



Shivalik Bimetal Controls Ltd.

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SBCL/BSE & NSE/2024-25/104

18th February, 2025

To, BSE Limited Corporate Relationship Deptt. PJ Towers, 25th Floor, Dalal Street, Mumbai – 400 001 Code No. 513097	To, National Stock Exchange of India Ltd. Exchange Plaza, Plot No. C/1, G-Block Bandra Kurla Complex, Bandra (East), Mumbai – 400 051 Code No. SBCL
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Sub: Disclosure under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 - Transcription of Earnings Conference Call with Investors/Analysts held on 13th February, 2025

Dear Sir/Madam,

Please find attached herewith transcription of Conference call with Investors/Analysts held on Thursday, February 13, 2025. Kindly take the same on record and acknowledge.

Thanking You,
For Shivalik Bimetal Controls Limited

Aarti Sahni
Company Secretary & Compliance Officer
M. No: A25690

Encl: As above



Shivalik Bimetal Controls Ltd.

Q3 & 9MFY25 Earnings Webinar Transcript

Thursday, February 13th, 2025: 4:00 PM IST

Speakers from the Management:

1. Mr. Sumer Ghumman- Whole-Time Director
2. Mr. Rajeev Ranjan- CFO

Moderator:

Ladies and Gentlemen- Good Afternoon, welcome to Shivalik Bimetal Controls Ltd's Q3 & 9MF Y25 Earnings Conference Call produced by ElevEase.

I am Shankhini Saha- Director of Investor Relations from Dickenson, and I will be moderating our call today.

Joining us from the Shivalik's management team are:

1. Mr. Sumer Ghumman- Whole-Time Director
2. Mr. Rajeev Ranjan- CFO

Please note that this conference is being recorded, and that some statements in this call may be forward-looking, based on current expectations and subject to risks that could cause results to differ materially.

You can download SBCL's investor presentation and press release from the links in the community chat or from the company website or the NSE.

Mr. Rajeev Ranjan:

Good afternoon. Ladies and gentlemen. As CFO, I am pleased to share an overview of Shivalik Bimetals metals, financial performance. Our principal objective remains the creation of sustainable, long term value.

As you are aware, the global economic landscape presents its share of complexities, yet our commitment to expanding our value added portfolio and disciplined financial management has allowed us to maintain a satisfactory level of profitability. In the third quarter of fiscal 25 our consolidated revenue from Operation reached rupees 123.28 crore. While this figure is just slightly below the rupees 126.21 crore, reported in qQ3 financial year, 24, it is nevertheless a good outcome, given the headwinds facing our multiple end use markets globally. Despite the flat revenue growth, our profit before tax, margin increased by 159, basis points to 19.80% and our profit after tax margin similarly improved, rising by 142, basis points to 14.86% these figures are the result of our systematic push into value added components and our maintaining a tight lead on cost, both on raw materials and



operational cost, examining our segmental performance reveals a varied picture. Our thermostatic bimetal trimetal metal segment has shown resilience in the Americas. At the same time, the shunt register segment saw notable growth in India and other parts of Asia, although there was moderation in the Americas and Europe. It is worth highlighting that the shunt segment in India grew by 34.81% in 9MFY25.

Given the fact that the Indian economy is expected to grow by around 7% in financial year 2026 we look forward to keeping this momentum going. Looking ahead, we are exploring opportunities in value added component manufacturing, forward integration, potential, joint ventures and strategic in organic growth, with the aim of expanding our business, diversifying our target markets, and creating strong pillars for future growth. When looking at the increase in networking capital days and inventory days. We are paying close attention to the factors driving these changes. Measures are being taken to improve working capital efficiency and sustain liquidity. A considerable proportion of our raw materials for bimetal, indeed, over 75% are sourced internationally, resulting in an inventory cycle of approximately 180 to 200 days. We are working to cultivate domestic supplier relationships, to streamline this process and reduce working capital. This is a long-term endeavor and will bear fruits in time.

Finally, I can confirm that the board has declared an interim dividend of 60% that is rupees, 1.20 per equity share. This decision reflects our commitment to reward our shareholders while we build long term shareholder value, I will now hand over to Sumer Ghumman, whole time director, to share a few words.

Mr. Sumer Ghumman:

Good afternoon Everybody,

Looking at our position for Q3FY25 & 9MFY25 our focus is on growth that is both meaningful and sustainable. The results you see today reflect our vision of building a company that is capable of withstanding market challenges while also capitalizing on opportunities. Our forward integration contracts are expected to contribute to our performance in the coming six months, with contracts signed with leading global OEMs for high value components.

Simultaneously, we are progressing with our backward integration initiatives, ensuring that we remain well positioned to meet the evolving demands of key sectors. From April 2025 we are evolving our resistor strip business with the addition of higher precision, higher value added components, further strengthening our forward integration strategy with key customers. This evolution will allow us to offer a more comprehensive range of high value SKUs strengthen our relationships with global OEMs and reinforce Shivalik position as a trusted supplier globally. The company is focused on building strength in new niche application and applications and charting strategies to penetrate new geographies, further extending our reach with direct presence in new markets such as our wholly owned subsidiary, Shivalik Bimetals Europe SRL, established in Italy.



Looking ahead, the second generation of promoters, Kabir and I are determined to implement strategic initiatives designed to catalyze the company's growth, skill sets, and sustainability. This includes a focus on enhancing capabilities for manufacturing complex higher components and exploring opportunities for inorganic growth. We are committed to delivering sustainable value for our stakeholders, scaling up operations on a global level, strategically expanding our product offerings and increasing our share of our customers business.

Thank you for your participation in today's call. Let us start with the Q and A session.

Moderator:

Thank you very much. We'll now begin with the Q and A session.

Our first question will be the line from Nikhil Poptani, Nikhil, your line is now unmuted. Please go ahead and ask your question.

Nikhil Poptani:

Yeah. Hi, thank you for giving me the opportunity, and congratulations on good set of numbers. Sir, my first question is on that our, if you look at the last six to eight quarters, our quarterly, we have a flat run rate. We are somewhere between 120 to 125 crores on an average. So sir, how are we expecting the growth momentum going into Q4FY25 and FY26- so that is my first question, sir.

Sumer Ghumman:

So at this point, dividing your question into two areas, as far as Q4 is concerned, you see, we are already, as we had indicated a few quarters ago as well, we could foresee that things we will start changing from this quarter onwards at as of now It seems like That is exactly where we are, and we see good, encouraging signs of recovery in all of those areas where we have been witnessing a flat situation in the last multiple quarters, as you mentioned. As far as the next financial year is concerned, some of the things that are going to contribute to growth are related towards two or three areas, which include addition of certain, as we mentioned in our opening statements, certain forward integration strategies, which are mainly related towards adding more value to our existing products, and as a result of that, getting more business, because certain set of our customers are looking for those additional processes.

As of today, we have already set up some of those things, , sampling etc, has already been done. So some of that business is going to start, as I mentioned, April onward. Small quantities of that business has already started, but a larger portion would start April onwards. And one could say that, you know, things in those areas should be more on a full swing level in the second half of that financial year, contributing towards overall growth. And if what we are witnessing now in this quarter, if that kind of trend continues, or that kind of growth trend continues, we should see that the next financial year should turn out to be fully recovered.



Nikhil Poptani:

That's great to hear, sir. I have two more question, like there are a lot of tariffs on steel and aluminum in the US, as we can see, North American markets, new tariffs have been applied. So even the automotive industry there is shaken. So what gives you the confidence that going ahead, we are going to have a better growth and secondly, when we are saying we're going for the forward integration, for the new products- So are we going to be competing with our clients?

Sumer Ghumman:

So as far as tariffs are concerned, as the as per the information that we have right now, this affects none of our products. So we are safe in that area. How things pan out in the future- Of course, I cannot comment on that as far as forward integration goes.

For your second questions, this is not going to be direct competition. In fact, few of our largest customers in those areas are the ones who wanted us to do this, this kind of forward integration. So it is actually something that is going to bring value to the customer. Yes, there are certain forward integration activities that are already being done by some of our key customers, but a large portion of those, they don't want to. They want to be able to. They want us. They want to be dependent on us to do it for them, and not do it in house, because that is not their core business. So, so none of these activities that we are into our will result into none of these initiatives will result in direct competition with any of our customers.

Moderator:

Thanks for your questions. Nikhil, you can rejoin the queue to ask any more follow up questions. Our next question will be from Naushad Chaudhary. You can unmute your line and please go ahead ask your question.

Naushad Chaudhary:

First on this, the forward integration which we are talking about. Can you elaborate a bit more on this, what exactly it is, and how big can this be for us, and touch upon on the overall economics of this product from a margin and working capital point of view? And same is for backward integration as well, what exactly we are doing in backward integration?

Sumer Ghumman:

Sure. So as far as forward integration, where the areas we have already proceeded, and the development parts are- development is already, you know, concluded in those areas, it is mostly related to, see our shunts eventually go into a sort of further assembly, like a sub assembly, which is directly then placed into any of these devices, such as battery management systems. So making that entire assembly is, in a way, in a nutshell, is what we mean by that kind of forward integration, although there is another form of forward integration that I will get to after this.



So in that case, the simple way of looking at it, although it varies from certain parts to certain parts, but the most simple calculation for a vast majority, I would say that, let's say there's a \$2 component of a shunt, the possibility of supplying it as the finished assembly, the sub assembly can be anywhere between the 20 to \$30 mark, and this, these are numbers that we have taken on a more conservative side, assuming that, you know, as volumes grow, maybe we'll be asked to reduce prices, etc. So at a lower level, it is almost a 10 times of value in the top line, and as far as the bottom line goes, it is, in some cases, somewhat in line with our existing margins.

And for certain components, it is even higher than that. So what that basically means is that even if we target in the first year, just 20% or 25% of our business that can be converted into such assemblies then, and let us say that, you know, the all of the conversion takes six or seven months. So even if you get in this year, just four or five months of that 20% - but it is 10 times the value- so you can, you know, sort of do an estimation of where it can go. But when we look at a term of, let's say, two years from now, where a lot of that, a lot of such components, can be converted into that, that will translate to a very different looking number, which means that we can see a situation where our total revenue can also be about more than double of what it is right now in the shunt business as a result of this.

And also, what happens is there are certain, certain customers, or target customers, or customers that we are trying to target, who would not buy in any other form other than that finished assembly, that added business I have not even included into that, that as a result of creating this capability of being able to supply this and making this investment in and being able to supply it, what is that added business that we'll get? So that is something that, you know is yet to be seen, as to how, how much more business, but there is more business that we can add as a result of that.

Naushad Chaudhary:

Just clarification on this, for example, just from an ease of understanding point of view, if 100 rupees of existing piece of business gets converted into the forward integration, existing 100 rupees was making 20% margin if it gets converted, for example, it's 10 times. So if it gets converted into 1000, 1000- it would also make 20% yes?

Sumer Ghumman:

Yes. On the lower side, yes. But in a lot of the components that we are working on at this point, it could be even higher than 20% in those cases.

Naushad Chaudhary:

Okay, and talk about the backward integration. Then I'll come back in the queue. So what exactly we are doing in the backward integration?



Sumer Ghumman:

Okay, before going to backward integration, I'll mention another thing about forward integration. There's also a large chunk of our business that we had been working for a long time with our key customers for converting from strip to components which they are currently making. So we have concluded that development activity with that particular -it's just two customers, actually, so from April onwards, we are going to be converting in a six to eight month period that entire business also into components.

So that is a, you know, slightly different form of forward integration, so that automatically when we supply in just a plain coil strip form versus when we give supply of finished component, the value addition, as you can imagine, is extremely different between the two cases. So that has already been concluded. When I say concluded means the contracts and the agreements for supply of such components has already been signed, and at this point, sampling is being done. So regular business we expect should start from April onwards.

Now, getting to the backward integration part you see when, at some point, you know, in his opening statement, Rajeev had mentioned that when we talk about sourcing certain raw materials, whether it is for certain alloys, as well as certain materials like copper, etc, for both bimetal and shunt, we buy them in finished form, and we are exploring opportunities wherein we can go backward towards doing some of the processing of those materials over here, so that improves two things. One is it reduces cost. Second is it reduces our lead time of getting the materials, because if we can get it in one standard one type, or fewer standards, or fewer standard sizes, and then do certain processing in house over here, so it just makes our entire supply chain system more efficient. Of course, for that, we will need to add certain processes, but none of that require a very significant investment. So we are exploring those opportunities wherein we can go a step into a backward integration by processing some of our raw materials in house rather than buying them ready to use.

Moderator:

Thanks for your questions. You can rejoin the queue for more follow ups. Our next question will be from Kayan Irani. You can now go ahead and ask your question. Your line is unmuted.

Kayan Irani:

Hi Sumer and Kabir, So, ah, mostly on the lines of the business and why we are doing this forward and backward integrations, wherein, you know, we were concentrated on like a core business then now, as the business is kind of facing these headwinds, we've decided to do these forward and backward integrations. But why haven't we done them before and like, what's the plan three years down the line? Because from what I understand from the earlier questions, your shunt resistor revenue will go up substantially. And the Bimetals , or trimetals, portion of the revenue will go down. So why are we making all these changes while you know the overall business is facing such headwinds?

So if you could just expand on that.



Sumer Ghumman:

So the answer is a little different for both categories of products, between the three verticals are different. Of that when we talk about bimetals as one and shunts as one. So first of all, in bimetals, we are not looking at any kind of forward integration opportunities, because there, you know, forward integration simply means that we'll have to go into some kind of a commoditized assembly wherein which will go into a circuit breaker or something. We don't want to go down that route. So we want to only go down the route of forward integration in case of shunts, because there are certain value added assemblies to be made, there is a certain technical barrier in there.

We don't want to go into something which increases revenue at this point but does not have sustainable margins over a longer time. So that is the reason we are doing that for shunts. And why now, to answer that, we basically, you know, got the expertise of first making the strip for the shunt material, the shunt resistors, and initially, yours, let's say, 2015 onwards, for the first three or four years, that's all we did. We supplied it in strip form. We had to invest in a lot of capability, as well as a lot of, you know, specialized equipment to be able to produce those components in house. And that's what was our next step. So the new business that we did after 2018 onwards, was mostly in those component forms. So one can say that we, you know, as we went down towards smaller and more value added components in the shunt resistor space, which is in more recent years, like, let's say last three or four years is when we were able to create a certain credibility, and only then would it make sense for us to go one step further, rather than, you know, when our components itself are not fully established.

To go for another step forward into the chain, wouldn't have made sense. So that is one of the reasons we are looking at it now. The other reason, part of it, is something you have answered yourself. We have seen sort of a flat situation with certain markets, with a considerable, you know, reduction in orders, etc., that gave us the ability and the time to be able to add this technology or understand this technology even more, because these are not very simple processes of making these assemblies. Of course, otherwise, like I mentioned, just in the case of bimetal, we wouldn't look at getting into something like this, something commoditized like that. So it allowed us that, that free time, or I would say that, you know, that the reduced orders allowed us to be able to work more and more in this direction. And we discovered that this may be actually a very good step for the business overall.

And a similar thing with backward integration. By looking at processing some of the backward integration, which is raw material based, mainly, is because of the raw material cycle, or the working capital cycle, and the issues we face over there, because of the long lead times you see, some of our suppliers take a longer time to process these materials, not because it takes them that long to make the alloy itself, but to finish the alloys in those sizes because of their own restrictions and capacities. If we are able to that in house, or a part of that process in house, that can reduce this for us to a significant extent.

And why? Why now, for that is because the capacities were running it. You know, you may be aware that until 2021 and 2022 bimetals were running at full capacity, then we had added capacity for that.



That added capacity would help us in processing these materials. This is the main reason why we are looking at it now and not earlier.

Kayan Irani:

Got it all the best for this. So, you know, like, I just have one more question with regards to your geographic profile, right? I think we've seen a lot of volatility, and it's kind of good also that we have differentiated across geographies and diversified so that different geographies kind of help us retain that revenue and volume numbers. But going forward, and as I can see, India portion is really going up. And I think you all had predicted that, as well as smart meters and everything come into play. But going forward, how do you see this entire picture turning out? As you know, there's a lot of talk on the street about how capex is going down in India. It's not up to the expectation. So going forward, how do you see this geographic profile turning out?

Sumer Ghumman:

We feel that, you know, there's a possibility that things in India, you know, could also turn volatile. But since we are seeing a positive improvement in other markets, we are hoping now that, and you know, to be honest, those markets have a deeper effect, because we are a primarily export business. And you know, if those recover, and India sort of slows down just a tiny bit, also, even then, in that case, you know, overall, the growth will look very positive.

Moderator:

Thanks for your questions. Kayan, you can rejoin the queue by raising your hand for any more follow ups. Our next question will be from Yashowardhan Agarwal. Your line is unmuted. Please go ahead and ask your question.

Yashowardhan Agarwal:

So I just had couple of questions. So out of 16 crores of shunt resistors sales in Q3 in Indian market, what portion of that has gone towards smart meter?

Rajeev Ranjan:

Yes , it is 10 crore out of 16 crore goes into Smart Meters.

Yashowardhan Agarwal:

10 crores. Oh, so that's it. So, so out of, let's say, 50 lakh meters have been installed in India in last three months. And so assuming 50 rupees, per shunt value, that translates to 25 crores of, let's say, shunt register sales, and if 10 crores of sales have gone towards smart meters. So that is around 40% market share in that. So have you seen relay manufacturing going up in India, or is there any other reason why the sales have picked up? Would you like to elaborate on that?



Sumer Ghumman:

Yeah, I'll answer that. In fact, the reason why you see this we have actually when it comes to the shunt resistor for the smart meters, I would say that any of the relays that are produced now, just going back to basics for a second, the shunt for the smart meters goes into a relay. Now, most of those relays are imported from China, as we speak now also, but a lot has been converted now from import towards domestic manufacturing. And in fact, about two years ago, 95% plus of these relays were being imported from China. Now a certain percentage, a larger percentage, I would say about more than 30% or close to 30% is being made over here, even then in that case, a lot of those are still importing assemblies or initial components are still coming from China.

So the number that you see where you know, it should have been 25 crores, but it's 10 crores is because of that reason now, as more and more of these relays are produced in India, we will get that entire share for it, unless, of course, you know, certain components still get, continue to get imported, which we which is highly unlikely, because, you know, in order to have that Make in India, fulfillment of the percentage of components, it would only make sense for the relay manufacturer, if they're making the relay in India, to buy the shunt resistor from Shivalik.

Yashowardhan Agarwal:

Got it so, in fact, the electrical contacts that we make, there was also an opportunity to cross sell it to the relay manufacturers, right? And the blended value that we could provide to the relay manufacturers were around 100 rupees. So are there any cross selling that we are currently seeing? And how is this segment going right now?

Sumer Ghumman:

So we are seeing that, and that is that also has the same issue. You know, if the relay is not manufactured here, then the ability to supply there is less. But then also, you know, we when we say that, because we are not going to have the 100% market share in those silver contacts. The reason being, because in silver contacts, there are other suppliers in India as well, so we get a smaller percentage of business share for that particular for those components. So I would say that when we look at something, when we look at a 10 crore supply of shunts into the smart meters, we are looking at about, roughly about 70% or 65 or 70% of that value of silver contacts going into the relays for Smart Meters.

Moderator:

Thanks for your questions. **Yashowardhan**, you can raise your hand again to ask more follow ups. Our next question will be from the line of Mr. Akash Vora. Akash, your line is unmuted. Please go ahead with your questions. Yeah,



Akash Vora:

So, Hi Sumer and Hi Rajeev, So I have actually one question for each segment of our business, so Bimetals has been pretty much a bread and butter business for us since many years. And I think we have a decent amount of global market share there. We were expected to increase our market share in the coming years. Reason being, I think the bigger players are exiting from the market, but that just somehow does not reflect in the numbers. I see that we are struggling in pretty much most of the economy is engineering America, we are just around 3% kind of a growth. So would like to know your comments there.

Sumer Ghumman:

So what happens is that, you know, when we start developing a new account, even with our existing customer, let's say for a new geographic region. We oftentimes see it takes a certain amount of time for first the development to take place, and then for the quantities to continuously increase to a certain level. So for example, if there's a 50 metric ton opportunity, let's say, you know, in somewhere in the US geographic region, and we - so the buyer or the business would initially start, maybe after a year or so of development towards first, you know, 5% and then 10% and then 20 and so on. So, it's not something that translates all of that immediately into business.

So what we look at as a positive, positive sign is that those developments are taking place, or have taken place, and certain amount of business has started. Now, how long it takes for the buyer also to switch? Most of it, you see it depends on certain factors. Now, when demand is increasing, businesses are growing. Certain activities like these tend to speed up and when things are slowing down, and when generally business is slow, as we have seen in many geographical regions across the world in recent let's say four to six quarters. You see, these kind of development activities also tend to take a bit of a back seat. So I would say that it's very positive the developments that have taken place. And I would, in fact, I would say that some of our business in the bimetal area, one could say that has been resulting in this flat, or lesser fall in business, mainly because some of this added business has come from those developments.

If that business had not come from those developments, I would say that this, the downside would be more than what we are seeing, you know, if you see we are looking at, you know, a revenue going from 126 crore, let's say, to 123 maybe in those cases, that would have been another 8-10, crores shortfall. So I would say that we are closer to a flat level, mainly because of that. Because, you know, when a US market is at a 15% decline or 20% reduced orders in the European market, then those numbers are still showing up as overall is flat because some added business is coming from such developments.

Akash Vora:

Understood. So finally, what would be your growth guidance in the bimetal segment for the next two years?



Sumer Ghumman:

Based on the information we have from our largest customers. When I say largest means you know, customers such as Schneider or ABB, they're talking a very similar language about an expected growth in their business. They expect that, you know, they're looking at a 20 to 25% growth. Now, of course, where is that coming from? I think they are attributing it more towards the development work that is happening in India, or maybe, you know, it's a related to infrastructure, highways, or whatever the whatever they feel, or they feel that the real estate markets are, you know, looking positive, or for whatever reason, this is the information that they have given us, that they expect, that the Indian market should, should have that kind of a growth so they've asked us to remain prepared in these years, in the coming two to three years, for those kind of growth numbers.

When it comes to the US, and which is a very, very major, you know, contributor towards with what things look like overall, we have some we are not this kind of a growth number, but we have been asked to come back to, you know, the kind of quantities we were supplying maybe a year ago or so. So I would say that we are expecting, with our new developments and added business coming from there, we are expecting that we should see in the two year period, anything between like an 18 to 25% kind of a level at, you know, that's something that we believe, or we safely feel, as on the basis of the data information from customers.

Surely, of course, you know such information is on basis of forecast and have been times in the past such information has shown that the reality has been different from it. But as of now, we have no choice but to work on that.

Akash Vora:

Yes, got it. So now coming to Shunts business, so in Shunts, I just have a follow up question on, you know, a follow up question on what you explained earlier to a participant. So, I just wanted to understand where we are going to add so in that forward integration, we are going to add a value added by 10x- I think almost 10 times. So are our capacities fungible for this kind of forward integration, and can 100% of our current shunt facility be used for that kind of forward integration if you need be in the next couple of years?

Sumer Ghumman:

Yes, and it's not 10 times of value addition, but 10 times of top line. So as far as the capabilities and the capacities are concerned, so we have already partially invested in those, those capacities, or the capabilities to be able to make and to manage this, this forward integration. Some part of that development is already done, some part is in progress. But, we have a brand new dedicated manufacturing facility for this purpose, and a certain portion of that facility is already been established for this. So, yeah, so we can say that we have sort of the capacity as well as the capability available for.



Moderator:

Thanks for your questions. Akash, you can raise your hand again to ask more follow ups. Our next question will be from Mr. Pratik Jain. Go ahead and ask your questions.

Pratik Jain:

Hi, sir. Thanks for the opportunity. So while you explain that you know, the slowdown in bimetals is more in India, India Business is more related to the macroeconomic factors. You know, my question is more to understand that you know these bimetals end application is switchgear, and that depends on the infra cycle, right? So basis your past experience, what is your sense that you know are these cycles, typically long cycles or shallow cycles, and when, whenever these cycles, whenever these cycles turn, what is the delta you have in your realizations? That is my first question.

Sumer Ghumman:

Actually, the thing is that these cycles are a little bit probably a little bit different at this point, from historical cycles the government, it seems like the government is more oriented towards, you know, development projects. And, of course, a lot of our, our switchgear business, or lot of our, when we supply to switch gears, is related to that. And I think at this point, with the reason behind you know why the government is also keen on having more liquidity in the market, allowing more money in the hands of people, spending money, is also maybe a factor wherein they want spending to increase. They want people to spend more, as well as they are spending on infrastructure projects. So we feel that the current situation may be different from a historical trend, at least again. You know, this is again, our large customers, obviously have a more in depth, you know, research on these things, and this is the kind of information that we have received from them. So I think that to compare it with anything from what's happened in the past would not be correct.

Pratik Jain:

Got it. And so when we are seeing a volume degrowth, are you facing the impact on your realizations to right now?

Rajeev Ranjan:

No, as far as realization is concerned, set a methodology with our customer, which is related to the LME and the cost plus method. So that is continuing even the Delta, as you said, in the cyclical business nature, it is never going to impact our margin and even the overall realization from our customers.

Pratik Jain:

Got it. And so my second question is on the shunt side. So you know for a moment, let's take a scenario that the EV penetration in North America and Europe and maybe in India stays where it is over the next three- four years. So if that's the case, you know, how do you see the ramp up of your shunt business?



Sumer Ghumman:

So you see a lot of our shunt business, even today, what we do, specifically for the automotive market, more than 50% I would say, in fact, closer to 60% of that we know is not related to EVs. It's going into other it's either generic, or it's going into specifically ICE or hybrid cars. So even if EVs fail to take off, we are. We feel that we are. We have ample opportunity within the rest of the automotive sector. Now, another factor, of course, EVS give us, you know, more business overall, because the value of the product, as well as the value add, may be higher in some cases. Again, it's not something I can generalize, but it's definitely a higher impact on the top line, because the components are more expensive in nature. So. Now where we feel that we can get a lot of growth, irrespective of the four wheeler EV market is EV two wheelers, which is bound to happen one way or another, in specifically a market like India, you know. And we can all see things in going in that direction as people get over these safety issues related to fires and all which, which will happen eventually. Because, as you can see, that happened in China as well. And China is the, you know, the best example to compare with where we feel that there's a possibility that the growth coming from two wheelers for the next few years may be able to give us a lot more EV related business than anything else. And of course, if over time, EV four wheelers will also come in. And so even if it stays flat for some time, we still have a positive outlook for those in the future.

Moderator:

Thanks for your questions. Pratik, you can raise your hand again to ask any more follow ups. So our next question will be from Mr. Aniket Mittal. Aniket, your line is unmuted. Please go ahead and ask your question.

Aniket Mittal:

Okay, so I have three questions. Firstly, just in the bimetal piece. Once again, you know, if I look at the past three quarters, there's been weakness in both Europe and Asia regions. Just wanted to understand those reasons a bit better. You know, according to you, what's led to the slowdown in both Europe and Asia and specifically in these geographies. How do you look at things moving in the bimetal front over the next few years?

Sumer Ghumman:

Our analysis, or whatever we have been able to gather is it's mainly because of reduced demand, and where, where things would be. I mean, now, as I mentioned earlier, answering somebody else's question a couple of times was, you know, we have a good forecast for the future, but what happened in the last three quarters or so- the only thing we can attribute it towards is just general reduction in demand.



Aniket Mittal:

The other thing was, in the press release, you mentioned the introduction of a smart DC current sensor. Could you talk about that? How does this product work differently, and what are the benefits that it gives the customer, as well as us?

Sumer Ghumman:

So in very basic, simple terms, when we were talking about forward integration initiatives, this is one of the primary examples of that. So what that is, is that we've launched a new product now. These are, these are like, you know, as of now, what we manufacture are shunts that are custom made for a particular customer, and then they do all the processing after that, and they make certain other components, add certain other components to it, make a certain device, and install it wherever it needs to be installed, whichever application it may be. So what we do is we manufacture that particular component as per the design of the customer. Now, other than that, there is a pretty substantial market for a finished assembly, which means that this mounted on along with a PCB module, and which can be straight away placed into the device it is meant to go into without any other manufacturer involved in between.

So a lot of you know, let's, let's say a smaller volume BMS manufacturers would like to buy it as it is even a lot of smaller number of, let's say many other types of regular, you know, EVs like, let's say golf carts or electric wheelchairs. There are so many other electric vehicle applications which are in smaller in volume per customer, 10,000 units, 15,000 units, 5000 units. None of those people, obviously, you can imagine, are going to have, like a, you know, in house facility to manufacture all of these things now. Customer, like a Vishay or a Hella or a Continental, will do all of those things in house. So to target, those cataloged, finished assembly, PCB module, assembly components is why we have come out with this launched product. And we this is basically a product that we will be selling a majority of two distributors, distributors who are stockists of or distributors of many different types of resistors, or resistor type products, or related products like these. We will be supplying to them these kind of standard catalog products. So that's what it basically is. So you what you're doing is you are, instead of supplying a component to a large player, you're basically, you know, make manufacturing these as a for the next level of integration, forward integration.

Moderator:

Thank you for your questions. You can raise your hand again for any more follow ups. Our next question will be from the line of Richa Agarwal. Please go ahead and ask your questions.

Richa Agarwal:

So my question is on the North American market, which remains a key market for us. So under Trump administration, it seems that you know the kind of focus that was there on green energy transition, or even EV is likely to take a hit. So are you sensing that kind of slow down or nervousness from your clients, that you know the growth may not be, not just in EVs, but also in energy storage applications, there could be a hit?



Sumer Ghumman:

As of now our components, a very negligible percentage of our total existing business fell into the energy storage. So you know whatever we were expecting out of energy storage was more related towards future business. So we, so, as far as existing business is concerned, such policies, we don't expect for us to be taking a hit on that maybe it might have an impact at some point, you know, for future business. But we also feel that the such opportunities are plenty within our own markets, such as India, the Indian market, wherein we should be able to, you know, do business and get additional business in these two segments from within our markets as well, irrespective of what happens in the US and again, when it comes to automotive, like I mentioned before that, you know, a lot of our existing business, as well as a lot of our new developments that are going on actually is not just restricted to EVs. There are a lot of components that go into both segments of vehicles, and then there are certain generic types of shunt resistors that go into, you know, power window assemblies and tailgate assemblies, which are applicable to whichever type of automobile it may be. So to answer your question, as of now, we were at existing business. We don't expect to take any kind of a hit at that point, but maybe, you know, for how things would be in the future- we can't say.

Richa Agarwal:

Okay, and so, what about inventory correction situation? I mean, is that part over like demand, fresh demand is one aspect of it, but is the inventory over supply taken care of?

Sumer Ghumman:

Yes. As of now, we feel this quarter onwards, we are seeing a good trend towards, you know, things going back to normal. More. I wouldn't say it would go back to those times where, you know, people were building that excess, customers were building that excess inventory. But I would say that this quarter, as we had expected, this quarter onwards, January onwards, we have been, you know, getting good business as well as we, you know, we foresee from the forecast that we have that the trend should continue, okay?

Richa Agarwal:

And so do we also supply this shunt register company to China, because I think maybe a lot of at least EV development focus is happening more there, you know?

Sumer Ghumman:

That's right. So one of our, one of our key customers, actually, is one is based in in China. It's not a Chinese company, but they buy their requirement for these shunts. That's only one major supplier that we have in China. We do also supply a lot of different types of shunt resistors to, you know, small size to certain customers in Taiwan, and some of those directly, indirectly, would end up in in China. But the



only direct sales business that we have with a large customer is, is a customer of ours who's insisted that we, we supply that component, even though they are based in in China.

Moderator:

Thanks for your questions. Richa, you can raise your hand again to ask more follow ups. Our next question will be from Agam Shah- your line is unmuted. Please go ahead and ask your question.

Agam Shah:

Sorry. I joined in late, so I missed your opening remarks. You might have answered, but I just wanted more clarity. So as you said, the inventory correction is over and we are seeing growth. So is it fair to assume that we'll be resuming the growth trend for both the business verticals, for shunts and bimetals?

Sumer Ghumman:

See for shunts, we are seeing the trend normalizing coming from our US, US based customers for bimetals. We don't, we don't have that strong a forecast from the US markets at this point. But we have a more than usual positive forecast, growth forecast from our Indian business, which is, which is a fairly large chunk of the total bimetal business. So we expect, and we actually, when we look at our orders, we are actually seeing that that trend is, you know, it was not just a forecast. It's actually going in that direction.

Agam Shah:

So broadly, if I take it this way, so maybe this year me white ended flattish or whatever. So next couple of years, we should be resuming, maybe high double digit growth, with new products coming in for forward integration and all?

Sumer Ghumman:

Yes, I would be confident about that because, because of all these initiatives that we have worked on, and, you know, a lot of these materializing as we speak, because we've been directly, indirectly speaking of such initiatives for the last two quarters. And now, you know, of course, you can imagine that some of these technical things take time to develop, and now with a lot of those initiatives materializing and converting slowly and steadily into business, and they're not just on drawing board. So we feel that yes, combine that with, let's say, even a slight improvement in all those areas, then the two things are combined. We feel that yes, we should have a strong growth in the next year.



Agam Shah:

And on the Shunt side, so the 200-250 crore, so is the entire- can you just give a broad idea? So, on the Shunt side, how much is being contributed by EV vehicles? On the automotive side, including all the regions, and what would be non EV or other areas?

Sumer Ghumman:

If we just look at the automotive business, which is roughly about, you know, 25% of our total revenue, I would say more than 60% of that is non EV actually, that, you know, one could say more, more it's more like 50-50, because there's a grey area between wherein it's probably even, we can't say whether these components were utilized in EVs or Non EVs. But I think to safely put it, one would say that roughly half of that business is linked to EVs. So I would say that, let's say 11 or 12% of our total business at the most, is directly related to EVs. And that, by the way, also includes some of the two wheeler EV business that we have in India, which is where we expect to see a large amount of growth for obvious reasons.

Moderator:

Thanks for your questions. Agam you can raise your hand again to ask any more follow ups. Our next question will be from Mr. Rohan Vora. Rohan, your line is unmuted. Please go ahead and ask your questions.

Rohan Vora:

So, the first Question was on the forward integration that we spoke about. So what, what is the competitive landscape in that? I mean, I wanted to understand we will be taking away market share from some other player, right? So what is the kind of competitive advantage that we have to take that market share and also, what, what would be the bought out component? Say, when \$1 of application goes to \$10 so per unit, so what, what would be the bought-out component in that? And how ready are we with the capabilities? So that was one. And the second was, how big is the India two-wheeler shunt market? And you know, what is the market share today? Thank you.

Sumer Ghumman:

So yes, you're it's a pretty valid question. You know, who's whose business would we be taking away by doing this? But you see a large portion of what we are planning to do is coming from as a request of our existing customers. A lot of them are doing that process in house.? What happens is that they centralize the production of that whereas components are required on different parts of the world. So it is actually, when you look at their entire supply chain, that particular component find that particular value add goes away from them and comes to us. Maybe in the process, they might make some savings as well to offset for whatever they have lost. But it's not their core business that they're losing in any way. They're losing a very, very small chain of small part of the overall chain. But for us, being a core business, it adds it is showing up as a large, large portion, large opportunity.



But if you see what that person is, that person is, let's say he buys that chunk component from us and then converts it into this, this smart sensor that we are talking about, and then places it into a device. And then that device goes into- sometimes there are two devices, and you know, so the value changes so much in those that even if this component was bought from us directly, is not going to and they lost certain revenue because of that, or certain income because of that- it does not have an overall very significant impact on them. However, their efficiency, improvement in supply chain as a result of this, and their convenience of being able to get parts whichever location they want, those benefits they look at more than this particular loss when it comes to, you know, the bought out components part of of these devices, or these assemblies, we can estimate that it's roughly about 50 to 60% something similar to what our existing, you know, raw material cost for our existing but that is, by the way, that is exactly the reason why we chose this set of our business.

And I had mentioned before at some point that there are many similar forward integration opportunities across our different types of products. But we wouldn't go for those because a lot of them are commoditized. A lot of them don't have a very technical nature of those assembly manufacturing processes, we wanted to only select and go for something that not only gives us which is not only of strategic importance, but also is a sustainable value addition, general value generating business opportunity.

Moderator:

We'll move on to the next participant asking a question. Our next question will be from the line of Prakash Gaurav Goel your line is unmuted. Please go ahead and ask your question.

Prakash Goel:

I just want to understand in the context of what we are seeing around us. How would you like to guide like you know, earlier, when we were you were meeting investors, you were guiding for FY27 like ballpark number for the turnover for both the segments. How would things pan out now? Because you made a very interesting observation, like, while the near term is very uncertain, you have a good visibility of future. So, I just want to understand in that context, how should we visit the top line items for the next two years?

Summer Ghumman:

We split this into two areas. One is what growth we will get from our existing business without looking at any of these new developments, any of these, you know, by the way, we are looking at a couple of, you know, materializing a couple of new product verticals, but those are still a little bit far away for us to speak about. But let us, let us keep that aside all of these developments, including forward integration.

We feel that in the next two years, with just our existing business, you know, if you can just come back to that 15 to 20% 15-18% kind of a growth level also, which we feel is do able, it's possible. And if the markets, sort of, you know, go along with that in that direction, then maybe it's there. It could be there. But the moment we add these new opportunities, and we take a certain percentage of them and say that, okay, this much will materialize in in just a two-year period, we feel that, you know, we feel very



confident that we should be able to have in a two-year period. I think we have the maximum level of confidence in getting to a you know, if not higher than that, but at least over 20-25% level of growth.

Moderator:

Thanks for your question. Prakash, our next question will be from the line of Pratik Chaudhary. Please go ahead and ask your question,

Prateek Chaudhary:

You mentioned about the value addition from the component to a sub assembly, but you also mentioned that for the strips that you're supplying, you will start to, you know, convert that into component supply. So what's the value addition over there?

Sumer Ghumman:

It's a good observation. Actually we do only we know we do a certain amount of our resistor business even now in strip form, and that is the only business that we do in strip form. Because, you know, after that business was developed, all of it was always developed in component form. So that business today, as we speak, stands at about, you know, roughly about 20, almost 17-18% of our total revenue. And basically at this stage, it's all you know, it's all finalized. It's all done. The process is already in place. Sampling is for more than half of those components has already been done. So we expect that that could convert into a, you know, a 2x of its current revenue, and the value addition could be at least three times. So, for example, if you look at, let's say, a 60 crore business, for example, that could in component form, that same strip business becomes about 120 crores. And the value addition in that basically the approximate EBITDA margins go from like a 22-23% levels towards about 27-28% that should be in line with what we have calculated. Right? Rajeev?

Sumer Ghumman:

I was talking about, you know, the section of business that we are converting from strip to components, yeah, 2x of top line with about a 4-5% increase in EBITDA margins is, was what we expect entering in the increase in the top line as well?

Rajeev Ranjan:

Yeah, of course, actually, you see the cumulative business. In fact, whatever contract we have signed till now would be in and around 100 crore plus. And even that, we can count those 100 crore at least, we will make between 25% to 27% of the margin, which is much higher than whatever we are making right now, which is in the range of 18% to 22%- so 4 to 6% range is compared to the current margin as higher.



Moderator:

Thanks for your questions. Prateek, I see there are a few more follow ups. Seeing as we're nearing a time constraint, please feel free to write to us at Dickenson, and I'll ensure to get your questions answered to your satisfaction. That concludes our Q and A session. Also, as soon as this call finishes, all participants will receive a survey for your feedback. Kindly take a few short moment moments to participate in this quick survey. I'll now hand over to Rajeev for closing comments. Over to you, Rajeev.

Rajeev Ranjan:

Thanks Shankhini. Thank you for your participation in today's call and for being part of Shivalik's growth journey. For any further question, please feel free to contact Dickenson, our Investor Relations partner. Thank you all and wishing you a very pleasant evening.

Moderator:

Thank you, Rajeev, thank you, Sumer, and thank you all participants for attending our call today. On behalf of Shivalik, please have a pleasant evening. You will now disconnect your lines. Thank you.