



Growth to pick up from H2 onwards; FY25 to be soft overall

Key Financial details:

- Revenue from operations: Rs 1260 Mn vs Rs 1272 Mn (-1% YoY) & Rs 1277 Mn (-1% QoQ)
- EBITDA : Rs 237 Mn vs Rs 302 Mn (-21% YoY) & Rs 218 Mn (+9% QoQ)
- EBITDA Margins: 18.8% vs 23.7%(YoY) & 17.1%(QoQ)- saving in other expenses have boosted margins sequentially
- PAT: 178 Mn vs 213 Mn(-16% YoY) & 257 Mn(-31% QoQ)
- EPS: 3.09 vs 3.69 (YoY) vs 4.46(QoQ)

Volume Details

- Total: 594 tonnes in Q1FY25 vs 548 tonnes in Q1FY24 (+9% growth YoY)
- Bimetal Volumes: 308 tonnes in Q1FY25 vs 310 tonnes in Q1FY24 (-1% degrowth YoY) – mainly due to decline in USA
- Shunt Volumes: 287 tonnes in FY24 vs 238 tonnes in FY23 (+21% growth YoY) – mainly due to smart meters growth in India

Key Guidance For FY25:

Revenue : 8-12% growth in FY25

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	5,997	7,725	9,853
EBIDTA	735	1,089	1,063	1,194	1,665	2,188
Margins (%)	22.7	23.2	20.9	19.9	21.5	22.2
Adjusted net profit	551	791	843	891	1,266	1,687
EPS (Rs)	14.4	13.7	14.6	15.48	22.0	29.3
P/E (x)	39	41	39	36	26	19
EV/EBITDA (x)	30	30	31	27	19	14
RoCE (%)	29.49%	33.66%	27.70%	25.56%	28.12%	28.74%
RoE (%)	28.76%	29.79%	24.67%	21.12%	23.51%	24.21%

Source: Company

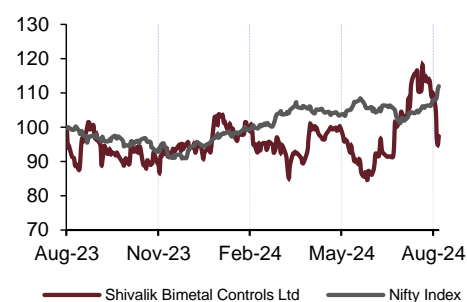
Rating	TP (Rs)	Up/Dn (%)
BUY	659	17

Market Data

Current price	Rs	565
Market Cap (Rs.Bn)	(Rs Bn)	33
Market Cap (US\$ Mn)	(US\$ Mn)	388
Face Value	Rs	2
52 Weeks High/Low	Rs	694 / 460
Average Daily Volume	('000)	456
BSE Code		513097
Bloomberg		SBC.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Jun-24	Mar-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 post-elections, starting from the third quarter of the fiscal year 2025. Additionally, the **price of nickel**, a key raw material for Shivalik, has dropped significantly over the past year, impacting our bimetals performance.

Dip in margins mainly due to the product mix between shunts & bimetals as well as geographical mix. Growth in Q1 has mainly come from domestic business, export revenue from shunt & bimetals has dropped especially in North America which has an impact on our overall EBITDA margins.

Concall Highlights:

Shunt Business:

- Growth guidance for FY25 is ~8-10% on a YoY basis.
- Shunt Resistor Revenue Breakup: Automotive -66%, Smart Meter related shunts - 30%, balance 4% 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
- The Smart meter related shunts revenue is expected to more than double on a YoY basis in FY25 seeing the current traction & ordering.
- SBCL's shunts have application even in hybrid cars, hence hybrid cannibalizing on EV market share would not affect Shivalik. Realisation per EV/hybrid vehicle is ~3x to that of ICE vehicle.

Bimetals Business:

- Bimetals topline has seen a decline partially due to the metal prices & partially due to slowness in India due to elections & other economies such as North America & Europe.
- Bimetals Revenue Split - around 80% sales was for switchgears & circuit breakers, balance for electrical appliances & 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 growth to sustain at a 20-25% atleast in the domestic market for the next couple of years & demand to recover in India for Bimetals in coming quarters. However due to slowness in other economies such as Europe & USA. The middle east crisis between Israel & Iran has also slowed down Asia in the current quarter

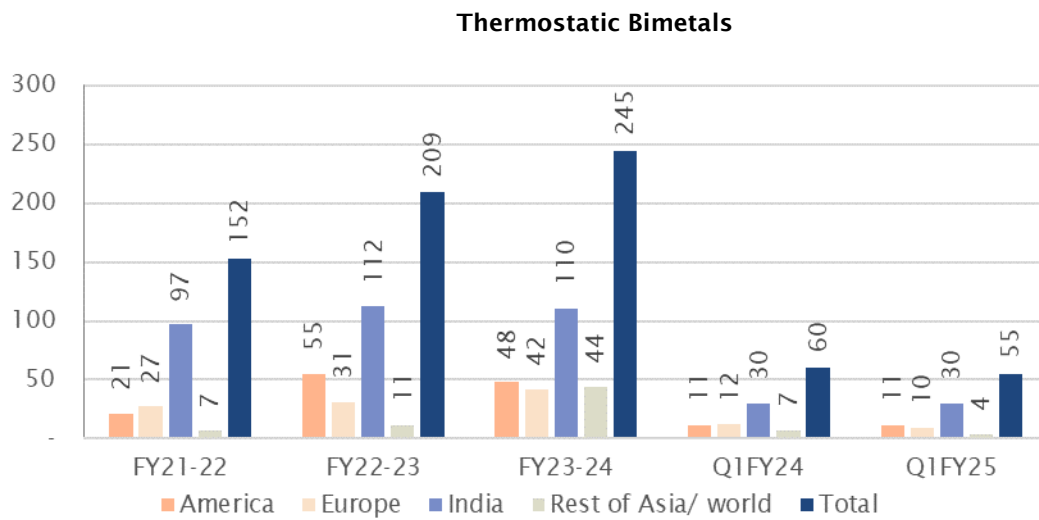
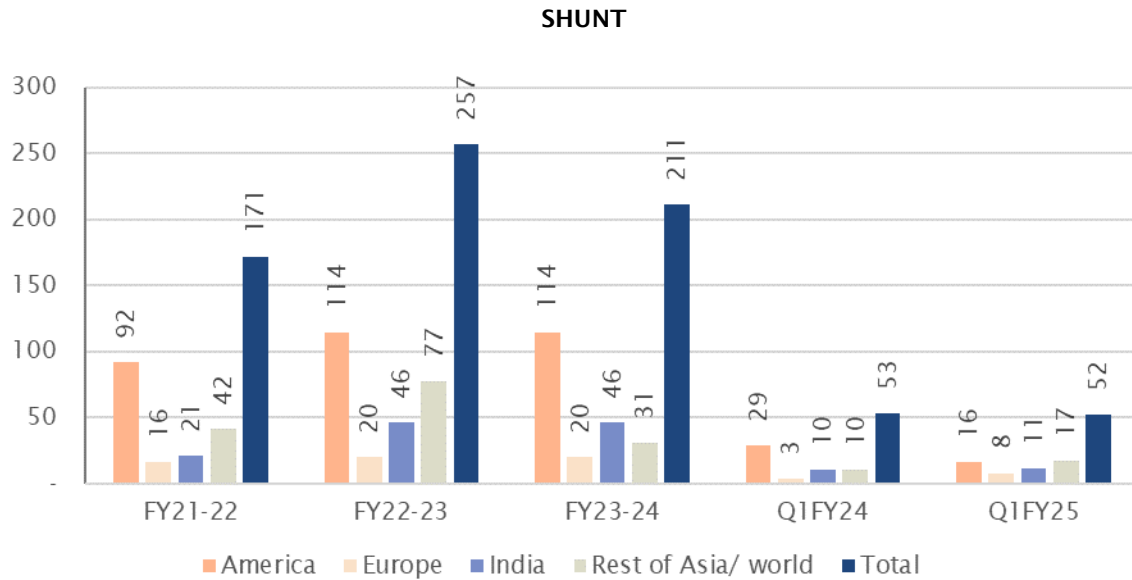
Contacts Business:

- Company has formed an MoU with Metalor technologies, for enhancing their electrical contacts business - the due diligence is through - a commercial arrangement in the form of a JV could soon crystallize in the coming quarters.
- The JV with Metalor has potential to double the total addressable market for Shivalik's silver contacts business as well as can help improve margins in that segment.

Other KTA's:

- Debtor days' have increased from 65 days in Q1FY24 to 77 days in Q1FY25, the company expects to keep it below 90 days in FY25 as well.
- Inventory Days have gone up from 164 to 197 days on Y/Y basis –mainly due to more RM kept in stock.
- Company to continue to receive PLI Incentive however it will be at a lower rate of 3% of the sales.

Region wise Sales



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 36x/26x/19x FY25/26/27e EPS of Rs 15.5/22/29.3 respectively. Electrification & decarbonisation to continue to remain a relevant theme for the next decade , we remain positive about SBCL's future prospects & hence have valued SBCL at 30xFY26E EPS of Rs 22 arriving at a target price of Rs 659 (+17% Upside). We maintain our "BUY" Rating on the stock.

Q1FY25 Snapshot

(Rs.Mn)	Q1FY24	Q4FY24	Q1FY25	YoY Growth	QoQ Growth
Revenue from Operations	1,271.9	1,277.6	1,259.8	-1%	-1%
Other Income	14.3	139.8	28.6	100%	-80%
Total Mfg Cost	678.1	734.9	730.5	8%	-1%
Employee Benefits Expense	100.5	118.6	119.4	19%	1%
Other Expenses	191.7	206.2	172.9	-10%	-16%
Total Expenses	970.4	1,059.8	1,022.9	5%	-3%
EBITDA (Excluding Other Income)	301.5	217.8	236.9	-21%	9%
Depreciation and Amortisation Expenses	29.4	31.0	28.4	-3%	-8%
EBIT / PBIT	286.4	326.7	237.2	-17%	-27%
Finance Costs	13.0	11.4	9.9	-24%	-13%
Profit before share in profit of associate & tax	273.5	315.3	227.3	-17%	-28%
Share in profit of associate (net of tax)	5.7	18.7	8.0	39%	-57%
EBT/PBT	279.2	333.9	235.2	-16%	-30%
Tax Expense	66.4	77.1	57.0	-14%	-26%
Net Profit after Tax	212.8	256.8	178.2	-16%	-31%
Adj Earning Per Share	3.69	4.46	3.09	-16%	-31%
Margins (%)					
Gross Margins	46.68%	42.48%	42.01%	(467.2)	(46.2)
EBITDA Margins (Excl Other Income)	23.71%	17.05%	18.81%	(489.8)	175.8
PAT Margins	16.55%	18.12%	13.83%	(271.4)	(428.6)
As a % to sales					
RM as a % to sales	53.32%	57.52%	57.99%	467.2	46.2
EE Cost as a % to sales	7.90%	9.28%	9.48%	157.7	19.8
Other exps as a % to sales	15.08%	16.14%	13.72%	(135.1)	(241.8)

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	5,997	7,725	9,853
Total Raw material consumed	1,611	2,452	2,828	3,343	4,210	5,321
Employee Cost	271	389	427	534	614	768
Other Expenses	623	774	771	925	1,236	1,576
Operating Profit	735	1,089	1,063	1,194	1,665	2,188
Depreciation	64	105	121	137	144	151
PBIT	671	984	942	1,057	1,520	2,037
Other income	54	99	191	150	193	246
Interest	28	70	49	60	77	99
PBT (Before share of JV/associates)	698	1,013	1,084	1,147	1,636	2,185
Share of JV/Associates	35	10	33	42	52	65
PBT	733	1,023	1,118	1,189	1,688	2,250
Provision for tax	182	232	275	297	422	562
PAT (From continuing operations)	551	791	843	891	1,266	1,687
PAT (From Discontinuing operations)	-	-	-	-	-	-
MI						
Reported PAT	551	791	843	891	1,266	1,687
Adjusted Profit	551	791	843	891	1,266	1,687

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	4,105	5,270	6,854
Net worth	1,916	2,655	3,415	4,220	5,386	6,969
Minority Interest	-	-	-	-	-	-
Non Current Liabilites	208	290	191	168	152	141
Current Liabilites	954	953	822	1,013	1,288	1,634
Other Liabilities(associated with discontinued operations/ assets held for sale)	-	-	-	-	-	-
TOTAL LIABILITIES	3,084	3,897	4,428	5,401	6,826	8,744
Non Current Assets	1,085	1,361	1,478	1,366	1,358	1,354
Fixed Assets	850	1,203	#REF!	1,165	1,111	1,050
Goodwill	-	20	127	20	20	20
Non Current Investments	185	98	131	151	189	235
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	29	37	48
Current Assets	1,993	2,536	2,949	4,036	5,468	7,390
Current investments	-	-	-	-	-	-
Inventories	1,149	1,320	1,279	1,649	2,076	2,624
Trade Receivables	593	932	1,137	1,232	1,587	2,025
Cash and Bank Balances	109	177	386	983	1,585	2,463
Other bank balances	9	2	3	3	3	3
Short Term Loans and Advances	-	-	-	-	-	-
Other Financial Assets	0	1	88	103	133	170
Other current assets tax (net)	0	1	2	2	2	2
Other current assets	133	103	54	64	82	104
TOTAL ASSETS	3,078	3,897	4,428	5,401	6,826	8,744

Cash Flow St. (Rs. mn)	FY22	FY23	FY24	FY25E	FY26E	FY27E
PBT (excluding JV/Associates)	698	1,013	1,084	1,147	1,636	2,185
Add: Dep. & Amort.	64	105	121	137	144	151
Add: Interest Expenses	28	70	49	60	77	99
Operating profit before working capital change	789	1,189	1,254	1,344	1,858	2,434
(Inc)/Dec in						
Working capital adjustment	(500)	(396)	(198)	(350)	(652)	(818)
Gross cash generated from operations	290	792	1,056	994	1,206	1,617
Direct taxes paid	(182)	(232)	(275)	(297)	(422)	(562)
Others	(143)	98	(96)	16	20	24
CF from Oper. activities	(35)	658	685	713	803	1,079
CF from Inv. activities	(242)	(431)	(184)	(40)	(158)	(173)
CF from Fin. activities	229	(185)	(292)	(76)	(44)	(28)
Cash generated/(utilised)	(48)	42	209	597	602	878
Cash at start of the year	157	109	177	386	983	1,585
Cash at end of the year	109	177	386	983	1,585	2,463
Balance sheet	109	151	386	982	1,585	2,463

Ratios	FY22	FY23	FY24	FY25E	FY26E	FY27E
OPM	22.68%	23.16%	20.88%	19.92%	21.55%	22.21%
NPM	16.73%	16.47%	15.96%	14.50%	15.99%	16.71%
Tax Rate	24.81%	22.68%	24.60%	25.00%	25.00%	25.00%
Growth Ratios (%)						
Net Sales	18.00%	45.18%	8.20%	17.83%	28.82%	27.55%
Operating Profit	103.34%	48.27%	-2.44%	12.36%	39.38%	31.44%
PBT	34.68%	45.13%	7.06%	5.79%	42.65%	33.51%
PAT	35.96%	43.53%	6.53%	5.80%	42.03%	33.25%
CFO/EBITDA Ratio	-0.05	0.60	0.64	0.60	0.48	0.49
CFO/PAT Ratio	-0.06	0.83	0.81	0.80	0.63	0.64
Per Share (Rs.)						
Net Earnings (EPS)	14.35	13.73	14.63	15.48	21.98	29.29
Cash Earnings (CPS)	16.01	15.56	16.72	17.86	24.48	31.91
Payout ratio	7%	9%	10%	10%	8%	6%
Dividend	1.00	1.20	1.40	1.50	1.75	1.80
Book Value per share (BVPS)	49.89	46.09	59.29	73.26	93.49	120.98
Free Cash Flow	(263)	179	470	709	713	-
Valuation Ratios						
P/E(x)	39.30	41.07	38.56	36.44	25.66	19.26
P/B(x)	11.30	12.24	9.51	7.70	6.03	4.66
EV/EBIDTA(x)	30.11	30.19	30.60	26.76	18.89	14.02
Div. Yield(%)	0.18	0.21	0.25	0.27	0.31	0.32
FCFF Yield(%)	(1.21)	0.55	1.45	2.18	2.20	-
Return Ratios (%)						
ROE	28.76%	29.79%	24.67%	21.12%	23.51%	24.21%
ROCE	29.49%	33.66%	27.70%	25.56%	28.12%	28.74%

Source: Company, Dalal and Broacha Research

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