

Initiating Coverage

10th March 2025



Shivalik Bimetal Controls Ltd



SNM VALUE EDUCATOR RESEARCH
SERVICES LLP:
Emerging Titans

RA No: INH000019789



SHIVALIK BIMETAL CONTROLS LTD | BUY

The Silent Giant of Current Sensing

We initiate coverage on Shivalik Bimetal Controls Ltd, A global player in shunt resistor with a BUY rating. In past many quarters SBCL has not delivered growth due overall slowdown & limited scalability of product. Our investment rationale is that now the 2nd generation management becoming the front face of the organisation, they are on track for higher growth through forward & backward integration for their shunt business which will increase the product value by 10x times and they could also be the benefit from reduction in Chinese imports of relays as have dominant position in shunts going into Indian manufactured relays. In a nutshell, we believe that they will be increasing the growth business.

Domestic monopoly with strong moat

It takes minimum 18 months for approval from OEMs & large vendors due to stringent quality criteria. Once approved, they do not switch to a new vender. New player will need to invest significantly in capex and be willing to do trial & error for a lengthy period and lot of technical experience is required. SBCL has managed to develop extremely low resistance shunts which are only manufactured 5-6 players globally and there is no competition in India for SBCL.

Forward integration into assembly

Until now, they have manufactured shunts that goes into an assembly before going into the end product. But from April 2025 onwards they will start making assemblies as many end customers prefer purchasing an assembly than purchasing a shunt alone. This will drastically increase their product value, For e.g. a \$2 shunt will go into an \$20-30 sub-assembly or assembly. Altogether it will open a bigger market for them

Replacing Chinese relays for smart meters

As the government is getting stringent on restricting Chinese components in meters, more & more relays will be manufactured domestically. SBCL stands at a major benefit because it has a major market share for shunt going into Indian manufactured relays.



Recommendation	BUY
Allocation	3%
CMP (at initiation)	₹474
Market Cap (₹ Cr)	₹2748
52 Week High/Low	₹729.8/ ₹399.15
NSE code	SBCL

Shareholding pattern

Promoter	33.18%
FII+DII	25.04%
Others	41.80%

Financial Summary

(₹ Cr)	FY22	FY23	FY24
Revenues	324	470	509
EBITDA (%)	23%	23%	21%
PAT	55	79	84
ROCE (%)	36%	38%	33%



Company overview

Shivalik Bimetals manufactures Bimetal Strips, Shunts Resistors & Electrical Contacts which are used in industries such as Automotive, Electrical & Electronics, Industries, etc.

It is a niche technology leader in the domestic market with a global presence and a very little competition from the domestic market. Company's core competency is joining metals by using complex processes like Diffusion Bonding and Electron Beam Welding Technology.

Earlier they used to manufacture Cathode Ray Tube(CRT) which were used in old TVs. But the emergence of LED TV technology completely changed their business in Bimetals. And today Shivalik Bimetal has the world's largest capacity and production of strip electron beam welding.

Product Vertical



Shunt Resistors



Thermostatic Bimetal parts & strips



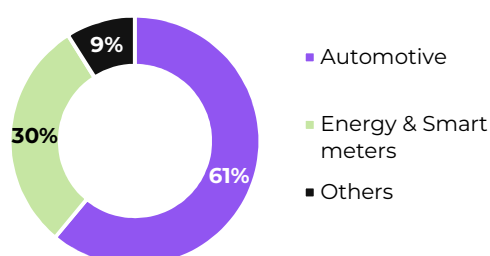
Electrical Contacts

1. Shunt Resistors:

The shunt resistors are used to measure or control flow of current, divide voltage and terminate transmission lines. Typically the quality of a shunt resistor is benchmarked by high stability and low resistance which have Used in Inverters, UPS, Smart Metres, AC/DC Converters, battery management system in EV and recently they also added shunt applicable in hybrid vehicle since we are seeing more demand moving to towards hybrids and EV is actually declining.

In shunts there are two major segments, one is the automotive, another one is the smart meter. In automotive, there is better margins since it is more of technology and less of a component.

Revenues from Shunt Resistors





Whereas in smart meter, the Chinese competition exist. Recent trends shows the competition from China is reducing.

In FY23, the company sold ₹210 Cr (~\$24 million) worth of shunt resistors, which is a 12% market share and management believes it will achieve up to 17% of the market share by 2027. The addressable opportunity for the particular shunts that they make is about \$230 Million.

Smart meters: There are 2 large smart meter players Genus Power & HPL who have got 10000+ Crore order books, yet there is no stronger growth in the domestic shunt business because they were importing latching relays from China but over time it has become more expensive due to added duties. About two years ago, more than 95% of relays for smart meters were being imported from China which has now reduced to 70%. Since now SBCL is already supplying it in small quantities directly or indirectly, they are expecting to benefit.

SBCL plans to enhance its presence in the smart meter and switchgear markets by increasing its market share by 10% within the next five years.

Automotive: EV market didn't grew as per what was originally intended hence Shivalik has also developed shunts for hybrids. If you see the trend in the US, hybrids have been consistently going up because the second or the third stage of EV buyers are now looking at multiple options. So even if the market could swing in any direction they have a big opportunity with EV & hybrids.

2. Bimetals

Thermostatic bimetals are used for sensing the temperature and for thermomechanical applications. These bimetallic parts are used in switch gears, electrical appliances, automotive, ACs and refrigerators for current sensing & safety. Shivalik's global market share in bimetals is 16%, and the management has said that this can be increased up to 22%.

Bimetal has been an established business for many years with no major implications while shifting product to product mix. Hence it does not vary much in terms of the margins.

3. Electrical Contacts

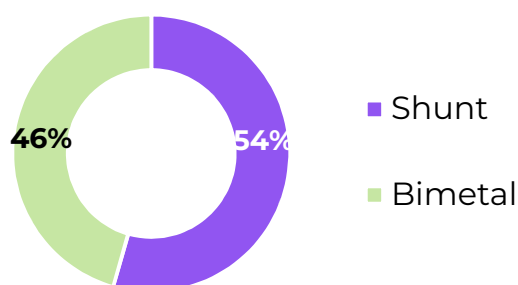
These are bimetals coated with copper that are the connecting points when turning on and turning off switches. Majority of application is in the switch gears but are also used in electrical appliances, wires & accessories.

The target market for contact business will be switchgears which contributes very little in the revenues and although a low value add product, it can be a very big part of business, because it has a very large market size compared to other product verticals.

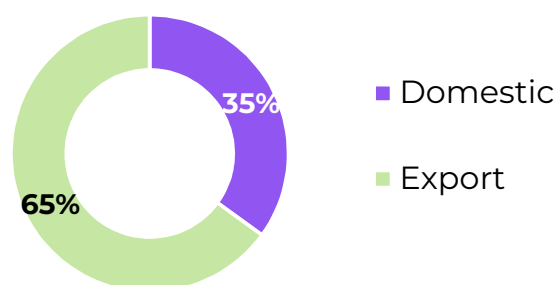


SBCL has called off it's JV with Metallor for contact which was supposed be act independent from the existing contact business. Managements says, since the investments required were much higher than the kind of business they could yet, they will look other arrangements.

Product wise revenue mix



Geography wise revenue mix



Contribution from shunt resistor has been increased over last 5 years mainly because of the increase in the popularity of the shunt resistor due to the requirement of more critical low resistance under high temperature conditions.

SBCL has increased its revenues from exports to 65% (Which was 52% in FY18) from over 40 Countries. Currently the company is impacted by slowdown in US & Europe and expects to recovers from Q4 FY25.

Manufacturing Facility



Shivalik has the world's largest capacity of strip electron beam welding and can achieve ₹1600 Crore revenue (₹450 in FY24) with any incremental capex (except some maintenance capex). It has 3 plants and all of them are located in Himachal Pradesh. Average utilisation of all verticals in 36% only.

Being a technical company, They spent 1% of revenues in R&D which has two major components of expenditure. Management plans to increase the R&D with intend to continue focus on BMS, EV, energy efficiency & smart metering.



Competition



Here are some major competitors of the company. SBCL is a dominant player and faces no direct competition in the Indian market. It has established a global presence and competes on an international level with established giants primarily from the USA and Europe. The competitors like Vishay are also one their key clients.

Future outlook

As explained previously about the forward integration for shunts will be the major trigger for growth in H2 FY26. Another forward integration they are doing for their strip business where they will make it into a finished component which will start from April onwards but initially they will only start with 2 customers but in 6-8 months from April they will be converting the entire business into components. The contracts and agreements for the supply have already been signed.

Another growth trigger could be the revival of exports business and EV or Hybrid segment. SBCL's 25% revenues comes from automotive and out of that 60% goes into ICE or non EV and only 11-12% goes into EV rest goes into general purpose. The product value & margins are higher in EV hence any improvement in hybrid or EV cars sales volumes will benefit them.

Management is confident on achieving at least 20-25% growth for next 2 years. We speculate that if they are able to successfully expand the market, the growth could be much higher after 1 or 2 years.

Risks

1. Import dependency for raw material

More than 70-80% raw material (Nickel & Copper) are imported since there are only 3-4 supplier of raw material they use. Any impact on supply chain will have an severe impact on their business. Currently they looking to localise the raw material but it be a slow process.

2. Prone to global economic slowdown & tariffs

Their export business is more than 60% hence the slowdown in the global economy will have an impact business growth rate. Also the tariff's could be major risk especially US. As of now their product does not fall under the trump's tariff program.

3. Failure to forward integrate

Their industry have higher approval time & stringent requirements. Any failure to forward integrate will cause reduction in expect growth.



Financials

Profit & Loss Statement

	2016	2017	2018	2019	2020	2021	2022	2023	2024
Sales	109	119	158	193	187	204	324	470	509
Expenses	95	100	132	158	166	168	251	361	403
Operating Profit	14	19	26	36	21	36	73	109	106
OPM %	13%	16%	16%	18%	11%	18%	23%	23%	21%
Other Income	0	2	5	7	5	6	9	11	22
Interest	4	3	3	4	3	2	3	7	5
Depreciation	4	5	5	5	6	6	6	11	12
Profit before tax	6	14	23	34	17	34	73	102	112
Tax %	42%	40%	27%	29%	22%	26%	25%	23%	25%
Net Profit	3	8	17	25	13	25	55	79	84
EPS in Rs	0.58	1.43	2.87	4.28	2.34	4.43	9.57	13.73	14.63

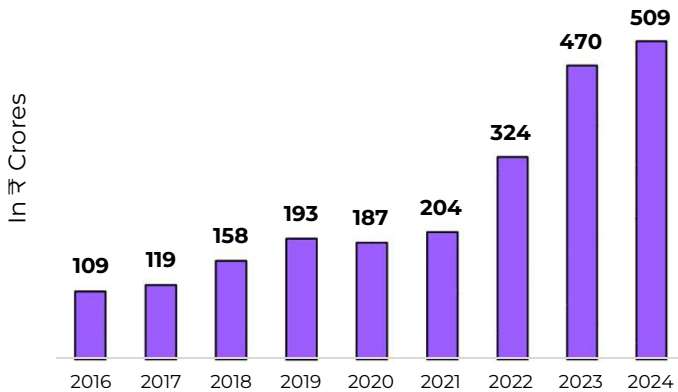
Balance Sheet

	2016	2017	2018	2019	2020	2021	2022	2023	2024
Equity Capital	4	4	8	8	8	8	8	12	12
Reserves	51	65	75	97	108	132	184	254	330
Borrowings	47	29	36	45	25	29	58	59	42
Other Liabilities	23	18	28	27	23	52	58	66	59
Total Liabilities	125	116	147	176	163	221	308	390	443
Fixed Assets	41	43	45	45	45	46	79	118	120
CWIP	4	4	5	6	18	25	8	7	14
Investments	1	7	8	11	11	13	17	8	11
Other Assets	78	61	89	115	88	137	205	258	298
Total Assets	125	116	147	176	163	221	308	390	443

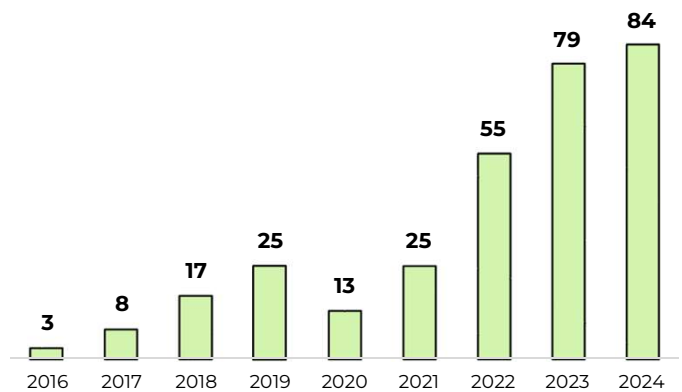


Financials

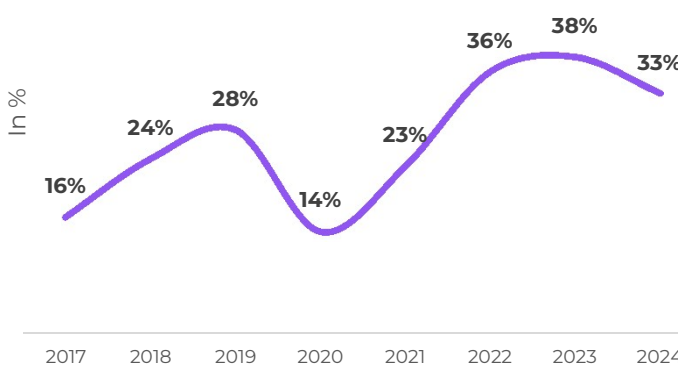
Revenues



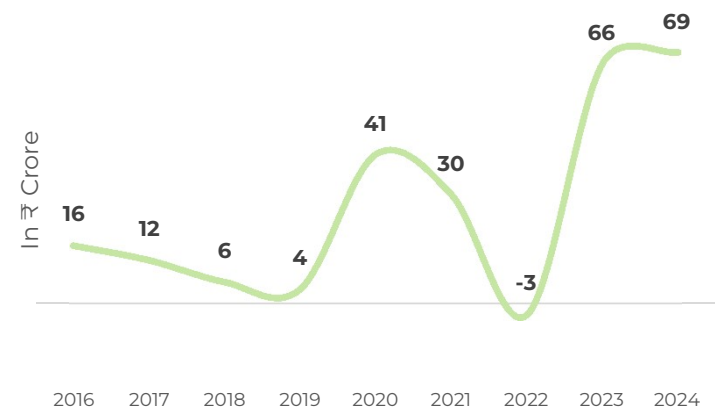
Net Income



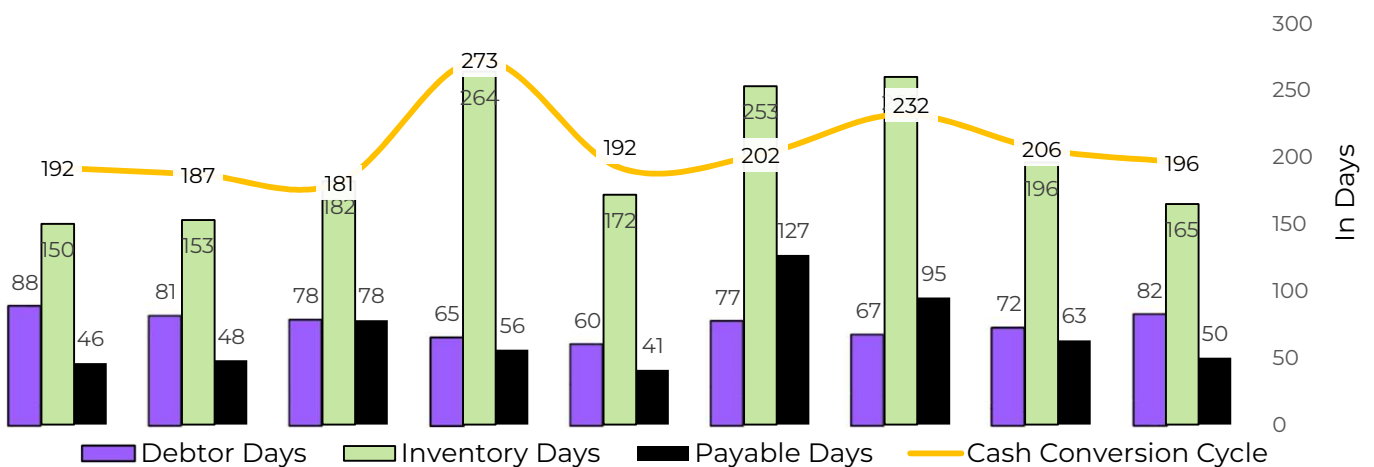
ROCE



CFO



Cash Conversion Cycle





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