# Shyam Metalics and Energy Limited

ISIN :INE810G01011 | NSE :SHYAMMETL

**Price:** 911
**Recommendation:** Buy
**Industry:** Iron & Steel Products
**Sector:** Industrials
**Report Date:** 02-Apr-2025

Shyam Metalics and Energy Limited has demonstrated strong operational and financial performance despite challenging macroeconomic conditions. The company has successfully commissioned operations at its Jamuria plant's blast furnace and a cold rolling mill complex, focusing on value-added products with a CAGR of 43% over five years. With a capex of INR10,000 crores, Shyam Metalics is expanding in the aluminum segment and diversifying into the B2C space.

| 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 | 50.8 | 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 | 4.24 | 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 | 25428 Cr |
| RoIC | 15.6 % | Public | 14.4 % | Enterprise value | 25715 Cr |
| | | No of Shares | 27.9 Cr | Cash Equivalents | 14.3 Cr |

source : Company filings

## Company's Overview Based on Recent Concall and Performance:

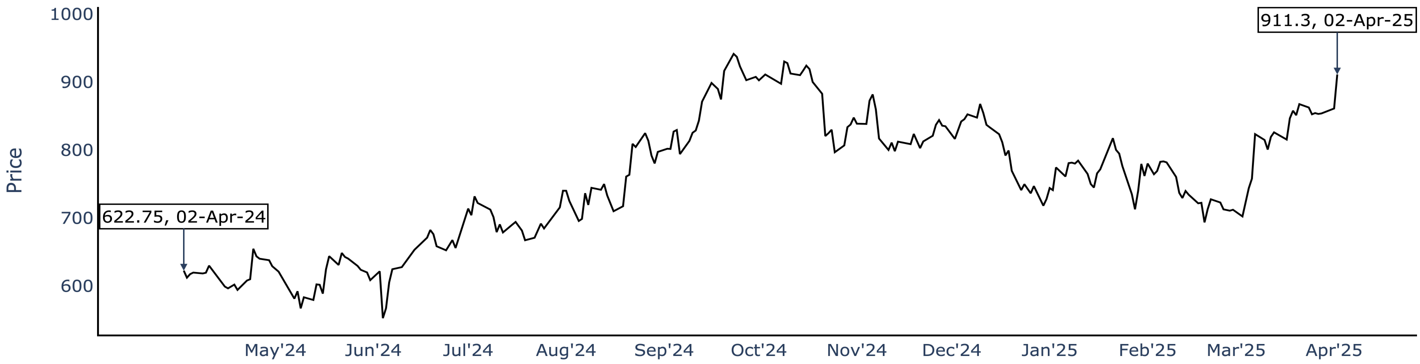
In the recent conference call, Shyam Metalics and Energy Limited highlighted their robust operational and financial performance amidst a challenging macroeconomic environment. The company has successfully commissioned operations at their Jamuria plant's blast furnace, marking a significant milestone 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. Their focus on value-added products has been a key driver of growth, achieving a CAGR of 43% over the last five years. The company plans to continue expanding in this segment with new high-value products in the coming year.

The company has announced a capex 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. A significant portion of this cost has been capitalized, including the successful commissioning of the coke oven plant, batteries, power plant, blast furnace, and 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 to enhance profitability.

Looking ahead, Shyam Metalics is positioning itself for sustained growth with a minimum of double-digit CAGR annually. The company is leveraging its 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 aims to achieve a revenue of INR7,000 crores to INR8,000 crores from the stainless steel business in the next 4 to 5 years. They are also focusing on downstream wire businesses and specialized structures for the railway and transmission line sectors, which are in high demand.

On the positive side, the company's strategic advancements and operational execution have been commendable, with a strong focus on value addition and cost efficiency. However, there is room for improvement in stabilizing new capacities and achieving breakeven faster. The company could also benefit from further diversification to mitigate risks associated with market volatility. 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 market challenges. The company's strategic focus on high-value products and efficient capital allocation policy positions it well for future growth.

SHYAMMETL 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 |
|---|---|---|---|---|---|---|---|
| **Jindal Steel** | 92797.45 | 22.78 | 14.12% | 4.79% | 0.42% | 10.46% | -50.70% |
| **Tube Investments** | 52975.69 | 64.70 | 26.48% | -2.28% | 14.66% | -6.38% | 8.52% |
| **S A I L** | 49049.91 | 16.89 | 6.44% | -0.75% | 4.89% | -85.58% | -64.61% |
| **Jindal Stain.** | 48585.96 | 20.17 | 19.88% | 1.33% | 8.54% | 7.36% | -5.35% |
| **APL Apollo Tubes** | 43175.97 | 68.05 | 22.05% | 13.80% | 30.04% | 303.22% | 31.09% |

| Aspect | Commentary |
|---|---|
| **Revenue** | The company experienced a slight decline in quarterly revenue, indicating potential market challenges. However, the annual revenue shows resilience with a modest increase, suggesting stable demand and effective sales strategies. This balance highlights the company's ability to maintain its market position despite short-term fluctuations. |
| **Profit & Loss** | Annual operating profit and PAT reflect strong financial health, with significant year-over-year growth. Quarterly figures also show positive trends, indicating effective cost management and operational efficiency. This performance underscores the company's robust financial foundation and potential for sustained profitability. |
| **Profitability Matrix** | The company maintains healthy profitability margins, with an operating profit margin of 11.8% and a net profit margin of 5.24%. These figures suggest efficient cost control and strong pricing power, contributing to overall financial stability and competitive advantage in the market. |
| **Valuation Matrix** | The valuation metrics indicate a high market valuation with a trailing P/E of 50.8 and a PEG ratio of 11.6. This suggests investor confidence in future growth prospects, although the high valuation may also reflect market expectations for continued strong performance and strategic execution. |
| **Growth (YoY)** | Year-over-year growth metrics reveal a mixed performance, with a slight decline in sales but significant growth in PAT and EPS. This indicates effective cost management and operational improvements, driving profitability despite revenue challenges, highlighting strategic focus on efficiency. |
| **Growth (QoQ)** | Quarterly growth analysis shows a decline in sales but a notable increase in PAT, reflecting successful cost control measures. The significant PAT growth suggests operational improvements and strategic initiatives are effectively enhancing profitability, even amid revenue pressures. |
| **Capital Allocation** | The company demonstrates prudent capital allocation with strong returns on equity and capital employed. This indicates efficient use of resources to generate shareholder value, supported by strategic investments and cost management, positioning the company for sustainable growth. |
| **Holdings** | The ownership structure is stable, with a high promoter holding of 74.6%, indicating strong control and confidence in the company's future. Institutional and public holdings provide a balanced investor base, supporting market stability and potential for strategic partnerships. |
| **Leverage** | The company maintains a low debt-to-equity ratio of 0.05, reflecting conservative financial management and low leverage risk. This financial prudence provides flexibility for future investments and growth opportunities, ensuring long-term financial stability and resilience. |

**Analyst viewpoint:** We are optimistic about the prospects of Shyam Metalics from a short to mid-term perspective. The company has showcased robust growth metrics, with QoQ PAT growth standing at an impressive 10.19% despite a slight decline in sales. This reflects successful cost control and operational efficiency, crucial for driving profitability amidst revenue pressures. The strategic focus on value-added products, as highlighted in the recent concall, has been pivotal, enabling a CAGR of 43% over the last five years and positioning the company for continued growth in its high-value product segments. On valuation, while the trailing P/E ratio of 50.8 indicates a high market expectation, it underscores investor confidence in the firm's future growth trajectory. Moreover, Shyam Metalics has effectively managed its capital allocation, boasting a RoCE of 10.3% and a low debt-to-equity ratio of 0.05, which further cements its financial stability and ability to undertake future expansions.

The competitive landscape reveals that Shyam Metalics holds its ground firmly against peers, such as Jindal Steel and APL Apollo Tubes, leveraging its strategic initiatives to capture substantial market opportunities. A major highlight from their recent developments is the successful commissioning of their Jamuria plant's blast furnace and a cold rolling mill complex, expected to boost cost efficiency and enhance the bottom line, as discussed in their recent conference. While their diversification into new segments and the ambitious capex plan of INR10,000 crores projects a favorable outlook, there remains a mild concern regarding the stabilization of new capacities to achieve faster breakeven. This, however, is outweighed by their strong operational execution and prudent financial management, which collectively signify a persuasive case for a bullish recommendation.

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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