

Price: 546

Recommendation: Buy

Industry: Iron & Steel

Sector: Commodities

Report Date: 22-Mar-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 plans include increasing mining capacity and acquiring new coal mines. Despite challenges in steel and ferroalloys, revenue grew 43% year-on-year. The company focuses on diversification and operational efficiency 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	32.4	Sales Growth	9.10 %	Sales Growth	37.22 %
PEG Ratio	2.00	PAT Growth	-28.57 %	Sales Growth QYoY	59.36 %
EV/EBITDA	20.5	EPS Growth	27.27 %	PAT Growth	53.66 %
P/B	3.51	Dividend Yield	0.18	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	19224 Cr
RoIC	21.4 %	Public	19.8 %	Enterprise value	19744 Cr
		No of Shares	35.2 Cr	Cash Equivalents	990 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

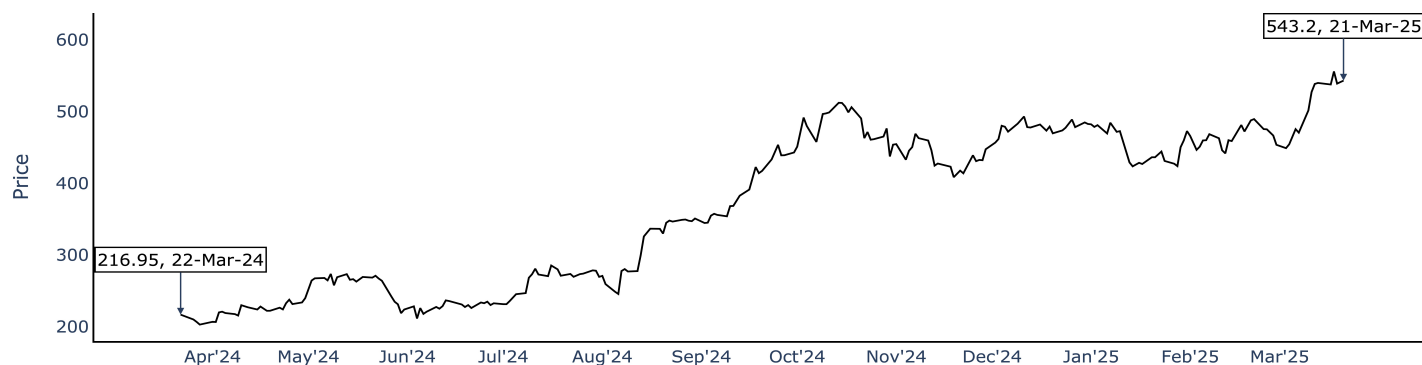
Sarda Energy & Minerals Limited's recent concall highlighted several strategic initiatives and operational updates. The company achieved its highest-ever quarterly generation in its captive power plant at Siltara, Raipur, with hydropower generation growing by 7% year-on-year, supported by a strong monsoon. The performance of the IPP thermal power plant improved significantly, achieving a load factor of 74% during the quarter. The company is addressing maintenance issues to ensure sustainable operations at full capacity. The Indonesian coal mine resumed operations, producing 0.33 million tons of coal, while the ferroalloy production was affected by maintenance shutdowns. Expansion plans include 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, with the latter facing slight delays due to construction issues.

The company is focusing on diversification and backward integration as part of its business strategy. It is investing in hydropower projects, coal mines, and iron ore mines, with plans for the expansion of the SKS power plant. The diversification strategy aims to ensure consistent growth and sustainable cash flows, insulating the company against the cyclicity of the steel industry. The company achieved consolidated revenue of INR 1319 crores in Q3 FY '25, marking a growth of 43% year-on-year. Despite challenges in the steel and ferroalloys segments, operating EBITDA almost doubled year-on-year. The company's liquidity remains strong, with cash and liquid investments exceeding INR 1400 crores.

Looking ahead, Sarda Energy & Minerals Limited is poised for growth with several projects set to contribute to profitability in the next financial year. The 25-megawatt hydropower plant, mineral wool project, and Gare Palma IV/5 are expected to enhance the company's financial performance. The company anticipates a pick-up in credit, off-take, and economic growth supported by liquidity infusion and government spending. Expected safeguard measures to check steel imports in India will help improve margins for the Indian steel industry. The reversal of the interest rate cycle is expected to enhance competitiveness and encourage capital investments, creating demand for steel and other metals.

While the company has made significant strides, there are areas for improvement. The ferroalloy prices have been subdued, and the company faces challenges in the international market due to protectionist measures by other countries. The company is also dealing with high debt levels, although it is expected to reduce as loans taken for the SKS acquisition are repaid. The company is not participating in manganese ore mining auctions due to the small size and low grade of available mines. Overall, Sarda Energy & Minerals Limited is well-positioned for future growth, with a strong focus on diversification and operational efficiency.

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
Gallantt Ispat L	8361.59	22.01	9.63%	18.65%	5.24%	132.50%	118.68%
Technocraf.Inds.	6116.88	24.37	17.44%	2.51%	25.68%	-41.28%	-30.91%
Bansal Wire Inds	5704.12	49.60	20.65%	32.64%	65.31%	7.00%	172.85%
Ratnamani Metals	19234.30	36.43	21.63%	35.52%	4.70%	32.17%	-1.11%
Sarda Energy	19224.16	32.37	13.76%	37.23%	59.23%	54.34%	67.81%

Aspect	Commentary
Revenue	The company experienced a notable increase in revenue, with a year-on-year growth of 9.10%. This indicates a positive trend in sales performance, reflecting effective strategies in market expansion and product offerings. The quarterly revenue also showed a significant rise, suggesting strong operational execution and market demand.
Profit & Loss	The profit and loss statement reveals a mixed performance. While operating profit margins are healthy, the year-on-year PAT growth is negative at -28.57%, indicating challenges in cost management or external market pressures. However, quarterly PAT growth is robust, suggesting recent improvements in profitability.
Profitability Matrix	The profitability matrix shows strong operating profit and EBITDA margins, indicating efficient cost management and operational effectiveness. The net profit margin is also healthy, reflecting the company's ability to convert sales into actual profit. EPS growth further supports a positive outlook for shareholders.
Valuation Matrix	The valuation metrics suggest the company is valued at a premium, with a trailing P/E of 32.4 and a PEG ratio of 2.00. This indicates investor confidence in future growth prospects. The EV/EBITDA ratio of 20.5 suggests the company is efficiently generating earnings relative to its enterprise value.
Growth (YoY)	Year-on-year growth metrics highlight a mixed performance. While sales growth is positive, PAT growth is negative, indicating potential issues in cost control or market conditions. EPS growth is strong, suggesting improved earnings per share, which is favorable for investors.
Growth (QoQ)	Quarter-on-quarter growth metrics are positive, with significant increases in sales and PAT. This suggests effective short-term strategies and operational improvements. The strong quarterly growth in PAT indicates enhanced profitability and potential for sustained financial performance.
Capital Allocation	The capital allocation metrics show a balanced approach, with healthy returns on equity, assets, and capital employed. This indicates efficient use of resources and effective investment strategies, contributing to overall financial stability and shareholder value.
Holdings	The holdings structure reveals a high promoter holding at 73.2%, indicating strong control and confidence in the company's future. The presence of institutional investors, though limited, suggests some level of market trust. Public holding is moderate, providing liquidity in the market.
Leverage	The leverage metrics indicate a conservative approach, with a debt-to-equity ratio of 0.28. This suggests the company is managing its debt levels effectively, maintaining financial flexibility. The market cap and enterprise value further reflect the company's strong market position and growth potential.

Analyst viewpoint: Sarda Energy & Minerals Limited demonstrates a strong potential for growth in the short to mid-term, driven by robust quarterly performance indicators and strategic capital allocation. The company achieved a notable QoQ sales growth of 37.22% and PAT growth of 53.66%, indicating effective short-term strategies and operational improvements. With a healthy trailing P/E of 32.4 and a PEG ratio of 2.00, valuation metrics suggest investor confidence in its future growth prospects. Their strategic expansion into hydropower and mining, combined with a solid focus on operational efficiency and diversification, underpins a positive outlook. Recent improvements in profitability, highlighted by significant quarterly gains, further enhance the attractiveness of Sarda Energy as an investment opportunity.

Positioned competitively among peers, Sarda Energy's market initiatives distinguish it in the sector, significantly outpacing many competitors in growth metrics. While the company's focus on diversification and operational enhancement is commendable, investor attention should be drawn to its modest debt level despite its conservative debt-to-equity ratio of 0.28, which is expected to be managed effectively moving forward. By maintaining a balanced capital structure and innovative growth strategies, Sarda Energy is poised well to capitalize on industry opportunities, cementing its position as a strong buy recommendation in the commodities market.

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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