



### At inflection point, due to multiple levers of growth!

**Shivalik's topline growth** has been tepid due to slowdown in North America & also the commodity prices softening.

**Dip in Gross margins** & a consequent drop in EBITDA margins mainly due to the product mix executed in the current quarter. Shunt resistor being the higher margin product- the share of which in revenue has gone down from 49% to 44% YoY basis

**Volumes-** For the 9-month period Bimetals have grown at ~20% whereas on the shunt side volumes have just started to recover in the European & Asian markets, however in North America the slowdown persists, the inventory bottlenecks are slowly normalizing & are expected to recover fully only by Q2FY25. Overall the shunt volumes are down by ~9% YTD on a YoY basis.

**Guidance:** Come, FY25 the company still remains positive about a growth guidance of 20-25% & provided the North American market revives - Company might even potentially achieve a growth of 30-35% growth in FY25.

#### Key Financial details:

- Revenue from operations: Rs 1262 Mn vs Rs 1184Mn (+7% YoY) and Rs 1278 Mn (-1% QoQ)
- EBITDA : Rs 252 Mn vs Rs 287 Mn ( -12% YoY) and Rs 292 Mn (-14% QoQ)
- EBITDA Margins: 19.95% vs 24.22%(YoY) & 22.83%(QoQ)
- PAT: 169.61 vs 166.57 (+6% YoY) & 203.42 (-4% QoQ)
- EPS: 2.94 vs 2.89 (YoY) vs 3.53( QoQ)

**Key Positive :** In spite of the automotive cycle being on a downturn globally, growth in the other product verticals like smart meters, energy storage systems, switchgears, circuit breakers & electrical appliances have protected company's topline - hence company has diversified well enough to sail through tough macro scenarios.

#### Financial Summary

Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Net sales	3,240	4,704	5,220	6,778	8,439
EBIDTA	735	1,089	1,160	1,432	1,949
Margins (%)	22.7	23.2	22.2	21.1	23.1
Adjusted net profit	551	791	783	999	1,403
EPS (Rs)	14.4	13.7	13.6	17.35	24.4
P/E (x)	38	40	41	32	23
EV/EBITDA (x)	29	30	27	22	15
RoCE (%)	29.49	33.66	30.76	29.98	31.81
RoE (%)	28.76	29.79	23.25	23.33	25.06

Source: Company, Dalal and Broacha Research

Rating	TP (Rs)	Up/Dn (%)
<b>BUY</b>	<b>682</b>	<b>24</b>

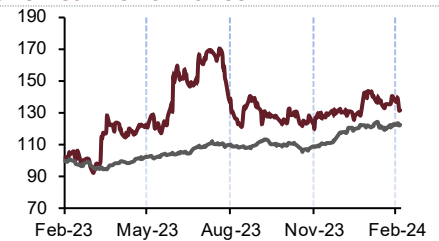
#### Market Data

Current price	Rs	552
Market Cap (Rs.Bn)	(Rs Bn)	32
Market Cap (US\$ Mn)	(US\$ Mn)	383
Face Value	Rs	2
52 Weeks High/Low	Rs	750 / 366
Average Daily Volume	('000)	510
BSE Code		513097

#### Bloomberg

Source: Bloomberg

#### One Year Performance



— Shivalik Bimetal Controls Ltd — Nifty Index

Source: Bloomberg

% Shareholding	Dec-23	Sep-23
Promoters	51.09	51.09
Public	48.91	48.91
<b>Total</b>	<b>100</b>	<b>100</b>

Source: Bloomberg

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## Concall Highlights:

**Capacity utilization :** In Shunts & Bimetals ~36% post recent expansion, Contacts Business Plant operating at Peak Utilisations ( new plant to become operational by Q2FY25 with opportunity to add more 250- 300 Cr revenue to the consolidated topline)

### Shunt Business:

- **Shunt Resistor Revenue Breakup:** Automotive -60%-70%, Smart Meter related shunts - 13-15%, 8-10% from energy storage, balance from other miscellaneous themes & products.
- Shunt sales are down on YoY basis primarily because of the North American slowdown. The management expects America's demands to recover by Q2FY25. Shunt sales in Europe & Asian markets have held up well but expected to grow in the coming quarters.
- **Gross Margins** for Shunts on the higher side - 48% to 52%.
- The Smart meter related shunts revenue is expected to double by FY25 seeing the current traction in the smart meter related tenders & ordering under the Smart meter national programme.

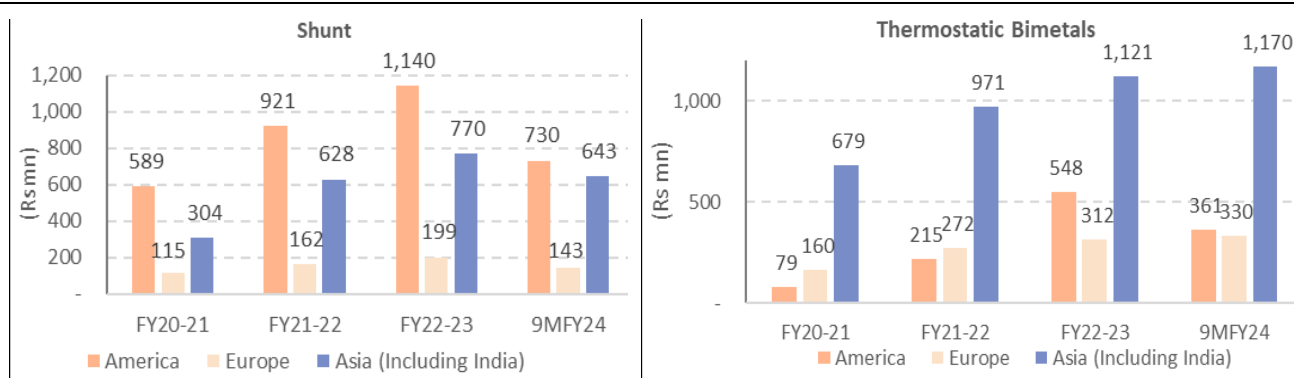
### Bimetals Business:

- **Bimetals Revenue Split** - around 65% sales was for switchgears & circuit breakers, 15-20% for appliances, 8-10% for Gas meters.
- **Gross Margins** in Bimetals business are lower than shunts being in the range of 44%-46%
- **For 9MFY24**, for Asia itself Bimetals are up 41% on a YoY basis, & even on an overall basis Bimetals revenue has grown strongly by 22% on a YoY basis.
- On the back of strong public & private capex locally in India, the company expects growth in **Bimetals to sustain at a double digit growth rate atleast** for the next couple of years.

### Contacts Business:

- Company has formed an MoU with Metalor technologies, for enhancing their electrical contacts business - discussion in advanced stages of due diligence for forming a JV entity in India.
- For Q2FY24, Company currently derives 40% its revenue from domestic sales.

### Region wise Sales



Source: Dalal and Broacha Research

## Valuations and Outlook:

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 achieving the 1600 Cr revenue target in a span of 3-5 years. SBCL currently trades at 41x/32x/23x FY24E/Fy25E/FY26E EPS of Rs 13.6/ 17.35/24.4 There are not many Companies, we can trace which directly or indirectly benefits through all these 3 themes. **However, one will have to be on the watch out for recovery in America's market - consequently once the shunt business picks up, Shivalik's story still looks very enticing with so many growth levers - hence , we continue to assign a "BUY" rating & a target price of Rs 682 (24% upside) at 28x FY26E EPS of Rs 24.4.**

## Q3FY24 Snapshot

(Rs.Mn)	Q3FY23	Q2FY24	Q3FY24	YoY Growth	QoQ Growth
<b>Revenue from Operations</b>	<b>1,183.9</b>	<b>1,277.6</b>	<b>1,262.1</b>	<b>7%</b>	<b>-1.22%</b>
Other Income	6.5	23.5	13.7	111%	-41.66%
Total Mfg Cost	620.9	696.6	718.5	16%	3.14%
Employee Benefits Expense	94.2	103.3	105.0	11%	1.66%
Other Expenses	182.0	186.1	186.8	3%	0.38%
Total Expenses	897.2	985.9	1,010.3	13%	2.47%
<b>EBITDA (Excluding Other Income)</b>	<b>286.8</b>	<b>291.7</b>	<b>251.8</b>	<b>-12%</b>	<b>-13.66%</b>
Depreciation and Amortisation Expenses	27.3	29.2	31.0	14%	6.00%
<b>EBIT / PBIT</b>	<b>265.9</b>	<b>286.0</b>	<b>234.6</b>	<b>-12%</b>	<b>-17.97%</b>
Finance Costs	19.5	12.2	12.7	-35%	4.67%
<b>Profit before share in profit of associate &amp; tax</b>	<b>246.5</b>	<b>273.8</b>	<b>221.8</b>	<b>-10%</b>	<b>-18.98%</b>
Share in profit of associate (net of tax)	(15.5)	0.8	8.0	-152%	921.45%
<b>EBT/PBT</b>	<b>231.0</b>	<b>274.6</b>	<b>229.9</b>	<b>0%</b>	<b>-16.28%</b>
Tax Expense	64.4	71.1	60.3	-6%	-15.31%
<b>Net Profit after Tax</b>	<b>166.6</b>	<b>203.4</b>	<b>169.6</b>	<b>2%</b>	<b>-16.62%</b>
Adj Earning Per Share	2.89	3.53	2.94	2%	-16.62%
<b>Margins (%)</b>					
Gross Margins	47.55%	45.48%	43.07%	(448.0)	(240.6)
EBITDA Margins (Excl Other Income)	24.22%	22.83%	19.95%	(426.6)	(287.7)
PAT Margins	14.07%	15.92%	13.44%	(63.0)	(248.3)
<b>As a % to sales</b>					
RM as a % to sales	52.45%	54.52%	56.93%	448.0	240.6
EE Cost as a % to sales	7.96%	8.08%	8.32%	36.2	23.6
Other exps as a % to sales	15.38%	14.56%	14.80%	(57.5)	23.6

Source: Company, Dalal and Broacha Research

## FINANCIALS

P&L (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Net Sales	3,240	4,704	5,220	6,778	8,439
Total Raw material consumed	1,611	2,452	2,871	3,660	4,473
Employee Cost	271	381	427	533	667
Other Expenses	623	782	762	1,152	1,350
<b>Operating Profit</b>	735	1,089	1,160	1,432	1,949
Depreciation	64	105	162	169	171
PBIT	671	984	998	1,263	1,778
Other income	54	99	104	136	169
Interest	28	70	78	102	127
PBT ( Before share of JV/associates)	698	1,013	1,025	1,297	1,820
Share of JV/Associates	35	10	20	35	50
PBT	733	1,023	1,045	1,332	1,870
Provision for tax	182	232	261	333	468
PAT (From continuing operations)	551	791	783	999	1,403
PAT (From Discontinuing operations )	-	-	-	-	-
Reported PAT	551	791	783	999	1,403
<b>Adjusted Profit</b>	551	791	783	999	1,403

Balance Sheet ( Rs mn )	FY22	FY23	FY24E	FY25E	FY26E
Equity capital	77	115	115	115	115
Reserves	1,839	2,540	3,254	4,167	5,483
<b>Net worth</b>	<b>1,916</b>	<b>2,655</b>	<b>3,369</b>	<b>4,282</b>	<b>5,598</b>
Minority Interest	-	-	-	-	-
<b>Non Current Liabilities</b>	<b>208</b>	<b>290</b>	<b>335</b>	<b>396</b>	<b>419</b>
<b>Current Liabilities</b>	<b>954</b>	<b>953</b>	<b>909</b>	<b>1,105</b>	<b>1,328</b>
<b>Other Liabilities( associated with discontinued operations/ assets held for sale )</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>3,084</b>	<b>3,897</b>	<b>4,614</b>	<b>5,783</b>	<b>7,346</b>
<b>Non Current Assets</b>	<b>1,081</b>	<b>1,361</b>	<b>1,301</b>	<b>1,250</b>	<b>1,199</b>
Fixed Assets	846	1,203	1,134	1,045	954
Goodwill	-	20	20	20	20
Non Current Investments	185	98	106	132	160
Loans					
Non-current assets tax (net)	0	1	1	1	1
Deferred Tax Asset	-	-	-	-	-
Other Financial Assets	-	4	-	-	-
Other Non Current Assets	50	36	40	52	64
<b>Current Assets</b>	<b>1,997</b>	<b>2,536</b>	<b>3,313</b>	<b>4,533</b>	<b>6,147</b>
Current investments	-	-	-	-	-
Inventories	1,149	1,320	1,573	2,006	2,451
Trade Receivables	593	932	1,001	1,207	1,387
Cash and Bank Balances	109	177	621	1,168	2,120
Other bank balances	9	2	2	2	2
Short Term Loans and Advances	-	-	-	-	-
Other Financial Assets	0	1	-	-	-
Other current assets tax (net)	0	1	1	1	1
Other current assets	137	104	115	149	186
<b>TOTAL ASSETS</b>	<b>3,078</b>	<b>3,897</b>	<b>4,614</b>	<b>5,783</b>	<b>7,346</b>

Source: Company, Dalal and Broacha Research

Cash Flow St. (Rs. mn)	FY22	FY23	FY24E	FY25E	FY26E
<b>PBT (excluding JV/Associates)</b>	<b>698</b>	<b>1,013</b>	<b>1,025</b>	<b>1,297</b>	<b>1,820</b>
Add: Dep. & Amort.	64	105	162	169	171
Add: Interest Expenses	28	70	78	102	127
<b>Operating profit before working capital change</b>	<b>789</b>	<b>1,189</b>	<b>1,265</b>	<b>1,568</b>	<b>2,118</b>
<b>(Inc)/Dec in</b>					
Working capital adjustment	(500)	(396)	(155)	(526)	(470)
<b>Gross cash generated from operations</b>	<b>290</b>	<b>792</b>	<b>1,109</b>	<b>1,041</b>	<b>1,649</b>
Direct taxes paid	(182)	(232)	(261)	(333)	(468)
Others	(143)	98	4	7	7
<b>CF from Oper. activities</b>	<b>(35)</b>	<b>658</b>	<b>852</b>	<b>715</b>	<b>1,188</b>
<b>CF from Inv. activities</b>	<b>(242)</b>	<b>(431)</b>	<b>(101)</b>	<b>(106)</b>	<b>(108)</b>
<b>CF from Fin. activities</b>	<b>229</b>	<b>(185)</b>	<b>(327)</b>	<b>(97)</b>	<b>(178)</b>
<b>Cash generated/(utilised)</b>	<b>(48)</b>	<b>42</b>	<b>424</b>	<b>513</b>	<b>902</b>
Cash at start of the year	157	109	177	621	1,168
Cash at end of the year	109	177	621	1,168	2,120
Balance sheet	109	151	601	1,132	2,070

<b>Ratios</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24E</b>	<b>FY25E</b>	<b>FY26E</b>
OPM	22.68%	23.16%	22.23%	21.13%	23.10%
NPM	16.73%	16.47%	14.71%	14.45%	16.30%
Tax Rate	24.81%	22.68%	25.00%	25.00%	25.00%
<b>Growth Ratios (%)</b>					
Net Sales	18.00%	45.18%	10.98%	29.85%	24.51%
Operating Profit	103.34%	48.27%	6.49%	23.45%	36.11%
PBT	34.68%	45.13%	1.16%	26.61%	40.32%
PAT	35.96%	43.53%	-0.96%	27.54%	40.39%
CFO/EBITDA Ratio	-0.05	0.60	0.73	0.50	0.61
CFO/PAT Ratio	-0.06	0.83	1.09	0.72	0.85
<b>Per Share (Rs.)</b>					
Net Earnings (EPS)	14.35	13.73	13.60	17.35	24.35
Cash Earnings (CPS)	16.01	15.56	16.41	20.28	27.32
Payout ratio	7%	9%	9%	9%	6%
Dividend	1.00	1.20	1.20	1.50	1.50
Book Value per share (BVPS)	49.89	46.09	58.49	74.34	97.19
Free Cash Flow	(259)	176	759	635	1,108
<b>Valuation Ratios</b>					
P/E(x)	38.46	40.20	40.59	31.82	22.67
P/B(x)	11.06	11.98	9.44	7.43	5.68
EV/EBIDTA(x)	29.48	29.56	27.22	21.73	15.50
Div. Yield(%)	0.18	0.22	0.22	0.27	0.27
FCFF Yield(%)	(1.22)	0.55	2.39	2.00	3.49
<b>Return Ratios (%)</b>					
ROE	2,876.45	2,979.43	2,325.25	2,333.41	2,505.57
ROCE	2,949.48	3,366.10	3,075.82	2,998.35	3,181.14

Source: Company, Dalal and Broacha Research

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