Shyam Metalics and Energy Limited

ISIN :INE810G01011 | NSE :SHYAMMETL

Price: 869
Recommendation: Buy
Industry: Iron & Steel Products
Sector: Industrials
Report Date: 22-Mar-2025

Shyam Metalics and Energy Limited has shown strong operational and financial performance despite a challenging macroeconomic environment. The company has expanded its Jamuria plant and commissioned a cold rolling mill, focusing on value-added products with a 43% CAGR over five years. With a capex plan of INR5,873 crores, it aims to enhance its aluminum segment and diversify into B2C. Targeting INR7,000-8,000 crores in stainless steel revenue, it focuses on sustainable growth.

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	48.5	Sales Growth	-1.29 %	Sales Growth	-4.31 %
PEG Ratio	11.1	PAT Growth	20.34 %	Sales Growth QYoY	-7.79 %
EV/EBITDA	26.3	EPS Growth	42.06 %	PAT Growth	10.19 %
P/B	4.12	Dividend Yield	0.52	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	24265 Cr
RoIC	15.6 %	Public	14.4 %	Enterprise value	24552 Cr
		No of Shares	27.9 Cr	Cash Equivalents	14.3 Cr

source : Company filings

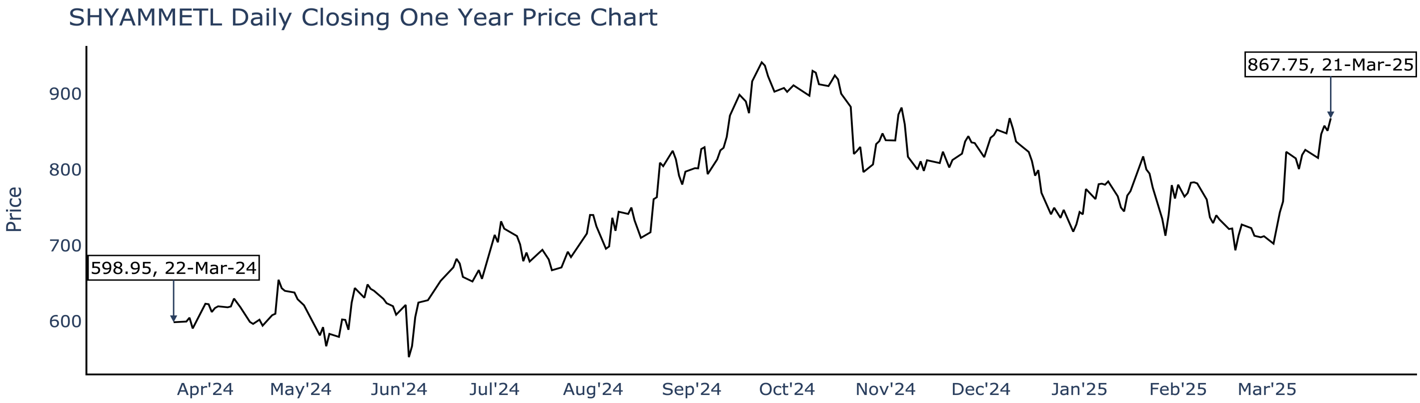
Company's Overview Based on Recent Concall and Performance:

Shyam Metalics and Energy Limited has demonstrated a robust operational and financial performance in the recent quarter, despite a challenging macroeconomic environment. The company has successfully commissioned operations at its Jamuria plant's blast furnace, marking a significant milestone in its 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. The focus on value-added products remains a key driver of growth, achieving a CAGR of 43% over the last five years. The company anticipates continuous expansion in this segment, supported by the introduction of new high-value products in the coming year.

The company has announced a capex plan in multiple phases, with INR5,873 crores incurred in the first nine months of FY '25, amounting to nearly 59% of the total planned investment. A significant portion of this cost has been capitalized, including a substantial amount in the last quarter alone. In the aluminum segment, Shyam Metalics has emerged as the country's largest exporter of specialized foil and plans to strengthen its presence by introducing better niche products in specialized applications. This strategy is expected to drive both volume and profitability in the coming years. The company is also focusing on diversifying into the B2C space, reducing costs, and increasing the efficiency of existing plants.

Looking ahead, Shyam Metalics is positioning itself to achieve a minimum of double-digit CAGR annually. The company leverages its deep expertise in high capex business and metallurgy to drive sustainable growth through continuous execution of long-term strategies and improvements in daily operations. The company is targeting a revenue of INR7,000 crores to INR8,000 crores from the stainless steel business alone in the next 4 to 5 years. The new expansion plans, including the construction of a green aluminum facility and the addition of foil capacity, are expected to enhance the company's value chain and profitability.

On the positive side, the company's strategic initiatives and expansion efforts are well-aligned with its long-term growth objectives, ensuring sustainable profitability. However, an even better approach could involve further diversification of the product portfolio to mitigate risks associated with market volatility. The company's focus on operational excellence, sustainability, innovation, and cost efficiency positions it well for sustained growth. Specific data points of interest include a 13.2% revenue growth in Q3 of the current financial year and a PAT margin of 5.3%, reflecting sound financial health amidst challenging market conditions.



Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
Jindal Steel	93266.65	22.85	14.12%	4.79%	0.42%	10.46%	-50.70%
Tube Investments	55574.35	67.80	26.48%	-2.28%	14.66%	-6.38%	8.52%
Jindal Stain.	51543.26	21.37	19.88%	1.33%	8.54%	7.36%	-5.35%
S A I L	47624.96	16.30	6.44%	-0.75%	4.89%	-85.58%	-64.61%
APL Apollo Tubes	41949.23	66.13	22.05%	13.80%	30.04%	303.22%	31.09%

Aspect	Commentary
Revenue	The company experienced a slight increase in annual revenue, indicating stable performance. However, quarterly revenue showed a decline, suggesting potential seasonal or operational challenges. The year-over-year growth was negative, highlighting the need for strategic adjustments to enhance sales performance and capture market opportunities.
Profit & Loss	Annual operating profit and PAT indicate a healthy financial position, with significant quarterly PAT growth. This suggests effective cost management and operational efficiency. However, the quarterly operating profit decline may require attention to maintain profitability. Overall, the company demonstrates resilience in a challenging environment.
Profitability Matrix	The company maintains a solid operating profit margin, reflecting efficient cost control. EBITDA and net profit margins are healthy, supporting sustainable operations. The EPS growth is notable, indicating strong earnings potential. These metrics suggest a robust profitability framework, essential for long-term financial health.
Valuation Matrix	The company's valuation metrics, including a high P/E ratio, suggest market confidence in future growth. The PEG ratio indicates potential overvaluation, warranting cautious optimism. EV/EBITDA and P/B ratios reflect a premium valuation, emphasizing the need for continued performance to justify market expectations.
Growth (YoY)	Year-over-year growth metrics reveal a mixed performance, with sales declining but PAT and EPS showing strong growth. This indicates effective cost management and profitability focus, despite revenue challenges. The dividend yield remains modest, suggesting a balanced approach to shareholder returns and reinvestment.
Growth (QoQ)	Quarterly growth analysis shows a decline in sales, but a significant increase in PAT, highlighting operational efficiency. The QYoY sales decline suggests external pressures or market dynamics affecting revenue. The PAT QYoY growth underscores the company's ability to adapt and maintain profitability in a volatile environment.
Capital Allocation	The company demonstrates prudent capital allocation with strong RoE, RoA, and RoCE metrics, indicating efficient use of resources. The high RoIC reflects value creation from investments. These metrics suggest a strategic focus on maximizing returns and optimizing capital structure to support sustainable growth.
Holdings	The ownership structure is stable, with a high promoter holding, indicating confidence in the company's prospects. Institutional holdings are moderate, suggesting potential for increased institutional interest. The public holding provides liquidity, supporting market stability. Overall, the structure supports strategic alignment and growth.
Leverage	The company maintains a low debt-to-equity ratio, reflecting conservative leverage and financial stability. The manageable debt level and strong market capitalization indicate a solid financial foundation. Cash equivalents are modest, suggesting a focus on reinvestment and growth. This conservative approach supports long-term resilience.

Analyst viewpoint: Shyam Metalics and Energy Limited has repeatedly demonstrated robust growth metrics, making it an appealing investment in the short to mid-term. The company achieved an impressive 48.75% QoQ PAT growth, signifying strong operational efficiency amidst a competitive industrial landscape. Its ambitious capex plan and strategic expansion into value-added products have driven a 43% CAGR, aligning with its goal to achieve INR7,000-8,000 crores in stainless steel revenue. Furthermore, Shyam Metalics displays strong valuation metrics, with a trailing P/E ratio of 48.5, reflecting the market's confidence in its growth trajectory. Our high conviction is underpinned by the company's effective capital allocation strategy, evidenced by solid RoE and RoIC figures that advocate for Shyam Metalics as a steadfast entity ready to capitalize on market opportunities.

However, a mild element of caution arises from the company's P/E and PEG ratios, which suggest a potential overvaluation that investors should keep an eye on. Despite this, the company showcases a low debt-to-equity ratio of 0.05, indicating financial prudence and stability. Coupled with its expansion plans and focus on innovation to offset market volatility, Shyam Metalics is poised for continued success. While it is crucial to remain vigilant about market fluctuations, the company's strategic initiatives, targeted investments, and efficient operations endorse a bullish outlook for potential investors.

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Investment Rating	Expected Return (over 12-month)
BUY	>=15%
SELL	<-10%
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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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Research Analyst Details:

Name: Robin Arya

Email: smallcase@goalfi.in

Contact: +91-9394306085

GOALZEN CAPITAL SERVICES PRIVATE LIMITED

CIN: U66190TS2023PTC176030

Address: Co ikeva Office 10, Level 3, NSL Centrum, Serene Estate Pvt Ltd, Site No. Phase I and II, Opp KPHB Colony

Lane Opp. Forum Mall Kukatpally, HYDERABAD, TELANGANA, 500072

Support Telephone: +91 9063309052, Support Email – support@goalfi.in

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