

Shyam Metals and Energy Ltd : Good Issue :

IPO Note: Leading metal producing company: offer seems fully priced : Ranking***



Issue details

Price band (Rs)	Rs.303-306
IPO Opening Date	14/06/21
IPO Closing Date	16/06/21
Issue Size	Rs.909 Cr.

Recommendation

On the financial performance front, on a consolidated basis, posted turnover/net profit of Rs. 3920.40 cr. / Rs. 528.04 cr. (FY18), Rs. 4684.56 cr. / Rs. 636.78 cr. (FY19), Rs. 4395.30 cr. / Rs. 340.33 cr. (FY20). For the first nine months ended on December 31, 2021, for FY21, it has earned a net profit of Rs. 456.32 cr. on a turnover of Rs. 3995.63 cr. According to management, for FY20 it suffered a minor setback on account of expansion plans afoot and its bottom line marked a decline commensurate with lower turnover coupled with higher provisions for interest and depreciation. **If we annualize FY21 earnings and attribute it to fully diluted post issue equity, then the asking price is at a P/E of around 12.83, making it a fully priced offer.** As per the RHP data, SMEL has shown Tata Steel, JSW Steel, SAIL, Jindal Steel & Power and Tata Steel Long Products as its listed peers. They are currently trading at a P/E of 11.62, 19.75, 14.37, 5.62 and 7.26. **The issue seems fully priced but looking to current scenario for metal sector, the issue may get fancy after listing. The issue seems fully priced but looking at the current scenario for the metal sector, the issue may get fancy after listing.**

Highlights

- Shyam Metals And Energy Ltd. (SMEL) is a leading integrated metal producing company based in India
- The company primarily produces intermediate and long steel products, such as iron pellets, sponge iron, steel billets, TMT, structural products, wire rods, and ferroalloys products with a specific focus on high margin products, such as customised billets and specialised ferroalloys for special steel applications.
- SMEL is one of the leading integrated metal producing and profit-making company.
- It has a well-diversified product portfolio in metal with the captive power plant.

Company Introduction

Incorporated in 2002, Shyam Metals and Energy Limited (SMEL) is India's leading integrated metal producer company. The company is primarily engaged in the production of long steel products such as iron pellets, sponge iron, steel billets, TMT, structural products, wire rods, and ferro alloys. As of February 2021, it is among India's largest producers of ferro alloys in terms of installed capacity and the fourth-largest player in the sponge iron industry. The company serves institutional customers and end-users. Jindal Stainless Limited, Rimjhim Ispat Limit are some of its domestic clients whereas Norecom DMCC, Norecom Limited, POSCO International Corporation, World Metals & Alloys, Traxys North America LLC, JM GLocal Resources, Vijayshri Steel Pvt Ltd, etc. are the international clients. The company has a partnership with 42 distributors to offer its products across 13 states and 1 union territory. Currently, the firm has 3 manufacturing plants located in Sambalpur in Odisha, and Jamuria and Mangalpur in West Bengal. As of Dec 31, 2020, its manufacturing units have an aggregated installed metal capacity of 5.71 million tonnes per annum. The company is looking to expand its capacity from 5.71 MTPA to 11.60 NTPA by 2025. The Sambalpur and Jamuria plants are integrated steel manufacturing plants that produce captive railway sidings, captive power plants, iron



www.shyammetals.com

Financial Summary (Rs. In Crore)

Particulars	Nine months ended Dec. 30, 2020	FY2020	FY2019	FY2018
Total Income	3995.63	4395.30	4684.50	3920.39
Net Profit	456.32	340.34	604.12	424.36
EPS (Rs)	17.88*	13.34	23.68	16.63

*EPS not annualized

Source: RHP and ACE Equity

RANKING METHODOLOGY

WEAK	*
AVERAGE	**
GOOD	***
VERY GOOD	****
EXCELLENT	*****

pellet, sponge iron, billet, thermo mechanically treated (TMT), wire rod, and structural mills, and ferro alloys plants. Further, its manufacturing facility at Mangalpur comprises sponge iron and ferro alloy plants, and a captive power plant.

Company Promoters:

Mahabir Prasad Agarwal, Brij Bhushan Agarwal, Sanjay Kumar Agarwal, Subham Capital Private Limited, Subham Buildwell Private Limited, Narantak Dealcomm Limited, Kalpataru Housefin & Trading Private Limited, Dorite Tracon Private Limited, and Toplight Mercantiles Private Limited are the company promoters.

Objects of the Issue:

- Repayment and/or pre-payment of company and its subsidiary (SSPL)'s debt fully or partially.
- General corporate purposes.

IPO Issue Proceed

To part finance its plans for repayment/pre-payment of group's debt in part or full (Rs. 470.00 cr.) and General Corpus fund needs, SMEL is coming out with a maiden IPO of Rs. 909 cr. that includes Rs. 657 cr. for fresh equity issue and Rs. 252 cr. as offer for sale. The company has fixed the price band of Rs. 303 - Rs. 306 for this book built IPO, and minimum application is to be made for 45 shares and in multiples thereon, thereafter. The issue opens for subscription on June 14, 2021, and will close on June 16, 2021. At the upper price band, the company will be issuing approx. 29705895 shares including a fresh equity issue of 21470580 shares. The issue constitutes 11.65% of the post issue paid-up equity capital of the company. Post allotment, shares will be listed on BSE and NSE. Post issue, SMEL's current paid-up equity capital of Rs. 233.61 cr. will stand enhanced to Rs. 255.08 cr. At the upper price band, the company is looking for a market cap of Rs. 7805.47 cr.

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