

Price: 537

Recommendation: Buy

Industry: Iron & Steel

Sector: Commodities

Report Date: 02-Apr-2025

Sarda Energy & Minerals Limited is advancing with strategic initiatives and operational updates. The company achieved record quarterly generation at its Siltara power plant, with hydropower up 7% year-on-year. Expansion projects include increasing mining capacity and acquiring new coal mines. Financially, Sarda Energy reported a 43% revenue growth in Q3 FY '25. The company is diversifying with projects like mineral wool and solar power, aiming for sustainable 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	31.8	Sales Growth	9.10 %	Sales Growth	37.22 %
PEG Ratio	1.96	PAT Growth	-28.57 %	Sales Growth QYoY	59.36 %
EV/EBITDA	20.2	EPS Growth	27.27 %	PAT Growth	53.66 %
P/B	3.44	Dividend Yield	0.19	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	18912 Cr
RoIC	21.4 %	Public	19.8 %	Enterprise value	19432 Cr
		No of Shares	35.2 Cr	Cash Equivalents	990 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

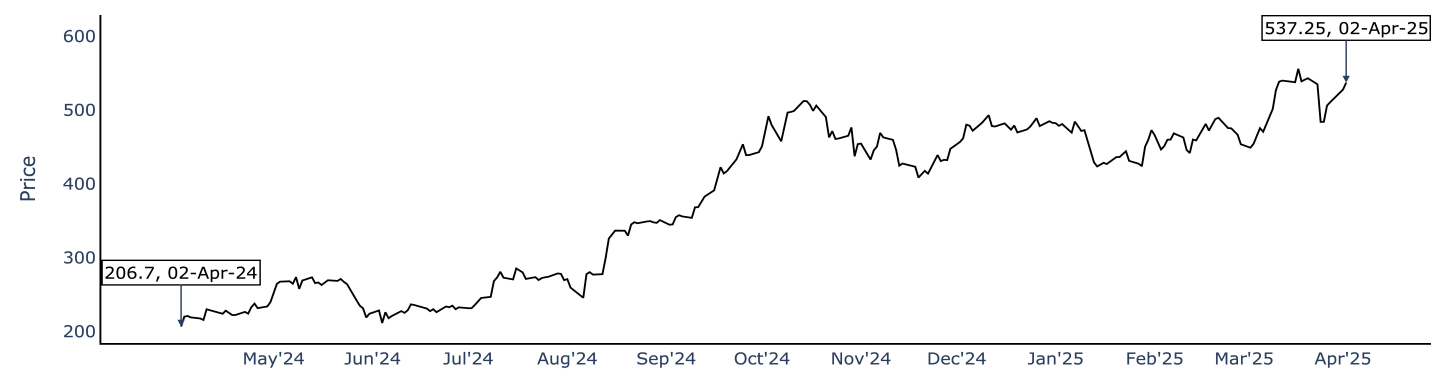
Sarda Energy & Minerals Limited's recent conference call highlighted several strategic initiatives and operational updates. The company achieved its highest-ever quarterly generation in its captive power plant at Siltara, Raipur, with hydropower generation growing by 7% year-on-year, supported by a strong monsoon. The performance of the IPP thermal power plant improved significantly, achieving a load factor of 74% during the quarter. The company is also focusing on expansion projects, including increasing mining capacity at Gare Palma IV/7 and acquiring the Gare Palma IV/5 coal mine, with production expected in the next financial year. The Rehar hydropower project and a 50-megawatt captive solar power project are progressing, although the latter may face slight delays due to construction issues.

The company is diversifying its portfolio with new initiatives such as the mineral wool project, which is expected to be operational by the end of the financial year. This project is part of their sustainability efforts and is anticipated to contribute positively to the company's profitability. The company is also replacing a 30-megawatt TG set, with operations expected to commence in mid-FY27. Financially, Sarda Energy reported consolidated revenue of INR 1319 crores in Q3 FY '25, marking a 43% year-on-year growth. Despite challenges in the steel and ferro alloys segments, operating EBITDA almost doubled year-on-year, and consolidated profit after tax grew by 75%.

Looking ahead, Sarda Energy is optimistic about future growth and scaling opportunities. The company plans to leverage its strong liquidity position, with cash and liquid investments exceeding INR 1400 crores, to fund its expansion projects. The diversification strategy, including investments in hydropower and solar projects, is expected to provide consistent cash flows and insulate the company against the cyclical nature of the steel industry. The company is also exploring backward integration opportunities in coal and iron ore mining to enhance its operational efficiency and reduce dependency on external sources.

On the positive side, the company's strategic diversification and strong financial performance position it well for future growth. However, there are areas for improvement, such as addressing the challenges in the ferro alloys segment and managing the impact of market fluctuations on power prices. The company's focus on sustainability and operational efficiency is commendable, but it must continue to navigate the complexities of the global market, including potential trade tensions and geopolitical risks. Overall, Sarda Energy's proactive approach to expansion and diversification bodes well for its long-term success.

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
Technocraf.Inds.	6203.46	24.71	17.44%	2.51%	25.68%	-41.28%	-30.91%
Bansal Wire Inds	5874.77	51.06	20.65%	32.64%	65.31%	7.00%	172.85%
Sarda Energy	18912.32	31.79	13.76%	37.23%	59.23%	54.34%	67.81%
Ratnamani Metals	18357.09	34.75	21.63%	35.52%	4.70%	32.17%	-1.11%
Gallantt Ispat L	10369.10	27.28	9.63%	18.65%	5.24%	132.50%	118.68%

Aspect	Commentary
Revenue	The company experienced a notable increase in revenue, 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.
Profit & Loss	Operating profit margins are robust, reflecting efficient cost management. However, the year-on-year PAT growth shows a decline of 28.57%, suggesting challenges in net profitability despite operational efficiency. This could be due to external factors impacting net income.
Profitability Matrix	The company maintains a healthy operating profit margin of 26.4% and a net profit margin of 16.7%, indicating strong profitability. The EPS growth of 27.27% suggests improved earnings performance, enhancing shareholder value and market confidence.
Valuation Matrix	The valuation metrics show a trailing P/E of 31.8 and a PEG ratio of 1.96, indicating the stock is priced for growth. The EV/EBITDA of 20.2 suggests a premium valuation, reflecting investor confidence in the company's future earnings potential.
Growth (YoY)	Year-on-year growth metrics reveal a mixed performance, with sales growth at 9.10% but a decline in PAT by 28.57%. This suggests that while revenue generation is strong, profitability is under pressure, possibly due to increased costs or market conditions.
Growth (QoQ)	Quarter-on-quarter growth is impressive, with sales increasing by 37.22% and PAT by 53.66%. This indicates a strong recovery or seasonal boost, reflecting effective short-term strategies and operational improvements.
Capital Allocation	The company demonstrates efficient capital allocation with a RoE of 13.8% and RoCE of 18.0%. These figures suggest effective use of equity and capital employed, contributing to sustainable growth and shareholder returns.
Holdings	Promoter holding is strong at 73.2%, indicating confidence in the company's prospects. The public holds 19.8%, reflecting a balanced ownership structure. Institutional holdings are relatively low, suggesting potential for increased institutional interest.
Leverage	The debt/equity ratio of 0.28 indicates a conservative leverage position, suggesting financial stability and low risk. The company's market cap and enterprise value reflect its strong market position and potential for future growth.

Analyst viewpoint: Sarda Energy & Minerals Limited is positioned favorably in the short to mid-term due to its impressive quarterly performance metrics and strategic initiatives. The company posted a notable 37.22% growth in sales quarter-on-quarter and a 53.66% increase in profit after tax, highlighting strong operational and market strategy execution. Its valuation, with a P/E ratio of 31.8 and a PEG ratio of 1.96, suggests it is priced for growth, appealing to investors looking for potential upside. The expansion in mining capacity and acquisition of new mines, alongside continued advancements in hydropower and solar projects, demonstrate a proactive growth strategy. Additionally, the company's robust capital allocation measures, including a RoE of 13.8% and RoCE of 18.0%, underline its efficient use of resources for sustainable growth.

Though the company is buoyed by strong financials and strategic diversification, it must address challenges in its ferro alloys segment and manage potential market volatility in power prices. Despite these minor hurdles, the company's strategic focus on diversification, operational efficiency, and sustainability initiatives position it well for continued success. With a forward-looking approach, Sarda Energy & Minerals Limited is set to capitalize on its strengths, making it an attractive proposition for investors seeking growth in the commodities 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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