

Berkeley Stock Pitch Competition

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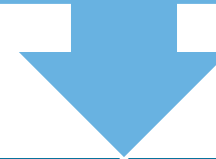


Our Investment Philosophy

“Although it's easy to forget sometimes, a share is not a lottery ticket... it's part-ownership of a business.” ~Peter Lynch



Following this principle, the principle of fundamental analysis, we aim to pick businesses with under-realized potential, valued below their intrinsic value.



Looking at 5 broad factors:

Business Growth Opportunities	Financial Factors (Key Ratios, Financial Growth)	Competitive Advantage (i.e. Moat)	Risk Factors (External and Internal factors that may affect operations)	Macroeconomic Factors
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Geography and Sub-Sectors

- The technology sector covers over **11.8%** of our main geography, **India's GDP**, and the rising population and higher tech demand made us primarily choose the stocks from the **Indian Stock Market**.
- The Indian stock market presents **massive growth opportunities** in the next 5 years.
- Sectoral selections:
 1. We shortlisted stocks from the **Actuator sector, the IT services sector, and the Energy sector**.
 2. The main factors driving us to shortlist them were their **CAGR's**. It's estimated to be around **7.5%, 7.3%, and 7% respectively** for the next few years.
 3. We **did not go for** stocks directly involved with **AI/ML and Quantum Computing**, despite their high CAGR's due to their **generally inflated valuations** and high possibilities for corrections in the next 2-5 years.

Emerging Markets to Lead Tech Sector Growth in 2015

Top 10 growth markets for technology devices (projected market growth 2015 vs. 2014)*



* includes audio products and multimedia, headsets, mobile handsets, PCs, tablets, netbooks, cameras, camcorders, printing, TVs, video products
Source: GfK

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SHORTLISTED STOCKS



ROCKWELL AUTOMATION INC.

Strong presence in the actuators market, huge focus on automation solutions industry, well positioned to capitalise on the next big move, strong financials. R&D focused on enhancing automation and control solutions



ZENSAR TECHNOLOGIES

Strong IT Services company with a diversified product portfolio along with a diverse customer portfolio. Furthermore, they specialise in high-growth areas like cloud, AI, and advanced analytics.



SHILCHAR TECHNOLOGIES

Strong growth in revenue, EBIDTA, OPM and market capitalisation. With significant global reach, Shilchar specialises in designing and manufacturing transformers in the renewable energy sector, a beneficiary of the growing sustainability and EV culture.

Final Stock Pick – Shilchar Technologies Ltd

- Shilchar Technologies Ltd, founded in 1990, is a leading designer and manufacturer of Power & Distribution and **Electronics & Telecommunication transformers** in India.
- It is a mid cap company and ranks 8th in terms of market capitalization in the industry.
- The company entered the Power & Distribution segment during 2004 and 2007. It serves industries globally such as renewable energy and utilities sector.
- The company is a **leader in designing and manufacturing transformers** for the renewable energy sector.
- Feature a diverse product portfolio ranging from **Power Transformers to Furnace Transformers**.



STRENGTHS

- High Operating Margins
- High Return on Equity
- Sells in many regions
- Utility in large number of sectors

WEAKNESS

- Low Gross Profit Margins
- High Price to Book ratio
- Low Market Share

SWOT

OPPORTUNITIES

- Growing global electricity demand
- Energy transition to renewables with utility-scale build-out
- Continued thrust towards energy, in emerging economies like India
- Investment in ageing grid infrastructure worldwide, especially in the US and EU
- Global transformer supply shortage creating significant export opportunities

THREATS

- Competition pressures, larger companies may further eat up market share
- Price volatility in raw materials
- Unfavorable government policy changes

Industry/Sectoral Factors



India is the third largest electricity producer globally. During the fiscal year (FY) 2023–24, the total electricity generation in the country was 1,949 TWh.



Electricity demand surged by **7.4% to reach 1,626 billion units (BU)**, while **peak demand hit a record high of 243 GW**, representing a 13% increase year-on-year.



Growing population along with **increasing electrification** and per-capita usage will provide further impetus. Power consumption in India in FY23 logged a 9.5% **growth to 1,503.65 billion units (BU)**.



Renewable energy continued to gain momentum, with a **record of 22.9 GW of renewable capacities** being auctioned in 2023, more than double the previous year's figure.

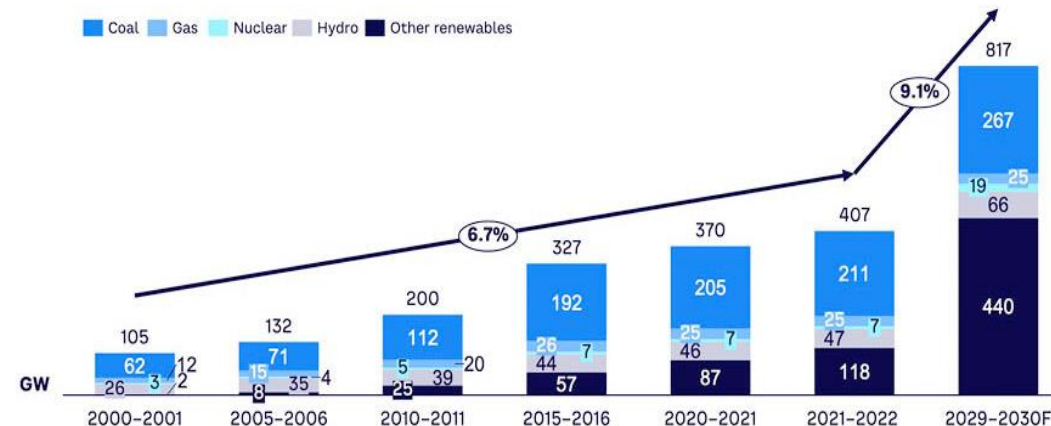


Electrical and Transformer segment relies heavily on copper, GOES and other materials, and **shortages can cause issues** with the overall production capacity of the industry.



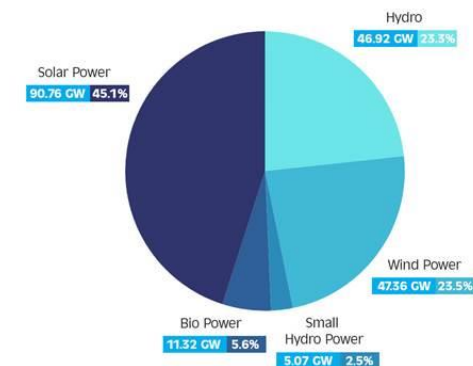
The world's electricity consumption is forecast to rise at its fastest pace in recent years, **growing at close to 4% annually through 2027** as power use climbs in a range of sectors.

India's power generation capacity, 2000–2030

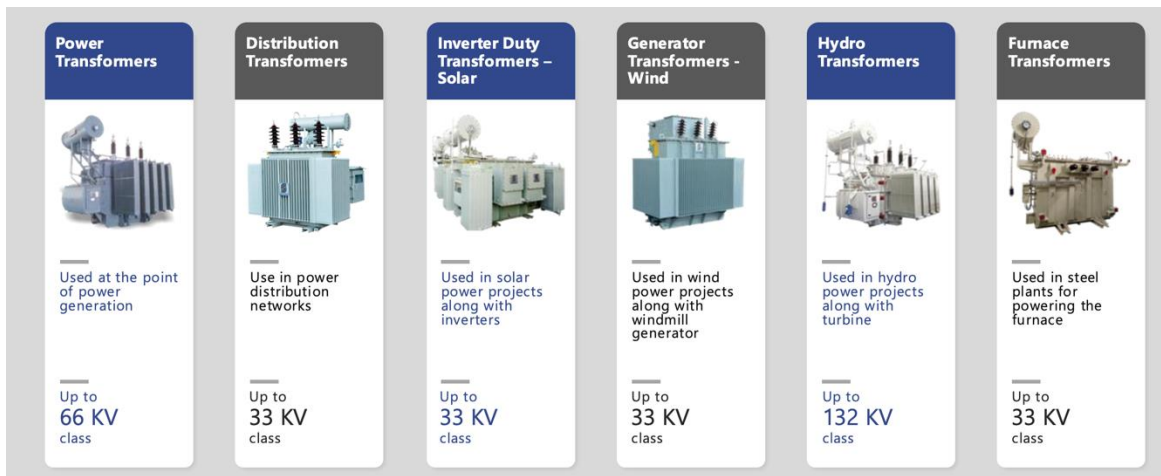


Source: Arthur D. Little, Ministry of Power, International Energy Association, Central Electricity Authority

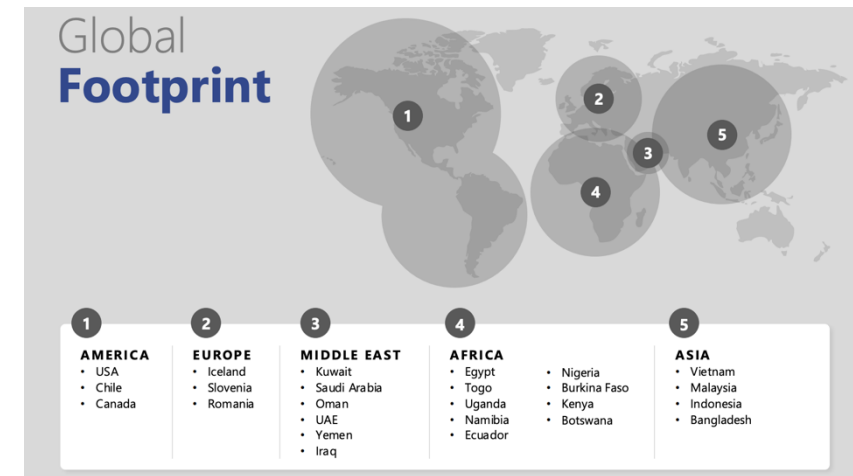
Renewable Energy Capacity in India



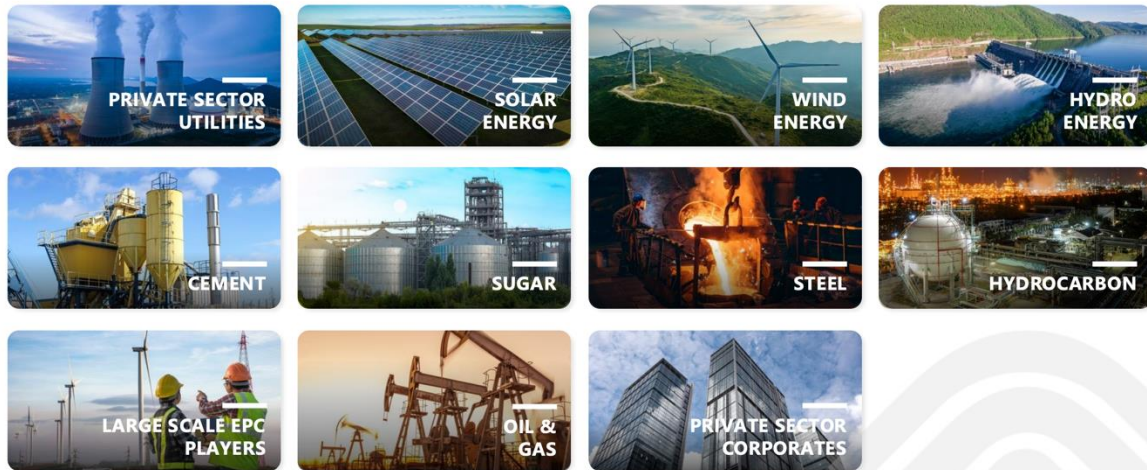
As of October 10, 2024



Products Designed By
Shilchar



Geographies Services By
Shilchar



Industries Serviced By
Shilchar

- Shilchar works on developing cutting edge technology in the **transformers sector**.
- Spread across 5 continents, Shilchar has a **significant global footprint** reflecting significant growth potential. Furthermore, reduces risks as Shilchar is not only dependent on a single region.
- Applicable in **multiple growing industries** including:
 - Solar Energy
 - Wind Energy
 - Hydro Energy

Financials at a Glance

- **Revenue has grown** from FY20 to FY24 at a CAGR of 54%.
- **EBIDTA has grown** from FY20 to FY24 at a CAGR of 147%. This displays the company's dedication to improving OPM and GPM.
- **Profit after tax has grown** from FY20 to FY24 at a CAGR of 180%.

PARTICULARS	FY20	FY21	FY22	FY23	FY24
Revenue from Operations	71.28	117.81	180.18	280.24	396.88
Total Income	74.27	120.21	183.54	288.32	409.71
Operating Expenses	68.23	108.30	160.77	227.16	283.58
EBITDA (Excluding OI & EI)	3.05	9.51	19.42	53.08	113.30
EBITDA %	4.3%	8.1%	10.8%	18.9%	28.5%
Finance Cost	1.46	2.16	1.07	0.60	0.21
Depreciation & Ammortization	2.59	2.51	2.58	2.40	2.60
PBT	1.99	7.23	19.12	58.16	123.32
PAT	1.50	5.57	14.01	43.12	91.89
EPS (₹)	3.93	14.48	36.82	113.08	120.48

(₹ IN CRORES)

PARTICULARS	FY20	FY21	FY22	FY23	FY24
Shareholders' Funds	61.15	66.34	79.77	121.44	209.59
Non-Current Liabilities	11.29	7.93	3.24	3.23	3.33
Long Term Borrowings	8.58	5.28	2.51	0.00	0.00
Current Liabilities	32.60	32.89	60.46	53.09	79.57
Short Term Borrowings	3.26	2.87	14.52	0.00	0.00
Trade Payables	22.63	27.99	35.68	36.30	54.91
Total Equity and Liabilities	102.56	107.15	145.98	177.77	292.48
Non-Current Assets	41.63	39.51	39.62	42.06	48.53
Tangible Assets	38.42	36.49	35.14	38.18	39.95
CWIP	0.00	0.00	0.05	0.06	4.53
Current Assets	60.93	67.64	106.36	135.71	243.95
Inventories	21.22	27.21	31.53	23.12	59.56
Trade Receivables	32.63	30.88	69.00	92.11	93.62
Cash & Bank Balances	1.87	1.98	0.89	9.28	60.16
Total Assets	102.56	107.15	145.98	177.77	292.48

Debt-Free: Zero long-term and short-term borrowings by FY24

Cash Reserves: ₹1.87 Cr → ₹60.16 Cr (massive liquidity improvement)

Total Assets: ₹102.56 Cr → ₹292.48 Cr (nearly tripled)

Current Assets: ₹60.93 Cr → ₹243.95 Cr (strong working capital)

Inventory: ₹21.22 Cr → ₹59.56 Cr (Lower relatively, lack of unrequired inventory)

Huge jump in cash from operating activities: ₹76.48 Cr in FY24 (almost 2x FY23) — shows strong core business performance.

Net cash flow up significantly: positive cash generation is a healthy sign.

Cash at end of year almost 30x: improved liquidity and financial cushion.

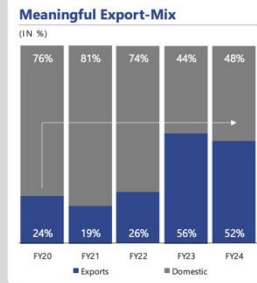
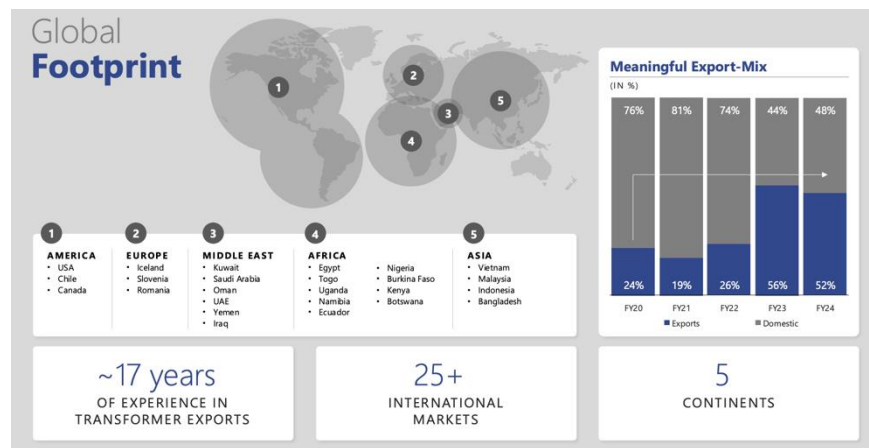
(₹ IN CRORES)

PARTICULARS	FY20	FY21	FY22	FY23	FY24
Cash from Operating Activities	17.14	10.37	(6.45)	39.22	76.48
Cash from Investing Activities	(2.61)	(1.26)	(0.87)	(12.10)	(22.63)
Cash from Financing Activities	(16.79)	(9.64)	6.06	(18.59)	(28.99)
Net Cash Flow	(2.26)	(0.52)	(1.25)	8.54	24.86
Cash at the Beginning of Year	3.54	1.83	1.31	0.06	8.60
Cash at the End of Year	1.28	1.31	0.06	8.60	33.46

Sr. No	Name	P/E	Mkt Cap Rs. (Cr)	ROCE%	P/B Ratio	OPM%	GPM Qtr %	Sales Var 3yrs %	EV/EBITDA
1.	Siemens Ltd	77.16	175492.62	23.61	11.43	13.24	50.89	19.00	48.87
2.	ABB India Ltd	57.86	108466.36	38.56	15.33	18.91	44.11	20.68	38.75
3.	CG Power & Ind	97.77	91594.57	46.63	26.04	13.23	29.96	39.50	65.73
4.	Suzlon Energy	63.14	73891.41	24.93	16.44	16.36	36.62	24.96	45.85
5.	BHEL	129.69	67318.73	3.37	2.78	4.12	37.01	11.34	42.64
6.	Waaree Energies	61.78	61054.86	43.63	12.60	13.82	29.43	80.05	32.74
7.	Shilchar Tech	34.75	4048.31	74.65	15.76	29.17	36.18	49.91	24.89

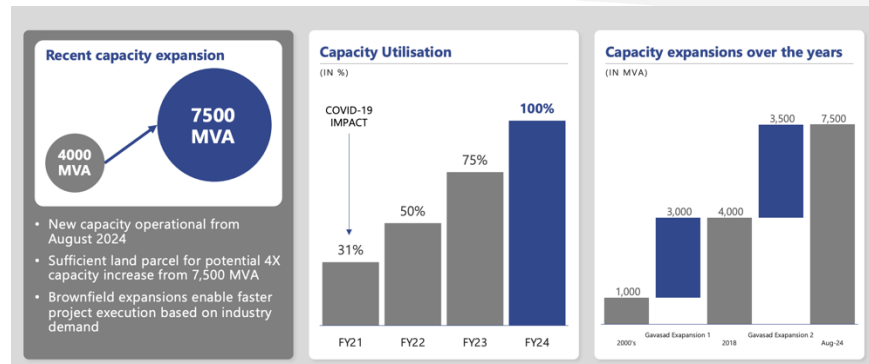
Competitor Analysis

- 1) However, with a GPM of 36.18, Shilchar falls around the mean, potentially due to the **large purchasing economies of scales the larger companies benefit from.**
- 2) Shilchar Tech boasts the following amongst the top 7 competitors in the industry:
 - I. **Highest ROCE** indicating the company is generating attractive returns
 - II. **Highest OPM** indicating low costs
 - III. **Lowest EV/EBIDTA** indicating a more attractive valuation
 - IV. **Lowest P/E Ratio** indicating a more attractive valuation
 - V. **Second highest sales variation in 3 Years** indicating rapid growth even against competition.



Growth Prospects

- They are planning on **expanding their export further from its current 52%**, thus potentially increasing revenues due to the higher margins in markets outside India.
- The government plans a **Rs 912 billion investment by 2032**. This will add substantial transmission lines and capacity. Inter-regional connectivity will also be boosted. **Hydroelectric, pumped storage, coal, nuclear, and renewable energy projects are part of the plan.**
- **Sound management** which can generally be considered integrous due to their consistently claims they've made across the past few years.
- Their **current production capacity stands at 4,000 MVA**, with plans to **expand it to 7,500 MVA this year**. They have a potential production capacity of 25,000–30,000 MVA. They are doing this by building a new plant.



New Plant Building



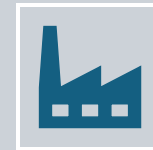
Competitive Advantage (Moat)

- Shilchar Technologies has certain factors that make them highly differentiable from competition:
 1. **Mass Customization** - One of the only companies that can deliver custom-solutions at an extremely large scale.
 - I. With growing demand for transformers and the serviceable sectors growth, Shilchar's **competitive advantage could cause its revenue to increase drastically.**
 2. Focused on niche product profiles for various industries - Thus catering to specialised transformer requirements, giving them a competitive advantage due to their recurring niche customers.

Risks



Increasing smaller competitors in the near future, potentially capturing niche markets entirely.



Major companies entering the “mass customization” sectors, thus enveloping Shilchar. This may lead to loss in market share due to lower costs from the giant companies.



CRGO material may increase in cost due to government intervention, consists of 35% of their total cost.

EPS and Share Price Modelling (2025-2030)

		2023	2024	2025	2026	2027	2028	2029	2030	% increase (2030 vs Current)
Best	EPS Growth %			28%	40%	35%	35%	30%	30%	
	EPS Rs/Share		120	153	214	289	390	507	660	550%
	Share Price Rs		3847	5308	7003	8875	11201	13546	16291	423%
	PE Ratio		32.1	34.7	32.7	30.7	28.7	26.7	24.7	
Base case	EPS Growth %			28%	30%	30%	30%	30%	30%	
	EPS Rs/Share		120	153	199	259	336	437	568	473%
	Share Price Rs		3847	5308	6403	7678	9141	10790	12607	328%
	PE Ratio		32.1	34.7	32.2	29.7	27.2	24.7	22.2	
Worst Case	EPS Growth %			28%	30%	30%	28%	26%	24%	
	EPS Rs/Share		120	153	199	259	331	417	517	431%
	Share Price Rs		3847	5308	6304	7419	8504	9463	10183	265%
	PE Ratio		32.1	34.7	31.7	28.7	25.7	22.7	19.7	

- 1) In the **Worst-Case scenario**, at lower EPS growth and P/E Ratios, the **share price is expected to 2.65x** by 2030.
- 2) In the case that the growth strategies (increased capacity, growing international operations) materialize into higher EPS growth, as in the **Best-Case scenario**, we could see a **4.23x increase in share price**, despite assuming a ten point drop in P/E Ratio.
- 3) In all scenarios, we are modelling the **EPS growth to exceed that of the Share Price Growth**, implying moderation in assumed P/E Ratios.

Taking a moderate estimate of a value between the best and base cases, the average of the **same will be 376% or a 3.26 increase in the five-year span from FY25 to FY30.**

- To conclude, the broad reasons to invest in Shilchar Technologies Ltd with the aim of maximizing returns in the next five years are:
 1. **Stellar financials**, most ratios surpassing those of most competitors
 2. A **growing technological sector in India**, where the company is headquartered
 3. A **major moat** due to mass customization
 4. Promising growth prospects due to:
 - I. **Emphasis on geographies other than India**, where margins are higher
 - II. Opening up **new plants**, nearly **doubling production capacity**
 - III. **Sound Management** and increasing government funding
 5. **No debt** with relatively **deep pockets**, i.e. unlikely to go bankrupt
 6. **Risks involved in investing are limited**, but not none. Competition is the primary risk, but **may not have a significant impact** in the next five years.
 7. **Growing sub sectors** in which it majorly operates:
 - I. Solar Energy
 - II. EV Sector
 - III. Wind/Hydro Energy

Thank You! Looking forward to learn more through the course of this competition.