

Management Discussion & Analysis



5.3%

The expected growth rate of emerging markets and developing economies compared to projected 4.6% of advanced economies within Asia Pacific region

Within the Asia Pacific region, advanced economies are projected to achieve a growth rate of 4.6%, while emerging markets and developing economies are expected to outpace them with a growth rate of 5.3%.



7.1% (CAGR)

This industry is projected to grow at a significant rate, with a compound annual growth rate (CAGR) of 7.1% from 2020, reaching a market value of \$1,662.7 billion by 2025.

Despite these challenges faced by advanced economies worldwide, emerging markets and developing economies continue to drive global growth. According to the IMF regional outlook for Asia and the Pacific, this region is expected to contribute around 70% of global growth.

Within the US Banking System, notable setbacks were experienced by SVB and Signature Bank. It is anticipated that more banks may face similar circumstances. Furthermore, the US Economy encountered mounting debt pressure, adding to the overall economic concerns.

Analysing the regional outlook provided by the International Monetary Fund (IMF), it is projected that North America will grow at a rate of 1.6%, while South America is expected to experience slower growth at 1.0%. In Europe, the energy crisis resulting from Russia's invasion of Ukraine presents a difficult task of balancing inflation control, economic growth, and financial stability. Consequently, Europe is projected to witness a modest growth rate of 0.8% in 2023. On the other hand, emerging markets are leading the way with a growth rate of 1.2% compared to advanced European economies, which are expected to grow at a rate of 0.7%.

This growth is primarily propelled by China's recovery and the resilient growth observed in India. Within the Asia Pacific region, advanced economies are projected to achieve a growth rate of 4.6%, while emerging markets and developing economies are expected to outpace them with a growth rate of 5.3%.

Shivalik Bimetal Controls Ltd. recognizes the impact of these global economic dynamics on its business operations. The Company remains vigilant in monitoring these developments and adapting its strategies accordingly to navigate the challenges and capitalize on potential opportunities.

Economic Overview:

Global Economic Overview:

The global economy faced significant challenges in 2022. Despite striving to maintain growth momentum, the global economy recorded a modest growth rate of 3.4% compared to the remarkable 6.1% achieved in the previous year. This slowdown was attributed to various factors including geopolitical tensions, rising inflation leading to a Cost-of-Living Crisis, and disruptions in the supply chain.

The Company observed that these challenges were further exacerbated by strained relations between the United States and China, as well as Russia's invasion of Ukraine. Consequently, governments and global businesses started considering a more independent world, leading to the adoption of strategies such as the "China Plus One" approach. Moreover, Russia and China aimed to challenge the dominance of the US Dollar in global trade, introducing additional complexities to the economic landscape.

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According to the esteemed International Monetary Fund (IMF), India's economy is projected to grow by 5.9% in 2023, followed by a further improvement to 6.3% in 2024.

Although the IMF has slightly revised its growth outlook with minor adjustments of -0.2% for 2023 and -0.5% for 2024, India remains a shining beacon of economic prosperity in the global arena.

Overview of Indian Economy:

India's economic resurgence in 2021 was nothing short of exceptional, with a growth rate of 9.1% amidst the challenges posed by the COVID-19 pandemic. This achievement positions us as frontrunners in global economic leadership. In 2022, despite turbulent global conditions, India showcased its resilience, outperforming its peers with a growth rate of 6.8% while the global economy struggled to reach a mere 3%.

As we look forward to 2023, we recognize that India is not impervious to global headwinds, but our resilience shields us from its full impact. With solid microeconomic fundamentals and the prudent fiscal and monetary policies implemented by the central government and central bank, we are well-equipped to navigate the unpredictable road ahead.

In its April 2023 bulletin, the Reserve Bank of India (RBI) highlights key risks to our growth and inflation outlook, including geopolitical tensions, global inflation, volatile financial markets, and climate shocks. While global uncertainty poses concerns, the RBI assures us that the Indian Financial Sector remains robust, with strong banks and financial institutions boasting solid balance sheets and ample capitalization. With an optimistic outlook on a favourable monsoon season and an anticipated bumper rabi harvest, we anticipate a decline in food inflation.

India's participation in world trade continues to exhibit substantial growth, particularly in the aftermath of the global COVID-19 pandemic that prompted a strategic shift among global companies towards diversification. This fiscal year, India's goods exports grew by an impressive 6%, while imports recorded a substantial growth of 16.5%. The Ministry of

Commerce and Industry has set ambitious targets to secure a 10% share in global exports by 2047 (currently at 2.1%), with an interim goal of reaching 3% by 2027. We aim to bolster our exports' contribution to the gross domestic product to 25%, focusing on key sectors such as pharmaceuticals, gems & jewellery, marine & agriculture, textiles & leather, engineering goods, electronics & telecom products, and chemicals.

Banking on increased government capital expenditure, especially in infrastructure development and supply chain enhancement through the transformative PM Gati Shakti initiative, India propels itself toward the ambitious goal of becoming a USD 5 trillion economy by 2025. Furthermore, India is poised to lead the electric vehicle revolution, with robust government support through initiatives like FAME and PLI. The EV industry experiences heightened capital investments from leading manufacturers, igniting excitement and opportunities within the sector.

India's boundless business potential is further bolstered by the government's commitment to economic growth. Strategic initiatives such as Make in India, Digital India, and Start Up India foster entrepreneurship, innovation, and manufacturing, creating a conducive environment for businesses to flourish. Recent reforms in key sectors such as agriculture, labor, and education propel India forward on its journey to becoming a global economic powerhouse.

The strides made by India in its economic resurgence present opportunities for growth and investment, underpinned by the government's resolute vision for a prosperous future.

Industry Overview:

Shivalik is a global leader in material joining technologies, employing advanced methods such as Diffusion Bonding/Cladding, Electron Beam Welding, Solder Reflow, and Resistance Welding. Our extensive product portfolio encompasses Thermostatic Bimetal, Clad Metal, Spring Rolled Stainless Steels, Electron Beam Welded Materials with multi-gauge and multi-material strips, and parts. We cater to diverse industries, including switchgear, Energy Meters, Industrial, Electrical, Automotive, Electrical Home Appliances, and Power Electronics. Our growth is intricately tied to the

While major global economies grapple with mounting debt burdens exceeding their GDP, India maintains a favourable debt-to-GDP ratio of approximately 70%. Moreover, India's foreign exchange reserves of \$586.41 billion provide a substantial cushion, equivalent to 10-11 months of import bills.

advancements in the Electrical, Electronics, and Automotive sectors.

Electrical Equipment Market:

Shivalik Bimetal Controls Ltd. recognizes the growth potential within the global electrical equipment market and remains dedicated to driving innovation. This industry is projected to grow at a significant rate, with a compound annual growth rate (CAGR) of 7.1% from 2020, reaching a market value of \$1,662.7 billion by 2025. Looking ahead, a projected CAGR of 6.2% is expected to further drive the market value to \$2,248.2 billion by 2030.

India, as a prominent player in global growth, is witnessing a surge in energy demand due to population expansion, urbanization, industrialization, and increasing affluence. The Indian electrical equipment market is anticipated to experience substantial growth, amounting to \$33.74 billion between 2021 and 2025. This growth is influenced by the country's ambitious renewable energy goals, aiming to achieve 817 GW of renewable energy capacity by 2030.

The electrical equipment market in India, valued at USD 6,550.3 million in 2022, is expected to grow at a robust CAGR of 13.82% over the next decade.

The National Green Hydrogen Mission of India has also received an allocation of ₹19,700 crore to accelerate the transition to clean energy sources. Additionally, the government has pledged to reduce the nation's total carbon emissions by one billion tonnes by the end of this decade. With targets to achieve a carbon intensity reduction of less than 45% by 2030 and net-zero carbon emissions by 2070, the sustainability drive presents opportunities for our organization.

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8.1% CAGR

The global Smart Meter sector is expected to grow at a CAGR of 8.1% from 2021 to 2028, reaching an estimated market size of USD 36.00 billion by 2028

Smart Metering:

Shivalik Bimetal Controls Ltd. is positioned to benefit from the global smart electric meter market. This sector is expected to grow at a CAGR of 8.1% from 2021 to 2028, reaching an estimated market size of USD 36.00 billion by 2028. Factors such as rapid urbanization, the rise of smart cities, and the increasing use of renewable energy sources are driving the market's growth.

India's Smart Meter National Programme presents a significant opportunity for companies like ours. The program aims to replace 25 crore conventional meters with smart meters.

With the increasing momentum in smart meter installations, we expect a surge in demand for our electrical components.

Automotive Industries:

Shivalik Bimetal Controls Ltd. actively participates in the automotive sector, in Internal Combustion Engine (ICE) and in the electric vehicle (EV) market. As more electrical and battery management systems are integrated into motor vehicles, Shivalik's shunt resistors continue to play a vital role in ICE as well as electrically powered vehicles. The growth in the automotive segment is led by a growing global EV industry that has witnessed substantial momentum in recent years. In 2022, the number of electric cars on the roads exceeded 26 million, marking a significant 60% increase from the previous year. This growth trend has continued into the first quarter of 2023, with a 25% rise in EV sales compared to the same period in 2022, totaling 2.3 million EVs sold. By the end of 2023, sales are expected to reach 14 million, with electric cars accounting for 18% of total car sales. This surge is driven by progressive policies, incentives, and a growing preference for sustainable mobility.

Furthermore, the Indian EV market is forecasted to expand at a remarkable CAGR of 36% until 2026, with the EV battery market expected to

According to reputable organizations like NITI Aayog and India Energy Storage Alliance, the EV finance industry in India is projected to reach ₹3.7 lakh crore (US\$ 50 billion) by 2030, offering substantial growth opportunities for the EV component industry.

witness a robust CAGR of 30% during the same period. These indicators highlight the increasing demand for EV components, including batteries, and position us favourably in this dynamic market.

Switchgear Industry:

Shivalik Bimetal Controls Ltd. maintains a strong position in the global switchgear market, capitalizing on industry growth.

The increasing demand for electricity generation is a key driver behind this growth. With a presence in the Asia-Pacific region, particularly in India, Shivalik is well-positioned to benefit from opportunities in the domestic and global switchgear market. Taking into account the Indian government's infrastructure development schemes, including Smart Cities, Make in India, Digital India, and Housing for All, these schemes are expected to drive a CAGR of over 9% in the Indian switchgear market until 2023. This growth is seen across various sectors, including residential, commercial, and industrial applications. In addition, Shivalik's promising growth in the USA switchgear market is positioned to rise in tandem with the American real estate and development sector that is gaining momentum post Covid-19 and inflationary pressures.

Moreover, the rising per capita income and demand for electrical appliances, such as air conditioners and refrigerators, contribute to the increased need for switchgear. Shivalik anticipates a significant surge in demand for our components in response to these market trends.

Projections indicate that the global switchgear market will reach a value of \$114.89 billion by 2027, with a CAGR of 7.7%.

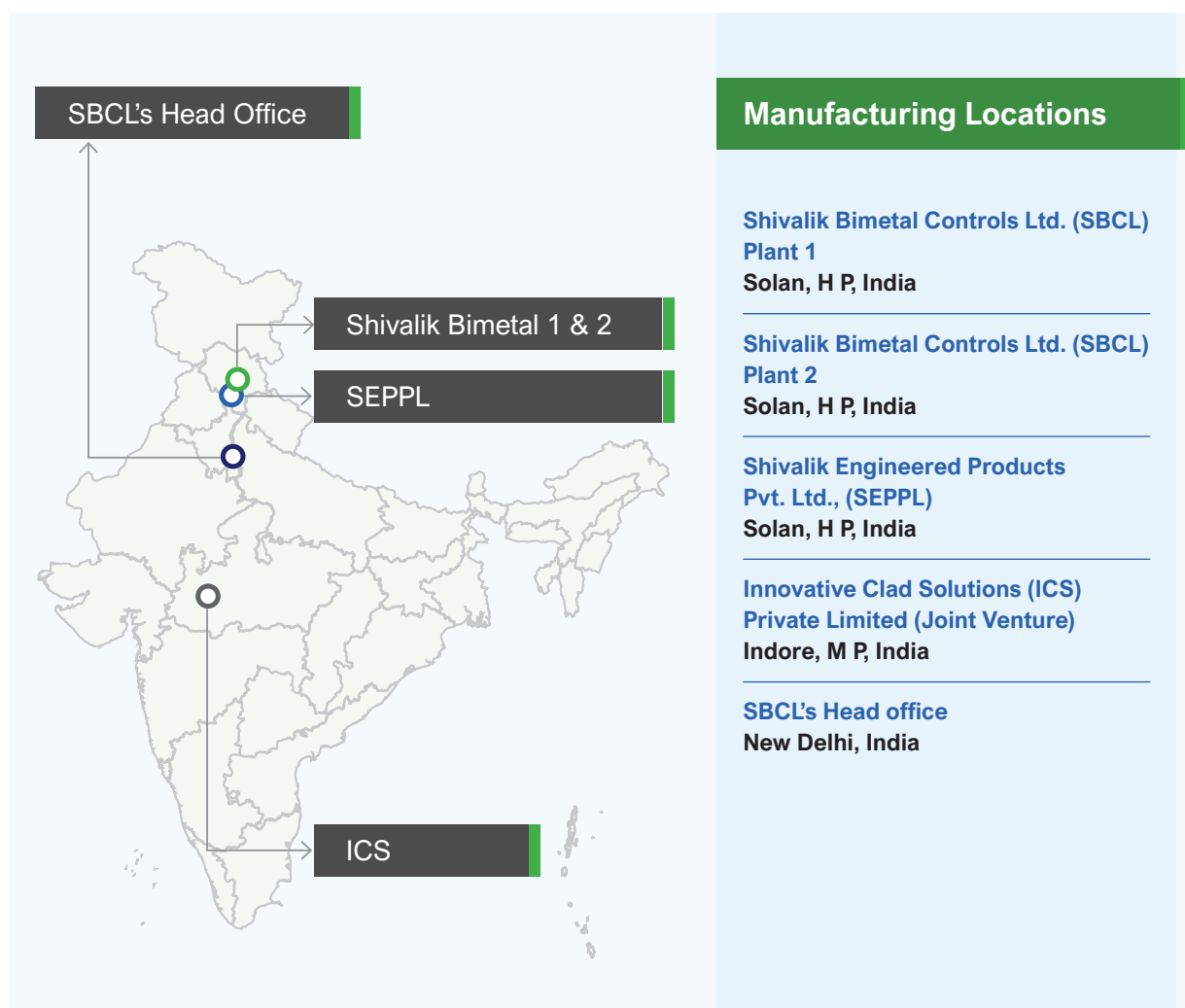
Company overview:

A brief history:

Shivalik Bimetal Controls Ltd. established in 1984, is a global player in process and product engineering. Headquartered in New Delhi, our primary focus lies in the manufacturing and sale of thermostatic bimetal/trimetal strips used across diverse industries, including electrical, electronics, automotive, agricultural, medical, defence, and industrial applications. We also take pride in our manufacturing capabilities and expertise in producing shunt resistors that cater to the high-growth automotive and industrial equipment segments. The market demand for our products remains strong, driven by the increasing need for battery management, and smart metering systems. This positive market outlook presents long-term prospects for Shivalik's product lines.

Our unique business model revolves around proprietary technologies and niche solutions that are in high demand from original equipment manufacturers (OEMs). This strategic advantage enables us to navigate an industry characterized by significant entry barriers.

As a valued vendor, we have made significant strides in supplying high-quality bimetals and shunt resistors to the rapidly emerging electric vehicles and customizable smart meters of the future.



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Under the guidance of our experienced management team, the company has established a prominent position in Electron Beam Welding and Hot & Cold Diffusion Bonding technologies that cater to diverse applications. We maintain a solid balance sheet and exercise prudent capital management, driving our robust growth potential. With three operational plants in Chambhaghat and Kather, Solan, staffed by a skilled workforce of 808 individuals, we are dedicated to delivering quality products to our extensive customer base of over 125 clients globally.

At Shivalik Bimetal Controls Limited, our commitment to excellence remains a cornerstone of our operations. Our customer-

centric approach is centred on delivering products of the highest quality, ensuring reliability and fostering innovation. Our objective is to continuously meet the evolving needs of our clients while exceeding their expectations.

In FY23, we achieved a milestone by recording our highest-ever total revenue of 420.23 Crore, representing a substantial growth of 29.70%. This performance is a testament to the disciplined execution of our strategies. Moreover, our net profit increased by 39.57% to ₹72.63 Crores. These consistent results highlight our ability to generate profitable growth, even in challenging market conditions, underscoring our dedication to maximizing shareholder value.

Key highlights for year ended March 31, 2023

- Total income for FY23 rose by 29.70% to ₹420.23 crore, reflecting year-over-year solid growth.
- EBITDA surged by an impressive 41.92% to ₹104.37 crore, indicating a robust improvement in operational efficiency.
- Reflecting improved cost management and operational performance. For FY23, the EBITDA margin expanded by 214 basis points, reaching 24.84%.
- The PAT for FY23 also showed remarkable growth, increasing by 39.57% to ₹72.63 crore, demonstrating the Company's strong ability to translate operational improvements into bottom-line results.
- For FY23, the PAT margin increased by 122 basis points to 17.28%, reflecting the Company's continued focus on profitability.
- The sales value of Shunt Resistors for FY23 grew by 23.25% YoY to reach ₹210.89 crore.
- The sales value of Bimetals for the same period grew by 36.93% YoY to reach ₹209.34 crore.
- Thermostatic bimetal/trimetal strips comprised 50% of the total revenue, while shunt resistors accounted for 50% of overall revenues.

Outlook:

In 2022, the business landscape was characterized by instability, escalating costs, and persistent disruptions in the supply chain. However, our company demonstrated agility in responding to these challenges and implemented measures to mitigate their impact on our operations. Despite the adversities, we maintain a positive outlook on the growth of our Bimetal and Shunt businesses, given the anticipated increase in government spending within the Real Estate and Infrastructure sector.

However, it is important to note that inflationary pressures and fluctuations in crude oil prices may influence economic sentiments and recovery. Nonetheless, we have undertaken strategic initiatives over the past two years, positioning ourselves for success, and observing robust sales across most of our product groups throughout the year. We anticipate this trend to continue in the upcoming fiscal year, particularly with the introduction of our new range of shunts for Smart Metering and Electric Vehicles (EVs).

We envision these product lines to be a key driver of our future growth. Furthermore, our company is actively expanding its capacity to meet the growing demand from emerging industries such as smart meters, EVs, EV charging stations, intelligent battery systems, solar energy farms with battery storage, and 5G telecom networks.

To support our growth, we are leveraging government schemes like the Scheme for Promotion of Electronics Components and Semiconductors (SPECs) and the Production Linked Incentive (PLI) scheme. Additionally, our management team is dedicated to building a robust research and development (R&D) capability and technical service team.

This strategic focus enables us to develop new products, explore novel applications, and gain deeper insights into evolving customer needs. With these efforts combined with our ongoing commitment to enhancing efficiency and performance, we approach the financial year 2023-24 with optimism.

Looking forward, we foresee exciting opportunities in the transportation industry as it transitions towards more efficient, secure, and dependable modes of transportation, including electric, electronic, and hybrid vehicles. Over the next decade, this shift will create new verticals and prospects for auto-component manufacturers.

Opportunities:

1. Shivalik Bimetal Controls Ltd. can leverage its expertise in manufacturing products for electrification and energy efficiency to meet the growing demand for sustainable solutions. By aligning its operations with ESG principles, the company can tap into emerging markets driven by sustainability initiatives.
2. The introduction of new electric vehicle models by existing original equipment manufacturers (OEMs) and the emergence of new manufacturers in the global market create potential avenues for growth.

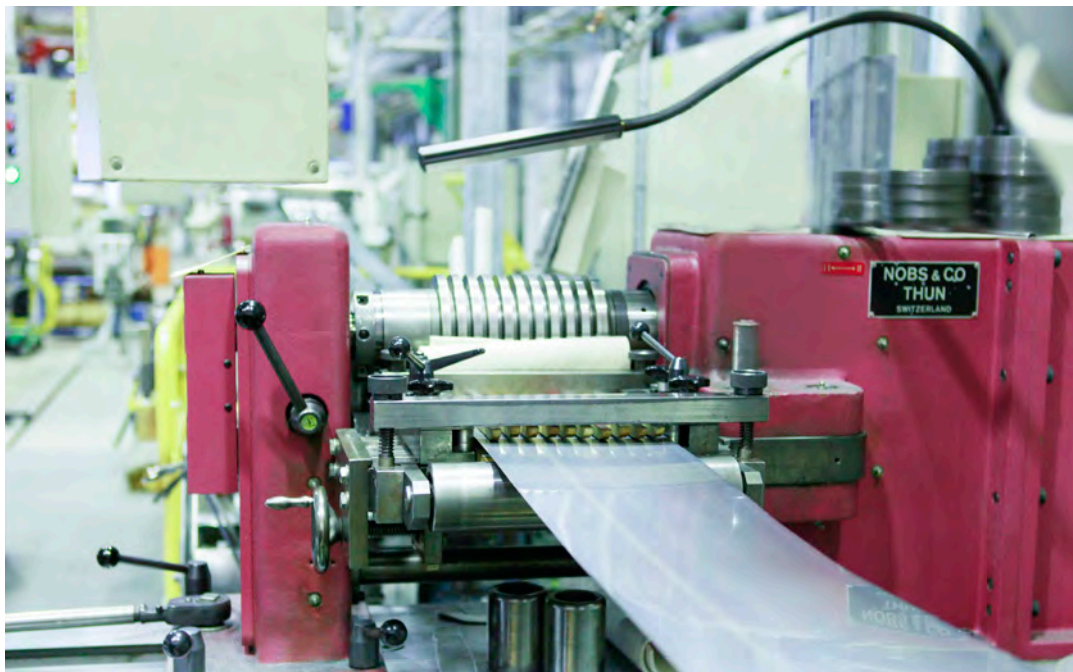
3. The government's emphasis on affordable housing projects and infrastructure development is expected to drive demand for switchgear products.
4. The government's ongoing plans to replace traditional meters with smart meters through retrofitting programs contribute to increased demand in the market.
5. The availability of favourable government schemes and programs provides an advantageous environment for the company's operations.
6. The growing global recognition of Shivalik as a reliable and innovative partner in the development of new systems enhances its market position.
7. The mandatory requirements for battery management systems, even in internal combustion engine (ICE) vehicles, create opportunities for the company's products.
8. Embracing technologies like the Internet of Things (IoT) and artificial intelligence (AI) can enable the company to optimize manufacturing processes, enhance product performance, and provide enhanced solutions to meet evolving customer needs.

Threats:

1. Rising geopolitical tension leading to supply disruptions of nickel and copper could impact the availability and cost of these essential materials.
2. Increasing inflation in prices may reduce purchasing power, potentially affecting demand and margins.
3. Ongoing disruptions in the global supply chain pose a threat to the company's operations.
4. Concerns over the economic slowdown in advanced economies like the US and EU could have an adverse impact on business.

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Risks & Concerns:

1. The company employs a comprehensive and unified approach to assess, minimize, and manage risks. Regular evaluations ensure the effectiveness of risk appraisal and mitigation measures.
2. Internal audit systems are in place to evaluate the efficiency of internal controls, risk identification, and mitigation processes. The Audit Committee of the Board of Directors reviews internal audit reports and takes necessary actions when deviations are identified.
3. Regular communication between heads of different operations enables the company to stay informed about market trends, product developments, competition, and other relevant areas.

Internal Control System and their Adequacy:

Shivalik Bimetal Controls Ltd. has implemented a robust internal control system to ensure the integrity of its accounting controls, operational monitoring, asset protection, regulatory compliance, and reliable financial reporting. The Company has documented procedures in place for all financial and operational functions, ensuring clarity and consistency in its processes.

To further strengthen our internal control framework, we have established a comprehensive internal audit program. Our internal auditors, an independent firm of chartered accountants, conduct risk-based audits that extend beyond mere policy and procedure adherence. Their objective is to identify areas for process and system improvements. The Audit Committee actively receives and reviews internal audit observations and recommendations, overseeing the implementation of these suggestions.

Natural Capital Sensitivity

In today's rapidly changing global market, our shift towards renewables is not just an environmentally conscious choice but a strategic one. Renewable energy, being cost-effective in the long run, allows us to offer competitive prices. This positions Shivalik favourably in the international arena, enhancing our appeal to global customers and giving us a notable advantage in international tender bids.

The Company is sourcing most of its power from renewable sources (hydroelectric) leading to a relatively low carbon footprint.

This strategic approach highlights our resilience in the face of changing environmental circumstances.

Furthermore, with Environmental, Social, and Governance (ESG) considerations becoming paramount, our active steps towards environmental stewardship do not just align with global ESG standards, but underscore our commitment to a sustainable future, ensuring our leading stance in the electrical components industry.

Occupational Health & Safety:

At Shivalik, we prioritize the well-being of our employees and place great importance on matters related to health, safety, and the environment. We ensure compliance with all relevant statutory regulations governing occupational health and safety. Regular training programs are conducted at our manufacturing sites, equipping our employees with skills in emergency response, firefighting, rescue, and first aid.

Occupational health and safety is a critical area of concern for us, as we are committed to providing a safe and healthy work environment. Our occupational safety and health programs are integral to our business processes. We recognize the value of our employees as key resources in driving our company's growth and focus on nurturing their talents.

To ensure the safety, health, and welfare of our employees, we employ various measures. These include investing in pollution mitigation equipment, implementing safe processes, providing comprehensive safety training, and supplying necessary safety equipment. Our proactive approach aims to eliminate unsafe situations and practices.

Human Resource and Industrial Relations:

Our organization's objective is to achieve consistent growth by fostering a skilled, motivated, and dedicated workforce. Shivalik Bimetal Controls Ltd. strives to create a conducive environment that recognizes, enhances, and utilizes the full capabilities of its employees. We aim to cultivate a sense of affiliation and belonging among our workforce. Throughout the previous year, the industrial relations within our company formed a harmonious work environment.

Cautionary Statement:

In the "Management Discussion and Analysis," certain statements regarding the Company's objectives, projections, estimates, expectations, or predictions may constitute forward-looking statements within the meaning of applicable securities laws and regulations. It is important to note that actual results may significantly differ from those expressed or implied by these statements. Several factors, including economic conditions affecting demand, supply, and price conditions in domestic and overseas markets, currency fluctuations, changes in government regulations and tax laws, as well as other incidental factors, may impact the Company's operations.