

RECOMMENDATION SNAPSHOT				
*CMP	MCap (Rsbn)	Recommendation	Target	Potential Upside
Rs494	37.9	Accumulate	Rs650	32%

*as on 25th Apr, 2025

About the Company:

Shanthi Gears Limited (SGL) is a leading organized player in the industrial gear segment in India. It is now a part of the USD4.4bn Murugappa group, which is one of India's leading business conglomerates. SGL manufactures a wide range of critical components, involved in power transmission like gears, gear boxes, gear motors and gear assemblies. The company is strongly positioned in the custom made gears and gear boxes with approximately 70-75% of the revenues coming from customized products catering to different industries like steel, textiles, power, chemical, rubber, paper, mining, cement, sugar etc.

Results: Quick Glance:

- The net sales for the quarter were flat at Rs1532mn as compared to Rs1536mn in the same quarter last year
- The Ebitda margins for the quarter under review stood at 20.2% as compared to 17.3% in the comparative quarter last year
- The company reported profit of Rs225mn as compared to Rs257mn in the same quarter last year
- The EPS for the quarter stood at Rs2.93 as compared to Rs3.35 in the corresponding period of last year
- For the full year, the revenues came in at Rs6046mn as compared to Rs5361mn and PAT came in at Rs960mn as compared to Rs823mn while the Ebitda margins stood at 21.3% as compared to 19.0%
- The Board of Directors have declared a final dividend of Rs2 per equity share of FV of Rs1 each for FY25

Financials:

Performance (Q4&FY25)									
Q4&FY25 Result (Rs mn)	Mar-25	Mar-24	y-o-y	Dec-24	q-o-q	FY25	FY24	y-o-y	FY26E
Total Revenue	1532	1536	(0.3%)	1575	(2.7%)	6046	5361	12.8%	7075
EBITDA	310	266	16.4%	350	(11.4%)	1287	1018	26.5%	1514
Other Income	40	95	(57.9%)	39	3.1%	147	211	(30.4%)	150
Interest	0	0	-	0	-	0	0	-	0
Depreciation	36	42	(15.4%)	34	4.7%	133	132	0.7%	138
Exceptional Items	0	0	-	0	-	0	0	-	0
Tax	90	62	43.7%	92	(2.2%)	341	274	24.4%	382
Net Profit	225	257	(12.5%)	263	(14.5%)	960	823	16.8%	1145

Outlook and Recommendations:

For the quarter under review, while the revenue growth remained flat y-o-y; the margins came in higher at 20.2% for Q4FY25. Stability across the gross margins remains intact over quarters. The lower other income and higher tax outgo led to lower profits, a drop of 12.5% y-o-y. With regards to the full year performance, the company has maintained consistency across the revenue and profitability and margins being range bound. The new product development and working on efficiencies coupled with quality customer engagement continue to be growth pillars for the company. The open order book as of 31st March, 2025 stood at Rs2390mn. Over 2-3 years, the business related to services/refurbishment has been gradually adding value to the bottom-line through capability building and expansion. Constant addition of upgraded machines and replacement of the old ones for better efficiencies forms a major part of the regular maintenance capex of SGL. The process to further make the operations leaner via Kaizen to reduce the production as well as reduce the cost of energy continues. SGL continues to work on value addition and value engineering processes and continues to explore opportunities.

Outlook and Recommendations (contd.):

Return on Invested Capital (ROIC) for the year under review came in at ~55%. The company generated Free Cash Flow of ~Rs755mn for FY25, registering growth of 75% over the previous year. The liquidity position of the company is expected to remain strong which is supported by its strong operational and financial profile. With the absence of major debt funded capex plans in the medium term, SGL's capital structure and debt coverage metrics are expected to remain strong going forward as well. SGL continues to grow slowly, but consistently with steady upticks on the topline as well as bottom-line on a yearly basis. The close linkage to capex cycles exposes the revenues to cyclicalities in end-user industries which are currently slowing down a bit owing to the ambiguity in the business and trades across the globe. Moreover, the operating margins of SGL are exposed to volatility in raw material prices and the competitive pressures seem to be increasing for SGL. Considering these factors, we are a bit cautious and reduce our target price to Rs650.

DISCLAIMERS AND DISCLOSURES-

Progressive Share Brokers Pvt. Ltd. and its affiliates are a full-service, brokerage and financing group. Progressive Share Brokers Pvt. Ltd. (PSBPL) along with its affiliates are participants in virtually all securities trading markets in India. PSBPL started its operation on the National Stock Exchange (NSE) in 1996. PSBPL is a corporate trading member of Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE) for its stock broking services and is Depository Participant with Central Depository Services Limited (CDSL) and is a member of Association of Mutual Funds of India (AMFI) for distribution of financial products.

PSBPL is SEBI registered Research Analyst under SEBI (Research Analysts) Regulations, 2014 with SEBI Registration No. INH00000859/Research Analyst BSE Enlistment No. 5049. PSBPL hereby declares that it has not defaulted with any stock exchange nor its activities were suspended by any stock exchange with whom it is registered in last five years. PSBPL has not been debarred from doing business by any Stock Exchange/SEBI or any other authorities; nor has its certificate of registration been cancelled by SEBI at any point of time.

PSBPL offers research services to clients as well as prospects. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

Other disclosures by Progressive Share Brokers Pvt. Ltd. (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company (s) covered in this report:-

- PSBPL or its associates financial interest in the subject company: NO
- Research Analyst (s) or his/her relative's financial interest in the subject company: NO
- PSBPL or its associates and Research Analyst or his/her relative's does not have any material conflict of interest in the subject company. The research Analyst or research entity (PSBPL) has not been engaged in market making activity for the subject company.
- PSBPL or its associates actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report: NO
- Research Analyst or his/her relatives have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report: NO
- PSBPL or its associates may have received any compensation including for brokerage services from the subject company in the past 12 months. PSBPL or its associates may have received compensation for products or services other than brokerage services from the subject company in the past 12 months. PSBPL or its associates have not received any compensation or other benefits from the Subject Company or third party in connection with the research report. Subject Company may have been client of PSBPL or its associates during twelve months preceding the date of distribution of the research report and PSBPL may have co-managed public offering of securities for the subject company in the past twelve months.
- The research analyst has served as officer, director or employee of the subject company: NO
- Registration granted by SEBI and certification from NISM is in no way guarantee performance of the intermediary or provide any assurance of returns to investors

PSBPL and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. Our sales people, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses (if any) may make investment decisions that may be inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest including but not limited to those stated herein. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution publication, availability or use would be contrary to law or regulation or which would subject PSBPL or its group companies to any registration or licensing requirement within such jurisdiction. If this document is sent or has reached any individual in such country, especially, USA, the same may be ignored. Unless otherwise stated, this message should not be construed as official confirmation of any transaction. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of PSBPL. All trademarks, service marks and logos used in this report are trademarks or registered trademarks of PSBPL or its Group Companies. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

Terms & Conditions:

This report has been prepared by PSBPL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of PSBPL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and its at the discretion of the clients to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. PSBPL will not treat recipients as customers by virtue of their receiving this report.

Registered Office Address:

Progressive Share Brokers Pvt. Ltd,
122-124, Laxmi Plaza, Laxmi Indl Estate,
New Link Rd, Andheri West,
Mumbai—400053, Maharashtra
www.progressiveshares.com | Contact No.:022-40777500.

Compliance Officer:

Ms. Neha Oza,
Email: compliance@progressiveshares.com,
Contact No.:022-40777500.

Grievance Officer:

Email: grievancecell@progressiveshares.com