

Price: 911

Recommendation: Buy

Industry: Iron & Steel Products

Sector: Industrials

Report Date: 21-Apr-2025

Shyam Metals and Energy Limited is a leading integrated metal producer specializing in steel, aluminum, and stainless steel products. With a diversified portfolio and focus on value-added offerings, the company drives growth through strategic expansions, vertical integration, and cost optimization. Backed by robust financials and innovation, it aims for sustainable profitability and market leadership.

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	4.31	Dividend Yield	0.49	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	25435 Cr
RoIC	15.6 %	Public	13.7 %	Enterprise value	25722 Cr
		No of Shares	27.9 Cr	Cash Equivalents	14.3 Cr

source : Company filings

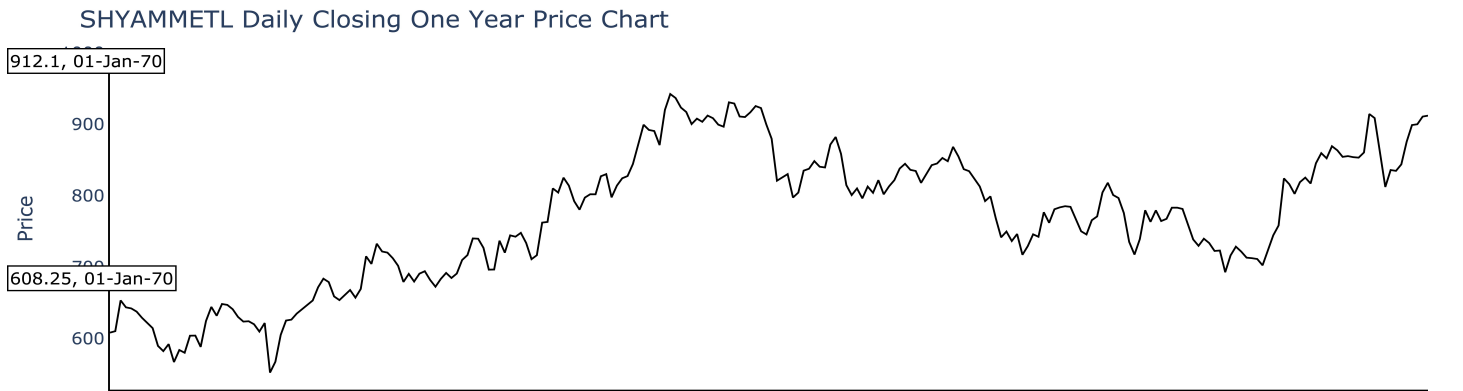
Company's Overview Based on Recent Concall and Performance:

Shyam Metals and Energy Limited showcased robust operational and financial performance in Q3 FY '25, driven by strategic initiatives and diversification efforts. The company successfully commissioned key facilities, including a blast furnace at the Jamuria plant and a cold rolling mill complex, marking significant milestones in its expansion strategy. Trial production of liquid steel pig iron and cold-rolled coils was well-received in the market, reflecting the company's focus on quality and operational excellence. With a capex plan of INR10,000 crores, approximately INR5,873 crores has been incurred in the first nine months of FY '25, with INR4,350 crores capitalized. The company also emphasized its leadership in the aluminum segment, particularly in specialized foil products, and plans to strengthen its presence with niche offerings to drive profitability and volume growth.

Shyam Metals continues to prioritize value-added products and vertical integration to enhance margins and reduce costs. The company is leveraging its diversified business model, spanning long products, structural steel, aluminum, and stainless steel, to mitigate market volatility and sustain profitability. Recent expansions, such as the color-coated steel business and stainless steel wire and bright bar units, align with its strategy to penetrate B2C markets and focus on high-margin, specialized products. Additionally, the commissioning of a power plant in Odisha and an oxygen plant at Jamuria is expected to further optimize costs and improve operational efficiency. The company's capital allocation policy reinvests 70% of cash generated into the business, ensuring liquidity and steady growth while returning 10% to shareholders as dividends.

Future growth perspectives are promising, with the company targeting a minimum double-digit CAGR annually and aiming for an EBITDA of INR4,000 crores by FY '27-'28. Expansion plans include green aluminum facilities, specialized foil production, and stainless steel flat products, which are expected to contribute significantly to revenue and profitability. The company is also focusing on backward integration, such as iron ore beneficiation, to reduce costs and improve product quality. Strategic investments in technology and process enhancements are expected to drive efficiency and scalability across operations. Management remains confident in its ability to navigate macroeconomic challenges and deliver long-term value to shareholders through innovation, sustainability, and operational excellence.

Shyam Metals' disciplined execution of capex projects and its focus on niche markets position it as a resilient player in the metals industry. The company's proactive approach to cost management, coupled with its diversified product portfolio, ensures stability amidst market fluctuations. Its emphasis on high-value products, such as specialized aluminum foil and stainless steel wires, reflects a forward-looking strategy to capture emerging opportunities. With a strong balance sheet, consistent cash flow, and a commitment to operational excellence, Shyam Metals is well-equipped to achieve sustainable growth and profitability in the years ahead.



Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
APL Apollo Tubes Limited	44450	184	16.5%	13.8%	20.2%	1358%	-16.1%
Ratnamani Metals & Tubes Ltd	18743	35.9	20.5%	44.1%	7.92%	42.1%	8.24%
Jindal Saw Ltd.	17331	8.98	17.7%	-5.31%	-5.2%	0.05%	4.87%
DAWARI POWER AND ISPAT LTD	2907	16.7	22.3%	-0.1%	-9.81%	-12.2%	-40.6%
Maharashtra Seamless Ltd.	9469	12.2	18.9%				

Aspect	Commentary
Revenue	Revenue grew 5.9% YoY to INR 6633 Cr, driven by diversification and strategic expansions. However, QoQ revenue declined by 4.31%, reflecting market volatility. The focus on value-added products and vertical integration supports long-term revenue stability.
Profit & Loss	Operating profit increased to INR 783 Cr, showcasing cost optimization and efficiency. PAT grew 20.34% YoY, indicating strong profitability. EPS growth of 42.06% highlights shareholder value creation despite quarterly fluctuations.
Profitability Matrix	Operating profit margin at 11.8% and EBITDA margin at 11.01% reflect effective cost management. Net profit margin of 5.24% underscores profitability improvement, supported by strategic initiatives and focus on high-margin products.
Valuation Matrix	Trailing P/E of 50.8 and EV/EBITDA of 27.5 suggest premium valuation, driven by growth potential. PEG ratio of 11.6 indicates high growth expectations. Dividend yield of 0.49% reflects moderate shareholder returns.
Growth (YoY)	Sales growth declined by 1.29% YoY, impacted by market conditions. PAT growth of 20.34% and EPS growth of 42.06% highlight profitability improvements. Strategic expansions and cost optimization drive positive growth metrics.
Growth (QoQ)	QoQ sales declined by 4.31%, reflecting short-term challenges. PAT grew 10.19% QoQ, supported by operational efficiency. PAT QYoY growth of 48.75% indicates strong recovery and profitability focus amidst market fluctuations.
Capital Allocation	RoE of 7.42% and RoCE of 10.3% reflect efficient capital utilization. 70% reinvestment policy ensures growth while maintaining liquidity. Cash equivalents of INR 14.3 Cr and low debt/equity ratio of 0.05 highlight financial stability.
Holdings	Promoter holding at 74.6% indicates strong ownership confidence. FII and DII holdings at 3.75% and 7.68% reflect institutional interest. Public holding at 13.7% ensures market participation. Balanced ownership supports stability.
Leverage	Debt/equity ratio of 0.05 and debt of INR 301 Cr highlight low leverage, ensuring financial flexibility. Market cap of INR 25435 Cr and enterprise value of INR 25722 Cr reflect robust valuation and growth potential.

Analyst viewpoint: Shyam Metalics and Energy Limited demonstrates strong growth potential in the short to mid-term, supported by its strategic expansions and focus on value-added products. The company's QoQ PAT growth of 10.19% and YoY PAT growth of 20.34% highlight its ability to navigate market challenges effectively, while EPS growth of 42.06% underscores shareholder value creation. Recent capex initiatives, including the commissioning of a blast furnace and cold rolling mill complex, have bolstered operational efficiency and product diversification. The company's disciplined capital allocation policy, reinvesting 70% of cash generated into the business, ensures liquidity and steady growth. Additionally, its low debt/equity ratio of 0.05 and robust EBITDA margin of 11.01% reflect financial stability and cost optimization. Shyam Metalics' focus on high-margin products, such as specialized aluminum foil and stainless steel wires, positions it well to capture emerging opportunities in niche markets.

While the company's trailing P/E of 50.8 and EV/EBITDA of 27.5 suggest a premium valuation, these metrics are justified by its growth trajectory and operational excellence. The recent concall highlighted management's confidence in achieving a minimum double-digit CAGR annually and targeting an EBITDA of INR 4,000 crores by FY '27-'28. Strategic backward integration initiatives, such as iron ore beneficiation, are expected to further reduce costs and enhance product quality. However, the QoQ revenue decline of 4.31% reflects short-term market volatility, which warrants close monitoring. Overall, Shyam Metalics' diversified portfolio, proactive cost management, and disciplined execution of expansion projects make it a compelling investment opportunity for the short to mid-term horizon.

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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