

Shivalik Bimetal Controls | BUY

A niche player geared up to capture mfg. opportunities

Shivalik Bimetal Controls Ltd (SBCL) predominantly a bimetal / electrical contacts manufacturer has also ventured into the shunt resistor business from 2014-15. It has gained dominance in the domestic market and is now ready to further expand the export opportunity with capex already done and capacity in place. Shivalik is a simultaneous play in three opportunities – switchgear industry, smart metering and EVs. It also aims to increase its rev. contribution from electrical contacts from current c.10/11% by inorganic expansion and opening up of the global opportunity. Additionally, SBCL has PLI (product linked incentive) in shunts and is constantly exploring newer industries for its shunt applications, which may include mobile, telecom, renewables, etc. Overall, we expect Revenue/EBITDA/PAT CAGR of 25%/29%/29% over FY24-26E, with RoCE/RoE 30.4%/24.1% in FY26E. We initiate BUY coverage on SBCL with TP of INR 730, valuing it at 30x FY26E (currently trading at 22x FY26).

- Shunt resistor the mainstay of revenue:** Even though it is the latest addition in Shivalik's arsenal, the shunt resistor business has grown to be the company's major revenue contributor. Shivalik has emerged as a monopoly in the domestic market in shunt resistors due to its technology moat in EBW machines. The future opportunity comes from both domestic and export markets in the form of smart meter and electric / hybrid vehicle adoption. We expect these opportunities to significantly contribute to Shivalik's shunt revenue, which will see a CAGR of 30% over FY24-26E with EBITDA margin of c.23% / 24.2% in FY25/26e. Further, shunts have found increasing application in electronics and renewable sectors (solar, wind, etc.) – basically wherever batteries are used.
- Dominant domestic player in bimetal:** Shivalik, which started its business with bimetal in 1984, has now become a brand in the domestic market with overwhelming market share (c.80%). The company is now expanding its presence in the export market and this segment will be more an export story with increased focus on the American markets – foreseeing this, Shivalik has already expanded its capacity to 4x, increasing its share to c.35% of global capacity from the current c.12%. We expect export opportunities to play out, witnessing a overall CAGR of 17% over FY24-26E with EBITDA margin of c.22.9%.
- Electrical contacts poised for strong growth:** This is a smaller segment for Shivalik but receives the best from both the major segments – it gains from switchgear as well as the smart meter opportunity. With the joint venture (JV) with Checon Corporation now dissolved, Shivalik has now opened its door to opportunity in USA markets. Further, it has now signed a MoU with Metalor – which will majorly cater to the export market and has the potential to make this segment a major revenue contributor. Consequently, we expect a CAGR of 37% over FY24-26E with EBITDA margins of c.11.5/12%.
- Longstanding customer relationships a key strength:** A majority of the company sales is customised and accordingly sets production parameters and equipment. Customers invest in the tooling kit and c.75% of the products is custom-made for customers. Further, no customer has left Shivalik in the last 10 years.



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Recommendation and Price Target

Current Reco.	BUY
Current Price Target (12M)	730
Upside/(Downside)	34.1%

Key Data – SBC IN

Current Market Price	INR544
Market cap (bn)	INR31.4/US\$0.4
Free Float	43%
Shares in issue (mn)	57.6
Diluted share (mn)	57.6
3-mon avg daily val (mn)	INR65.5/US\$0.8
52-week range	750/460
Sensex/Nifty	78,054/23,721
INR/US\$	83.4

Price Performance

%	1M	6M	12M
Absolute	8.2	1.5	-13.2
Relative*	4.6	-7.2	-30.0

* To the BSE Sensex

Financial Summary

Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E
Net Sales	3,240	4,704	5,089	6,132	7,923
Sales Growth (%)	59.0	45.2	8.2	20.5	29.2
EBITDA	733	1,089	1,063	1,326	1,781
EBITDA Margin (%)	22.6	23.2	20.9	21.6	22.5
Adjusted Net Profit	549	791	843	1,007	1,404
Diluted EPS (INR)	14.3	13.7	14.6	17.5	24.4
Diluted EPS Growth (%)	116.5	-3.9	6.5	19.5	39.4
ROIC (%)	27.8	29.5	22.3	24.6	28.2
ROE (%)	33.2	34.6	27.8	25.7	27.4
P/E (x)	38.1	39.6	37.2	31.1	22.3
P/B (x)	10.9	11.8	9.2	7.1	5.4
EV/EBITDA (x)	43.7	29.3	29.7	23.5	17.2

Source: Company data, JM Financial. Note: Valuations as of 24/Jun/2024

JM Financial Research is also available on:
Bloomberg - JMFR <GO>,
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Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.



About the company

The company operates in three segments – (1) Shunt resistors (2) Thermostatic bimetal, and (3) Electrical contacts. Though Shivalik commenced its shunt resistors business from FY15, it contributed c.45% of total revenue in FY23 - this growth was mainly led by exports. Shivalik has been operating the other two businesses since 1984.

- Shunt resistors:** They are electrical components that regulate the flow of electrical current in an electrical circuit. A shunt resistor is used to measure and sense the flow of current and create a low resistance path for electric current to pass through it.

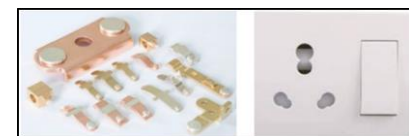
Application: Energy meters, inverter UPS, AC/DC convertors, mobile phones, automotive battery management system (BMS)/ intelligent battery sensor (IBS) power modules, solar charge controllers and other low inductance applications.

- Thermostatic bimetal:** They are critical components used in overload protection devices. Thermostatic Bimetals are formed by mechanically diffusing two or more alloys to combine their individual properties.

Application: Switchgear, industrial, automotive, and other electrical appliances.

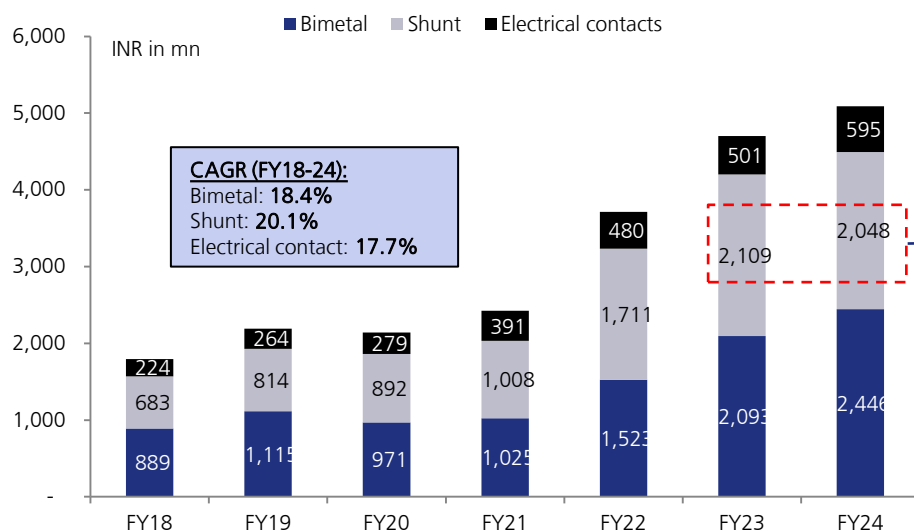
- Electrical contacts:** They are key components that are connecting points when a switch is turned on or off. The contact materials are typically made of different types of precious metal alloys. These materials are then joined on to copper alloy substrates using various methods.

Application: Switching mechanisms, switchgear metering (relays), industrial instruments, appliances and automotive switches.



Shivalik has seen an overall revenue CAGR of c.21% over FY18-24 with growth led by the shunt division (c.20% CAGR) followed by bimetal (c.18% CAGR).

Exhibit 1. Revenue bifurcation – segment wise



Source: JM Financial, Company. Note: Till FY22, electrical contacts business was a 50:50 JV with Checon Corporation (USA).

Growth was hampered mainly due to slowdown in US markets – which was result of over inventorization and elections.

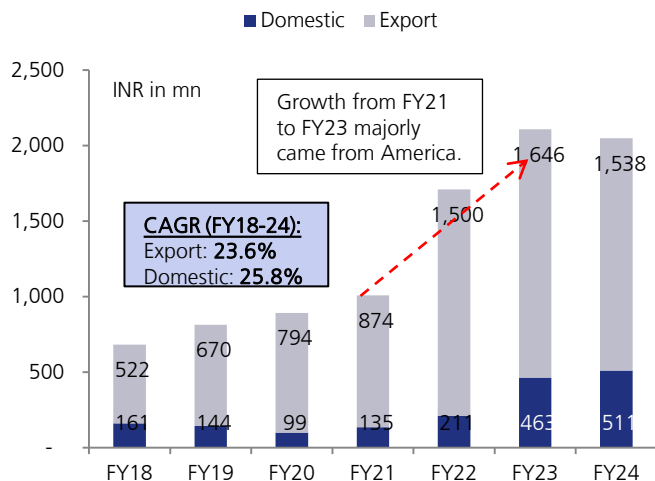
Shunt division constitutes c.8% of global revenue and monopoly in domestic market.

Rising dominance in exports; secret – welding tech

- Shivalik exports shunt resistors all around the globe. Export contribution has increased from c.76% in FY18 to c.83% in FY23. This growth was due to increased acceptance of Shivalik’s shunt resistor segment in the global market due to relatively more power carrying ratio to size (low ohmic). The key is bonding tech – where it uses electronic beam welding (EBW) machines.

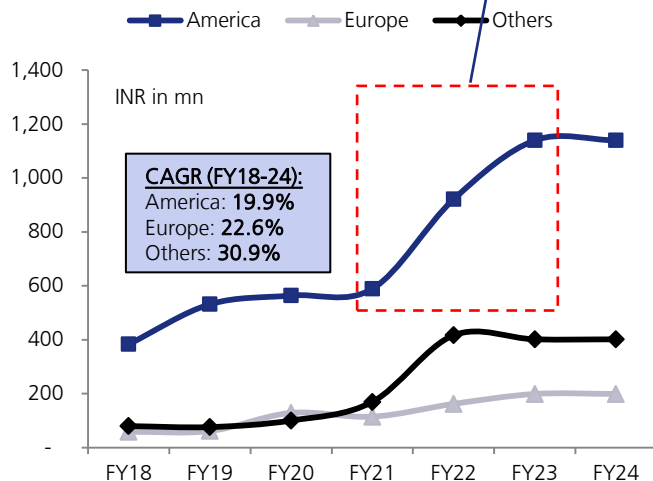
In FY22, America business grew mainly due to production commencement for 2-3 new customers like Continental, Hella etc.

Exhibit 2. Shivalik’s shunt - domestic vs. export share



Source: JM Financial, Company

Exhibit 3. Export revenue – geography wise



Source: JM Financial, Company

Technology moat

Drawing from its extensive experience, Shivalik enjoys a technological edge in industrial EBW technology. The company specialises in producing metal alloy-based low-ohmic shunts through this process, setting them apart from c.20-25 other types of shunts. Post the EBW process, there are c.14-15 processes that are done in-house. This knowhow of technology provides moat to Shivalik. Additionally, Shivalik is able to produce these EBW machines in-house with a turnaround time of c.6 months where importing them would take c.2 years – this helps the company to cut the machinery cost by half from c.INR 150mn-200mn per EBW machine.

EBW is a highly specialised process where a cloud of electrons emitted from a tungsten cathode are accelerated in high vacuum for joining strips

[Click here for EBW video](#)

Exhibit 4. EBW Machine



Source: JM Financial estimate. Note: This image is a representative image.

As EBW machines play a major part in the manufacture of a shunt, Shivalik is strongly positioned against capacity constraints with in-house capability of assembly and engineering of EBW machines. It has the capability to deliver customised shunt resistors due to its precision welding process. Additionally, Shivalik is the only company to produce EBW shunts domestically and only the second company globally after Isabellenhutte – a German company. In contrast, most of the global players typically rely on traditional techniques of welding to produce shunts.

We believe Shivalik presently has c.8-9 EBW machines

Exhibit 5. Global peers

Sr. No.	Global Shunt Companies (INR. in bn)	Country	Incorporation year	Technology used	Revenue		CAGR (FY19-22)	EBITDA		CAGR (FY19-22)	PAT		CAGR (FY19-22)
					FY19	FY22		FY19	FY22		FY19	FY22	
1	Isabellenhutte	Germany	1827	EBW	12,450	18,323	13.7%	1,124	2,377	28.4%	887	1,939	29.4%
2	Wieland	Germany	1820	Other than EBW*	401	562	11.9%	-	-	NA	-	-	NA
3	Yageo	Taiwan	1977		94	319	50.3%	25	97	57%	16	59	54%
4	Rohm co. ltd.	Japan	1958		26	300	126.0%	55	75	11%	-	44	NA
5	Hella	Germany	1899		563	540	-1.4%	96	60	-15%	51	15	-33%
6	Continental	USA	1946		3,506	3,259	-2.4%	392	328	-6%	-92	9	-146%
7	Vishay	USA	1962		188	275	13.5%	31	61	25%	13	36	40%
8	JDC	China	1996		93	111	6.1%	-	29	NA	6	16	39%

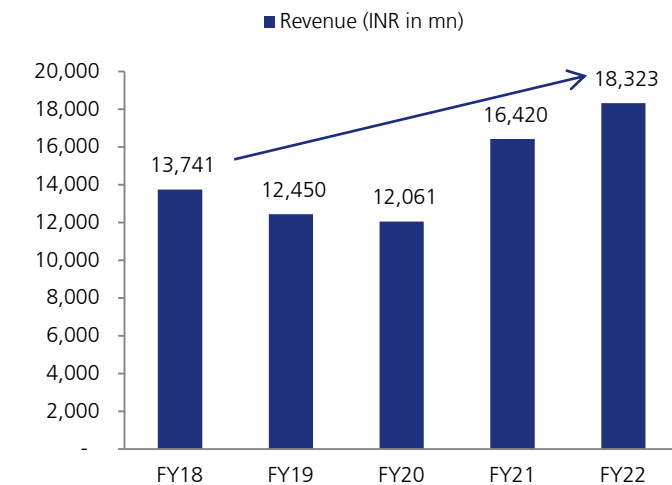
Source: JM Financial, Company *Note: to best of our knowledge

About Isabellenhutte:

Isabellenhutte Heusler (ISA), a German company incorporated in 1827, is a manufacturer of electronic components. It offers electrical resistance materials and thermoelectric materials for temperature measurement as well as passive components for the automotive, electrical, and electronics industries.

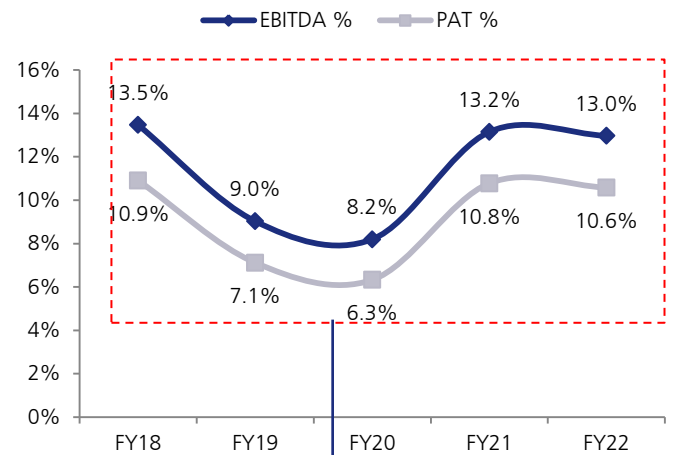
Isabellenhutte, for many years, has been the undisputed leader in automotive shunts industry with c.50% market share (JMFe).

Exhibit 6. Revenue witnessed CAGR of 6.8% over FY18-22



Source: JM Financial, Company

Exhibit 7. EBITDA witnessed CAGR of 4.8% while PAT witnessed CAGR of 6% over FY18-22



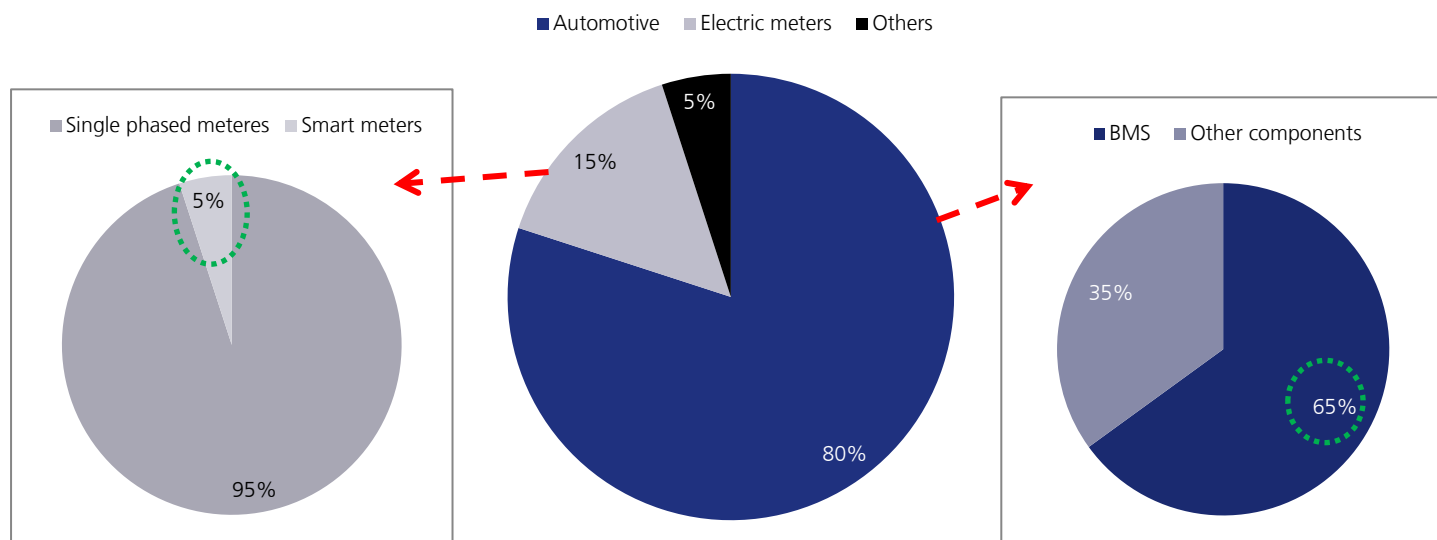
Source: JM Financial, Company Note: This EBITDA and PAT calculation is as per German accounting standards.

For major global companies like ISA, EBITDA margin is sustainable within 13-14% (excluding Covid years). Shivalik, which is 1/9th the size of ISA, currently makes c.23-24% EBITDA margin in the shunt business.

Shivalik’s EBW shunt finds two major applications - automotive (c.80% of revenue), and electric meters (c.15% of revenue) In automotive, c.65% of shunts are used in battery management system (BMS) of ICE and EV vehicles and the balance 35% in other components (HVAC systems, lighting systems, AC/DC converter and EV chargers). In electric meters, c.95% of shunts are used in single phase meters and the remaining 5% in smart meters.

For Shivalik, automotive is c.80% export business while metering is majorly domestic business

Exhibit 8. Shivalik shunt resistor revenue classification – end-industry wise (FY23)



Source: JM Financial, Company

Shunt market size and opportunity

For Shivalik’s shunt resistors, the TAM will be a summation of two major industries – smart meter and BMS. Shunts for Shivalik will majorly be a domestic play as penetration in India for both industries is in low single digits. Domestic smart meter and EV (electric vehicle) industries are at their inflexion points with increased government focus; the government plans to install c.250mn smart meters by 2025, and in EVs it is coming out with FAME III policy with a budgeted allocation of c.INR 26.71bn for FY25.

Exhibit 9. Market size

Industry type	FY22			FY30			CAGR (FY22-30E)
	No of SM / vehicle sold (in units mn)	Contribution per unit (in INR)	TAM (INR in mn)	No of SM / vehicle sold (in units mn)	Contribution per unit (in INR)	TAM (INR in mn)	
Smart metering (SM)	-	50	-	250	50	12,500	NA
4eV	47,499	300	14	180,000	300	54	18%
2eV	728,054	20	15	2,500,000	20	50	17%
ICE 4 vehicle	3,890,114	100	389	7,000,000	100	700	8%
Domestic TAM			418			13,304	54%
Global TAM			18,400			52,000	14%
Total TAM			18,818			65,304	17%

Source: JM Financial

Domestic tailwinds: Smart meter + BMS to take the pilot seat

Smart Meter:

Where and purpose of shunts in smart meters?

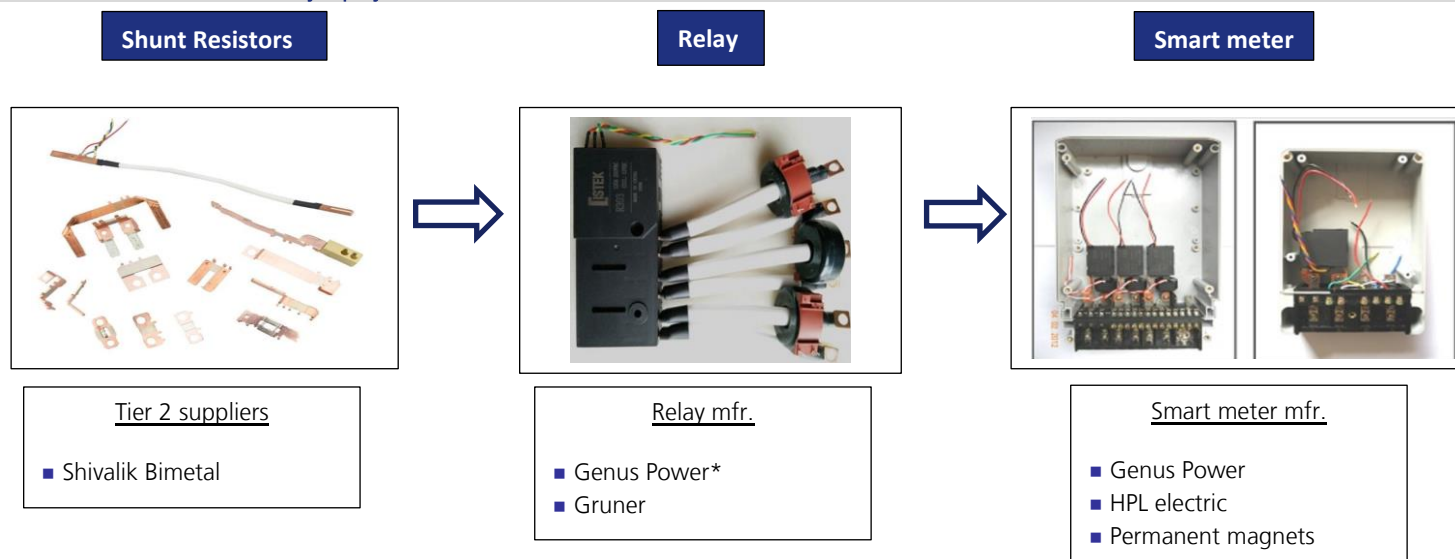
In a smart meter, the shunt, relay, and other components work together to accurately measure and manage electricity usage.

- **Shunt:** The shunt is a small device placed in the electrical circuit to measure the flow of electricity. It acts as a sensor, detecting how much electricity is passing through a specific point in the circuit. The shunt measures the current passing through it and produces a proportional voltage signal.
- **Relay:** The relay is like a switch that can be controlled electronically. One of its primary functions is to control the flow of electricity to and from the meter. For example, it can open or close the circuit to disconnect or reconnect power remotely. **Shunt and electrical contacts together constitutes c.70% of bill of material (BoM) in relay.**
- **Smart meter:** It is the central device that monitors and records electricity usage. It integrates the shunt's measurements and relay's control functions. It collects data and often transmits wirelessly to the utility company for billing, analysis, and management purposes.

We believe Shivalik can venture into relay manufacturing as c.70% of BoM in relay is shunts and electrical contacts. However, we are not factoring it in our numbers

The shunt provides data to the smart meter about electricity usage, which the smart meter processes. Based on this data, the smart meter may instruct the relay to open or close, regulating electricity flow. This interplay allows for accurate measurement and remote control of electricity usage, enhancing efficiency and enabling utilities to manage the grid effectively.

Exhibit 10. Value chain and major players in smart meters



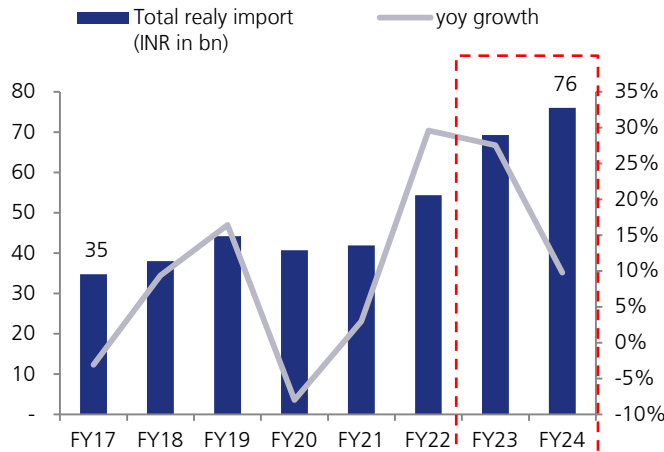
Source: JM Financial, Company, Sample image to understand the use-case. *Note: Genus power may backward integrate into relay manufacturing

Due to the shunt being a component for relay manufacturers, these manufacturers will play a vital role in the domestic shunt resistor opportunity. Currently, a majority of relays are sourced through imports.

As a leading electric meter manufacturer, HPL commands a market share of ~20% in the domestic meters market with an installed capacity of 110mn meters per year

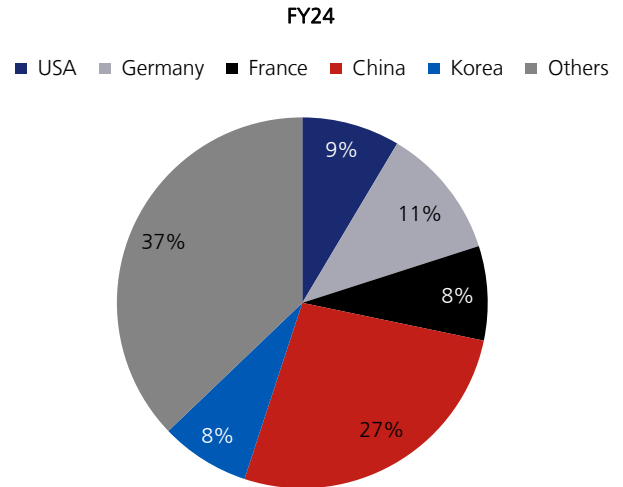
Nevertheless, with the government's focused efforts to boost the domestic component ecosystem via initiatives such as SPECS and PLI, smart meter manufacturers like HPL Electric and Power Ltd (Shivalik is already a major vendor for single phased meters), etc. are strategically moving towards backward integration, aiming to produce relays in-house.

Exhibit 11. Import of relays over FY 17-24: Relay imports saw CAGR of 12% over FY 17-23. For FY24, growth rate declined substantially to 10% from levels of 25%+. We believe government's focus on incentivising component eco-system has led to local boost to relay manufacturers



Source: JM Financial, Company, Note: The HSN category also includes products other than relay

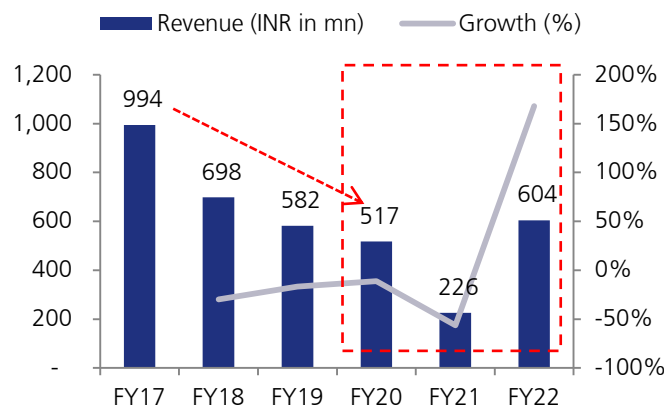
Exhibit 12. Country wise imports of relays: China tops the chart for relay import followed by Germany and USA. Over FY18-24, Germany's share has decreased to 11% while China's share has risen to 27%



Source: JM Financial, Company, Note: The HSN category also includes products other than relay

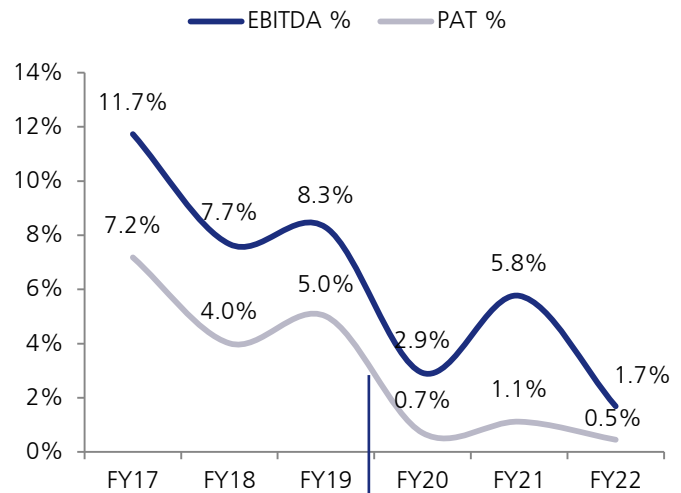
Domestic players like Gruner India Private Ltd already manufacture relays and Shivalik has been their exclusive vendor for shunts.

Exhibit 13. Gruner's revenue: We see a declining trend in revenue over FY17-20, which corresponds to the increasing import trend of relay. FY22 saw a recovery from FY19 levels indicating that relay manufacturers have started to reap benefits from the localisation incentive of the government



Source: JM Financial, Company

Exhibit 14. EBITDA and PAT %: As per industry experts, relay manufacturers make EBITDA margin of 5-9%



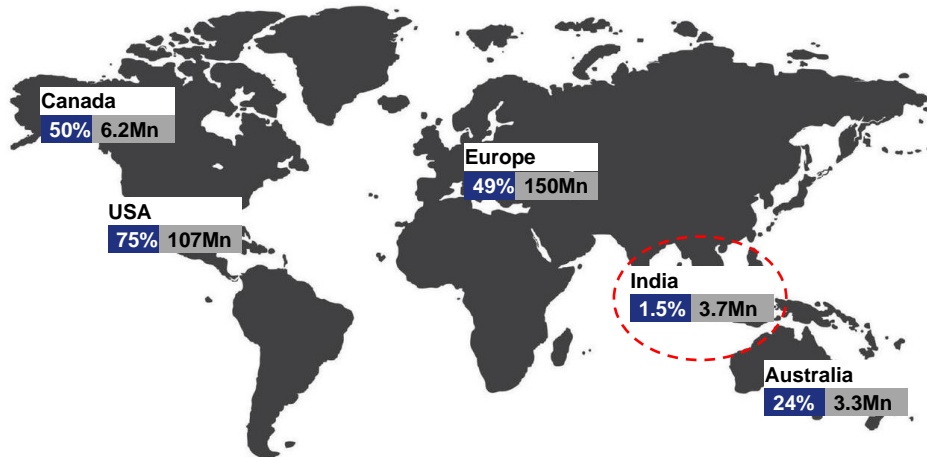
Source: JM Financial, Company

The lower margins can be the concern for Shivalik for it to venture into relay manufacturing in spite of it contributing c.70% of BoM in relay.

Domestic industry and opportunity size:

The global smart meters market was c.USD 23.1bn in 2023 and is expected to grow to USD 36.3bn by 2028 at a CAGR of 9.4%. Notably, around 68% of metering systems in the USA have transitioned to smart meters, while the EU and Canada account for approximately 50% of the market. In Australia, about 25% of metering systems have adopted smart meters. However, in India, smart meters make up only 1.5% of the market, indicating significant room for improvement.

Exhibit 15. Global smart meter penetration



Source: JM Financial, Permanent magnet annual report FY23.

Under the government’s Smart Meter National Program (SMNP) initiative, the Ministry of Power aims to install c.250mn smart meters across India by Mar’25. According to Crisil, at an average price of c.INR 6,000 per smart meter including ancillary costs (these include transformers, feeders, network monitoring centre and other distribution system upgrades.), SMNP is expected to provide c.INR 1.5 lakh crore capex opportunity in India’s power distribution landscape. Since smart meters are prepaid, their rollout will improve the collection efficiency of discoms. There will also be support in the form of grants of up to INR 1,350 per smart meter from the Centre, which will improve the financial profile of discoms.

Current status of programmes: As of 30th Jun’23 the National Smart Grid Mission has approved a significant number of smart consumer meters across India. The total count stands at 230mn sanctioned meters. Among these, contracts have been awarded for the installation of 36.5mn meters. Presently, around 6.6mn smart meters have been successfully installed and put into operation.

Exhibit 16. Recent announcements

Adani Energy Solutions aims for 25 per cent market share in smart meters

Updated - January 26, 2024 at 01:40 PM

India Embarks on a ₹1.5 Lakh Crore Smart Meter Revolution to Enhance Power Distribution

29 lakh smart meters to be installed in Pune by MSEDCL

Smart Meter

Smart meters are a necessity and no longer a luxury for India’s power distribution sector

Power Grid Corp to enter smart meter business as govt plans to install 25 crore smart pre-paid meters

Recycling firm Vikas Lifecare sets up JV to manufacture smart meters

Smart Meters In MP: Useful news! 20 thousand smart meters are to be installed in the state by February, its benefits will be amazing

Govt working on plan to spend Rs 1.5 lakh crore on smart metering: Atul Bali, NSGM

Target to install 25 crore smart meters by 2025 unlikely to be met: ICRA

Polaris Smart Metering gets Rs 5,200 crore smart meter project in Uttar Pradesh

Source: JM Financial, Company

Shivalik’s domestic opportunity size:

Shivalik has benefitted from the government’s mission to install 250mn smart meters across the country by FY25. Considering the on-ground progress and recent announcements we have taken a conservative approach of stretching the mission till FY30. We expect this to bring cumulative incremental revenue of c. INR 900mn over FY25-26. Here, we have not factored in the opportunity from smart gas meters.

Exhibit 17. Smart meter opportunity for Shivalik

Smart Meters Working	Measurements in	FY25	FY26	FY27	FY28	FY29	FY30	Total
A: Smart meters production	units in mn	10	20	35	55	65	70	255
B: Shunt opportunity per smart meter	in INR	50	50	50	50	50	50	
C: Shivalik’s market share (JMfe)	in %	50%	65%	70%	70%	70%	50%	
D: Shivalik’s incremental revenue (A*B*C)	INR in mn	250	650	1,225	1,925	2,275	1,750	8,075

Source: JM Financial estimate

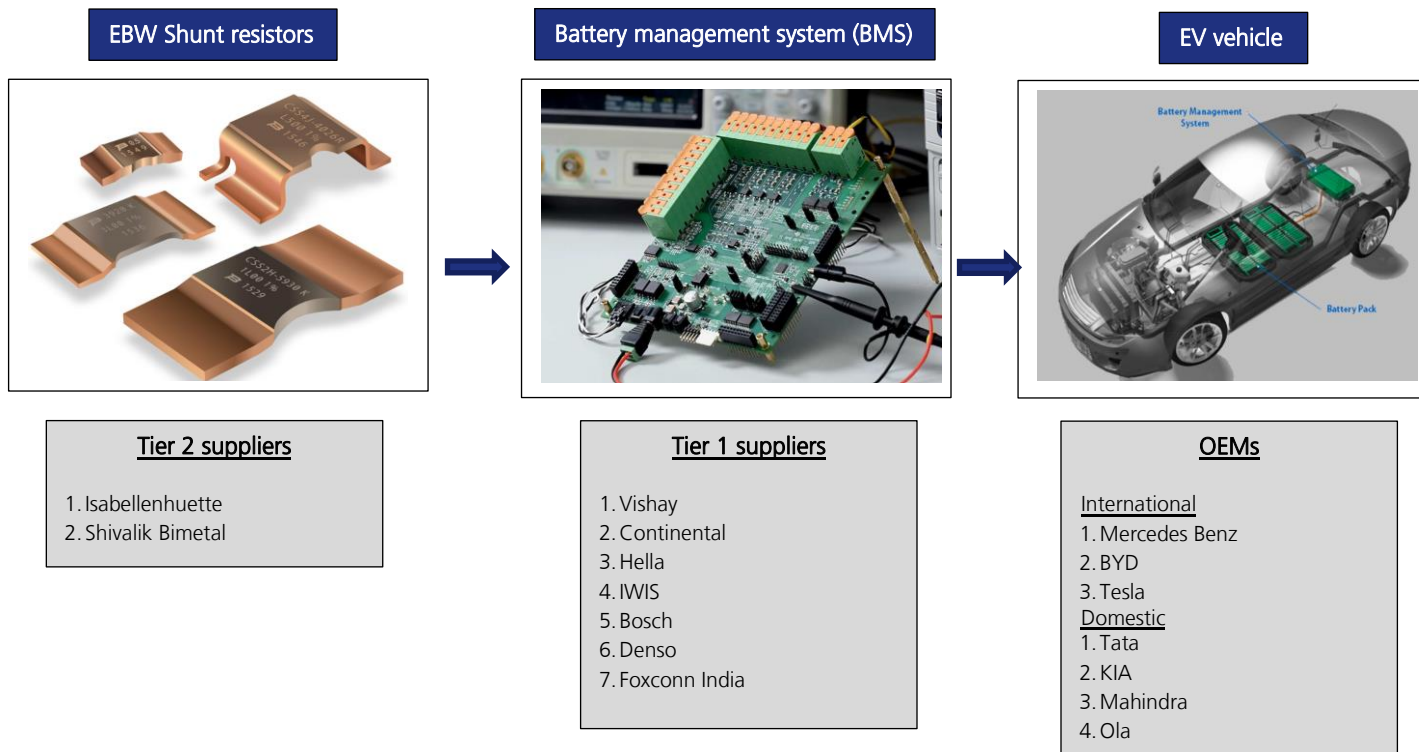
BMS opportunity:

In BMS, a shunt resistor plays a key role because if the detection of current is not accurate, the current can damage the battery. BMS constitutes c.5% of BoM for an EV. Shivalik is a tier 2 supplier and majorly an export player. We believe the bulk of sales today is of ICE BMS than of EV BMS.

Interestingly, companies like Hella, continental, Vishay, etc., which are tier-1 suppliers to automotive giants such as Tesla, Mercedes Benz, etc., have opted not to backward integrate to manufacturing low ohmic shunt resistors at scale. This strategic decision is benefitting Shivalik and thus positioning it as the preferred partner to these Tier 1 suppliers.

Additionally, other shunt manufacturers face a challenge attempting to match Shivalik's stringent quality standards and manufacturing excellence. Beyond the capability to manufacture, gaining approval and trust from major Tier-1 suppliers poses a significant barrier. Shivalik has successfully navigated this approval process early on, establishing a benchmark for reliability and quality that remains unmatched in the industry.

Exhibit 18. Value chain of shunt resistors in electric vehicles



Source: JM Financial, Note: images are just for reference

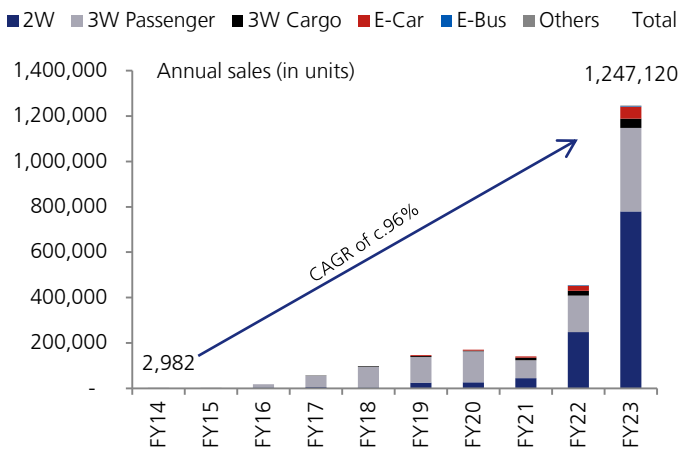
Vishay has over the years been a major customer for Shivalik in the automotive segment; it is currently contributing c.40% of total shunt revenue. We expect this dependence to reduce with domestic demand picking up, particularly for electric vehicles (EVs).

Domestic industry and opportunity size

The global EV market is projected to reach 41.8mn units by 2030 from c.12.8mn units in 2023, at a CAGR of 18.4%. In 2023, Asia Pacific is estimated to dominate the EV market with c.68.4% market share.

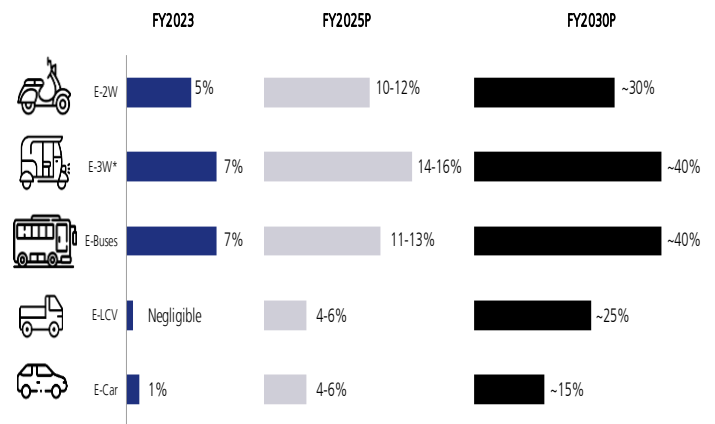
The Indian EV ecosystem is currently in the initial stages of development but has been gaining traction. In 2021, EV registrations amounted to c.330k units, a jump of 168% from 2020. The sales were led by e2W (c.48%) and e3W (c.47%) - followed by passenger vehicles at c.4%. As per ICRA report, EV penetration in FY23 was ~1-5% and is expected to increase to 15-30% by FY30.

Exhibit 19. EV annual sales trend in India (FY14-23)



Source: JM Financial, Company

Exhibit 20. EV penetration in India across segments to increase exponentially



Source: JM Financial, Company

Shivalik's domestic opportunity size

Quantity of EBW shunts required and realisation per shunt is higher for EV vehicles when compared with ICE vehicles. As the industry is migrating from conventional IC-based engine to battery-based systems, we expect the opportunity for EBW shunts to increase.

Exhibit 21. Shivalik's domestic opportunity in automobiles

Vehicle type	No. of Shunts required on average	Per shunt cost	Per car opportunity for Shivalik (in INR)
2-wheeler EV	2 (small)	10	INR 20
4-wheeler EV	1 (big) + 10 (small)	NA	INR 300
4-wheeler ICE	10 (small)	10	INR 100

Source: JM Financial, Company.

For automobiles, Shivalik has been majorly an export player (c.80% of revenue); however, with India's penetration increasing in EV vehicles we expect its domestic share to increase significantly. Shivalik's opportunity in EV vehicles is higher than in ICE vehicles as seen in Exhibit 21.

With Shivalik onboarding new domestic customers like KIA and Hyundai, and increasing its share from existing customers like Tata and Mahindra, we expect revenue to register a domestic CAGR of c.112% over FY24-26E to reach INR 806mn and overall CAGR of 47% to reach INR 192mn.

Other potential opportunities

- **Opportunity in domestic 5G rollout**

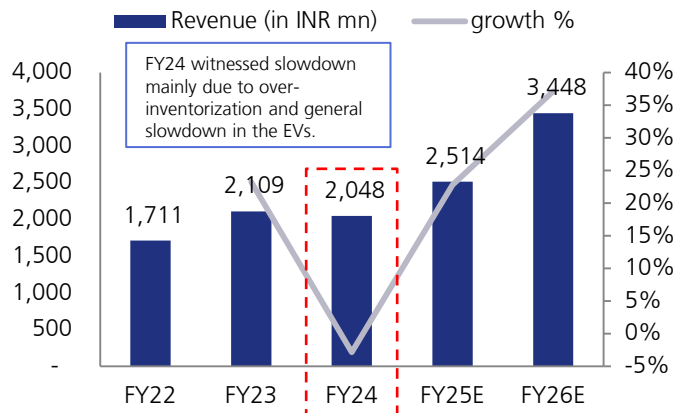
Shivalik (being Tier 2 supplier) could also reap the benefits of 5G rollout in India as its shunts support various components within the 5G infrastructure, enhancing the performance and reliability of these advanced communication networks. It has already been supplying components to some European customers who were into 5G operations. We have not yet factored in this opportunity in our numbers.

- **Opportunity in energy conservation (solar + wind)**

With increasing awareness of renewable energy like solar and wind, Shivalik stands a chance for significant opportunity as the energy storage devices for these renewable source of energy requires high quality low ohmic shunts, which Shivalik makes. Shivalik is yet to explore this opportunity but again can be a significant boost to its domestic shunt revenue. We have not yet factored this opportunity in our numbers.

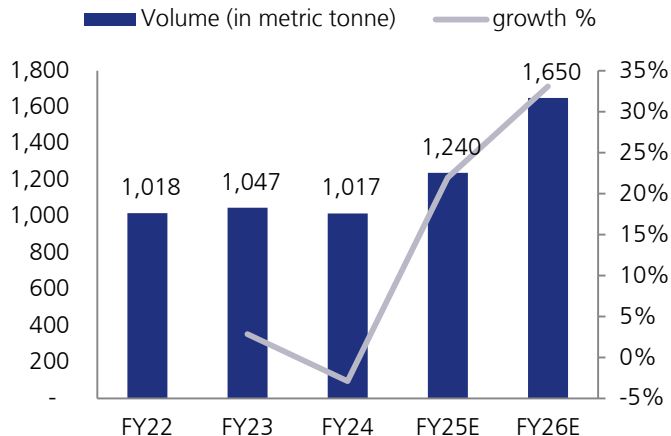
Projected financials for Shunt division

Exhibit 22. We expect revenue to see CAGR of c.18% over FY23-26 mainly due to revival of USA market from H2FY25 and upcoming opportunities in domestic market



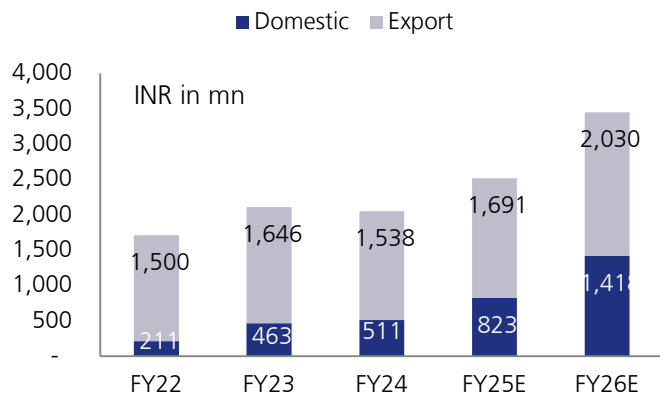
Source: JM Financial, Company

Exhibit 23. Volume trend: Volume growth to correspond to revenue growth



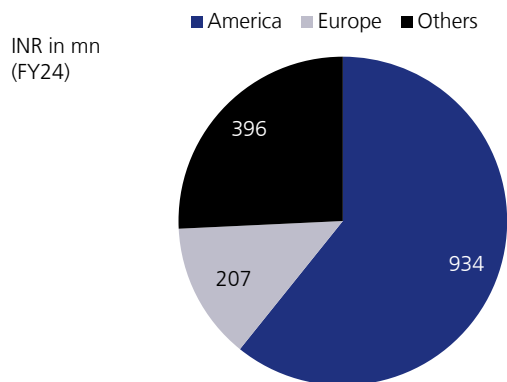
Source: JM Financial, Company

Exhibit 24. Revenue mix – export vs. domestic: Over FY23-26E, we expect domestic and exports to see CAGR of c.45% (low base) and 7% respectively. Domestic growth to be led by smart meter and BMS opportunity



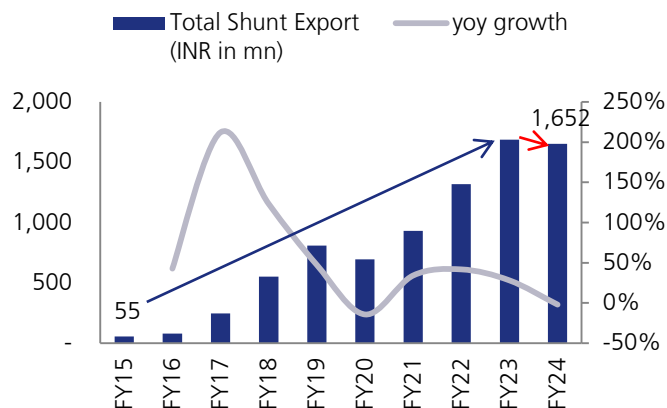
Source: JM Financial, Company

Exhibit 25. Export revenue split: America (60%) is the major market for Shivalik and hence any slowdown directly impacts Shivalik's revenue – which was witnessed in FY24



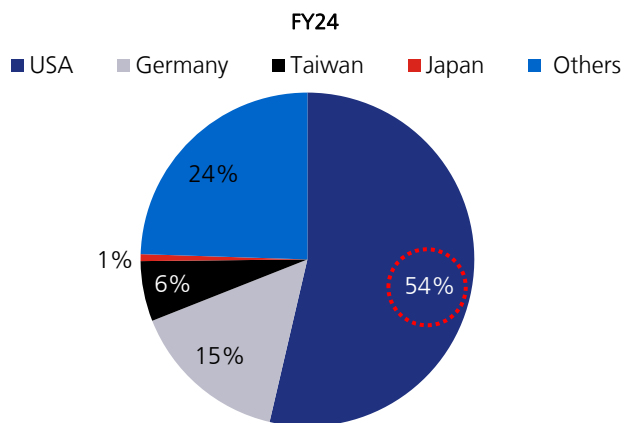
Source: JM Financial, Company

Exhibit 26. Total shunt export has seen CAGR of c.53% over FY15-23 in which USA market contributed c.54%. FY24 overall saw decline mainly because of slowdown in America (over-inventorisation)



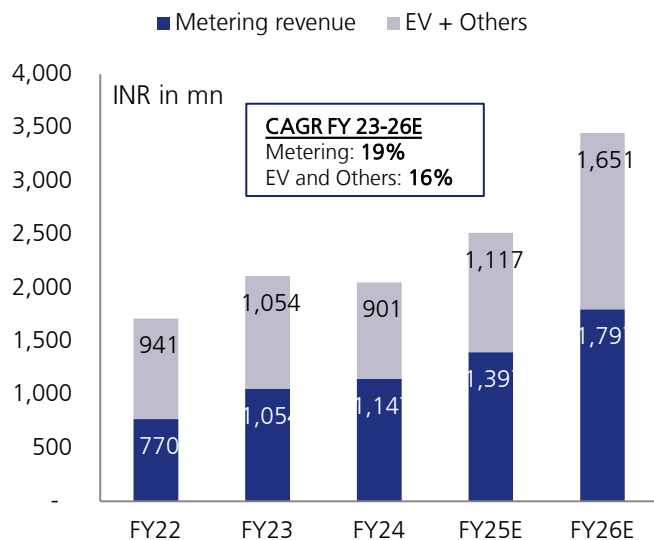
Source: JM Financial

Exhibit 27. Total shunt export – country wise: Exports to America contributes the highest % followed by Germany and Taiwan. Shivalik has presence both in America and German markets



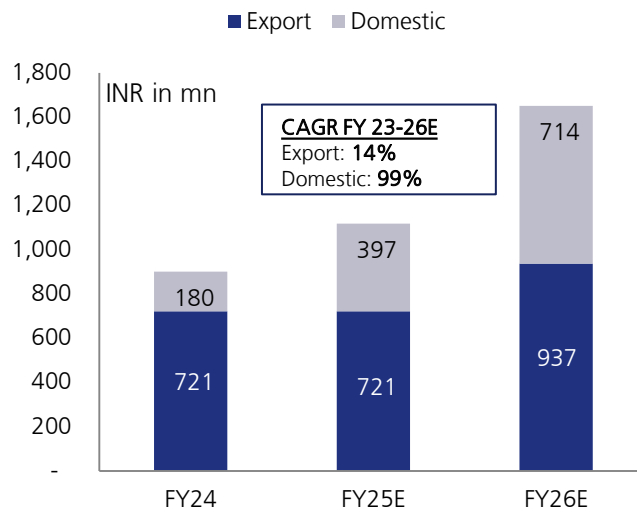
Source: JM Financial

Exhibit 28. Revenue split – Metering and EV + Others: Though smart metering industry is set to grow faster than EV, CAGR of revenue from EV is higher due to higher realisation per unit in EV



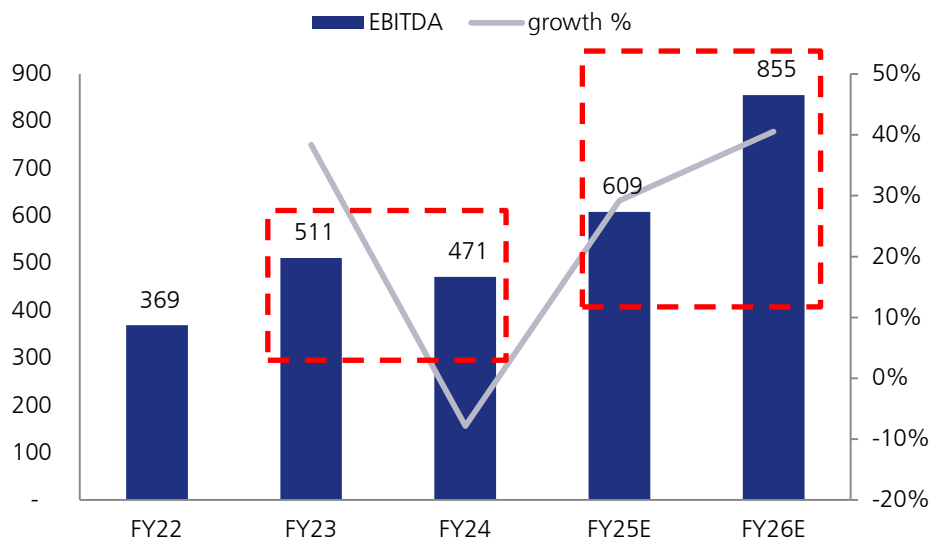
Source: JM Financial estimates, Company

Exhibit 29. EV + others’ export and domestic share: We expect revival in US market from H2FY25. In CAGR terms, domestic market to lead significantly due to new customer tie ups + increasing wallet share from existing customers + lower base



Source: JM Financial, Company

Exhibit 30. EBITDA and growth rate: In FY24, EBITDA saw decline mainly due to negative operating leverage (slowdown in USA). However, we expect revival from H2FY25 and EBITDA to see CAGR of c.19% over FY23-26E



Source: JM Financial, Company

Bimetal division constitutes c.7% of global revenue and c.80% of domestic market

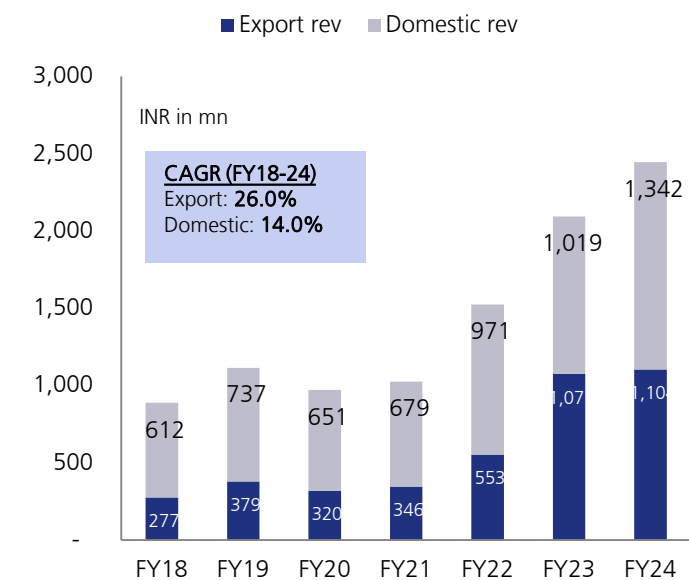
Thermostatic bimetals are manufactured through hot/cold diffusion bonding process – there is no technology moat as the entire industry relies on these two methods. The reason why Shivalik commands a dominant c.80% market share in India is largely due to its experience of c.40+ years in bimetal, which has assisted it in mastering the art of cost efficiency and quality supremacy among its peers. Shivalik has become a brand in bimetal and remains the first choice for any vendor looking for superior quality bimetal products.

Unlike alloy - which is a mixture - in bimetals metals are joined to best take advantage of the "Bimetal Effect" i.e., movement caused by their different coefficients of expansion as they respond to temperature changes. Post bonding, all finishing processes including component manufacturing are done in-house like alloy which is a mixture)

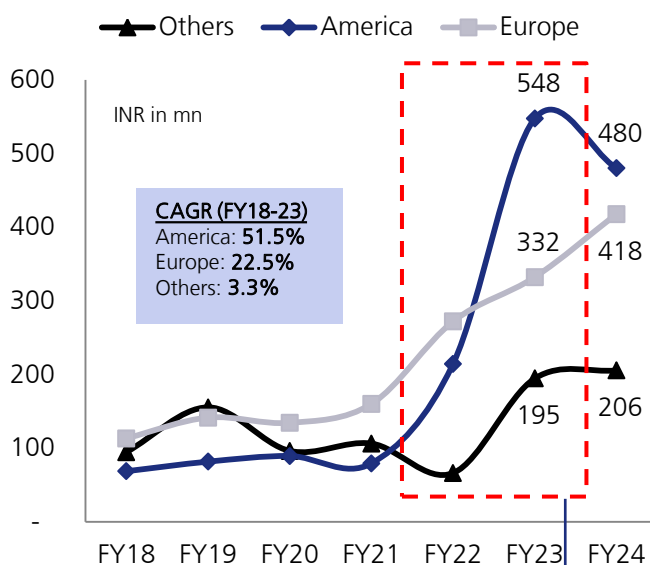
Shivalik has significant share (c.80%) of the domestic market and, thus, over the years growth has been led by export markets, which saw CAGR of c.28.6% over FY18-23. In exports, just like in shunt resistors, America has been the major contributor, witnessing a CAGR of 51.5% over the same period – this growth was majorly led by commencement of production for 2-3 new customers in FY22/23.

Exhibit 31. Bimetal’s domestic vs. export share: Bimetal unlike shunt will be more of an export story as global leaders shift focus on product than component business

Exhibit 32. Export revenue – geography wise: Growth in exports is expected to come from both America and Europe. Europe mainly due to customer addition + wallet share increase and America due to its players focusing on product business



Source: JM Financial, Company

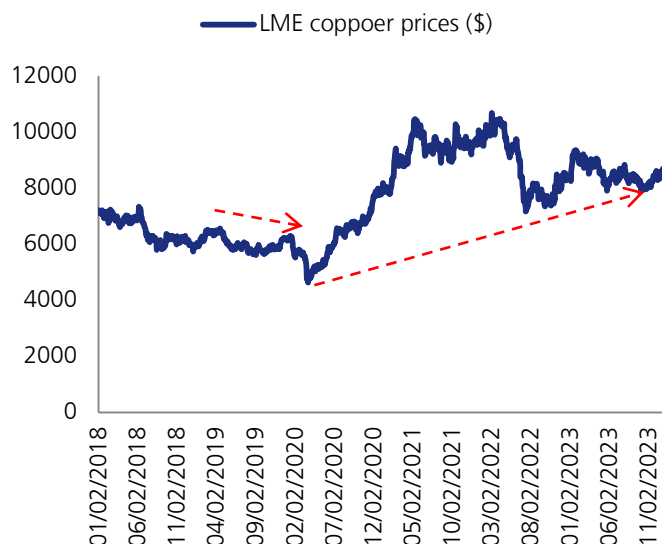


Source: JM Financial, Company

In FY23, America witnessed growth mainly due to production commencement for 2-3 new customers like Eaton Corporation, etc.

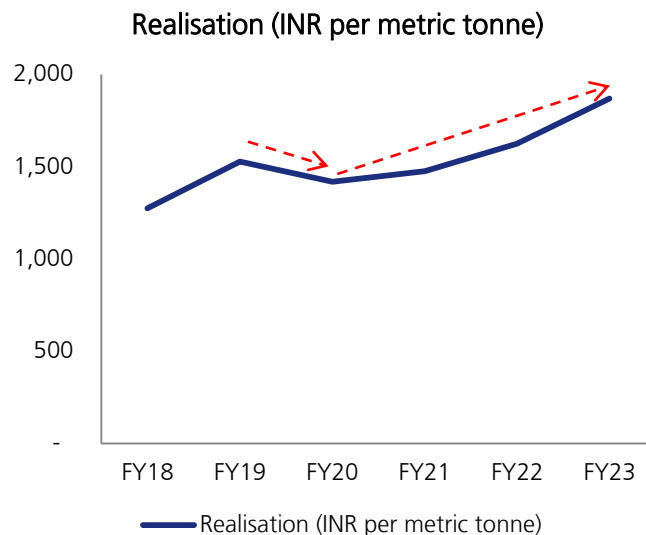
The company uses a mix of different metal alloys, including nickel and copper based alloys, for manufacturing of bimetal. Its major raw material is copper alloy, which is being imported currently. The company is able to pass on volatility in raw material prices and forex to its customers.

Exhibit 33. LME copper price



Source: JM Financial

Exhibit 34. Realisation of bimetal



Source: JM Financial estimate

Bimetal market size and opportunity

For Shivalik's bimetal business, the TAM will be summation of two major industries – switch + switchgear and small + large appliances. Bimetal for Shivalik will majorly be an export play as global competition for bimetal seems to be reducing. This will open up an immense opportunity for Shivalik, especially in markets of America + increased enquiries from other geographies + increasing wallet share from customer mainly in European markets. In the domestic market, Shivalik has become a brand and a first choice for many vendors. Since Shivalik has significant domestic market share, it will expand at the domestic industry growth rate.

Exhibit 35. Bimetal market share

Industry Type	FY23			FY30			CAGR (FY23-FY30)
	Total industry TAM (INR in mn)	Contri. % Per Unit	Bimetal TAM (INR in mn)	Total TAM (INR in mn)	Contri. % Per Unit	Bimetal TAM (INR in mn)	
Switch & Switchgears	291,600	0.3%	875	429,955	0.3%	1,290	5.7%
Small Appliances	48,000	0.1%	48	69,769	0.1%	70	5.5%
Large Appliances	300,000	0.1%	300	941,529	0.1%	942	17.7%
Total domestic TAM			1,223			2,301	9.5%
Global TAM			14,777			25,699	8.2%
Total TAM			16,000			28,000	8.3%

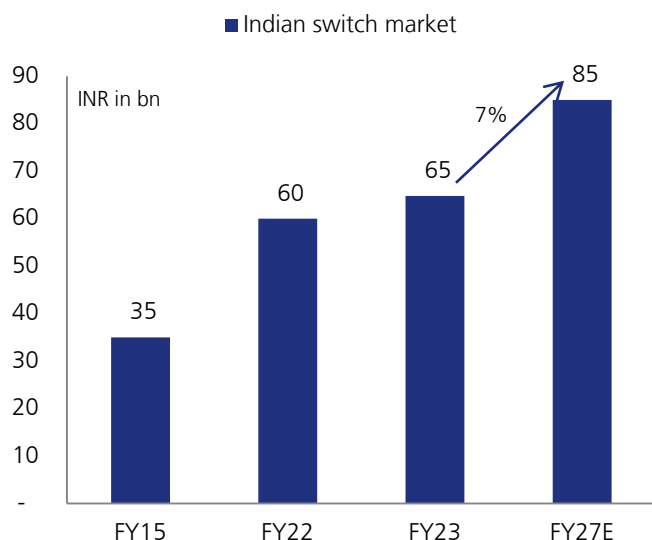
Source: JM Financial

Bimetal's domestic growth is dependent on two industries (1) household product industry – appliances like AC, geyser, toaster, etc. and (2) switchgear industry, which is yet to catch up with the growth witnessed in India's real estate market.

Switch gear industry

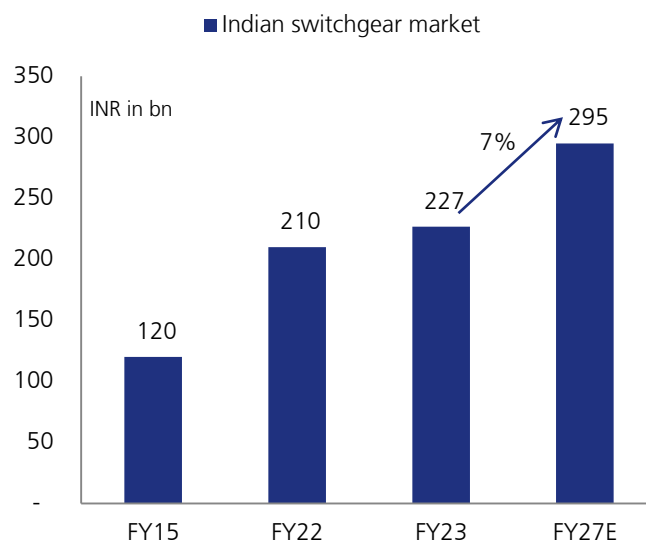
The total market size of switch and switchgears industry in India was c.INR 291.6bn in FY23, and is expected to see CAGR of c. 7% till FY27 to reach c.INR 380bn of annual sales. In India by region, North and South together cover more than 55% market share of India switchgear market.

Exhibit 36. India switch market



Source: JM Financial, Secondary research, Technopak Analysis, RR Kabel DHRP. Note: This does not include exports

Exhibit 37. India switchgear market



Source: JM Financial, Secondary research, Technopak Analysis, RR Kabel DHRP. Note: This does not include exports

Key drivers for growth

- Rural electrification
- Increase in retail, commercial and residential establishments
- Replacement of old switchgears at sub-stations due to the rapid development in the power distribution sector and the growing implementation of the smart grid and smart meters

With the increasing adoption of smart grid technologies, Shivalik's products have found extensive applications in advanced switchgear systems, including smart meters, digital protection devices, and intelligent control panels. The company's products enable seamless integration, enhanced monitoring capabilities, and improved energy management, supporting the global shift towards a more connected and sustainable electrical infrastructure.

The growing implementation of smart grids and smart meters across India for accurate billing and reducing fraud and technical losses has resulted in the implementation of smart power distribution devices such as smart switchgears

With strong capex in India, this segment for Shivalik can see a higher growth

Export market an exciting opportunity

The exciting opportunity for bimetal is in the export market where dominant peers are consolidating their businesses and ceasing to increase capacity for bimetal. As per our industrial checks, one such global peer – Engineered Material Solutions (EMS) Company based in USA – which has c.40-45% of global bimetal market share has taken a strategic decision to shift its focus from component to product business, significantly favouring Shivalik. (Note: The information noted here is according to channel / industry checks)

Exhibit 38. Global peers

Sr. No.	Bimetal companies (INR in mn)	Country	Incorporation year	Revenue		CAGR	EBITDA		CAGR	PAT		CAGR
				FY19	FY22	(FY19-22)	FY19	FY22	(FY19-22)	FY19	FY22	(FY19-22)
1	Aperam alloys imphy	France	2010	377,532	674,485	21.34%	40,683	88,983	29.81%	23,086	51,769	30.89%
2	Engineered Material Solutions	USA		Information not available								
3	Ishanbellheute	Germany	1827	12,450	18,323	13.7%	1,124	2,377	28.4%	887	1,939	29.4%

Source: JM Financial, Company

Customer concentration – no one exceeds 10%

Shivalik has many renowned customers in its bucket and has successfully been able to diversify its concentration – as no one customer for Shivalik exceeds 10% of bimetal revenue. The major customers for Shivalik in this segment are mentioned in Exhibit 39. Additionally, Schneider’s change in business strategy – of consolidating its purchases from a single supplier for global supply – has helped Shivalik, it being a preferred supplier. This has increased its revenue concentration to c.9/10% in FY23 vs. 4/5% in FY18/19 – this increase is the reason for Shivalik now receiving international orders from Schneider.

Exhibit 39. Bimetal customers for Shivalik



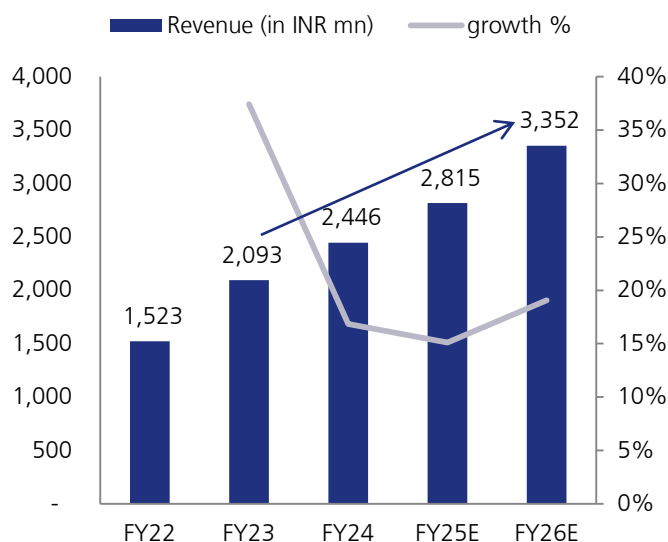
Source: JM Financial, Company

We expect increase in market share

Global capacity for bimetal is c.10k metric tonne of which Shivalik has c.1.2k metric tonne – 12% of global capacity. Shivalik has already incurred capex for expanding its capacity to 4x of existing capacity, increasing its share to c.35% of global capacity. This is in expectation of increasing business from America with its major peer slowing down in the component business. We expect Shivalik’s bimetal division to contribute c.11% of global market by FY28 led by (1) increasing wallet share from existing customers (2) addition of new customers, and (3) Global peers shifting focus towards core product from components.

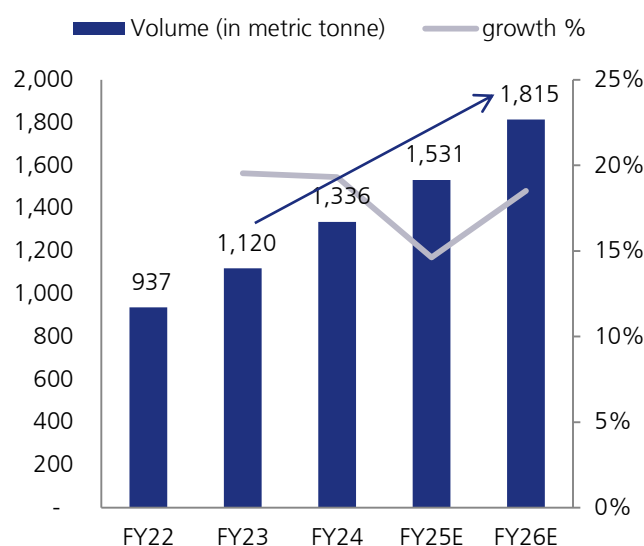
Projected financials for Bimetal division

Exhibit 40. Revenue: FY24 witnessed slower growth than expected due to slow progress in domestic smart meter implementation and over-inventorisation in USA. However, we expect CAGR of c.17% over FY23-26E



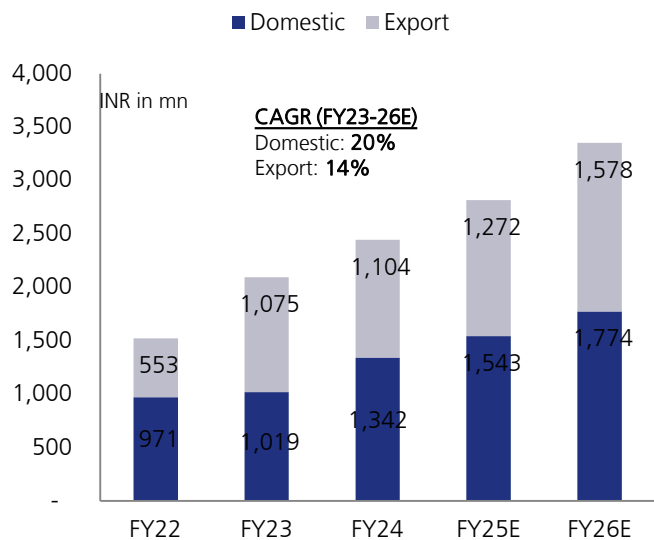
Source: JM Financial, Company

Exhibit 41. Volume growth will correspond with revenue growth



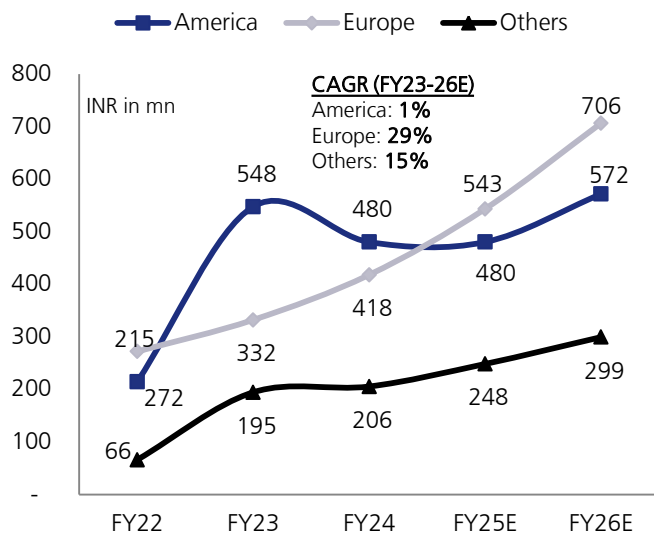
Source: JM Financial, Company

Exhibit 42. Revenue split – domestic vs. export: In bimetal, exports will witness higher CAGR as this segment is more of an export story



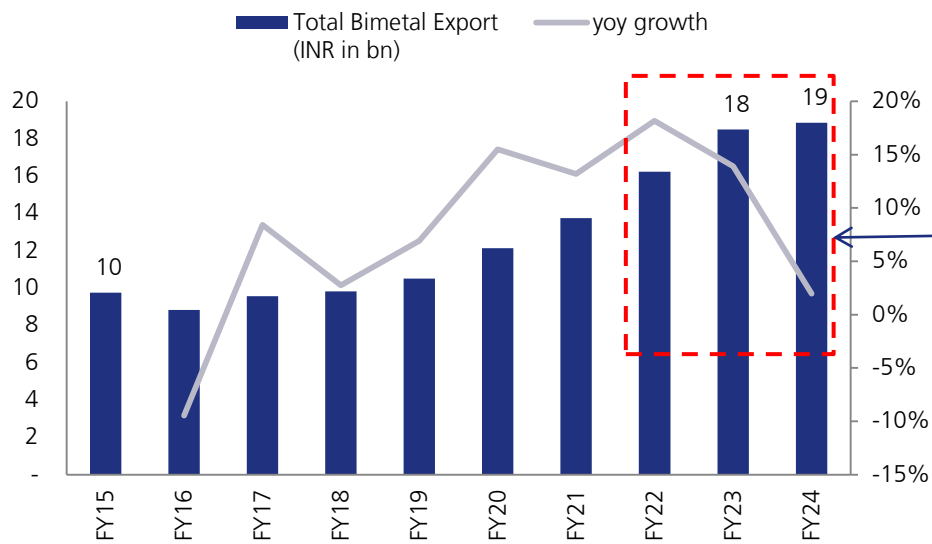
Source: JM Financial, Company

Exhibit 43. Export split: In bimetal, we expect the USA to recover slower than other geographies – mainly because of higher customer addition in other regions like Europe



Source: JM Financial, Company

Exhibit 44. Bimetal export: Overall bimetal export saw slowdown in FY24 as dominant export market is USA – constituting c.26%. Over FY15-23, bimetal grew at CAGR of c.8.3%. Despite that Shivalik has not been impacted due to growth in domestic / other than American markets

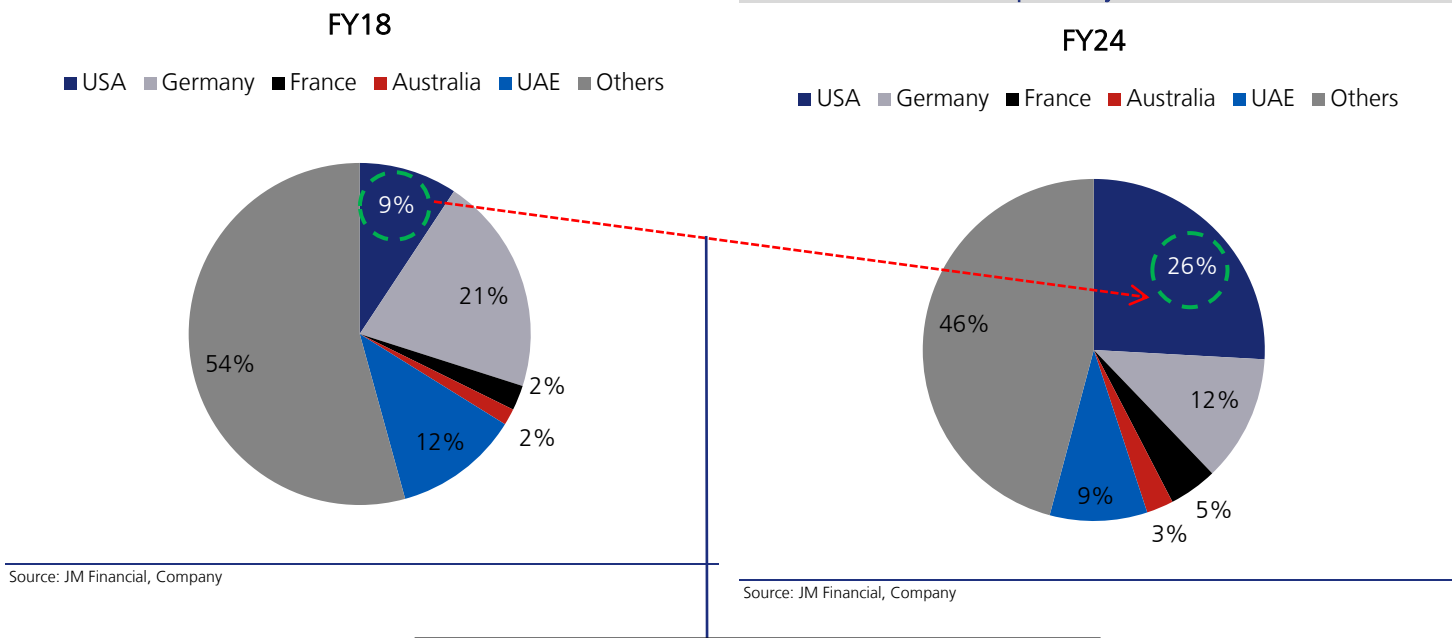


Growth rate declined from c.18% in FY22 to c.2% in FY24 mainly due to slowdown in US markets.

Source: JM Financial

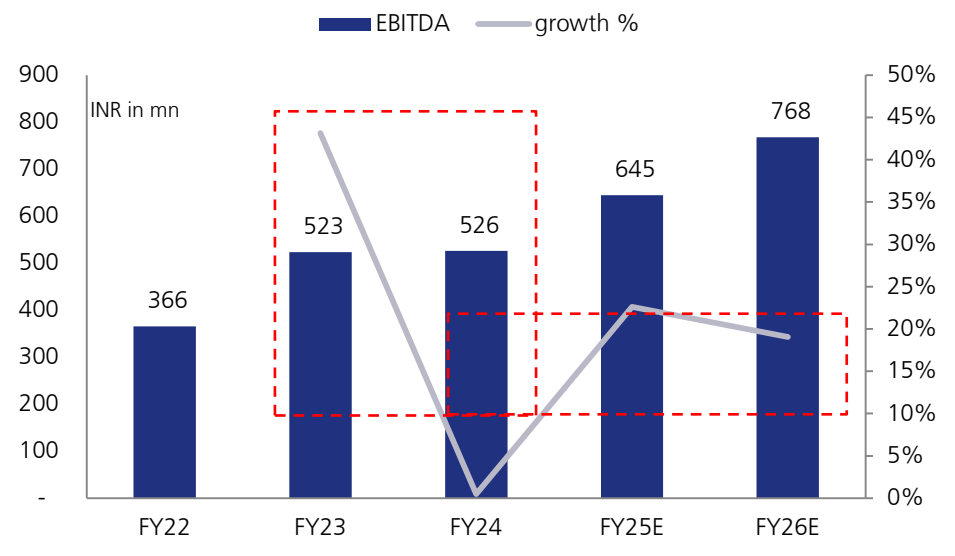
Exhibit 45. Total bimetal split - geography wise (FY18): USA markets constituted only 9% of total exports

Exhibit 46. Total bimetal split - geography wise (FY24): USA contribution has significantly increased, witnessing CAGR of c.30% over FY18-23; during the same time Shivalik's bimetal segment saw rev. CAGR of c.25% and specifically USA saw 52% CAGR



This substantiates the case study of an America major in bimetal shifting focus from its component business to product. Shivalik has been able to establish and capture the USA market and is expected to increase its share.

Exhibit 47. EBITDA and growth %: IN FY24, growth declined mainly due to negative operating leverage. However, with export markets recovering, we expect c. 14% CAGR over FY23-26E

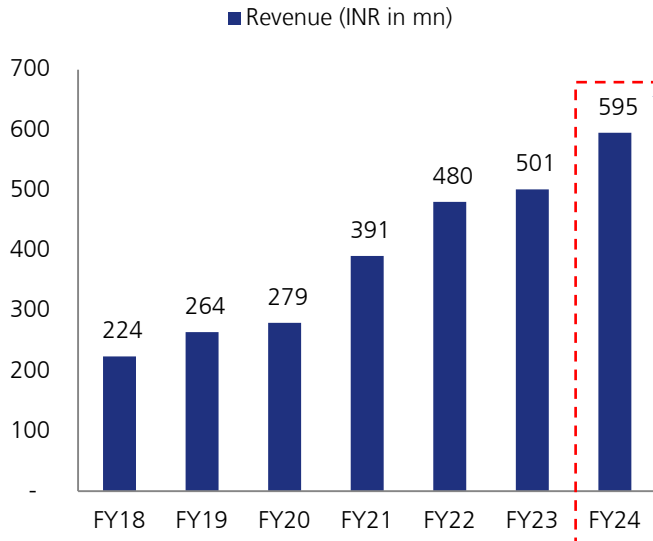


Silver contacts – best of both segments

Silver contacts are key components that are connecting points when a switch is turned on or off. The contact materials are typically made of different types of precious metal alloys. These materials are then joined on to copper alloy substrates using various methods.

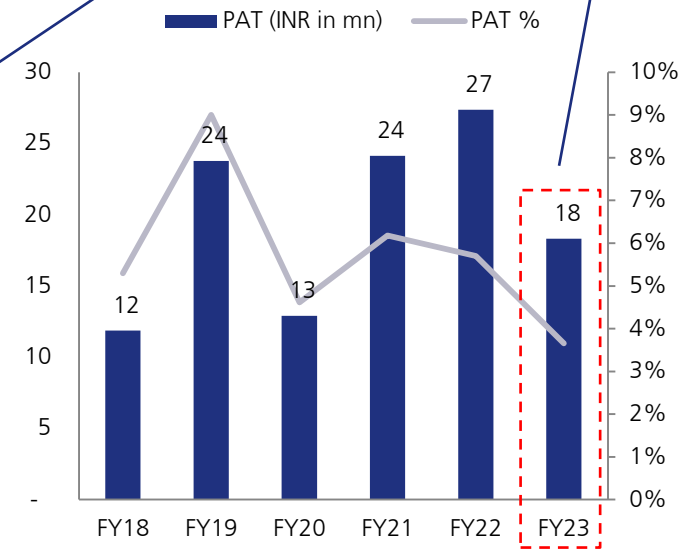
Contacts has been a smaller segment for Shivalik but the business is growing steadily. Revenue from this segment rose at a CAGR of 17% over FY18-23 to INR 501mn. This segment tends to have EBITDA margin of 9-11%, lower than ~c.23-25% in its major segments (bimetal and shunt).

Exhibit 48. Revenue: Over FY18-22, this segment saw CAGR of c.21% - with zero revenue from USA markets. However, from FY23 Shivalik has opened its opportunity to US markets



Source: JM Financial, Company

Exhibit 49. PAT and PAT margin: fluctuating ~4-8%. However, we expect PAT margin to sustain at 7-9% in the long term



Source: JM Financial, Company

From April '22, 50:50 JV with Checon Corporation, USA was converted into WoS.

Contacts are categorised as either silver or electrical contacts. The contacts used in Indian switches are electrical contacts – hence it has a large domestic market; silver contacts are generally exported. The global TAM for contacts in 2022 was USD 800mn which is expected to rise at a CAGR of c.7% to USD 1,400mn. The major growth in contacts will be dependent on two factors: (1) growth of switchgear industry and (2) the smart meter. Hence, the company will enjoy the best of both the major segments.

Recent events in this segment

- On 12th Apr'22, Shivalik Engineered Products Private Ltd (formerly known as Checon Shivalik Contact Solutions Private Ltd) ceased its status of a joint venture (JV) and became a wholly owned subsidiary (WoS) of Shivalik.

During the duration of the JV, Shivalik used to import knowhow from Checon and then manufacture contacts here in India. This agreement had a clause that restricted Shivalik from selling contacts in places where Checon was dominant and this included complete Global markets (excluding Asia). Now, this strategic investment will open up significant opportunity in the export market for Shivalik.

Exhibit 50. Checon acquisition valuation

Particulars	Amount (in mn)
No of share purchased	1,710,900
Amount invested for 50% (in mn)	117.9
Total valuation (in mn)	235.7
Turnover - FY22 (in mn)	501.3
PAT - FY22 (in mn)	18.3
Times turnover (x)	0.47
Times PAT (x)	12.88

Source: JM Financial, Company

At reasonable valuation, Shivalik received entry to America markets.

■ Partnership with Metalor

On 29th Nov'23, Shivalik announced signing of a MoU with Metalor Technologies International, Switzerland, to explore the feasibility of setting up a JV in India to produce electrical contacts.

About Metalor: In 2016, Metalor was acquired by Tanaka Kikinzoku, a family-owned Japanese company - established in 1885, Tanaka employs 3,500 people and is also a world leader in precious metals refining and manufacturing. In 2020, Metalor's balance sheet size was >USD 1000mn, and it had cash of USD 250mn.

Metalor is a silver alloy expert and Shivalik provides quality + cost efficient manufacturing solutions for silver contacts. We believe this MoU can open export opportunity for Shivalik

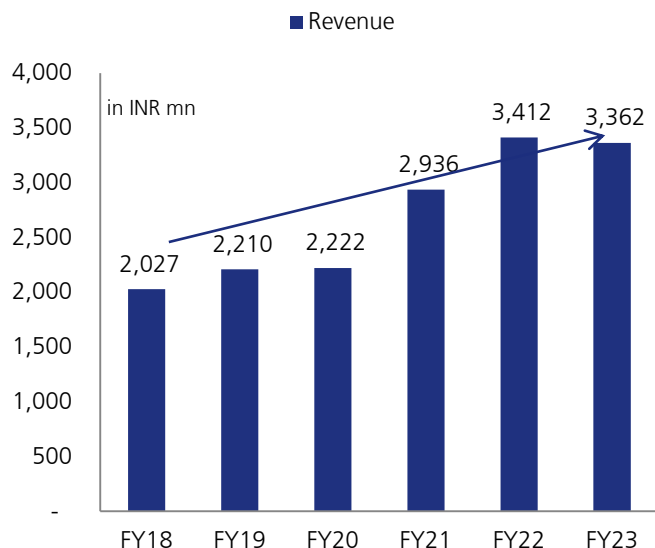
Enhanced capacity

Considering the forthcoming export opportunity, Shivalik is expanding its capacity by 3x from present capacity of c.300/350 metric tonne annually. The capacity will be in place by Dec'25.

Domestic peer – Modison Limited

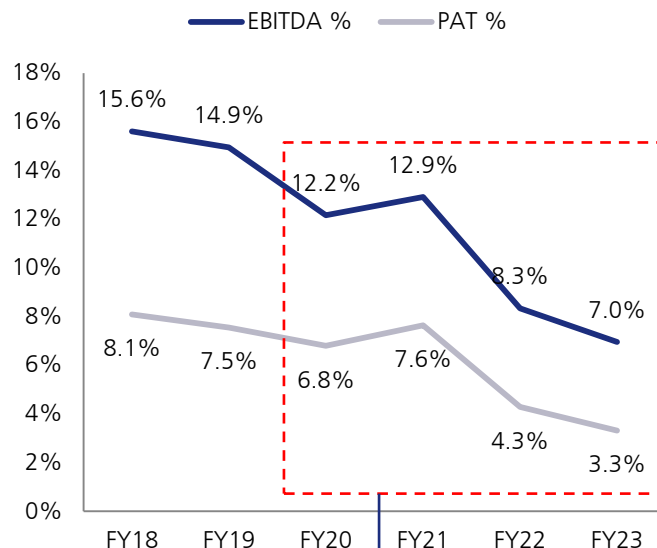
Founded in 1965, Modison Limited manufactures electrical contacts for switchgear for both India and the global market. It has plants at two locations (Vapi and Silvassa) in Western India, employing more than 500 people. Its plant is amongst the largest single site for high voltage electrical contact manufacturing globally.

Exhibit 51. Standalone revenue saw CAGR of 10.7% over FY18-23. In FY23 c.INR 503.4mn (15%) was export revenue



Source: JM Financial, Company

Exhibit 52. EBITDA and PAT %: Declining trend due to unfavourable commodity prices + geopolitical tensions

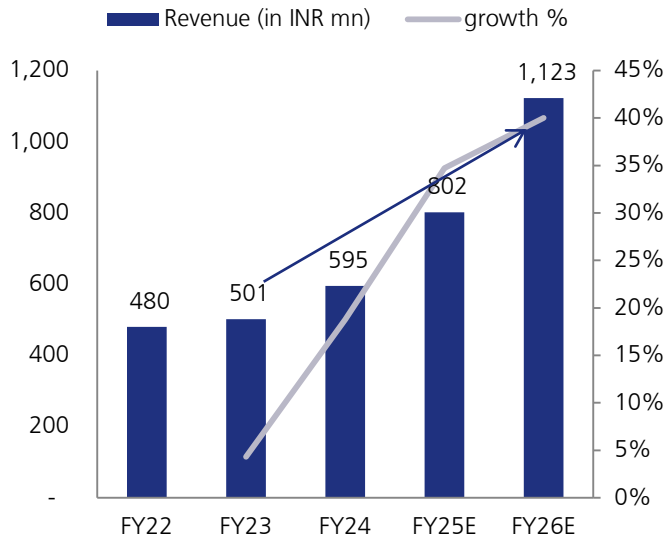


Source: JM Financial, Company

For FY 20/21 margins were impacted due to Covid-19, post which higher inventory costs, unfavourable silver process movement and the volatile geopolitical situation like Russia- Ukraine war impacted manufacturing operations.

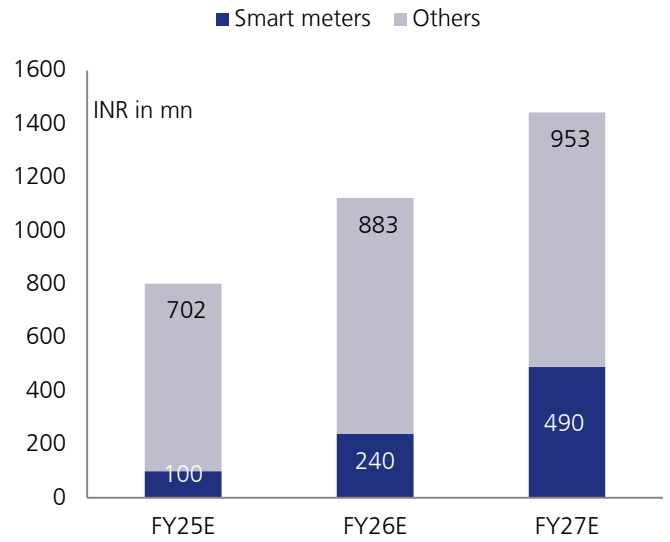
Projected financials for Contacts division

Exhibit 53. Revenue: We expect revenue CAGR of c.31% over FY23-26 mainly led by smart meters. We have not factored in opportunity from Metalor JV and USA markets



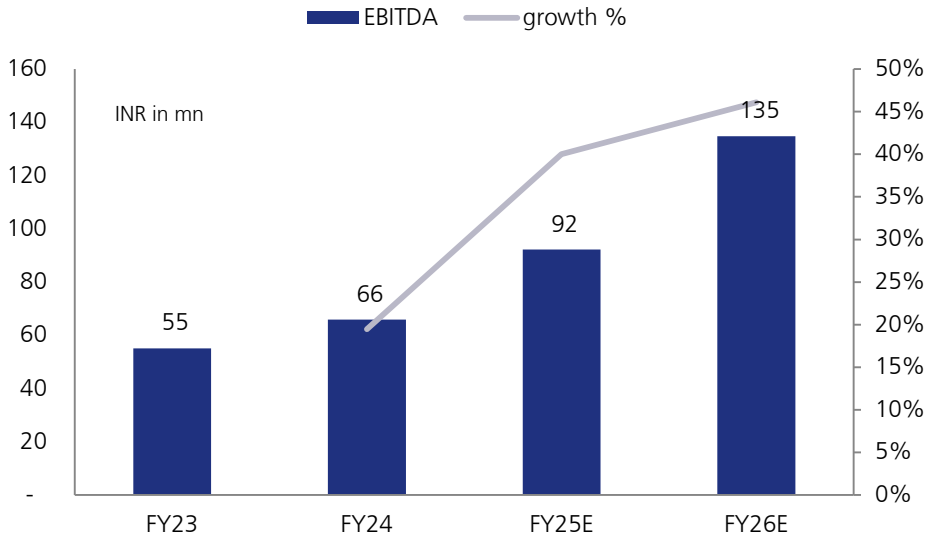
Source: JM Financial, Company

Exhibit 54. We expect contacts opportunity from smart meter to see CAGR of c.121% over FY25E-27E. Over the short term, domestic growth to outpace export growth



Source: JM Financial, Company

Exhibit 55. EBITDA: We expect some improvement (100bps) in margin for this segment mainly due to operating leverage. Over 23-26E, EBITDA to grow at CAGR of 35%



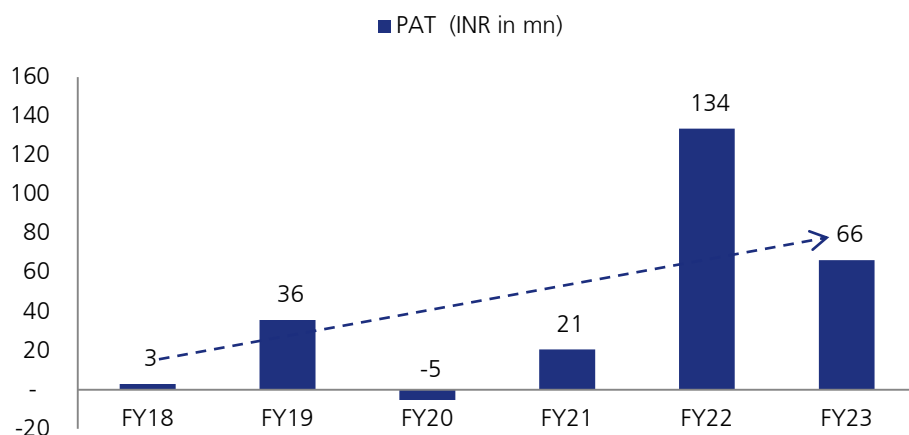
Source: JM Financial

Cladding business

Innovative Clad Solutions Private Ltd (ICS), a company incorporated in India, is a JV between Shivalik and Arcelor Mittal Stainless and Nickel Alloys. ICS is carrying on the business of manufacturing industrial clad products in Indore, Madhya Pradesh. This venture leverages advanced metallurgical processes to produce high-quality cladding materials, serving various industrial applications. The synergy between Shivalik Bimetal Controls and ICS ensures a seamless integration of technology and expertise, enhancing its product offerings and market reach.

It commenced its operation from Feb'10. Shivalik's equity contribution has reduced to 16.01% in FY23 vs. 33.33% in 2010. Shivalik's remaining investment has a book value of c.INR 80mn.

Exhibit 56. PAT reported by ICS: witnessed CAGR of c.88% over FY18-23 due to lower base



Source: JM Financial, Company

Other expenses

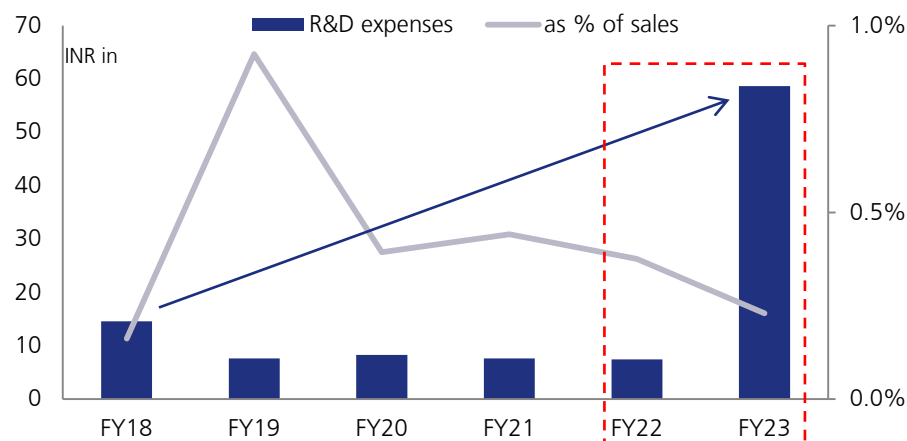
Increase in R&D cost:

The company invests in research and development (R&D) to mitigate the technology related risks and has an approved R&D facility in-house towards this. The technological advancement also provides opportunity to upgrade its offerings to customers in a more sustainable manner.

Key focus area of R&D activities at Shivalik includes:

- Optimising of resource utilisation
- Quality and productivity improvements and cost optimisation through process efficiency improvements
- Product development, customisation and new applications

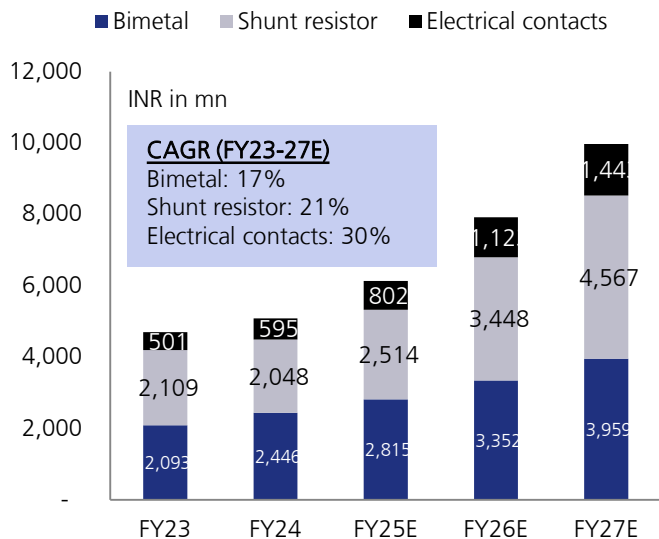
Exhibit 57. R&D expenses over the years



Source: JM Financial, Company

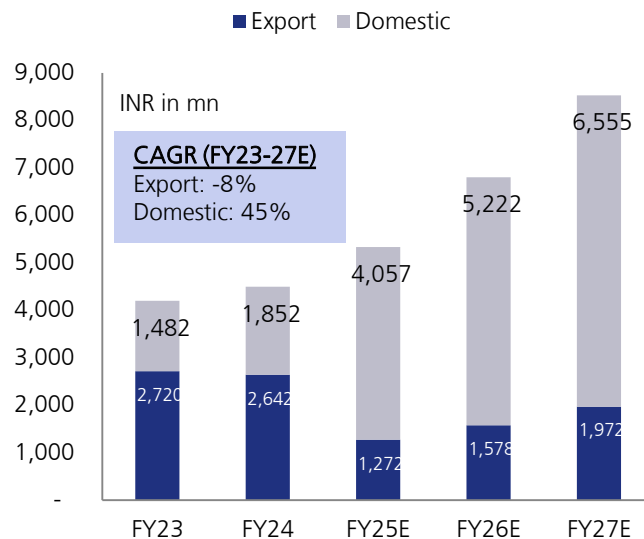
Story in financial charts

Exhibit 58. Segment wise revenue bifurcation



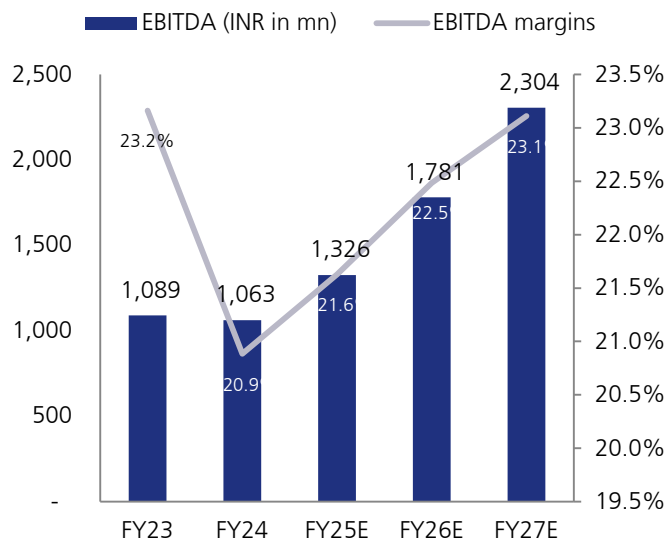
Source: JM Financial, Company

Exhibit 59. Shunt and bimetal revenue bifurcation geography wise



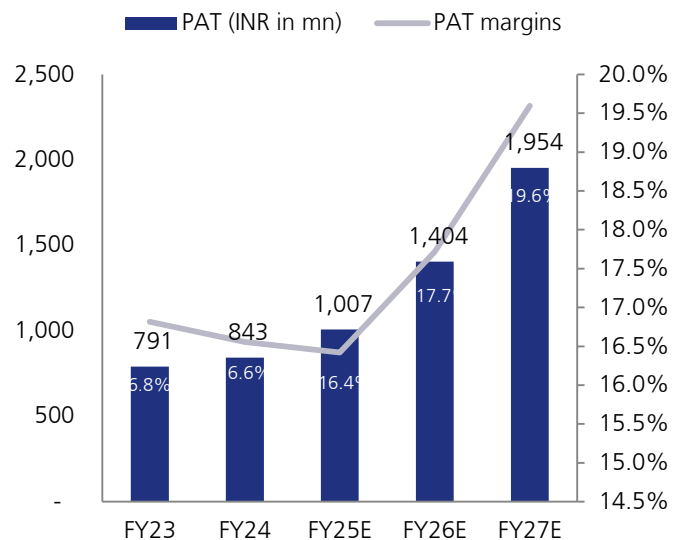
Source: JM Financial, Company

Exhibit 60. EBITDA and margins: We expect EBITDA margins to increase with increasing share of Shunt in overall revenue.



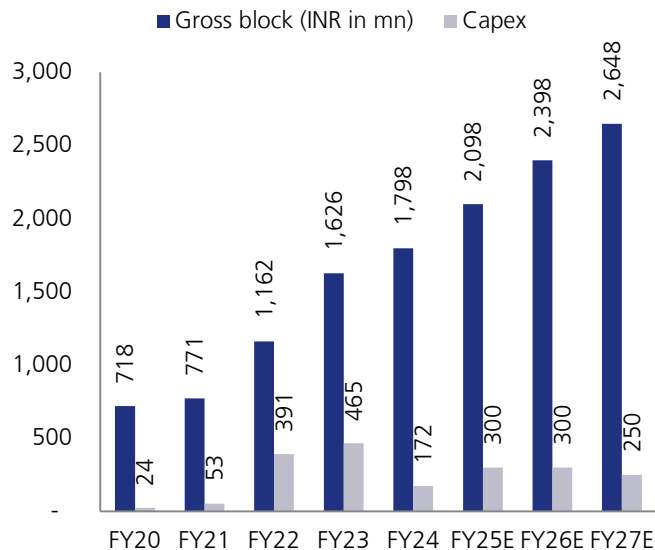
Source: JM Financial, Company

Exhibit 61. PAT and margins: Lower interest and already incurred capex – would further assist in increasing the PAT margins



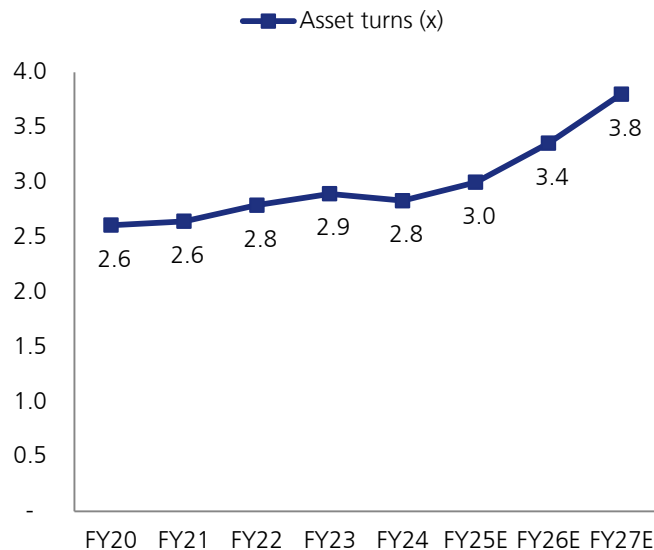
Source: JM Financial, Company

Exhibit 62. We expect Gross block to increase by regular maintenance capex as Shivalik has no major capex planned till FY26



Source: JM Financial

Exhibit 63. The revenue growth will not require any additional capex - increasing the asset turns for this business.



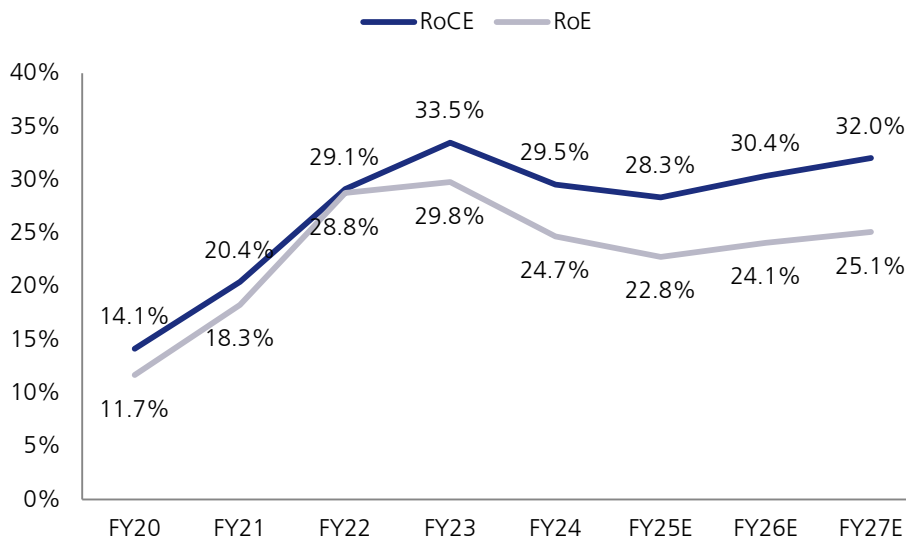
Source: JM Financial. Note: Here asset turn is calculated by taking gross block in the base

Exhibit 64. RoE are on constant increase due to constant improvement in net profit margins and asset turns.

DuPoint Analysis	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net profit margin (%)	7.2%	12.5%	17.0%	16.8%	16.6%	16.4%	17.7%	19.6%
Asset turnover (x)	3.1	3.0	3.8	3.8	3.8	4.1	4.7	5.6
Leverage multiplier (x)	0.5	0.5	0.4	0.5	0.4	0.3	0.3	0.2
RoE (%)	11.7%	18.3%	28.8%	29.8%	24.7%	22.8%	24.1%	25.1%

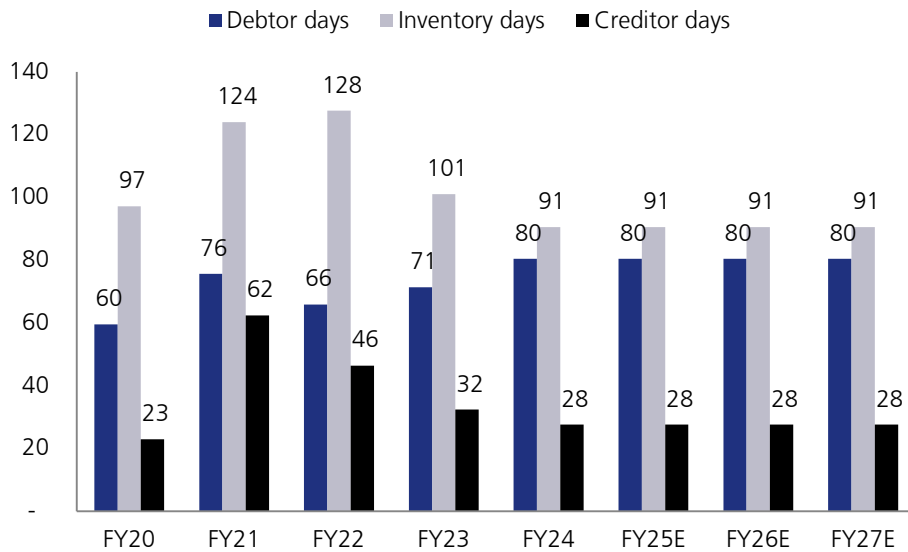
Source: JM Financial, Company. Note: Here asset turn is calculated by taking complete fixed asset in the base.

Exhibit 65. FY24 witnessed industry wise slowdown leading to decline in the return ratios. With improvement in global conditions especially in America markets and with picking of domestic markets, we expect these return ratios to improve.



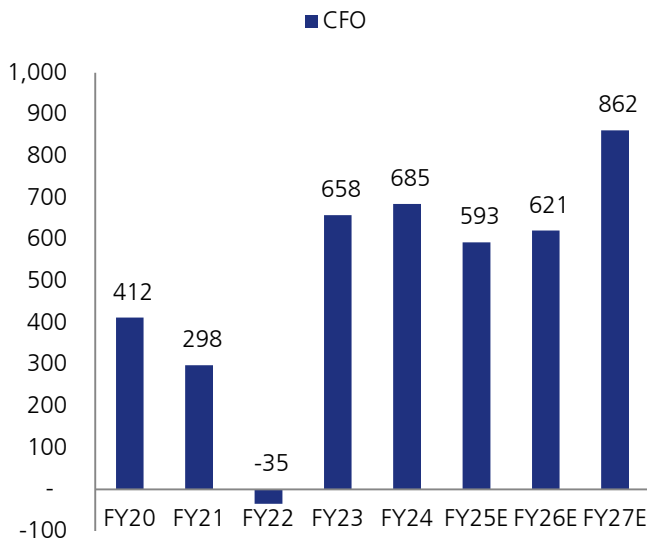
Source: JM Financial, Company

Exhibit 66. Inventory days was the major concern for Shivalik since the raw materials in the form of metals are completely imported. Shivalik has constantly improved on that parameter. Taking conservative scenarios we have assumed no improvement in WC cycle. Although, Shivalik is in constant search of local supplier for its raw materials.



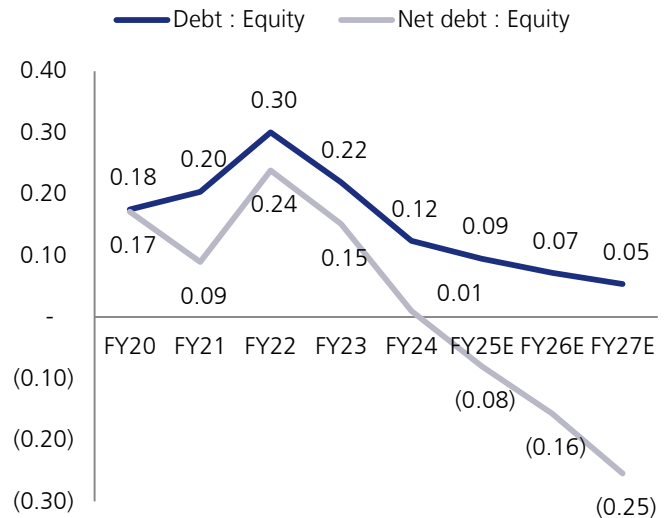
Source: JM Financial, Company

Exhibit 67. We expect the CFO to gradually improve.



Source: JM Financial, Company

Exhibit 68. We expect Shivalik shall keep reducing the debt with the internally generated cash flows.



Source: JM Financial, Company

Valuation and outlook:

We initiate coverage on Shivalik with a BUY recommendation and a target of Rs 730. Our target PE multiple is 30x on FY26e (currently trading at 22x FY26). Over short term, we expect soft recovery from global markets which will lead to low revenue growth, however, over the next 2-3 years, we expect Shivalik to gain export market share in shunts and resistors. Also, with enhanced focus on electrical contacts, Shivalik is seeing higher earnings growth with improved balance sheet and return ratios. We expect earnings CAGR of 30%, with improved asset turnover – return ratio (RoE) is likely to improve to c.24.1% in FY26e from 12% in FY20 with strong profitable growth.

Incentive:

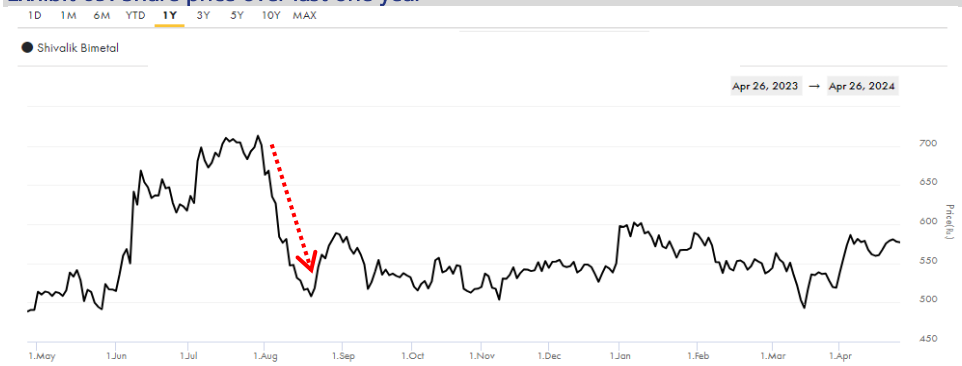
Shivalik has been eligible for production linked incentives (PLI) and Scheme for Promotion of Manufacturing of Electronic Components and Semiconductors (SPECS). Under PLI, it will receive 4-6% of incremental sales, and in SPECS it is eligible for 25% subsidy on capital expenditure. Shivalik has been approved for PLI, and SPECS is under consideration.

Lead time:

Shivalik continues to enjoy the lowest lead time to manufacture products to meet customer demand. Captive manufacturing expertise, process equipment understanding and experienced production team results in the best lead time for Shivalik, even when compared with global peers.

Promoter selling:

Exhibit 69. Share price over last one year



Source: JM Financial, Company

On 7th Aug'23, promoters strategically sold their shares (9.52%) to a select group of long-term marquee investors (FIs, DIs, multi strategy funds and reputable family offices). Purpose: Selling by TSL Holdings was to onboard long-term strategic investors and professionally manage the company. The other promoters Mr. Devinder Sandhu and Mrs Gurbir Sandhu executed this sale as part of their planned exit strategy and they were not part of any decision-making process. The promoter group now holds 51.09% (from 60.6% earlier) shareholding in the company.

Exhibit 70. Details of promoter who sold the shares

Promoter Name	No. of shares sold	Holding % sold	Remaining shares	Remaining holding %
M/s TSL Holdings Private Limited	50,00,000	8.68%	33,70,600	5.85%
Mr. Devinder Jeet Singh Sandhu	1,14,000	0.2%	Nil	Nil
Mrs. Gurbir Sandhu	3,67,273	0.64%	Nil	Nil
Total	54,81,273	9.52%		

Source: JM Financial, Company

Key Risks:

Lack of relay manufacturers in domestic market: The domestic delta for SBCL's shunt and electrical contact revenue is dependent on indigenous relay manufacturers. Currently, India is majorly an importer for relays with only limited indigenous relay manufacturers.

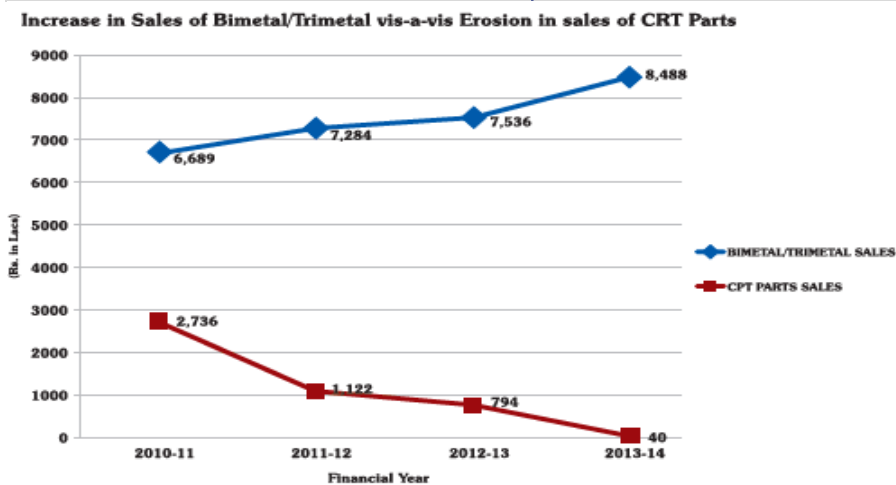
Slow implementation of smart meter programme: There has been severe delay in smart meter installing and have missed its 2025 targets. This delay can slow the growth for Shivalik. We have factored in complete smart meter programme implementation by 2030.

Delayed recovery of America markets: If America markets takes longer time period to recover from over-inventorization, it may impact revenue growth for Shivalik in short to medium term.

About the company

- Shivalik Bimetal Controls Ltd (SBCL), incorporated in Jun'84, is the largest manufacturer of multi-metal products in the general power electronics industry.
- In 1995, the company embarked upon a diversification programme to manufacture thermo bimetal components for miniature circuit breakers, overload thermal relays and cathode ray tubes (CRT). It came out with a public issue in Jun'95 to part-finance this programme.
- But the demand for the product declined significantly post introduction of LED and LCD television.

Exhibit 71. Sale of bimetal/ trimetal vs. sale of CRT parts over FY11-14

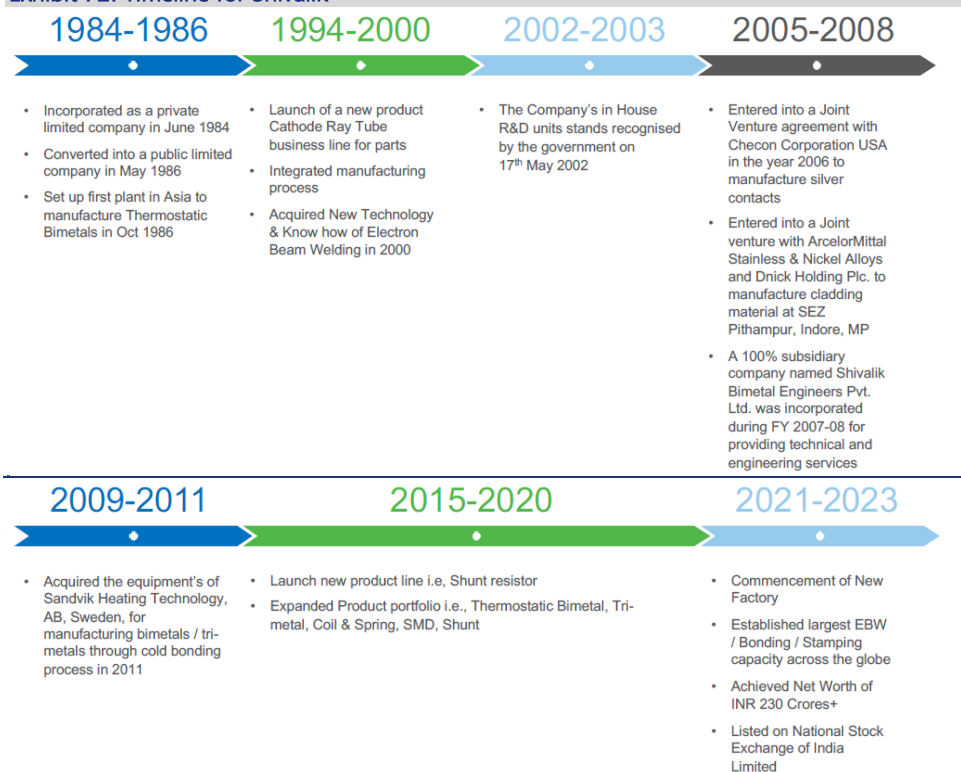


CRT parts' sales constituted c.29.03% of total revenue of the company in FY11 as against 0.5% in FY14

Source: JM Financial, Company

- Later, it engaged in the business of manufacturing and sales of shunt resistors and became company supplying high quality bimetal, EBW shunts and silver contacts under one roof.

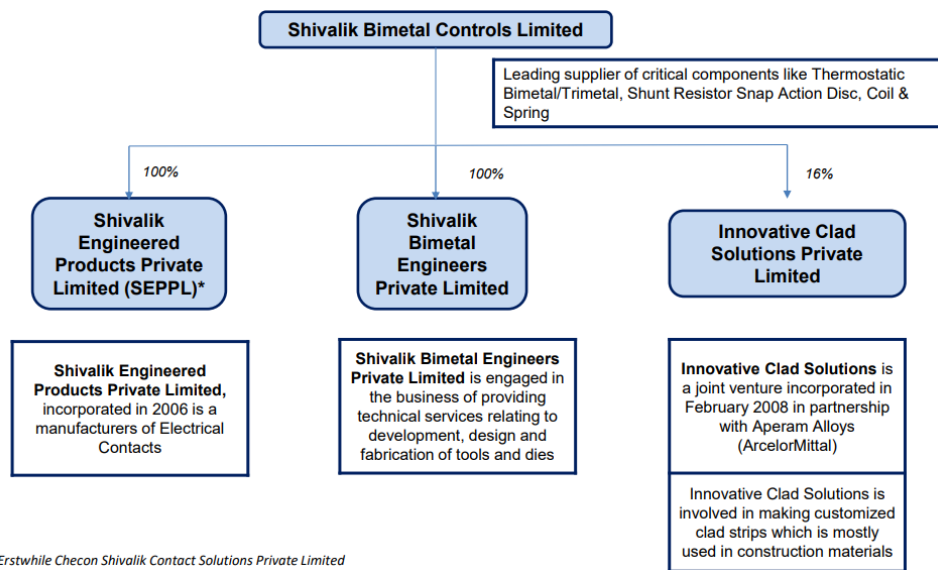
Exhibit 72. Timeline for Shivalik



Shivalik has been manufacturing bimetal strips and parts since '84 and started with exports in late 1990s. Since then it has continuously been adding value added products like snap action disc and updating its processes. Now with 200+ sub-products Shivalik has placed itself among the top global players in bimetal manufacturing

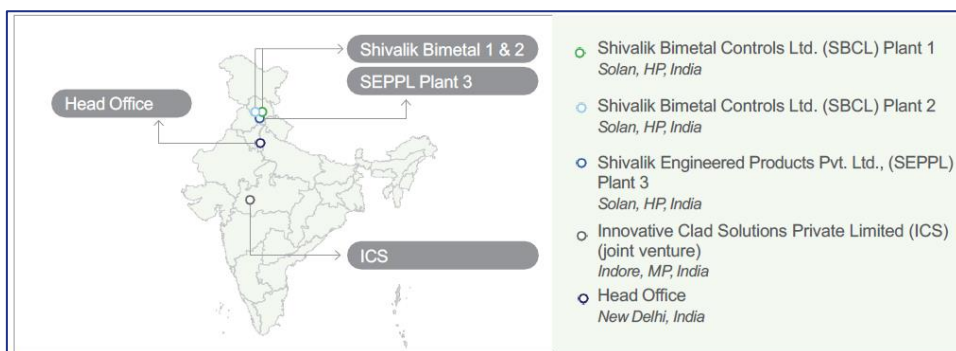
Source: JM Financial, Company

Exhibit 73. Corporate structure



Source: JM Financial, Company

Exhibit 74. Manufacturing plants



Modern Manufacturing Facilities with unique capabilities				
<ul style="list-style-type: none"> World's Largest Capacity and Production of Strip Electron Beam Welding Inhouse stamping shop Inhouse R&D and Innovation Inhouse Reliability Testing Inhouse Tooling and Design 				
	Plant 1	Plant 2	Plant 3	
	Location	Solan, Himachal Pradesh	Solan, Himachal Pradesh	Solan, Himachal Pradesh
	Product Type	EB welded Shunt Resistor Strip	Thermostatic Bimetal Strips	Electrical Contacts
Revenue Capacity Post Expansion	INR 700 Crs	INR 600 Crs	INR 300 Crs	

Source: JM Financial, Company

Exhibit 75. Management team

First Generation Entrepreneurs

<p>Mr. S. S Sandhu Chairman and Whole Time Director</p> <ul style="list-style-type: none"> • 51 years of experience in the field of Banking, Finance, Legal and Corporate Financial Management • Bachelor of Arts 	<p>Mr. N.S Ghumman Managing Director</p> <ul style="list-style-type: none"> • 50 years of experience in the field of engineering, R&D, manufacturing operations and Product Development • BTech in Mechanical Engineering (Hons)
--	---

Second Generation Entrepreneurs

<p>Mr. Kabir Ghumman Head of Manufacturing & Engineering</p> <ul style="list-style-type: none"> • 15 years of experience • B Tech, Mechanical Engineering 	<p>Mr. Kanav Anand Head of Sales and Marketing</p> <ul style="list-style-type: none"> • 16 years of experience in the industry • BSc (Hons) in Business Management 	<p>Mr. Sumer Ghumman Managing Director of SEPPL</p> <ul style="list-style-type: none"> • 15 years of experience • Graduate in Accounting and Finance 	<p>Mr. Rajeev Ranjan Chief Financial Officer</p> <ul style="list-style-type: none"> • 13 years of experience • Chartered Professional, Executive Study in Finance and Financial Management Services
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Source: JM Financial, Company

Financial Tables (Consolidated)

Income Statement		(INR mn)				
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E	
Net Sales	3,240	4,704	5,089	6,132	7,923	
Sales Growth	59.0%	45.2%	8.2%	20.5%	29.2%	
Other Operating Income	0	0	0	0	0	
Total Revenue	3,240	4,704	5,089	6,132	7,923	
Cost of Goods Sold/Op. Exp	1,611	2,452	2,828	3,409	4,397	
Personnel Cost	271	381	427	492	575	
Other Expenses	626	782	771	905	1,169	
EBITDA	733	1,089	1,063	1,326	1,781	
EBITDA Margin	22.6%	23.2%	20.9%	21.6%	22.5%	
EBITDA Growth	103.5%	48.7%	-2.4%	24.8%	34.3%	
Depn. & Amort.	64	105	121	128	134	
EBIT	669	984	942	1,198	1,647	
Other Income	54	99	191	175	250	
Finance Cost	28	70	49	49	46	
PBT before Excep. & Forex	696	1,013	1,084	1,325	1,851	
Excep. & Forex Inc./Loss(-)	0	0	0	0	0	
PBT	696	1,013	1,084	1,325	1,851	
Taxes	182	232	275	336	468	
Extraordinary Inc./Loss(-)	0	0	0	0	0	
Assoc. Profit/Min. Int.(-)	35	10	33	18	21	
Reported Net Profit	549	791	843	1,007	1,404	
Adjusted Net Profit	549	791	843	1,007	1,404	
Net Margin	16.9%	16.8%	16.6%	16.4%	17.7%	
Diluted Share Cap. (mn)	38.4	57.6	57.6	57.6	57.6	
Diluted EPS (INR)	14.3	13.7	14.6	17.5	24.4	
Diluted EPS Growth	116.5%	-3.9%	6.5%	19.5%	39.4%	
Total Dividend + Tax	1	0	0	0	0	
Dividend Per Share (INR)	0.0	0.0	0.0	0.0	0.0	

Source: Company, JM Financial

Cash Flow Statement		(INR mn)				
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E	
Profit before Tax	733	1,023	1,117	1,343	1,872	
Depn. & Amort.	64	105	121	128	134	
Net Interest Exp. / Inc. (-)	23	65	33	-126	-204	
Inc (-) / Dec in WCap.	-643	-234	-276	-415	-713	
Others	-38	-34	-39	0	0	
Taxes Paid	-173	-267	-272	-336	-468	
Operating Cash Flow	-35	658	685	593	621	
Capex	-223	-318	-200	-300	-300	
Free Cash Flow	-258	341	485	293	321	
Inc (-) / Dec in Investments	-23	-119	0	0	0	
Others	4	5	16	175	250	
Investing Cash Flow	-242	-431	-184	-125	-50	
Inc / Dec (-) in Capital	0	0	0	0	0	
Dividend + Tax thereon	-30	-47	-80	0	0	
Inc / Dec (-) in Loans	285	-68	-162	0	0	
Others	-26	-69	-50	-49	-46	
Financing Cash Flow	229	-185	-292	-49	-46	
Inc / Dec (-) in Cash	-48	42	209	420	525	
Opening Cash Balance	157	135	177	389	809	
Closing Cash Balance	109	177	386	809	1,333	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E	
Shareholders' Fund	1,916	2,655	3,415	4,422	5,826	
Share Capital	77	115	115	115	115	
Reserves & Surplus	1,839	2,540	3,300	4,307	5,710	
Preference Share Capital	0	0	0	0	0	
Minority Interest	0	0	0	0	0	
Total Loans	575	582	423	423	423	
Def. Tax Liab. / Assets (-)	67	54	55	55	55	
Total - Equity & Liab.	2,558	3,291	3,893	4,900	6,304	
Net Fixed Assets	846	1,223	1,337	1,509	1,675	
Gross Fixed Assets	1,162	1,626	1,798	2,098	2,398	
Intangible Assets	13	73	62	62	62	
Less: Depn. & Amort.	394	529	650	778	912	
Capital WIP	65	53	127	127	127	
Investments	185	98	112	112	112	
Current Assets	2,047	2,576	2,977	3,892	5,267	
Inventories	1,149	1,320	1,279	1,541	1,992	
Sundry Debtors	593	932	1,137	1,370	1,771	
Cash & Bank Balances	118	179	389	809	1,333	
Loans & Advances	0	0	0	0	0	
Other Current Assets	187	145	171	171	171	
Current Liab. & Prov.	519	606	533	613	750	
Current Liabilities	418	423	390	470	607	
Provisions & Others	101	183	143	143	143	
Net Current Assets	1,528	1,970	2,444	3,279	4,517	
Total - Assets	2,558	3,291	3,893	4,900	6,304	

Source: Company, JM Financial

Dupont Analysis						
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E	
Net Margin	16.9%	16.8%	16.6%	16.4%	17.7%	
Asset Turnover (x)	1.5	1.6	1.4	1.4	1.4	
Leverage Factor (x)	1.3	1.3	1.2	1.1	1.1	
RoE	33.2%	34.6%	27.8%	25.7%	27.4%	

Key Ratios						
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E	
BV/Share (INR)	49.9	46.1	59.3	76.8	101.1	
ROIC	27.8%	29.5%	22.3%	24.6%	28.2%	
ROE	33.2%	34.6%	27.8%	25.7%	27.4%	
Net Debt/Equity (x)	0.2	0.2	0.0	-0.1	-0.2	
P/E (x)	38.1	39.6	37.2	31.1	22.3	
P/B (x)	10.9	11.8	9.2	7.1	5.4	
EV/EBITDA (x)	43.7	29.3	29.7	23.5	17.2	
EV/Sales (x)	9.9	6.8	6.2	5.1	3.9	
Debtor days	67	72	82	82	82	
Inventory days	129	102	92	92	92	
Creditor days	61	43	35	36	36	

Source: Company, JM Financial

APPENDIX I

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Corporate Identity Number: U67100MH2017PLC296081

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Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
Sell	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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