Shilchar Technologies Ltd

Plant Visit Note | Capital Goods

Scaling Up for a Multi-Year Growth Opportunity

Rating	TP (Rs)	Up/Dn (%)
BUY	**4,940**	**30**

Market data		
Current price	**Rs**	**3,800**
Market Cap (Rs.Bn)	(Rs Bn)	44
Market Cap (US$ Mn)	(US$ Mn)	458
Face Value	Rs	10
52 Weeks High/Low	Rs	5767 / 2851.25
Average Daily Volume	('000)	26
BSE Code		531201
Bloomberg		SCTE.IN

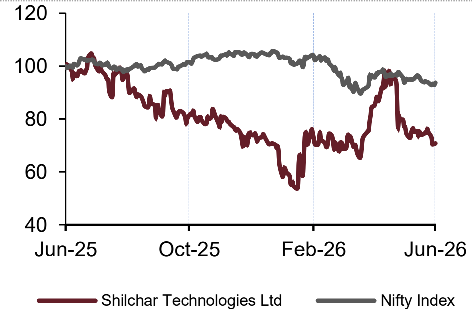
Source: Bloomberg

We had an opportunity of visiting Shilchar Technologies Ltd's plant at Gavasad, Vadodara. Mr Alay Shah (MD), Mr Aatman Shah (Manager-Operations), Mr Aashay Shah (Director) helped us with a detailed walkthrough on key plant processes & near-term as well as long-term vision & objectives of the company.

About the Company

Shilchar Technologies Ltd is a Vadodara-based specialized transformer manufacturer focused on design and production of custom-built power, distribution transformers, with a strong niche in inverter duty transformers used in solar and renewable energy applications. The company operates in the sub-50 MVA and up to 132 kV segment(expanding to 160MVA ,220 Kv), supplying critical equipment to solar EPC players and industrial customers, where product reliability and engineering precision are key differentiators. Over the years, Shilchar has transitioned from a small electronics transformer player to a high margin, export-oriented manufacturer, with a significant portion of its revenue driven by overseas markets such as the US and Europe, positioning it as a beneficiary of the global renewable capex cycle and supply chain diversification away from China.

One Year Performance



Source: Bloomberg

% Shareholding	Mar-26	Dec-25
Promoters	62.12	62.12
Public	37.88	37.88
Total	**100.00**	**100.00**

Source: BSE

Financial Summary

Y/E Mar (Rs Mn)	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Net sales	1,802	2,802	3,969	6,231	6,519	7,500	10,950
EBIDTA	193	532	1,134	1,847	1,904	1,992	3,226
Margins (%)	10.7%	19.0%	28.6%	29.6%	29.2%	26.6%	29.5%
Adjusted net profit	150	433	919	1,468	1,582	1,614	2,637
EPS (Rs)	13	38	80	128	138	141	230
P/E (x)	289	100	47	30	27	27	16
EV/EBITDA (x)	23	8	3	2	2	2	1
RoCE (%)	17.33%	41.79%	52.86%	52.29%	37.98%	30.09%	35.48%
RoE (%)	18.87%	35.63%	43.84%	42.34%	32.23%	25.31%	29.71%

Source: Dalal & Broacha Research

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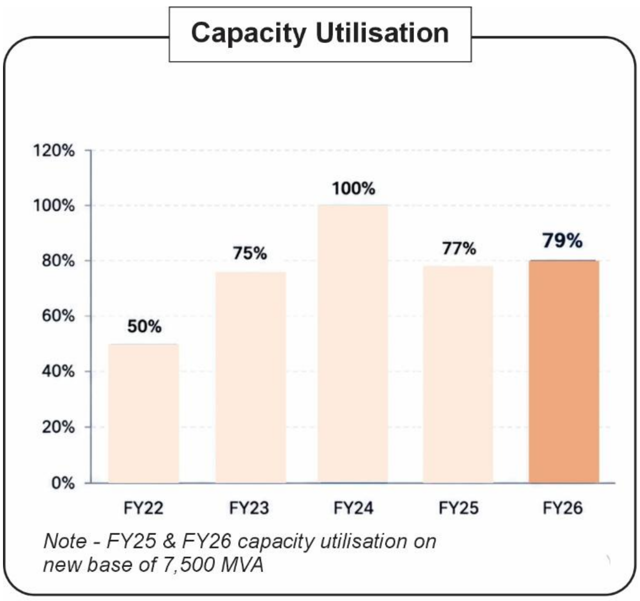
Key Takeaways from our interaction:

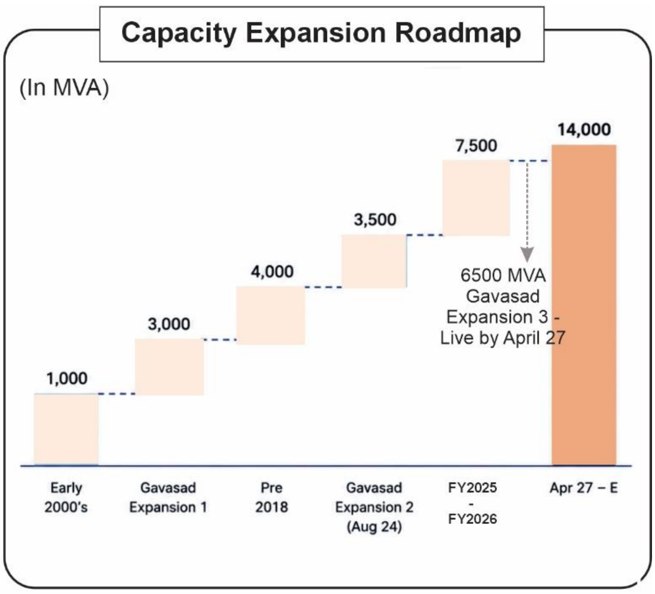
On near-term performance and margin recovery

- Management was unambiguous that Q4 FY26 was driven by two external, temporary factors: Middle East logistics disruption and a sharp spike in transformer oil prices (~100% since February). Almost all the deferred 35–40 Cr export backlog has already shipped in April. New orders are being priced at current commodity levels — so forward margin protection is in place.
- Management indicated that discussions on price revisions for the existing order book are progressing well, with several customers already agreeing to revised terms while negotiations continue with others. Customers acknowledge the sharp increase in raw material costs, and fixed-price contracts are being renegotiated where necessary, while contracts with PV clauses allow for cost pass-through.

On capacity and growth outlook

- FY27 guidance: 800 Cr (conservative) consistent with their track record of beating stated targets. Volume target is ~7,000 MVA (vs. ~6,000 MVA dispatched in FY26). Targeting 90–95% utilization.
- The new facility will target a mix of ~40% power transformers and ~60% distribution/IDT, focused on private sector customers only (not government/PGCIL). Full utilization of the 14,000 MVA facility is targeted within 1.5–2 years of commissioning.
- Management indicated that the expanded 14,000 MVA capacity has the potential to support annual revenues of approximately ₹1,500 crore at full utilization (~FY30). The company also emphasized that it does not intend to wait for peak utilization before initiating plans for the next phase of capacity expansion.
- **10-year revenue aspiration of 3,000 Cr was articulated with confidence** — to be driven by power transformer entry (220 kV class), deepening export penetration, and emerging segments like BESS (Battery Energy Storage System) and data centre transformers.





On strategic choices

- **Zero government/utility exposure.** The company remains exclusively focused on the private sector, with no exposure to government or utility projects. Management highlighted that this strategic positioning enables the company to maintain stronger margins, exercise greater commercial discipline, and operate within a business environment that is better aligned with its organizational culture and long-term objectives
- **No backward integration planned**. Domestic component ecosystem is sufficient for their assembly-focused model. Focus remains on design, engineering, and testing — the value-add activities
- **On order book philosophy: Maximum visibility is 6 months**- The company indicated that order book visibility is typically limited to around six months, reflecting the nature of its private-sector-focused business model. Consequently, its order book is not expected to mirror those of peers with significant government and utility exposure, where longer project execution cycles generally provide greater order book visibility.

Opportunity Size

- Management is structurally bullish. The key framing from the visit: For every 1 GW of solar capacity added, approximately 1 GW of transformer capacity is required at the generation side, another 1 GW at the substation side, and if BESS ((Battery Energy Storage System) is co-located, an additional 1 GW — implying up to 3 GW of transformer demand per 1 GW of renewable installation. This transformer intensity argument is compelling context for FY26's record ~55 GW of renewable commissioning in India.

Facility Observations

- **The Gavasad facility is spread across a 17-acre land** parcel (plus 4.5 acres of adjacent land recently acquired). The plant is visibly well-maintained — clean, organised, and professionally managed across both office and factory floor.
- **Dust-free environment:** Positive air pressure via full HVAC system with epoxy flooring across all production areas — essential for transformer quality and export-grade product standards
- **Testing infrastructure:** Three simultaneous NABL-accredited testing lines, including an in-house impulse generator (up to 900 KVP / 90 KJ), an automatic high voltage tester (up to 300 KV / 1 Amp), and a partial discharge-free lab suitable for up to 132 kV class transformers.
- **Production equipment:** PLC-based fully automatic foil winding machines with argon gas brazing, VPD (Vacuum Pressure Drying) labs, Konecranes for heavy handling, and oil handling systems.
- **SAP ERP live since 2017: Material storage with full traceability and identification integrated into SAP — unusual for a company of this scale and a genuine operational differentiator for export customer audits.**
- **Two production shops:** one dedicated to 5 MVA / 33 kV class (distribution), one to 50 MVA / 132 kV class (power). The clear demarcation reflects the different manufacturing requirements and testing protocols across product families.

Factory Floor

Source: Company, Dalal & Broacha Research

Product Profile

Source: Company, Dalal & Broacha Research

Product wise Lead Times

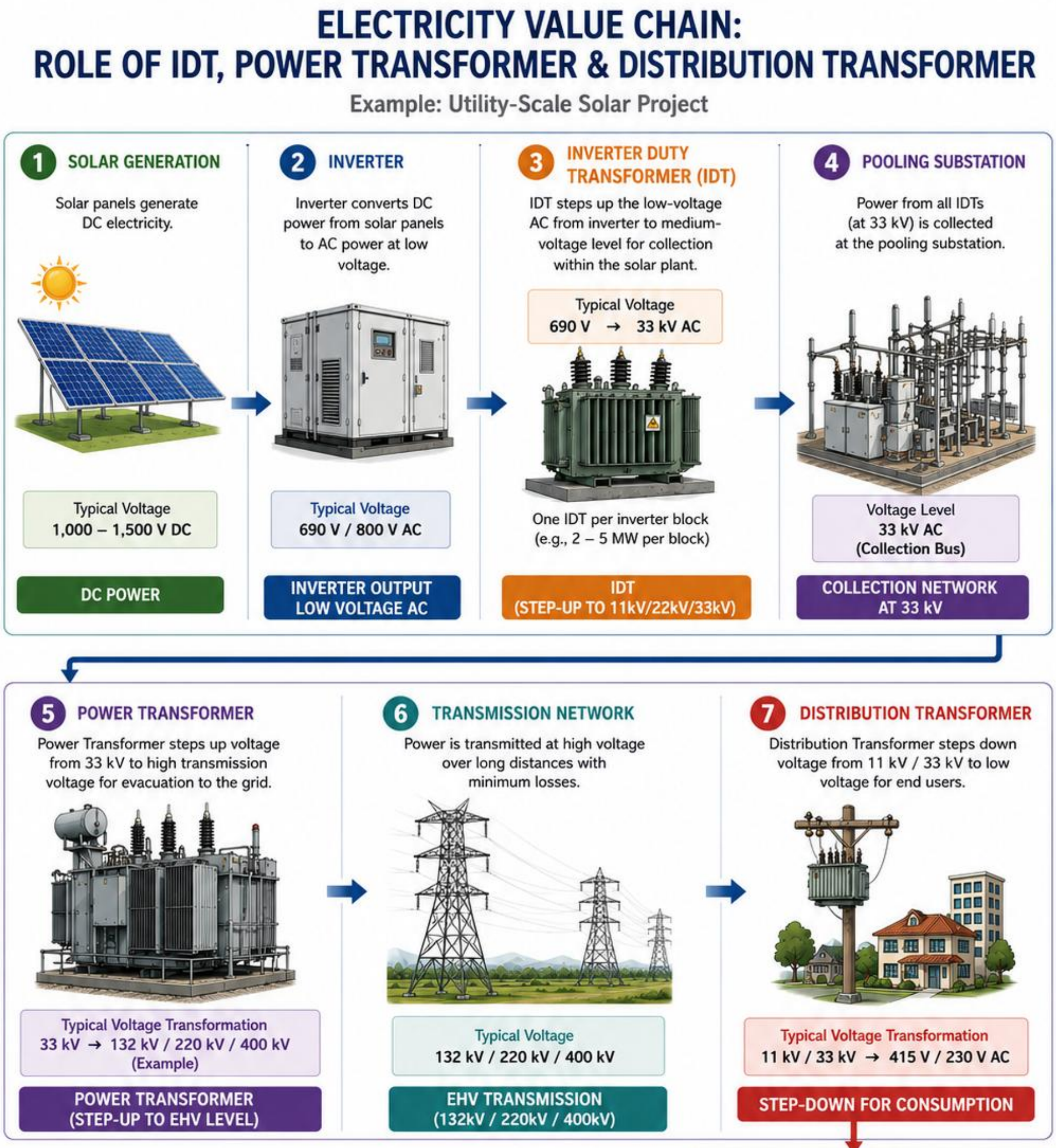
Shilchar manufactures across six categories: power transformers (up to 66 kV, expanding to 220 kV), distribution transformers (up to 33 kV), inverter duty transformers — solar (IDT), generator transformers — wind, hydro transformers (up to 132 kV), and furnace transformers

Product Type	Lead Time
Distribution transformers (<5 MVA)	10–12 weeks
Power transformers / IDT (higher kV)	12–16 weeks
BESS transformers	Similar to power transformer

Source: Dalal & Broacha Research

The new Gavasad facility will be capable of manufacturing transformers up to 160 MVA, 220 kV class. Customer audits and PGCIL approvals for these higher-class transformers are expected to take 9–12 months post-commissioning; during this period management plans to continue manufacturing solar and wind transformers in the new facility to ensure no idle capacity.

Explaining the Value chain



TRANSFORMER TYPES – ROLE, VOLTAGE LEVELS & EXAMPLES

Transformer Type	Role	Typical Voltage Transformation	Where Used / Example
Inverter Duty Transformer (IDT)	Steps up inverter output to medium voltage for collection	690 V / 800 V → 11 kV / 22 kV / 33 kV	Inside solar plant, one per inverter block (2–5 MW per block)
Power Transformer	Steps up medium voltage to high transmission voltage for long-distance evacuation	33 kV → 132 kV / 220 kV / 400 kV	Pooling substation (e.g., 200 MVA, 220 kV transformer)
Distribution Transformer	Steps down medium voltage to low voltage for end-user supply	11 kV / 33 kV → 415 V / 230 V	At distribution network (pole mounted / ground mounted) 500 kVA, 33 kV / 415 V

KEY TAKEAWAYS

- IDTs are used at inverter level to step up low voltage (690V/800V) to 11kV/22kV/33kV for collection within the solar plant.
- Power Transformers are used at the pooling substation to step up to high transmission voltage (132kV / 220kV / 400kV) for evacuation to the grid.
- Distribution Transformers are used in the distribution network to step down voltage to 415V / 230V for end consumers.
- All three transformer types are essential and operate at different stages of the electricity value chain.

Note: Voltage levels are indicative and may vary based on project design, utility standards and location.

Source: Dalal & Broacha Research

Conclusion

Why are we liking Shilchar Technologies at this point?

Strong Financial Track Record: Shilchar has delivered a robust Revenue/EBITDA/PAT CAGR of 51%/113%/119% and 41%/80%/92% over FY23-26 and FY21-26 respectively, underpinned by strong demand and operating leverage (led by higher export mix ~ 48% in FY26 vs ~19% in FY21). The company has remained operating cash flow positive in 9 of the last 10 years, with all growth capex funded through internal accruals. This highlights management's execution capability, prudent capital allocation, and the inherently cash-generative nature of the business.

- **High Asset Turnover** – Shilchar operates with an industry-leading asset turnover ratio of ~7x–8x, reflecting efficient capital deployment and translating into best-in-class return ratios.
- **First-mover credentials in high-growth categories**: First Indian manufacturer of solar IDTs; early mover in copper coil and aluminium foil conductor configurations; now early in BESS transformers and data centre transformers.
- **Capacity Expansion to Support Next Leg of Growth** – The company is undertaking a ₹90 crore capacity expansion, which will increase manufacturing capacity by ~90% from 7,500 MVA to 14,000 MVA by April 2027. At optimal utilization, the incremental capacity of 6,500 MVA is expected to generate additional revenues of approximately ₹600–650 crore. Furthermore, the company possesses adequate land availability to potentially double capacity beyond the current expansion phase. The enhanced manufacturing capabilities will also facilitate entry into higher-rated transformers of up to 160 MVA and 220 kV, expanding its addressable market.
- **Industry-Leading Margins** – Shilchar consistently delivers EBITDA margins of ~30–31%, significantly ahead of industry averages. Margin resilience is supported by its focus on niche, customized transformer solutions, strong technological capabilities, and an early-mover advantage in the renewable energy segment and exports (realizations higher by ~10-15%), particularly solar inverter duty transformers (IDTs).
- **Low customer concentration** - No single customer >10% of revenue
- **Made-to-Order Manufacturing Model Enhances Working Capital Efficiency** – Unlike the conventional stock-and-hold approach followed by many industry participants, Shilchar primarily operates on a made-to-order basis. This results in lower inventory requirements, improved cash conversion, and superior working capital management.
- **Debt-Free Balance Sheet** – The company maintains a debt-free capital structure, with ongoing capacity expansion being funded entirely through internal accruals, underscoring its strong cash generation capabilities and prudent financial management.
- **Return Ratios** – Supported by high asset turns, robust profitability, and efficient capital allocation, the company generates industry-leading return metrics, with ROCE and ROE consistently exceeding 50%

- **Global transformer supply shortage -** A global shortage of transformer supply (driven by simultaneous grid modernisation, renewables buildout, and data centre expansion across the US, EU, and Middle East) has created significant export opportunity for qualified Indian manufacturers. Shilchar, with ~19 years of export experience and approvals across 25+countries, is well-positioned to capture this.
- **Emerging demand segments: BESS (Battery Energy Storage System) transformers:** BESS adoption increases transformer intensity rather than displacing IDTs. A 20 MVA BESS transformer order has already been won. **Data centre transformers**: An early-stage opportunity being tracked carefully. Some ancillary components currently have multi-year import lead times, which management is monitoring. This segment is not material today but could be meaningful over a 3–5year horizon.
- **Industry Tailwind:** Government targeting 500 GW of RE capacity by 2030 (solar being the dominant contributor). Solar IDTs remain the core of Shilchar's product mix.

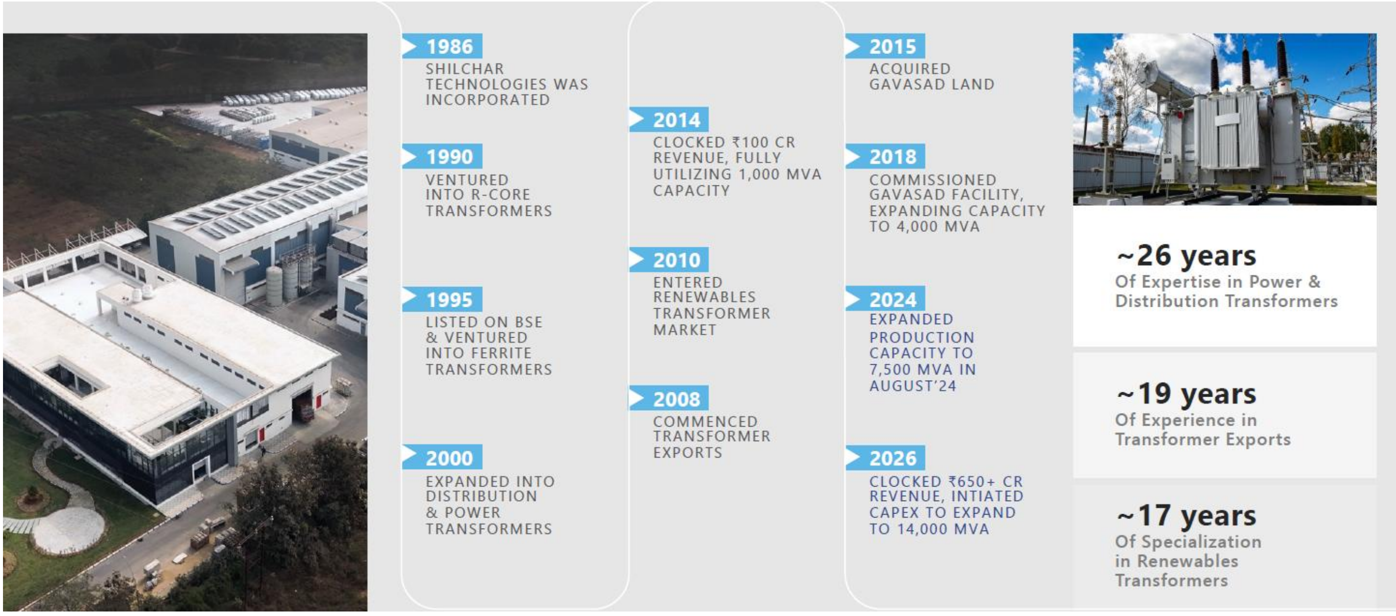
Valuation & Outlook

Shilchar Technologies is well positioned to benefit from structural growth drivers including renewable energy, grid modernization, BESS deployment, data centres, and rising global transformer demand. The company's leadership in inverter duty transformers (IDTs), strong export presence, debt-free balance sheet, and industry-leading return ratios provide a durable competitive advantage.

The ongoing capacity expansion from 7,500 MVA to 14,000 MVA and planned entry into 220 kV transformers significantly enhance its growth runway and addressable market. While near-term margins may face pressure from commodity and logistics volatility, price revisions and pass-through mechanisms should support margin stability. We remain constructive on the company's medium-term outlook, supported by capacity-led growth, export expansion, and sustained demand across power and renewable sectors, making it a compelling play on the global energy transition

From FY21–26, Shilchar Technologies has delivered robust growth with revenue/EBITDA/PAT CAGR of 41%/80%/92%. At the current market price of ₹3,800, the stock trades at ~16x FY28 EPS of ₹230. Despite delivering industry-leading growth and return ratios, the stock continues to trade at a discount to peers such as Voltamp Transformers and Transformers and Rectifiers (India), presenting an attractive valuation opportunity. Going forward, we expect the company to sustain healthy growth, with a revenue/EBITDA/PAT CAGR of 30%/30%/29%. Basis this, we have a **BUY RATING with a TP of ₹4,940 valuing it at 21x FY28E EPS, (0.74x PEG) with an upside of 30%.**

Company: Key Milestones



Source: Company, Dalal & Broacha Research

Financials

P&L (Rs mn)	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Net Sales	1,802	2,802	3,969	6,231	6,519	7,500	10,950
Total Operating Expenses	1,406	1,998	2,509	3,894	4,045	4,822	6,789
Employee Cost	77	116	141	204	243	270	390
Power and Fuel	-	-	-	-	-	-	-
Other Expenses	125	157	185	286	327	415	545
Operating Profit	193	532	1,134	1,847	1,904	1,992	3,226
Depreciation	26	24	26	34	40	72	78
PBIT	168	508	1,108	1,813	1,864	1,920	3,148
Other income	34	81	128	165	260	275	383
Interest	-	6	2	4	5	5	5
PBT (Before exceptional)	201	582	1,234	1,974	2,120	2,189	3,527
PBT (post exceptional)	201	582	1,234	1,974	2,120	2,189	3,527
Provision for tax	51	150	315	505	538	575	890
Reported PAT	150	433	919	1,468	1,582	1,614	2,637

Balance Sheet (Rs mn)	FY24	FY25	FY26	FY27E	FY28E
Equity capital	76	76	114	114	114
Reserves	2,020	3,392	4,794	6,265	8,759
Net worth	**2,096**	**3,468**	**4,908**	**6,380**	**8,873**
Non Current Liabilites	33	40	49	50	52
Current Liabilites	795	1,391	947	1,094	1,513
TOTAL LIABILITIES	**2,924**	**4,899**	**5,905**	**7,523**	**10,438**
Non Current Assets	**485**	**681**	**879**	**1,615**	**1,678**
Tangible + Intangible Assets	452	588	757	1,485	1,537
Non Current Investments	-	-	-	-	-
Income Tax Asset	-	-	-	-	-
Other Financial Assets	19	71	79	79	79
Other Non Current Assets	14	22	43	52	62
Current Assets	**2,439**	**4,217**	**5,026**	**5,908**	**8,760**
Inventories	596	931	922	1,068	1,560
Trade Receivables	936	2,287	1,536	1,767	2,580
Cash and Bank Balances	602	367	440	934	2,467
Short Term Loans and Advances	204	539	2,020	2,020	2,020
Other Current Assets	102	94	109	119	134
TOTAL ASSETS	**2,924**	**4,899**	**5,905**	**7,523**	**10,438**

Cash flow statement (Rs in mn)	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Cash flow from operating activities							
Profit before tax	191	582	1,233	1,974	2,120	2,189	3,527
Depreciation & Amortization	26	24	26	34	40	72	78
Interest expenses	11	6	2	4	5	5	5
Operating profit before working capital change	226	609	1,233	1,989	2,177	1,992	3,226
Working capital adjustment	(252)	(65)	(165)	(1,160)	372	(267)	(926)
Gross cash generated from operations	(26)	544	1,068	829	2,549	1,726	2,300
Direct taxes paid	(39)	(152)	(303)	(433)	(628)	(575)	(890)
Others	-	-	-	-	-	26	29
Cash generated from operations	(65)	392	765	396	1,920	1,176	1,438
Cash flow from investing activities							
Capex	(24)	(55)	(102)	(184)	(231)	(800)	(130)
Others						266	373
Cash generated from investment activities	(9)	(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)	87	(170)	-	-	-	-	-
Interest paid	(11)	(6)	(2)	(4)	(5)	(5)	(5)
Dividend paid	(6)	(15)	(38)	(95)	(143)	(143)	(143)
Others	(9)	6	(250)	145		-	-
Cash generated from financing activities	61	(186)	(290)	46	(310)	(148)	(148)
Net cash increase/ (decrease)	(13)	85	248	(36)	(83)	494	1,533

Ratios	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
OPM	10.7%	19.0%	28.6%	29.6%	29.2%	26.6%	29.5%
NPM	8.2%	15.0%	22.4%	23.0%	23.3%	20.8%	23.3%
Tax Rate	25.2%	25.7%	25.5%	25.6%	25.4%	26.3%	25.2%
Growth Ratios (%)							
Net Sales	60.0%	55.5%	41.6%	57.0%	4.6%	15.0%	46.0%
Operating Profit	0.0%	174.8%	113.3%	62.9%	3.1%	4.6%	61.9%
PBIT	0.0%	202.6%	118.3%	63.7%	2.8%	3.0%	64.0%
PAT	60.0%	187.5%	112.4%	59.8%	7.7%	2.1%	63.3%
Per Share (Rs.)							
Net Earnings (EPS)	13.2	37.8	80.3	128.4	138.3	141.1	230.5
Dividend	0.0	0.0	1.0	1.0	1.0	1.0	1.0
Book Value	699.6	1065.2	1838.4	3042.3	4305.6	5596.4	7783.8
Free Cash Flow	-7.8	29.6	58.1	18.6	148.2	33.0	114.8
Valuation Ratios							
P/E(x)	288.9	100.5	47.3	29.6	27.5	26.9	16.5
P/B(x)	5.4	3.6	2.1	1.2	0.9	0.7	0.5
EV/EBIDTA(x)	23.2	8.0	3.3	2.1	2.0	1.7	0.6
Div. Yield(%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FCFF Yield(%)	-0.2	0.8	1.5	0.5	3.9	0.9	3.0
Return Ratios (%)							
ROE	18.9%	35.6%	43.8%	42.3%	32.2%	25.3%	29.7%
ROCE	17.3%	41.8%	52.9%	52.3%	38.0%	30.1%	35.5%
ROIC	13.1%	33.6%	55.2%	43.5%	31.1%	26.0%	36.7%

Source: Dalal & Broacha Research, Company

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