Shilchar Technologies Limited

Q1FY27 Result Update | **Capital Goods**

Geopolitical tensions create temporary turbulence

DALAL & BROACHA
STOCK BROKING PVT. LTD.

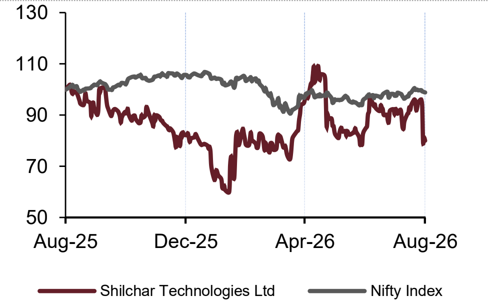
Equity Research Desk

15 August 2026

Rating	TP (Rs)	Up/Dn (%)
BUY ON DIPS	**4,455**	**14**
Market data		
Current price	**Rs**	**3,900**
Market Cap (Rs.Bn)	(Rs Bn)	45
Market Cap (US$ Mn)	(US$ Mn)	467
Face Value	Rs	10
52 Weeks High/Low	Rs	5399 / 2851.25
Average Daily Volume	('000)	53
BSE Code		531201
Bloomberg		SCTE.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	**Jun-26**	**Mar-26**
Promoters	62.12	62.12
Public	37.88	37.88
Total	**100.00**	**100.00**

Source: Bloomberg

A Temporary Roadblock, Not a Structural Setback:

Despite the optimistic commentary in the FY26 Annual Report and Q4FY26 concall, Shilchar reported a weak Q1FY27, with revenue, EBITDA and PAT declining 15%, 58% and 50% YoY, respectively. Gross margin contracted sharply by 1,415 bps YoY. The company's key competitive advantage - its higher export mix, which historically supported superior realisations and margins - turned into a near-term weakness as customers deferred purchases amid elevated shipping costs and geopolitical uncertainty. The sharp reduction in exports, coupled with the time taken to reorient towards the domestic market, resulted in sub-optimal capacity utilisation of 60–65% during the quarter, further weighing on profitability.

That said, we view the current weakness as temporary rather than structural. The underlying demand remains intact, while the disruption is primarily linked to logistics and elevated shipping costs. Management has also maintained its ₹800 crore FY27 revenue ambition despite a weak start to the year, underscoring its confidence in the order pipeline and execution. The ~₹500 crore order book, now skewed towards domestic orders, provides near-term revenue visibility, while a recovery in exports could provide a meaningful margin tailwind given their superior profitability.

We therefore view Q1 as a short-term roadblock in an otherwise intact long-term growth trajectory. While we expect a couple of subdued quarters with margins remaining below historical levels until export demand normalises, the company continues to benefit from a strong product proposition, established customer relationships, healthy balance sheet and a proven management team. We remain constructive on the medium-term outlook and believe investors should look through the current disruption and stay invested for the normalisation of exports and the upcoming capacity-led growth opportunity.

Financial Summary

Y/E Mar (Rs Mn)	FY23	FY24	FY25	FY26	FY27E	FY28E
Net sales	2,802	3,969	6,231	6,519	7,670	10,895
EBIDTA	532	1,134	1,847	1,904	1,695	2,935
Margins (%)	19.0%	28.6%	29.6%	29.2%	22.1%	26.9%
Adjusted net profit	433	919	1,468	1,582	1,432	2,427
EPS (Rs)	38	80	128	138	125	212
P/E (x)	103	49	30	28	31	18
EV/EBITDA (x)	84	39	24	23	26	15
RoCE (%)	41.79%	52.86%	52.29%	37.98%	26.46%	33.69%
RoE (%)	35.63%	43.84%	42.34%	32.23%	23.11%	28.61%

Source: Company, Dalal & Broacha Research

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Quarterly Snapshot

Particulars (INR in mn)	Q1 FY27	Q1 FY26	YoY%	Q4 FY26	QoQ%
Revenue from operations	**1,346**	**1,587**	**-15%**	**1,516**	**-11%**
Other Income	72	42	70%	67	8%
Total Income	**1,418**	**1,630**	**-13%**	**1,583**	**-10%**
Cost of Goods Sold	980	931	5%	1,054	-7%
Employee Benefit Expense	57	58	-1%	60	-4%
Other Expenses	88	75	18%	84	5%
Total Expenses	**1,126**	**1,063**	**6%**	**1,197**	**-6%**
EBITDA	**221**	**524**	**-58%**	**319**	**-31%**
Depreciation Expense	11	10	7%	10	5%
EBIT	**210**	**514**	**-59%**	**309**	**-32%**
Finance Cost	1	1	**-4%**	1	**2%**
Profit Before Tax (PBT)	**281**	**556**	**-49%**	**375**	**-25%**
Exceptional Items	-	-		-	
Tax Expense	72	141	-49%	91	-21%
Net Profit (Adjusted)	**209**	**415**	**-50%**	**284**	**-26%**
Net Profit (Reported)	**209**	**415**	**-50%**	**284**	**-26%**
EPS	**18.2**	**36.3**	**-50%**	**24.8**	**-26%**
Margins			**Changes in bps**		**Changes in bps**
Gross Margins	27.2%	41.4%	-1415	30.5%	-329
EBITDA Margins	16.4%	33.0%	-1664	21.0%	-466
PAT Margins	14.7%	25.5%	-1074	17.9%	-321
Tax Rate	25.7%	25.3%	37	24.3%	141
Other Operational Matrix			**Changes in bps**		**Changes in bps**
COGS as % of Sales	73%	59%	1415	69%	329
EBE as % of Sales	4.3%	3.6%	63	3.9%	32
OE as % of Sales	6.6%	4.7%	186	5.5%	104

Source: Company, Dalal & Broacha Research

Concall KTA's

1. Revenue De-growth; Recovery Dependent on Export Normalisation

- Revenue **declined 15% YoY** to ₹134.6 crore in Q1FY27.
- Export dispatches impacted by 3–5x increase in shipping costs, raising customer landed costs.
- Export weakness viewed as logistics/cost-driven rather than structural demand weakness.
- Domestic dispatches impacted by delays in RM price pass-through negotiations.
- Management remains on track for **~₹800 crore FY27 revenue**, with mix likely skewed towards domestic.
- Q1 revenue could have been ₹30–35 crore higher absent the West Asia disruption.

2. Margin Pressure; Sequential Improvement Expected

- Lower export mix, partial RM cost pass-through and 60–65% utilisation weighed on Q1 margins.
- Export business commands **~10% higher margins** than domestic business.
- Only ~50–60% of RM inflation was passed through on legacy orders.
- New orders are being booked at current RM prices, supporting better margin visibility.
- EBITDA expected to improve sequentially as utilisation ramps up and domestic orders are executed.

3. Strong Order Book Provides Near-term Visibility

- Order book stands at **~₹500 crore**, with **70% domestic / 30% export mix**.
- Q2 fully booked, with majority of order book scheduled for Q2–Q3 execution.
- Additional orders expected for Q3/Q4, providing further revenue visibility.
- Current order book carries reasonable margins, as orders are priced at prevailing RM costs.

4. Capacity Expansion on Track; Larger Transformer Opportunity

- 6,500 MVA Gavasad **expansion remains on track** for April 2027 commissioning.
- Total capacity to increase from 7,500 MVA to 14,000 MVA.
- New facility to initially manufacture existing products, ensuring capacity utilisation ahead of customer approvals for larger transformers.
- Company already in discussions with customers for larger transformers, with approvals/type testing expected to take a few months post production commencement.
- Existing capacity expected to approach full utilisation during FY27, supporting the need for incremental capacity.

5. Key Catalyst: Export Recovery

- Export customers are deferring purchases rather than switching suppliers, supporting confidence in eventual recovery.
- Normalisation in West Asia and freight costs remains the key trigger for export revival.
- Export recovery would provide a meaningful margin tailwind given ~10% higher profitability versus domestic business.

Valuation and Outlook:

The ongoing capacity expansion from 7,500 MVA to 14,000 MVA and planned entry into 220 kV transformers significantly enhances company's growth runway and addressable market. While near-term margins may face pressure due to reducing contribution from exports, price revisions and pass-through mechanisms should support margin expansion sequentially. We remain constructive on the company's medium-term outlook, as a resolution of the West Asia conflict and normalisation of shipping costs could trigger a meaningful recovery in export demand. However, near-term earnings are likely to remain subdued, with FY27 margins expected to stay significantly below historical levels until export demand ramps up.

At the current market price of ₹3,904, the stock trades at ~18.4x FY28 EPS of ₹212. Going forward, we expect the company to sustain healthy growth, with a Revenue/EBITDA/PAT CAGR of 29%/24%/24%. Basis this, we give a **BUY ON DIPS RATING with a TP of ₹4,455 valuing it at 21x FY28E EPS, with an upside of 14%.**

FINANCIALS

P&L (Rs mn)	FY23	FY24	FY25	FY26	FY27E	FY28E
Net Sales	2,802	3,969	6,231	6,519	7,670	10,895
Total Operating Expenses	1,998	2,509	3,894	4,045	5,239	6,973
Employee Cost	116	141	204	243	276	388
Power and Fuel	-	-	-	-	-	-
Other Expenses	157	185	286	327	460	599
Operating Profit	532	1,134	1,847	1,904	1,695	2,935
Depreciation	24	26	34	40	55	78
PBIT	508	1,108	1,813	1,864	1,640	2,857
Other income	81	128	165	260	275	383
Interest	6	2	4	5	5	5
PBT (Before exceptional)	582	1,234	1,974	2,120	1,909	3,236
PBT (post exceptional)	582	1,234	1,974	2,120	1,909	3,236
Provision for tax	150	315	505	538	477	809
Reported PAT	433	919	1,468	1,582	1,432	2,427

Source: Company, Dalal & Broacha Research

Balance Sheet (Rs mn)	FY23	FY24	FY25	FY26	FY27E	FY28E
Equity capital	38	76	76	114	114	114
Reserves	1,176	2,020	3,392	4,794	6,083	8,367
Net worth	**1,214**	**2,096**	**3,468**	**4,908**	**6,197**	**8,481**
Non Current Liabilites	32	33	40	49	50	52
Current Liabilites	531	795	1,391	947	1,094	1,513
TOTAL LIABILITIES	**1,777**	**2,924**	**4,899**	**5,905**	**7,341**	**10,046**
Non Current Assets	**420**	**485**	**681**	**879**	**1,632**	**1,695**
Tangible + Intangible Assets	390	452	588	757	1,501	1,554
Non Current Investments	-	-	-	-	-	-
Income Tax Asset	-	-	-	-	-	-
Other Financial Assets	30	19	71	79	79	79
Other Non Current Assets	1	14	22	43	52	62
Current Assets	**1,357**	**2,439**	**4,217**	**5,026**	**5,709**	**8,351**
Inventories	231	596	931	922	1,068	1,560
Trade Receivables	921	936	2,287	1,536	1,767	2,580
Cash and Bank Balances	93	602	367	440	735	2,058
Short Term Loans and Advances	69	204	539	2,020	2,020	2,020
Other Current Assets	43	102	94	109	119	134
TOTAL ASSETS	**1,777**	**2,924**	**4,899**	**5,905**	**7,341**	**10,046**

Source: Company, Dalal & Broacha Research

Cash flow statement (Rs in mn)	FY23	FY24	FY25	FY26	FY27E	FY28E
Cash flow from operating activities						
Profit before tax	582	1,233	1,974	2,120	1,909	3,236
Depreciation & Amortization	24	26	34	40	55	78
Interest expenses	6	2	4	5	5	5
Operating profit before working capital change	609	1,233	1,989	2,177	1,695	2,935
Working capital adjustment	(65)	(165)	(1,160)	372	(267)	(926)
Gross cash generated from operations	544	1,068	829	2,549	1,429	2,009
Direct taxes paid	(152)	(303)	(433)	(628)	(477)	(809)
Others	-	-	-	-	26	29
Cash generated from operations	392	765	396	1,920	977	1,228
Cash flow from investing activities						
Capex	(55)	(102)	(184)	(231)	(800)	(130)
Others					266	373
Cash generated from investment activities	(121)	(226)	(478)	(1,694)	(534)	243
Cash flow from financing activities						
Proceeds from issue of share	-	-	-	-	-	-
Share premium received on issue of shares	-	-	-	-	-	-
Borrowings/ (Repayments)	(170)	-	-	-	-	-
Interest paid	(6)	(2)	(4)	(5)	(5)	(5)
Dividend paid	(15)	(38)	(95)	(143)	(143)	(143)
Others	6	(250)	145		-	-
Cash generated from financing activities	(186)	(290)	46	(310)	(148)	(148)
Net cash increase/ (decrease)	85	248	(36)	(83)	295	1,323

Source: Company, Dalal & Broacha Research

Ratios	FY23	FY24	FY25	FY26	FY27E	FY28E
OPM	19.0%	28.6%	29.6%	29.2%	22.1%	26.9%
NPM	15.0%	22.4%	23.0%	23.3%	18.0%	21.5%
Tax Rate	25.7%	25.5%	25.6%	25.4%	25.0%	25.0%
Growth Ratios (%)						
Net Sales	55.5%	41.6%	57.0%	4.6%	17.7%	42.0%
Operating Profit	174.8%	113.3%	62.9%	3.1%	-11.0%	73.1%
PBIT	202.6%	118.3%	63.7%	2.8%	-12.0%	74.3%
PAT	187.5%	112.4%	59.8%	7.7%	-9.5%	69.5%
Per Share (Rs.)						
Net Earnings (EPS)	37.8	80.3	128.4	138.3	125.2	212.1
Dividend	0.0	1.0	1.0	1.0	1.0	1.0
Book Value	1061.4	1832.0	3031.6	4290.5	5417.2	7413.4
Free Cash Flow	29.4	57.9	18.5	147.7	15.5	96.0
Valuation Ratios						
P/E(x)	103.2	48.6	30.4	28.2	31.2	18.4
P/B(x)	3.7	2.1	1.3	0.9	0.7	0.5
EV/EBIDTA(x)	83.9	38.9	24.0	23.2	25.9	14.5
Div. Yield(%)	0.0	0.0	0.0	0.0	0.0	0.0
FCFF Yield(%)	0.8	1.5	0.5	3.8	0.4	2.5
Return Ratios (%)						
ROE	35.6%	43.8%	42.3%	32.2%	23.1%	28.6%
ROCE	41.8%	52.9%	52.3%	38.0%	26.5%	33.7%
ROIC	33.6%	55.2%	43.5%	31.1%	22.5%	33.4%

Source: Company, Dalal & Broacha Research

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