Midas
Equities and Research

SHILCHAR
TECHNOLOGIES LIMITED

Shilchar Technologies Ltd

Initiation Coverage

09 Jul 2026

Spark Initiating Coverage Reports – Rebooted!

Outlining the framework from our desk

In our new, rejuvenated approach to publishing fundamental research ideas, we aim to balance a traditional, time-tested framework with a contemporary and hopefully refreshing segue into stock-picking. Accordingly, our Initiating Coverage reports will be presented in five sections: **(1) Annual Report Deep-dive, (2) Business Assessment Scores, (3) Valuation Framework, (4) Stock Buzz & Influencing Factors, and (5) Technical Analysis.**

This report is underpinned by three key beliefs: (1) Technical analysis, when combined with fundamentals, leads to better stock calls; (2) business assessment should be separated from valuation frameworks so that equity research can calibrate the mix objectively when making stock calls; and (3) reactions to "buzz" and other factors that influence price action must be identified and given due regard when timing stock calls, particularly in the current environment where information flow is incessant.

Annual Report Deep-dive

Drawing on the time-tested but sadly, rarely-applied practice of drilling into historical annual reports, we dedicate the opening section to the **Analytical Perspective gleaned** from this exercise. A helpful forensic overlay provides a clearer view of the company's **historical operating performance, balance sheet behaviour, cash flow quality & governance structure**. By anchoring the analysis in reported numbers and disclosures, this section helps assess earnings quality and risk before progressing to any forward-looking calls with conviction.

Business Assessment Scores

To address the question of whether a company's business can emerge as a long-term winner, we draw on Porter's Five Forces framework to examine key aspects such as revenue models, pricing risks, market positioning, and competitive moats. Our financial analysis and estimates are anchored in our assessment of both the company's current performance and its long-term potential. To ensure that this assessment remains objective and not influenced by subjective judgment, we employ a scoring model that captures the key drivers of business quality across five composite vectors. The resulting scores form the basis of our call on the business.

Valuation Framework

We have often observed how markets can make target multiples appear like the proverbial rabbits out of a hat. To avoid the temptation of retrospectively justifying valuations alongside the broader market, we returned to first principles while designing our Valuation Framework. Anchored in market, peer, and historical absolute benchmarks, our valuation scores incorporate Economic Value Added, return profiles, growth prospects, and leadership positions, mapped against relevant valuation multiples. Ultimately, the central question remains: given everything we know about the business, markets, and peers, does the current pricing appear attractive? This question forms the bedrock of stock-picking in equity research.

Stock Buzz & Influencing Factors

The **Buzz Chart** & Liquidity Chart track stock-specific news flow, events, and market activity to help identify **periods of elevated attention or sentiment shifts**, complementing fundamental and valuation analysis.

Technical Analysis

The report also includes a **Technical Analysis** section to capture prevailing price trends, momentum, and key support–resistance levels, offering additional insight into **market timing and near-term market behavior.**

Source: Company, Spark PWM Pvt. Ltd.

Report In Gist (1/2)

Last Day Close	1Y TP	Upside	Rating
Rs. 4,247	Rs. 5,062	19%	BUY

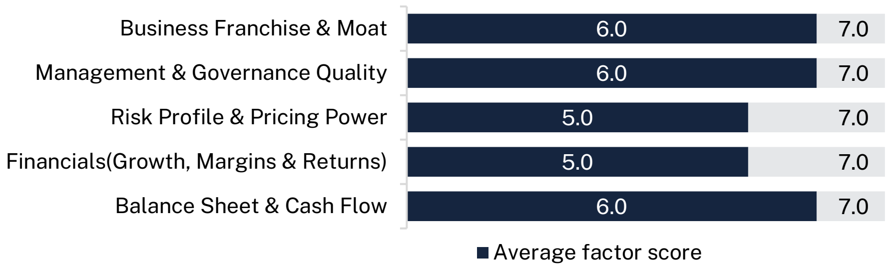
About the company

- Shilchar Technologies Ltd. (SHILCHAR) is a specialized transformer manufacturer focused on made-to-order power, distribution, electronics, and telecommunication transformers across 33–132 kV, and it has built the strongest export franchise among India's listed transformer players - exports contribute ~50% of revenue versus low-single-digit exposure for most peers. Founded in 1986 by Jitendra Chimanlal Shah in Vadodara, the company today commands industry-leading EBITDA margins running at nearly 2x peers alongside a ~32% RoE (FY26).
- SHILCHAR's edge stems from two decisive pivots: a shift to private-sector customers in FY13 - delivering shorter collection cycles, faster price pass-through, and stronger pricing power - and an early bet on renewables, now ~90% of domestic revenue. From its 7,500 MVA Gavasad facility it produces 33–132 kV transformers (up to 50 MVA) and serves 25+ international markets across North America, Europe, Middle East & Russia backed by a ~Rs. 452 Cr order book as of Q4FY26.

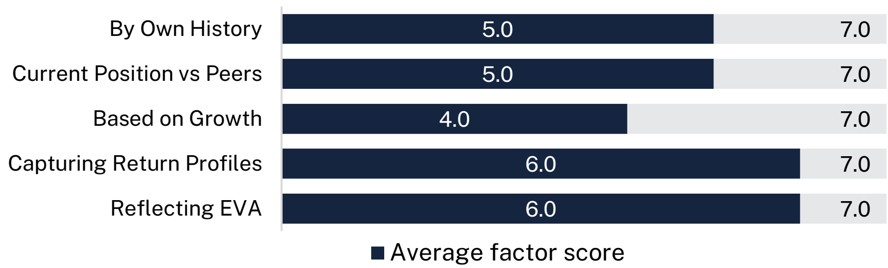
Annual Report Deep-dive

The deep-dive surfaces the accounting nuances behind SHILCHAR's financials. FY25 cash conversion dipped to 0.2x as ~Rs. 108 cr WC funded 57% revenue growth - a scale-up timing effect that reversed to 1.0x in FY26 on EBITDA of Rs. 190 cr. A net-cash balance sheet since FY23, clean audits, declining promoter remuneration(as a % of NPAT), and negligible related-party dealings.

Business Assessment Scores



Valuation Framework



Financials and Estimates Summary

Particulars(Rs. cr)	Revenue	EBITDA	EBITDA %	PAT	EPS	RoE %	RoCE%	P/E	EV/EBITDA
FY25	623	185	30%	147	128	42%	52%	33	26
FY26	652	190	29%	158	138	32%	38%	31	25
FY27E	737	194	26%	167	146	26%	29%	29	25
FY28E	1,134	303	27%	251	219	29%	33%	19	15

09 Jul 2026

Industry	Capital Goods-Other Electrical Equipment

Key Stock Data

Bloomberg	SCTE IN
Shares o/s (cr)	1.14
Market Cap (Rs. cr)	4,859
52-wk High/Low	5,399/2,852
20D ADV ('000)	31.2
Index	BSE Small Cap
F&O	N

Latest Shareholding (%)

	Mar 26	Dec 25	Sep 25
Promoters	62.1	62.1	64.0
Institutions	4.5	4.2	3.1
Public	33.4	33.7	32.9
Pledge	0.0	0.0	0.0

Stock Performance (%)

	1M	6M	12M
SCTE IN	8.0	15.4	(24.0)
BSE Small Cap	3.8	6.6	3.4

RESEARCH ANALYST
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Source: Company, Bloomberg, Midas Research

Report In Gist (2/2)

Stock Buzz & Influencing Factors

- SHILCHAR derives ~50% of its revenue from international markets, including ~18–19% from the US and ~30% from the Middle East, Europe & Russia. While this provides access to higher-growth export opportunities, geopolitical developments and freight cost fluctuations may temporarily influence order execution and revenue recognition.
- The company proactively manages raw material risk by procuring key inputs-CRGO steel, copper, and transformer oil-immediately upon order receipt. Nevertheless, sharp input-cost inflation or changes in import policies could temporarily impact margins until pricing is adjusted.
- SHILCHAR is currently expanding its manufacturing capacity to 14,000 MVA by incurring a capex of ~Rs. 120 Cr, funded entirely through internal accruals. Even after the expansion, the company is expected to retain adequate cash balances while remaining debt-free.

Technical Analysis

- The stock is consolidating within a Symmetrical Triangle pattern after a strong long-term uptrend, reflecting a healthy pause in its primary trend.
- Trading above key moving averages and positive momentum indicators continue to support a bullish medium- to long-term technical outlook.
- The overall technical structure remains positive, favoring a buy-on-dips strategy.

Investment Rationale

- **Best-in-class franchise:** SHILCHAR combines industry-leading gross margins of ~38% (vs. ~28% for peers), a debt-free net cash balance sheet, and a differentiated export franchise, with ~50% of revenue generated across 25+ international markets where 3–5-year qualification cycles create high entry barriers and strong customer stickiness. While margins are expected to normalize as raw material costs fluctuate and new capacity ramps up, they are likely to remain structurally well above the industry average.
- **Sustainable Growth Visibility:** Revenue compounded at ~38% over FY22–26, supported by a ~3x increase in dispatches and strong renewable energy-led demand. Growth is expected to remain robust at ~32% CAGR over FY26–28E, driven by export demand, capacity expansion to 14,000 MVA, and sustained private sector investments in renewable energy in domestic market.
- **Attractive valuation:** We initiate coverage with a **BUY** rating and a **1-year target price of Rs. 5,062 (23x FY28E EPS)**, implying an upside of **~19%** (including dividends) from the CMP of Rs. 4,247. Our target multiple of 23x FY28E P/E implies a PEG ratio of 0.9x, providing a reasonable margin of safety to account for potential margin dilution arising from the ramp-up of the new facility & raw material price volatility driven by geopolitical developments.

Source: Company, Midas Research

Initiating Coverage Reports – Rebooted

Report In Gist

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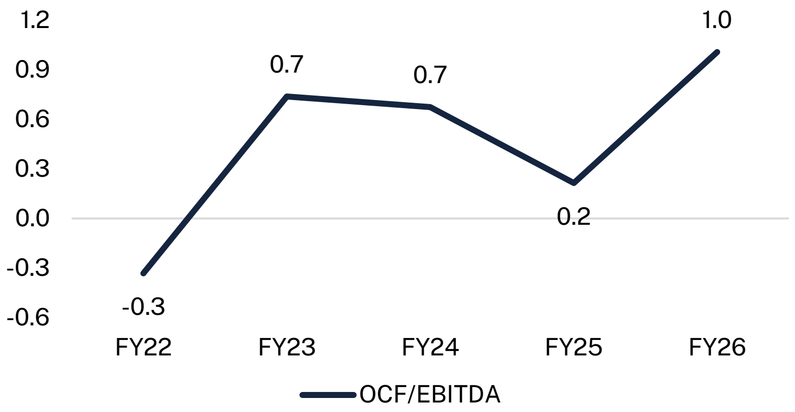
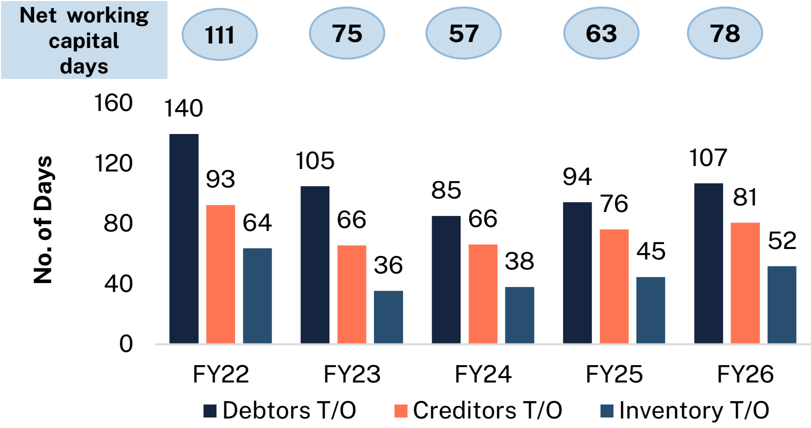
1 – Annual Report Deep-dive (1/2)

Quality of earnings drives quality of valuation

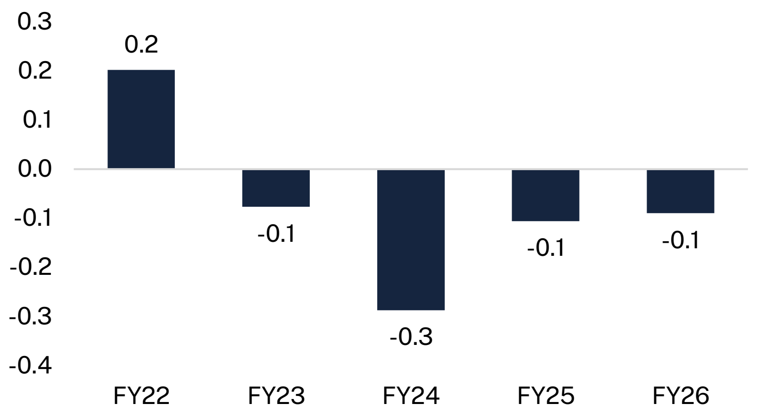
Cash conversion returns to 1.0x



Working capital cycle stays efficient



Net-cash since FY23 - growth funded internally



Cash flow integrity

- Cash conversion ratio improved from –0.3x in FY22 to 0.7x in FY23–24 as the working capital cycle shrank (NWC days fell from 111 to 57). It slid to 0.2x in FY25, as major chunk was absorbed into working capital, with receivable days rising to 94 & inventory rebuilding to aid 57% revenue growth.
- It rebounded sharply to 1.0x in FY26, led by a ~Rs. 37 cr working capital release (mainly advances & collections) and EBITDA scaling to Rs. 190 cr, signaling that the FY25 dip was a timing issue related to business scale-up rather than a structural cash conversion problem.

Working capital movement

- Net working capital days fell sharply from 111 in FY22 to 57 in FY24 as debtor days nearly halved (140 → 85) and inventory turned faster (64 → 38 days), reflecting better collections and tighter execution as the business scaled.
- The cycle has since drifted up to 78 days in FY26, with debtor days rising to 107 and inventory days to 52, driven by a higher export mix (~50%) and a longer-cycle order book, only partially offset by creditor days increasing from 66 to 81.
- The company receives LCs against its export orders with a tenor of around 180 days. However, given its strong cash position, it does not discount these LCs, leading to higher debtor days. Instead, it earns additional interest income on the funds.

Balance sheet and leverage

- Balance sheet turned net cash positive from FY23 and has been funding the capex via internal accruals.
- The net debt-to-equity ratio fell from 0.20x in FY22 to –0.1x in FY23 and reached a peak net cash position of –0.29x in FY24 as profits scaled and equity accumulated, before normalizing to –0.1x in FY25–26 as cash was redeployed into working capital and investments.
- The company has remained effectively debt-free in the last four years, funding its growth entirely via internal accruals.

Source: Company, Midas Research

1 – Annual Report Deep-dive (2/2)

Governance and disclosure quality

Auditor and disclosure quality

- M/s. CNK & Associates LLP has served as the company's auditor over the last five years.
- The audit reports provide no evidence of accounting, governance, or compliance concerns. Consistently clean CARO and IFC observations, alignment between bank reporting and the audited financial statements, the absence of fund diversion, and effective internal controls collectively indicate a high-quality financial reporting environment.

Management remuneration and related-party transaction

- Total management remuneration averaged 10% of NPAT over FY22–25 and has been on a declining trend, with FY25 remuneration at 7% of NPAT.
- Mr. Alay Shah, the Managing Director, drew remuneration averaging 8% of NPAT over FY22–25, declining to 5% in FY25.
- The FY23 annual report disclosed that managerial remuneration exceeded the prescribed statutory limit and required retrospective ratification.
- No significant related-party transactions have been reported.

Source: Company, Midas Research

2 - Business Assessment Scores

Business Assessment Scores – Summary

2.1 Business Franchise and Moat:

SHILCHAR has built a differentiated transformer franchise, with ~50% of revenue derived from exports, where lengthy 3–5-year approval cycles create significant entry barriers and strong customer stickiness. Domestically, nearly 90% of revenue is linked to the renewable energy ecosystem, positioning the company to benefit from India's multi-year clean energy capex cycle. Coupled with its focus on private-sector customers, which supports superior payment terms and working capital efficiency, SHILCHAR enjoys a strong competitive position and high growth visibility, warranting a rating of **6.0/7.0**.

2.2 Management and Governance Quality:

SHILCHAR is led by an experienced, promoter-driven team (promoter holding ~62%) with a long operating track record in the transformer industry. Governance standards are strong, with no CARO or internal financial control qualifications, minimal related-party transactions, and conservative promoter remuneration that has remained well within regulatory limits despite strong profit growth. Disciplined, self-funded capital allocation, a debt-free balance sheet, and consistent reinvestment into capacity reflect a management team focused on profitable, sustainable growth rather than aggressive expansion. We assign a rating of **6.0/7.0.**

2.3 Risk Profile and Pricing Power:

SHILCHAR's made-to-order, custom-engineered business model and 45–50% export mix confer strong pricing power, reflected in its industry-leading margins, while multi-year qualification cycles keep the threat of new entrants low. Key risks lie on the input side: CRGO steel, which accounts for ~25% of raw material costs, is largely imported, while transformer oil prices nearly doubled in early 2026, pressuring near-term margins. Customer concentration remains high, with the top five clients contributing ~58% of FY25 domestic revenue. Contractual cost pass-throughs & diversifying customer base partly mitigate these risks. We assign a rating of **5.0/7.0.**

2.4 Financials (Growth, Margins & Returns):

Financial performance has been exceptional: revenue compounded at ~38% over FY22–26 (Rs. 180 cr to Rs. 652 cr), while EBITDA margins expanded from ~11% to ~29%-the highest in the listed transformer peer set-driven by a richer export and renewable mix. This translated into superior capital efficiency, with RoCE and RoE consistently above 35%. Growth moderated in FY26 mainly due to geopolitical uncertainty in H2, but the structural margin and return profile remains well ahead of peers. We assign a rating of **5.0/7.0.**

2.5 Balance Sheet and Cash Flow:

The balance sheet is a standout strength: SHILCHAR has been net cash since FY23, funding its entire capacity build-out internally without debt. Working capital is tightly managed despite its export-heavy business model, and operating cash flow now converts at close to 100% of EBITDA following a dip in FY25. Free cash flow rebounded to ~Rs. 169 cr in FY26, underpinning the company's ability to self-finance the ongoing 7,500-to-14,000 MVA capacity expansion while retaining ample financial flexibility. We assign a rating of **6.0/7.0.**

Shilchar Technologies Limited – Company Factsheet

Corporate Snapshot	
Company background	▪ Shilchar Technologies ltd. is a Vadodara-based manufacturer of custom-engineered transformers, incorporated in 1986. Over nearly four decades, the company has evolved from manufacturing R-core and ferrite transformers to power and distribution transformers. ▪ It designs and manufactures power, distribution, inverter-duty, and electronics transformers to customer specifications, with ratings of up to 50 MVA and 132 kV, serving the solar, wind, hydro, industrial (steel, cement, sugar, and oil & gas), and utility sectors. The company exports to more than 25 countries across five continents.
Revenue mix (FY26)	▪ Domestic: 52% ▪ Exports: 48% (Middle East, Europe & Russia): ~30%, USA: ~18-19%)
Demand drivers	▪ **Strong renewable energy installations:** Rapid renewable capacity additions and grid expansion are driving significant demand for transformers used in power evacuation, grid integration, and transmission infrastructure. ▪ **Strong export market demand:** Global grid modernization, renewable energy investments, and supply chain constraints among international manufacturers continue to support robust export demand for Indian transformer companies. ▪ **Customization capabilities:** SHILCHAR designs and manufactures custom-engineered transformers tailored to customer requirements. Customers provide project specifications-including voltage ratio, MVA rating, number of windings, cooling type, and application environment-and SHILCHAR engineers each transformer from the ground up to meet those exact parameters, rather than offering an off-the-shelf product..
Business model	▪ SHILCHAR designs and builds custom transformers, mainly for solar and wind projects, industrial customers, and utilities, across India and 25+ export markets. It manufactures each transformer to order, keeping the high-value design and testing work in-house while outsourcing bulky, low-value parts, enabling high margins.
Plants	▪ One manufacturing facility at Gavasad, Vadodara. ▪ Existing capacity of 7,500 MVA. ▪ Additional 6,500 MVA capacity underway, commissioning by April 2027.
Auditors	▪ M/s. CNK & Associates LLP
Credit rating	▪ CARE A-; Stable / CARE A2+
Employee count	▪ Employs a workforce of 475+ people across its operations.

Category (Mar '26)	% Share
Promoter Group	62.1
FII	2.6
DII	1.9
Others (Public)	33.4
Total	**100**

Key Metrics (Rs. cr)	FY22	FY23	FY24	FY25	FY26
Revenue	180	280	397	623	652
EBITDA	19	53	113	185	190
EBITDA Margin	11%	19%	29%	30%	29%
PBT	19	58	123	197	212
PBT Margin	11%	21%	31%	32%	33%
PAT	14	43	92	147	158
Net Worth	97	121	210	347	491
Net Debt	16	-9	-60	-37	-44
NWC-Ex Cash/Cr. Invt.	60	66	84	192	162
Total Assets	146	178	293	490	590
RoE	18%	36%	44%	42%	32%
RoCE	17%	42%	53%	52%	38%

Source: Company, Midas Research

Shilchar Technologies Ltd – Core Operations (1/2)

Carved a niche in a fragmented industry

Shilchar Technologies Ltd. manufactures power and distribution, electronics, and telecommunication transformers. The company operates in the up-to-50 MVA and up-to-132 kV segment, providing direct exposure to distribution infrastructure and small-to-mid-sized industrial and renewable energy connections. Critically, its business is built on a made-to-order, custom-engineering model rather than a commodity stock-and-sell operation. This key distinction explains its superior margins relative to every listed peer.

ENERGY PLAY

SHILCHAR's renewable energy exposure is focused on collection and evacuation transformers (up to 132 kV), which connect power generated at renewable plants to the grid. It is now entering into 220kV class transformers which will open up new market. The company does not participate in the extra-high-voltage transmission transformer segment used for long-distance power transmission across the national grid.

POWER VALUE CHAIN - WHERE SHILCHAR'S TRANSFORMERS APPLY

SHILCHAR's core strength: Up to 132 kV | Up to 50 MVA [Focused on Renewable, Sub-Transmission & Distribution

1. POWER GENERATION (Where power is produced)

Renewables (Strong Application)

UTILITY SCALE SOLAR PLANT
Step-up / Collection Transformer
0.69/1.1 kV to 11/33 kV (Up to 50 MVA)
✓ SHILCHAR APPLICATION Direct

WIND FARM
Step-up / Collection Transformer
0.69/1.1 kV to 11/33 kV (Up to 50 MVA)
✓ SHILCHAR APPLICATION Direct

SMALL HYDRO PLANT
(<25 mw TYPICAL)
Step-up / Collection Transformer
11/33 kV (Up to 50 MVA)
✓ SHILCHAR APPLICATION Direct

CONVENTIONAL (Limited / No Application)
LARGE THERMAL /NUCLEAR / LARGE HYDRO
Generator Step-Up (GSU)
15-24 kV to 220/400/765 kV+
(100 MVA to 1000+ MWA]
× NOT SHILCHAR (Outside Voltage & MVA Range)

2. SUB-TRANSMISSION Collect & Evacuate Power)

Renewable Evacuation (Strong Application)
Pooling / Collection Substation At Plant Level (33 kV)
Power Transformer 33 kV to 132 kVUp to 50 MVA
✓ SHILCHAR APPLICATION (Core Strength)

RENEWABLES (Strong Application)
Power Transformer132 kV to 33 kVUp to 50 MVA
✓ SHILCHAR APPLICATION (Core Strength)

3. TRANSMISSION (Move Power Long Distances)

Grid Substation /Interconnection Point
Transformers220 kV and above(132/220 kV, 220/400 kV,400/765 kV)
× NOT SHILCHAR
(Above 132 kV /Higher, MVA Range)

EHV Transmission Network
Transformers220 kV and above(132/220 kV, 220/400 kV,400/765 kV)
× NOT SHILCHAR
(220 kV and above)

4. DISTRIBUTION (Deliver to Consumers)

Distribution Substation (Strong Application)
Power Transformer 33 kV to 11 kVUp to 50 MVA
✓ SHILCHAR APPLICATION (Core Strength)

Distribution Network
Distribution Transformer 11 kV to 415 VUp to 10 MVA
✓ SHILCHAR APPLICATION (Core Strength)

Rural / Off-grid applications
Distribution Transformer Up to 10 MVA
✓ SHILCHAR APPLICATION (Core Strength)

5. END CONSUMERS (Where Power is Used)

Power Delivered to
INDUSTRIAL (Factories, Plants)
COMMERCIAL (Offices, Malls)
LESIDENTIAL (Homes, Communities)

DIRECT APPLICATION (Strong)
- Renewable Collection Transformers (0.69/1.1 kV to 11/33 kV)
- 33/132 kV Power Transformer
- 33/132 kV Power Transformer
- 132/33 kV Power Transformers
- 33/11 kV Power Transformers
- Distribution Transformers (up to 10 MVA)

NO APPLICATION (Outside Range)
- Above 132 kV (220 NV 400 WW 765 W)
- High MVA (>50 MVA)
- Thermal / Nuclear GSUs

VOLTAGE & MVA RANGE (SHILCHAR's Capabilities)
Up to 132 kVUp to 50 MVA

SHILCHAR	SHILCHAR is a key enabler of India's energy transition by powering the critical 33 kV - 132 kV network that connects renewable energy to the grid and delivers power to millions.	Strong play in renewables	Focused on sub-transmission distribution	Up to 132 kV/Jp to 50 MVA	Trusted by leading EPCs, utilities & industries

Source: Company, Midas Research

Shilchar Technologies Ltd – Core Operations (2/2)

INDUSTRIAL PLAY

SHILCHAR's transformers are also deployed across manufacturing facilities, utilities, and other industrial infrastructure requiring power transformation up to 132 kV and 50 MVA.

Grid
132 kV

↓

132/33 kV Transformer
✓ SHILCHAR

↓

33/11 kV transformer
✓ SHILCHAR

↓

Rolling mills /motors/ industrial 7 commercial users

ELECTRONIC & TELECOM TRANSFORMERS

The Electronics & Telecom division manufactures small, high-precision transformers and magnetic components used in electronic equipment, communication systems, medical devices, industrial automation systems, and power supplies. This business formed the foundation of SHILCHAR's journey, beginning with R-core transformers in 1990 and expanding into ferrite transformers in 1995.

The division caters to sectors like:

- Computers and peripherals
- Telecom and networking equipment
- Medical devices
- Audio/video equipment
- Industrial automation systems
- Switching power supplies (SMPS)
- Solar inverters and renewable electronics

Source: Company, Midas Research

Product Portfolio

A diversified transformer range matched by NABL-accreditation, in-house testing across dedicated labs

Types of transformers	Power transformers	Distribution transformers	Inverter duty transformers (solar)	Generator transformers (wind)	Hydro transformers	Furnace transformers
Use case	Used at the point of power generation (grid)	Used for power distribution network	Used for solar power projects and Inverters	Used for wind power projects and windmill generator	Used for hydro power projects and turbine	Used in steel plants for powering furnace
						
Class (kV)	Up to 66 kV	Up to 33 kV	Up to 33 kV	Up to 33 kV	Up to 132 kV	Up to 33 kV

Quality Assurance

3 testing laboratories for simultaneous testing

Equipped with automatic testing panels

In-house Impulse generator

With chopping up to 900 kVP/90 KJ

Automatic high voltage tester

Up to 300 kV/1 Amp

Partial discharge-free testing lab

Suitable for up to 132 kV class transformer

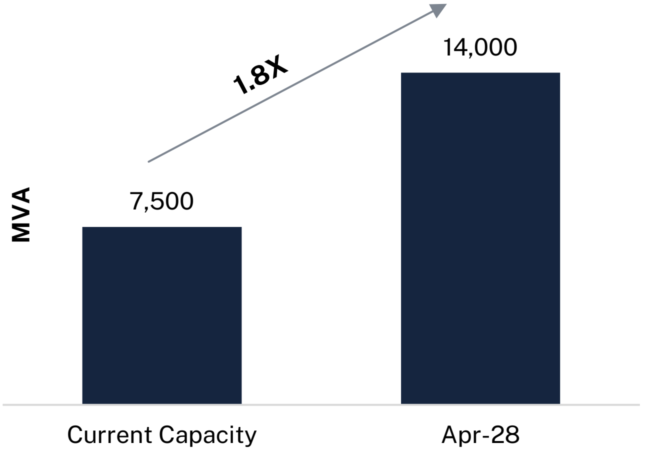
NABL Accredited Lab

Source: Company, Midas Research

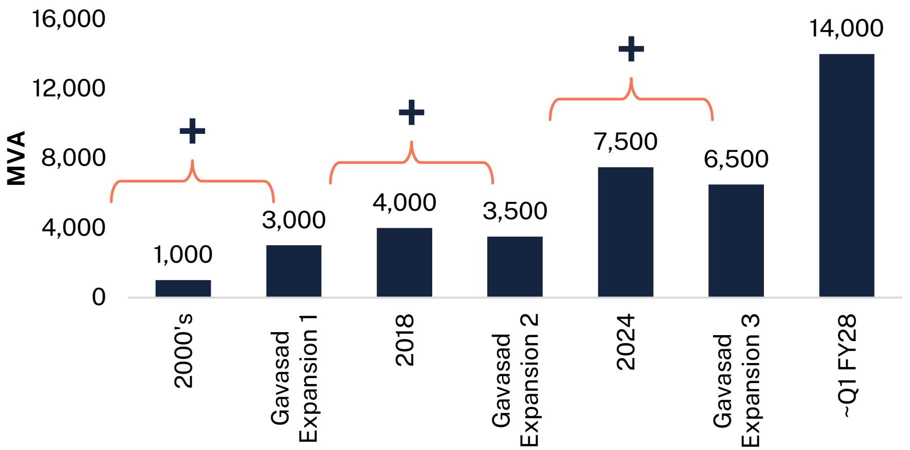
Capacity Expansion

1.8x capacity expansion to 14,000 MVA by FY28, backed by state-of-the-art infrastructure

Upcoming capacity expansion increasing capacity by ~1.8x



14x capacity build-out from over 25 years



State-of-the-art infrastructure

2 production shops

One each for 5 MVA, 33 kV class & 50 MVA, 132 kV class

Dust-free environment

Positive-pressure HVAC with epoxy flooring across the plant

State-of-the-art testing lab

NABL-accredited lab with advanced equipment

Automatic foil winding technology

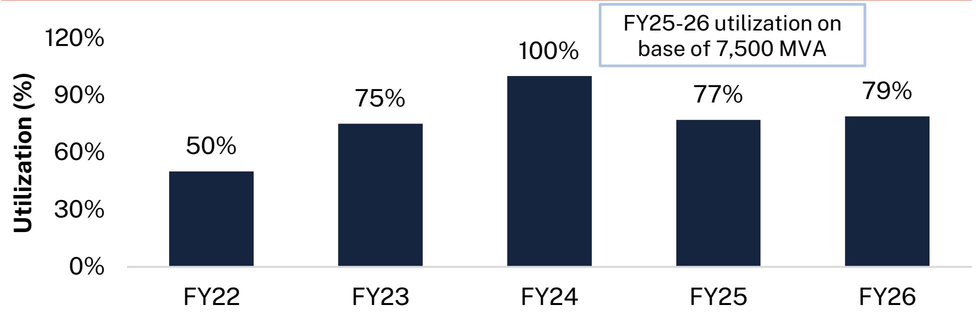
PLC-based automatic foil winding with argon-gas brazing

Warehouse

Storage with full traceability, integrated with SAP ERP

State-of-the-art testing lab (2)

Capacity utilization (%)



- New capacity is expected to come online from April 2027.
- Sufficient land parcel supports a potential ~2x capacity expansion from 14,000 MVA.
- Brownfield expansion capability enables faster project execution in line with industry demand.

- The new 220 kV manufacturing facility is expected to be commercialized in ~Q1FY28.
- The approval process follows a phased approach, with initial supplies to domestic customers to establish field performance and secure product validation.
- Once a proven track record is established, the company can leverage these references to secure approvals and expand into export markets, where qualification cycles are more stringent, but realizations are significantly higher.

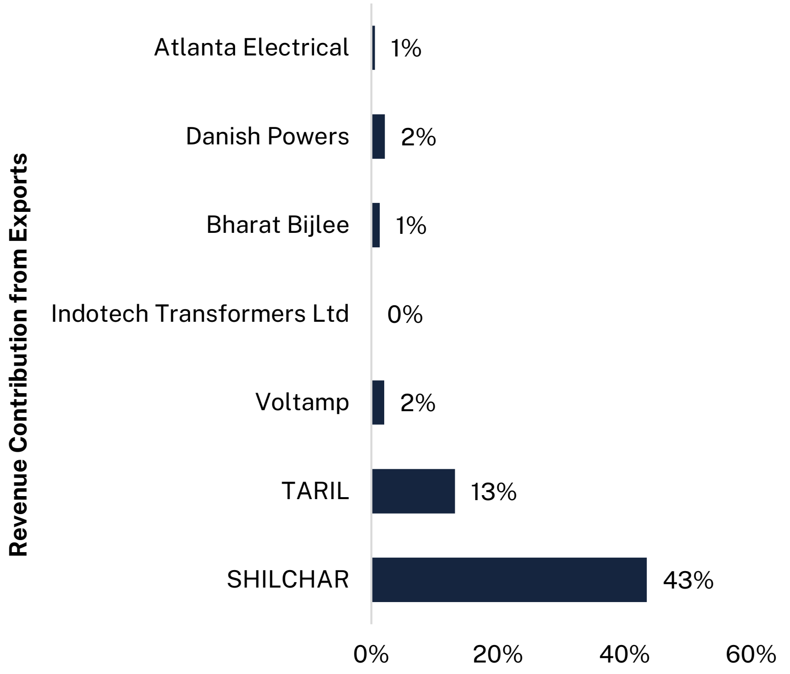
Source: Company, Midas Research

2.1 - Business Franchise and Moat (1/3)

High export contribution leads to industry-leading margins

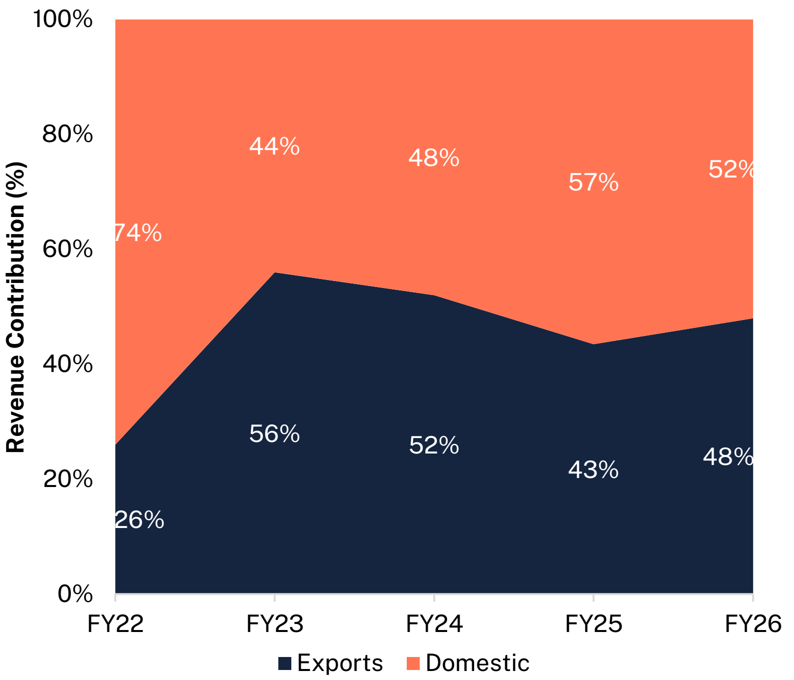
SHILCHAR has built a differentiated transformer franchise, with 45–50% of revenue derived from exports, where lengthy 3–5-year approval cycles create significant entry barriers and strong customer stickiness. Domestically, nearly 90% of revenue is linked to the renewable energy ecosystem, positioning the company to benefit from India's multi-year clean energy capex cycle. Coupled with its focus on private-sector customers, which supports superior payment terms and working capital efficiency, SHILCHAR enjoys strong competitive positioning and high growth visibility, warranting a rating of **6.0/7.0.**

SHILCHAR leads peers in export revenue (FY25)



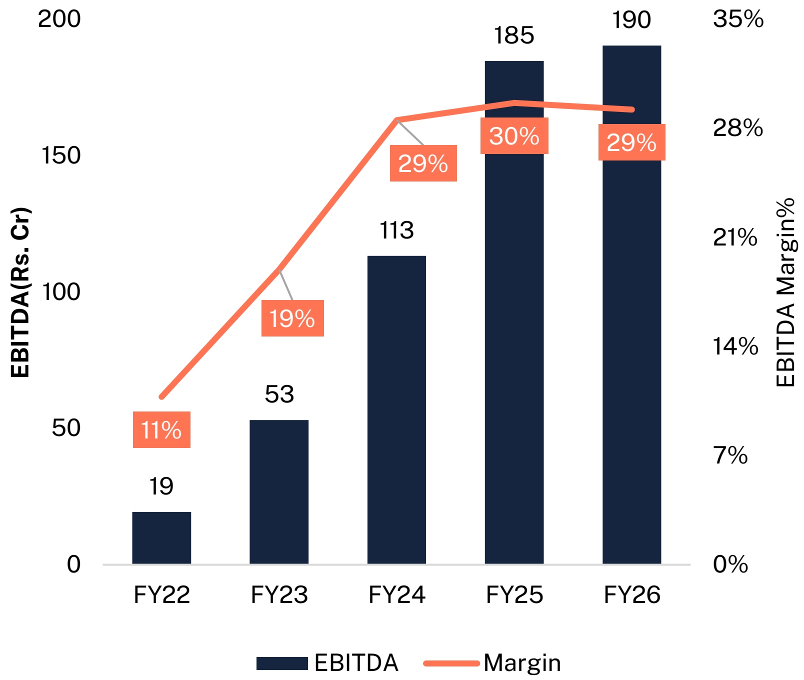
- SHILCHAR has built the strongest export franchise among listed transformer peers over a decade through stringent qualification cycles, engineering expertise, and consistent execution. This export franchise represents a significant competitive moat and remains a key driver of the company's superior growth, realizations, and profitability.

Exports account for ~50% of revenue



- Exports contribute ~50% of revenue over FY23–FY26, compared to low-single-digit export exposure for most domestic peers.
- The export business is well diversified across North America(18%), Europe, the Middle East, Russia (30%), and other international markets, reducing geographic concentration risk while providing access to higher-margin opportunities.

Industry-leading EBITDA margin



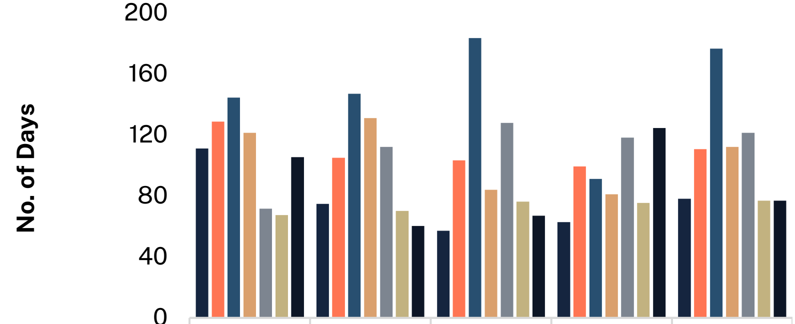
- SHILCHAR has focused on export markets since FY13 and has consistently been an industry leader in terms of EBITDA margins, with an average premium of nearly 2x versus peers.
- A higher export mix enables SHILCHAR to deliver industry-leading margins, as realizations are significantly higher in export markets while operating on a similar cost base.

Source: Company, Industry, Midas Research

2.1 - Business Franchise and Moat (2/3)

Exposure to private sector leads to lower WC and higher RoE

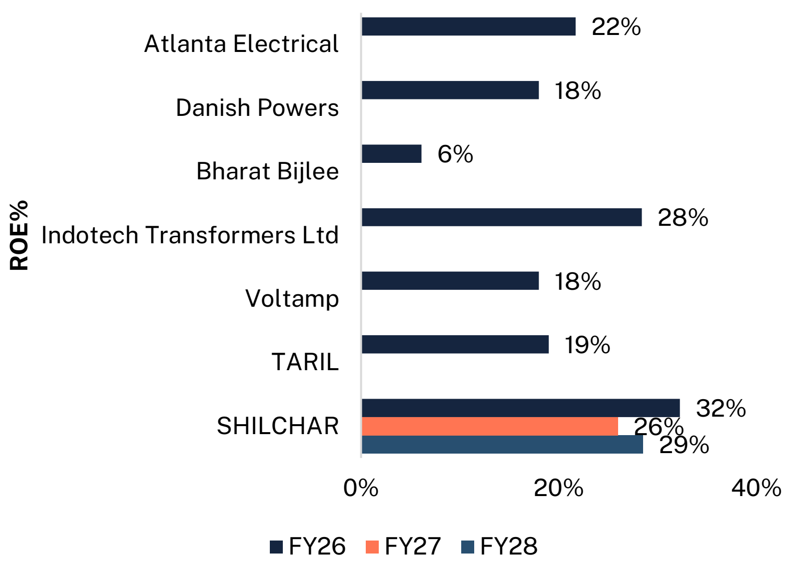
Private-sector customer base enables superior working capital….



	FY22	FY23	FY24	FY25	FY26
Shilchar	111	75	57	63	78
Voltamp	129	105	103	99	111
TARIL	144	147	183	91	176
Bharat Bijli	121	131	84	81	112
Indotech	72	112	128	118	121
Atlanta Electric	67	70	76	75	77
Danish Power	105	60	67	125	77

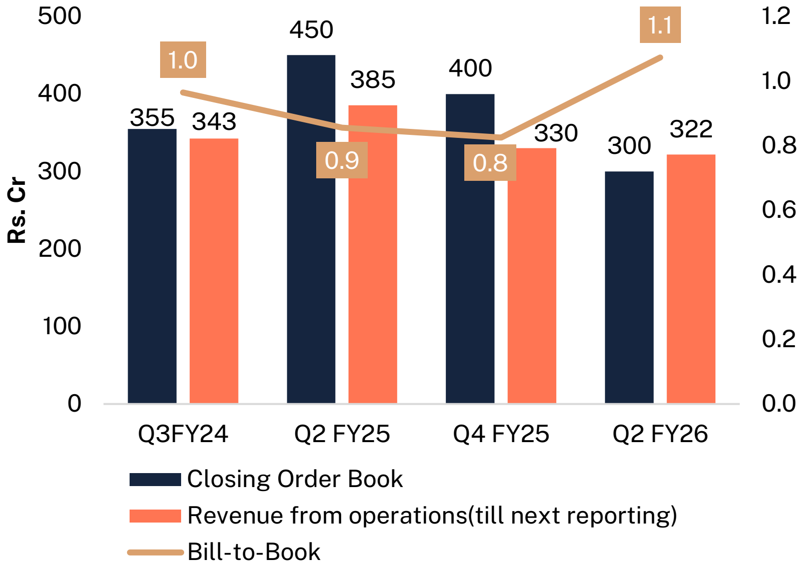
- SHILCHAR pivoted from public utility companies to a private-sector-focused transformer provider in FY13.
- This strategic shift has acted as a key structural advantage, enabling shorter collection cycles, lower credit risk, faster price pass-through, and stronger customer stickiness compared to peers serving state utilities.
- Private-sector customers include power utilities, solar, wind, and small hydro power producers, while industrial customers comprise cement, sugar, steel, and oil & gas players.

…leading to industry-leading RoE



- These advantages translate into industry-leading profitability and RoE (~32%).
- Going ahead, RoE is likely to remain above the industry average as the new capacity will take time to ramp up.

Private player order book leads to lower WC days and quick order book turnaround



- SHILCHAR has consistently converted its opening order book into comparable or higher revenue in the following 2 quarters, reflecting its short ~12–16 week lead times.
- Private-sector orders, which avoid competitive bidding, provide better pricing power than public utilities, while faster turnaround reduces working capital needs.
- The current order book stands at ~Rs. 452 cr (as on Q4FY26)

Source: Company, Screener, Industry, Midas Research

2.1 - Business Franchise and Moat (3/3)

Riding the renewable boom

Rs. 339 cr	~90%	223 GW
FY26 domestic revenue – 2.5x since FY22	of domestic revenue linked to renewables	India renewable base - 4.85x since FY16

1 Structural tailwind

India's renewable capacity is compounding at ~17% (46 → ~230 GW) and is targeted to reach 500 GW by 2030, with solar contributing the bulk of incremental additions.

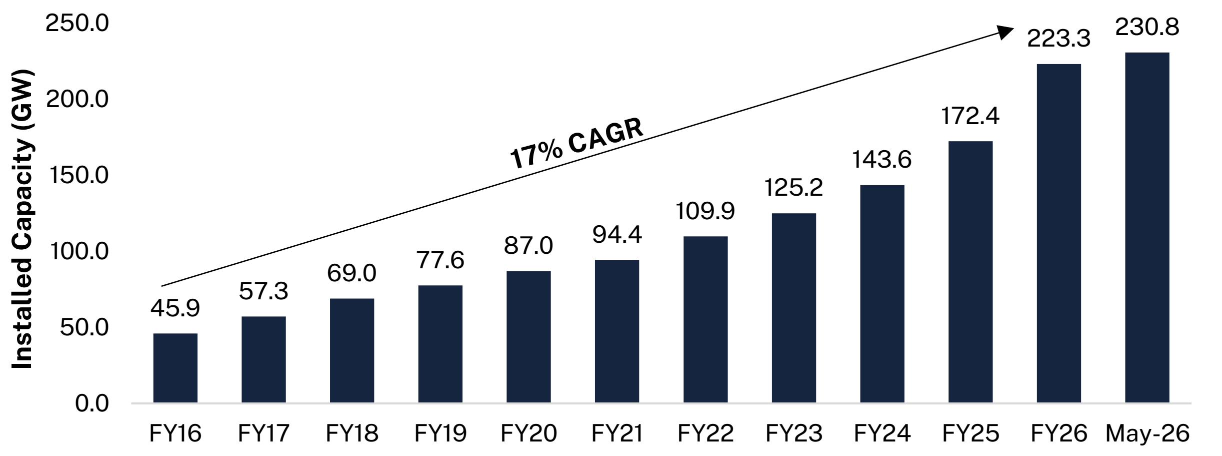
2 Successful pivot

SHILCHAR has repositioned from a wind-era transformer manufacturer to a solar-led supplier, capturing the fastest-growing segment of grid build-out.

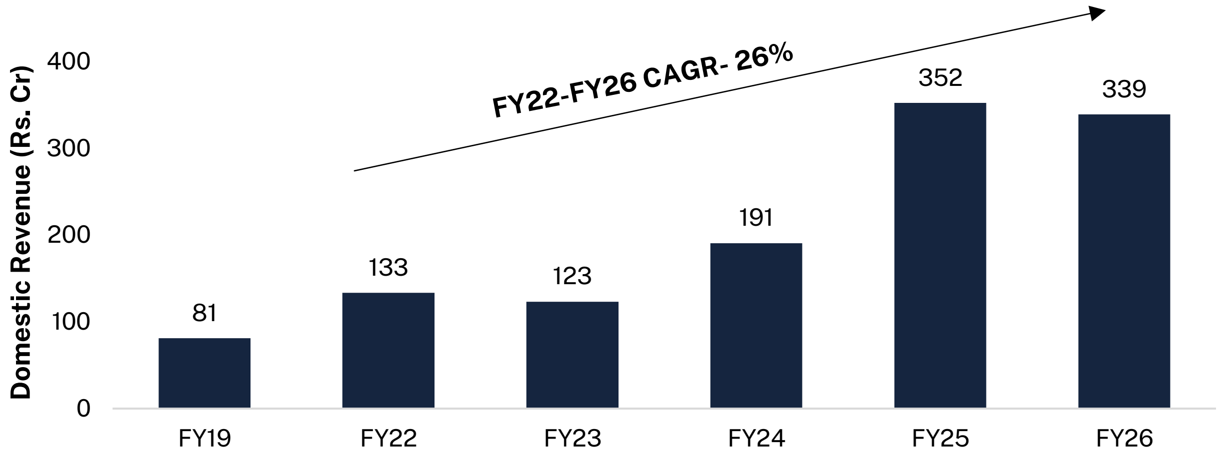
3 Durable moat

SHILCHAR identified the surge in renewable energy demand in 2013 and pivoted toward the segment, building a strong presence over the past decade. Today, ~90% of its domestic revenue is renewable-linked, providing strong multi-year revenue visibility.

India's renewable capacity has at a CAGR of 17% over FY16-26



Domestic revenue has grown 2.5x, driven by the renewable energy boom



Source: ICED.Niti, Midas Research

2.2 - Management and Governance Quality (1/2)

6 | 7

SHILCHAR is led by an experienced, promoter-driven team (promoter holding ~62%) with a long operating track record in the transformer industry. Governance is clean, with no CARO or internal financial control qualifications, minimal related-party transactions, and conservative promoter remuneration that has remained well within regulatory limits despite strong profit growth. Disciplined, self-funded capital allocation, a debt-free balance sheet, and consistent reinvestment into capacity reflect a management team focused on profitable, durable growth rather than aggressive expansion. We assign a rating of **6.0/7.0.**

Senior management comprises highly skilled professionals with years of industry experience

Mr. Alay J. Shah
Chairman & Managing Director

- Alay Shah, son of the late Shri Jitendra Shah (the company's founder), has been a promoter-director of SHILCHAR since its incorporation.
- He holds a Bachelor of Science in Electronics Engineering Technology and brings around 37 years of experience across design, production, finance, and marketing. He chairs the company's Corporate Social Responsibility Committee and leads SHILCHAR's overall strategy and operations.

Mr. Aashay A. Shah
Whole-Time Director

- Aashay Shah, elder son of Alay Shah, holds a Bachelor of Science in Electrical Engineering from the University of Illinois Urbana-Champaign (USA) and an MBA from Bayes Business School (formerly Cass), London.
- He joined SHILCHAR as Manager–Operations in 2014 and later moved into business development, and has around 10 years of experience spanning marketing, production, procurement, and design. He chairs the Risk Management Committee.

Mr. Aatman A. Shah
Whole-Time Director

- Aatman Shah, younger son of Alay Shah, holds a Bachelor of Science in Mechanical Engineering from the University of Illinois Urbana-Champaign (USA).
- He served as Manager–Operations and subsequently in business development before his elevation to the board in March 2026, and brings around 7 years of experience across marketing, production, procurement, and design.

Source: Company, Midas Research

2.2 - Management and Governance Quality (2/2)

✅: Positive
☑️: Neutral
❌: Negative

Governance overview

Rating		Corporate factsheet
✅	**Board of Directors – Independence & diversity**	▪ Board comprises 7 members, including three Executive Directors (one Managing Director & two Whole-Time Directors) and four Non-Executive Independent Directors. ▪ The board includes one woman director, Ms. Nandini Tandon, who serves as a Non-Executive Independent Director. The Chairman of the Board is Mr. Alay J. Shah, who also serves as Managing Director.
☑️	**Board of Directors – Changes in directors**	▪ Rakesh Dhanraj Bansal was appointed as a Non-Executive Independent Director on February 6, 2024. ▪ Rajesh Varma was re-appointed as an Independent Director for a second five-year term (February 8, 2025, to February 7, 2030). ▪ Nandini Ashish Tandon was appointed as a Non-Executive Independent Director on March 26, 2025. ▪ Reshma S. Patel ceased to be a Non-Executive Independent Director on March 27, 2025. ▪ Aashay Alay Shah was re-appointed as a Director liable to retire by rotation at the 39th Annual General Meeting held on August 12, 2025. ▪ Aatman A. Shah was elevated to the board as an Executive Director (Whole-Time Director) on March 6, 2026, having previously served as Manager Operations. ▪ Arvind Nopany was appointed as a Non-Executive Independent Director on March 6, 2026. ▪ Zarksis Jahangir Parabia ceased to be a Non-Executive Independent Director on March 13, 2026.
✅	**Board of Directors – Independence in board committees**	▪ Audit Committee comprises 3 directors, all of whom are Non-Executive Independent Directors. (Mr. Rajesh Varma (Chairman), Mr. Rakesh Bansal & Ms. Nandini Tandon.) ▪ The Nomination and Remuneration Committee comprised three Non-Executive Independent Directors. (Mr. Zarksis Parabia (Chairman), Mr. Rakesh Bansal, and Ms. Nandini Tandon)
✅	**Changes in Key Managerial Personnel**	▪ Ms. Mauli Rushil Mehta ceased as Company Secretary & Compliance Officer, effective February 28, 2025. ▪ Ms. Vishnupriya Civichan was appointed as Company Secretary & Compliance Officer, effective April 1, 2025.
✅	**Management continuity**	▪ Mr. Alay J. Shah, Chairman & Managing Director - associated with the Company as a Promoter Director since its incorporation in 1986. ▪ Mr. Prajesh K. Purohit, Chief Financial Officer - associated with the Company in a professional capacity since September 1995. ▪ Mr. Aashay A. Shah, Whole-Time Director, has been associated with the company in a professional capacity since January 2014, having previously served as Manager–Operations.
✅	**Management remuneration**	▪ Mr. Alay J. Shah, Chairman & Managing Director - remuneration stood at Rs. 7.84 cr, representing 5.3% of FY25 PAT. ▪ Mr. Aashay A. Shah, Whole-Time Director - remuneration stood at Rs. 0.96 cr, representing 0.65% of FY25 PAT. ▪ Mr. Prajesh K. Purohit, Chief Financial Officer - remuneration stood at Rs. 0.17 cr, representing 0.12% of FY25 PAT
✅	**Promoter holding**	▪ Mr. Alay J. Shah – 23.68%, Ms. Shilpa Alay Shah – 10.54%, Mr. Aashay A. Shah – 10.34%, Mr. Aatman A. Shah – 10.34%
✅	**Related-party transactions**	▪ Sold transformers worth Rs. 1.14 cr. to Nile Transformers Ltd. (an entity with a common director relationship), representing 0.18% of revenue.

Source: Company, Midas Research

2.3 - Risk Profile and Pricing Power

Highly competitive industry

SHILCHAR's made-to-order, custom-engineered model and 45–50% export mix confer meaningful pricing power, reflected in industry-leading margins, while multi-year qualification cycles keep the threat of new entrants low. The key risks are input-side: CRGO steel, which accounts for ~25% of material costs, is largely imported, while transformer oil prices nearly doubled in early 2026, pressuring near-term margins. Customer concentration remains elevated, with the top five clients contributing ~58% of FY25 revenue. Contractual cost pass-through mechanisms and a widening customer base partly offset these risks. We assign a rating of **5.0/7.0.**

Porter's Five Forces

Threat of New Entrants-Low

- Transformers are mission-critical grid equipment, so buyers do not switch on price alone-they qualify vendors through type testing, factory audits, and approved vendor list (AVL) status.
- SHILCHAR's ~50% export mix adds a second layer of approvals, as each regulated market (US, EU, Middle East, Russia) has its own standards, customer audits & reference requirements.
- The company has supplied multi-GW of installed base & built over 13 years of export references. New entrants lack such credentials, creating a chicken-and-egg barrier, where references are needed to win orders, but orders are required to build them.
- Its customized solar/inverter-duty and specialty transformers are engineered-to-order, differentiated by design, engineering & testing depth-skills that are people- and know-how-intensive and slow to replicate.

Threat of Substitutes-Low

- **No functional alternative:** Transformers are indispensable across power generation, transmission, and distribution, with no emerging technology positioned to replace them.
- The industry is highly fragmented, with ~300 players in organized and unorganized segments; however, building customer trust takes years.
- Customers rarely switch suppliers, as transformer failures can cause significant operational disruptions.

Competitive Rivalry-Moderate

- The industry is fragmented (~hundreds of players), but SHILCHAR avoids the most competitive segments by having no PSU/utility exposure and staying away from reverse-bidding tenders that compress margins. It focuses on niche solar/inverter-duty, specialty & export transformers where work is engineered-to-order and price competition is limited. Rivalry could intensify post FY27 with 220 kV expansion, potentially bringing it into competition with larger players such as BHEL, CG Power, Hitachi, Siemens, and GE.

Bargaining power of Suppliers-High

- **Structural CRGO dependency:** CRGO steel, which accounts for ~25% of the raw material basket (along with copper, transformer oil, and aluminium), has domestic production meeting only ~10–12% of demand, with no meaningful new Indian capacity expected before 2027, leaving the industry exposed to imports.
- **Price shocks and single sourcing:** Transformer oil prices roughly doubled in early 2026, while other input costs rose 10–25%, compressing Q4FY26 margins. Critical bushings are also effectively single-sourced, with Chinese imports maintained only as a contingency.

Bargaining power of Buyers-Moderate

- **Customisation limits switching:** As each transformer is built to customer specifications rather than sold off the shelf, buyers cannot easily switch suppliers. Export demand also remained resilient even under a 50% tariff scenario.
- **Concentrated domestic sales & higher receivable days:** Trade receivables roughly doubled to ~Rs. 228 cr in FY25. Customer concentration remains high, with the top 5 customers contributing ~58% of domestic revenue, while three customers each account for ~10% of total revenue.

Source: Company, Industry, Midas Research

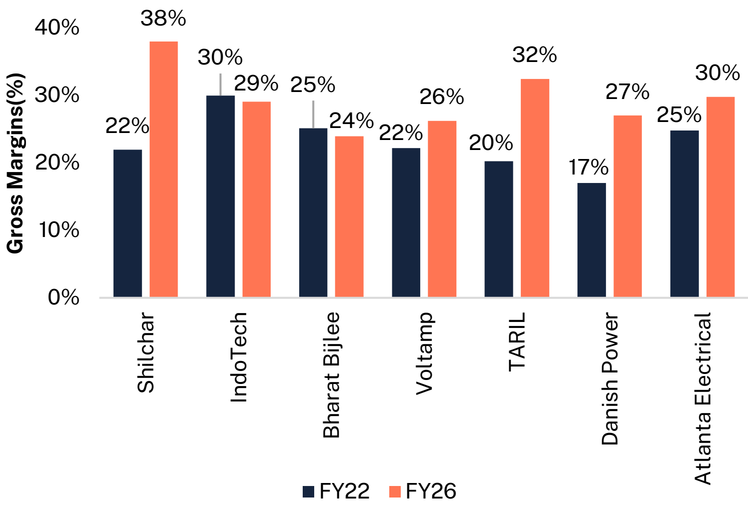
2.4 - Financials (1/4)

Industry-leading margins

4.7	7

Financial performance has been exceptional: revenue compounded at ~38% over FY22–26 (Rs. 180 cr to Rs. 652 cr), while EBITDA margins expanded from ~11% to ~29%-the highest among listed transformer peers-driven by a richer export and renewable mix. This has translated into superior capital efficiency, with RoCE and RoE consistently above 35%. Growth moderated in FY26, mainly due to geopolitical uncertainty in H2, but the company's structural margin and return profile remains well ahead of peers. We assign a rating of **5.0/7.0.**

Highest gross margin among peers (38%)



- SHILCHAR's margins lead its peers, with a ~38% gross margin in FY26 versus a ~28% peer average.
- This is primarily driven by its practice of procuring ~70% of raw materials only after receiving confirmed orders, helping preserve industry-leading margins.
- The company follows a cost-plus pricing model, with quotations based on prevailing raw material prices and procurement commencing once the order is finalized.
- Its short turnaround time also minimizes the need to hold large inventories.
- In Q4FY26, gross margin declined to ~30% as transformer oil prices nearly doubled, while CRGO steel, copper, and aluminium prices rose average by 10–35%.
- SHILCHAR chose not to renegotiate customer contracts and absorbed the higher input costs.

Key inputs for transformer manufacturer

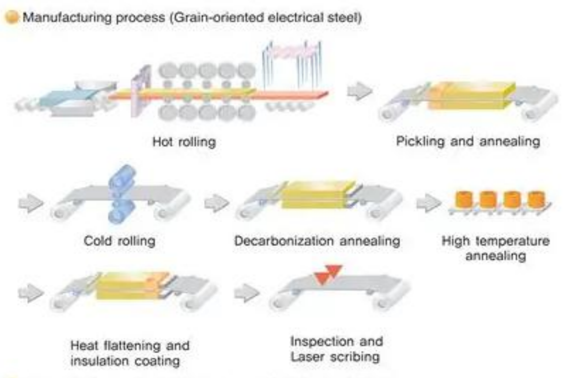
Raw materials

Copper/Aluminum

- Based on the type of transformer core, the key raw material is either copper or aluminium, accounting for 20–40% of raw material costs. Copper and aluminium prices have risen by ~35% in the last 1 year.

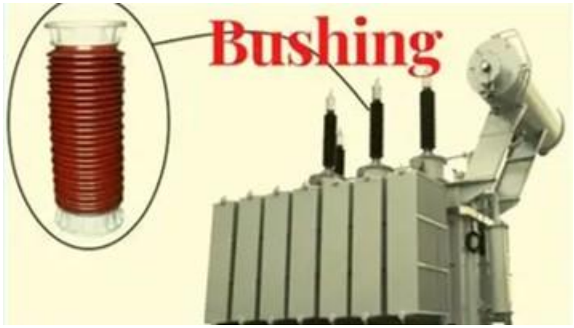
CRGO

- CRGO steel is the second-largest raw material, accounting for 20–35% of raw material costs. Its prices are driven by demand and product quality. As domestic production remains limited, CRGO is largely imported into India. SHILCHAR has diversified its sourcing through multiple suppliers, including local importers, to mitigate supply disruptions.



Other

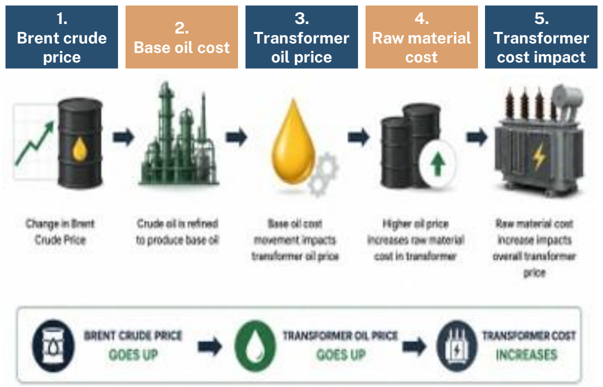
- Other inputs, including bushings, accessories, and tank steel, account for 10–20% of transformer costs.



Transformer oil

- Transformer oil, a crude oil derivative, serves as the cooling and insulating medium that prevents short circuits within a transformer. Its consumption depends on the transformer's MVA rating, but typically accounts for 8–12% of total transformer cost. As a crude derivative, its price is closely linked to crude oil prices. In Q4FY26, transformer oil prices nearly doubled, adversely impacting industry margins.

Transformer Oil Price Chain:
Impact on Transformer Costs

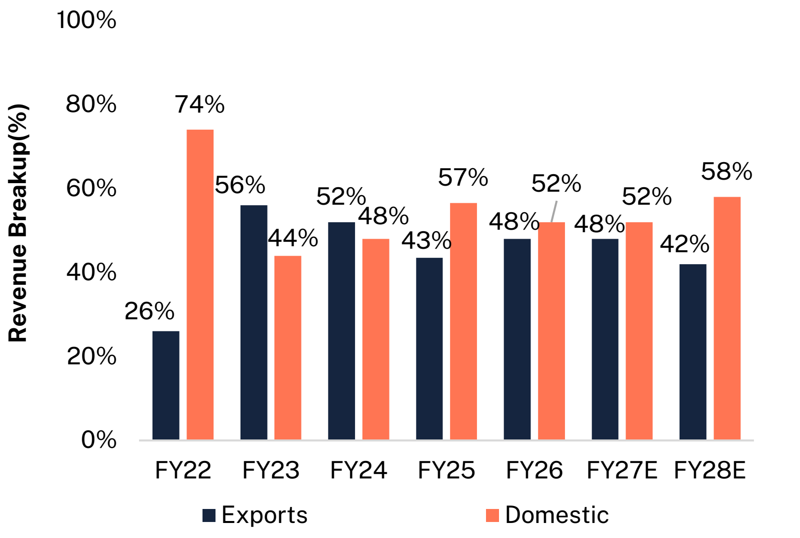


Source: Company, Midas Research

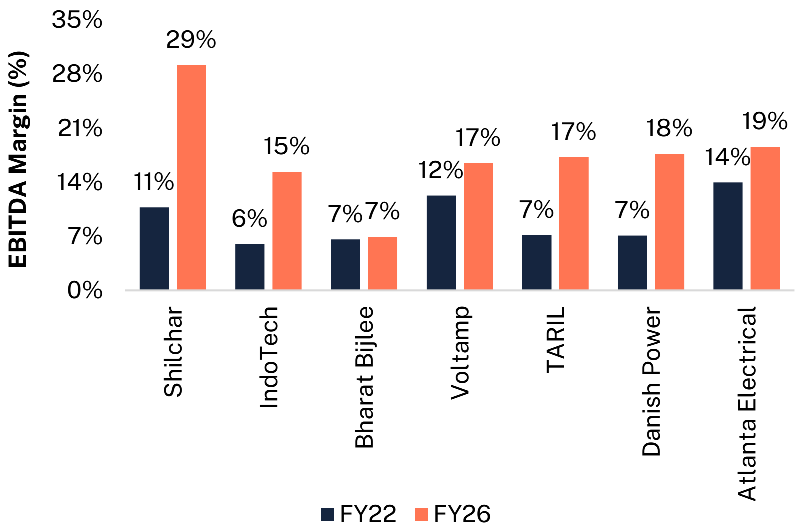
2.4 - Financials (2/4)

An export-weighted mix drives industry-leading margins and ~10x EBITDA growth

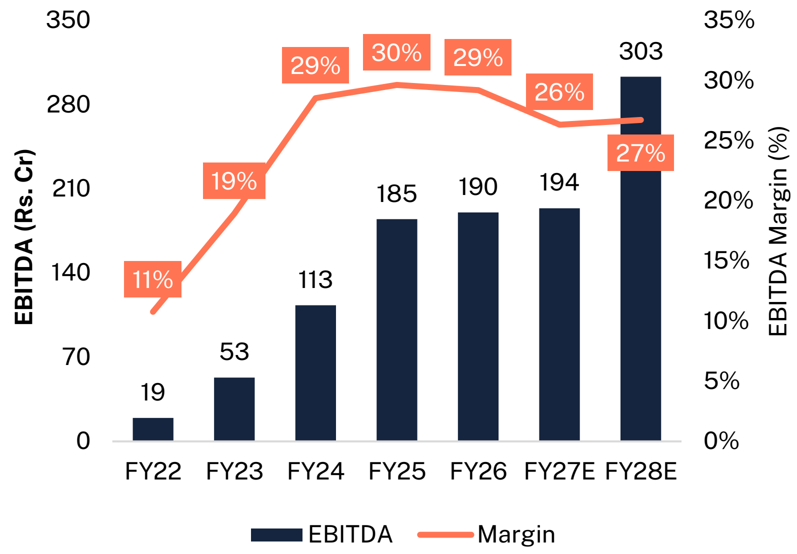
Export-weighted mix supports premium margins



Best-in-class EBITDA margins



EBITDA up ~10x(FY22-FY26)



- **Export-led margin advantage:** Export contribution rose from 26% in FY22 to 43–56% during FY23–FY26, driving an ~1,800 bps margin expansion through superior realizations and a higher share of customized transformers.
- **Structural pricing premium:** In SHILCHAR's product categories, export margins are often 2x+ those in the domestic market, supported by higher-value applications, better realizations on a similar cost base, and limited global manufacturing capacity.
- **Beneficiary of global transformer shortage:** Strong customization capabilities, proven execution, and a private-sector customer focus have strengthened the company's pricing power and profitability.

- **Industry-leading profitability:** EBITDA margins expanded from 10.8% in FY22 to ~30% in FY26, making SHILCHAR one of the most profitable transformer manufacturers in the country.
- **Margin Decomposition:** The higher margin are driven by 1) export having premium realization, 2) product mix shift to inverter-duty/solar transformers, 3) operating leverage on fixed cost base.
- **High entry barriers:** Over a decade of export market presence, stringent qualification processes, and established customer relationships have enabled SHILCHAR to command premium pricing and maintain industry-leading margins.

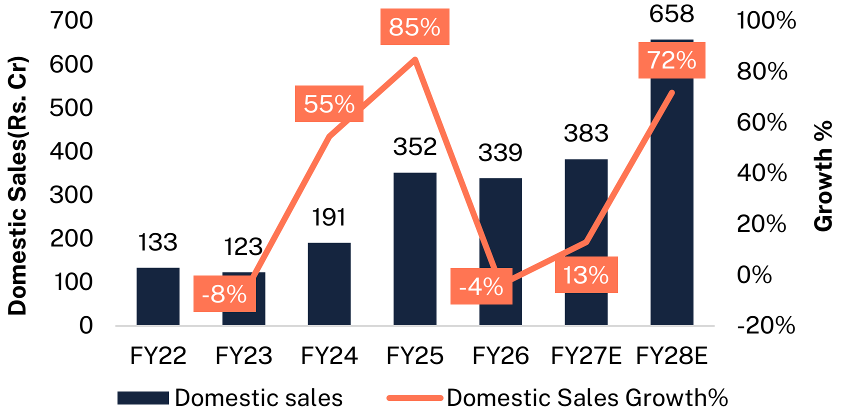
- **Near-term moderation, long-term opportunity:** Margins may normalize by 300 bps over FY27E–FY28E as the new facility ramps up, but are expected to remain well above industry averages.
- **220 kV provides future upside:** Commercial contribution from the new 220 kV platform is unlikely before FY29 due to lengthy approval and testing cycles. Accordingly, we have not assumed any revenue contribution from the new voltage class in our estimates.

Source: Company, Midas Research

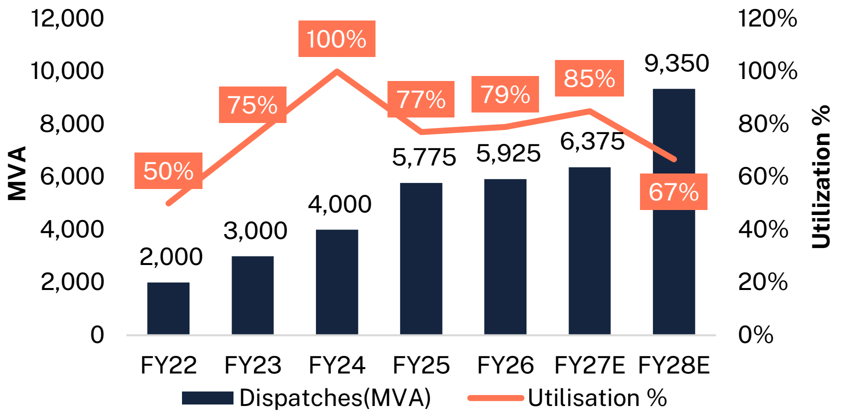
2.4 - Financials (3/4)

Renewables, exports and capacity to power 32% revenue CAGR

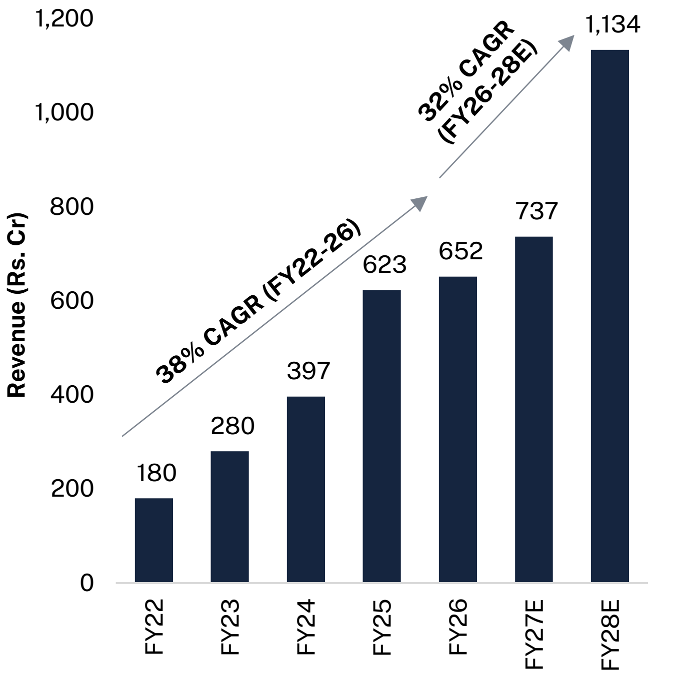
Renewables to drive 39% CAGR in domestic sales (FY26–28E)



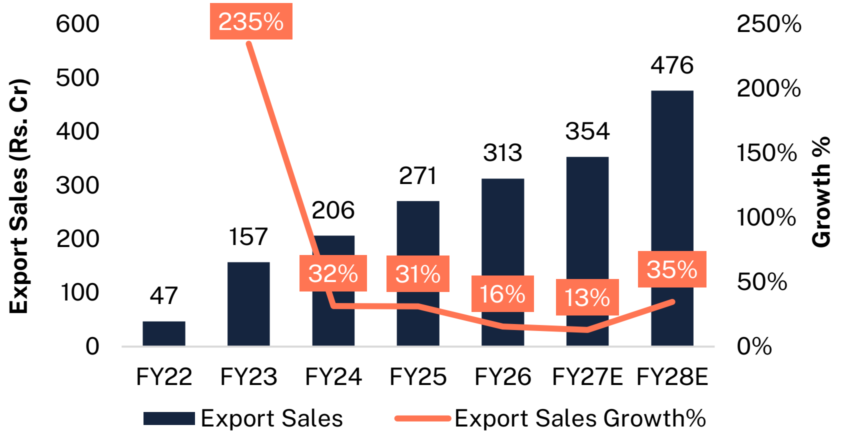
Higher production drives revenue post expansion



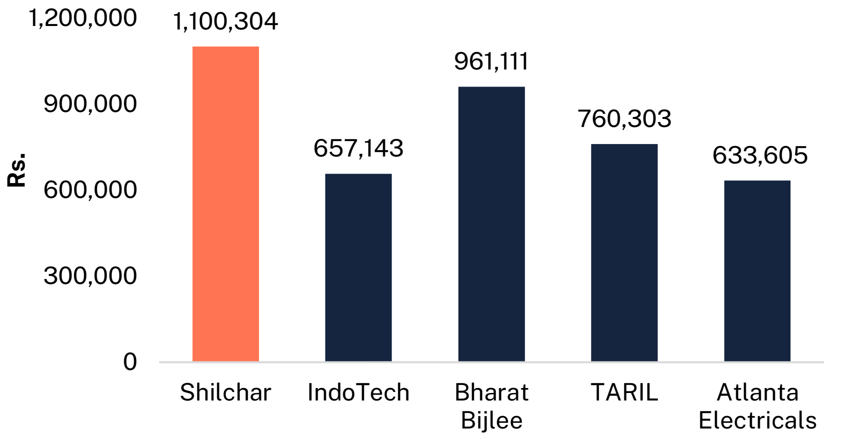
Domestic and exports to drive 32% revenue CAGR



Exports to grow at 23% CAGR (FY26–28E)



Export mix delivers best-in-class realization**



Source: Company, Midas Research

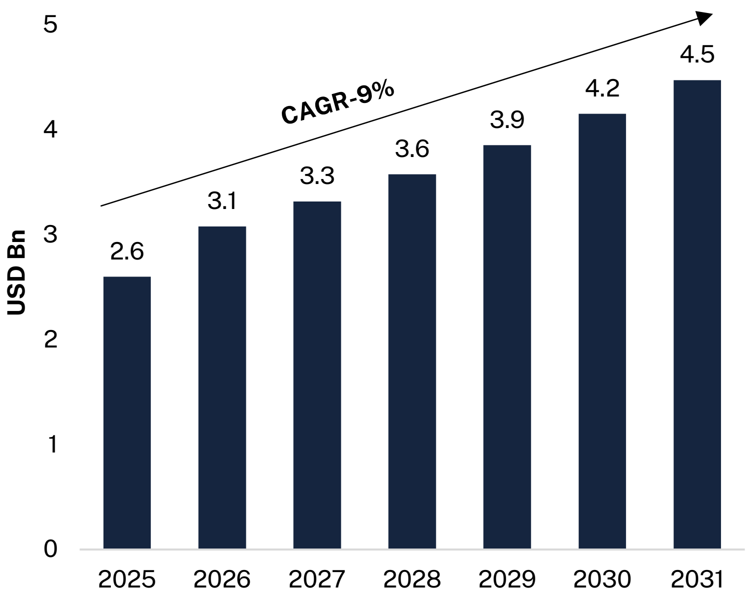
***VOLTAMP Transformers ltd FY26 realisation numbers were not available. In FY25, it had a realisation of ~Rs. 12.5 lac/MVA.*

2.4 - Financials (4/4)

The next leg of growth- Unlocking of new kV class

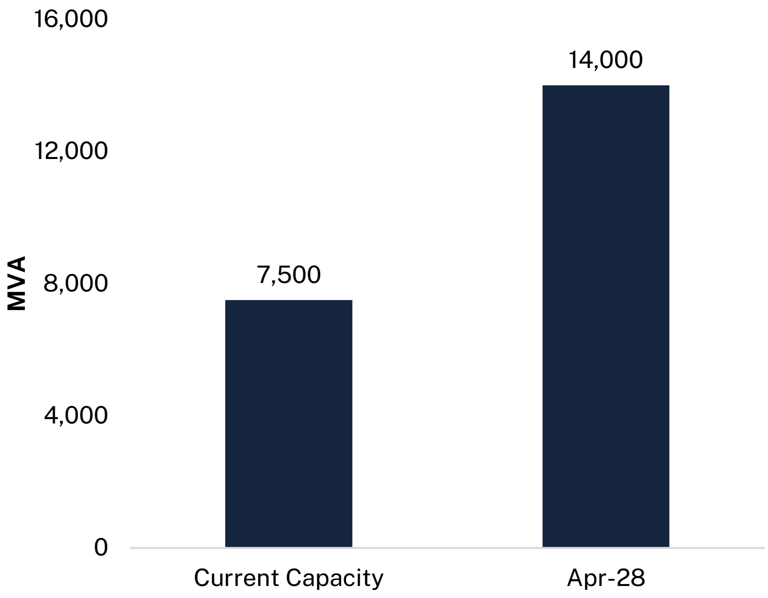
Expansion in capacity into new kV class will trigger next leg growth

132kV-220 kV class expected to have the higher market share in Indian transformer demand



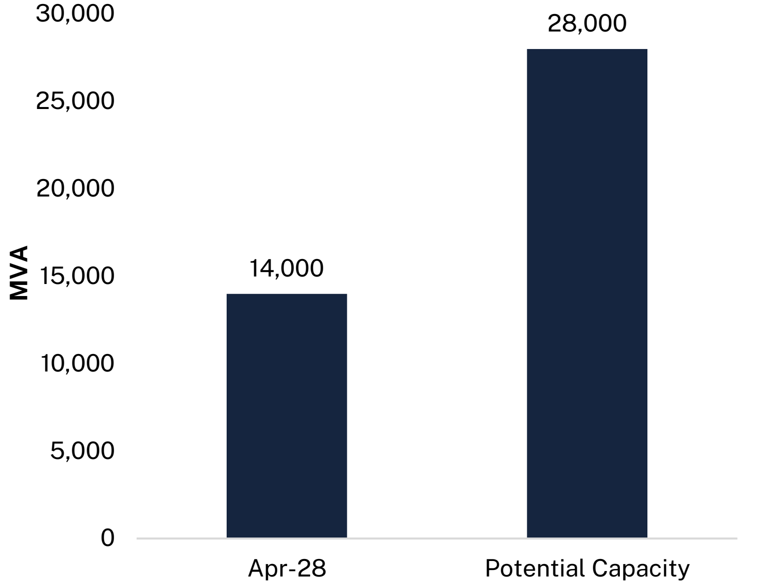
- India's renewable energy expansion, grid modernization, and industrial capex are creating a multi-year demand cycle for medium-power transformers.
- Strong investments in renewable evacuation infrastructure and 132–220 kV substations provide sustained growth visibility.

Upcoming capacity expansion is in 220kV class



- The 220 kV platform will initially target domestic customers to build operating references and secure product validation.
- Successful domestic execution will enable entry into higher-realization export markets following customer approvals.

Planned for future expansion



- Existing land bank provides sufficient headroom to potentially double capacity beyond 14,000 MVA.
- Brownfield expansion enables faster, lower-cost capacity additions while preserving financial flexibility.

- The newly commissioned capacity is expected to contribute meaningfully from FY29E, with FY28E revenues primarily driven by the existing 33–132 kV product portfolio which will be produced in the new plant as well.
- As utilization of the new facility ramps up, 14,000 MVA capacity has the potential to support annual revenues of ~Rs. 1,500 Cr.
- This will make SHILCHAR competitive with the likes of Transformers & Rectifiers India Ltd, Bharat Bijlee & Voltamp Transformers Ltd.
- Importantly, the expansion is being funded entirely through internal accruals, allowing SHILCHAR to retain a healthy net cash position and preserve significant headroom for future capacity additions.

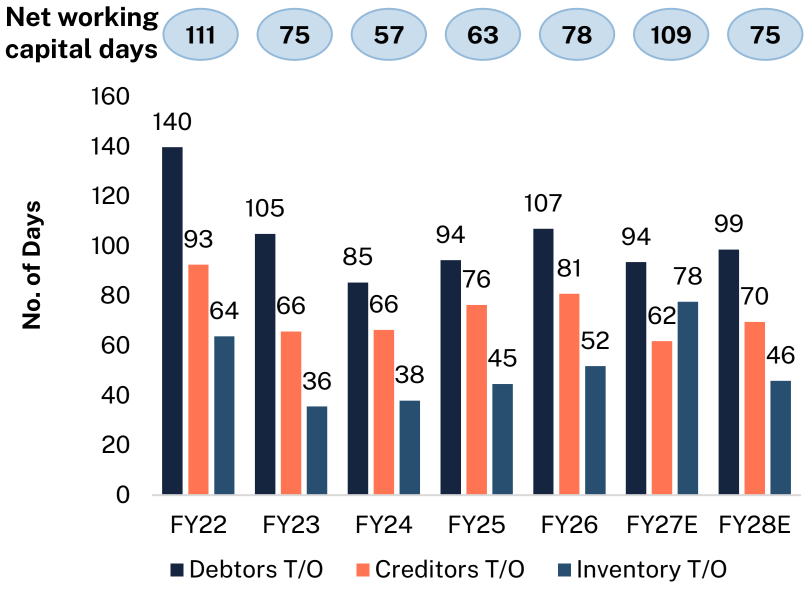
Source: Company, Midas Research, India Transformer Market Size, Share, Trends & Report 2034

2.5 – Balance Sheet & Cashflow

Revenue is vanity, profit is sanity, but cash is reality

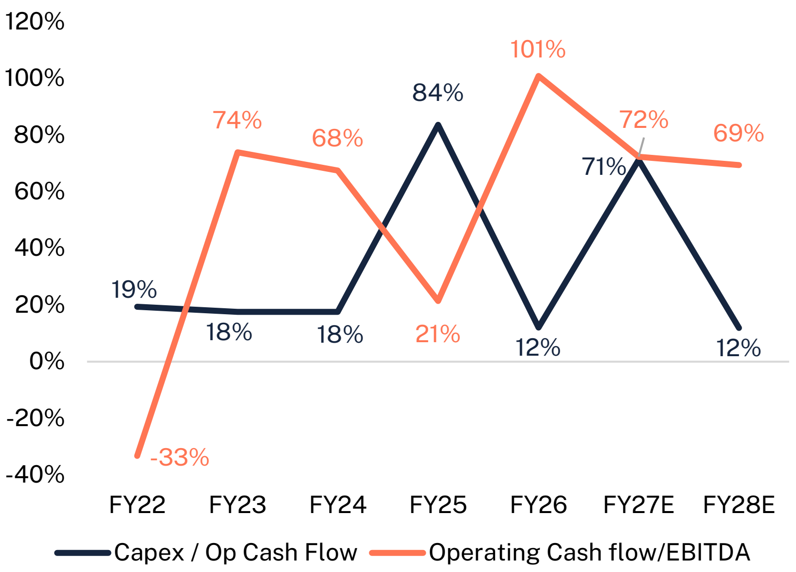
The balance sheet is a standout strength: SHILCHAR has been net cash since FY23, funding its entire capacity build-out internally without debt. Working capital remains tightly managed despite an export-heavy business model, while operating cash flow conversion has recovered to nearly 100% of EBITDA following a temporary dip in FY25. Free cash flow rebounded to ~Rs. 169 Cr in FY26, underpinning the company's ability to self-fund the ongoing 7,500→14,000 MVA expansion while retaining ample financial flexibility. We assign a rating of **6.0/7.0.**

Tight working-capital cycle, LC-backed receivables



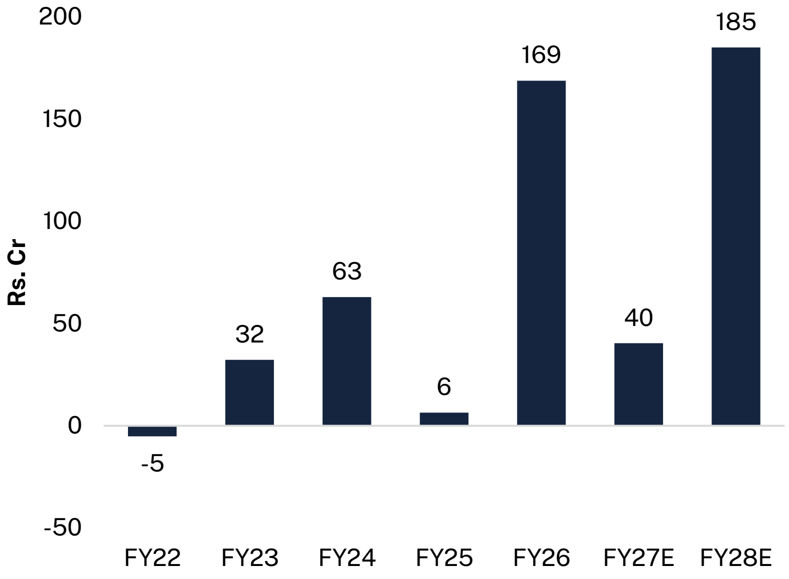
- Despite a high export mix, SHILCHAR maintains disciplined working capital, with receivables largely secured through 180-day Letters of Credit (LCs), even while extending 60–90 days of credit to customers, ensuring strong payment security.
- Working capital days are expected to rise to ~109 in FY27E due to inventory build-up ahead of the new capacity commissioning, before normalizing to ~75 days in FY28E as operations stabilize.

Where margins become money



- Cash conversion improved significantly from FY23 onwards, with the FY25 dip driven by temporary working capital absorption amid strong export-led growth, before rebounding in FY26 as operating cash flow exceeded EBITDA.
- Capex is expected to absorb ~71% of operating cash flow in FY27E due to Expansion III, before moderating in FY28E as spending tapers. Healthy cash conversion is expected to continue supporting internally funded growth.

Positive FCF self-funds the capex



- SHILCHAR has consistently generated positive free cash flow, reflecting strong profitability and disciplined capital allocation. FCF moderated in FY25 due to working capital absorption and Gavasad Expansion II capex, before rebounding to Rs. 169 cr in FY26.
- FCF is expected to soften in FY27E as internal accruals fund Gavasad Expansion III (+6,500 MVA), before recovering to ~Rs. 185 cr in FY28E as capex normalizes and cash generation strengthens.

Source: Company, Midas Research

3 - Valuation Framework

Midas
Equities and Research

Valuation Framework – Summary

3.1

By Own History:

SHILCHAR's valuation multiples have structurally re-rated from a historical P/E of ~14x to the high-20s/low-30s, though they have moderated from the FY24–FY25 peak. After the Q4 FY26 correction, the stock trades around its three-year averages, with a P/E of ~32x versus a three-year median of ~41x and an EV/EBITDA of ~23x versus a three-year median of ~34x. With improving earnings visibility and new capacity coming online, current valuations appear closer to mid-cycle than peak levels, offering reasonable valuation comfort. We assign a rating of **5.0/7.0.**

3.2

Current Position vs Peers:

Despite best-in-class profitability, SHILCHAR trades broadly in line with-or at a slight discount to-its peer set. Its TTM P/E of ~31x represents an ~25% discount to the peer median of ~41x, and it trades below close peers such as VOLTAMP and Indotech despite delivering higher RoE and RoCE. The superior return ratios are supported by its industry-leading margin profile. We assign a rating of **5.0/7.0.**

3.3

Based on Growth:

SHILCHAR combines one of the strongest growth trajectories in the peer group with reasonable relative valuations. It has delivered ~83% profit CAGR and an average RoE of ~34% over FY22-FY26. The to 14,000 MVA is expected to drive FY28E revenue to ~Rs. 1,100 cr, up from Rs. 652 cr in FY26. A PEG ratio of ~0.7 appears attractive relative to its growth prospects, suggesting valuations remain supportive of the earnings trajectory, although further re-rating will depend on consistent execution of the expansion. We assign a rating of **4.0/7.0.**

3.4

Capturing Return Profiles:

SHILCHAR stands out on return metrics. EBITDA margins of ~29% are nearly 2x the industry average, supported by ~7.1x asset turnover and zero interest cost, resulting in an RoCE of ~38% in FY26. Unlike peers, whose subdued return profiles have historically capped their valuation multiples, SHILCHAR's superior return ratios places it at a very attractive valuation compared to peers. Going forward, return ratios are expected to moderate as the new capacity ramps up, but they should remain well above the industry average. We assign a rating of **6.0/7.0.**

3.5

Reflecting EVA:

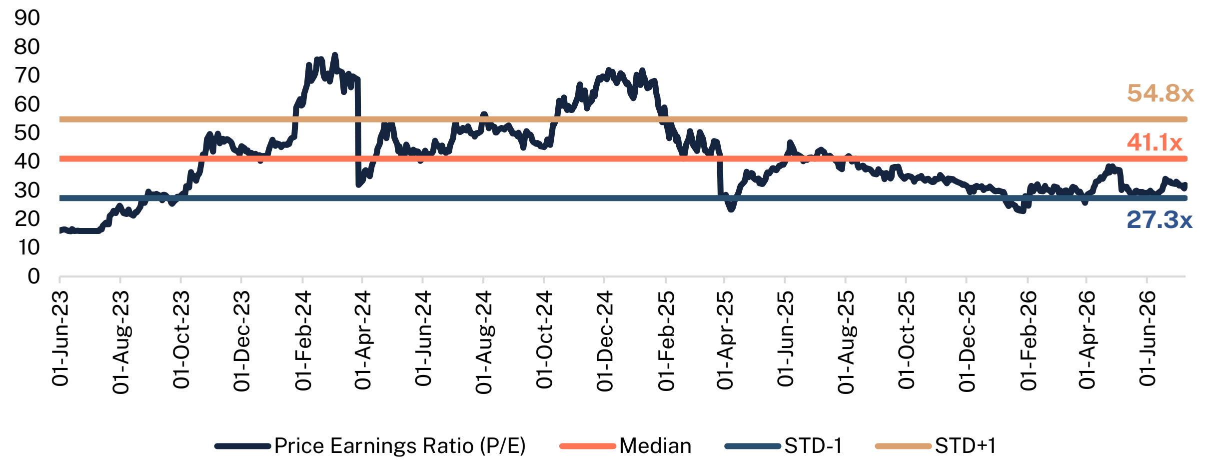
This is where SHILCHAR separates itself from most peers: it generates strongly positive economic value added (EVA), with RoCE (~38%) significantly exceeding its cost of capital and a debt-free balance sheet, whereas many peers operate at or below their cost of capital. Growth capex is funded entirely through internal accruals, preserving this value spread rather than diluting it. Return ratios are expected to moderate as new capacity scales up; however, the EVA spread should remain comfortably positive. We assign a rating of **6.0/7.0.**

3.1 - By Own History (in charts)

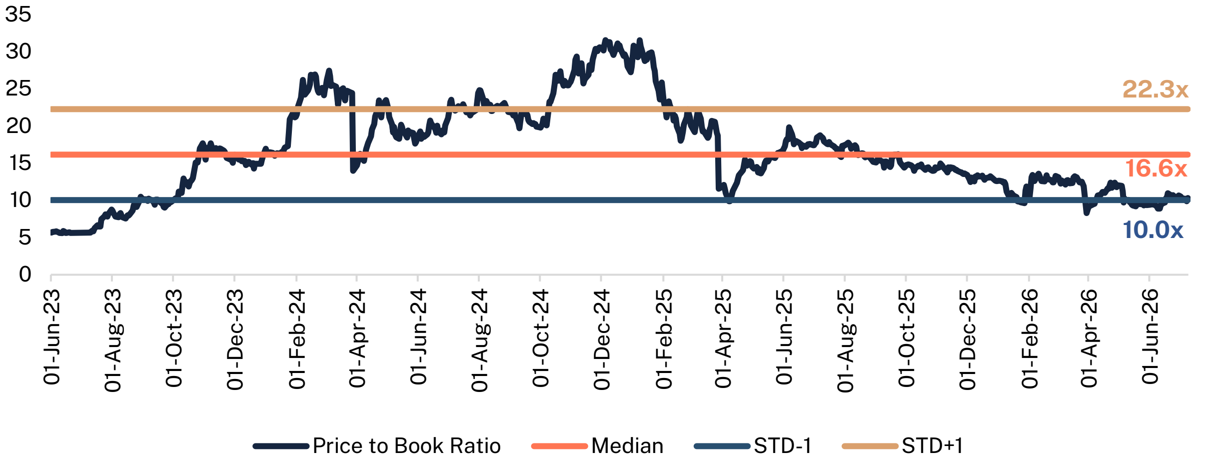
Reasonable and range-bound valuations

SHILCHAR's valuation multiples have structurally re-rated from a historical P/E of ~14x to the high-20s/low-30s, though they have moderated from the FY24–FY25 peak. After the Q4 FY26 correction, the stock trades around its three-year averages, with a P/E of ~32x versus a three-year median of ~41x and an EV/EBITDA of ~23x versus a three-year median of ~34x. With improving earnings visibility and new capacity coming online, current valuations appear closer to mid-cycle than peak levels, offering reasonable valuation comfort. We assign a rating of **5.0/7.0.**

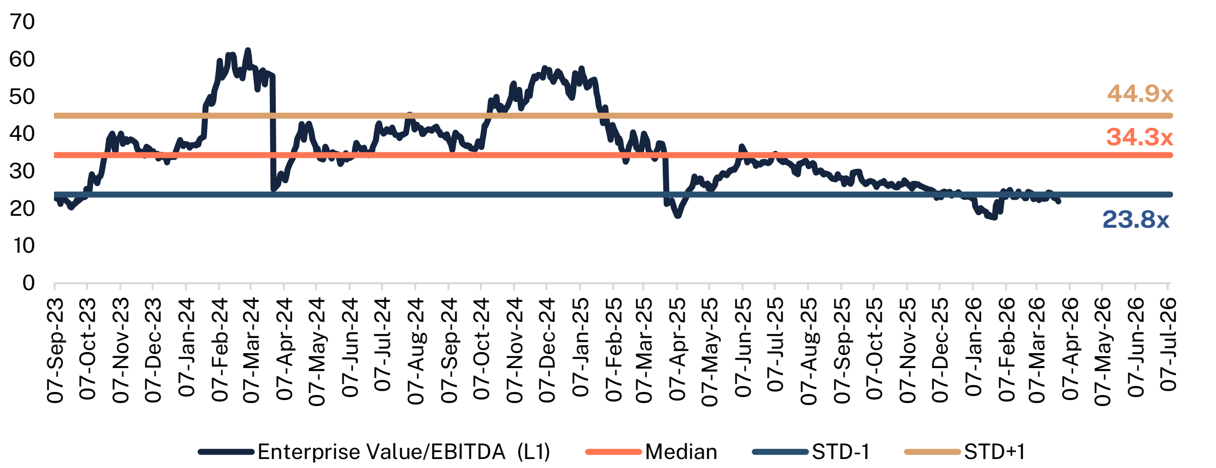
P/E trading below its historic median



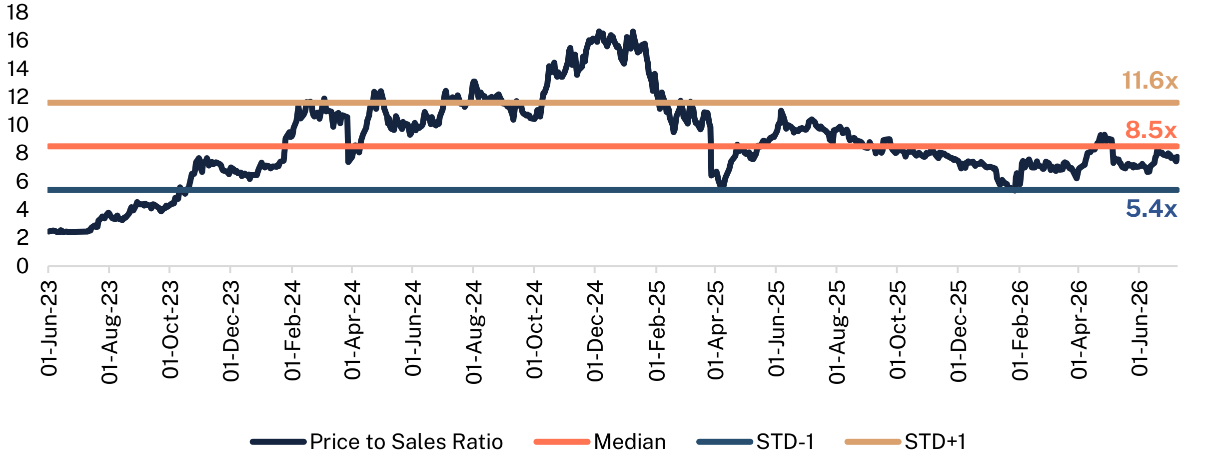
P/B has retraced toward its lower band after the 2024 spike



- has moderated to just below Its median



P/S is well off its highs, holding below its long-run median



Source: Bloomberg, Midas Research

3.2 – Current Position vs Peers

Attractively valued compared to peers

Despite best-in-class profitability, SHILCHAR trades broadly in line with-or at a slight discount to-its peer set. Its TTM P/E of ~31x represents an ~25% discount to the peer median of ~41x, and it trades below close peers such as VOLTAMP and Indotech despite delivering higher RoE and RoCE. The superior return ratios are supported by its industry-leading margin profile. We assign a rating of **5.0/7.0.**

SHILCHAR is a focused, high-return transformer manufacturer with **best-in-class profitability**-FY26 EBITDA margin of ~29% (nearly 2x the peer average of ~15%) and a sector-leading RoE of ~32%-yet it trades at just **~19x FY28E P/E versus a peer average of ~27x**, and below higher-valued peers such as Atlanta (~30x) and Quality Power (28x). The stock trades at a 28% discount to the peer FY28E P/E average despite a superior margin and return profile.

- **Growth momentum intact:** Revenue is expected to scale from Rs. 652 cr (FY26) to Rs. 1,134 cr (FY28E), implying a 32% CAGR. This is in line with the fastest-growing peers (Atlanta ~36%, Quality Power ~32%) and well ahead of larger, lower-margin players such as Voltamp (~15%), while starting from a significantly higher profitability base.
- **Profitability is the key differentiator:** FY26 EBITDA margin of ~29% (~2x the peer average) and RoE of ~32% lead the peer group. Even as margins normalize to ~27% by FY28E due to capacity additions, EBITDA and PAT are expected to reach Rs. 303 cr and Rs. 251 cr, respectively (26% CAGR each), while FY28E RoE of ~29% should remain well above most peers.
- **Valuation:** We value SHILCHAR Technologies Ltd. at 23x FY28E EPS to arrive at a target price of Rs. 5,062 (including dividends), implying an upside of ~19%.

Companies	CMP	Market Cap. (Rs. Cr.)	Revenue (FY26)			EBITDA			EBITDA Margin (%)		PAT			PE		RoE (%)		PEG
			FY26	FY28E	CAGR	FY26	FY28E	CAGR	FY26	FY28E	FY26	FY28E	CAGR	TTM	FY28E	FY26	FY28E	
Shilchar Technologies Ltd	**4,247**	**4,859**	**652**	**1,134**	**32%**	**190**	**303**	**26%**	**29%**	**27%**	**158**	**251**	**26%**	**30.7**	**19.3**	**32.3**	**28.5**	**0.7**
Atlanta Electricals	1,653	12,709	1,852	3,412	36%	346	673	40%	19%	20%	202	411	43%	62.7	29.8	31.5	26.2	0.7
Transformers & Rectifiers India	322	9,665	2,509	3,967	26%	383	646	30%	15%	16%	264	404	24%	36.5	25.4	19.1	17.6	1.1
Voltamp Transformers Ltd.	9,415	9,525	2,154	2,864	15%	329	460	18%	15%	16%	305	394	14%	31.2	24.6	18.1	18.2	1.8
Quality Power Electrical Equip	1,100	8,519	947	1,652	32%	176	378	46%	19%	23%	121	296	56%	70.2	28.0	25.1	28.7	0.5
Indo Tech Transformers Ltd	3,099	3,291	782	NA	NA	120	NA	NA	15%	NA	93	NA	NA	35.5	NA	28.3	NA	NA
Bharat Bijlee Ltd	2,644	2,989	2,257	NA	NA	155	NA	NA	7%	NA	120	NA	NA	24.9	NA	6.1	NA	NA
Danish Power Ltd	892	1,756	521	NA	NA	92	NA	NA	18%	NA	69	NA	NA	25.1	NA	17.7	NA	NA
Average					**29%**			**35%**	**15%**	**18%**			**33%**	**41**	**27**	**20.8**	**22.7**	**1.0**

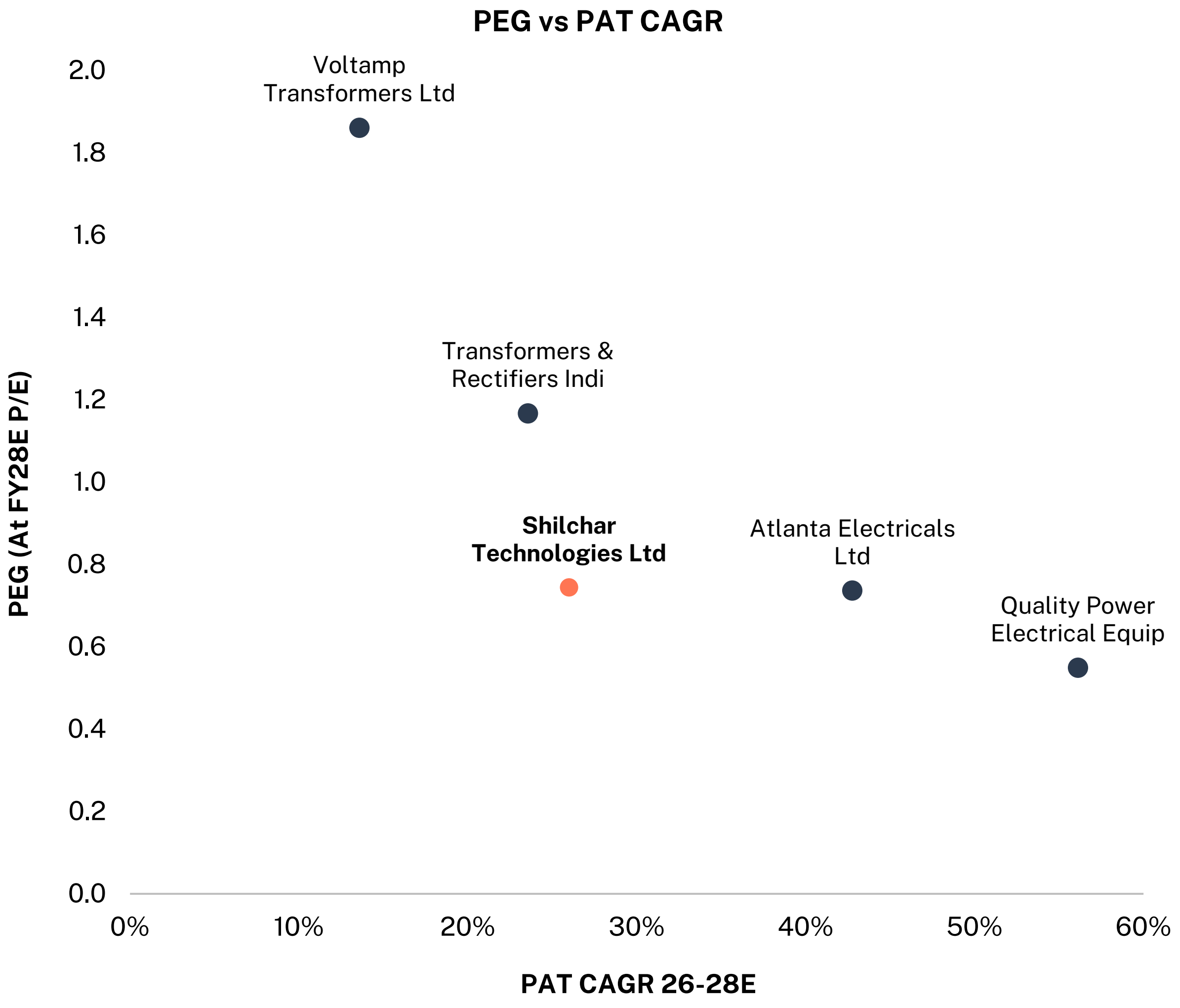
Source: Bloomberg, Midas Research

3.3 – Based on Growth

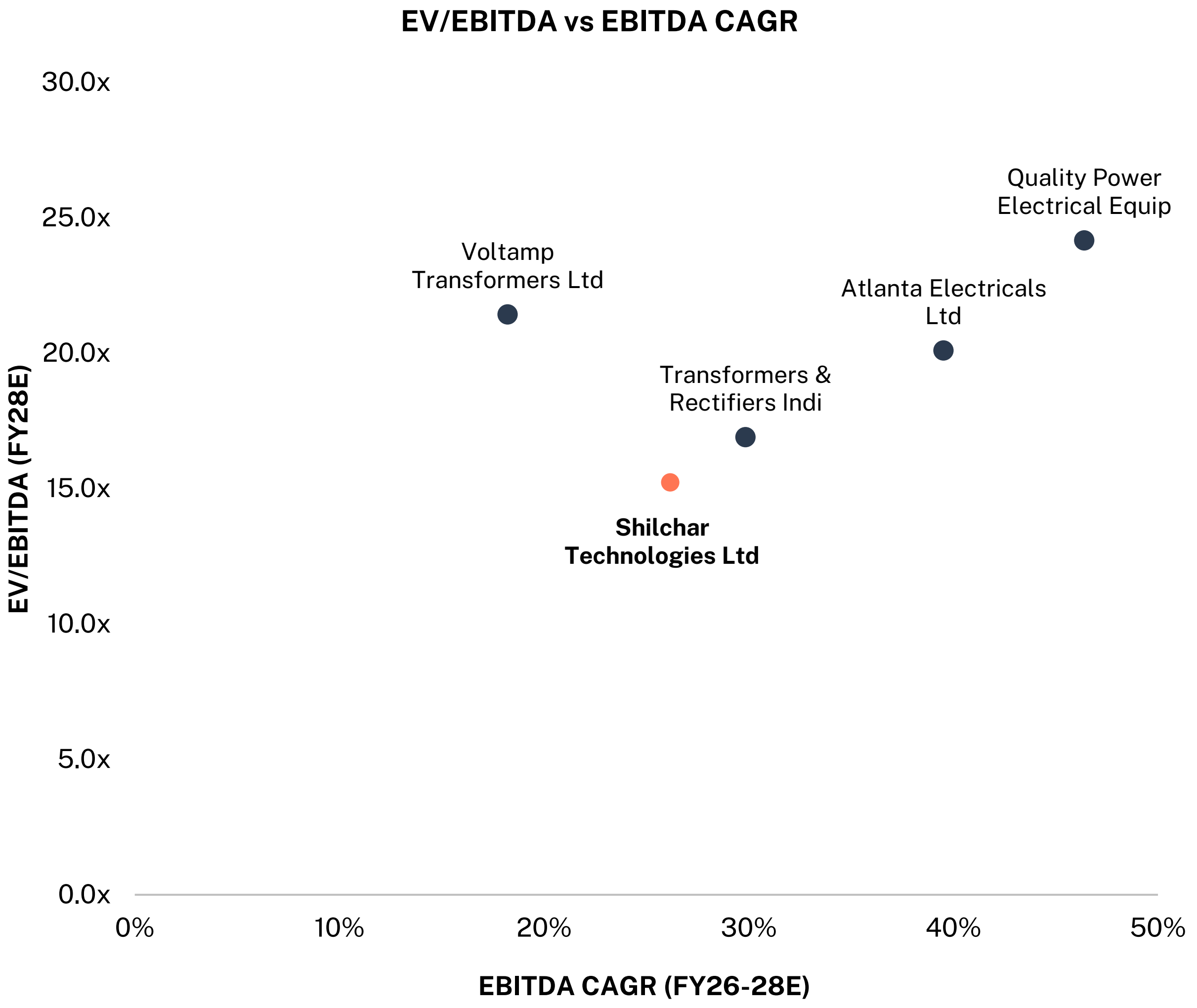
4	7

SHILCHAR combines one of the strongest growth trajectories in the peer group with reasonable relative valuations. It has delivered ~83% profit CAGR and a average RoE of ~34% over FY22-FY26. The doubling of capacity to 14,000 MVA is expected to drive FY28E revenue to ~Rs. 1,100 cr, up from Rs. 652 cr in FY26. A PEG ratio of ~0.7 appears attractive relative to its growth prospects, suggesting valuations remain supportive of the earnings trajectory, although further re-rating will depend on consistent execution of the expansion. We assign a rating of **4.0/7.0.**

Growth at a reasonable price



High value-add, undemanding multiple

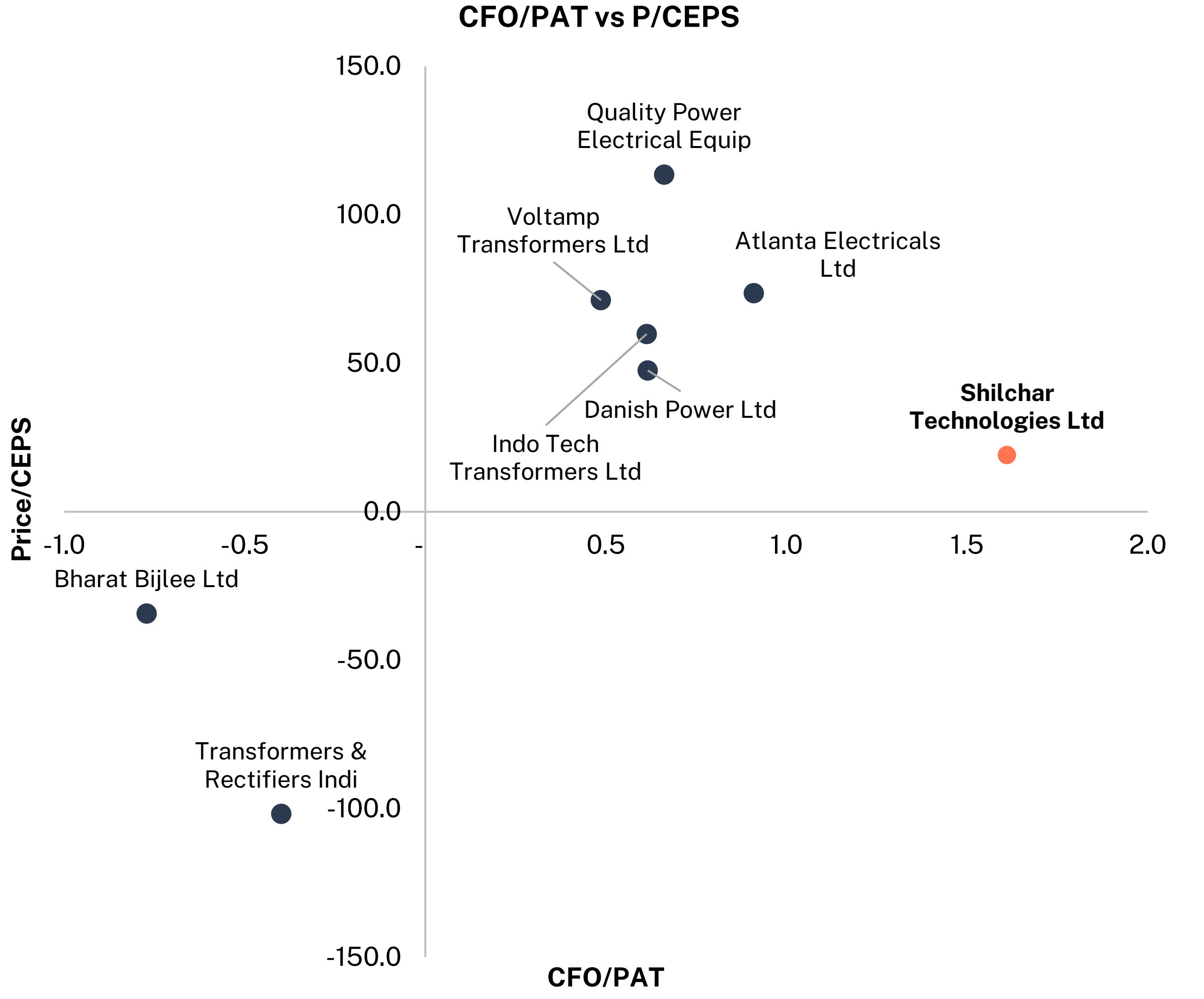


Source: Bloomberg, Midas Research

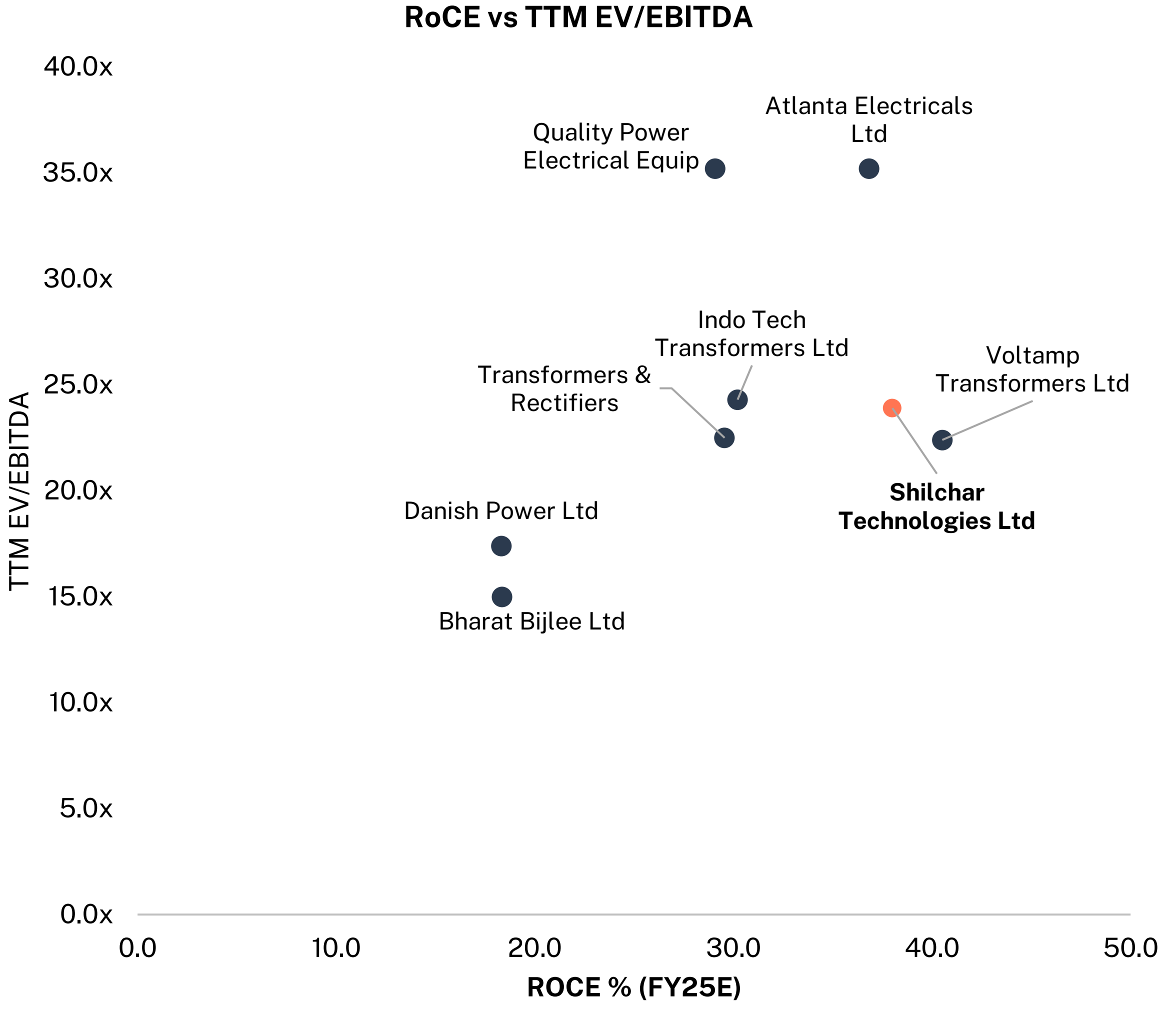
3.4 - Capturing Return Profiles

SHILCHAR stands out on return metrics. FY26 EBITDA margin of ~29% is nearly 2x the industry average, supported by ~7.1x asset turnover and zero interest cost, resulting in an RoCE of ~38%. Unlike peers, whose subdued return profiles have historically capped their valuation multiples, SHILCHAR's superior return ratios warrant a premium rather than a discount. As the new capacity ramps up, return ratios are expected to moderate temporarily but should remain well above the industry average. We assign a rating of **6.0/7.0.**

Cash earnings remain underpriced



Premium returns at a modest multiple



Source: Bloomberg, Midas Research

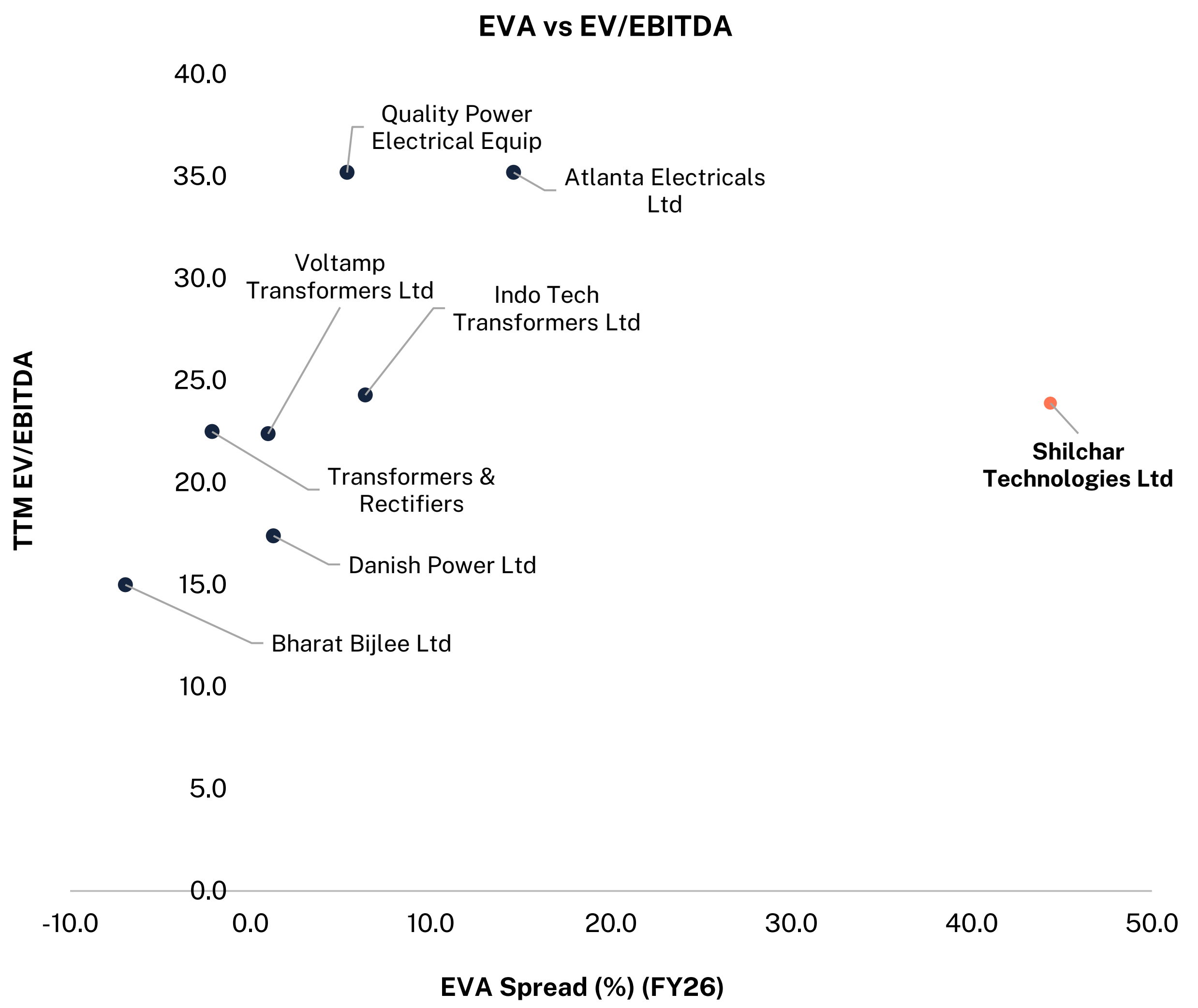
3.5 - Reflecting EVA

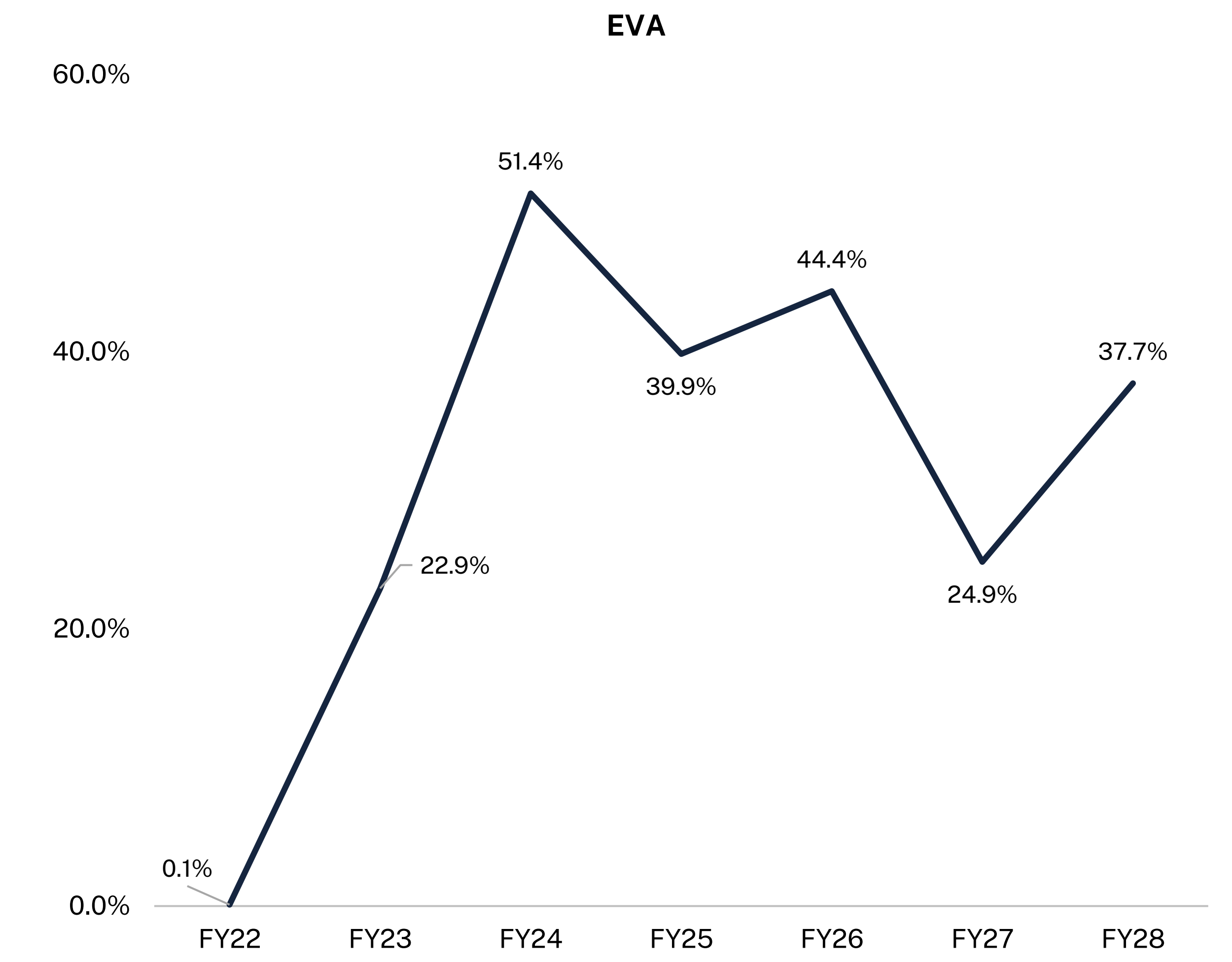
Economic value addition

6 7

This is where SHILCHAR separates itself from most peers: it generates strong positive economic value added (EVA), with an RoCE of ~38%, significantly exceeding its cost of capital, supported by a debt-free balance sheet, whereas many peers operate at or below their cost of capital. Growth capex is funded entirely through internal accruals, preserving the value spread rather than diluting it. Although return ratios are expected to moderate as new capacity ramps up, the EVA spread should remain comfortably positive. We assign a rating of **6.0/7.0.**

Sector-leading EVA spread, still trading below peers





Source: Bloomberg, Midas Research

Valuation Rationale

Conclusion

Growth-Adjusted Value (kV) — 1
STRONGEST VALUATION ARGUMENT

Key points
- Among the highest earnings growth in the sector (~26% PAT CAGR).
- Trades at a discount to peers (19x vs. ~27x FY28E P/E).
- Compelling growth-adjusted valuation (PEG~0.7x).

Quantitative evidence
- Despite delivering one of the strongest earnings growth profiles, SHILCHAR trades at FY28E PEG ratio (~0.7x) which one of the best among listed peers.

Qualitative evidence
- The ~26% PAT CAGR is driven by capacity expansion, improving realizations, and a richer export-renewables mix, reflecting sustainable operating growth rather than inorganic growth or one-off gains.

Return Profile vs Peers — 2
SUPPORTING ARGUMENT

Key points
- SHILCHAR is among the few companies capable of delivering high growth while sustaining industry-leading return ratios-a combination rarely seen in the Indian transformer sector.
- Its FY26 RoCE of ~38% and RoE of ~32% are underpinned by structural competitive advantages, while EBITDA margins of ~29% remain nearly 2x the industry average.

Quantitative evidence
- Despite delivering an RoCE of ~38% (~2x the peer average), SHILCHAR trades at a meaningful valuation discount to peers, indicating that its superior return profile is not fully priced in.

Qualitative evidence
- SHILCHAR's superior return profile is underpinned by structural advantages-its made-to-order business model, strong export franchise, private-sector customer base, and operating leverage from capacity expansion.
- These enduring competitive strengths are expected to sustain return ratios well above peers even as capacity nearly doubles by FY28E.

Valuation Risk — 3
WATCH

Key points
- Raw material inflation remains the key risk, with sharp increases in CRGO steel, copper/aluminium, and transformer oil compressing EBITDA margin from ~31% to ~21% in Q4 FY26.
- SHILCHAR export exposure (~30% Middle East; ~18–19% US) also creates geopolitical and trade-related risks, as reflected in the deferment of ~Rs. 35–40 cr of exports during FY26.

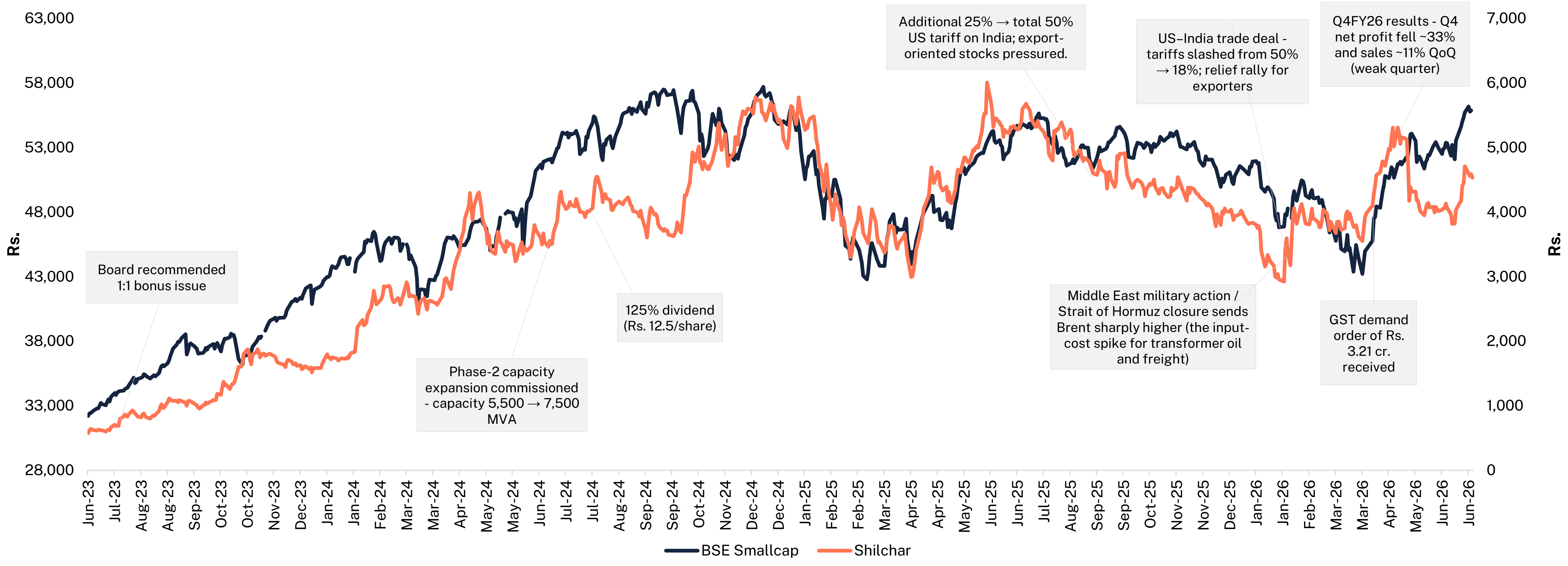
Quantitative evidence
- Customer concentration remains a monitorable risk, with the top five domestic customers contributing ~58% of domestic revenue, while exports remain concentrated in the US and the Middle East, Europe & Russia.

Qualitative evidence
- Dependence on imported CRGO steel and globally priced copper, aluminium, and transformer oil exposes margins to input-cost volatility, as existing contracts are generally not repriced during the contract period.

Valuation Verdict: From a growth-adjusted valuation perspective, SHILCHAR appears attractively valued, aided by its made-to-order custom engineering franchise, multi-year export qualification moats, industry-leading ~29% EBITDA margins (~2x peers), and a net-cash balance sheet funding its capacity expansion. For investors seeking high-quality, high-growth exposure to India's capital goods & energy transition themes, SHILCHAR offers a compelling multi-year compounding opportunity, backed by industry-leading growth & return ratios. At 19x FY28E P/E & PEG ratio of ~0.7x (vs. peers at ~1.0x), we believe the current valuation provides an attractive entry point.

4 - Stock Buzz and Influencing Factors (1/2)

Noise vs. signal: what really drove the stock?



- Profitability remains sensitive to input-cost cycles. Copper, CRGO steel, and transformer oil account for the bulk of the bill of materials, and sharp price increases can compress margins before costs are passed through.
- An export-heavy revenue mix (~50%) also exposes earnings to geopolitical and trade-related risks. Tariff escalation and shifting trade dynamics can delay order inflows, as evidenced by the Q3 slowdown attributed by management to uncertainty surrounding US tariffs.

Shilchar Technologies Limited listed in Aug'22 on NSE.

4 - Stock Buzz and Influencing Factors (2/2)

Follow the money

Ex-Date	Dividend(Rs)	Instrument Type
8-Aug-25	12.5	Equity Share
2-Aug-24	12.5	Equity Share
17-Aug-23	10	Equity Share
28-Jul-22	4	Equity Share
5-Aug-21	1.5	Equity Share
5-Aug-20	1	Equity Share
1-Aug-19	2	Equity Share
2-Aug-18	2	Equity Share
3-Aug-17	3	Equity Share
4-Aug-16	0.5	Equity Share
22-Mar-16	2	Equity Share
6-Aug-15	1.5	Equity Share

Promoters holding remains unchanged at 62.12% in Q4FY26

FII/FPI holdings declined from 2.75% to 2.55% in the Q4FY26

Number of FII/FPI investors increased from 27 to 28 in Q4FY26

Mutual Funds holding remains unchanged in Q4FY26

Institutional Investors increased holdings from 4.24% to 4.46% in Q4FY26

Ex-Date	Bonus Ratio
6-Jun-2025	1:2
6-Sep-2023	1:1

Source: Trendlyne, Midas Research

5 - Technical Analysis

Healthy Consolidation above Key Moving Averages

Technical View (Weekly Chart)

Technical View

- The stock witnessed a strong secular uptrend between 2020 and 2024, followed by a healthy corrective phase.
- It is currently consolidating within a **Symmetrical Triangle** pattern on both the daily and weekly charts with a positive bias.
- The price continues to trade comfortably above its key **50 and 200 EMAs** on both weekly and monthly timeframes, reflecting sustained underlying strength. Additionally, the **MACD remains in positive territory** on both the daily and weekly charts, reinforcing the bullish outlook.
- Considering the overall technical structure, the stock is expected to gradually move towards the upper boundary of the triangle, placed in the **5,250–5,350** zone over the coming months.
- On the downside, crucial support is seen at **3,775** and then at **3,490** levels.

Capital Goods-Other Electrical Equipment

Reco/View	Buy

Last Day Close	Rs. 4,247

RESEARCH ANALYST

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Key Risks

Export & geopolitical risks

Exports account for ~50% of revenue (Middle East, Europe & Russia ~30%, US ~18–19%). US tariff changes and the FY26 Middle East crisis disrupted shipments, deferring ~Rs. 35–40 cr of exports.

Raw material price volatility

Transformer oil nearly doubled from February 2026 levels, while other inputs rose 10–25%, compressing Q4 FY26 margins.

Customer concentration

The top five domestic customers account for ~58% of domestic sales (FY25), highlighting reliance on a handful of key accounts.

Source: Company, Industry, Midas Research

Financial Summary

All figures in Rs. cr

- **SHILCHAR is expected to have sustainable earnings growth, with revenue and PAT projected to grow at a CAGR of ~32% and ~26%, respectively, over FY26–FY28E, while remaining debt-free and funding all capacity expansion through internal accruals.**
- **Strong operating cash generation supports a strengthening balance sheet, with the CFO expected to increase from Rs. 255 cr in FY26 to ~Rs. 294 cr by FY28E despite ongoing capex for Expansion III. The liquidity position remains strong with current investments of ~Rs. 200 Cr.**

Particulars	FY24	FY25	FY26	FY27E	FY28E
Profit And Loss					
Revenue	397	623	652	737	1,134
Gross profit	146	234	247	259	408
EBITDA	113	185	190	194	303
Depreciation	3	3	4	8	9
EBIT	111	181	186	186	295
Other Income	13	16	26	37	41
Interest expense	0	0	0	0	0
PBT	123	197	212	223	335
NPAT	92	147	158	167	251
EPS (Rs.)	81	128	138	146	219
Balance Sheet					
Net Worth	210	347	491	644	880
Total debt	0	0	0	0	0
Lease Liabilities	0	0	0	0	0
Other liabilities and provisions	3	4	5	5	5
Total Net worth and liabilities	292	490	590	753	1,047
Gross Fixed assets	56	78	92	192	217
Net fixed assets	40	58	68	161	177
Capital work-in-progress	5	0	6	6	6
Cash and bank balances	60	37	44	70	247
Loans & advances and other assets	184	385	459	503	604
Net working capital(Ex Cash/Cr. Invt)	84	192	162	197	240
Total assets	293	490	590	753	1,047
Capital Employed	210	347	491	644	880
Invested Capital	129	256	245	372	431
Net debt	-60	-37	-44	-70	-247
Cash Flows					
Cash flows from Operations (Pre-tax)	107	83	255	196	301
Cash flows from Operations (post-tax)	76	40	192	140	217
Capex	-13	-33	-23	-100	-25
Free cashflows	63	6	169	40	192
Free cashflows (post interest costs)	63	6	168	40	192
Cash flows from Investing	-23	-48	-169	-100	-25
Cash flows from Financing	-29	5	-31	-15	-15
Total cash & liquid investments	81	91	246	272	449

- **Despite near-term margin normalization, profitability is expected to remain best-in-class, with EBITDA margins sustaining at ~26%, RoE remaining healthy at ~26%-29%, and cash conversion stabilizing at ~0.7x following the FY26 recovery.**
- **The stock trades at attractive forward valuations of ~15x FY28E EV/EBITDA and ~19x FY28E P/E, while maintaining a net cash balance sheet and a strong earnings growth outlook.**

Particulars	FY24	FY25	FY26	FY27E	FY28E
Growth Ratios (%)					
Revenue	42%	57%	5%	13%	54%
EBITDA	113%	63%	3%	2%	56%
PAT	114%	59%	8%	6%	50%
Margin Ratios					
Gross	37%	38%	38%	35%	36%
EBITDA	29%	30%	29%	26%	27%
PAT	23%	24%	24%	23%	22%
Performance Ratios					
OCF/EBITDA	0.7	0.2	1.0	0.7	0.7
RoE (%)	44%	42%	32%	26%	29%
RoCE (%)	53%	52%	38%	29%	33%
RoIC(%)	64%	53%	57%	38%	51%
Fixed asset turnover (x)	7.0	8.0	7.1	3.8	5.2
Total asset turnover (x)	1.4	1.3	1.1	1.0	1.1
Financial Stability Ratios					
Net Debt to Equity (x)	-0.3	-0.1	-0.1	-0.1	-0.3
Net Debt to EBITDA (x)	-0.5	-0.2	-0.2	-0.4	-0.8
Working capital days	57	63	78	109	73
Valuation Metrics					
No. of Shares (Cr)	0.76	0.76	1.14	1.14	1.14
Market cap (INR Cr)			4,859		
P/E (x)	53	33	31	29	19
P/OCF(x)	56	107	22	30	20
EV (Rs.Cr)			4,815		
EV/ EBITDA (x)	42	26	25	25	15
EV/ OCF(x)	63	122	25	34	21
Price to BV (x)	23	14	10	8	6
Dividend Pay-out (%)	10%	6%	9%	9%	6%
Cash as a % of CE	29%	11%	9%	11%	28%

Source: Company, Midas Research

Future Lens

- SHILCHAR's made-to-order custom engineering franchise, 13-year export track record across 25+ international markets, and strong alignment with India's renewable energy buildout position it to sustain a leading role in the specialized transformer industry.
- We believe several drivers are firmly in place-the commissioning of the 6,500 MVA capacity expansion, taking total capacity to 14,000 MVA by Q1 FY28E, ramp-up of the 220 kV platform opening a structurally higher-realization product segment from FY29E & realization improvement from ~Rs. 11 lakh/MVA in FY26 to ~Rs. 12+ lakh/MVA by FY28E, with further upside as the 220 kV class begins contributing to revenue.
- Driven by a richer export and renewable mix and sustained demand from grid modernization across the US, Middle East, Russia and Europe, the company is expected to deliver ~26% topline CAGR over FY26–30E.
- Further, several operating margin levers-including operating leverage on a largely fixed cost base as new capacity ramps up, a structural shift toward higher-value export and 220 kV products, and normalization of elevated raw material costs (transformer oil, CRGO, copper)-are likely to drive ~21% EBITDA and 23% earnings CAGR over FY26-FY30E.
- We expect that announcements on commercial approvals for the 220 kV product class ahead of FY29E, acceleration in data centre and BESS-linked transformer orders as emerging demand verticals, or further expansion of the US and European customer base beyond current pre-qualified relationships could further strengthen SHILCHAR's earnings trajectory and support a meaningful re-rating above our base case estimates.

Entry at **Rs.4,247**
@ 29x FY27E P/E

Exit multiple at **23x**
on FY30E EPS

+

Cumulative Dividend of
Rs. 38/share

Total returns
71%

Sensitivity of 3-yr TP

Sensitivity Analysis	Market cap	Dividend	Target price	Upside
20	7,187	38	6,319	49%
23	8,264	38	7,262	71%
26	9,342	38	8,204	93%

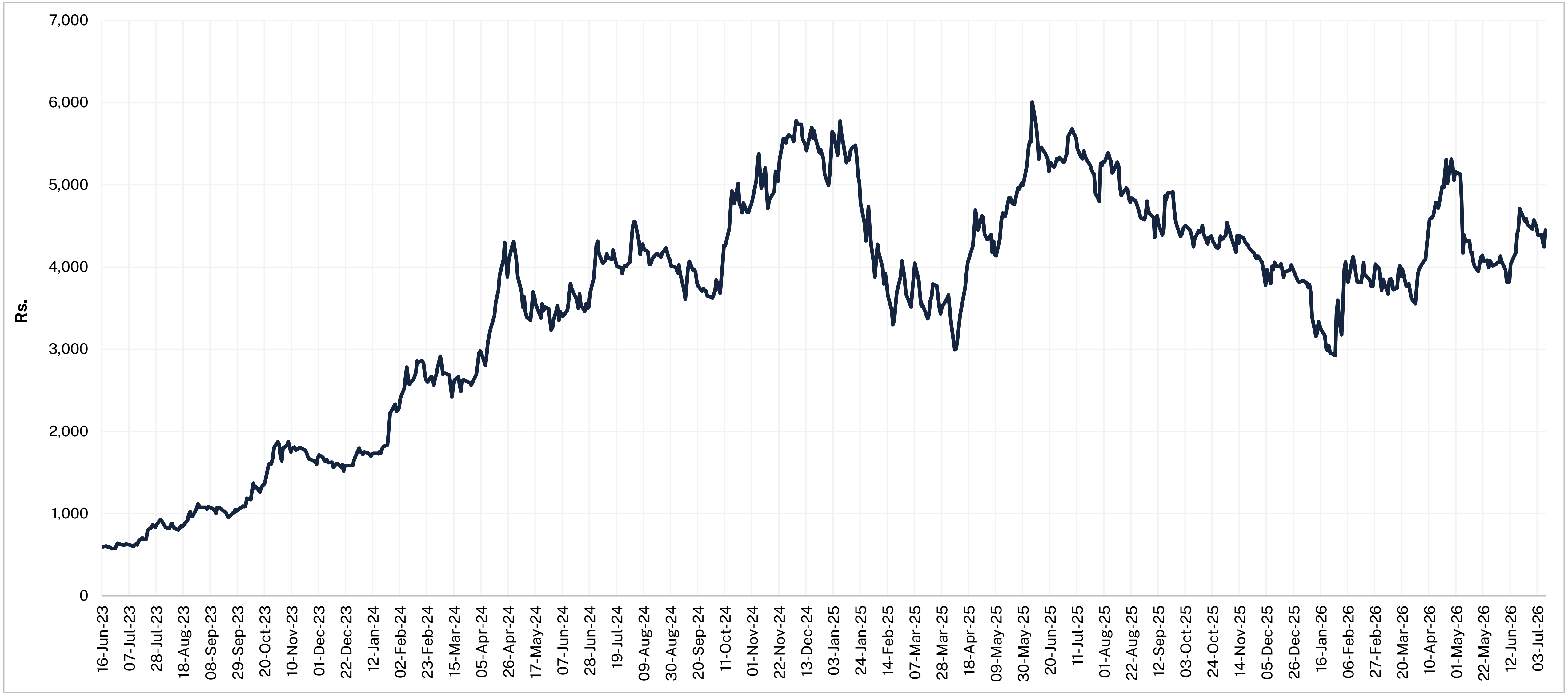
Source: Company, Midas Research

Glossary

MVA	Mega Volt-Ampere (capacity unit for transformers)
kVA	Kilo Volt-Ampere
HV / LV	High Voltage / Low Voltage
EHV	Extra High Voltage
CRGO	Cold Rolled Grain Oriented (Electric steel used in cores)
T&D	Transmission & Distribution
RE	Renewable Energy
PT	Power Transformer
EPC	Engineering, Procurement and Construction
TAM	Total Addressable Market
LC	Letter of Credit
EV	Enterprise Value
FCF	Free Cash Flow
P/E	Price to Earnings
PBT	Profit Before Tax
RoE	Return on Equity

RoCE	Return on Capital Employed
RoIC	Return on Invested Capital
R&D	Research and Development
PBT	Profits Before Tax
ROA	Return on Assets
DTL	Deferred Tax Liabilities
CAPEX	Capital Expenditure
CF	Cash Flow
QoQ	Quarter on Quarter
RM	Raw Material
CoGS	Cost of Goods Sold
Cr	Crores
DCF	Discounted Cash Flow

3 Year Price Chart



Source: Bloomberg, Midas Research

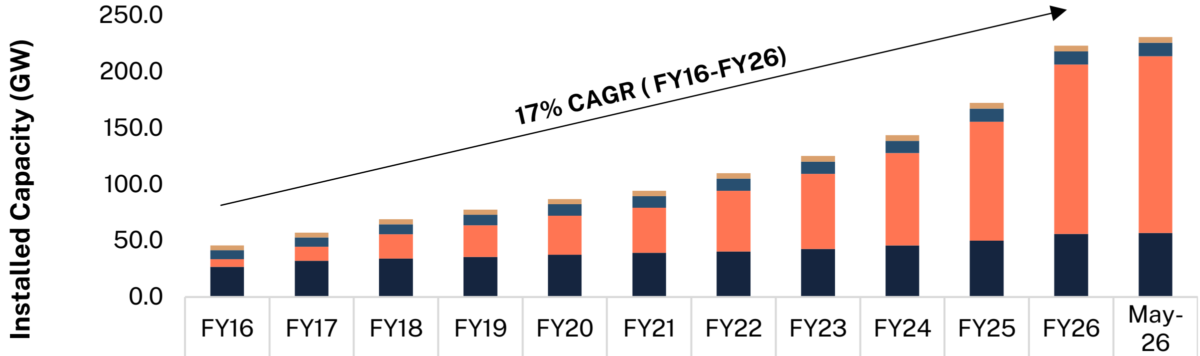
Annexure

Midas Equities and Research

Industry Overview

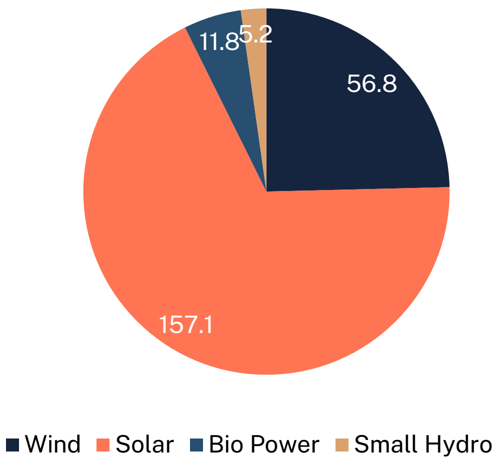
India's clean-energy shift: 3rd globally, now solar-led

Solar drives the renewable base to ~223 GW (17% CAGR)

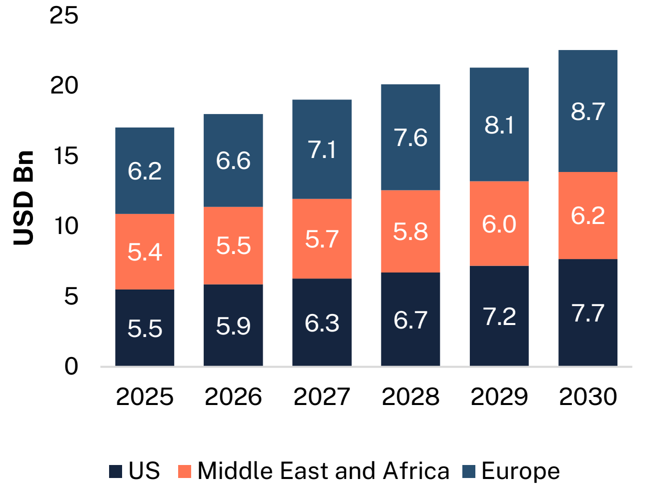


	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	May-26
Small Hydro	4.3	4.4	4.5	4.6	4.7	4.8	4.9	4.9	5.0	5.1	5.2	5.2
Bio Power	8.1	8.3	8.8	9.2	10.0	10.3	10.7	10.8	10.9	11.6	11.8	11.8
Solar	6.8	12.3	21.7	28.2	34.6	40.1	54.0	66.8	81.8	105.7	150.3	157.1
Wind	26.8	32.3	34.1	35.6	37.7	39.3	40.4	42.6	45.9	50.0	56.1	56.8

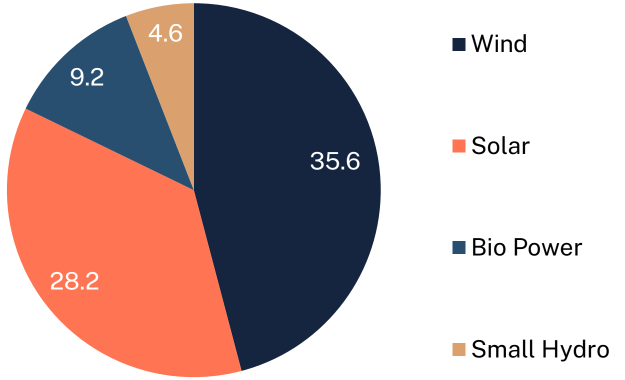
Breakup of May-26 renewable capacity-Solar now leads the mix (GW)



Addressable market growing to $22.5bn by 2030



Breakup of FY19 renewable capacity-Wind dominated back in FY19 - the pivot since (GW)



- In April 2026, India was ranked the third-largest holder of renewable energy installed capacity in the world, behind only China and the United States, and ahead of Brazil.
- India's installed renewable capacity has grown from 46 GW in FY16 to 223 GW in FY26 (17% CAGR) and is targeted to reach 500 GW by 2030, including 280 GW of solar capacity.
- India is targeting 500 GW of non-fossil capacity by 2030 (renewables plus large hydro and nuclear), of which solar alone is expected to make up around 280 GW - underpinned by strong policy support and rapidly falling costs. In June 2025, non-fossil sources crossed 50% of India's total installed power capacity.

- Demand across SHILCHAR's key export geographies is set for sustained multi-year growth on the back of grid modernization, renewable integration, and electrification, with the U.S. forecast to grow at 6.9% CAGR, Europe 7.0% CAGR, and the Middle East & Africa 3.9% CAGR, led by Saudi Vision 2030 grid build-out and gigaprojects.
- With these markets facing acute domestic supply shortfalls and extended lead times, import reliance remains high - positioning Shilchar Technologies ltd. , as an established exporter to these regions, to continue benefiting from the demand boom.
- The combination of robust end-market growth and a persistent supply-demand gap supports a constructive view on SHILCHAR's order-book visibility and pricing power over the coming decade.

Source: ICED.Niti, mordorintelligence, marksparksolutions, Midas Research

Disclaimer (1/2)

Absolute Rating Interpretation

BUY	Stock expected to provide positive returns of >15% over a 1-year horizon	**REDUCE**	Stock expected to provide returns of <5% – -10% over a 1-year horizon
ACCUMULATE	Stock expected to provide positive returns of >5% – <15% over a 1-year horizon	**SELL**	Stock expected to fall >10% over a 1-year horizon
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