

# Shilchar Technologies

**Rs 330**
**Shining again**

BSE Sensex: 38,673

Nifty-50: 11,624

## FINANCIALS

	SALES	OPM (%)	OP	OTHER INC.	PBIDT	INTEREST	PBDT	DEP.	PBT	TOTAL TAX	PAT	EPS (RS) *
1603 (12)	101.65	13	13.23	2.99	16.22	0.75	15.47	1.39	14.08	4.99	9.09	23.9
1703 (12)	109.19	16.1	17.63	3.41	21.04	0.66	20.38	1.36	19.02	6.73	12.29	32.3
1803 (12)	87.53	10.8	9.42	1.15	10.57	1.25	9.32	1.16	8.16	2.29	5.87	15.4
1903 (12P)	124.45	13.3	16.53	1.19	17.72	2.81	14.91	2.45	12.46	3.55	8.91	23.4
2003 (12P)	143.12	13.5	19.32	1.25	20.57	3.2	17.37	2.75	14.62	4.24	10.38	27.2

\* Annualized on current equity of Rs 3.81 crore; FV of Rs 10 each. EO: Extraordinary Items. EPS is calculated after excluding EO and relevant tax. Figures in Rs crore. (P): Projections. Source: Capitaline Databases

Shilchar Technologies is one of India's prominent manufacturers of Electronics & Telecom and Power & Distribution transformers.

It was founded in 1990 to manufacture R-core transformers. In 1995, after an overwhelming response from the market, the company ventured into the manufacturing of Ferrite transformers. As part of its expansion plans, it started manufacturing Distribution and Power Transformers in a phased manner from 2005 to 2007.

Shilchar now caters to a wide cross section of industrial segments from utility to renewable energy sector and to individual retail customers across the globe.

The company is engaged in manufacturing of Distribution Transformers ranging from 5 KVA to 3000 KVA and Power Transformers ranging from 3000 KVA to 50,000 KVA. It focuses on manufacture of solar and windmill transformers for renewable energy sector.

### Transformer market is seeing improvement in demand from industrial and renewable sectors

Currently transformer industry is operating at around 65% capacity utilisation. Many players have started doing other businesses as well and focus on transformers from some of the competitors has reduced. Despite this, competition continues to remain.

No capacity addition in the industry in past 8 years.

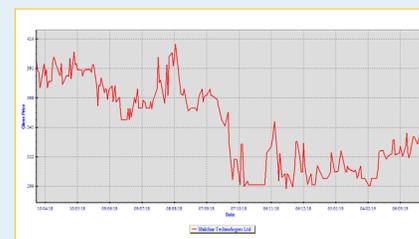
Efficiency side improvement capex is seen from private sector. New norms and more focus on efficiencies is resulting in demand for transformers from industries like chemicals, speciality chemicals, food processing, refining etc. Lot of enquiry are pouring in from various other industries as well which is likely to get transformed into demand in coming times.

Solar transformer side demand is improving from government and private sector. GST related issues are largely over.

The company is focused on transformer for renewable energy, which is the fastest segment in transformer industry

Sales from renewable energy now accounts for around 50% of company's sales as compared to 30% in the past. Gradually, the target is to take sales to renewable sector to around 60% of total sales.

In Renewable the company primarily caters to Solar transformers. It also exports the solar transformers to Asia Pacific markets.



## STOCK DATA

BSE Code	:	531201
BSE Group	:	XC
NSE Code	:	Not Listed
Bloomberg	:	SCTE IN
Reuters	:	SELC.BO
Par Value	:	Rs 10
52-week High/Low	:	Rs 427 / Rs 280
Sector	:	Capital Goods (Electric goods)

## SHAREHOLDING PATTERN\*

Category	% of equity
Public & Others	: 9.99
Promoters	: 65.85
Corporate Holding	: 1.09
Institutions	: 0.56
Govt Holding	: 0.40
Foreign	: 22.11
Total	: 100

\* as on 31-12-2018

Source: Capitaline Databases

Margins in solar transformers are normally much higher than in other transformers. December 2018 quarter results - sales surge 67% and PAT leaps 243%.

In December 2018 quarter sales grew 67% to Rs 34.12 crore. OPM jumped 1020 basis points to 16.8% which saw OP grow 320% to Rs 5.74 crore.

Other income grew 38% to Rs 42 lakh and interest cost jumped 328% to Rs 77 lakh. As depreciation grew 109% to Rs 62 lakh, PBT went up 300% to Rs 4.77 crore. As provision for taxation jumped 673% to Rs 1.22 crore, PAT jumped 243% to Rs 3.55 crore.

#### **Nine months sales are up 43% and PAT is up 58%**

For the nine months sales grew 43% to Rs 88.74 crore. OPM jumped 250 basis points to 13.3% which saw OP grow 76% to Rs 11.79 crore.

Other income grew 3% to Rs 1.16 crore and interest cost jumped 114% to Rs 2.02 crore. As depreciation grew 108% to Rs 1.80 crore, PBT went up 52% to Rs 9.14 crore. As provision for taxation jumped 39% to Rs 2.56 crore, PAT jumped 58% to Rs 6.58 crore.

In FY 2018 sales were down 20% and net profit had fallen 52% due to introduction of GST and subsequent uncertainty and confusion in renewable power sector, which has been resolved in FY19.

#### **Expanded capacity has potential to triple revenues**

The company has invested heavily on new production facility located on Jambusar highway. The new facility is state-of-the-art with modern equipments and material handling system. Company has invested approximately Rs.36 crore in the new facility which will increase revenue by three folds once utilized 100%.

#### **Outlook**

Indian transformer manufacturers are witnessing improvement in financial performance, with moderation in raw material prices and revival in order inflows.

Planned investments in power sector, replacement demand, export potential and development of inter-regional capacity is likely to sustain the demand of transformers in near to medium term.

In the present scenario, Shilchar Technologies has concentrated on updating its technical capabilities to develop transformers of latest technology and design and in turn strengthen its market share and improvise its profitability.

Growing Indian economy, growth in electricity consumption, growing industrial demand, expanding export market, large scale generation capacity addition, setting up of national grid, rapid expansion of urban and rural distribution infrastructure will remain key drivers of the transformer market in India.

#### **Valuation**

On a very tiny equity of Rs 3.81 crore (promoters hold 65.85% stake in the company) and face value of Rs 10 per share, the company can report sales and net profit of Rs 124.45 crore and Rs 8.91 crore for FY 19 and Rs 143.12 crore and Rs 10.38 crore for FY 20. Projected EPS for FY 2019 and FY 2020 works out to Rs 23.4 and Rs 27.2 respectively. At current market price of Rs 330, the scrip trades at 12.2 times its expected FY 2020 earnings.

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### SHILCHAR TECHNOLOGIES: RESULTS

	1812 (3)	1712 (3)	VAR. (%)	1812 (9)	1712 (9)	VAR. (%)	1803 (12)	1703 (12)	VAR. (%)
Sales	34.12	20.47	67	88.74	62.02	43	87.53	109.19	-20
OPM (%)	16.8	6.7		13.3	10.8		10.8	16.1	
OP	5.74	1.37	320	11.79	6.68	76	9.42	17.63	-47
Other inc.	0.42	0.30	38	1.16	1.13	3	1.15	3.41	-66
PBIDT	6.16	1.67	269	12.95	7.81	66	10.57	21.04	-50
Interest	0.77	0.18	328	2.02	0.94	114	1.25	0.66	89
PBDT	5.39	1.49	262	10.94	6.87	59	9.32	20.38	-54
Dep.	0.62	0.30	109	1.80	0.86	108	1.16	1.36	-15
PBT	4.77	1.19	300	9.14	6.01	52	8.16	19.02	-57
Total Tax	1.22	0.16	673	2.56	1.85	39	2.29	6.73	-66
PAT	3.55	1.04	243	6.58	4.16	58	5.87	12.29	-52
EPS (Rs) *	#	#		#	#		15.4	32.3	

\* Annualized on current equity of Rs 3.81 crore; FV of Rs 10 each. EO: Extraordinary Items. EPS is calculated after excluding EO and relevant tax Figures in Rs crore. Source: Capitaline Databases