

**Price:** 857

**Recommendation:** Buy

**Industry:** Iron & Steel Products

**Sector:** Industrials

**Report Date:** 01-Apr-2025

Shyam Metals and Energy Limited is advancing its market position through strategic initiatives and expansions. The company has commissioned operations at its blast furnace and cold rolling mill, becoming the largest exporter of specialized aluminum foil. With a focus on value-added products, they aim for double-digit CAGR growth. Future plans include a power plant in Odisha and a green aluminum facility, targeting a 15-17% CAGR over 4-5 years, despite macroeconomic challenges.

Sales		Profit & Loss		Profitability Matrix	
Current Year	6633 Cr	Operating Profit(Year)	783 Cr	Operating Profit Margin	11.8 %
Previous Year	6264 Cr	Operating Profit(Quarter)	193 Cr	EBITDA Margin	11.01 %
Current Quarter	1621 Cr	PAT (Year)	349 Cr	Net Profit Margin	5.24 %
Previous Quarter	1694 Cr	PAT (Quarter)	119 Cr	EPS	17.9
Revenue (QYoY)	1758 Cr				
Valuation Matrix		Growth(YoY)		Growth(QoQ)	
Trailing P/E	47.7	Sales Growth	-1.29 %	Sales Growth	-4.31 %
PEG Ratio	10.9	PAT Growth	20.34 %	Sales Growth QYoY	-7.79 %
EV/EBITDA	25.9	EPS Growth	42.06 %	PAT Growth	10.19 %
P/B	4.05	Dividend Yield	0.53	PAT Growth QYoY	48.75 %
Capital Allocation		Holdings		Leverage	
RoE	7.42 %	Promoter	74.6 %	Debt/Equity	0.05
RoA	5.49 %	FII	3.84 %	Debt	301 Cr
RoCE	10.3 %	DII	6.74 %	Market Cap	23922 Cr
RoIC	15.6 %	Public	14.4 %	Enterprise value	24209 Cr
		No of Shares	27.9 Cr	Cash Equivalents	14.3 Cr

source : Company filings

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

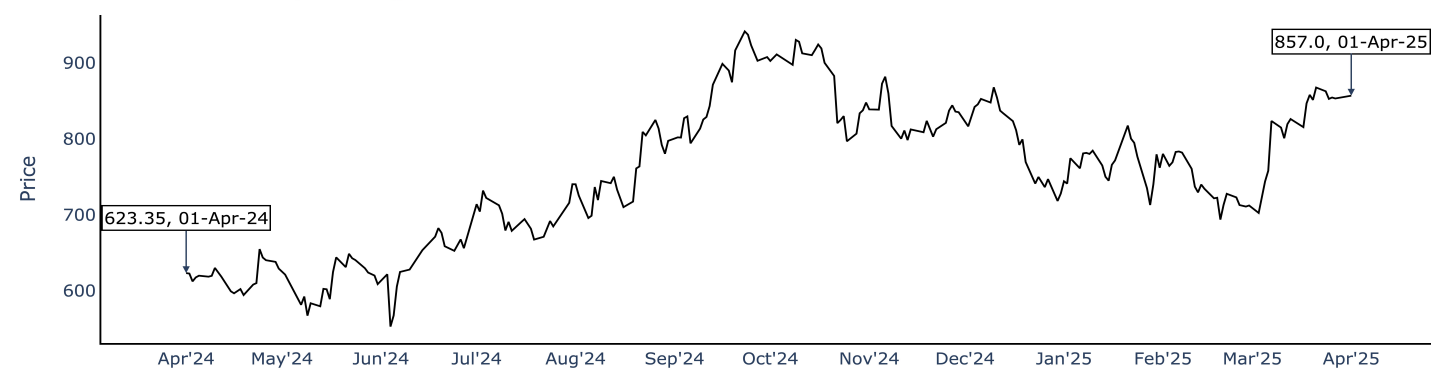
In the recent conference call, Shyam Metals and Energy Limited outlined several new initiatives and business strategies aimed at enhancing their market position and profitability. The company has successfully commissioned operations at their blast furnace and cold rolling mill complex, marking significant milestones in their expansion strategy. They have also emerged as the country's largest exporter of specialized foil in the aluminum segment, with plans to strengthen their presence by introducing niche products in specialized applications. This focus on value-added products is expected to drive both volume and profitability in the coming years. The company is also diversifying into the B2C space, reducing costs, and increasing the efficiency of existing plants to enhance their contribution to revenue and profitability.

The company is positioning itself for sustained growth by leveraging its expertise in high capex business and metallurgy. They are targeting a minimum of double-digit CAGR annually, which will fuel their growth strategy and enhance profitability through continuous cost-effectiveness and performance improvement. The strategic focus includes vertical and horizontal integration, enabling perennial sustainable profitability. The company is also concentrating on specialized and value-added products, which are expected to increase their revenue contribution and bottom line. The management remains confident in their ability to deliver long-term value to shareholders through operational excellence, sustainability, innovation, and cost efficiency.

Looking ahead, Shyam Metals plans to commission a power plant in Odisha, which is expected to provide substantial cost benefits. They are also constructing a green aluminum facility and expanding their stainless steel product line, including a wire plant and bright bar unit. These expansions are anticipated to enhance value addition and improve the bottom line, with a focus on extracting the best value from their product portfolio. The company is also investing in a beneficiation plant to reduce iron ore costs and improve margins. Over the next 4 to 5 years, they expect to grow at a CAGR of more than 15% to 17%, aiming to become a unique metal conglomerate with multiple ferrous and nonferrous businesses.

While the company has made significant progress, there are areas for improvement. The macroeconomic environment remains challenging, with geopolitical influences and economic slowdowns affecting global operations. Steel prices have declined due to high exports from China, impacting the market. However, Shyam Metals has managed to maintain profitability through strategic initiatives and cost management. The company is also focusing on improving raw material security and optimizing energy costs. Despite these challenges, the management is optimistic about future growth, with plans to achieve an EBITDA of INR4,000 crores by FY '27-'28 through new expansions in aluminum and stainless steel. This strategic approach aims to reduce business volatility and position the company for long-term success.

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	91971.12	22.56	14.12%	4.79%	0.42%	10.46%	-50.70%
Tube Investments	52059.49	63.53	26.48%	-2.28%	14.66%	-6.38%	8.52%
SAIL	48285.73	16.64	6.44%	-0.75%	4.89%	-85.58%	-64.61%
Jindal Stain.	47457.39	19.61	19.88%	1.33%	8.54%	7.36%	-5.35%
APL Apollo Tubes	42501.50	66.97	22.05%	13.80%	30.04%	303.22%	31.09%

Aspect	Commentary
Revenue	The company shows a slight increase in annual revenue, indicating stable performance. However, quarterly revenue has decreased, suggesting potential seasonal or operational challenges. The year-over-year growth is positive, but quarter-over-quarter decline needs addressing to sustain momentum.
Profit & Loss	Annual operating profit and PAT have increased, reflecting improved cost management and operational efficiency. Quarterly figures also show growth, indicating consistent performance. The focus should be on maintaining this trend to enhance shareholder value.
Profitability Matrix	The company maintains healthy profitability margins, with operating and net profit margins indicating efficient cost control. EPS growth is strong, suggesting effective earnings management. Continued focus on margin improvement will be crucial for future growth.
Valuation Matrix	The company's valuation metrics suggest a high market valuation, with a trailing P/E indicating investor confidence. However, the PEG ratio suggests potential overvaluation. Monitoring market conditions and strategic adjustments may be necessary to align valuation with growth.
Growth (YoY)	Year-over-year growth in PAT and EPS is robust, indicating strong financial health. However, sales growth is slightly negative, highlighting the need for strategies to boost top-line growth. Dividend yield remains modest, suggesting potential for future increases.
Growth (QoQ)	Quarter-over-quarter growth shows a decline in sales, which could impact future profitability. However, PAT growth remains positive, indicating effective cost management. Addressing sales decline will be key to sustaining overall growth momentum.
Capital Allocation	The company demonstrates efficient capital allocation with strong RoE, RoA, and RoCE. RoIC is particularly impressive, indicating effective investment strategies. Continued focus on optimizing capital allocation will support long-term financial stability.
Holdings	Promoter holding is high, reflecting strong confidence in the company's prospects. Institutional holdings are moderate, suggesting potential for increased institutional interest. Public holding is balanced, providing a stable shareholder base.
Leverage	The company maintains a low debt-to-equity ratio, indicating prudent financial management. Debt levels are manageable, supporting financial flexibility. Maintaining low leverage will be crucial for navigating potential market fluctuations and funding growth initiatives.

**Analyst viewpoint:** Shyam Metalics and Energy Limited demonstrates a robust short to mid-term growth outlook, driven by strategic initiatives and expansion into high-value sectors. Recent quarterly results indicate a commendable PAT growth of 10.19% QoQ and 48.75% QYoY, revealing strong profitability management amid a challenging market environment. The company has also reported annual EPS growth of 42.06%, highlighting effective earnings strategies. With a focus on enhancing market position, they are pursuing aggressive expansions such as a new power plant in Odisha and a green aluminum facility, targeting a 15-17% CAGR over the next 4-5 years. Coupled with efficient capital allocation, evidenced by a Debt/Equity ratio of 0.05, the company is well-positioned for sustained profitability. Their strategic commitment to specialized and value-added products is expected to further bolster revenue streams, setting a strong foundation for future growth.

In a competitive stance, Shyam Metalics maintains a distinct advantage over peers such as Jindal Steel and APL Apollo Tubes with its integrated value chain and low leverage structure. The strategic move toward vertical and horizontal integration underscores their focus on perennial sustainable profitability and enhances their competitive edge. However, while the company's fundamentals are solid, it must navigate the global headwinds of declining steel prices and geopolitical uncertainties impacting market conditions. Despite these challenges, Shyam Metalics remains committed to operational excellence and innovation, aiming to secure long-term shareholder value.

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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