Shyam Metalics and Energy Limited

ISIN :INE810G01011 | NSE :SHYAMMETL

Price: 910
Recommendation: Buy
Industry: Iron & Steel Products
Sector: Industrials
Report Date: 03-Apr-2025

Shyam Metalics and Energy Limited has demonstrated strong operational and financial performance amid challenging macroeconomic conditions. The company has successfully commissioned operations at the Jamuria plant's blast furnace and a cold rolling mill complex, focusing on value-added products. With a capex plan of INR10,000 crores, it aims for sustained growth, leveraging expertise in high capex business and metallurgy, while expanding into niche metal businesses for future profitability.

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	50.7	Sales Growth	-1.29 %	Sales Growth	-4.31 %
PEG Ratio	11.6	PAT Growth	20.34 %	Sales Growth QYoY	-7.79 %
EV/EBITDA	27.5	EPS Growth	42.06 %	PAT Growth	10.19 %
P/B	4.27	Dividend Yield	0.50	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	25400 Cr
RoIC	15.6 %	Public	14.4 %	Enterprise value	25687 Cr
		No of Shares	27.9 Cr	Cash Equivalents	14.3 Cr

source : Company filings

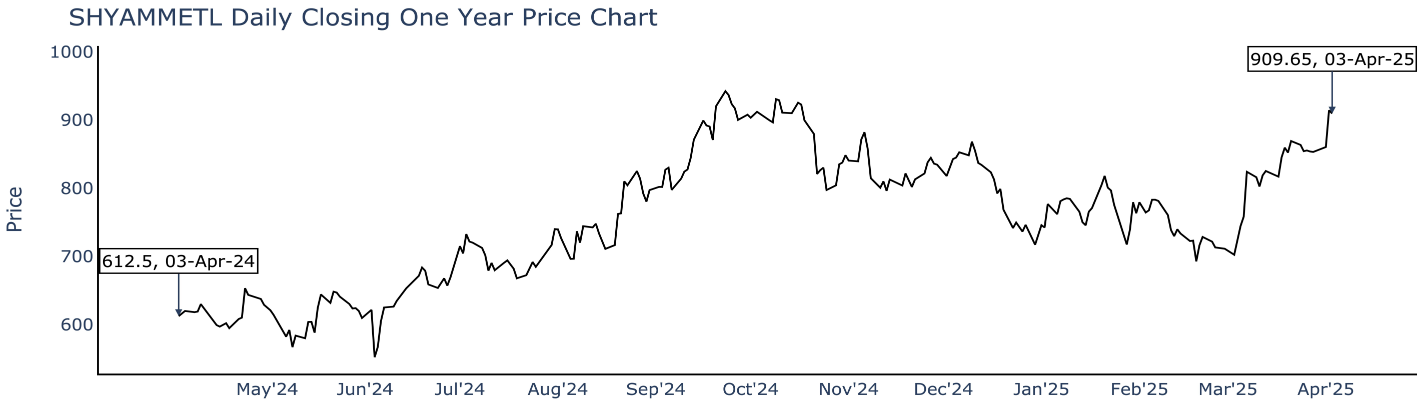
Company's Overview Based on Recent Concall and Performance:

In the recent meeting, Shyam Metalics and Energy Limited reported a robust operational and financial performance, despite a challenging macroeconomic environment. The company emphasized its proactive approach to managing these challenges, which has enabled it to maintain profitability while aligning with long-term growth objectives. A key highlight was the successful commissioning of operations at the Jamuria plant's blast furnace, marking a significant milestone in their expansion strategy. This facility is expected to enhance the bottom line by improving cost efficiency. Additionally, the company has commissioned a cold rolling mill complex, starting with a small tonnage of cold rolling coils, and remains focused on value-added products, achieving a CAGR of 43% over the last five years.

The company has announced a capex plan of INR10,000 crores, with INR5,873 crores incurred in the first nine months of FY '25, amounting to nearly 59% of the total planned investment. This includes the successful commissioning of a coke oven plant, batteries, a power plant, and a cold rolling mill. In the aluminum segment, Shyam Metalics has emerged as the country's largest exporter of specialized foil and plans to strengthen its presence with niche products in specialized applications. The company is also diversifying into the B2C space, reducing costs, and increasing the efficiency of existing plants, with a focus on specialized and value-added products to enhance revenue and profitability.

Looking ahead, Shyam Metalics is positioning itself for sustained growth, leveraging its expertise in high capex business and metallurgy. The company aims to achieve a minimum of double-digit CAGR annually, enhancing profitability through continuous cost-effectiveness and performance improvement. The strategic focus includes expanding the stainless steel business, with plans to derive revenue of INR7,000 crores to INR8,000 crores from this segment in the next 4 to 5 years. The company is also focusing on downstream wire businesses and specialized structures, aiming for a CAGR of more than 15% to 17% over the next few years.

While the company has made significant progress, there are areas for improvement. The macro environment remains challenging, with geopolitical influences and economic slowdowns affecting steel prices. However, Shyam Metalics' strategic initiatives, such as the commissioning of new plants and focus on high-value products, position it well for future growth. The company's commitment to operational excellence, sustainability, innovation, and cost efficiency will allow it to navigate short-term challenges while positioning for long-term success. The focus on reducing volatility in business strategy and expanding into niche metal businesses is expected to drive growth and profitability in the coming years.



Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
Jindal Steel	92323.10	22.56	14.12%	4.79%	0.42%	10.46%	-50.70%
Tube Investments	52282.03	63.76	26.48%	-2.28%	14.66%	-6.38%	8.52%
Jindal Stain.	49071.96	20.37	19.88%	1.33%	8.54%	7.36%	-5.35%
S A I L	48926.01	16.81	6.44%	-0.75%	4.89%	-85.58%	-64.61%
APL Apollo Tubes	43432.63	68.46	22.05%	13.80%	30.04%	303.22%	31.09%

Aspect	Commentary
Revenue	Revenue increased YoY but decreased QoQ, indicating seasonal or market fluctuations. The company should focus on stabilizing quarterly sales to ensure consistent growth.
Profit & Loss	Operating profit and PAT show positive growth, reflecting effective cost management and operational efficiency. Continued focus on margin improvement is recommended.
Profitability Matrix	Profit margins are healthy, with a strong EPS. Maintaining or improving these margins will be crucial for sustaining investor confidence and market position.
Valuation Matrix	High P/E and PEG ratios suggest the stock may be overvalued, but strong EV/EBITDA indicates potential for growth. Investors should weigh these factors carefully.
Growth (YoY)	YoY growth in PAT and EPS is robust, signaling strong financial health. However, sales growth is negative, highlighting a need for strategic sales initiatives.
Growth (QoQ)	QoQ growth shows a mixed picture with declining sales but increasing PAT, suggesting cost control measures are effective. Focus on boosting sales is necessary.
Capital Allocation	Strong RoE and RoIC indicate efficient capital use. Continued focus on optimizing capital allocation will support long-term growth and shareholder value.
Holdings	High promoter holding reflects confidence in the company, while diverse institutional and public holdings provide stability. Monitoring changes in holdings is advisable.
Leverage	Low debt/equity ratio indicates prudent financial management, providing flexibility for future investments. Maintaining this balance will be key to financial stability.

Analyst viewpoint: Shyam Metalics and Energy Limited is positioned for robust growth in the short to mid-term, with impressive performance metrics underscoring our bullish outlook. The company has reported a substantial PAT growth of 10.19% QoQ and an outstanding 48.75% QYoY, demonstrating sound financial management and operational efficiency. Its strategic expansion, showcased by the successful commissioning of the Jamuria plant's blast furnace and a cold rolling mill complex, promises enhanced cost efficiency and margin improvements. The company's capital allocation dynamics reflect strong governance and future potential, with a debt-to-equity ratio at a conservative 0.05. Moreover, its valuation metrics, such as a trailing P/E of 50.7 and EV/EBITDA of 27.5, indicate a significant growth trajectory despite a high PEG ratio.

While these aspects highlight Shyam Metalics' strong market position and potential, it is crucial to consider competitive dynamics. The company’s leverage strategy and prudent debt management offer flexibility for further investments amidst peer competition from entities like Jindal Steel and Tube Investments, which exhibit diverse growth challenges and opportunities. An additional positive indicator is the company’s focused capex plan of INR10,000 crores and its strategic pivot to specialized and value-added products. While investor confidence is high, as reflected in significant promoter holdings at 74.6%, it is important to note that the company is not immune to broader macroeconomic challenges and steel price fluctuations, which require ongoing strategic vigilance.

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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