

Price: 548

Recommendation: Buy

Industry: Iron & Steel

Sector: Commodities

Report Date: 13-Mar-2025

Sarda Energy & Minerals Limited has achieved significant milestones, including record power generation at its Siltara plant and a 7% increase in hydropower output. The company is expanding its mining capacity and pursuing new projects like the Rehar hydropower and solar power initiatives. Despite challenges in the steel market, Sarda Energy maintains strong financials, with a 43% revenue growth and strategic focus on domestic demand and infrastructure.

Sales		Profit & Loss		Profitability Matrix	
Current Year	4293 Cr	Operating Profit(Year)	1119 Cr	Operating Profit Margin	26.1 %
Previous Year	4212 Cr	Operating Profit(Quarter)	369 Cr	EBITDA Margin	22.55 %
Current Quarter	1319 Cr	PAT (Year)	515 Cr	Net Profit Margin	13.3 %
Previous Quarter	1159 Cr	PAT (Quarter)	197 Cr	EPS	19.5
Revenue (QYoY)	925 Cr				
Valuation Matrix		Growth(YoY)		Growth(QoQ)	
Trailing P/E	28.4	Sales Growth	5.87 %	Sales Growth	13.81 %
PEG Ratio	1.37	PAT Growth	-14.02 %	Sales Growth QYoY	42.59 %
EV/EBITDA	16.4	EPS Growth	31.76 %	PAT Growth	1.03 %
P/B	3.23	Dividend Yield	0.19	PAT Growth QYoY	69.83 %
Capital Allocation		Holdings		Leverage	
RoE	14.1 %	Promoter	73.2 %	Debt/Equity	0.48
RoA	8.98 %	FII	2.66 %	Debt	2875 Cr
RoCE	15.3 %	DII	4.35 %	Market Cap	19314 Cr
RoIC	13.4 %	Public	19.8 %	Enterprise value	21085 Cr
		No of Shares	35.2 Cr	Cash Equivalents	1104 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

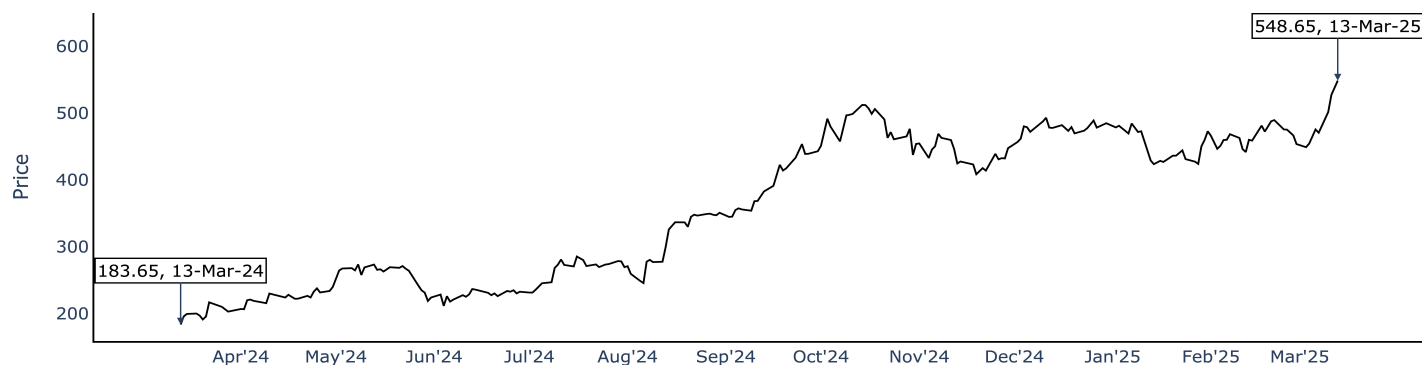
Sarda Energy & Minerals Limited's recent concall highlighted several strategic initiatives and operational achievements. The company reported its highest-ever quarterly generation in its captive power plant at Siltara, Raipur, with hydropower generation growing by 7% year-on-year, supported by a strong monsoon. The performance of the IPP thermal power plant improved significantly, achieving a load factor of 74% during the quarter. The company is also focusing on operational efficiency measures to sustain this growth. "It could have been even better, but for plant maintenance shutdown and lower power prices on energy exchanges, we expect further improvement with January already recording PLF of 97%." The Indonesian coal mine resumed operations, producing 0.33 million tons of coal, while the Raipur ferroalloy furnace underwent modifications.

The company is actively pursuing expansion and diversification strategies. The mining capacity at Gare Palma IV/7 is set to increase, and a new coal mine, Gare Palma IV/5, with significant reserves, has been acquired. The Rehar hydropower project and a captive solar power project are progressing, with the former expected to be operational by the end of the financial year. The mineral wool project, a sustainability initiative, is also on track. "Our diversification strategy has paid off to have consistently sustainable cash flows, insulating us against cyclicalities of the steel industry." These projects are expected to contribute to profitability in the next financial year.

Looking ahead, Sarda Energy is poised for growth with a strong balance sheet and liquidity position. The company achieved consolidated revenue growth of 43% year-on-year, with operating EBITDA nearly doubling. Despite challenges in the steel and ferroalloy segments, the company maintained a steady profit after tax. The net consolidated debt stands at INR 1400 crores, with strong liquidity exceeding this amount. The company is focusing on backward integration through investments in hydropower projects and coal mines, which will support its operations and reduce dependency on external sources.

While the company has made significant strides, there are areas for improvement. The ferroalloy segment faced pricing and margin pressures, and the company experienced inventory losses. The global steel market remains challenging, with aggressive exports from China affecting prices. However, the company's strategic focus on domestic demand and infrastructure growth in India positions it well for future opportunities. "We expect pick-up in credit, off-take and economic growth supported by liquidity infusion and government spending." The company's ability to adapt to market conditions and leverage its diversified portfolio will be crucial for sustained growth.

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	9506.45	23.13	19.21%	-3.44%	7.96%	-15.60%	-14.18%
Gallantt Ispat L	7548.48	19.85	9.63%	18.65%	5.24%	132.50%	118.68%
Bansal Wire Inds	5652.43	49.15	20.65%	32.64%	65.31%	7.00%	172.85%
Technocraf.Inds.	5510.13	21.94	17.44%	2.51%	25.68%	-41.28%	-30.91%
Sarda Energy	19314.02	28.44	14.11%	13.85%	42.55%	1.00%	70.51%

Aspect	Commentary
Revenue	The company shows a steady increase in revenue, with a year-on-year growth of 5.87% and a quarter-on-quarter growth of 13.81%. This indicates a positive trend in sales performance, reflecting effective market strategies and possibly increased demand for its products.
Profit & Loss	Operating profit remains strong, but PAT shows a decline of 14.02% YoY, suggesting increased costs or other financial pressures. However, the quarterly PAT growth of 1.03% indicates some recovery, possibly due to cost management or improved operational efficiency.
Profitability Matrix	The company maintains healthy profitability with an operating profit margin of 26.1% and a net profit margin of 13.3%. These figures suggest efficient cost management and strong pricing power, contributing to overall financial health.
Valuation Matrix	The valuation metrics, including a trailing P/E of 28.4 and a PEG ratio of 1.37, suggest the company is valued fairly with growth expectations. The EV/EBITDA of 16.4 indicates a moderate valuation relative to earnings before interest, taxes, depreciation, and amortization.
Growth (YoY)	Year-on-year growth metrics show mixed results, with sales growth at 5.87% and EPS growth at 31.76%, indicating strong earnings performance. However, the decline in PAT growth suggests challenges in maintaining net profitability.
Growth (QoQ)	Quarter-on-quarter growth is robust, with sales growth at 13.81% and PAT growth at 1.03%. The significant QYoY sales growth of 42.59% highlights strong performance compared to the previous year, indicating effective strategic initiatives.
Capital Allocation	The company demonstrates effective capital allocation with a RoE of 14.1% and RoCE of 15.3%, indicating efficient use of equity and capital employed. These metrics reflect the company's ability to generate returns on investments.
Holdings	The promoter holding is strong at 73.2%, indicating confidence in the company's prospects. The public holds 19.8%, while institutional investors have a smaller stake, suggesting potential for increased institutional interest.
Leverage	With a debt/equity ratio of 0.48, the company maintains a balanced leverage position, indicating prudent financial management. The manageable debt level supports financial stability and provides room for future growth initiatives.

Analyst viewpoint: Sarda Energy & Minerals Limited displays a robust trajectory for growth in the short to mid-term, supported by its impressive quarter-on-quarter sales growth of 13.81% and a striking QYoY sales increase of 42.59%. The strategic expansion in mining and power projects positions the company favorably in the commodities sector. With a trailing P/E of 28.4 and a PEG ratio of 1.37, the current valuation reflects investor confidence in anticipated growth. Significant contributions from hydropower projects and ongoing diversification into solar energy are set to bolster earnings, evidenced by operational gains at the Siltara plant with highest-ever quarterly power generation. The strategic capital allocation is reflected in a solid RoE of 14.1% and RoCE of 15.3%, underpinning the company's capacity to invest in profitable ventures effectively.

Operational efficiency is coupled with a favorable competitive stance as compared to peers, such as Usha Martin and Bansal Wire Industries. The balance of a debt/equity ratio of 0.48 indicates prudent financial management, while a strong liquidity position ensures stability and opportunities for future expansion. The robust promoter and public holdings exhibit confidence in the company's strategic direction. While pricing and margin pressures persist in the ferroalloy segment, impacting profitability, Sarda's focus on domestic market demand and infrastructural growth potential mitigate these challenges. This strategic adaptability positions Sarda Energy to leverage its diversified portfolio efficiently, ensuring sustained progress amidst external market fluctuations.

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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