

**Price:** 900

**Recommendation:** Buy

**Industry:** Iron & Steel Products

**Sector:** Industrials

**Report Date:** 19-Apr-2025

Shyam Metals and Energy Limited has shown strong operational and financial performance despite economic challenges. The company focuses on a diversified business model, achieving a 43% CAGR in value-added products over five years. Key initiatives include commissioning a blast furnace and cold rolling mill, expanding into B2C, and enhancing efficiency. They aim for a 15-17% CAGR, focusing on sustainable, high-margin operations.

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	50.2	Sales Growth	-1.29 %	Sales Growth	-4.31 %
PEG Ratio	11.5	PAT Growth	20.34 %	Sales Growth QYoY	-7.79 %
EV/EBITDA	27.2	EPS Growth	42.06 %	PAT Growth	10.19 %
P/B	4.26	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	3.75 %	Debt	301 Cr
RoCE	10.3 %	DII	7.68 %	Market Cap	25123 Cr
RoIC	15.6 %	Public	13.7 %	Enterprise value	25410 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 Metals and Energy Limited reported a robust operational and financial performance despite a challenging macroeconomic environment. The company emphasized its diversified business model, which continues to yield positive results, reinforcing confidence in their strategic vision. A significant milestone was the commissioning of operations at their blast furnace at the Jamuria plant, expected to enhance the bottom line by improving cost efficiency. The company also commissioned a cold rolling mill complex, starting with a small tonnage of cold rolling coils. Their focus on value-added products remains a key growth driver, achieving a CAGR of 43% over the last five years. The company has incurred 59% of its planned INR10,000 crores capex, with significant capitalizations in the last quarter.

Shyam Metals is actively pursuing new initiatives and business strategies to drive growth. They have emerged as the country's largest exporter of specialized foil in the aluminum segment and plan to strengthen their presence with niche products in specialized applications. The company is focusing on vertical and horizontal integration, diversifying into the B2C space, and enhancing efficiency and profitability through specialized and value-added products. They are also commissioning a power plant in Odisha, which is expected to provide substantial cost benefits. The company is positioning itself to achieve a minimum double-digit CAGR annually, enhancing profitability through continuous cost-effectiveness and performance improvements.

Looking ahead, Shyam Metals is optimistic about future growth and scaling perspectives. They aim to achieve a revenue of INR7,000 to INR8,000 crores from the stainless steel business in the next 4 to 5 years. The company is focusing on downstream wire businesses and specialized structures, such as railway and transmission line structures, to enhance product value. They are also implementing a beneficiation plan to reduce iron ore costs and improve margins. The company expects to grow at a CAGR of more than 15% to 17%, becoming a unique metal conglomerate with high-margin, sustainable operations and minimal market volatility.

While the company has demonstrated strong performance, there are areas for potential improvement. The macroeconomic environment remains challenging, with steel prices under pressure due to global factors. However, Shyam Metals' strategic focus on operational excellence, sustainability, innovation, and cost efficiency positions them well to navigate these challenges. The company's commitment to delivering long-term value to shareholders is evident in their strategic advancements and operational execution. As they continue to expand and innovate, maintaining a balance between growth and cost management will be crucial for sustained success.

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
<b>Jindal Steel</b>	89941.17	22.03	14.12%	4.79%	0.42%	10.46%	-50.70%
<b>Tube Investments</b>	48292.21	58.92	26.48%	-2.28%	14.66%	-6.38%	8.52%
<b>S A I L</b>	47071.47	16.11	6.44%	-0.75%	4.89%	-85.58%	-64.61%
<b>Jindal Stain.</b>	46250.54	19.18	19.88%	1.33%	8.54%	7.36%	-5.35%
<b>APL Apollo Tubes</b>	44109.75	69.53	22.05%	13.80%	30.04%	303.22%	31.09%

Aspect	Commentary
<b>Revenue</b>	The company experienced a slight decline in quarterly revenue, with a decrease from 1694 Cr to 1621 Cr. However, the year-over-year revenue showed a positive trend, increasing from 6264 Cr to 6633 Cr. This indicates a stable annual growth despite quarterly fluctuations, suggesting resilience in the company's revenue generation capabilities.
<b>Profit &amp; Loss</b>	Operating profit for the year stands at 783 Cr, with a quarterly figure of 193 Cr. The PAT for the year is 349 Cr, and for the quarter, it is 119 Cr. This reflects a strong operational performance, with the company maintaining profitability despite economic challenges, indicating effective cost management and revenue optimization.
<b>Profitability Matrix</b>	The company exhibits a solid profitability profile with an operating profit margin of 11.8%, EBITDA margin of 11.01%, and a net profit margin of 5.24%. The EPS is 17.9, reflecting efficient operations and a strong ability to convert revenue into profit, which is crucial for sustaining investor confidence.
<b>Valuation Matrix</b>	The valuation metrics show a trailing P/E of 50.2, PEG ratio of 11.5, EV/EBITDA of 27.2, and P/B of 4.26. These figures suggest the company is valued at a premium, possibly due to its growth prospects and market position. Investors may view this as a sign of confidence in future earnings potential.
<b>Growth (YoY)</b>	Year-over-year growth metrics indicate a slight decline in sales by 1.29%, but PAT and EPS grew by 20.34% and 42.06%, respectively. This suggests that while sales faced challenges, the company improved its profitability and earnings per share, highlighting effective cost control and operational efficiency.
<b>Growth (QoQ)</b>	Quarter-over-quarter growth shows a sales decline of 4.31%, with a significant PAT growth of 10.19%. The QYoY PAT growth is 48.75%, indicating strong quarterly performance improvements. This suggests the company is effectively managing short-term challenges while enhancing profitability.
<b>Capital Allocation</b>	The company demonstrates efficient capital allocation with RoE at 7.42%, RoA at 5.49%, RoCE at 10.3%, and RoIC at 15.6%. These metrics reflect the company's ability to generate returns on investments, indicating prudent financial management and strategic capital deployment.
<b>Holdings</b>	Promoter holding is strong at 74.6%, with FII at 3.75%, DII at 7.68%, and public holding at 13.7%. This distribution suggests a stable ownership structure, with significant promoter confidence, which can be reassuring for investors regarding the company's governance and strategic direction.
<b>Leverage</b>	The company maintains a low debt/equity ratio of 0.05, with total debt at 301 Cr. The market cap is 25123 Cr, and enterprise value is 25410 Cr. This low leverage indicates a strong balance sheet, providing financial flexibility and reducing risk, which is favorable for long-term sustainability.

**Analyst viewpoint:** Shyam Metalics and Energy Limited has demonstrated a robust performance and strategic prowess in an evolving market landscape. The company's growth metrics are impressive with a PAT growth of 10.19% QoQ and 48.75% QYoY, indicating substantial enhancements in profitability despite a slight 4.31% decline in sales QoQ. Their valuation metrics, with a trailing P/E of 50.2 and a PEG ratio of 11.5, underscore investor confidence in the company's potential for future earnings growth. The strategic capital allocation is evident from its strong RoE of 7.42% and RoIC of 15.6%, demonstrating efficient financial management and commitment to investor value. Additionally, the company's initiative to diversify into B2C markets and focus on value-added products underscores its strong market positioning and forward-thinking strategy, fueling optimism for sustained growth.

Positioned as the country's largest exporter of specialized foil, Shyam Metalics is enhancing its industry footprint with significant investments in infrastructure and technology. Their focus on efficiency through horizontal and vertical integration, along with a strong governance framework evidenced by a high promoter holding of 74.6%, promises stability and growth. Furthermore, the company's strategic initiatives, like power plants and beneficiation plans, are expected to yield long-term cost benefits and profitability. However, given the global pressure on steel prices, it's pertinent for the company to maintain strategic agility to ensure resilience.

Please read detailed disclosure on next page.

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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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