

**Price:** 528

**Recommendation:** Buy

**Industry:** Iron & Steel

**Sector:** Commodities

**Report Date:** 03-Apr-2025

Sarda Energy & Minerals Limited (SEML) is advancing its business with strategic initiatives in coal mining, renewable energy, and sustainability projects. The company plans to expand its mining capacity and is progressing on hydropower and solar projects. SEML's diversification strategy spans hydropower, coal, and iron ore mining, ensuring growth and mitigating steel industry cyclicality. Despite challenges, SEML's financial resilience and strategic direction position it for sustained growth.

Sales		Profit & Loss		Profitability Matrix	
Current Year	3141 Cr	Operating Profit(Year)	830 Cr	Operating Profit Margin	26.4 %
Previous Year	3020 Cr	Operating Profit(Quarter)	306 Cr	EBITDA Margin	21.84 %
Current Quarter	1047 Cr	PAT (Year)	455 Cr	Net Profit Margin	16.7 %
Previous Quarter	763 Cr	PAT (Quarter)	189 Cr	EPS	16.8
Revenue (QYoY)	657 Cr				
Valuation Matrix		Growth(YoY)		Growth(QoQ)	
Trailing P/E	31.4	Sales Growth	9.10 %	Sales Growth	37.22 %
PEG Ratio	1.94	PAT Growth	-28.57 %	Sales Growth QYoY	59.36 %
EV/EBITDA	19.8	EPS Growth	27.27 %	PAT Growth	53.66 %
P/B	3.46	Dividend Yield	0.20	PAT Growth QYoY	67.26 %
Capital Allocation		Holdings		Leverage	
RoE	13.8 %	Promoter	73.2 %	Debt/Equity	0.28
RoA	12.3 %	FII	2.66 %	Debt	1510 Cr
RoCE	18.0 %	DII	4.35 %	Market Cap	18622 Cr
RoIC	21.4 %	Public	19.8 %	Enterprise value	19141 Cr
		No of Shares	35.2 Cr	Cash Equivalents	990 Cr

source : Company filings

## Company's Overview Based on Recent Concall and Performance:

Sarda Energy & Minerals Limited (SEML) has outlined several new initiatives and business strategies in their recent earnings call. The company is focusing on expanding its coal mining operations, with plans to increase the mining capacity at Gare Palma IV/7 and the acquisition of Gare Palma IV/5, which has significant geological reserves. Additionally, the Shahpur West Coal Mine is expected to commence production within two years. SEML is also advancing its renewable energy projects, including the Rehar hydropower project and a 50-megawatt captive solar power project, both of which are expected to be operational soon. The company is also progressing on a mineral wool project aimed at sustainability, which is anticipated to be operational by the end of the financial year.

The company's diversification strategy is evident in its capital allocation, which spans across various segments such as hydropower, coal mining, and iron ore mining. This approach is designed to ensure consistent growth and mitigate the cyclicality of the steel industry. SEML's operational performance has been robust, with the highest-ever quarterly generation in its captive power plant and a significant improvement in the performance of its IPP thermal power plant. The company has also resumed operations at its Indonesian coal mine, contributing to its diversified portfolio. Despite challenges in the steel and ferroalloy segments, SEML's operating EBITDA nearly doubled year-on-year, demonstrating resilience in its financial performance.

Looking ahead, SEML is poised for future growth and scaling. The company anticipates that its new projects, including the hydropower plant, mineral wool project, and solar power plant, will contribute to profitability in the next financial year. The expansion of the SKS power plant is also on the horizon, with basic infrastructure already in place for an additional 600 MW. SEML's strong liquidity position, with cash and liquid investments exceeding INR 1400 crores, supports its growth initiatives. The company's credit rating has been reaffirmed at AA- by Crisil, reflecting its sound financial health and strategic direction.

While SEML's diversification and growth strategies are commendable, there are areas for improvement. The company faces challenges in the ferroalloy segment, with subdued prices and market dynamics affecting profitability. Additionally, the timeline for some projects, such as the captive solar power project, may be impacted by external factors like construction delays. To enhance its competitive edge, SEML could explore further opportunities in manganese ore mining and consider strategic partnerships to bolster its market position. Overall, SEML's strategic initiatives and financial resilience position it well for sustained growth, but careful navigation of market challenges will be crucial for maximizing its potential.

SARDAEN Daily Closing One Year Price Chart



Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
<b>Technocraf.Inds.</b>	5945.04	23.65	17.44%	2.51%	25.68%	-41.28%	-30.91%
<b>Bansal Wire Inds</b>	5876.32	51.11	20.65%	32.64%	65.31%	7.00%	172.85%
<b>Sarda Energy</b>	18621.60	31.42	13.76%	37.23%	59.23%	54.34%	67.81%
<b>Ratnamani Metals</b>	18472.73	35.00	21.63%	35.52%	4.70%	32.17%	-1.11%
<b>NMDC Steel</b>	10573.71		-9.59%	39.23%	128.93%	-27.28%	-33.32%

Aspect	Commentary
<b>Revenue</b>	The company shows a solid revenue increase, with a year-on-year growth of 9.10% and a quarter-on-quarter growth of 37.22%. This indicates strong sales performance and effective market strategies, contributing to the company's financial health and potential for future expansion.
<b>Profit &amp; Loss</b>	Operating profit margins are robust, with a yearly operating profit of 830 Cr and a quarterly profit of 306 Cr. However, the PAT growth shows a decline of 28.57% YoY, suggesting challenges in net profitability despite operational efficiency.
<b>Profitability Matrix</b>	The company maintains a healthy operating profit margin of 26.4% and a net profit margin of 16.7%. The EPS growth of 27.27% indicates strong earnings performance, reflecting effective cost management and revenue generation strategies.
<b>Valuation Matrix</b>	The valuation metrics show a trailing P/E of 31.4 and a PEG ratio of 1.94, suggesting the stock is reasonably valued given its growth prospects. The EV/EBITDA of 19.8 and P/B of 3.46 indicate a balanced valuation relative to industry standards.
<b>Growth (YoY)</b>	Year-on-year growth metrics reveal a mixed performance, with sales growth at 9.10% but a significant PAT decline of 28.57%. This highlights the need for strategic adjustments to enhance profitability while maintaining sales momentum.
<b>Growth (QoQ)</b>	Quarter-on-quarter growth is impressive, with sales increasing by 37.22% and PAT by 53.66%. This suggests effective short-term strategies and operational improvements, positioning the company well for continued growth.
<b>Capital Allocation</b>	The company demonstrates efficient capital allocation with a RoE of 13.8% and RoCE of 18.0%. These figures reflect strong returns on equity and capital employed, indicating effective use of resources to generate profits.
<b>Holdings</b>	Promoter holdings are high at 73.2%, indicating strong confidence in the company's prospects. Public holdings at 19.8% suggest a balanced ownership structure, potentially providing stability and long-term strategic direction.
<b>Leverage</b>	The debt/equity ratio of 0.28 indicates a conservative leverage position, suggesting prudent financial management. With a market cap of 18622 Cr and cash equivalents of 990 Cr, the company is well-positioned to manage its debt obligations.

**Analyst viewpoint:** Sarda Energy & Minerals Limited (SEML) is positioned as a strong buy for short to mid-term investors. The company's robust quarter-on-quarter growth metrics, with sales up by 37.22% and PAT increasing by 53.66%, showcase its dynamic operational capabilities and market adaptability. With a portfolio diversification across coal mining, hydro, and solar energy projects, SEML is strategically poised to mitigate industry cyclicality. This, combined with an impressive operational profit margin of 26.4% and a solid capital allocation strategy offering a RoE of 13.8%, reflects SEML's commitment to sustainable shareholder value creation. Valuation metrics such as a trailing P/E of 31.4 and a PEG ratio of 1.94 further indicate that the stock is poised for growth in alignment with its industry peers, offering a balanced opportunity for investors.

In the recent earnings call, SEML's management outlined ambitious plans to expand mining capacities and accelerate renewable energy projects, which are expected to strengthen its market position and enhance profitability. The company's prudent debt management, reflected in its manageable debt/equity ratio of 0.28, along with strong liquidity reserves, underscores its financial resilience and capacity to fund future growth. However, investors should be cognizant of the potential challenges in the ferroalloy segment where market dynamics may impact margins. Overall, SEML's strategic initiatives coupled with its financial robustness present a compelling buy case for investors seeking growth and stability in the energy and minerals sector.

Please read detailed disclosure on next page.

Explanation of Investment Rating*	
Investment Rating	Expected Return (over 12-month)
BUY	>=15%
SELL	<-10%
NEUTRAL	>-10% to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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