

# SHYAM METALICS

## RESULT UPDATE

### KEY DATA

<b>Rating</b>	<b>REDUCE</b>
Sector relative	Underperformer
Price (INR)	926
12 month price target (INR)	760
52 Week High/Low	957/628
Market cap (INR bn/USD bn)	258/3.0
Free float (%)	31.6
Avg. daily value traded (INR mn)	392.3

### SHAREHOLDING PATTERN

	Jun-25	Mar-25	Dec-24
Promoter	74.59%	74.59%	74.59%
FII	3.21%	3.75%	3.84%
DII	8.73%	7.68%	6.74%
Pledge	13.47%	13.98%	14.83%

### FINANCIALS

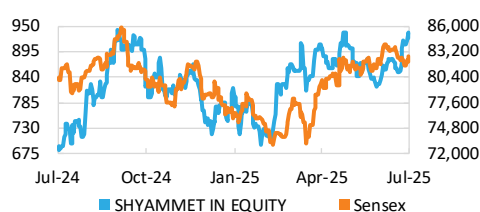
(INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Revenue	1,31,952	1,51,375	2,00,030	2,59,524
EBITDA	15,700	18,681	23,408	31,380
Adjusted profit	10,346	9,079	12,021	17,306
Diluted EPS (INR)	37.2	32.6	43.2	62.2
EPS growth (%)	11.4	(12.3)	32.4	44.0
RoAE (%)	12.2	9.0	10.8	13.8
P/E (x)	24.9	28.4	21.5	14.9
EV/EBITDA (x)	15.5	13.2	10.7	7.9
Dividend yield (%)	0.2	0.5	0.4	0.5

### CHANGE IN ESTIMATES

(INR mn)	Revised estimates		% Revision	
Year to March	FY26E	FY27E	FY26E	FY27E
Revenue	2,00,030	2,59,524	(0)	(4)
EBITDA	23,408	31,380	-1	1
Adjusted profit	12,021	17,306	(1)	1
Diluted EPS (INR)	43	62	(1)	1

### PRICE PERFORMANCE



## Volume-driven growth

Shyam Metals posted Q1FY26 consolidated EBITDA above estimate at INR5.84bn (our estimate: INR5.45bn), +14% QoQ. Higher metalics volume, firm steel prices and steady CoP led to EBITDA growth.

Carbon steel products capex is likely to be complete in FY26 and stainless steel/aluminium capex in FY27, which will help drive future earnings growth. Shyam Metalics (SMEL) shall stay net cash despite capex of INR37bn over FY26–27. Amid expectation of higher EBITDA growth (a 30% CAGR over FY25–27E versus 12% during FY23–25), we are raising EV/EBITDA multiple to 6.5x (earlier: 6x) to FY27E EBITDA while our revised target price stands at INR760/share (earlier INR701). However, the stock is still trading expensive at 7.9x; retain 'REDUCE'.

### Revenue increases 7% QoQ buttressed by higher metalics volume

Revenue was up 6.8% QoQ to INR44.2bn supported by higher volume (steel including metalics volume up 5.5% QoQ to 817kt) and marginal rise in steel prices (up 1.2% QoQ to INR54,083/t). Given seasonality, long steel sales volume dipped 9% QoQ to 407kt. However, it was offset by higher pellet sales (up 57% QoQ to 312kt) and metalics (sponge iron /pig iron) up 5%/81% QoQ to 257kt/122kt. A 0.77mtpa pig iron plant operated at 104% capacity utilisation in Q1FY26. Moreover, a ramp-up of newly commissioned cold rolling mill led to CR sales volume growth of 93% QoQ to 31.6kt.

### EBITDA expands 14% QoQ supported by higher volume

Higher revenue was aided by cost control leading EBITDA to increase 14% QoQ/20% YoY to INR5.84bn. RM cost was under control with coal (down INR174/t QoQ) and iron ore (flat QoQ) remaining range bound. As a result, carbon steel and metalics EBITDA/t inched up by INR435–466/t QoQ. However, aluminium and speciality alloy segment posted a decrease in EBITDA/t by INR1,700/t and INR1,003/t QoQ, respectively (refer exhibit: 4).

### Completes 70% of capex by Q1FY26; remains net cash company

Out of ~INR100bn capex announced, SMEL has completed INR70bn as on Q1FY26. Major carbon steel growth project is likely to be completed in Q3FY26, driving earnings FY27 onwards. We forecast 0.5mtpa DRI, 0.45mtpa BF, 0.15mt colour coated plant, 0.13mtpa stainless steel billets, ferro alloys and aluminium battery foil plant shall be commissioned by Q3FY26. The stainless steel and aluminium plants are likely to be completed by FY27-end. The entire capex is to be funded internally and SMEL shall remain a net cash company. At Q1FY26-end, net cash was INR9.6bn (Q4FY25: INR10.6bn).

### Financials

Year to March (INR mn)	Q1FY26	Q1FY25	% Change	Q4FY25	% Change
Net Revenue	44,188	36,116	22.4	41,394	6.8
EBITDA	5,839	4,877	19.7	5,141	13.6
Adjusted Profit	2,922	2,761	5.8	2,188	33.6
Diluted EPS (INR)	10.5	9.9	5.8	7.9	33.6

## Financial Statements

### Income Statement (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Total operating income	1,31,952	1,51,375	2,00,030	2,59,524
Raw Material Cost	94,787	1,09,415	1,39,244	1,81,559
Employee costs	3,685	4,343	4,777	5,255
Other expenses	12,035	13,909	27,393	34,798
EBITDA	15,700	18,681	23,408	31,380
Depreciation	6,560	7,138	7,853	8,678
Less: Interest expense	1,333	1,439	1,202	1,202
Add: Other income	1,590	2,306	2,091	2,018
Profit before tax	9,397	12,411	16,444	23,519
Prov for tax	(892)	3,319	4,111	5,880
Less: Other adj	0	0	0	0
Reported profit	10,346	9,079	12,021	17,306
Less: Excp.item (net)	0	0	0	0
Adjusted profit	10,346	9,079	12,021	17,306
Diluted shares o/s	278	278	278	278
Adjusted diluted EPS	37.2	32.6	43.2	62.2
DPS (INR)	1.7	5.0	3.5	5.0
Tax rate (%)	9.5	26.7	25.0	25.0

### Important Ratios (%)

Year to March	FY24A	FY25A	FY26E	FY27E
EBITDA margin (%)	11.9	12.3	11.7	12.1
Net profit margin (%)	7.8	6.0	6.0	6.7
Revenue growth (% YoY)	4.2	14.7	32.1	29.7
EBITDA growth (% YoY)	4.7	19.0	25.3	34.1
Adj. profit growth (%)	21.4	(12.2)	32.4	44.0

### Assumptions (%)

Year to March	FY24A	FY25A	FY26E	FY27E
GDP (YoY %)	6.7	6.0	6.2	6.2
Repo rate (%)	6.5	6.0	5.0	5.0
USD/INR (average)	82.8	84.5	86.5	86.5
Sales vol. (incl Metalics)-mt	2.4	2.8	2.9	3.6
Blended realisation (INR/t)	55,923	54,200	63,787	66,653
Iron ore cost (INR/t)	5,709.2	6,183	5,940	5,805
Thermal coal (INR/t)	7,847	6,851	6,524	6,572
Net debt/EBITDA (x)	(1.0)	(0.6)	(0.3)	(0.3)

### Valuation Metrics

Year to March	FY24A	FY25A	FY26E	FY27E
Diluted P/E (x)	24.9	28.4	21.5	14.9
Price/BV (x)	2.7	2.4	2.2	1.9
EV/EBITDA (x)	15.5	13.2	10.7	7.9
Dividend yield (%)	0.2	0.5	0.4	0.5

Source: Company and Nuvama estimates

### Balance Sheet (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Share capital	2,780	2,782	2,782	2,782
Reserves	93,686	1,02,751	1,14,123	1,30,377
Shareholders funds	96,467	1,05,533	1,16,905	1,33,159
Minority interest	6,713	7,248	7,248	7,248
Borrowings	5,874	7,795	7,795	7,795
Trade payables	23,689	29,172	38,549	50,014
Other liabs & prov	10,769	12,162	15,411	19,384
Total liabilities	1,44,238	1,63,156	1,87,154	2,18,848
Net block	38,263	61,967	70,114	1,09,437
Intangible assets	1,691	1,600	1,600	1,600
Capital WIP	37,641	27,084	31,084	84
Total fixed assets	77,596	90,651	1,02,798	1,11,121
Non current inv	18	36	36	36
Cash/cash equivalent	21,015	18,300	13,971	16,489
Sundry debtors	7,079	7,925	9,316	12,087
Loans & advances	46	37	49	63
Other assets	32,834	41,938	55,418	71,901
Total assets	1,44,238	1,63,156	1,87,154	2,18,848

### Free Cash Flow (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
PBT	9,398	12,412	16,444	23,519
Add: Depreciation	6,560	7,112	7,853	8,678
Interest (net of tax)	1,333	1,439	0	0
Others	(935)	489	0	0
Less: Changes in WC	3,358	(1,478)	(3,553)	(5,414)
Operating cash flow	17,944	19,642	16,633	20,903
Less: Capex	(18,878)	(21,483)	(20,000)	(17,000)
Free cash flow	(934)	(1,842)	(3,367)	3,903

### Key Ratios

Year to March	FY24A	FY25A	FY26E	FY27E
RoE (%)	12.2	9.0	10.8	13.8
RoCE (%)	10.9	12.1	14.0	17.6
Inventory days	84	86	91	91
Receivable days	18	18	16	15
Payable days	75	88	89	89
Working cap (% sales)	4.9	6.7	6.2	6.2
Gross debt/equity (x)	0.1	0.1	0.1	0.1
Net debt/equity (x)	(0.1)	(0.1)	0	(0.1)
Interest coverage (x)	6.9	8.0	12.9	18.9

### Valuation Drivers

Year to March	FY24A	FY25A	FY26E	FY27E
EPS growth (%)	11.4	(12.3)	32.4	44.0
RoE (%)	12.2	9.0	10.8	13.8
EBITDA growth (%)	4.7	19.0	25.3	34.1
Payout ratio (%)	4.5	15.2	8.0	8.0

## Exhibit 1: Consolidated financial snapshot

Year to March (INR mn)	Q1FY26	Q1FY25	% change	Q4FY25	% change	FY25	FY26E	FY27E
Net revenues	44,188	36,116	22.4	41,394	6.8	1,51,375	2,00,030	2,59,524
Raw material	31,890	25,729	23.9	29,974	6.4	41,960	60,786	77,965
Staff cost	1,230	1,080	13.8	1,094	12.4	4,343	4,777	5,255
Other expenditure	5,229	4,429	18.0	5,184	0.9	13,909	27,393	34,798
Total expenditure	38,349	31,239	22.8	36,253	5.8	1,32,694	1,76,622	2,28,144
<b>EBITDA</b>	<b>5,839</b>	<b>4,877</b>	<b>19.7</b>	<b>5,141</b>	<b>13.6</b>	<b>18,681</b>	<b>23,408</b>	<b>31,380</b>
Depreciation	2,089	1,359	53.7	2,275	(8.2)	7,138	7,853	8,678
Interest	398	287	38.8	436	(8.8)	1,439	1,202	1,202
Other income	536	509	5.4	542	(1.2)	2,306	2,091	2,018
Profit Before Tax	3,889	3,741	4.0	2,972	30.9	12,411	16,444	23,519
Provision for Tax	983	980	0.3	770	27.6	3,319	4,111	5,880
Reported net profit	2,907	2,761	5.3	2,202	32.0	9,079	12,021	17,306
Adjusted Profit	2,922	2,761	5.8	2,188	33.6	9,079	12,021	17,306
<b>EPS (INR)</b>	<b>10.4</b>	<b>9.9</b>	<b>5.3</b>	<b>7.9</b>	<b>32.0</b>	<b>32.6</b>	<b>43.2</b>	<b>62.2</b>
as % of net revenues								
Raw material	72.2	71.2		72.4		27.7	30.4	30.0
Staff costs	2.8	3.0		2.6		2.9	2.4	2.0
Other expenses	11.8	12.3		12.5		9.2	13.7	13.4
EBITDA	13.2	13.5		12.4		12.3	11.7	12.1
Reported net profit	6.6	7.6		5.3		6.0	6.0	6.7
Tax rate	25.3	26.2		25.9		26.7	25.0	25.0

Source: Company, Nuvama Research

## Exhibit 2: Higher metalics volume partially offset by lower steel volume

Sales volume(kt)	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	QoQ(%)	YoY(%)
Pellets	209	239	195	198	312	57.3	49.3
Sponge Iron	256	257	257	244	257	5.4	0.5
Pig iron	-	-	27	67	122	80.7	
Carbon steel	384	411	422	447	407	-9.0	6.0
Ferroalloys	47	53	48	52	57	8.2	21.4
Aluminium foils	4.6	5.1	5.5	5.6	5.4	-3.5	19.0

Source: Company, Nuvama Research

## Exhibit 3: Realisation/t falls across segment except steel and aluminium foils

Realisation(INR/t)	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	QoQ(%)	YoY(%)
Pellets	9,067	8,123	8,683	8,791	8,608	-2.1	-5.1
Sponge Iron	27,208	24,306	25,315	24,510	24,100	-1.7	-11.4
Carbon steel	47,990	43,205	43,684	44,018	44,856	1.9	-6.5
Ferroalloys	97,252	99,851	95,234	91,350	87,715	-4.0	-9.8
Aluminium foils	3,26,580	3,46,886	3,48,928	3,50,835	3,65,945	4.3	12.1

Source: Company, Nuvama Research

## Exhibit 4: EBITDA/t by product

(INR)	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	QoQ (%)	YoY (%)
Metalics	1,957	1,387	1,897	1,853	2,319	25.1	18.5
Carbon steel	7,131	4,833	5,815	6,172	6,607	7.0	-7.3
Stainless steel	8,145	6,987	6,658	7,693	8,066	4.8	-1.0
Speciality alloys	19,925	20,924	17,331	17,657	15,955	-9.6	-19.9
Aluminium	32,695	29,057	36,415	36,286	35,283	-2.8	7.9

Source: Company, Nuvama Research

## Q1FY26 Conference call: Key takeaways

- Ramp up of recently commissioned capacities has been faster than expected: The 0.77mtpa pig iron plant (commissioned in Q3FY25) operated at 104% capacity utilisation (produced ~200kt) in Q1FY26. A 0.25mtpa colour coated facility (commissioned in Q3FY25) operated at ~50% CU in Q1FY26 (Q4: ~32% CU) and has now been ramped up to ~70% capacity utilisation.
- The combined carbon steel and metallic products (DRI, pig iron, carbon steel and CR coil) sales volume increased by 5.5%/28% QoQ/YoY to 817kt despite seasonally weak demand. The lower carbon steel volume (down 9% QoQ to 407kt) was offset by a ramp-up of pig iron (volume up 81% QoQ to 122kt) and CR mill (volume up 93% QoQ to 32kt).
- In Q1FY26, captive power plants fulfil 78% of power requirement at INR2.4/kwh. Average power cost including grid power stood at INR3.1/kwh.
- Out of total estimated capex of INR100bn towards value and volume enhancement, it has spent INR70bn until Q1FY26 (~70% of the total capex). The balance capex of INR30bn will be completed by FY27 end.
- 90MW power plant in West Bengal is likely to be commissioned in Sep-25.
- All carbon steel projects (mainly 0.5mtpa DRI plant, 0.45mtpa BF, 0.15mtpa CR plant) are likely to be completed in H2FY26. It is working on debottlenecking existing long product capacity (~2mtpa), which may increase volume by 10–15%. Aluminium and stainless steel (0.5mtpa flat product) projects are likely to be completed by FY27-end.
- The DI pipe project of 0.6mtpa has been put on hold. A INR3bn is earmarked for wagon manufacturing. Phase 1 entails capacity of 2,400 wagons/year, likely to commence by Mar-26 and the second phase will have capacity of another 2,400 wagons/year. The company plans to use its stainless steel plates in manufacturing wagons.
- SMEL is open to expand mining business vertical. The company has successfully been allotted iron ore mine in Maharashtra and is envisaging bidding for coal mine in future auctions as well. Management hinted at announcing the next phase of expansion in Q3FY26.

### Other highlights

- It has net cash of ~INR9.6bn at Q1FY26-end (FY25: INR10.6bn). During Q1FY26, it incurred capex of INR4.19bn (Q4FY25: INR7.1bn).
- SMEL follows a prudent capital allocation framework: 70% towards capex, 20% to maintain liquidity and remaining 10% towards dividend
- It announced INR1.8/share as first interim dividend.
- The Board has given its approval for the company to raise funds of INR45bn via equity/preference share/debentures/private placement, etc subject to shareholder approval. It is an enabling resolution, which may or may not lead to actual raising of funds.

## Exhibit 5: Key assumptions

Particulars	FY22	FY23	FY24	FY25	FY26E	FY27E
Sales volume (incl Metals)-mt	1.6	1.9	2.4	2.8	2.9	3.6
Blended realisation (INR/t)	66,623	65,438	55,923	54,200	63,787	66,653
Iron ore cost (INR/t)	6,041	4,361	5,709	6,183	5,940	5,805
Thermal coal (INR/t)	5,743	12,102	7,847	6,852	6,524	6,572
Net debt/EBITDA (x)	-0.3	-0.3	-1.0	-0.6	-0.3	-0.3

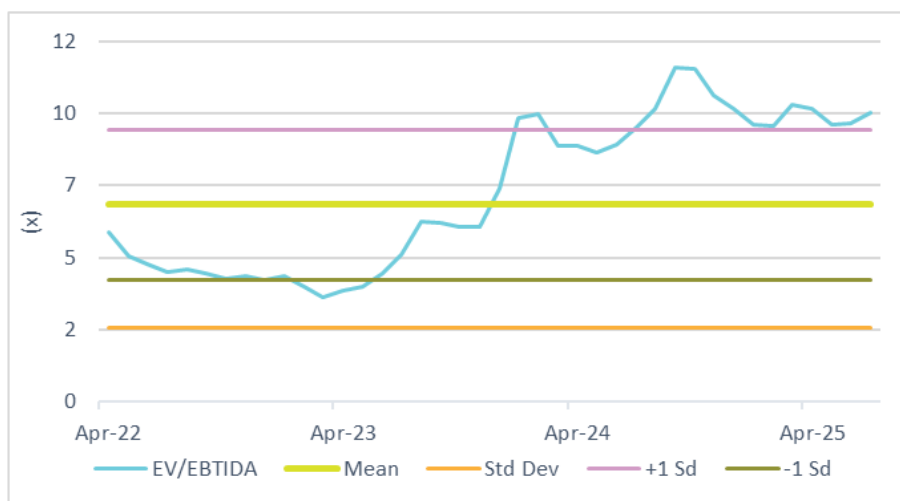
Source: Company, Nuvama Research

## Exhibit 6: Valuation

(INR mn)	FY27E
EBITDA	31,380
Multiple (x)	6.5
EV	2,03,969
Average Net debt	-7,435
Market Cap	2,11,405
No. of shares (mn)	278
TP (INR/share)	760

Source: Company, Nuvama Research

## Exhibit 7: On one-year forward EV/EBITDA, trading above +1 SD to 3Y average



Source: Company, Nuvama Research

## Company Description

Shyam Metalics & Energy Ltd (SMEL) is a mid-sized steel producer based in India with focus on long steel products and ferroalloys, and an ability to sell intermediate and final products across the value chain. The company has a record of accomplishment of generating positive EBITDA since commencing operations in FY05. It is one of the leading secondary players in terms of longs steel products and pellet capacity, among the largest producers of ferroalloys in India. SMEL operates three manufacturing plants: one in Odisha and two in West Bengal. The aggregate installed metal capacity of the manufacturing plants is 1.7mtpa of finished steel. The plants house captive power plants with an aggregate installed capacity of 267MW in FY23.

## Investment Thesis

SMEL has been expanding steel along with metallic, pellets capacities in phases since FY21 at its Sambalpur (Odisha) and Jamuria (West Bengal) plants. Post recent expansion, SMEL has 6mtpa pellet plant (2.5x FY21), 2.9mtpa DRI plant (2.1x FY21) and ~2mtpa long steel plant (2.6x FY21) by Q1FY24. It is further expanding its capacity.

SMEL has a disciplined capital allocation policy of implementing capex through internal accruals. Besides, it acquired assets of Ramsarup Industries and Mittal Corp (stainless steel) too and is expanding capacities over there too. It will take its finished steel capacity to ~4.4mtpa. We believe most of the capex to be funded via internal accruals and Balance sheet will remain strong with it remain as Net cash company.

## Key Risk

- Vulnerability to raw materials availability and prices (iron ore and thermal coal)
- Fall in steel prices
- Delay in expansion

## Additional Data

### Management

Chairman and MD	Brij Bhushan Agarwal
Joint MD	Sanjay Kumar Agarwal
Whole-time Director	Deepak Kumar Agarwal
Auditor	S K Agrawal and Co Chartered Accountants LLP

### Holdings – Top 10\*

	% Holding		% Holding
LIC	4.46	Blackrock	0.38
Authum Invest	3.58	SBI Funds	0.10
Tata AIA	1.61	Aditya Birla AM	0.09
Vanguard	0.99	American Centur	0.05
Investco AMC	0.90	Dimentional Fun	0.04

\*Latest public data

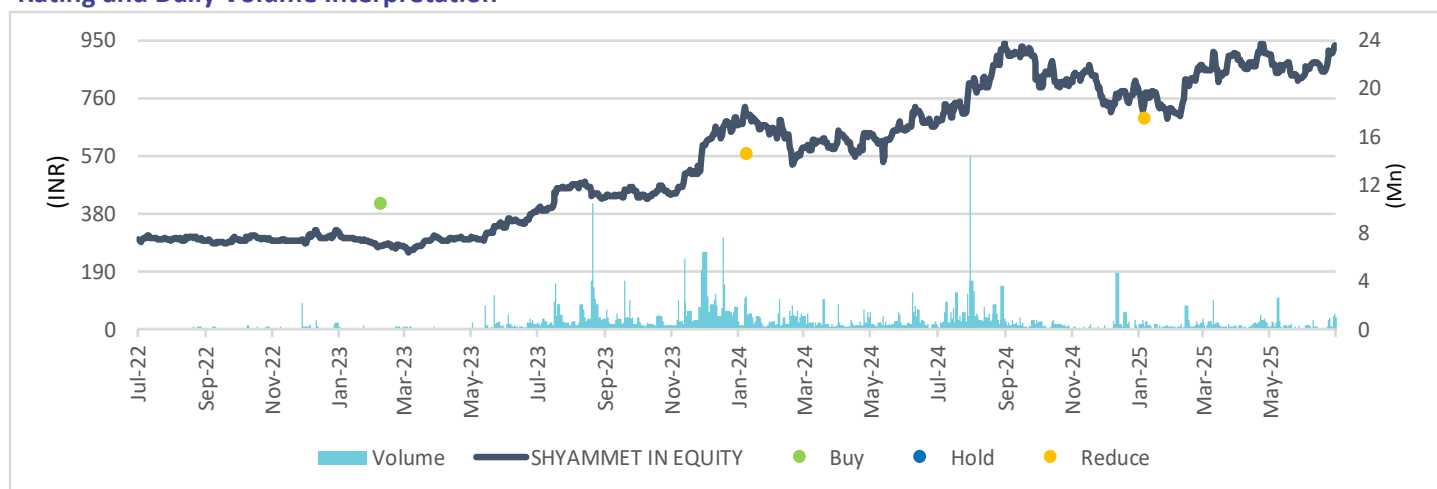
### Recent Company Research

Date	Title	Price	Reco
09-May-25	On a growth path; <i>Result Update</i>	868	Reduce
29-Jan-25	Lower RM and firm prices boost earnings; <i>Result Update</i>	746	Reduce
08-Nov-24	Lower prices hit earnings; <i>Result Update</i>	815	Reduce

### Recent Sector Research

Date	Name of Co./Sector	Title
18-Jul-25	Hindustan Zinc	Lower prices and volumes hit earnings; <i>Result Update</i>
18-Jul-25	JSW Steel	Price-driven growth; <i>Result Update</i>
04-Jul-25	Metals & Mining	Steel shines; lower prices hit non-ferro; <i>Sector Update</i>

### Rating and Daily Volume Interpretation



Source: Bloomberg, Nuvama research

### Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	202
Hold	<15% and >-5%	66
Reduce	<-5%	36



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