Shivalik Bimetal Controls Ltd.

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SBCL/BSE & NSE/2024-25/79 **12th November, 2024**

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**

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 07th November, 2024

Dear Sir/Madam,

Please find attached herewith transcription of Conference call with Investors/Analysts held on November 07, 2024. Kindly take the same on record and acknowledge.

Thanking You,
For Shivalik Bimetal Controls Limited

Aarti Sahni
Digitally signed by Aarti Sahni
Date: 2024.11.12 14:31:52 +05'30'

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

Encl: As above

Shivalik Bimetal Controls Ltd.

Q2 & H1FY25 Earnings Webinar Transcript

Thu, Nov 07, 2024 4:00PM IST

Answered by Management:

Mr. Sumer Ghumman- Director
Mr. Kabir Ghumman- Director
Mr. Rajeev Ranjan- CFO

Moderator:

Good morning, Ladies and Gentlemen. Welcome to Shivalik Bimetal Controls Ltd.'s Q2 & H1 FY2025 Earnings Webinar produced by ElevEase. We appreciate your time and interest in joining us today. We're pleased to welcome the senior management team from Shivalik Bimetal Controls Ltd. who are present on today's call:

• Mr. Rajeev Ranjan, Chief Financial Officer,
• Mr. Sumer Ghumman and Mr. Kabir Ghumman, Directors of Shivalik

To participate in the Audio Interactive Q&A session of this webinar, please raise your hand, and you will be added to the que. Instructions on how to raise your hand are available in the webinar chat. As the management begins their opening remarks, please feel comfortable to raise your hands to start forming the Question and Answer que.

You can also view and download Shivalik's Investor Presentation and Press Release for Q2 & H1FY25, from the documents made accessible in the webinar chatbox.
As a reminder, this conference is being recorded. Some statements in today's call may be forward-looking, based on current expectations and subject to risks that could cause results to differ materially. With that, I now hand the conference over to Mr. Rajeev Ranjan, CFO of Shivalik Bimetal Controls Ltd. Thank you, and over to you, Rajeev.

Rajeev Ranjan:

Good afternoon, everyone. Thank you for joining us today. As we gather to discuss Shivalik Bimetal Controls Ltd.'s performance in Q2 and H1FY25, I'd like to begin by sharing our perspective on the resilience that defines this period. Despite the global inventory reset that that we have been experiencing over the last two quarters, our results speak to the strength of our strong global approval base and product acceptance, and the deliberate steps we've taken, particularly in Europe, to position ourselves for sustained success.

Let me begin with a detailed look at our financial highlights:

• Total Income (H1FY25): Our revenue for H1FY25 was ₹216.77 crore, a slight decrease of 3.86% from H1FY24. While this may appear modest, it reflects our ability to deliver stable revenue despite end-use demand recalibration and temporary inventory cleanup that is currently underway – particularly in the USA. This elasticity, particularly in sectors like automotive and industrial, underscores Shivalik's capacity to adapt and sustain growth while specific economies and sectors make systemic adjustments.

• Gross Margin (H1FY25): We recorded a gross margin of 46.57% for H1FY25, marking a reduction of 272 basis points compared to the previous year. This reflects our strategic pivot toward high-demand products that, while slightly lower in margin, align with evolving market needs. Our deliberate choice to adjust the product mix helps us maintain market relevance, and secure long-term revenue streams, demonstrating our foresight in navigating market dynamics.

• Profit Before Tax (PBT, H1FY25): Our PBT for H1FY25 came in at ₹47.24 crore, down 11.09% from H1FY24, with a margin contraction of 178 basis points to 21.79%. This performance, influenced by rising input costs, reaffirms the importance of our disciplined approach to managing expenses, especially in periods where cost pressures are more pronounced.

• Profit After Tax (PAT, H1FY25): Our PAT for H1FY25 was ₹35.28 crore, representing a PAT margin of 16.27%, a modest decline from the previous year. This consistency at the net level highlights our operational discipline and underscores the long-term sustainability of our business, even as we manage challenging external conditions.

Sequentially, our Q2FY25 revenue grew by 2.18% over Q1FY25, signalling the early shoots of recovery in important sectors like automotive and industrial electronics. With demand gradually returning, our Shunt resistor business should continue to be a primary growth engine, as we are experiencing in markets like India and Asia.

In closing, these results affirm our commitment to the steady, purposeful management of our business. We're guided by the understanding that true resilience is about making deliberate, forward-looking choices—choices that balance today's performance with tomorrow's opportunities.

Now, I would like to handover to Mr. Sumer Ghumman, Director Shivalik Bimetal Controls Ltd.

Sumer Ghumman:

Thank you, Rajeev. Good afternoon, everyone, and thank you for joining us. I would like to take a moment to reflect on the foundations that define Shivalik. We have always pursued growth that is meaningful, growth that aligns with our long-term vision and values. The results you see today are a result of our vision of building a company that can weather cyclical and market-specific challenges, while seizing opportunities with clarity and precision.

In H1FY25, our Shunt segment in India grew by 45.27%. This nevertheless foreshadows what is ahead of us as India's accelerating industrial expansion unfolds before us. This performance reflects our alignment with the nation's drive toward technological modernization, underscoring Shivalik's role as a reliable partner to the automotive and industrial sectors.

Our European operations represent a carefully considered strategic investment, and establishing a wholly-owned subsidiary in Italy this year is a significant step forward. This subsidiary will now allow us to engage directly with the market, bypassing intermediaries, and delivering products more efficiently and responsively. By strategically consolidating our European presence, we've reduced operational redundancies and enhanced our ability to capture demand in a high-growth region.

Looking forward, our goal remains to produce 'quality' growth – one that focuses on both top and bottom line contributions. We continue to concentrate on strengthening our core offerings and build on our on-going R&D. As we grow our approval base and acceptance in segments such as BMSs for electric vehicles, energy efficiency, and smart metering systems, we do so with a commitment to quality and innovation that has always defined Shivalik.

In essence, our journey is not only about market share, but also about the quality of partnerships, the high reliability of our products that our customers are accustomed to, and the overall value we create across industries and geographies.

I would like to handover to Kabir, Director of Shivalik Bimetal Controls Ltd.

Kabir Ghumman:

Thank you, Sumer, and good afternoon, everyone. Shivalik's journey over the years has been shaped by our dedication to innovation and a profound respect for the evolving needs of our global markets. Today, as we stand at the intersection of tradition and transformation, and our vision for the future is clear.

At Shivalik, we are driven by a forward-thinking commitment to meet the evolving needs of industries advancing toward electrification and energy efficiency. We've taken strategic steps to expand in component applications such as electric vehicles and industrial applications, where demand for our Shunt and Bimetal products continue to grow. We believe these are not just growth sectors—they represent the future of sustainable technology.

Our products are at the heart of all smart systems, providing essential functions in energy-sensitive applications. This places Shivalik in a unique position of responsibility and influence. Supported by our R&D and growing financial strength, we are pursuing opportunities that will not only benefit Shivalik, but also contribute to larger global transitions, particularly in energy management and sustainability.

As a business, we are guided by a respect for long-term value, knowing that sustainable growth stems from a combination of innovation, financial prudence, and a deep understanding of market forces. With a strong balance sheet, seasoned leadership, and a skilled team, I am confident that Shivalik is prepared to navigate complexities, and seize emerging opportunities.

Rajeev Ranjan:

Thank you, Sumer and Kabir, for your insights. To summarize, H1FY25 has been a period of resilience, operational rigor, and forward-thinking for Shivalik. Even as we face a challenging global landscape, our strategy of disciplined growth and market-driven product alignment has enabled us to deliver a solid first-half – and stay well-positioned to uphold our commitment to long-term value creation.

As we look to the future, our focus remains on leveraging our strengths in key regions and sectors, expanding our footprint in high-growth areas, and continuing to drive operational excellence. I extend my sincere thanks to our shareholders, partners, and employees for their support and trust.

With that, we open the floor to questions.

Moderator:

Thank you very much. We will now begin with the question and answer session. We'll start with the first question from the line of Deepan Sankara Narayan. Please unmute and ask your question.

Deepan Sankara:

Good evening everyone, and thanks a lot for the opportunity. So firstly, happy to see that US business started growing Qo Q basis. So early signs of EV sales picking up on the increased momentum in hybrids is also visible. So how do we see shunts growth in US market for H2 this year and over next three years?

Sumer Ghumman:

Hi, Deepan. So what we are seeing, the kind of forecast that we have is what we have been seeing the last couple of quarters as well, that we have sort of a brighter view from from the fourth quarter of this year onwards, where we have already received some forecasts of increase in quantity. So we expect to see certain growth coming in this quarter onwards, the last quarter of this year, that is Q4 and then thereafter, the next one year or so, the next financial year or so, we should continue to see growth coming in from those areas. That growth, of course, is coming from our existing business growing as well as some of the new opportunities that we had developed rather over the last one year or two years or so. We will continue to see an increase from there as well. Interestingly, other than the US market, we are also seeing substantial growth for the shunt resistors, for specifically the automotive coming from other markets as well. For example, mainly like, let's say, the Indian market. So we expect to see the next two or three years showing quite a bit of growth from these areas as well.

Deepan Sankara:

Okay? Adding on to that, what is the reason for QoQ decline in shunt business overall revenues this quarter?

Sumer Ghumman:

So in general, even as of now, from quarter to quarter, we have not seen an increase or the growth that we are expecting to see from the US. Most of this is coming from the decline of the US market, so that is still under decline at this point. We expect that to increase in the fourth quarter. So as of now, that decline is coming from there, and that decline is not as substantial as it looks geographically in the US area, US market- it is quite high the decline, but because there's growth in all these other markets, that is why it is, you know, overall, still showing as a decline, but not still as much.

Moderator:

Thank you. Deepan, please rejoin the queue for any more follow up questions. Our next question is from the line of Vivek Seth. You can now unmute your line and proceed with your questions.

Vivek Seth:

Now with the US elections over, how do you see the policies being favorable to the company?

Sumer Ghumman:

Well, I mean, you know, it's too it's hard for us to put a comment exactly on that. But what we were expecting is that you know this, this current US election results. Of course, everybody knows is very favorable towards businesses and large corporations. And since a large chunk of our business comes from the US market, this even has an impact globally. So we expect to have see a positive impact on on business, as does everybody else.

Vivek Seth:

Okay, great. And how is this Metalor MOU moving forward? Any progress on that?

Sumer Ghumman:

So, yes, in fact, you know, during our AGM, last, last AGM in September, we had brought this up that the way things were going in the direction of this joint venture was that we were assessing the overall structure of this joint venture, and the way it was materializing was not being suitable for the company; which basically means that it was too much of an investment required to get not a similar level of increase in business. So we have, at this point, either we have decided to not go ahead with it, or we are looking at an alternate arrangement, wherein it could be more beneficial for us, after this last seven or eight months of doing, you know, them conducting due diligence, and then alongside that, us making a business plan for this joint venture or for this partnership. The result of that was that the investments required were much higher than the kind of business or kind of, you know, the bottom line that it could eventually add so financially, it was not making as much sense, at least in the structure that was originally envisioned. Now what we are looking at is to see if we can find an alternate method or not consider it at at all.

Vivek Seth:

So any new products that have been developed by the R & D team in last four, five months, which give you a future revenue guidance?

Kabir Ghumman:

So again, this is a topic we've been, you know, talking about in the past as well, that there are multiple developments that are going on currently, which go in line with downstream addition, in terms of value addition, where certain assemblies would be added on to our core product. Now, these are in stages where initial trials have been conducted and prototyping has already been completed. There are some changes that have occurred in some of these designs or some of these processes, keeping in mind, you know, an ever changing environment as far as the end customer specifications are concerned. So we are realigning some of those processes, but it is an ongoing process where two or three different project lines are being added, and as obviously, as this goes forward, we will be providing updates regularly as well.

Moderator:

Thank you. Please raise your hand to rejoin the queue for any more follow up questions. The next question will be from the line of Dhruv Jain from Ambit. Dhruv, you can now unmute your line and ask your question. Please go ahead.

Dhruv Jain:

Thank you so much for the opportunity, sir. I had a question on the Bimetal business. So we've seen a growth across geographies in this quarter. Sorry, a decline across geographies this quarter. So if you could just highlight as to if there is anything which is a structural issue that you feel or it's more transitory?

Sumer Ghumman:

So basically, you know if you see this is not really a decline, if you see our total output, in terms of volume, or in terms of production tonnage, it has actually gone up now, and it has not gone up as much as we had probably expected. But the thing is, the key commodities involved, which is nickel and copper, are, across the board, down substantially globally -the markets, right? So that's showing you know, sort of a decline in the overall top line. Having said that, other than that, there is also been in certain geographies, there has been an actual decline in demand as well. And that we have seen from, for example, in India, we are looking at the Indian market, and the US market, which contribute to the majority of the whole bimetal business. We've seen a total decline of 4-5% and that 4-5% actually means a slight increase, if you factor in the commodity prices. But in some areas we have generally, we have seen a larger decline, and that is mainly the European markets and some of the other Asian markets wherein there are actual reduction in orders. So this is, this is what we we, what we have been able to analyze is that this is basically, in certain markets, a general reduction in demand.

Dhruv Jain:

Okay, from your order book perspective, do you see that you will see a material uptake, at least from India market or some of the other markets in terms of growth, or sequentially going forward in this business?

Sumer Ghumman:

Yes. So at this point, our maximum confidence at this point lies for the bimetal business , specifically lies for in the Indian market, because we we are continuing to see a strong growth in the Indian market, or the demand or the forecast, let's say that you know one of our larger customers in the switch gear business, or few of our largest customers in the switch gear business, which make up for a large percentage overall, they have been giving us very good, encouraging forecasts for the Indian market in the next year, which, when I say next year, means the next calendar year, which is their financial year in most cases. So they have been asking us to be prepared to supply 20% to 25% in some cases, higher than this year. Now that is purely a forecast coming from the customer, where they just want us to be organized and prepared for from production and raw materials point of view, whether how much of that materializes is a separate thing. But since they are giving us this encouraging forecast, we assume that a lot of that, and some of the data that we have, we feel that a lot of that is coming from infrastructure growth in India, as well as the strong real estate market. So if you see, not just in larger cities, but in smaller, smaller towns and tier two, tier three cities, a lot of real estate development is continuing to to go on and and alongside that, you know, all the highways, roads, railways, all of those things are eventually going to materialize more and more into demand for the Indian market. Now, besides this, the real impact that shows in our numbers comes from the US market. Now if we see some kind of further improvement in the bimetal business from the US market, then it would be a win, win situation in the bimetal growth numbers for next year.

Dhruv Jain:

And if you could just talk a little more about the, you know, European new subsidiary that you guys are starting now, how do you see that really changing your operations, both from a bimetal and shunt resistor space in that market? And you know, any, any guidance or numbers that you want to give us in terms of the European operations that you're thinking with respect to this structure change?

Sumer Ghumman:

So basically, until now, historically, you know, we had worked out for this to be a good model for us. We have the thermostatic bimetal business in the most of the European regions, and leaving aside the larger customers who would who were directly dealing with Shivalik, there was a substantial chunk of business that we were doing through an agent based out of Milan. And you know that person now, that company that was doing it, that company is winding up, and the person who was running it is retiring because of age, etc. So we thought that instead of appointing a new person last year, we took the decision that we will enter the European market directly for that customer base as well. And then we did. When we started analyzing that idea, we realized that there could be more business opportunities, which probably, you know, there's a certain set of customers in Europe that need a local presence and some of that business, you know, maybe we were not able to get by going through this agent. Because, as you can imagine, if somebody is at a retirement stage, it obviously, you know, growth is not the only thing on their mind at this point. So, so we see this as an opportunity where some of those customers we can target and and get directly under Shivalik, instead of going through an intermediary. Apart from that, having this subsidiary, can help us in identifying and looking for more opportunities in the resistor business, which, other than a few large customers that we deal with directly at this point was sort of an untapped area for us, so we see it as a as a double advantage to us having this kind of a base directly in Europe.

Moderator:

Thank you for your questions. Dhruv, you can raise your hand again to rejoin the queue for any more follow up questions. Next question is from Divyansh Gupta, you can now unmute your line and ask your questions.

Divyansh Gupta:

So I was looking at the presentation numbers for, let's say, the volume of shunt and bimetal in this quarter, for Q1FY25, and if I compare these numbers with the Q2FY24 presentation, there is a difference of about 17% to 24% in shunt and bimetals. So is this difference purely because of scrap, or there is some other reasons due to which the volume numbers are differing.

Rajeev Ranjan:

Earlier we used to give the quantity along with the scrap quantity, and that was somehow giving us not a concrete or fair comparison quarter to quarter or H1 to H1, so that this time we have excluded the quantity of scrap to give us comparable fair numbers on quarter to quarter and year to year.

Divyansh Gupta:

So got it. So this is purely because of, let's say, scrap or products that we are rejecting at our side and not selling to the end customers. That is a fair assumption of the difference, right, correct. So the question actually is that let's say 20% difference is just that. Let's say our best efficiency level of this number can be further reduced through whatever processes we are automating, and therefore help in better profitability or better throughput. So what is the, let's say, target number that we are trying to achieve

Rajeev Ranjan:

That we need to see product wise so, and even product wise, we are having many SKUs where you can see a variance of maybe a 6% to up to 33 or 34% so you cannot counter it, or maybe it's not possible to give you a exact number for how far we can reduce. But as per our estimation, in bimetal, is somewhere around 8% to 11% - the throughput. And in shunt register, which is still an evolving application, based on which we try to get it reduced and keep it below 20% as an average.

Divyansh Gupta:

But is this a number that is, let's say, expected because of the manufacturing process, or that's my question. Is 20% BAU number or not? Mix can change?

Rajeev Ranjan:

Yes. So for bimetal, as I said, it would be around 10% to 11% and it is an established process where we cannot see a further fall down and maybe further increase for the throughput. So in shunt registers and even for the product mix, if you go by the strip and component, so in component, there may be, in some some SKUs, it will go up to 33-34% and for strip section, it is around to 15% to 20% due to the process.

Kabir Ghumman:

Just for clarity, that these, especially at component level, these are completely defined by the product design itself. There are certain part layouts where you have no choice but to lose 15% or 20% or even up to 30% as design scrap. But having said that, we have certain projects and certain programs in place where we are monitoring some of the high runners, and some automation and certain inline sensing has been developed to, you know, to at least reduce the percentage that can be controlled, basically, so that we are already working on. So we are targeting, in some cases, to reduce, you know, three percentage points or four percentage points, where MOQs have been defined with customers. So there are two or three aspects here, because some customers will, you know, will follow the MOQs that we have defined. There are certain other customers that like to be flexible. So we are working with our customers to respect the MOQs, and with those MOQs in place, we can target a higher chunk of volume having lower material loss. And on the other hand, automations are continuously being developed. There are certain processes or certain equipment that has been changed over this year. There are some in line, also for next year, which give us higher productivity and lower overall, lower scrap rates.

Moderator:

Thank you for your question. Divyansh, you can raise your hand again to rejoin for any more follow up questions. Our next question is from Akash Vora, Akash, you can now unmute yourself and ask your question. Please go ahead.

Akash Vora:

Thanks for the opportunity. So my first question is regarding the smart meters theme. So how much of smart meters business we have done this quarter in total, and how much we have done in India in specific?

Sumer Ghumman:

So it's one, one of our fastest growing areas at this point is smart meters. To give you some perspective, that is the one area that, first of all, majority of that business is domestic. We do some some metering business, which is for export, but let's say majority of it is currently Indian, domestic. And what we are seeing at this point is that generally, as a business, from last year to this year, we are looking at about 70% to 75% growth in that area. And that is keeping in mind the business that we've done in these two quarters, this current quarter, as well as the next quarter, the Q3 and Q4 we expect to see a further growth of 10% to 15% from these previous two quarter. So keeping all of that in numbers in mind, and those are pretty clear forecasts that we have from from our customers, then it's something that's the you know, the visibility is very clear, because all that, all those orders, are already there with the customers. So we expect to see, maybe, in the best case scenario, even something like a double of of last year's business.

Now, last year's business related to smart meters was roughly about in the range of 37-38 crores, which we expect should be close to about 70-75 crores at a sort of, you know, conservative level. Now, as we've been mentioning before, that a lot of the growth in the Smart Meter business depends on how much of the latching relay is produced in India. Now, latching relay is the key component that differentiates a meter, a regular meter, from a smart meter, and that latching relay, mostly even today, surprisingly, even today, continues to come from China. The good part is that a lot of production of latching relays has already begun in India, but it's all very recent. That is why we are seeing this growth in our business is directly related to how much of the latching relay is produced here. This the amount of percentage of latching relays being produced in India is continuously increasing at a very fast rate. So all of the key players in the market for smart meters are either in the process of indianizing or localizing, their latching, really manufacturing, or they have definite plans of doing so. So once that happens, or once that completely translates completely, or completely may not be the right word to use, but let's say even if 50% of it translates to locally produced latching relays, with the growth that can be three to four times of what we are seeing right now also. So that is where we stand. But I would stick to the modest numbers, and I would say that we would continue to see this kind of growth in smart meters, at least over the next two to three years.

Rajeev Ranjan:

I would like to add to the specific question of Aakash, regarding the energy meter business. So in the last year we have done almost eight and a half percent. And this year, till compared to the six months, is around 13 and half percent. And if you see the last year of export contributes around 4% out of eight and a half percent. And this year, the export is around four, four and half percent, so there is an increase of almost half percent compared to the last year. Whereas domestic was around four and half percent, which has grew to 9% so almost 48-49% jump in energy meter in the domestic market.

Akash Vora:

So these numbers, Rajeev, sir, which you mentioned, 4% is of the total sales, or shunt sales?

Rajeev Ranjan:

Total sales.

Akash Vora:

So I think Sumer mentioned that we might be expecting somewhere around a 70-75 crore business from smart meters this year. So how much of it from the relays and how much from the shunt side are we expecting?

Rajeev Rajnan:

So he was sharing with you total business, the domestic shunt business, and I have given you the energy meter business. So these are the two different things. So in domestic along with the energy meter, we are supplying to another automotive applications also, and to some some other applications also. So 70 odd crore is a domestic that will be a domestic shunt business, including energy meter, automotive and other applications.

Akash Vora:

Okay, okay, so, sir, just let me rephrase my question here. So of the total, I think last year we did a total of 12 to 13 crore of smart meter business within India, if I'm understanding it right, correct, go ahead. Yeah. So this year, I think we might be we should be able to double, as I understand from your guidance. So of that, how much would be from relays, and how much would be from shunts, per se.

Sumer Ghumman:

So relay shunts actually go into into a relay. So relay is not something that we produce. Relays, the is what our customer produces. So we are basically supplying the shunt that goes into the relay.

Akash Vora:
oh, sorry, I actually wanted to ask about the contacts. Are electrical contacts also being used in the relays.

Sumer Ghumman:

That is correct. So we are, you know, as as I was saying that as number of relays tthat continue to be locally produced goes up, the opportunity for contacts also continues to go up. So as of now, we are supplying contacts to almost 50% of the business that we are supplying the shunt to in the relays, not only talking of of smart meter related business. As of now, it's 50% is because contacts is a bill is a slightly different kind of a business. There is, there are other suppliers as well. And so there is more competition. And so we also, you know, we also plan our targets, or target business accordingly, whereas in case of shunt, we are the only suppliers for that type of a product, that type of a shunt. So if the relay is produced here, all of the shunt will be supplied by us.

Akash Vora:

Understood, sir. So just to summarize from what you said. So if I'm expecting a 25-30 crore business from shunts only from smart meter applications, then on the contact side, also, I can expect at least, let's say 50% so I think somewhere around 10-12 crores additional from the smart meter?

Sumer Ghumman:

That could be more than that, because the value of contacts that go in even an average relay, that's something to consider these numbers for. I think it would be if, if a shunt is, let's say about 25-30 let's about 30 rupees average, then the contacts could be worth 60-65 so even at 50% or less than 50% target, you know, we can still have similar top line of business coming from just contacts. So to give you some perspective, the just the Smart Meter related business that we would have added in contacts this year would be more than, probably more than about 20 crores or so, 18-20 crores by the end of this year should be just a contact business.

Moderator:

Thank you for your questions. Akash, you can raise your hand. And rejoin the queue for any more follow up questions. Next question is from Rohan Bora. Rohan, you can now unmute your line and go ahead.

Rohan Bora:

First question was a bookkeeping one. So what would be the breakup of bimetals business into switchgear and others be for this quarter?

Rajeev Ranjan:

Overall, bimetal in the switch gear contributes almost is 80, 80% plus.

Rohan Bora:

Okay, and this would be gas meters and automotives?

Rajeev Ranjan:

So automotive and gas comes under shunt- the environmental or the major application, or the industry, is switch gear, which contributes more than 80% of the revenue.

Kabir Ghumman:

Yeah, Rajeev, just, just to correct that, there are some gas meter applications also for thermostatic **bimetal**. But other than, other than switch gear, there are other application areas where gas meters is definitely one of them. And then there are certain other temperature control devices, snap action disks for, you know, overload protectors. There are some spiral coils and springs that are made for angular deflection, for temperature measurement, temperature reporting. So there are many smaller applications that cover up the 20%.

Rohan Bora:

Safe to say that you know switch gear- in this switch gear in India is major contributor for us.

Kabir Ghumman:

Yes.

Moderator:

Thank you for your questions. Rohan, our next question will be from the line of Shikha Mehta. Shikha, your line is unmuted. Please go ahead and ask your question.

Shikha Metha:

Good evening, sir. I have a couple of questions. One is on the gross margins. So, like we discussed earlier on, certain amount of the correction in gross margin is because of the product makes. Can you give us some guidance as to where this could stabilize for us? Or do we have any indicators on that?

Rajeev Ranjan:

Yeah, of course. You can see this quarter our gross margin has improved, and it is due to various factors. One of the major factor is the price, the cost of the raw material. Because the last year, you can see there was a gradual decrease in LME quarter to quarter that has somehow stabilized in the past two quarters. The second thing is the product mix. So if you see growth in shunt specifically from the domestic market, which is a marginal improvement in the gross margin, and if I see the last eight quarters result- our gross margin, if the combination of both, the product will be in 50- 50% it will improve, improve further on, further here on. So today, if we are at 47-48% it should go up up to 50%

Shikha Metha:

So assuming next financial year is better for a shunt business, we can assume a much better gross margin. Would that be right to say?

Rajeev Ranjan:

Yes.

Shikha Metha:

And Secondly, I think earlier on the call, we were talking about the next quarter onwards looking substantially better. So I think I heard someone say Q4 -our earlier guidance was improvement from Q3 so is it correct to assume that the second half of this financial year will be better, or are we referring that guidance to Q4?

Rajeev Ranjan:

So, as we have shared and with this, Sumer has shared the concrete answer that what we are foreseeing according to the market commitment and the interaction with the customer, both quarter onwards, we are confident that the growth will come and the next year, we are assuming, even we are hoping, with the similar line of growth as we have shared now. So third quarter, the whole financial year 25 we have seen just steady growth, not any exponential or substantial -we have foreseen neither in the first quarter nor in the second quarter and and the next two quarters will be on the same line. In fact, the fourth quarter onwards we are just hoping that we will get at least a 10% growth.

Shikha Metha:

So lastly, I think last year, we were talking about adding new customers in the US. I understand that the market has not been great, but have we been you know, have you been successful in adding customers other than Vishay Dale, which is our largest client in the US?

Kabir Ghumman:

Yes, Shikha, there are certain projects that have materialized into initial prototyping that has been or initial sampling that has been approved. Some products are already passed on the design validation stage. Some have gone into product validation, and these would be for end users, other than Vishay. So we are now, in some cases, in the final sign off on the sales agreements and the purchase agreements, and we should start seeing formal supplies to them very soon.

Shikha Metha:

Great, sir. Thank you so much.

Moderator:

Thank you for your questions. Shikha, our next question will be from the line of Deepak. Deepak, you can now unmute your line and ask your question,

Deepak:

My first question is regarding bimetals. So as per your presentation, you know, now you adjusted for scrap volume. What I could see in both q1 and q2 you know, we saw a decline in the volumes of bimetal, right? Q1, it was around minus 1% now that has gone up to minus 8% on YoY basis. Okay, so I just want to understand what is happening here, because the expectation was, post election, the volume growth should pick up, right? But it seems not to be happening. So could you please elaborate what is happening and what is our volume guidance for FY 25 for bimetal?

Rajeev Ranjan:

if you see the deck itself, the bimetal volume has not decreased substantially. It is almost at par, and we have seen a slower growth as estimated earlier for this quarter, and we are very hopeful that it will, it will increase in the next quarter onwards. The reason of of this value growth, what we have seen that it is hardly 3% declined half year to half year. And in quarter to quarter, it is hardly half a percent decline in volume.

Deepak:

No, sir, it's an 8% decline. Right? Last quarter, you did two like 281,000 in this quarter, it is two like 258,000 so, right. So it's an 8% decline.

Rajeev Ranjan:

I think I am going through the last day deck. Maybe you were comparing from the last quarter deck.

Deepak:

No, sir, the latest deck your slide number, it's on slide number 35 Q2FY24 bImetal, we did a volume of like 281,000 Right? And q2fy25 we did two like 258,000 Yes, correct, right? So that's an YoY decline of 8%?

Rajeev Ranjan:

Okay, so here we have excluded the impact of this scrap. So the product quantity you were talking about, which is around 8% quarter to quarter decline in bimetals, yes, you are correct.

Deepak:

So that's what I'm asking. What is our guidance for FY 25 for this volume in bimetals?

Rajeev Ranjan:

So as we have discussed regarding the coming quarter and the next to next quarter, and according to the commitment from the customer, it will increase. And what we have foreseen at least the fourth quarter of this year will improve at least 10% of this amount.

Deepak:

Okay, 10% on the Q2 number you're saying, which is 258,000.

Rajeev Ranjan:

Yeah. So currently, this is what, what we have, an estimation, and the confirmation from the customers.

Moderator:

Thank you for your question. Deepak, you can raise your hand again for any more follow up questions, and I'll rejoin you to the queue. Our next question is from Uttam Purohit, you.

Uttam Purohit:

I have about two questions- I joined call late, so I'm not sure if it was covered initially. The first question being, the promoter sale has gone up quite a bit this quarter. So firstly, what is the reason for that? And secondly, is there any further promoter sale, stake sale that we are expecting in the coming quarters?

Sumer Ghumman:

So there are, there are two ways of of looking at it. Actually, we've had some restructuring within the organization and the ownership structure. So earlier, before later September this year, we were two families that were in the promoters of Shivalik, and now one of the promoters has exited the business because of, you know, age related region reasons and the next generation of the other promoter was not involved in the business. So, basically, they have retired. That family has retired from the business. They have sold their equity partially to the remaining promoter family, which is the other family, which is

Ghumman family, and sold some of their equity into the market, to institutional investors. So those, when you look at the overall promoter holding, you will see that as declining, but, but if you see, look at it from the other point of view, the remaining promoters actually increased quite substantially from a 25% to a 34% holding so no, because we have just gone ahead and increased that as of now and for at least a even a longer term into the future, we do not foresee any further reduction in promoter holding. If anything, you know, we would like to see if we can take find ways and means to take it up further at some point. But as of now, no, there is no such other plan.

Uttam:

Thanks. And I have another question. So according to the deck I saw that the net working days has gone up drastically by about **36** days. So is there any particular reason? Is there a structural change which is ongoing and due to which this is happening?

Rajeev Ranjan:

There is no structural changes as we are utilizing the tailor made raw material for our bimetal, and this is almost 75% plus we are importing. Due to that, our inventory days is somehow in the range of 180 to 200 days. And that's why, if you see, the working capital for us is around 200 plus days. We are consistently working on it to develop some of the domestic supplier based on which we would like to reduce as much as we can.

Uttam:

Understood. Thank you.

Moderator:

Thank you for your questions. Uttam, our next question will be from the line of Divyansh Gupta, with some more follow up questions.

Divyansh Gupta:

Couple of questions more, So if you can give the details of the contact business, how much was the revenue and the volume, and assuming post scrap for then the previous quarter and quarter last year?

Rajeev Ranjan:

Yeah, so for the contact business, in the last six months, we have achieved 35.87 crore compared to the last year, 29.50 crore, which is an increase of 21.60% in revenue. Our gross margin has declined a little bit, which was in the last year, 21.68%, it goes down to 20.79% marginality of 89 bps.

Divyansh Gupta:

Can also give the q1 numbers for FY24 and FY25?

Rajeev Ranjan:

Okay, so in Q1FY25 we achieved 18.77 crore. And in Q2FY25 we achieved 17.10 crore.

Moderator:

Thank you for your follow up question. You can also write to us at Dickinson to get any more of your questions answered. We'll allow another question, follow up question from Akash Vora. Akash, you can now unmute your line and ask your question.

Akash Vora:

So my question is more from a two to three year standpoint, wherein, you know, I wanted to understand how much growth do we expect only shunts -automotive side? Would it be safe to assume that we can once the cycle recovers- can we grow at 20-25% and do we expect the cycle to recover in the next, let's say, six to eight months?

Sumer Ghumman:

Yes. So we do expect the cycle to improve, as you mentioned, from the fourth quarter onwards. But when we look at a two to three years into the future, when we look at that, that kind of a time frame, then a lot of growth other than the market situation will also come be coming from the developments that we have done, you know, over the last one or two years, which start in a very, you know, the development phase is very, very slow, where it the whole process of developing a customer and starting production. And then, you know, slowly, the quantities increase every year. So in that period, we should be able to get a lot more business coming from there as well. So when we look at a two to three year period, I think it could be safe to say that we should be able to reach those levels, not just from from our existing business, going to those growth levels, because some of you know some of what, what happened in part of 2021 and 22 some of that increase came from too much of over ordering from some of our customers. Because of supply chain issues, which, which, of course, was, was strong growth, but also has, it's proven that was not the most sustainable way of growth. So now what we are seeing, the kind of developments that have taken place, and the slight increase that we expect now and in the coming quarters, and then, other than that, these new developments will be a lot more sustainable growth, and yes, in this two to three year period, we could be back to those levels, if not 24 -25% at least closer to 20%.

Moderator:
Thank you for your follow up question. Akash, we'll take the next question from Prateek Jain. Pratik, you can unmute your line and ask your question.

Pratik Jain:

So my question is fundamental, fundamentally on the bimetal segment. So you know, just wanted to understand that you know many of these data centers which require, you know, high voltage switch gears. So, you know, do we have capabilities to supply bimetals to them, or are we looking to, you know, enter into those adjacencies?

Kabir Ghumman:

We do have the capability, we do supply for medium voltage and high voltage applications, and as the need and the requirement of the customer comes in, we do have the capability to supply for those modules as well.

Pratik Jain:

Okay, got it and so second question, sorry if I'm repeating it, but you know, I got little confused with the segmental data, if you just help me out with the shunts, segmental numbers within EV, smart meter domestic and smart meter exports.

Rajeev Ranjan:

The Breakup for a smart meter, like energy meter, we are doing a business almost 30% of the total shunt business, and for the automotive, almost 61% of the shunt business, rest for the other application.

Pratik Jain:

And this is for this quarter?

Rajeev Ranjan:
Yes, this is for this quarter.

Moderator:

Thanks Prateek, you can write to us with any more follow up questions as we're nearing the end of time, we'll take one last question for this call from the line of Viruch, please ask your question.

Viruch:

Thank you for giving this opportunity. And can I know how much our company is spending on R&D with respect to percentage of sales reference and how much revenue or specialty or competitive advantage you see in future about a rupee spend on R&D now, thank you.

Kabir Ghumman:

So currently we are at approximately 1% but we have projects and plans in place for 25 calendar year, 25 and 26 where we'll be aggressively adding further capabilities in terms of testing equipment, you know, smaller prototype processes which replicate our production lines, and also, of course, manpower, which is planned in a phase wise manner to increase our focus on R&D. So to answer your question, 1% is the current level, but we are working towards increasing that over the next at least year, year and a half.

Moderator:

Thank you for your questions. Since we've neared the end of time, if you have any other follow up questions, you can write to us at Dickinson, and we'll be happy to get them answered to your satisfaction. I also see some written questions, so we'll ensure we get back to you on those as well. I'll now hand over to Rajeev Ranjan, the CFO for closing remarks for today's call. Rajeev, over to you.

Rajeev Ranjan:

Thank you all for the thoughtful questions and for engaging in this dialog. As we bring today's discussion to a close, I want to reaffirm Shivalik commitment to steady, Lasty, lasting growth built on resilience and a clear strategic vision. The first half of FY 25 has shown how we adapt, innovate and stay focused states that will continue to steer us through both the opportunities and the challenges that lie ahead. On behalf of the entire team, thank you to all stakeholders for your continued support and confidence we look forward to the future with optimism and resolve. For any remaining questions, please feel free to reach out to Dickenson, thank you and have a pleasant evening.

Moderator:

Thank you to everyone for your questions and engagement today, this concludes our earnings call for Shivalik. Thank you all for joining us, and you may now disconnect your lines. Cheers.