

Shyam Metals and Energy | BUY

Beat in margins; niche positioning to drive earnings trajectory

Shyam Metals (SMEL) reported EBITDA of INR5.2bn, higher than JMfe of INR4.8bn driven by higher realizations. Consequently, consol EBITDA/t came in at INR7.5k/t – up ~INR0.8k/t QoQ. Volumes in 4Q stood at 0.69mn tons, flat QoQ. Key takeaways from the call are a) FY26 guidance for capex stands at INR20bn comprising of INR4.13bn for steel, INR7.84bn for stainless steel and INR1.26bn for aluminium b) FY26 stainless steel revenue guidance stands at INR13-14bn c) company recently commissioned the wire division which is expected to take 3-6 months to stabilize given specific regulatory requirements by customers d) company ventured into the B2C market with the launch of food-grade aluminium foil under the brand SEL Tiger Foil - to aid margins. As of FY25, company has incurred a capex of ~INR66bn, representing ~66% of its planned capex of ~INR100bn. Shyam Metals offers a unique play in the Indian metals space, with a combination of a) increasing contribution from finished steel and valued added segments and b) diversified business across the steel value chain. Capital allocation towards niche business segments augur well for the company. We roll forward our target price to FY28 with an EV/EBITDA multiple of 6x. Maintain BUY.

- **Margins improve given higher realisations:** Consol. revenue came in at INR41bn, up 10% QoQ given higher realizations (+9% QoQ). SMEL reported consol. EBITDA of INR5.2bn vs INR4.6bn in 3Q primarily on account of higher sales realisation. The volumes increased marginally to 0.69mn tons in 4Q vs 0.68mn tons in 3Q. Consequently, consol EBITDA/t came in at INR7.5k/t – up ~INR8k/t QoQ. Company reported consol. Adj. PAT of INR2.2bn during the quarter, up 10% QoQ. Company expects margins to grow in the future with the growth of value-added products in the mix. During the quarter, merger of company's subsidiaries SSEL and SMFPPL was approved by NCLT.
- **Backward integration and value-added products to drive margins:** Management believes margins are expected to witness an uptrend going ahead given increasing focus on value-added products and cost efficiencies through backward integration. Company plans to increase the capacity of its color-coated plant from 0.25mtpa to 0.4mtpa, which is currently operating at 90% utilization level. SMEL remains focused on producing 200 and 400 categories of Stainless Steel to reduce its nickel dependency – to lead to lower volatility in SS margins. Company also ventured into the B2C market with the launch of food-grade aluminium foil under the brand SEL Tiger Foil. Company aims to increase the contribution of value-added products, including stainless steel, to 80% of total revenue.
- **SMEL progressing well on capex plans:** SMEL recently commissioned the wire division, which is expected to take close to 3-6 months given specific regulatory requirements by customers. As of FY25, company has incurred a capex of ~INR66bn, representing ~66% of its planned capex of ~INR100bn. FY26 guidance for capex stands at INR20bn comprising of INR4.13bn for steel, INR7.84bn for stainless steel and INR1.26bn for aluminium.

Financial Summary					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	1,31,952	1,51,375	2,08,323	2,30,700	2,52,471
Sales Growth (%)	4.6	14.7	37.6	10.7	9.4
EBITDA	15,700	18,655	31,194	33,740	38,773
EBITDA Margin (%)	11.9	12.3	15.0	14.6	15.4
Adjusted Net Profit	10,347	9,081	16,544	17,838	20,079
Diluted EPS (INR)	37.2	32.6	59.5	64.1	72.2
Diluted EPS Growth (%)	20.6	-12.3	82.2	7.8	12.6
ROIC (%)	11.8	8.2	13.8	13.4	14.1
ROE (%)	12.3	9.0	14.6	13.8	13.7
P/E (x)	23.3	26.5	14.6	13.5	12.0
P/B (x)	2.5	2.3	2.0	1.8	1.5
EV/EBITDA (x)	15.5	13.0	7.8	7.0	5.9
Dividend Yield (%)	0.0	0.5	0.5	0.5	0.5

Source: Company data, JM Financial. Note: Valuations as of 08/May/2025



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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	900
Upside/(Downside)	3.9%
Previous Price Target	870
Change	3.4%

Key Data – SHYAMMET IN

Current Market Price	INR866
Market cap (bn)	INR241.7/US\$2.8
Free Float	25%
Shares in issue (mn)	278.0
Diluted share (mn)	279.1
3-mon avg daily val (mn)	INR339.5/US\$4.0
52-week range	957/516
Sensex/Nifty	79,454/24,008
INR/US\$	85.4

Price Performance

%	1M	6M	12M
Absolute	3.7	6.3	52.7
Relative*	-1.9	5.2	39.6

* To the BSE Sensex

JM Financial Research is also available on:
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Key concall takeaways:

- FY26 guidance for capex stands at INR20bn comprising of INR4.13bn for steel, INR7.84bn for stainless steel and INR1.26bn for aluminium.
- As of FY25, company has incurred a capex of ~INR66bn, representing ~66% of its planned capex of ~INR100bn.
- SMEL recently commissioned the wire division, which is expected to take close to 3-6 months given specific regulatory requirements by customers.
- Company ventured into the B2C market with the launch of food-grade aluminium foil under the brand SEL Tiger Foil - to aid margins.
- The company is adding more DRI facilities with a captive power plant to generate power from waste heat and cater to existing downstream facilities of aluminium and stainless steel.

Exhibit 1. Consolidated – quarterly financial performance**(INR mn)**

Y/E March (INR mn)	4QFY25	4QFY25E	% Var	4QFY24	YoY %	3QFY25	QoQ %
Net Sales	41,394	38,137	8.5	36,062	14.8	37,525	10.3
Volumes (mn tons)	0.69	0.69	(0.6)	0.69		0.68	1.4
Realizations	60,017	54,984	9.2	52,264		55,184	8.8
Raw material cost	29,974	27,429	9.3	25,968	15.4	27,162	10.4
RM costs/t	43,460	39,545	9.9	37,635		39,945	8.8
Gross profit	11,419	10,708	6.6	10,094	13.1	10,363	10.2
Gross margin (%)	27.6	28.1	-1.8	28.0	(1.4)	27.6	-0.1
Gross margin/t	16,557	15,439		14,629		15,239	
Staff costs	1,094	1,118	-2.2	993	10.2	1,099	-0.4
Staff costs/t	1,586	1,612	-1.6	1,439		1,616	-1.8
Other costs	5,173	4,788	8.0	4,684	10.5	4,704	10.0
Other costs/t	7,501	6,903	8.7	6,788		6,917	8.4
Total expenditure	36,242	33,335	8.7	31,645	14.5	32,965	9.9
EBITDA	5,152	4,802	7.3	4,417	16.6	4,560	13.0
EBITDA/ton (INR/ton)	7,469	6,923		6,401		6,706	
EBITDA margin (%)	12.4	12.6		12.2		12.2	
Other income	542	580		510		509	
Depreciation	2,286	2,050	11.5	1,394	64.1	2,027	12.8
EBIT	3,408	3,332		3,534		3,043	
Interest	436	420	3.9	216	102.5	412	6.0
Income (loss) from associates	(14)	0		(34)		4	
PBT	2,958	2,912		3,285		2,635	
Tax	770	728		1,119		658	
Eff. Tax rate (%)	26.0	25.0		34.1		25.0	
XO items	-	-		-		-	
Reported PAT	2,188	2,184		2,165		1,977	
Adjusted PAT	2,201	2,184	0.8	2,199	0.1	1,973	10.9
EPS (INR)	7.9	7.9		7.8		7.1	

Source: Company, JM Financial

Exhibit 2. Standalone – quarterly financial performance**(INR mn)**

Y/E March	4QFY25	4QFY24	YoY %	3QFY25	QoQ %
Net Sales	15,991	17,589	-9.1	16,214	-1.4
Expenditure	14,286	15,819	-9.7	14,282	0.0
Raw materials	11,759	13,513	-13.0	11,754	0.0
Staff Cost	485	497	-2.3	502	-3.3
EBITDA	1,705	1,770	-3.7	1,932	-11.7
EBITDA margin (%)	10.7	10.1		11.9	
Other income	296	367		281	
Depreciation	552	552	0.1	539	2.5
EBIT	1,449	1,585		1,674	
Interest	128	99	29.1	106	20.7
PBT	1,321	1,486		1,568	
Tax	326	383		379	
Eff. Tax rate (%)	24.7	25.8		24.2	
XO items	-	-		-	
PAT	995	1,103	-9.8	1,189	-16.3
Adjusted PAT	995	1,103	-9.8	1,189	-16.3
EPS (INR)	3.6	4.0		4.3	

Source: Company

Exhibit 3. Target price**(INR mn)**

(INR mn)	Multiple (x)	FY28E EBITDA
EBITDA	6.0	38,773
Total EV		2,32,639
Less: Net Debt		(17,344)
Equity value		2,49,983
No of shares (mn)		278
Fair value (INR/share)		900

Source: JM Financial

Exhibit 4. Key Assumptions table

	FY23	FY24	FY25E	FY26E	FY27E	FY28E
Consolidated net sales (INR mn)	1,26,102	1,31,952	1,51,375	2,08,323	2,30,700	2,52,471
Consolidated steel volume (mt)	1,934	2,370	2,743	3,665	3,876	4,272
Growth (%)	24%	23%	16%	34%	6%	10%
Blended net realisation (INR/t)	65,188	55,664	55,182	56,844	59,513	59,101
Consolidated EBITDA (Rs mn)	14,859	15,700	18,655	31,194	33,740	38,773
EBITDA/t (INR)	7,681	6,623	6,801	8,512	8,704	9,076
Net debt (Rs mn)	-4,410	-4,197	-4,838	-4,963	-12,764	-17,344

Source: Company, JM Financial

Exhibit 5. SMEL: 1yr forward EV/EBITDA valuation



Source: Bloomberg, JM Financial

Exhibit 6. SMEL: 1yr forward PE valuation



Source: Bloomberg, JM Financial

Exhibit 7. Change in estimates

		OLD		NEW			% Change	
	Unit	FY26E	FY27E	FY26E	FY27E	FY28E	FY26E	FY27E
Net Sales	INR mn	2,03,899	2,20,420	2,08,323	2,30,700	2,52,471	2.2%	4.7%
EBITDA	INR mn	31,651	35,219	31,194	33,740	38,773	-1.4%	-4.2%
PAT	INR mn	17,017	18,434	16,544	17,838	20,079	-2.8%	-3.2%
EPS		61.2	66	59.5	64.1	72.2	-2.8%	-3.3%
Target Price	INR		870			900		3.4%
Rating			BUY			BUY		

Source: Company, JM Financial

Financial Tables (Consolidated)

Income Statement (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	1,31,952	1,51,375	2,08,323	2,30,700	2,52,471
Sales Growth	4.6%	14.7%	37.6%	10.7%	9.4%
Other Operating Income	0	0	0	0	0
Total Revenue	1,31,952	1,51,375	2,08,323	2,30,700	2,52,471
Cost of Goods Sold/Op. Exp	1,07,142	1,02,269	1,33,641	1,50,764	1,61,357
Personnel Cost	5,129	6,042	8,333	9,228	10,099
Other Expenses	3,981	24,409	35,156	36,968	42,241
EBITDA	15,700	18,655	31,194	33,740	38,773
EBITDA Margin	11.9%	12.3%	15.0%	14.6%	15.4%
EBITDA Growth	5.7%	18.8%	67.2%	8.2%	14.9%
Depn. & Amort.	6,560	7,112	9,011	9,992	11,617
EBIT	9,140	11,544	22,183	23,748	27,156
Other Income	1,590	2,306	1,845	1,476	1,181
Finance Cost	1,333	1,439	1,049	449	449
PBT before Excep. & Forex	9,397	12,411	22,978	24,775	27,887
Excep. & Forex Inc./Loss(-)	0	0	0	0	0
PBT	9,397	12,411	22,978	24,775	27,887
Taxes	-892	3,319	6,434	6,937	7,808
Extraordinary Inc./Loss(-)	0	0	0	0	0
Assoc. Profit/Min. Int.(-)	-58	13	0	0	0
Reported Net Profit	10,347	9,081	16,544	17,838	20,079
Adjusted Net Profit	10,347	9,081	16,544	17,838	20,079
Net Margin	7.8%	6.0%	7.9%	7.7%	8.0%
Diluted Share Cap. (mn)	278.0	278.2	278.2	278.2	278.2
Diluted EPS (INR)	37.2	32.6	59.5	64.1	72.2
Diluted EPS Growth	20.6%	-12.3%	82.2%	7.8%	12.6%
Total Dividend + Tax	0	1,251	1,251	1,251	1,251
Dividend Per Share (INR)	0.0	4.5	4.5	4.5	4.5

Source: Company, JM Financial

Cash Flow Statement (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before Tax	9,397	12,412	22,978	24,775	27,887
Depn. & Amort.	6,560	7,112	9,011	9,992	11,617
Net Interest Exp. / Inc. (-)	0	0	0	0	0
Inc (-) / Dec in WCap.	-7,667	3,494	-4,179	-3,778	-10,865
Others	59	-12	0	0	0
Taxes Paid	892	-3,319	-6,434	-6,937	-7,808
Operating Cash Flow	9,241	19,687	21,376	24,052	20,831
Capex	-23,506	-20,167	-20,000	-15,000	-15,000
Free Cash Flow	-14,265	-480	1,376	9,052	5,831
Inc (-) / Dec in Investments	4,522	-2,826	0	0	0
Others	7,442	2,388	0	0	0
Investing Cash Flow	-11,543	-20,606	-20,000	-15,000	-15,000
Inc / Dec (-) in Capital	6,613	2	0	0	0
Dividend + Tax thereon	-1	-1,251	-1,251	-1,251	-1,251
Inc / Dec (-) in Loans	-5,524	2,346	0	-5,000	0
Others	0	0	0	0	0
Financing Cash Flow	1,088	1,096	-1,251	-6,251	-1,251
Inc / Dec (-) in Cash	-1,214	178	125	2,801	4,580
Opening Cash Balance	1,719	505	683	807	3,608
Closing Cash Balance	505	683	807	3,608	8,188

Source: Company, JM Financial

Balance Sheet (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shareholders' Fund	96,467	1,05,533	1,20,827	1,37,413	1,56,241
Share Capital	2,780	2,782	2,782	2,782	2,782
Reserves & Surplus	93,686	1,02,751	1,18,044	1,34,631	1,53,459
Preference Share Capital	0	0	0	0	0
Minority Interest	6,713	7,248	7,248	7,248	7,248
Total Loans	6,398	8,744	8,744	3,744	3,744
Def. Tax Liab. / Assets (-)	914	1,533	1,533	1,533	1,533
Total - Equity & Liab.	1,10,493	1,23,057	1,38,351	1,49,937	1,68,765
Net Fixed Assets	77,596	90,651	1,01,640	1,06,648	1,10,030
Gross Fixed Assets	68,004	98,728	1,28,728	1,53,728	1,78,728
Intangible Assets	0	0	0	0	0
Less: Depn. & Amort.	28,049	35,161	44,172	54,164	65,781
Capital WIP	37,641	27,084	17,084	7,084	-2,916
Investments	10,109	12,935	12,935	12,935	12,935
Current Assets	56,534	59,570	59,594	68,710	84,275
Inventories	21,679	29,854	34,245	37,923	41,502
Sundry Debtors	7,079	7,925	7,420	8,217	10,376
Cash & Bank Balances	505	683	807	3,608	8,188
Loans & Advances	27,271	21,108	17,122	18,962	24,210
Other Current Assets	0	0	0	0	0
Current Liab. & Prov.	33,746	40,099	35,819	38,356	38,476
Current Liabilities	33,435	39,666	35,386	37,923	38,044
Provisions & Others	311	433	433	433	433
Net Current Assets	22,788	19,471	23,775	30,354	45,799
Total - Assets	1,10,493	1,23,057	1,38,351	1,49,937	1,68,765

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin	7.8%	6.0%	7.9%	7.7%	8.0%
Asset Turnover (x)	1.3	1.3	1.6	1.6	1.6
Leverage Factor (x)	1.2	1.2	1.2	1.1	1.1
RoE	12.3%	9.0%	14.6%	13.8%	13.7%

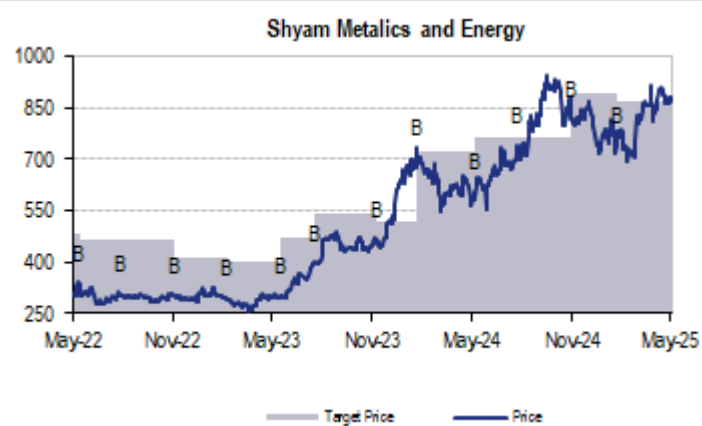
Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	347.0	379.3	434.3	493.9	561.6
ROIC	11.8%	8.2%	13.8%	13.4%	14.1%
ROE	12.3%	9.0%	14.6%	13.8%	13.7%
Net Debt/Equity (x)	0.0	0.0	0.0	-0.1	-0.1
P/E (x)	23.3	26.5	14.6	13.5	12.0
P/B (x)	2.5	2.3	2.0	1.8	1.5
EV/EBITDA (x)	15.5	13.0	7.8	7.0	5.9
EV/Sales (x)	1.8	1.6	1.2	1.0	0.9
Debtor days	20	19	13	13	15
Inventory days	60	72	60	60	60
Creditor days	105	109	73	70	65

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
19-Aug-21	Buy	560	
9-Nov-21	Buy	560	0.0
11-Feb-22	Buy	495	-11.6
22-Mar-22	Buy	480	-3.0
19-May-22	Buy	463	-3.5
3-Aug-22	Buy	463	0.0
10-Nov-22	Buy	410	-11.4
16-Feb-23	Buy	400	-2.4
26-May-23	Buy	470	17.4
28-Jul-23	Buy	540	15.0
16-Nov-23	Buy	520	-3.8
31-Jan-24	Buy	725	39.4
15-May-24	Buy	762	5.2
1-Aug-24	Buy	760	-0.3
8-Nov-24	Buy	890	17.1
29-Jan-25	Buy	870	-2.2

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

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Rating	Meaning
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Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
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