

Price: 445

Recommendation: Buy

Industry: Iron & Steel

Sector: Commodities

Report Date: 05-May-2025

Sarda Energy & Minerals Limited (SARDAEN) is a leading player in steel, ferroalloys, and power generation, emphasizing diversification and sustainability. With robust backward integration through coal and iron ore mines, the company ensures raw material security. SARDAEN invests in hydropower, solar energy, and mineral wool projects, driving profitability and reducing reliance on imports.

| 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 | 26.5 | Sales Growth | 9.10 % | Sales Growth | 37.22 % |
| PEG Ratio | 1.64 | PAT Growth | -28.57 % | Sales Growth QYoY | 59.36 % |
| EV/EBITDA | 16.8 | EPS Growth | 27.27 % | PAT Growth | 53.66 % |
| P/B | 2.91 | Dividend Yield | 0.24 | PAT Growth QYoY | 67.26 % |
| Capital Allocation | | Holdings | | Leverage | |
| RoE | 13.8 % | Promoter | 73.2 % | Debt/Equity | 0.28 |
| RoA | 12.3 % | FII | 3.46 % | Debt | 1510 Cr |
| RoCE | 18.0 % | DII | 3.79 % | Market Cap | 15681 Cr |
| RoIC | 21.4 % | Public | 19.6 % | Enterprise value | 16200 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 (SARDAEN) showcased robust operational and financial performance in its Q3 and 9M FY25 earnings call, emphasizing diversification and strategic growth initiatives. The company achieved its highest-ever quarterly captive power generation at the Siltara plant, with hydropower generation growing 7% YoY due to favorable monsoons. Operational efficiency measures improved the load factor of its thermal power plant to 74% for the quarter, with January recording an impressive 97% PLF. Expansion projects, including the Gare Palma IV/7 coal mine capacity increase, acquisition of Gare Palma IV/5 underground coal mine, and Shahpur West coal mine development, are set to enhance backward integration and reduce dependency on imported coal. Additionally, the Rehar hydropower project, 50 MW captive solar power plant, and mineral wool project are progressing well, with expected contributions to profitability in the next financial year.

The company's diversification strategy is evident in its investments across hydropower, solar power, coal mining, and mineral wool production. These initiatives aim to mitigate cyclicity in the steel and ferroalloy segments while ensuring sustainable cash flows. SARDAEN's focus on backward integration through coal and iron ore mines will strengthen its raw material security, particularly for sponge iron and ferroalloy production. The operationalization of Gare Palma IV/5 and Shahpur West coal mines will reduce reliance on imported high-grade coal, enhancing cost efficiency. The mineral wool project aligns with sustainability goals, offering insulation solutions for industrial and building applications, while the solar power plant addresses renewable energy needs.

Financially, SARDAEN reported consolidated revenue growth of 43% YoY to INR 1,319 crores in Q3 FY25, driven by improved power generation and operational efficiencies. Despite challenges in steel and ferroalloy pricing, operating EBITDA doubled YoY to INR 382 crores, and PAT grew 75% YoY to INR 200 crores. The company's liquidity remains strong, with cash and liquid investments exceeding INR 1,400 crores, supporting ongoing and future projects. Debt levels are expected to peak, with repayments underway for loans related to the SKS acquisition. SARDAEN's reaffirmed AA- credit rating reflects its financial stability and growth potential.

Looking ahead, SARDAEN anticipates growth driven by infrastructure demand, government spending, and liquidity infusion in India. The company's strategic focus on expanding power generation capacity, leveraging coal mines, and diversifying into renewable energy and sustainability projects positions it for long-term profitability. Improved PLF in thermal power plants, expected safeguard measures against steel imports, and falling finance costs will further strengthen margins. SARDAEN's balanced approach to capital allocation across segments ensures consistent growth while maintaining operational resilience.

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 |
|------------------|-------------------|-------|--------|--------------|---------------|------------|-------------|
| Usha Martin | 9111.80 | 22.17 | 19.21% | -3.44% | 7.96% | -15.60% | -14.18% |
| Technocraf.Inds. | 5892.45 | 23.50 | 17.44% | 2.51% | 25.68% | -41.28% | -30.91% |
| Bansal Wire Inds | 5683.01 | 49.40 | 20.65% | 32.64% | 65.31% | 7.00% | 172.85% |
| Ratnamani Metals | 18240.05 | 34.56 | 21.63% | 35.52% | 4.70% | 32.17% | -1.11% |
| Sarda Energy | 15680.97 | 26.52 | 13.76% | 37.23% | 59.23% | 54.34% | 67.81% |

| Aspect | Commentary |
|----------------------|---|
| Revenue | Revenue grew 9.10% YoY and 37.22% QoQ, driven by improved power generation and operational efficiencies. Quarterly revenue of INR 1,047 Cr reflects robust demand and diversification efforts, showcasing the company's ability to capitalize on favorable market conditions. |
| Profit & Loss | Operating profit margin of 26.4% and PAT margin of 16.7% highlight strong profitability. Quarterly PAT grew 53.66% QoQ to INR 189 Cr, supported by operational efficiencies and cost management despite challenges in steel and ferroalloy pricing. |
| Profitability Matrix | EBITDA margin of 21.84% and EPS growth of 27.27% YoY underscore efficient operations and profitability. ROCE of 18% and ROIC of 21.4% reflect effective capital utilization, while net profit margin of 16.7% indicates strong bottom-line performance. |
| Valuation Matrix | Trailing P/E of 26.5 and EV/EBITDA of 16.8 suggest moderate valuation levels. PEG ratio of 1.64 indicates balanced growth relative to earnings. Dividend yield of 0.24% reflects limited payouts, aligning with reinvestment in growth initiatives. |
| Growth (YoY) | Sales growth of 9.10% YoY reflects steady demand, while PAT declined 28.57% YoY due to pricing pressures in steel and ferroalloys. EPS growth of 27.27% highlights improved profitability, supported by operational efficiencies and diversification. |
| Growth (QoQ) | Sales growth of 37.22% QoQ and PAT growth of 53.66% QoQ demonstrate strong recovery and operational improvements. PAT growth QYoQ of 67.26% reflects enhanced cost efficiency and favorable market conditions, driving profitability. |
| Capital Allocation | RoE of 13.8% and RoA of 12.3% indicate efficient asset utilization. Cash equivalents of INR 990 Cr provide liquidity for ongoing projects. Balanced capital allocation across segments ensures consistent growth and operational resilience. |
| Holdings | Promoter holding of 73.2% reflects strong ownership confidence. FII and DII holdings of 3.46% and 3.79%, respectively, indicate moderate institutional interest. Public holding of 19.6% ensures market participation and liquidity. |
| Leverage | Debt/Equity ratio of 0.28 reflects manageable leverage levels. Debt of INR 1,510 Cr is supported by strong liquidity and repayment plans. Enterprise value of INR 16,200 Cr highlights the company's robust market position and growth potential. |

Analyst viewpoint: Sarda Energy & Minerals Limited (SARDAEN) presents a compelling investment opportunity in the short to mid-term, driven by its robust operational performance and strategic diversification initiatives. The company reported impressive QoQ revenue growth of 37.22%, supported by improved power generation and operational efficiencies, while PAT surged 53.66% QoQ to INR 189 crores. SARDAEN's backward integration through coal and iron ore mines ensures raw material security, enhancing cost efficiency in sponge iron and ferroalloy production. Expansion projects, including the Gare Palma IV/5 and Shahpur West coal mines, along with renewable energy investments like the Rehar hydropower project and 50 MW captive solar power plant, position the company for sustainable growth. With an operating profit margin of 26.4% and ROCE of 18%, SARDAEN demonstrates effective capital utilization and profitability, while its manageable debt/equity ratio of 0.28 and cash equivalents of INR 990 crores provide financial stability for ongoing projects.

Valuation metrics such as a trailing P/E of 26.5 and EV/EBITDA of 16.8 suggest moderate levels, supported by a PEG ratio of 1.64, indicating balanced growth relative to earnings. SARDAEN's diversification strategy mitigates cyclicality in steel and ferroalloy pricing, while its focus on renewable energy aligns with sustainability goals. Peer comparison highlights SARDAEN's superior QoQ sales and PAT growth, outperforming competitors like Usha Martin and Technocraft Industries. However, mild pricing pressures in steel and ferroalloys remain a potential challenge, which the company is addressing through operational efficiencies and strategic initiatives. Overall, SARDAEN's strong fundamentals, strategic growth drivers, and balanced capital allocation make it a bullish investment choice in the short to mid-term.

Please read detailed disclosure on next page.

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|-----------------------------------|--|
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| 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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