

Price: 821

Recommendation: Buy

Industry: Iron & Steel Products

Sector: Industrials

Report Date: 13-Mar-2025

Shyam Metals is advancing its market position through strategic initiatives and technological investments. The company has achieved a 43% CAGR over five years and is the largest exporter of specialized foil. With diversification in aluminum and stainless steel, they aim for INR 7,000-8,000 crores in revenue. Despite macroeconomic challenges, Shyam Metals targets an EBITDA of INR 3,500 crores by FY '27, focusing on cost efficiency and innovation for sustainable growth.

Sales		Profit & Loss		Profitability Matrix	
Current Year	14604 Cr	Operating Profit(Year)	1792 Cr	Operating Profit Margin	12.3 %
Previous Year	12658 Cr	Operating Profit(Quarter)	456 Cr	EBITDA Margin	11.78 %
Current Quarter	3753 Cr	PAT (Year)	1021 Cr	Net Profit Margin	7.74 %
Previous Quarter	3634 Cr	PAT (Quarter)	197 Cr	EPS	32.5
Revenue (QYoY)	3315 Cr				
Valuation Matrix		Growth(YoY)		Growth(QoQ)	
Trailing P/E	25.3	Sales Growth	12.2 %	Sales Growth	3.27 %
PEG Ratio	2.27	PAT Growth	23.61 %	Sales Growth QYoY	13.21 %
EV/EBITDA	11.9	EPS Growth	-12.4 %	PAT Growth	-8.8 %
P/B	2.26	Dividend Yield	0.56	PAT Growth QYoY	56.35 %
Capital Allocation		Holdings		Leverage	
RoE	12.1 %	Promoter	74.6 %	Debt/Equity	0.11
RoA	7.86 %	FII	3.84 %	Debt	1086 Cr
RoCE	10.8 %	DII	6.74 %	Market Cap	22924 Cr
RoIC	23.8 %	Public	14.4 %	Enterprise value	23975 Cr
		No of Shares	27.9 Cr	Cash Equivalents	34.8 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

In the recent conference call, Shyam Metals outlined several new initiatives and business strategies aimed at enhancing their market position and driving growth. The company has successfully commissioned operations at their blast furnace and cold rolling mill, marking significant milestones in their expansion strategy. They are focusing on value-added products, having achieved a CAGR of 43% over the last five years. The company is also investing in advanced technology and process enhancements to improve capacities and product quality across their portfolio. A key highlight is their emergence as the country's largest exporter of specialized foil, with plans to strengthen their presence in this niche market.

The company is actively pursuing diversification schemes, particularly in the aluminum and stainless steel sectors. They are constructing a green aluminum facility and expanding their foil capacity to produce specialized grades. In the stainless steel segment, they are commissioning a wire plant and a bright bar unit, aiming to enhance value addition and improve the bottom line. Additionally, they are focusing on downstream products like specialized wires and railway structures, which are in high demand. These initiatives are expected to drive growth and profitability, with a target to achieve a revenue of INR 7,000 to 8,000 crores from the stainless steel business alone in the next 4 to 5 years.

Looking ahead, Shyam Metals is positioning itself for sustained growth with a minimum double-digit CAGR annually. They are leveraging their expertise in high capex business and metallurgy to drive sustainable growth through continuous execution of long-term strategies. The company is also focusing on cost efficiency and innovation to navigate short-term challenges and position itself for long-term success. They are targeting an EBITDA of INR 3,500 crores by FY '27, driven by operational efficiencies and strategic initiatives.

While the company has made significant progress, there are areas for improvement. The macroeconomic environment remains challenging, with geopolitical tensions and economic slowdowns affecting the global market. The company needs to continue focusing on cost reduction and efficiency improvements to maintain profitability. Additionally, they should explore opportunities to enhance raw material security and reduce dependency on market-linked prices. Overall, Shyam Metals is well-positioned for future growth, but must remain vigilant in addressing external challenges and optimizing their operations.

SHYAMMETL 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
Jindal Steel	91609.00	22.45	14.12%	4.79%	0.42%	10.46%	-50.70%
Tube Investments	56821.44	69.34	26.48%	-2.28%	14.66%	-6.38%	8.52%
Jindal Stain.	51695.65	21.44	19.88%	1.33%	8.54%	7.36%	-5.35%
SAIL	44754.22	15.31	6.44%	-0.75%	4.89%	-85.58%	-64.61%
APL Apollo Tubes	38409.39	60.55	22.05%	13.80%	30.04%	303.22%	31.09%

Aspect	Commentary
Revenue	The company shows a robust revenue increase, with a 12.2% YoY growth, indicating strong market demand and effective sales strategies. The quarterly growth of 3.27% suggests consistent performance, though slightly slower than annual growth, reflecting potential seasonal or market fluctuations.
Profit & Loss	Operating profit margins are healthy at 12.3%, with a notable PAT growth of 23.61% YoY, indicating efficient cost management and strong bottom-line performance. However, the quarterly PAT decline of 8.8% suggests potential short-term challenges or increased expenses.
Profitability Matrix	The company maintains solid profitability with an EBITDA margin of 11.78% and a net profit margin of 7.74%. These figures reflect effective cost control and pricing strategies, ensuring sustainable profit levels despite market pressures.
Valuation Matrix	The valuation metrics show a trailing P/E of 25.3, indicating market confidence in future earnings. The PEG ratio of 2.27 suggests growth potential, while the EV/EBITDA of 11.9 reflects a balanced valuation relative to earnings.
Growth (YoY)	The company exhibits strong YoY growth with a 12.2% increase in sales and a 23.61% rise in PAT, highlighting effective strategic initiatives and market positioning. However, the EPS decline of 12.4% suggests potential dilution or increased share count.
Growth (QoQ)	Quarterly growth is steady with a 3.27% sales increase, but the 8.8% PAT decline indicates short-term operational challenges. The significant QYoY PAT growth of 56.35% underscores recovery and strategic effectiveness over the year.
Capital Allocation	The company demonstrates efficient capital allocation with a RoE of 12.1% and RoIC of 23.8%, indicating strong returns on investments and effective use of equity. These metrics reflect strategic focus on value creation and operational efficiency.
Holdings	Promoter holding is strong at 74.6%, indicating confidence in the company's prospects. Institutional holdings are moderate, with FII at 3.84% and DII at 6.74%, suggesting stable institutional interest and potential for increased market engagement.
Leverage	The company maintains a conservative leverage position with a debt/equity ratio of 0.11, reflecting prudent financial management and low reliance on debt. This positions the company well to navigate economic fluctuations and invest in growth opportunities.

Analyst viewpoint: Shyam Metalics demonstrates promising growth potential with its strategic positioning and operational initiatives. The company has reported a quarter-on-quarter sales growth of 3.27%, maintaining a robust performance in a competitive landscape. Such consistent growth is underpinned by its strong market presence in the iron and steel sector, combined with technological advancements and expansions into high-demand areas like specialized foils and aluminum products. This bullish outlook is further supported by their impressive diversification strategy into the aluminum and stainless steel sectors, where they are expected to achieve significant revenue targets in the coming years. The company's sound valuation metrics, such as a trailing P/E of 25.3 and a PEG ratio of 2.27, suggest a confident market perspective on its future earnings capacity. Furthermore, their efficient capital allocation reflected in a return on equity of 12.1% and a return on invested capital of 23.8%, reinforces its potential for substantial returns on investment, positioning Shyam Metalics as a desirable option for investors looking towards short to mid-term gains.

Despite these growth narratives, investors should be mindful of macroeconomic headwinds such as potential geopolitical tensions and economic slowdowns which may present challenges. However, the company's conservative debt management with a debt to equity ratio of 0.11 leaves it well-prepared to navigate such uncertainties. By continuously enhancing operational efficiencies and fostering innovation, Shyam Metalics is poised to capture sustainable growth, allowing it to remain an attractive proposition within its sector. While cognizant of external risks, the overall outlook remains optimistic, affirming a short to mid-term bullish perspective for prospective stakeholders.

Please read detailed disclosure on next page.

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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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