



## KEY HIGHLIGHTS

### 1. RESULTS OVERVIEW:

- Shyam Metals & Energy Ltd Q1FY25 consolidated revenues came in at ₹3,611.61 Cr, +8.4% YoY & +0.2% QoQ.
- Op Profit for Q1FY25 stood at ₹488 Cr, +17.87% YoY & +10.41% QoQ.
- Op margins for Q1FY25 came at 13.5%, +109bps YoY & +128 bps QoQ.
- PAT for Q1FY25 stood at ₹278 Cr, +37.62% YoY & +26.36% QoQ.

### 2. MANAGEMENT COMMENTARY:

- A disciplined capital approach saw ₹308 crores invested in Q1 as part of a broader ₹10,025 crore plan, supporting capacity expansion across new and existing segments.
- Aluminum and stainless steel segments, including aluminum foil exports, are now driving revenue diversification and positioning the company as a multi-metal company.
- The aluminum foil and stainless steel markets are expected to experience strong demand, especially with applications in EVs, infrastructure, and defense, setting the company up for strong revenue and margin expansion.
- The management sees a lot of potential in the stainless-steel business with renewed focus of the government in development of the coastal infrastructure and the numerous bridges announced across the sea.

### 3. CONCALL SUMMARY

- The company's forward guidance targeting ₹25,000 crores in revenue by FY27, driven by expansion in high-growth areas, such as specialty alloy and value-added aluminum products.
- By maintaining over 80% of power needs from captive sources and focusing on low-cost production, the company expects to sustain its current EBITDA margins in a volatile market.
- We have a capex of INR1,160 crores spend over next three years to be increased the stainless-steel manufacturing facility through the primary route and we have our own power, our own iron and our own ferro product and special Speciality product.
- Investments in railway rakes and sidings enhance raw material handling and transport efficiency, improving cost management and reducing dependency on external transport.
- The company's reliance on Indian coal mitigates exposure to global price volatility, particularly for coking coal, enhancing resilience in fluctuating markets.
- Expansions in stainless steel and aluminum products align with rising demand in construction, EV, and defense industries, contributing to a positive long-term growth outlook.

### 4. VALUATION AND OUTLOOK:

With consistently diversifying its product portfolio by investing in aluminium foil, stainless steel, and specialty alloys. Shyam Metals is already the largest aluminium foil exporter in India. Its committed ongoing capex, enhancing its capacities while optimising its costs through backward integration. The company is moving further to its goal "ore to metal".

We reiterate a "BUY" rating on the stock & value the stock at 15.7x FY26E earnings to arrive at the target of ₹956.

## RECOMMENDATION - BUY

CMP – 806

TARGET – 956 (~19%)

Industry	Steel
NSE CODE	SHYAMMETL
BSE CODE	543720
Market Cap (₹ Cr)	22515.24
Shares Outstanding (in Cr)	27.91
52 wk High/Low (₹)	956.9 / 420.2
P/E	20.4
P/BV	2.34
Face Value (₹)	10.00
Book Value (₹)	356.90
EPS (FY24) (₹)	37.22
Dividend Yield (%)	0.76
Debt / Equity	0.06
Interest Coverage	8.05

## SHAREHOLDING PATTERN

	June 24	Mar 24	Dec 23
Promoters	74.59	74.59	81.62
MF/ DII	2.25	1.85	1.99
FII/FPI	2.25	2.35	1.98
Retail & Others	17.78	18.61	12.69
Promoter Pledging	0.00	0.00	0.00

## FINANCIAL SNAPSHOT (₹ Cr)

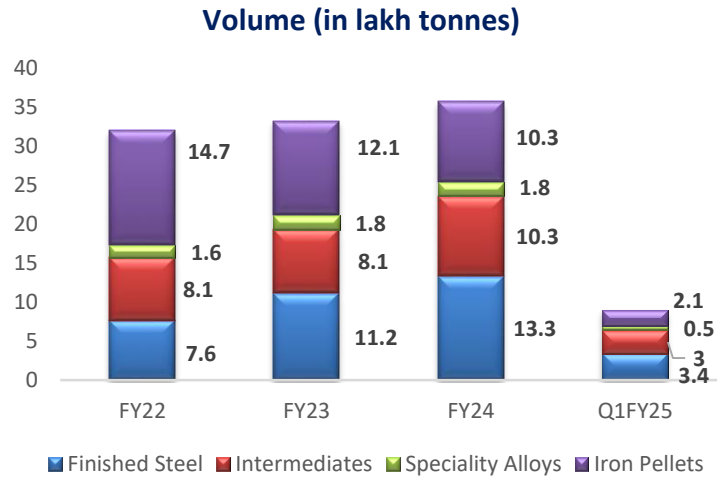
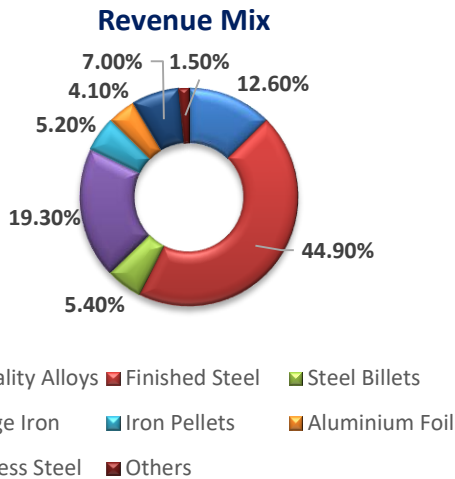
Y/E March	2024A	2025E	2026E
<b>Crore</b>			
Sales	13195	16626	20949
Sales Gr. (%)	4.24	26.00	26.00
EBITDA	1570	2718	3147
EBITDA %	13.10	16.35	15.02
PAT	1035	1451	1699
EPS (₹)	37.22	52.01	60.91
EPS Gr.(%)	11.34	39.73	17.11
<b>Valuation</b>			
P/E (x)	15.87	15.32	13.08

## Historical & Industrial Valuation Ratios

Historical P/E	22.76
Industry P/E	32.17
Historical P/B	2.52
Industry P/B	2.40

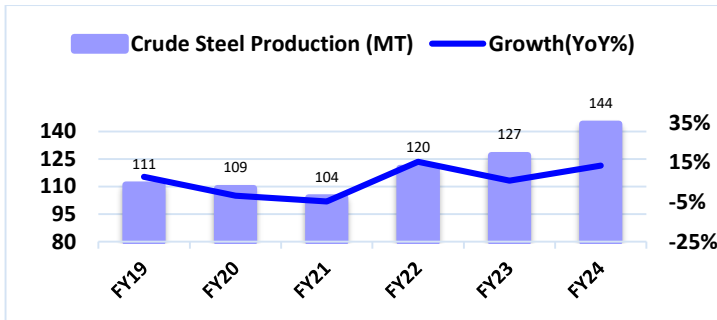


## Revenue Bifurcation (Q1FY25)

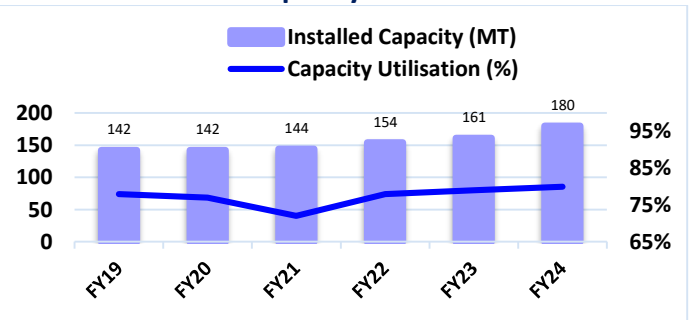


## Sector Dynamics

### India Crude Steel Production



### Crude Steel Capacity and Utilisation %



## QUARTERLY PERFORMANCE (CONSOLIDATED)

(₹ Cr)

Y/E March	FY23			FY24			FY25			FY25E	FY26E
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1			
<b>Net sales</b>	<b>3,085</b>	<b>2,922</b>	<b>3,427</b>	<b>3,333</b>	<b>2,941</b>	<b>3,315</b>	<b>3,606</b>	<b>3,612</b>	<b>16,626</b>	<b>20,949</b>	
YoY change (%)	23.69	13.34	19.99	3.41	-4.68	13.47	5.20	8.36	26.00	26.00	
<b>Total Expenditures</b>	<b>2,842</b>	<b>2,699</b>	<b>3,001</b>	<b>2,919</b>	<b>2,634</b>	<b>2,908</b>	<b>3,165</b>	<b>3,124</b>	<b>13,908</b>	<b>17,802</b>	
<b>EBITDA</b>	<b>244</b>	<b>222</b>	<b>427</b>	<b>414</b>	<b>307</b>	<b>407</b>	<b>442</b>	<b>488</b>	<b>2,718</b>	<b>3,147</b>	
Margins (%)	7.89	7.61	12.46	12.42	10.44	12.29	12.25	13.50	16.35	15.02	
Depreciation	110	132	137	158	177	182	139	136	766	807	
Interest	15	33	39	37	35	40	22	29	126	189	
Other Income	22	38	23	30	38	40	51	51	108	115	
<b>PBT</b>	<b>140</b>	<b>95</b>	<b>275</b>	<b>249</b>	<b>133</b>	<b>226</b>	<b>332</b>	<b>374</b>	<b>1,935</b>	<b>2,266</b>	
Tax	29	30	21	47	-349	100	112	98	484	566	
Rate (%)	20.76	31.87	7.63	18.89	-261.36	44.25	33.73	26.20	25.00	25.00	
<b>PAT</b>	<b>111</b>	<b>65</b>	<b>254</b>	<b>202</b>	<b>482</b>	<b>126</b>	<b>220</b>	<b>276</b>	<b>1,451</b>	<b>1,699</b>	
<b>EPS in Rs</b>	<b>4.48</b>	<b>2.64</b>	<b>10.05</b>	<b>8.00</b>	<b>18.98</b>	<b>4.99</b>	<b>7.76</b>	<b>9.96</b>	<b>52.01</b>	<b>60.91</b>	

Source: Company, Hem Securities Research.

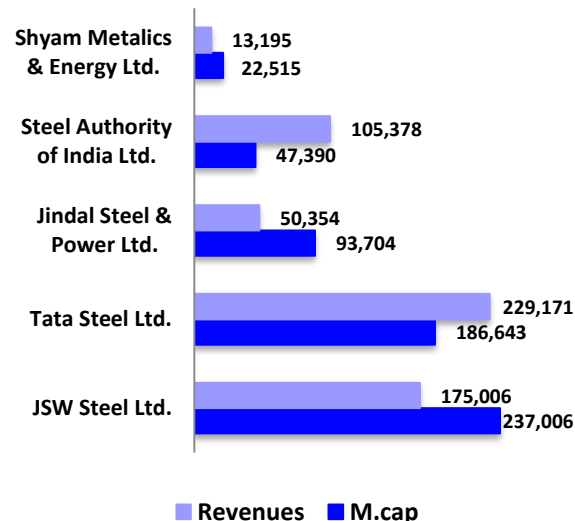
Note: - Figures mentioned in statement are rounded off to the nearest integer for better understanding purpose.



## INDUSTRY OVERVIEW

- In India's pursuit of a \$5 trillion economy, the steel industry emerges as a key driver, laying the essential groundwork for this ambitious goal. In the fiscal year 2023-24, the Indian steel sector showcased notable growth, marking a significant step forward in its contribution to economic revitalization.
- As per data from Joint Plant Committee (JPC) India's domestic finished steel consumption surged by 13.6% to 136.3 million tonnes, primarily driven by improved demand from the automotive and infrastructure sectors.
- The automotive industry's demand improved significantly in FY 2023-24 at 12.5% Y-o-Y with a notable shift towards electric vehicles (EVs). Additionally, infrastructure and construction sectors demonstrated resilience, supported largely by government-funded development projects.
- The government's substantial investment in infrastructure through initiatives like the National Infrastructure Pipeline (NIP) with estimated investment of ₹111 Lakh Cr over 2020 to 2025.
- This growth trend is crucial as it aligns with the National Steel Policy, which targets increasing India's annual steel manufacturing capacity to 300 million tonnes and raising per capita steel consumption to 160 kg by 2030.
- Imports of finished steel surged 38.2% to 8.3 million tonnes compared to 6.0 million tonnes. Finished steel exports increased by 11.9% to 7.5 million tonnes from 6.7 million tonnes a year ago.

## KEY PLAYERS in Steel space



## PEER PERFORMANCE

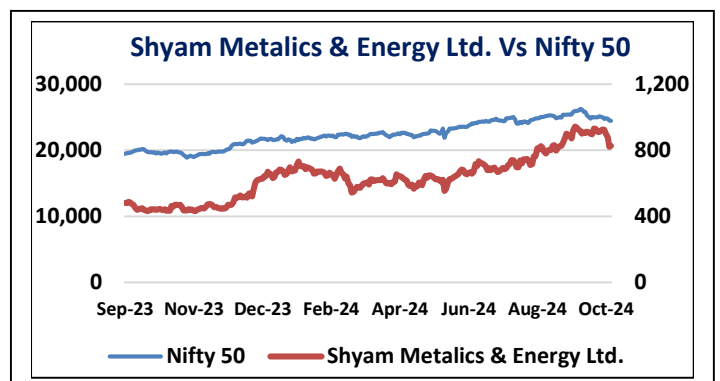
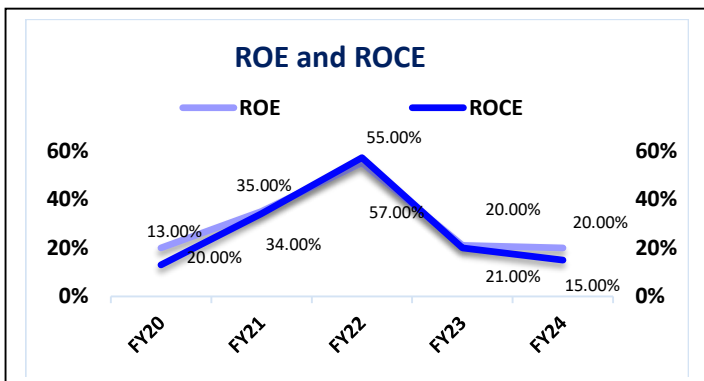
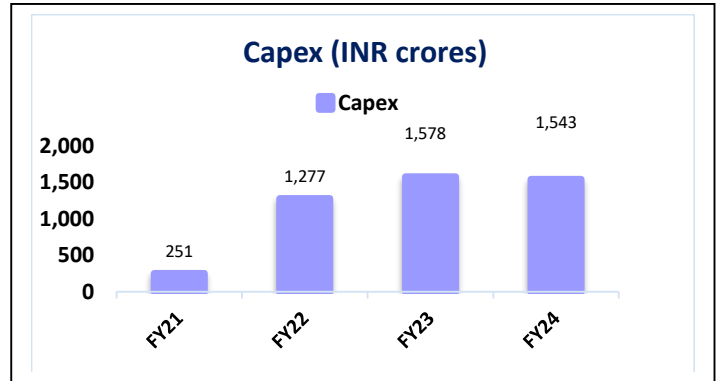
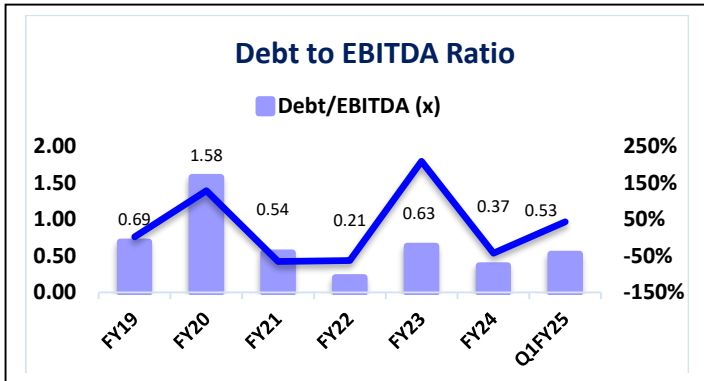
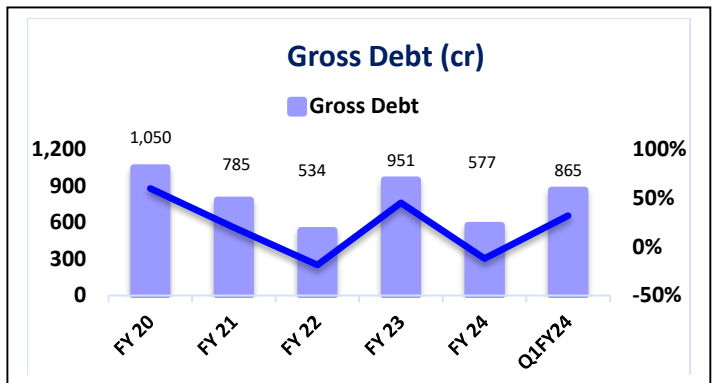
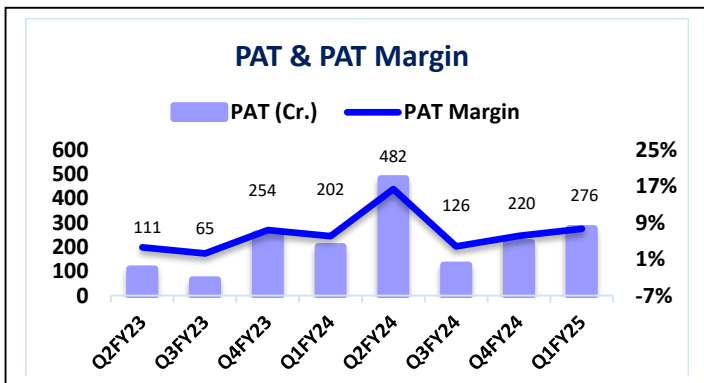
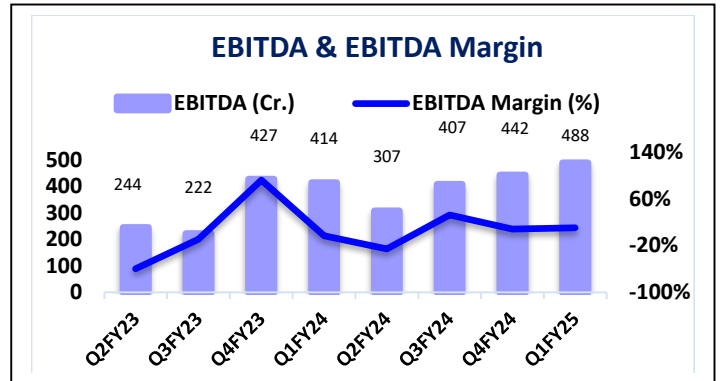
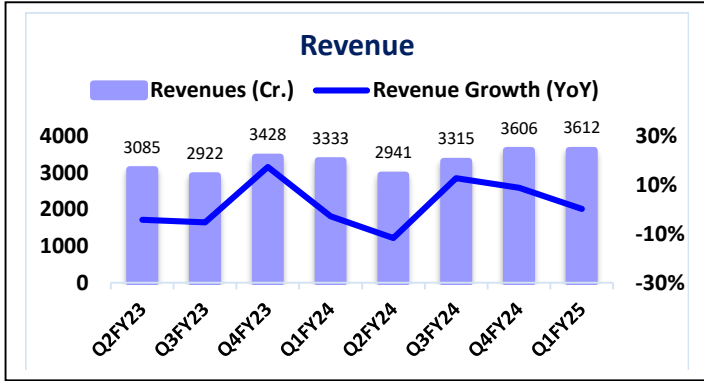
(₹ Cr)

Particulars	Shyam Metals and Energy Ltd.	Tata Steel Ltd.	Steel Authority of India Ltd.	Jindal Steel & Power Ltd.	JSW Steel Ltd.
Market Cap	22,515	186,643	47,390	93,704	237,006
Net Sales	13,195	229,171	105,378	50,354	175,006
EBITDA	1,570	22,278	11,149	10,144	28,236
PAT	1,035	-4,437	3,067	5,938	8,812
EPS(₹)	37	-4	7	59	36
EBITDA MARGIN %	13.10	10.52	11.31	13.39	17
PAT MARGIN %	7.80	-2.14	2.84	7.53	5
ROCE %	11.49	3.61	7.30	13.90	14
ROE %	12.13	-5.09	5.48	14.32	13
P/E TTM	20.4	116	12.2	16.8	46.2
P/B TTM	2.34	2.03	0.83	2.12	2.97
MCap/ Sales TTM	1.67	0.83	0.45	1.84	1.39

Source: Company, Hem Securities Research.



**STORY IN CHARTS**





## INVESTMENT RATIONALE:

- **Strong Financial Health and Growth Potential:** The company has demonstrated consistent revenue and profit growth, with a revenue CAGR of 23.46% over the last few years. The company maintains a disciplined capital allocation, reinvesting 70% of cash generated into the business, which supports its growth and capex plans without excessive leverage.
- **Diversified Product Portfolio and Value Addition:** The company's move toward high-margin, value-added products, including stainless steel, aluminum foil, and specialty alloys, is projected to contribute 80% to revenues in the coming years. This diversification lowers reliance on traditional steel products and aligns the company with expanding demand in construction, automotive, and packaging industries.
- **Competitive Cost Structure and Efficiency:** With over 78% of its power requirements met by captive power generation, it minimizes energy costs, allowing it to sustain competitive margins. Furthermore, digital integration initiatives and in-house logistics (like railway sidings) enhance operational efficiency and cost control.
- **Strategic Capacity Expansion:** Its' ongoing capex plan (₹10,025 crore over several years) will expand capacity in stainless steel, aluminum, and ferro alloys. The company's goal of reaching ₹25,000 crores in revenue by FY'27 highlights a focused approach to scaling production to meet growing demand.
- **Resilient Market Positioning in High-Growth Sectors:** The company benefits from strong demand in infrastructure and renewable energy. Its aluminum foil for EV batteries, supported by recent partnerships, positions it for growth in the electric vehicle market, while its stainless steel expansion taps into the booming construction sector.

## RISK / NEGATIVE FACTORS:

- The steel and metals industry is highly cyclical, subject to fluctuations in demand and pricing due to economic conditions, particularly in the construction, automotive, and manufacturing sectors.
- The company has committed to significant capex for expansion in high-growth areas. While these investments promise growth, any delays, budget overruns, or operational setbacks could strain anticipated growth.
- The steel sector is highly competitive, with both domestic and international players, increase competition could impact the profitability.

## COMPANY RECAP

- **Diverse Product Portfolio:** Shyam Metalics is an integrated metals producer with a strong presence in carbon steel, stainless steel, aluminum foil, and specialty alloys, positioning it across multiple high-demand sectors.
- **Strategic Geographic Positioning:** With seven manufacturing plants located near mineral-rich regions and ports, it optimizes logistics costs and benefits from efficient access to raw materials and export markets.
- **Focused Value-Added Product Strategy:** The company is shifting its portfolio toward value-added products, aiming for these to comprise 80% of revenue in the coming years, enhancing margins and resilience against market volatility.
- **Robust Financial Health:** With a disciplined capital allocation policy, it reinvests 70% of generated cash into the business while maintaining low debt and a strong net cash position, supporting sustainable growth.
- **Aggressive Expansion Plans:** A multi-year capex plan worth ₹10,025 crores focuses on increasing production in high-growth areas like aluminum foil for EV batteries and stainless steel, targeting revenue of ₹25,000 crores by FY27.
- **Commitment to Sustainability:** The company prioritizes sustainability, with investments in renewable energy and waste management practices, aligning with global ESG standards and supporting eco-friendly growth.
- **Strong Market Demand Drivers:** The company's focus on sectors like infrastructure, automotive, and electric vehicles positions it well within high-growth markets, underpinned by government initiatives and rising demand.



## ANNUAL PERFORMANCE

Income Statement					(₹ Cr)	
Y/E March	2021	2022	2023	2024	2025E	2026E
<b>Revenue from operations</b>	<b>6297</b>	<b>10394</b>	<b>12658</b>	<b>13195</b>	<b>16626</b>	<b>20949</b>
Growth YoY (%)	43.89	65.06	21.78	4.24	26.00	26.00
<b>Total Expenditure</b>	<b>4956</b>	<b>7849</b>	<b>11159</b>	<b>11625</b>	<b>13908</b>	<b>17802</b>
(%) of sales	78.71	75.51	88.15	88.10	83.65	84.98
<b>EBITDA</b>	<b>1341</b>	<b>2545</b>	<b>1499</b>	<b>1570</b>	<b>2718</b>	<b>3147</b>
EBITDA Growth (%)	109.09	87.64	-39.70	7.80	73.13%	15.77
Depreciation	300	272	474	656	766	807
<b>EBIT</b>	<b>1117</b>	<b>2387</b>	<b>1130</b>	<b>1073</b>	<b>1953</b>	<b>2340</b>
EBIT Growth (%)	193.08	113.66	-52.67	-5.04	81.95	19.82
Net Interest Expenses	62	23	93	133	126	189
Other Income	77	115	104	159	108	115
<b>Earnings before Taxes</b>	<b>1055</b>	<b>2364</b>	<b>1037</b>	<b>940</b>	<b>1935</b>	<b>2266</b>
EBT Margin (%)	16.75	22.75	8.19	7.12	11.64	10.82
Tax-Total	211	640	193	-89	484	566
Rate of tax (%)	20.04	27.08	18.65	-9.49	25.00	25.00
<b>Net Profit</b>	<b>844</b>	<b>1724</b>	<b>843</b>	<b>1029</b>	<b>1451</b>	<b>1699</b>
PAT Growth (%)	147.93	104.40	-51.08	21.99	41	17
PAT Margin (%)	13.40	16.59	6.66	7.80	8.73	8.11
<b>EPS</b>	<b>36.10</b>	<b>67.61</b>	<b>33.43</b>	<b>37.22</b>	<b>52.01</b>	<b>60.91</b>
EPS Growth (%)	147.87	87.28	-50.56	11.34	39.75	17.11

Balance Sheet					(₹ Cr)
Y/E March	2020	2021	2022	2023	2024
Equity Capital	234	234	255	255	278
Reserves	2593	3400	5580	7021	9369
Borrowings	1114	796	543	1172	597
Other Liabilities	1121	990	2047	3147	4150
<b>Total Liabilities &amp; Equity</b>	<b>5,062</b>	<b>5,420</b>	<b>8,425</b>	<b>11,595</b>	<b>14,393</b>
Fixed Assets	2012	1802	2455	3311	3995
CWIP	235	506	768	2769	3764
Investments	144	282	1036	1474	2262
Other Assets	2670	2829	4166	4041	4372
<b>Total Assets</b>	<b>5,062</b>	<b>5,420</b>	<b>8,425</b>	<b>11,595</b>	<b>14,393</b>

Source: Company, Hem Securities Research.

Note: - Balance sheet figures have been rounded off.



<b>Ratios</b>					
<b>Y/E March</b> (Basic (INR))	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
<b>Profitability and return ratios</b>					
Net profit margin (%)	7.77	13.40	16.59	6.66	7.80
EBIT margin (%)	8.71	17.74	22.97	8.93	8.13
ROE (%)	12.80	26.11	36.42	12.87	12.13
ROCE (%)	10.67	26.74	44.25	15.27	11.49
<b>Working Capital &amp; liquidity ratios</b>					
Payables (Days)	60.88	45.22	45.13	55.58	75.22
Inventory (Days)	92.53	72.95	54.21	61.58	60.61
Receivables (Days)	15.51	20.07	15.97	14.21	18.22
Current Ratio (x)	1.62	1.91	2.17	1.19	1.37
<b>Valuations Ratios</b>					
EV/sales (x)	0.28	0.11	0.91	0.61	1.29
EV/EBITDA (x)	1.80	0.49	3.55	4.80	9.81
P/E (x)	0.00	0.00	5.35	7.89	15.87
P/BV (x)	0.00	0.00	1.58	0.92	1.70
Dividend Yield (%)	0.00	0.00	1.37	1.71	0.76
Return on Assets (%)	7.49	16.15	24.92	8.22	7.59
<b>Leverage Ratio</b>					
Debt/Equity (x)	0.39	0.22	0.09	0.16	0.06

<b>Cash Flow Statement</b>					<b>(₹ Cr)</b>
<b>Y/E March</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
<b>CF from Operating activities (A)</b>	<b>-91.00</b>	<b>1,056.17</b>	<b>1,561.20</b>	<b>1,518.33</b>	<b>1,794.38</b>
<b>CF from Investing Activities (B)</b>	<b>-419.91</b>	<b>-498.64</b>	<b>-1,799.94</b>	<b>-1,943.92</b>	<b>-2,761.60</b>
<b>CF from Financing Activities (C)</b>	<b>530.71</b>	<b>-423.39</b>	<b>166.80</b>	<b>424.48</b>	<b>915.85</b>
Net Cash Flow	19.80	134.14	-71.94	-1.11	-51.37
Add: Opening Bal.	9.90	29.70	163.84	91.90	90.79
<b>Closing Balance</b>	<b>29.70</b>	<b>163.84</b>	<b>91.90</b>	<b>90.79</b>	<b>39.42</b>

Source: Company, Hem Securities Research.



## RATING CRITERIA

INVESTMENT RATING	EXPECTED RETURN
BUY	>=15%
ACCUMULATE	5% to 15%
HOLD	0 to 5%
REDUCE	-5% to 0
SELL	<-5%

## RECOMMENDATION SUMMARY

DATE	RATING	TARGET
28 October 2024	Buy	956

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Name of the Research Analyst: KARTIK KHANDELWAL

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SN	Particulars	Yes/No
1.	Research Analyst or his/her relative's or HSL's financial interest in the subject company(ies)	No
2.	Research Analyst or his/her relative or HSL's actual/beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of the Research Report	No
3.	Research Analyst or his/her relative or HSL has any other material conflict of interest at the time of publication of the Research Report	No
4.	Research Analyst has served as an officer, director or employee of the subject company(ies)	No
5.	HSL has received any compensation from the subject company in the past twelve months	No
6.	HSL has received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
7.	HSL has received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
8.	HSL has received any compensation or other benefits from the subject company or third party in connection with the research report	No
9.	HSL has managed or co-managed public offering of securities for the subject company in the past twelve months	No
10.	Research Analyst or HSL has been engaged in market making activity for the subject company(ies)	No

Since HSL and its associates are engaged in various businesses in the financial services industry, they may have financial interest or may have received compensation for investment banking or merchant banking or brokerage services or for any other product or services of whatsoever nature from the subject company(ies) in the past twelve months. Associates of HSL may have actual/beneficial ownership of 1% or more and/or other material conflict of interest in the securities discussed herein.

There were no instances of non-compliance by HSL on any matter related to the capital markets, resulting in significant and material disciplinary action during the last three years.