

**CMP: INR 36**

**Outlook: Positive**

**Stock Info**

BSE	532776
NSE	SHIVAMAUTO
Bloomberg	SVAT:IN
Reuters	SHAU.NS
Sector	Auto Ancillaries
Face Value (INR)	2
Mkt Cap (INR Cr)	473
52 week H/L (INR)	41/ 20.5
Avg. Yearly Volume (in ,000)	209

**Shareholding Pattern %**

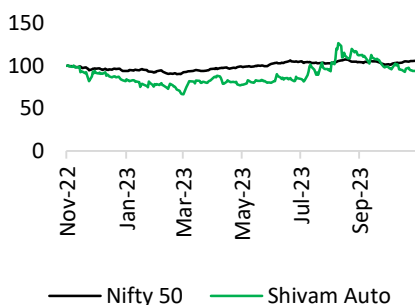
(As on Sept, 2023)

Promoters	74.80
Public & Others	25.19

**Stock Performance (%)**    1m    6m    12m

SHIVAMAUTO.	17.1	32.7	17.7
Nifty 50	7.6	13.3	15.0

**SHIVAMAUTO Vs Nifty 50**



Source: Arihant Research, Company Filings

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Shivam Autotech Limited, formerly known as Munjal Auto Components and belonging to the Hero Group, commenced operations in September 1999. As a key player in India's auto component industry, the company specializes in manufacturing and marketing components for the automotive sector. The company has invested in modern facilities in Bangalore and Rohtak to make products for automobiles within the country. With a 20-year legacy, it has diversified its product offerings, including gear blanks, spline shafts, finished gears, and plungers, catering to OEMs.

**Capital Infusion and Utilization:** In September, 2023, SAL secured INR 105 Cr from Modulus Alternatives Investment Managers Limited. The funding comprises INR 80 Cr in the form of NCD and INR 25 Cr as OCD. The investment carries a 15% annual interest rate. The funds were primarily used to repay a term loan, settle payments to creditors and statutory dues.

**Plant expansion to cater to diversified clientele:** To reduce dependency on Hero Motor Corp (HML), the company has invested INR 170 Cr. in FY15 for development of new facilities in Bengaluru and Rohtak. The Bengaluru facility specifically caters to increasing demand coming in from Bosch as well as other customers like Denso and Maruti Suzuki. The Bengaluru plant focuses on Four Wheelers and products such as Alternators, Steering Components and Starter Motor that were previously imported by their customers and have also diversified into developing products for automobiles, commercial vehicles tractors, aviation, Electric E-Rickshaw & 3W, non automotive, etc.

**Collaboration with Bosch Ltd and Steering System Manufacturers:** During 2002-2003, Shivam Autotech Ltd. had started the Plunger Supply to Bosch Ltd. for Fuel Pump. The company also manufacture shafts (input and output), Pipe Joints, Yokes, and worm wheels, for steering application for Mando Automotive, Bosch Automotive Steering, Nexteer Automotive and ZF Friedrichshafen AG.

**Strategic Positioning with Hero MotoCorp Limited:** A significant portion of SAL's revenue, comes from its major client, Hero MotoCorp Limited and majority of it's products, such as gears and shafts, are primarily used in two-wheelers. HML, being the largest customer for SAL, contributed around 39% to SAL's to revenue in FY23. Most of SAL's manufacturing plants are strategically situated near HML's manufacturing facility, providing a location advantage.

**Outlook**

The company is in a strong position to adapt to technological changes driven by shifts in customer preferences, emerging market trends, and government regulations. The investment made by Modulus Alternatives is expected to enhance the company's liquidity in near future. The company also has the option to utilize unused credit lines from NCDs. The company positions itself to capitalize on the expansion in the EV landscape. The company will continue investing in boosting operational efficiency which can be achieved through reducing costs to gain a competitive edge over others. Further, the company is planning to expand its reach beyond the automotive sector. The company is actively engaged in developing axles for E-Rickshaws, 3-wheelers, Tractors, etc., aiming to achieve forward integration.

Company Detail Background

Company Snapshot	
Company Background	Shivam Autotech Limited, based in Gurugram, India, is a major manufacturer of transmission gears and shafts, serving numerous automobile companies for over 24 years. With a workforce of 3000+, the company excels in the rapidly changing auto component industry. Known for its expertise, Shivam Autotech produces a wide range of components using forging technology, including gears, shafts, alternator parts, starter motor parts, magneto components, and steering parts. The company presently operates four units situated in various locations across the country.
Promoter Background	Dayanand Munjal Investments Pvt Ltd (DMIPL) is a <b>holding company of Shivam Autotech Ltd.</b>
Promoter Holdings	Dayanand Munjal Investments Pvt Ltd shareholding stands at 74.80%
Product offerings	Auto components and accessories that primarily include transmission gears, transmission shafts, alternator components, starter motor components, magneto components and steering components which are being produced through cold, warm and hot forging employing near net shape technology.
Key Customers	Bosch Ltd. , Hero Motorcorp, Maruti Suzuki , Mahindra & Mahindra Ltd ,Hilti India, Nexteer Automotive and others.

**Raw Material prices**

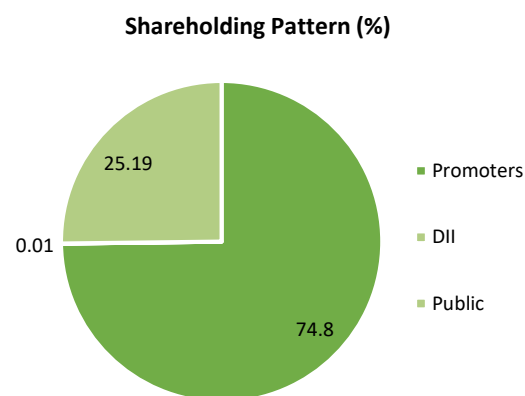
- The company has a mechanism in place where any changes in raw material prices are adjusted by OEMs on a monthly basis.
- The significant cost of the major raw material, which is steel, makes up about **50% of the total operating income.**
- SAL is exposed to price risk due to the volatility in global steel prices.

**EBITDA Performance and Capacity Utilization**

- The company's EBITDA for FY23 stood at INR 52.30 Crore showing a decrease from FY22 EBITDA of INR 75.44 Crore.
- The decline in EBITDA is attributed to the capacity being underutilized. The company is actively working towards achieving optimal capacity utilization.

**Expansion and Diversification**

- Besides producing components for 2-wheelers, the company expanded its manufacturing to different areas. They developed and products for steering components and construction equipment , off-road vehicles, and aerospace, exports as well.
- The company is concentrating on providing shafts and gears to public sector undertakings in **defense sector.**
- Additionally, the company plans to diversify its operations by manufacturing steering components, aiming to mitigate risks associated with the expanding electric vehicles market.



Source: Arianth Research, Company Filings

**Opportunities and threats in the industry**

- The increasing need for affordable sustainable practices results in growing demand for affordable and Electric Mobility Revolution.
- The Indian automotive industry operates under rigorous regulations of safety standards , emissions, and quality control.
- The auto industry experiences regular cycles, and the sales of automotive component suppliers are closely tied to those of original equipment manufacturers (OEMs).
- The government will extend the PLI scheme for the automotive sector by one more year. The initial plan was for five years, starting from FY22-23 to FY26-27, but now it will continue until FY27-28.

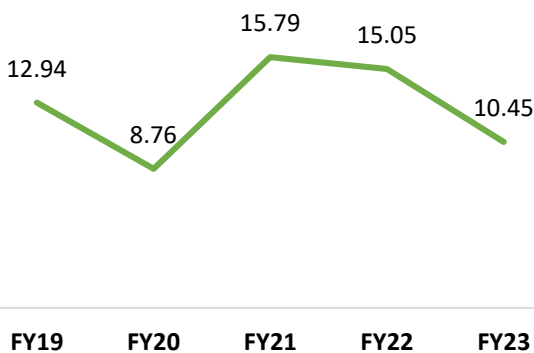
**R&D Focus on Electric Mobility Innovations**

- The company strategically prioritizes R&D for electric mobility, concentrating on innovations like braking systems for electric two-wheelers, differential axles for electric rickshaws. In the passenger vehicle segment, the focus is on developing a Retrofittable Hybrid Gear Box.
- New electric vehicle products, including E rickshaw/E axle, L5 Banjo-type axle, EV 2Wheeler hydraulic CBS, EV 2Wheeler mechanical CBS, and L5 CBS, highlighting the company's commitment to innovative solutions in sustainable transportation.

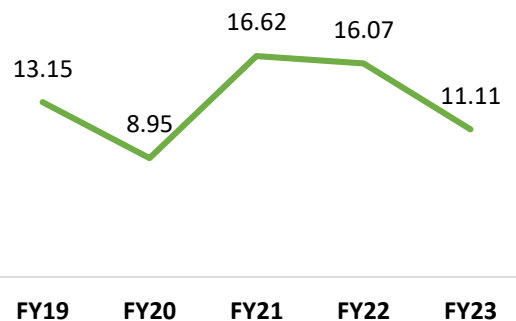
**Capex Trend**

Particulars (INR Cr)	FY19	FY20	FY21	FY22	FY23
Capex	68.03	43.71	20.88	4.93	1.41

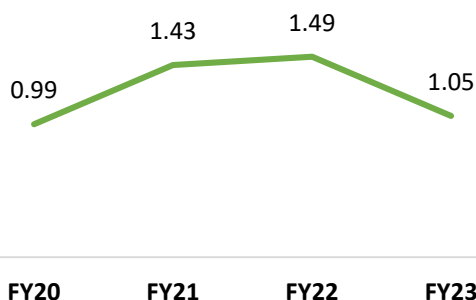
**Operating profit Margin (%)**



**EBITDA Margin (%)**



**Interest Coverage Ratio**



**Business Segments**

As a prominent manufacturer of transmission gears and shafts in India, Shivam Autotech has established itself as a strategic supply chain partner for leading automobile manufacturers.

Its journey began with the production of motorcycle gears, and over time, it has expanded its capabilities to include the development of essential components for the aerospace industry.

Diversifying into various verticals and venturing into exports, the company has demonstrated remarkable growth and adaptability since its inception. The business segments are as follows:-



**Two Wheeler Segment**



**Aerospace Segment**



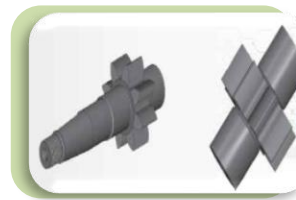
**Non Automotive Segment**



**Automobile Segment**



**Commercial Vehicle**

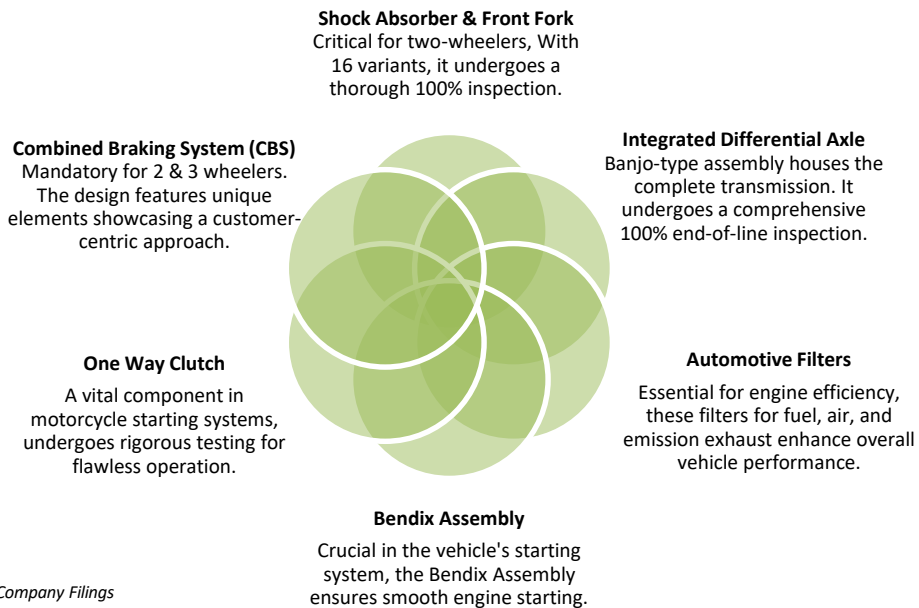


**Off-Road Segment (4 wheeler)**

**Manufacturing Setup**

Shivam Autotech's manufacturing setup is a fusion of advanced management techniques, cutting-edge machinery, and stringent quality control procedures across key areas: Forging (which includes cold forming, hot forming and warm forming), gear manufacturing, heat treatment, and the tool room. The company operates in multiple plant locations, including Binola, Haridwar, Bengaluru, and Rohtak.

**AfterMarket Product Offerings**



Source: Arianth Research, Company Filings

**Product Portfolio**

Shivam Autotech Limited has a diversified product range, including automobiles, commercial vehicles (domestic and international), tractors, aviation, Electric E-Rickshaw & Three Wheelers, and non-automotive applications. This versatile portfolio highlights the company's innovation and adaptability.

The company has outlined its growth strategy for upcoming quarters, emphasizing on product launches. This includes the introduction of differential axles for the three-wheeler EV segment, currently undergoing trials. The company also plans to offer various aftermarket products for two-wheelers and four-wheelers, such as filters for two-wheelers.

The Bangalore plant of the company has initiated the production of indigenous products for four-wheeler customers, contributing to both foreign currency savings and diversification of the company's product portfolio.

Products Offered	
Precision Engineering Components	
Transmission Gears & Shafts	
EPS Components	
Alternator Components	
Starter Motor Components	
Aluminium Forging Parts	

Products	Vehicle Application Category
Integrated Differential Axle – 33" / 35"	Electric Rickshaw / E-Cart
Integrated Differential Axle – 46 "	L5 3W EV
EV Gearbox	2W EV Scooter + L5 3W EV + 4W EV LCV
Mechanical CBS	2W EV (Drum – Drum System)
Hydraulic CBS	2W EV (Disc – Disc System)
Split Service Braking System	L5 3W EV
Independent service braking system	Quadricycle + L2 3W EV (Export)

**Standalone Financials**

P&L (INR Cr)	Q2FY24	Q1FY24	Q2FY23	FY23	FY22
Revenues	117.9	108.6	135.2	473.2	473.4
Operating Profit	8.8	9.4	12.1	49.4	71.3
Operating Profit Margin (%)	7.53	8.73	9.0	10.45	15.05
PBT	(13.3)	(12.6)	(9.1)	(32.8)	(16.1)
PAT	(15.2)	(12.6)	(9.1)	(34.7)	(16.1)
EPS	(1.2)	(1.0)	(0.8)	(2.8)	(1.5)

Source: Arianth Research, Company Filings

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**Stock Rating Scale**

BUY  
 ACCUMULATE  
 HOLD  
 NEUTRAL  
 REDUCE  
 SELL

**Absolute Return**

>20%  
 12% to 20%  
 5% to 12%  
 -5% to 5%  
 -5% to -12%  
 <-12%

**Research Analyst  
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