



Shyam Metals and Energy Ltd (SHYAMMETL)

Turning Profits into Growth, building a sustainable Compounding Machine

CMP: 930 (Market Cap: 25,951)

Targets: 1,194 (28% Upside)



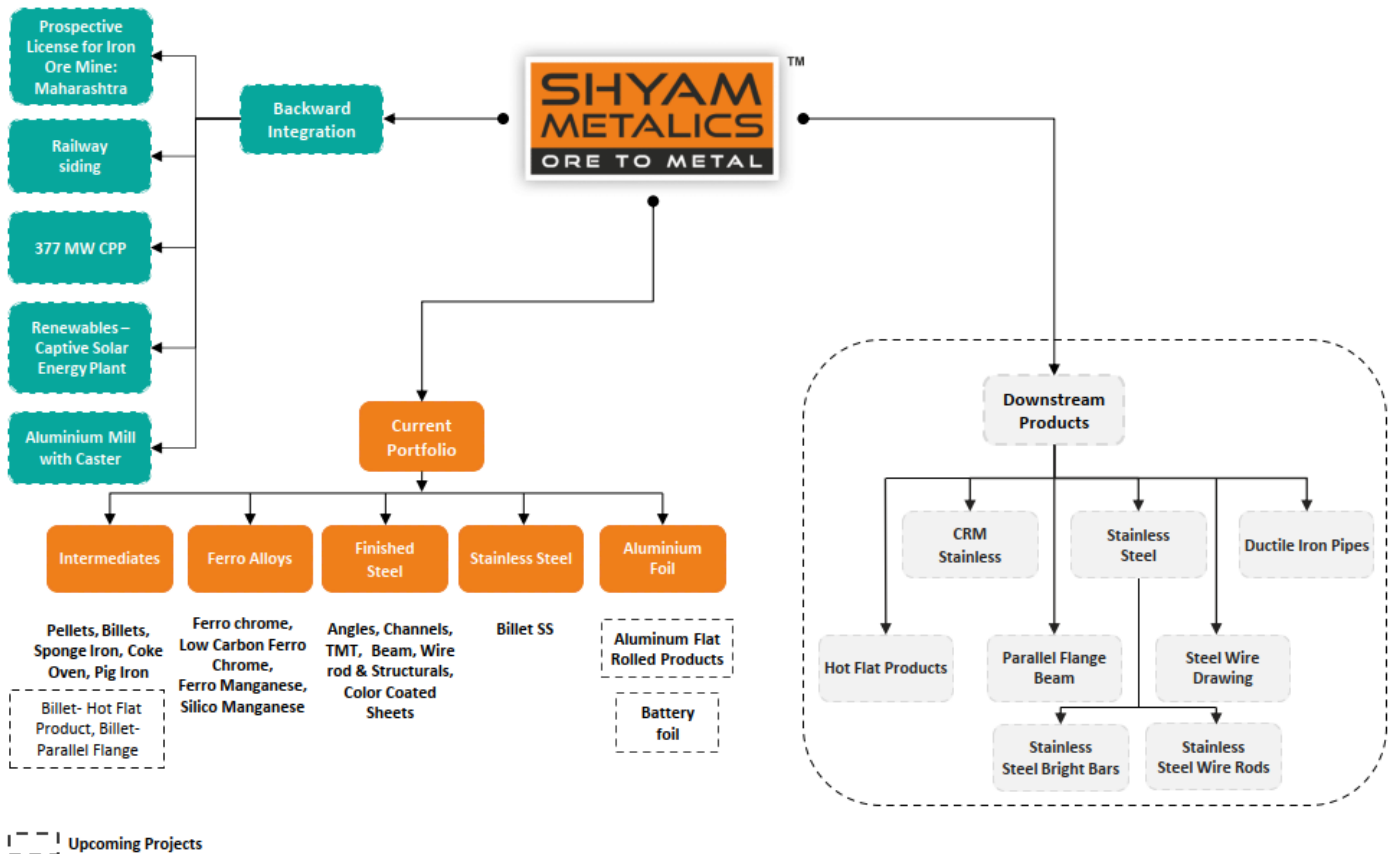
In a cyclical industry, Shyam Metals (SHYAMMETL) has engineered permanence. A fully integrated supply chain and a balanced, value-added product mix have created a **durable earnings engine** that compounds through volatility. Profits are not parked — they are **systematically redeployed into growth**, expanding the company's productive base and reinforcing the cycle of self-funded expansion. This discipline has turned SHYAMMETL into a **20%+ compounding platform**, with the foundation to sustain that momentum for years to come.

Our Projection

At the CMP, SHYAMMETL trades at ~8x FY28E EV/EBITDA. Given its fully integrated supply chain, capacity to overcome the constraints of a cyclical industry, and a robust balance sheet supporting expansion mainly via internal accruals, **we value SHYAMMETL at 11x FY28E EV/EBITDA.**



Exhibit 1: SHYAMMETL backward and forward integration



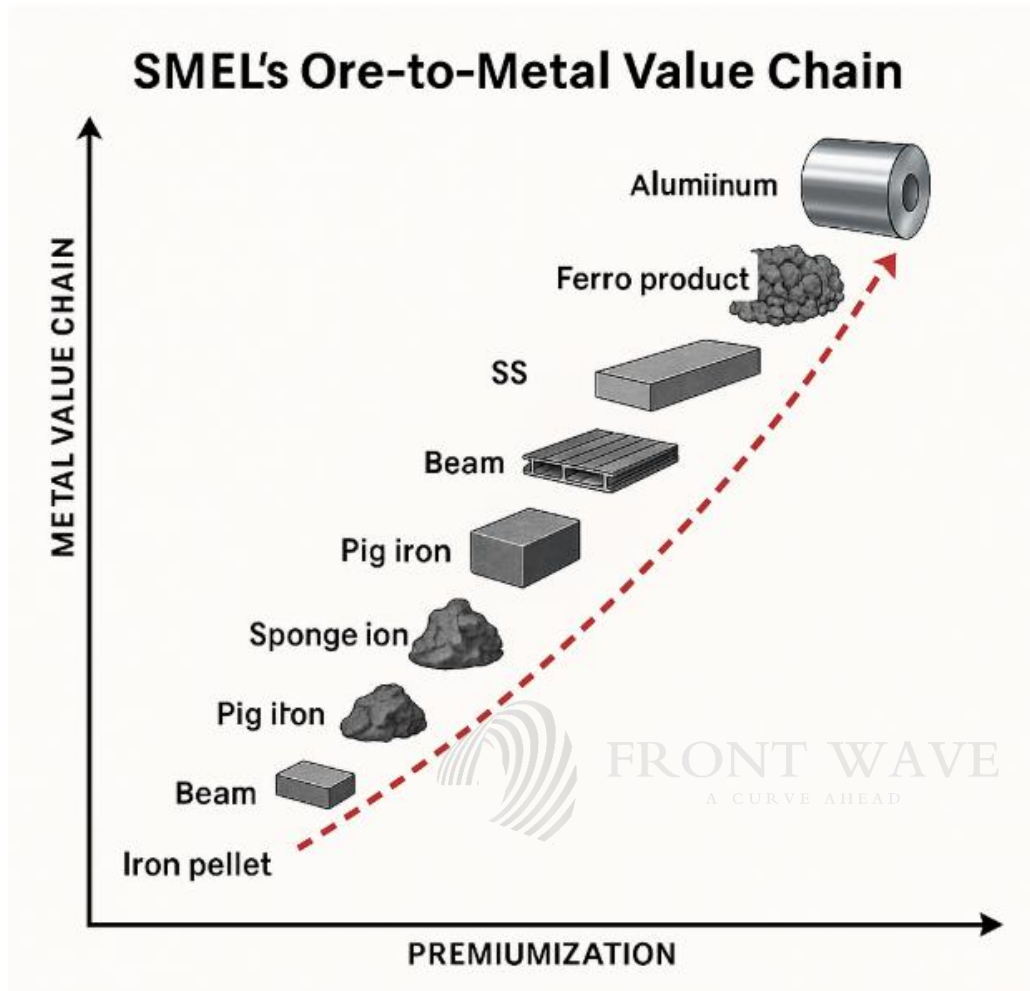
Source: Company, Front Wave Research

Two Integrated Plants + 1 Support Facility: Sambalpur (Odisha) and Jamuria (West Bengal) house ore-to-metal operations with captive power, coke ovens, ferro alloys, billets, TMT, structural steel, and wire rods. Mangalpur (West Bengal) supports with sponge iron & ferro alloys.

Backward Integration: ~75% of raw material needs are met internally through pellets, sponge iron, ferro alloys, coke. Logistics are strengthened with captive railway sidings.



Exhibit 2: Tackling Cyclicity Through Vertical Integration



Source: Company, Front Wave Research

Forward Integration: DI pipes, stainless steel, aluminium foil and specialty alloys push SHYAMMETL into higher-margin segments, expanding margins by 300–400 bps.

Fungible Operations: Plants can shift production between products as market conditions change, protecting profitability during price volatility.





SHYAMMETL controls inputs, owns power, and pivots production at will. That's how it will better sustain EBITDA margins through economic cycles.

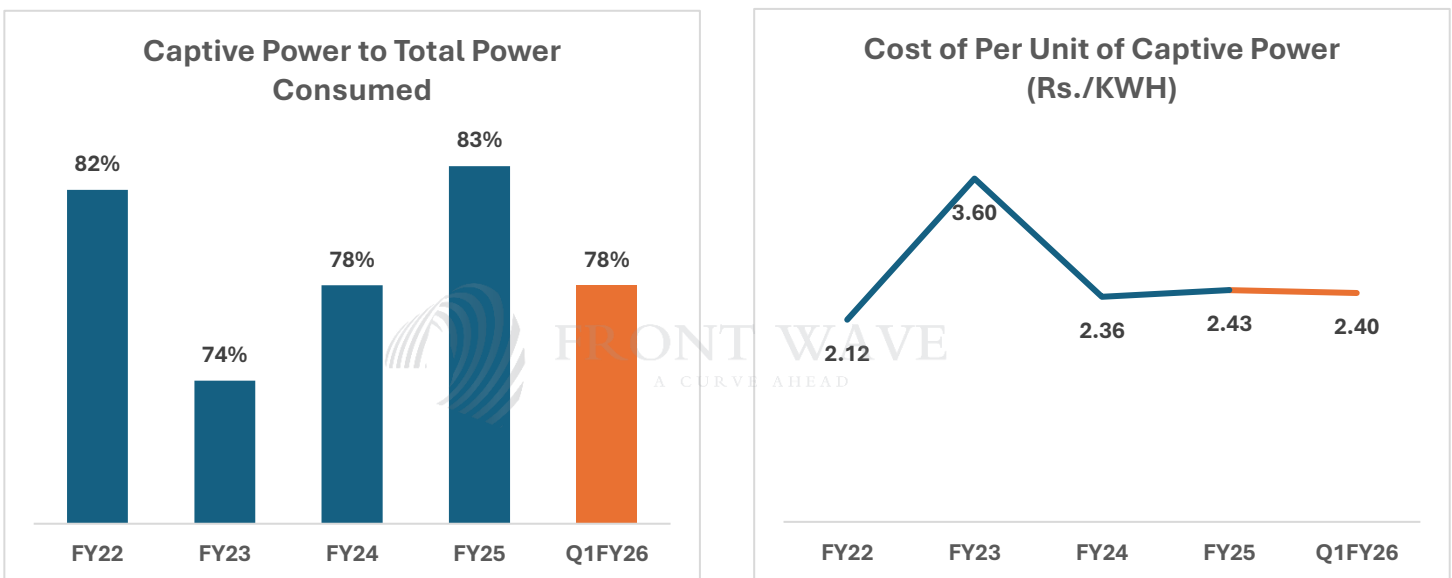
Captive Power: The Core of SMEL's Cost Advantage

SHYAMMETL meets ~80% of its power needs internally at ₹2.47/kWh versus ₹5–7/kWh from the grid, giving it a clear cost edge.

Total capacity is expanding from 467 MW to 706 MW, including 109 MW of renewables. Since power forms 40–45% of ferro alloy costs, this integration makes SHYAMMETL one of the lowest-cost producers in the segment.

A planned ₹2,000 crore investment, with the majority of this investment scheduled for the next three years further strengthens energy security and ensures profitability remains resilient across cycles.

Exhibit 3: Captive power consumption resulting into lower costs



Source: Company, Front Wave Research

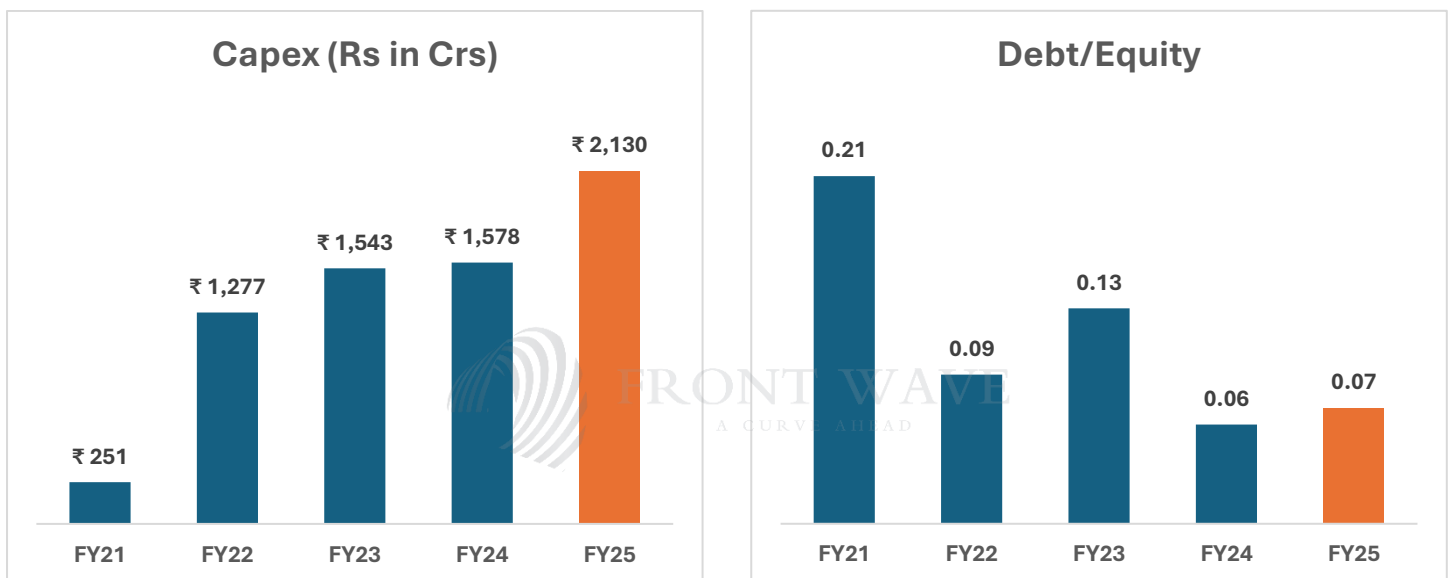


SHYAMMETL's balance sheet is a strong launchpad for the next round of Capex.

Self-Funded Capex: ₹10,000 Cr expansion plan funded mostly by internal accruals.

Debt-Free Growth: Debt/Equity <0.2x, with net cash positive profile. Low working capital intensity with working capital cycle at just ~20 days.

Exhibit 4: Heavy Capex without Debt Stress



Source: Company, Front Wave Research

Why we expect SHYAMMETL's another Mega Capex Plan is imminent?

SHYAMMETL has successfully executed its previous mega capital expenditure plan of Rs 10,000 crores. With 70% already deployed as of Q1FY26 and remaining in next couple of years, *the company is now perfectly positioned to announce its next major growth phase.*



1. **Strong Operating Cashflows, projected to grow at a ~20% CAGR over the next 3 years**, are sufficient to fully fund a major new capex program independently.
2. Significant fundraising flexibility exists via a **pre-approved enabling resolution to raise up to Rs 7,500 crores**, along with a conservative leverage profile with low debt provides ample **unused capacity to raise additional debt** on favourable terms

Exhibit 5: Ample cashflow to fund further capex

Particulars	FY23	FY24	FY25	FY26E	FY27E	FY28E
EBITDA	₹ 1,503	₹ 1,570	₹ 1,867	₹ 2,026	₹ 2,595	₹ 3,160
Operating Cash Flow	₹ 1,518	₹ 1,794	₹ 1,964	₹ 2,026	₹ 2,595	₹ 3,160
CFO/EBITDA*	101%	114%	105%	100%	100%	100%
FA/CFO	125%	105%	109%	113%	109%	111%
Fixed Assets Purchase	₹ 1,905	₹ 1,888	₹ 2,148	₹ 2,297	₹ 2,837	₹ 3,498
Expected Future Capex						₹ 8,632

As illustrated from above table, we believe SHYAMMETL can internally fund ₹8,632 crore future capex. ***This alone will grow its Total Assets by ~50% by FY28; fuelling high volume growth without equity dilution.***

*Given SHYAMMETL's historical performance of achieving more than 100% EBITDA-to-cash flow conversion, ~1x Asset Turnover, we expect this trend to continue.

Based on strong internal cash flows, significant fundraising flexibility via debt and equity, and the impending completion of the current capex cycle, **we**



firmly believe that SHYAMMETL will soon announce a new 5 Year Capex Plan of 15,000 to 20,000 crores.



Financial Summary* (Amount in Cr)

Particulars	FY23	FY24	FY25	FY26E	FY27E	FY28E
Revenue	₹ 12,658	₹ 13,195	₹ 15,138	₹ 17,583	₹ 21,702	₹ 25,896
Revenue Growth		4.24%	14.73%	16.15%	23.43%	19.33%
EBITDA	₹ 1,503	₹ 1,570	₹ 1,867	₹ 2,026	₹ 2,595	₹ 3,160
EBITDA Margin	11.87%	11.90%	12.33%	11.53%	11.96%	12.20%
EBITDA Growth		4.45%	18.93%	8.54%	28.04%	21.80%
EV/EBITDA Multiple						11x
Enterprise Value						₹ 34,762
Less: Net Debt						₹ 721
Less: NCI						₹ 725
Value of Equity						₹ 33,316
No. of Shares (In Crs)						27.9
Share Price						₹ 1,194

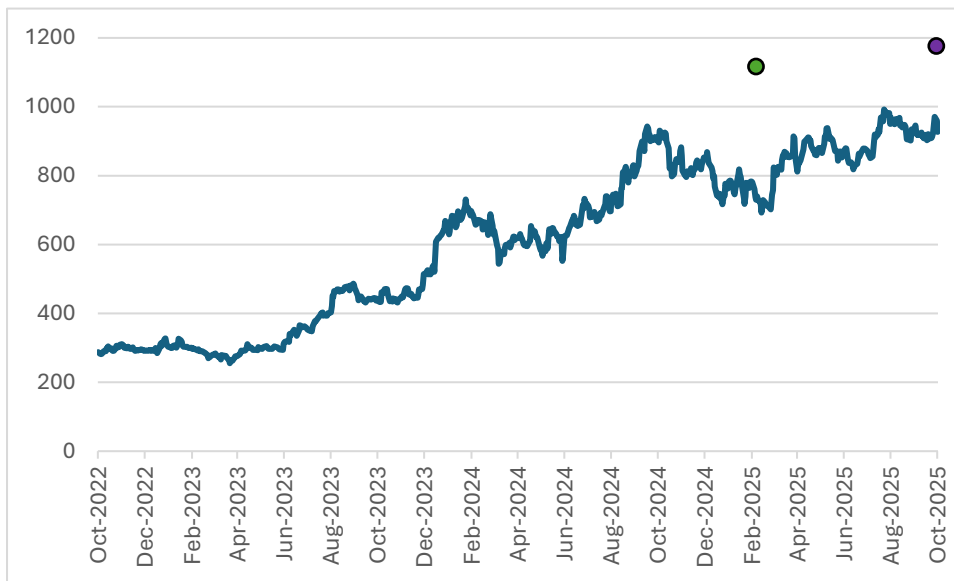
****Our projections are significantly influenced by steel price movements. Prices have been on a downward trend for the past three years. Thus, based on the trends and other Supply-Demand statistics, we have baked ~6-7% decline in steel prices into our assumptions. Any deviation from these price expectations would warrant a revision of our target price.***



Recommendation Summary

Date		Price	Target	% Upside
31-Jan-25	●	₹ 763	₹ 1,146	50%
08-Oct-25	●	₹ 930	↑ ₹ 1,194	28%

Price Chart



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