

Shyam Metals and Energy | BUY

Margins improve given higher realisations; outlook optimistic

Shyam Metals (SMEL) reported EBITDA of INR5.8bn, higher than JMfe of INR5.4bn driven by higher realizations (+11% QoQ). Consequently, consol EBITDA/t came in at INR8.7k/t – up ~INR1.2k/t QoQ. Volumes in 1Q stood at 0.66mn tons, down 4% QoQ given seasonally weak quarter. Key takeaways from the call are a) Company expects some pricing pressure in the near-term given the monsoon season but expects cost reduction efforts to offset the impact b) SS wires segment is expected to stabilize this year with sales volume to be ~10k tons in FY26 and ~20k tons in FY27 post ramp-up c) SMEL announced strategic entry into wagon manufacturing with a greenfield facility in Kharagpur at a total capex of INR3bn – Phase-I to commence in Mar'26 d) most carbon steel capex is expected to be operational by FY26 while stainless steel and aluminium projects remain on track for FY27. As of 1QFY26, company has incurred a capex of ~INR70bn, representing ~70% 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 forecast an earnings CAGR of ~31% over FY25-28E. Given the recent strong performance, we change our target multiple from 6x to 7x EV/EBITDA, implying a TP of INR1,080/sh. Maintain BUY.

- **Margins improve given higher realisations:** Consol. revenue came in at INR44bn, up 7% QoQ given higher realizations (+11% QoQ). SMEL reported consol. EBITDA of INR5.8bn vs INR5.2bn in 4Q primarily on account of higher sales realisation. The volumes declined marginally to 0.66mn tons in 4Q vs 0.69mn tons in 4Q. Consequently, consol EBITDA/t came in at INR8.7k/t – up ~INR1.2k/t QoQ. Consol. Adj. PAT came in at INR2.9bn during the quarter, up 32% QoQ. Company expects some pricing pressure in the near-term given the monsoon season but expects cost reduction efforts to offset the impact.
- **Foray into wagon manufacturing; value-added products to drive margins:** SMEL announced strategic entry into rolling stock segment – wagon manufacturing with a greenfield facility in Kharagpur at a total capex of INR3bn. Company plans to do this in two phases with each phase leading to a capacity of 2,400 wagons. This will be developed under company's step-down subsidiary, Ramsarup Industries Ltd. with Phase-I operations expected to commence in Mar'26. SMEL continues to focus on value-added products and cost efficiencies through backward integration – to drive earnings.
- **SMEL progressing well on capex plans:** Company expects Stainless Steel wires segment to stabilize this year with sales volume to be ~10k tons in FY26 and ~20k tons in FY27 post ramp-up. In 1QFY26, capacity utilisation levels for pig iron plant and color-coated stood at 104% and 70% respectively – indicating a healthy ramp-up and positive momentum. As of 1QFY26, company has incurred a capex of ~INR70bn, representing ~70% of its planned capex of ~INR100bn.

Financial Summary					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	1,31,952	1,51,375	2,11,009	2,30,700	2,52,471
Sales Growth (%)	4.6	14.7	39.4	9.3	9.4
EBITDA	15,700	18,655	32,384	35,027	40,561
EBITDA Margin (%)	11.9	12.3	15.3	15.2	16.1
Adjusted Net Profit	10,347	9,081	17,319	18,310	20,615
Diluted EPS (INR)	37.2	32.6	62.2	65.8	74.1
Diluted EPS Growth (%)	20.6	-12.3	90.7	5.7	12.6
ROIC (%)	11.8	8.2	14.9	14.3	14.6
ROE (%)	12.3	9.0	15.2	14.1	13.9
P/E (x)	25.2	28.7	15.0	14.2	12.6
P/B (x)	2.7	2.5	2.1	1.9	1.6
EV/EBITDA (x)	16.7	14.1	8.0	7.2	6.2
Dividend Yield (%)	0.0	0.5	0.5	0.5	0.5

Source: Company data, JM Financial. Note: Valuations as of 22/Jul/2025



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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	1,080
Upside/(Downside)	15.4%
Previous Price Target	900
Change	20.0%

Key Data – SHYAMMET IN

Current Market Price	INR936
Market cap (bn)	INR261.2/US\$3.0
Free Float	25%
Shares in issue (mn)	278.0
Diluted share (mn)	278.0
3-mon avg daily val (mn)	INR376.1/US\$4.4
52-week range	957/628
Sensex/Nifty	82,552/25,167
INR/US\$	86.4

Price Performance

%	1M	6M	12M
Absolute	13.2	16.8	39.1
Relative*	12.8	8.8	36.2

* To the BSE Sensex

JM Financial Research is also available on:
Bloomberg - JMFR <GO>,
Thomson Publisher & Reuters,
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Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

Key concall takeaways:

- Company expects Stainless Steel wires segment to stabilize this year with sales volume to be ~10k tons in FY26 and ~20k tons in FY27 post ramp-up.
- Company expects some pricing pressure in the near-term given the monsoon season but continued focus on cost reduction efforts to offset the impact.
- SMEL has forayed into rolling stock segment – wagon manufacturing with a greenfield capacity at Kharagpur. Company plans to incur ~INR3bn in capex for this project.
- Most carbon steel capex is expected to be operational by FY26 while stainless steel and aluminium projects remain on track for FY27.
- In 1QFY26, capacity utilisation levels for pig iron plant and color-coated stood at 104% and 70% respectively – indicating a healthy ramp-up and positive momentum. Current utilisation for pig iron stands at ~120%.
- Company expects to maintain a growth CAGR of ~15% going ahead.

Exhibit 1. Consolidated – quarterly financial performance							(INR mn)
Y/E March (INR mn)	1QFY26	1QFY26E	% Var	1QFY25	YoY %	4QFY25	QoQ %
Net Sales	44,188	43,277	2.1	36,116	22.4	41,394	6.8
Volumes (mn tons)	0.66	0.70	(5.7)	0.64	3.8	0.69	-3.8
Realizations	66,576	61,517	8.2	56,477		60,017	10.9
Raw material cost	31,890	31,305	1.9	25,729	23.9	29,974	6.4
RM costs/t	48,047	44,500	8.0	40,234		43,460	10.6
Gross profit	12,298	11,971	2.7	10,387	18.4	11,419	7.7
Gross margin (%)	27.8	27.7	0.6	28.8	(3.2)	27.6	0.9
Gross margin/t	18,529	17,017		16,243		16,557	
Staff costs	1,230	1,144	7.6	1,080	13.8	1,094	12.4
Staff costs/t	1,853	1,626	14.0	1,689		1,586	16.8
Other costs	5,272	5,407	-2.5	4,429	19.0	5,173	1.9
Other costs/t	7,943	7,685	3.3	6,927		7,501	5.9
Total expenditure	38,392	37,856	1.4	31,239	22.9	36,242	5.9
EBITDA	5,796	5,421	6.9	4,877	18.8	5,152	12.5
EBITDA/ton (INR/ton)	8,733	7,706		7,627		7,469	
EBITDA margin (%)	13.1	12.5		13.5		12.4	
Other income	536	550		509		542	
Depreciation	2,045	2,300	-11.1	1,359	50.6	2,286	-10.5
EBIT	4,287	3,671		4,027		3,408	
Interest	398	440	-9.6	287	38.8	436	-8.8
Income (loss) from associates	15	(14)		1		(14)	
PBT	3,904	3,217		3,742		2,958	
Tax	983	808		980		770	
Eff. Tax rate (%)	25.2	25.1		26.2		26.0	
XO items	-	-		-		-	
Reported PAT	2,922	2,409		2,761		2,188	
Adjusted PAT	2,906	2,423	19.9	2,761	5.3	2,201	32.7
EPS (INR)	10.5	8.7		9.9		7.9	

Source: Company, JM Financial

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

Y/E March	1QFY26	1QFY25	YoY %	4QFY25	QoQ %
Net Sales	17,519	15,587	12.4	15,991	9.6
Expenditure	14,941	13,169	13.5	14,286	4.6
Raw materials	12,589	10,818	16.4	11,759	7.1
Staff Cost	507	517	-1.9	485	4.5
EBITDA	2,579	2,418	6.6	1,705	51.2
EBITDA margin (%)	14.7	15.5		10.7	
Other income	306	442		296	
Depreciation	530	485	9.4	552	-4.0
EBIT	2,354	2,376		1,449	
Interest	107	132	-19.2	128	-16.4
PBT	2,247	2,244		1,321	
Tax	571	615		326	
Eff. Tax rate (%)	25.4	27.4		24.7	
XO items	-	-		-	
PAT	1,676	1,629	2.9	995	68.4
Adjusted PAT	1,676	1,629	2.9	995	68.4
EPS (INR)	6.0	5.9		3.6	

Source: Company

Exhibit 3. Target price (INR mn)

(INR mn)	Multiple (x)	FY28E EBITDA
EBITDA	7.0	40,561
Total EV		2,83,928
Less: Net Debt		(17,727)
Equity value		3,01,655
No of shares (mn)		278
Fair value (INR/share)		1,080

Source: JM Financial

Exhibit 4. Key Assumptions table

	FY23	FY24	FY25	FY26E	FY27E	FY28E
Consolidated net sales (INR mn)	1,26,102	1,31,952	1,51,375	2,07,023	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	56,490	59,513	59,101
Consolidated EBITDA (Rs mn)	14,859	15,700	18,127	30,089	35,027	40,561
EBITDA/t (INR)	7,681	6,623	6,608	8,210	9,036	9,495
Net debt (Rs mn)	-4,410	-4,197	-4,838	-6,516	-14,148	-15,918

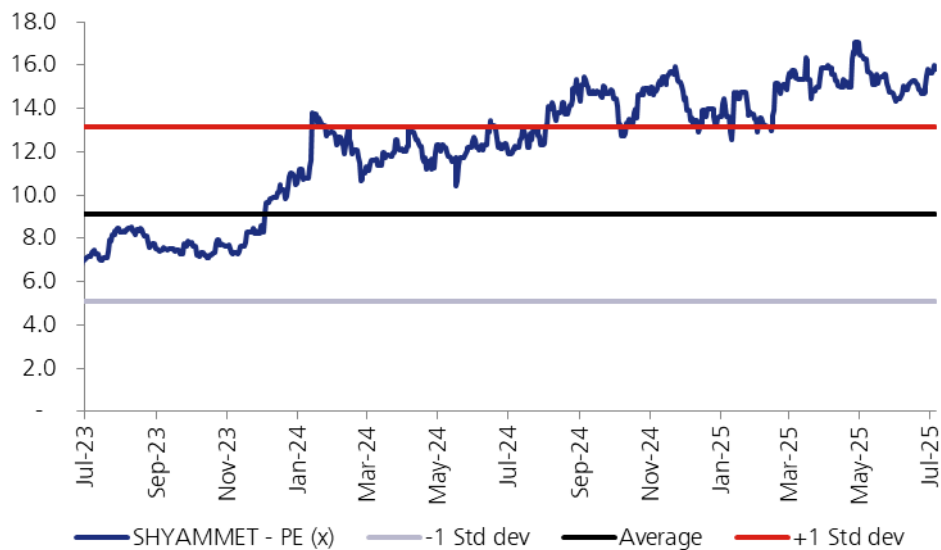
Source: Company, JM Financial

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	2,08,323	2,30,700	2,52,471	2,11,009	2,30,700	2,52,471	1.3%	0.0%	0.0%
EBITDA	INR mn	31,194	33,740	38,773	32,384	35,027	40,561	3.8%	3.8%	4.6%
PAT	INR mn	16,544	17,838	20,079	17,319	18,310	20,615	4.7%	2.6%	2.7%
EPS		59.5	64.1	72	62.2	65.8	74.1	4.7%	2.6%	2.7%
Target Price	INR			900			1,080			20.0%
Rating				BUY			BUY			

Source: 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	2,11,009	2,30,700	2,52,471
Sales Growth	4.6%	14.7%	39.4%	9.3%	9.4%
Other Operating Income	0	0	0	0	0
Total Revenue	1,31,952	1,51,375	2,11,009	2,30,700	2,52,471
Cost of Goods Sold/Op. Exp	1,07,142	1,02,269	1,34,638	1,49,583	1,59,586
Personnel Cost	5,129	6,042	8,440	9,228	10,099
Other Expenses	3,981	24,409	35,546	36,861	42,224
EBITDA	15,700	18,655	32,384	35,027	40,561
EBITDA Margin	11.9%	12.3%	15.3%	15.2%	16.1%
EBITDA Growth	5.7%	18.8%	73.6%	8.2%	15.8%
Depn. & Amort.	6,560	7,112	8,661	10,131	12,430
EBIT	9,140	11,544	23,723	24,896	28,132
Other Income	1,590	2,306	1,730	1,695	1,661
Finance Cost	1,333	1,439	1,399	1,162	1,162
PBT before Excep. & Forex	9,397	12,411	24,054	25,430	28,631
Excep. & Forex Inc./Loss(-)	0	0	0	0	0
PBT	9,397	12,411	24,054	25,430	28,631
Taxes	-892	3,319	6,735	7,120	8,017
Extraordinary Inc./Loss(-)	0	0	0	0	0
Assoc. Profit/Min. Int.(-)	-58	13	0	0	0
Reported Net Profit	10,347	9,081	17,319	18,310	20,615
Adjusted Net Profit	10,347	9,081	17,319	18,310	20,615
Net Margin	7.8%	6.0%	8.2%	7.9%	8.2%
Diluted Share Cap. (mn)	278.0	278.2	278.2	278.2	278.2
Diluted EPS (INR)	37.2	32.6	62.2	65.8	74.1
Diluted EPS Growth	20.6%	-12.3%	90.7%	5.7%	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	24,054	25,430	28,631
Depn. & Amort.	6,560	7,112	8,661	10,131	12,430
Net Interest Exp. / Inc. (-)	0	0	0	0	0
Inc (-) / Dec in WCap.	-7,667	3,494	-1,591	-3,206	-14,025
Others	59	-12	0	0	0
Taxes Paid	892	-3,319	-6,735	-7,120	-8,017
Operating Cash Flow	9,241	19,687	24,389	25,234	19,019
Capex	-23,506	-20,167	-20,000	-16,000	-16,000
Free Cash Flow	-14,265	-480	4,389	9,234	3,019
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	-16,000	-16,000
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	-1,000	0
Others	0	0	0	0	0
Financing Cash Flow	1,088	1,096	-1,251	-2,251	-1,251
Inc / Dec (-) in Cash	-1,214	178	3,138	6,983	1,767
Opening Cash Balance	1,719	505	683	3,821	10,804
Closing Cash Balance	505	683	3,821	10,804	12,571

Source: Company, JM Financial

Balance Sheet (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shareholders' Fund	96,467	1,05,533	1,21,601	1,38,659	1,58,023
Share Capital	2,780	2,782	2,782	2,782	2,782
Reserves & Surplus	93,686	1,02,751	1,18,819	1,35,877	1,55,241
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	7,744	7,744
Def. Tax Liab. / Assets (-)	914	1,533	1,533	1,533	1,533
Total - Equity & Liab.	1,10,493	1,23,057	1,39,125	1,55,183	1,74,547
Net Fixed Assets	77,596	90,651	1,01,990	1,07,859	1,11,429
Gross Fixed Assets	68,004	98,728	1,23,728	1,44,728	1,65,728
Intangible Assets	0	0	0	0	0
Less: Depn. & Amort.	28,049	35,161	43,822	53,953	66,382
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	60,475	72,745	88,658
Inventories	21,679	29,854	31,796	34,763	41,502
Sundry Debtors	7,079	7,925	7,515	8,217	10,376
Cash & Bank Balances	505	683	3,821	10,804	12,571
Loans & Advances	27,271	21,108	17,343	18,962	24,210
Other Current Assets	0	0	0	0	0
Current Liab. & Prov.	33,746	40,099	36,275	38,356	38,476
Current Liabilities	33,435	39,666	35,843	37,923	38,044
Provisions & Others	311	433	433	433	433
Net Current Assets	22,788	19,471	24,200	34,389	50,182
Total - Assets	1,10,493	1,23,057	1,39,125	1,55,183	1,74,547

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin	7.8%	6.0%	8.2%	7.9%	8.2%
Asset Turnover (x)	1.3	1.3	1.6	1.6	1.5
Leverage Factor (x)	1.2	1.2	1.2	1.1	1.1
RoE	12.3%	9.0%	15.2%	14.1%	13.9%

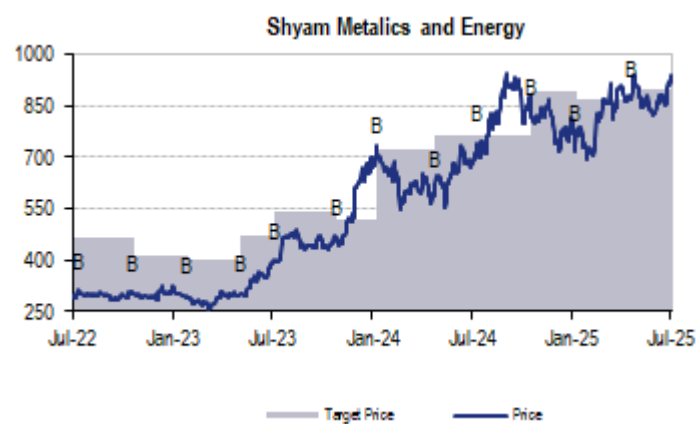
Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	347.0	379.3	437.1	498.4	568.0
ROIC	11.8%	8.2%	14.9%	14.3%	14.6%
ROE	12.3%	9.0%	15.2%	14.1%	13.9%
Net Debt/Equity (x)	0.0	0.0	-0.1	-0.1	-0.1
P/E (x)	25.2	28.7	15.0	14.2	12.6
P/B (x)	2.7	2.5	2.1	1.9	1.6
EV/EBITDA (x)	16.7	14.1	8.0	7.2	6.2
EV/Sales (x)	2.0	1.7	1.2	1.1	1.0
Debtor days	20	19	13	13	15
Inventory days	60	72	55	55	60
Creditor days	105	109	73	71	66

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

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
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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