

- ✦ Shilchar is a Vadodara based transformer company formed in 1986. It is expanding its capacity by 90% from 4000 MVA to 7500 MVA by end of July 2024 on the back of strong industry demand (mainly renewables).
- ✦ Shilchar derives 60% of revenue from domestic and 40% from Exports to North America & Middle East
- ✦ Within domestic, 80-85% of revenue accrues from generation transformers for renewables which are complex to manufacture & involve higher level of customisation and thus generate superior margins (15-20%) compared to other players who are mainly present in distribution transformers (10-12%).
- ✦ Within exports, bulk of the revenue accrues from distribution transformers. However, international OEMs have high quality standards and vendors have to undergo a long process of approvals & trial runs and after few years, meaningful orders are given. This acts as an entry barrier. (Failure rate of transformers in India is at 15% v/s 2% in developed countries). Exports margins are > 30%.
- ✦ Key clients include Tata Power, Larsen & Toubro, Mahindra Susten, Adani Green and Torrent Power.
- ✦ Debt free company with high ROCE; will generate Free Cash Flow in excess of Rs. 100 Cr every year.
- ✦ Over FY24-26E, we envisage healthy revenue/earnings growth of 37%/36% CAGR along with consistently high ROCE. We value Shilchar at P/E multiple of 36x FY26E (10% premium to our target P/E for midcap capital goods basket, owing to superior growth & ROCE) and arrive at a TP of Rs. 8,000.

*Figures in Rs Cr*

Year	Revenue	Growth	EBITDA	Margin	PAT	Growth	EPS	PE	EV/EBITDA	ROCE
FY23	280	56%	53	18.9%	43	177%	57	97.7	77.8	47%
FY24	397	42%	113	28.5%	92	113%	120	45.8	36.5	59%
FY25E	575	45%	163	28.4%	130	41%	170	32.5	25.3	53%
FY26E	744	29%	210	28.3%	169	30%	221	25.0	19.6	48%

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