

Shyam Metals and Energy | BUY

Niche positioning to drive earnings trajectory

Shyam Metals (SMEL) reported consol. EBITDA of INR5.4bn, higher than JMfe of INR4.9bn driven by higher blended realizations (+9% QoQ). EBITDA was down 7% QOQ primarily driven by higher RM costs/t (+11% QoQ) and higher staff costs/t (+9.5% QoQ). Volumes (carbon steel + sponge iron) declined to 0.61mn tons in 2Q vs 0.66mn tons in 1Q. Consequently, consol EBITDA/t came in at INR8.8k/t – up ~INR0.1k/t QoQ. Key takeaways from the call are a) company has discontinued its DI pipes project following significant technological changes and demand shifting towards OPVC pipes - plans to re-allocate more capital towards value-added products (~28% in 1HFY26 vs ~25% in 1HFY25) b) total envisaged capex has come down to ~INR94bn from ~INR100bn earlier - to be fully deployed by Mar'27 c) stainless steel revenue (mainly from Mittal Corp) stood at ~INR6bn in 2Q and company expects ~INR15-20bn of revenue in FY26 d) company expects CAGR of 15-20% in the top-line over the next 2-3 years with a margin improvement of 200-300 bps. As of 2QFY26, company has incurred a capex of ~INR75bn, representing ~80% of its planned capex of ~INR94bn. Out of the capex incurred, INR49bn has been capitalized. 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. Maintain BUY.

- **Margins decline given higher RM costs:** Consol. revenue came in at INR44bn, flat sequentially given higher realizations were offset by lower volumes (-8% QoQ). SMEL registered consolidated EBITDA of INR5.4bn, marginally higher than our estimate of INR4.9bn driven by higher realizations (+9% QoQ). EBITDA was down 7% QOQ primarily driven by higher RM costs/t (+11% QoQ) and higher staff costs/t (+9.5% QoQ). Consequently, consol EBITDA/t came in at INR8.8k/t – up ~INR0.1k/t QoQ. The volumes (carbon steel + sponge iron) declined to 0.61mn tons in 2Q vs 0.66mn tons in 1Q. Consol. Adj. PAT came in at INR2.6bn during the quarter, down 10% QoQ driven by higher interest costs. EBITDA/t across segments witnessed mixed trends during the quarter with Metallica, Speciality Alloys and Aluminium witnessing upward trends QoQ while per ton spreads for Carbon Steel and Stainless Steel remained muted in 2Q.
- **Foray into wagon manufacturing; value-added products / SS to drive margins:** SMEL earlier announced strategic entry into rolling stock segment – wagon manufacturing with a greenfield facility in Kharagpur at a total capex of INR3bn. Company has downwards revised its capex estimates for this project to INR2bn and the Phase 1 operations are now expected to begin in Sep'26 (as against Mar'26 guidance earlier). SMEL continues to focus on value-added products and cost efficiencies through backward integration. SMEL's margins in Stainless Steel segment remains low compared to peers – company plans to increase this by foraying into flat products and building SMS for stainless steel at its existing plant. Company is focused to improve its downstream mix by adding SS wires and bright bars to the mix. Company also plans to remain focused on 200/400 series which has lower Nickel requirements.
- **DI Project discontinued; other projects progressing well:** Company has discontinued its DI pipes project following significant technological changes and demand shifting towards OPVC pipes. Company plans to re-allocate more capital towards the high value-added products mix (~28% in 1HFY26 vs ~25% in 1HFY25). Phase-I of the greenfield project of Cold-rolling mill in Jamuria remains on track with INR5.25bn capex incurred out of the IN6.03bn envisaged. As of 2QFY26, company has incurred a capex of ~INR75bn, representing ~80% of its planned capex of ~INR94bn. Out of the capex incurred, INR49bn has been capitalized.



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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	1,050
Upside/(Downside)	22.0%
Previous Price Target	1,080
Change	-2.8%

Key Data – SHYAMMET IN

Current Market Price	INR861
Market cap (bn)	INR240.2/US\$2.7
Free Float	24%
Shares in issue (mn)	278.0
Diluted share (mn)	278.0
3-mon avg daily val (mn)	INR205.5/US\$2.3
52-week range	1,001/628
Sensex/Nifty	83,216/25,492
INR/US\$	88.7

Price Performance

%	1M	6M	12M
Absolute	-9.0	-0.6	5.6
Relative*	-9.8	-5.1	0.9

* To the BSE Sensex

Financial Summary

(INR mn)

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	131,952	151,375	210,814	231,452	255,473
Sales Growth (%)	4.6	14.7	39.3	9.8	10.4
EBITDA	15,700	18,655	26,362	34,279	40,234
EBITDA Margin (%)	11.9	12.3	12.5	14.8	15.7
Adjusted Net Profit	10,348	9,081	13,883	18,692	20,900
Diluted EPS (INR)	37.2	32.6	49.9	67.2	75.1
Diluted EPS Growth (%)	20.7	-12.3	52.9	34.6	11.8
ROIC (%)	11.8	8.2	11.6	14.2	14.0
ROE (%)	12.3	9.0	12.4	14.8	14.4
P/E (x)	23.1	26.4	17.3	12.8	11.5
P/B (x)	2.5	2.3	2.0	1.8	1.5
EV/EBITDA (x)	15.4	13.0	9.1	6.9	5.9
Dividend Yield (%)	0.0	0.0	0.6	0.6	0.6

Source: Company data, JM Financial. Note: Valuations as of 07/Nov/2025

JM Financial Research is also available on: Bloomberg - JMFR <GO>, FactSet, LSEG and S&P Capital IQ.

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

Key concall takeaways:

- Company has discontinued its DI pipes project following significant technological changes and demand shifting towards OPVC pipes. Company plans to re-allocate more capital towards the high value-added products mix (~28% in 1HFY26 vs ~25% in 1HFY25).
- Consequently, total envisaged capex has come down to ~INR94bn from ~INR100bn earlier. Capex to fully deployed by Mar'27.
- Stainless Steel:
 - EBITDA/t for the company remains lower than peers – company plans to increase this by foraying into flat products and building SMS for stainless steel at its existing plant.
 - Company plans to commission the flat products plant in FY27.
 - Company is focused to improve its downstream mix by adding SS wires and bright bars to the mix. Company also plans to remain focused on 200/400 series which has lower Nickel requirements.
 - Company is currently selling 20k tons on a quarterly basis at 70-80% utilisation.
 - SS revenue (mainly from Mittal Corp) stood at ~INR6bn in 2Q and company expects ~INR15-20bn of revenue in FY26.
 - Company expects benefit of ~INR4-5bn from the PLI scheme on SS – still under evaluation.
- Company expects CAGR of 15-20% in the top-line over the next 2-3 years with a margin improvement of 200-300 bps.
- Blast furnace (0.45 mn tons) of Ramsarup is in final stages of commissioning – production and sales to start by Dec'25.
- The 0.15mn tons color-coated plant and 90MW power plant are expected to be commissioned in 4QFY26 while Aluminium plant will be commissioned in 2QFY27.

Exhibit 1. Consolidated- quarterly financial performance (INR mn)

Y/E March (INR mn)	2QFY26	2QFY26E	% Var	2QFY25	YoY %	1QFY26	QoQ %	1HFY26	1HFY25	YoY%
Net Sales	44,570	39,517	12.8	36,340	22.6	44,188	0.9	88,759	72,456	22%
Volumes (mn tons)	0.61	0.61	-	0.67	-8.4	0.66	-7.8	1	1	-2%
Realizations	72,835	64,576	12.8	54,425		66,576	9.4	69,578	55,429	26%
Raw material cost	32,672	28,761	13.6	26,549	23.1	31,890	2.5	64,562	52,278	23%
RM costs/t	53,391	47,000	13.6	39,761		48,047	11.1	50,611	39,993	27%
Gross profit	11,898	10,756	10.6	9,791	21.5	12,298	-3.3	24,196	20,178	20%
Gross margin (%)	26.7	27.2	-1.9	26.9	(0.9)	27.8	-4.1	27	28	-2%
Gross margin/t	19,443	17,576		14,664		18,529		18,968	15,436	23%
Staff costs	1,241	1,103	12.6	1,069	16.1	1,230	0.9	2,471	2,150	15%
Staff costs/t	2,028	1,802	12.6	1,601		1,853	9.5	1,937	1,645	
Other costs	5,263	4,726	11.3	4,656	13.0	5,272	-0.2	10,535	9,085	16%
Other costs/t	8,600	7,724	11.3	6,973		7,943	8.3	8,258	6,950	
Total expenditure	39,176	34,590	13.3	32,274	21.4	38,392	2.0	77,568	63,513	22%
EBITDA	5,394	4,926	9.5	4,066	32.7	5,796	-6.9	11,191	8,943	25%
EBITDA/ton (Rs/ton)	8,815	8,051		6,089		8,733		8,772	6,842	28%
EBITDA margin (%)	12.1	12.5		11.2		13.1		13	12	2%
Other income	691	580		746		536		1,227	1,255	
Depreciation	2,112	2,050	3.0	1,440	46.7	2,045	3.2	4,157	2,798	
EBIT	3,974	3,456		3,372		4,287		8,261	7,400	12%
Interest	503	400	25.8	305	65.1	398	26.4	901	591	52%
Income (loss) from associates	13	15		0		15		28	1	
PBT	3,484	3,071		3,068		3,904		7,388	6,809	9%
Tax	866	917		911		983		1,849	1,891	-2%
Eff. Tax rate (%)	24.9	29.9		29.7		25.2		25	28	-10%
XO items	-	-		-		-		-	-	
Reported PAT	2,618	2,154		2,157		2,922		5,539	4,918	13%
Adjusted PAT	2,604	2,139	21.7	2,156	20.8	2,906	-9.9	5,511	4,917	12%
EPS (Rs)	9.4	7.7		7.8		10.5		20	18	13%

Source: Company, JM Financial

Exhibit 2. Standalone- quarterly financial performance (INR mn)

Y/E March	2QFY26	2QFY25	YoY %	1QFY26	QoQ %	1HFY26	1HFY25	YoY%
Net Sales	16,713	16,944	-1.4	17,519	-4.6	34233	32531	5%
Expenditure	14,602	15,237	-4.2	14,941	-2.3	29543	28406	4%
Raw materials	12,610	12,911	-2.3	12,589	0.2	25198	23729	6%
Staff Cost	507	478	6.1	507	-0.1	1014	995	2%
EBITDA	2,111	1,707	23.7	2,579	-18.1	4690	4126	14%
EBITDA margin (%)	12.6	10.1		14.7		14	13	
Other income	303	432		306		609	875	
Depreciation	543	535	1.6	530	2.4	1073	1019	5%
EBIT	1,871	1,605		2,354		4225	3981	
Interest	79	133	-40.4	107	-25.6	186	265	-30%
PBT	1,792	1,472		2,247		4039	3716	
Tax	436	388		571		1007	1004	
Eff. Tax rate (%)	24.3	26.4		25.4		25	27	
XO items	-	-		-		0	0	
PAT	1,356	1,084	25.1	1,676	-19.1	3032	2712	12%
Adjusted PAT	1,356	1,084	25.1	1,676	-19.1	3033	2712	12%
EPS (Rs)	4.9	3.9		6.0		11	10	

Source: Company, JM Financial

Exhibit 3. Target Price

(INR mn)	Multiple (x)	FY28E EBITDA
EBITDA	7.0	40,234
Total EV		2,81,637
Less: Net Debt		(9,987)
Equity value		2,91,624
No of shares (mn)		278
Fair value (INR/share)		1,050

Source: JM Financial

Exhibit 4. Key assumption table

	FY23	FY24	FY25	FY26E	FY27E	FY28E
Consolidated net sales (INR mn)	126,102	131,952	151,375	210,814	231,452	255,473
Consolidated steel volume (mt)	1,934	2,370	2,713	3,764	3,857	4,253
Growth (%)	24%	23%	14%	39%	2%	10%
Blended net realisation (INR/t)	65,188	55,664	55,794	56,008	60,001	60,071
Consolidated EBITDA (Rs mn)	14,859	15,700	17,652	26,362	34,279	40,234
EBITDA/t (INR)	7,681	6,623	6,506	7,004	8,886	9,460
Net debt (Rs mn)	-4,410	-4,197	-4,838	-6,126	-8,698	-9,987

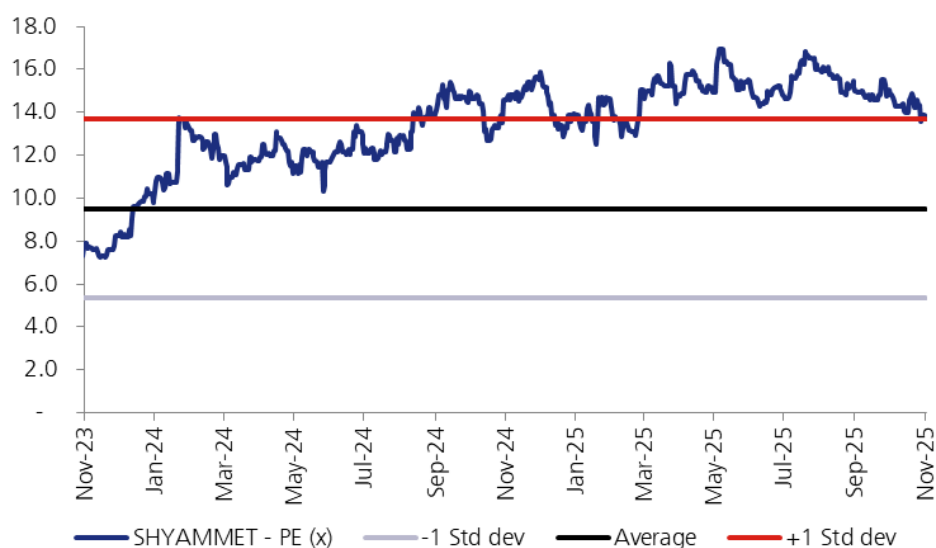
Source: Company, JM Financial

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

	Unit	OLD			NEW			% Change		
		FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Net Sales	INR mn	211,009	230,700	252,471	211,009	231,452	255,473	0.0%	0.3%	1.2%
EBITDA	INR mn	32,384	35,027	40,561	26,362	34,279	40,234	-18.6%	-2.1%	-0.8%
PAT	INR mn	17,319	18,310	20,615	13,883	18,692	20,900	-19.8%	2.1%	1.4%
EPS		62.2	65.8	74.1	49.9	67.2	75.1	-19.8%	2.1%	1.4%
Target Price	INR	1,080			1,050			-2.8%		
Rating		BUY			BUY					

Source: JM Financial, Company

Financial Tables (Consolidated)

Income Statement					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	131,952	151,375	210,814	231,452	255,473
Sales Growth	4.6%	14.7%	39.3%	9.8%	10.4%
Other Operating Income	0	0	0	0	0
Total Revenue	131,952	151,375	210,814	231,452	255,473
Cost of Goods Sold/Op. Exp	90,410	96,973	138,095	150,861	162,218
Personnel Cost	3,897	4,337	8,433	9,258	10,219
Other Expenses	21,945	31,409	37,925	37,054	42,802
EBITDA	15,700	18,655	26,362	34,279	40,234
EBITDA Margin	11.9%	12.3%	12.5%	14.8%	15.7%
EBITDA Growth	5.7%	18.8%	41.3%	30.0%	17.4%
Depn. & Amort.	6,560	7,112	8,042	9,407	12,430
EBIT	9,140	11,544	18,319	24,871	27,804
Other Income	1,590	2,306	2,537	2,664	2,797
Finance Cost	1,333	1,439	1,574	1,574	1,574
PBT before Excep. & Forex	9,397	12,411	19,282	25,961	29,027
Excep. & Forex Inc/Loss(-)	0	0	0	0	0
PBT	9,397	12,411	19,282	25,961	29,027
Taxes	-892	3,319	5,399	7,269	8,128
Extraordinary Inc./Loss(-)	0	0	0	0	0
Assoc. Profit/Min. Int.(-)	-57	13	0	0	0
Reported Net Profit	10,348	9,081	13,883	18,692	20,900
Adjusted Net Profit	10,348	9,081	13,883	18,692	20,900
Net Margin	7.8%	6.0%	6.6%	8.1%	8.2%
Diluted Share Cap. (mn)	278.0	278.2	278.2	278.2	278.2
Diluted EPS (INR)	37.2	32.6	49.9	67.2	75.1
Diluted EPS Growth	20.7%	-12.3%	52.9%	34.6%	11.8%
Total Dividend + Tax	0	0	1,377	1,377	1,377
Dividend Per Share (INR)	0.0	0.0	5.0	5.0	5.0

Source: Company, JM Financial

Cash Flow Statement					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before Tax	9,398	12,412	19,282	25,961	29,027
Depn. & Amort.	6,560	7,112	8,042	9,407	12,430
Net Interest Exp. / Inc. (-)	0	0	0	0	0
Inc (-) / Dec in WCap.	-7,667	3,494	739	-8,151	-14,663
Others	59	-12	0	0	0
Taxes Paid	892	-3,319	-5,399	-7,269	-8,128
Operating Cash Flow	9,242	19,687	22,665	19,949	18,667
Capex	-23,506	-20,167	-20,000	-16,000	-16,000
Free Cash Flow	-14,264	-480	2,665	3,949	2,667
Inc (-) / Dec in Investments	4,522	-2,826	0	0	0
Others	7,441	1,136	0	0	0
Investing Cash Flow	-11,544	-21,857	-20,000	-16,000	-16,000
Inc / Dec (-) in Capital	6,613	2	0	0	0
Dividend + Tax thereon	-1	0	-1,377	-1,377	-1,377
Inc / Dec (-) in Loans	-5,524	2,346	0	0	0
Others	0	0	0	0	0
Financing Cash Flow	1,088	2,347	-1,377	-1,377	-1,377
Inc / Dec (-) in Cash	-1,214	178	1,287	2,572	1,289
Opening Cash Balance	1,719	505	683	1,970	4,542
Closing Cash Balance	505	683	1,970	4,542	5,831

Source: Company, JM Financial

Balance Sheet					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shareholders' Fund	96,467	105,533	118,039	135,354	154,877
Share Capital	2,780	2,782	2,782	2,782	2,782
Reserves & Surplus	93,686	102,751	115,257	132,572	152,095
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	8,744	8,744
Def. Tax Liab. / Assets (-)	914	1,533	1,533	1,533	1,533
Total - Equity & Liab.	110,493	123,057	135,563	152,878	172,401
Net Fixed Assets	77,596	90,651	102,609	109,201	112,772
Gross Fixed Assets	68,004	98,728	123,728	144,728	165,728
Intangible Assets	0	0	0	0	0
Less: Depn. & Amort.	28,049	35,161	43,203	52,610	65,040
Capital WIP	37,641	27,084	22,084	17,084	12,084
Investments	10,109	12,935	12,935	12,935	12,935
Current Assets	56,534	59,570	78,210	88,245	103,121
Inventories	21,679	29,854	40,430	44,388	52,494
Sundry Debtors	7,079	7,925	9,819	10,780	13,299
Cash & Bank Balances	505	683	1,970	4,542	5,831
Loans & Advances	27,271	21,108	25,991	28,535	31,497
Other Current Assets	0	0	0	0	0
Current Liab. & Prov.	33,746	40,099	58,190	57,503	56,427
Current Liabilities	33,435	39,666	57,757	57,070	55,994
Provisions & Others	311	433	433	433	433
Net Current Assets	22,788	19,471	20,020	30,742	46,694
Total - Assets	110,493	123,057	135,563	152,878	172,401

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin	7.8%	6.0%	6.6%	8.1%	8.2%
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%	12.4%	14.8%	14.4%

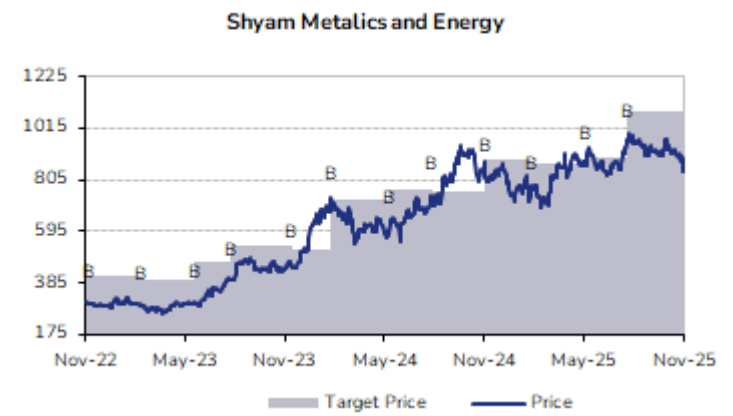
Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	347.0	379.3	424.3	486.5	556.7
ROIC	11.8%	8.2%	11.6%	14.2%	14.0%
ROE	12.3%	9.0%	12.4%	14.8%	14.4%
Net Debt/Equity (x)	0.0	0.0	-0.1	-0.1	-0.1
P/E (x)	23.1	26.4	17.3	12.8	11.5
P/B (x)	2.5	2.3	2.0	1.8	1.5
EV/EBITDA (x)	15.4	13.0	9.1	6.9	5.9
EV/Sales (x)	1.8	1.6	1.1	1.0	0.9
Debtor days	20	19	17	17	19
Inventory days	60	72	70	70	75
Creditor days	105	109	114	106	95

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
9-May-25	Buy	900	3.4
24-Jul-25	Buy	1,080	20.1

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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Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

New Rating System: Definition of ratings	
Rating	Meaning
BUY	Expected return $\geq$ 15% over the next twelve months.
ADD	Expected return $\geq$ 5% and $<$ 15% over the next twelve months.
REDUCE	Expected return $\geq$ -10% and $<$ 5% over the next twelve months.
SELL	Expected return $<$ -10% over the next twelve months.

Note: For REITs (Real Estate Investment Trust) and InvIT (Infrastructure Investment Trust) total expected returns include dividends or DPU (distribution per unit)

Previous Rating System: Definition of ratings	
Rating	Meaning
BUY	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
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.
SELL	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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