%	8.32%	9.55%	10.35%	203	80
Other exps as a % to sales	16.10%	15.08%	14.80%	12.89%	13.31%	-149	41

Source: Dalal & Broacha Research, Company

Financials

P&L (Rs mn)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net Sales	3,240	4,704	5,089	5,047	6,011	7,145
Total Raw material consumed	1,611	2,452	2,828	2,814	3,216	3,715
Employee Cost	271	389	427	492	565	678
Other Expenses	623	774	771	790	962	1,143
Operating Profit	735	1,089	1,063	952	1,268	1,608
Depreciation	64	105	121	137	144	151
PBIT	671	984	942	815	1,124	1,457
Other income	54	99	191	126	150	179
Interest	28	70	49	50	60	71
PBT (Before share of JV/associates)	698	1,013	1,084	890	1,214	1,564
Share of JV/Associates	35	10	33	42	52	65
PBT	733	1,023	1,118	932	1,266	1,629
Provision for tax	182	232	275	233	317	407
PAT (From continuing operations)	551	791	843	699	950	1,222
PAT (From Discontinuing operations)	-	-	-	-	-	-
MI						
Reported PAT	551	791	843	699	950	1,222
Adjusted Profit	551	791	843	699	950	1,222

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	3,912	4,761	5,879
Net worth	1,916	2,655	3,415	4,028	4,877	5,995
Minority Interest	-	-	-	-	-	-
Non Current Liabilities	208	290	191	166	148	135
Current Liabilities	954	953	822	854	995	1,165
Other Liabilities(associated with discontinued operations/ assets held for sale)	-	-	-	-	-	-
TOTAL LIABILITIES	3,084	3,897	4,428	5,047	6,020	7,295
Non Current Assets	1,085	1,361	1,478	1,340	1,312	1,281
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	130	151	176
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	24	29	35
Current Assets	1,993	2,536	2,949	3,707	4,708	6,014
Current investments	-	-	-	-	-	-
Inventories	1,149	1,320	1,279	1,388	1,586	1,832
Trade Receivables	593	932	1,137	1,037	1,235	1,468
Cash and Bank Balances	109	177	386	1,137	1,715	2,510
Other bank balances	9	2	3	3	3	3
Short Term Loans and Advances	-	-	-	-	-	-
Other Financial Assets	0	1	88	87	104	123
Other current assets tax (net)	0	1	2	2	2	2
Other current assets	133	103	54	53	64	76
TOTAL ASSETS	3,078	3,897	4,428	5,047	6,020	7,295

Cash Flow St. (Rs. mn)	FY22	FY23	FY24	FY25E	FY26E	FY27E
PBT (excluding JV/Associates)	698	1,013	1,084	890	1,214	1,564
Add: Dep. & Amort.	64	105	121	137	144	151
Add: Interest Expenses	28	70	49	50	60	71
Operating profit before working capital change	789	1,189	1,254	1,078	1,419	1,787
(Inc)/Dec in						
Working capital adjustment	(500)	(396)	(198)	26	(336)	(404)
Gross cash generated from operations	290	792	1,056	1,104	1,083	1,383
Direct taxes paid	(182)	(232)	(275)	(233)	(317)	(407)
Others	(143)	98	(96)	6	11	13
CF from Oper. activities	(35)	658	685	877	777	989
CF from Inv. activities	(242)	(431)	(184)	(3)	(128)	(134)
CF from Fin. activities	229	(185)	(292)	(122)	(72)	(59)
Cash generated/(utilised)	(48)	42	209	751	578	795
Cash at start of the year	157	109	177	386	1,137	1,715
Cash at end of the year	109	177	386	1,137	1,715	2,510
Balance sheet	109	151	386	1,136	1,715	2,510
Ratios	FY22	FY23	FY24	FY25E	FY26E	FY27E
OPM	22.68%	23.16%	20.88%	18.86%	21.10%	22.51%
NPM	16.73%	16.47%	15.96%	13.51%	15.41%	16.68%
Tax Rate	24.81%	22.68%	24.60%	25.00%	25.00%	25.00%
Growth Ratios (%)						
Net Sales	18.00%	45.18%	8.20%	-0.82%	19.10%	18.85%
Operating Profit	103.34%	48.27%	-2.44%	-10.45%	33.24%	26.79%
PBT	34.68%	45.13%	7.06%	-17.88%	36.37%	28.80%
PAT	35.96%	43.53%	6.53%	-17.05%	35.86%	28.64%
CFO/EBITDA Ratio	-0.05	0.60	0.64	0.92	0.61	0.61
CFO/PAT Ratio	-0.06	0.83	0.81	1.25	0.82	0.81
Per Share (Rs.)						
Net Earnings (EPS)	14.35	13.73	14.63	12.13	16.49	21.21
Cash Earnings (CPS)	16.01	15.56	16.72	14.51	18.99	23.83
Payout ratio	7%	9%	10%	12%	11%	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	69.92	84.66	104.07
Free Cash Flow	(263)	179	470	872	687	-
Valuation Ratios						
P/E(x)	32.19	33.64	31.58	38.07	28.02	21.78
P/B(x)	9.26	10.02	7.79	6.61	5.46	4.44
EV/EBIDTA(x)	24.78	24.80	25.07	27.18	19.97	15.29
Div. Yield(%)	0.22	0.26	0.30	0.32	0.38	0.39
FCFF Yield(%)	(1.48)	0.67	1.77	3.28	2.58	-
Return Ratios (%)						
ROE	28.76%	29.79%	24.67%	17.36%	19.47%	20.38%
ROCE	29.49%	33.66%	27.70%	21.52%	23.89%	24.82%

Source: Dalal & Broacha Research, Company

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