

Recommendation

Servotech Power Systems Ltd.
BUY

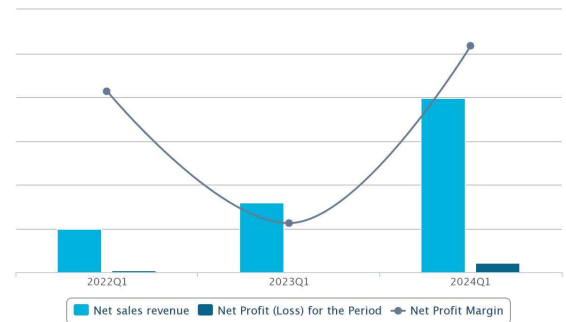
 Current Market Price (CMP)
₹ 77.95

 Target Price
₹ 95

Our price target of ₹ 95 offers upside of approximately 22% from current levels over the medium to long term.

Rationale

- Servotech Power Systems Ltd. (SPSL) is one of the leading manufacturers of LED lights, solar panels and UVC disinfection products. It is the leader in manufacturing solar, EV charging solutions and medical devices. These sectors are likely to witness strong growth in the foreseeable future. The demand for solar and EV charging solutions is set to rise exponentially on the back of India's focus green transition and clean energy.
- Servotech offers holistic solutions to harvest the complete benefits of renewable energy to contribute to a clean & green environment. It is one of the most competent & efficient solar inverter company in India and well positioned to take advantage of the growth in the sector. SPSL maintains a PAN-India presence with over 1000 dealers and is continuously increasing its channel partner distribution network at all strategic domestic and global locations. Servotech actually maintains a progressive approach to serving customers and is aggressively working to make its presence felt in all major cities in the coming times which will ensure robust growth.
- SPSL posted significant jump in its consolidated net profit to ₹4.10cr in Q1 FY24, boosted by higher revenues. Net profit was ₹35 lakh in Q1 FY23. Standalone Net Sales stood at ₹68.14cr in Q1 FY24, up 125.99% from ₹30.15cr in Q1 FY23. EBITDA stood at ₹6.96cr in Q1 FY24, up 408.03% from ₹1.37cr in Q1 FY23. SPSL delivered ROE of 17.8% in FY23 outperforming its 5 year average of 12.4%. ROA was at 6.9% compared to 5 year average of 3%.
- The company is a low debt company with comfortable liquidity. While promoters hold 60.6% of the company, FIIs hold 9.42%. Both have been steady over the last 3 quarters.



Company Profile

- Delhi-based Servotech Power Systems Ltd. is involved in LED lights manufacturing under the brand name Servotech. It also offers solar product solutions with help of their Research and Development team in promoting clean and green products to support our eco system. The company caters to India, South East Asia, Africa, Europe, and Middle East. The Company split its stock twice in 2023.

Negatives

- Share price has been highly volatile over the past 3 months
- Shareholders have been diluted in the past year
- High level of non-cash earnings



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