



June 10, 2021

SHYAM METALICS AND ENERGY LIMITED **IPO**

One of the India's Leading Integrated Metal Producer Company, Shyam Metalics And Energy Limited said it will launch its initial public offer (IPO) on June 14, 2021. The offer will close on June 16, 2021 and the company has fixed the price band at ₹303-306 per equity share.

Rating: **Subscribe**

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Company's Overview

- Shyam Metalics and Energy Ltd is a leading integrated metal producing company based in India with a focus on long steel products and ferro alloys. It is amongst the largest producers of ferro alloys in terms of installed capacity and the fourth-largest player in the sponge iron industry.
- 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.
- The company serves institutional customers and end-users. Jindal Stainless Limited, Rimjhim Ispat Limited are some of its domestic clients whereas Norecom DMCC, Norecom Limited, POSCO International Corporation, World Metals & Alloys, Traxys North America LLC, JM Global 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.

Valuations

- Considering the TTM (Dec 20) adjusted EPS of 21.02 on a post issue basis, the company is going to list at PE of 14.6X with a market cap of Rs. 78,055 million whereas its peers namely Tata Steel and JSW Steel are quoting at higher PE of 16.6X and 21.6X respectively.
- We recommend to "Subscribe" this IPO as it is a leading integrated metal producer with strategically located manufacturing facilities and good financial performance and distribution network along with favorable valuation.

Financial Snapshot:

Particulars (in millions)	Dec 20	FY20	FY19	FY18
Revenue	39,330.84	43,628.86	46,063.95	38,425.66
Other Income	625.48	324.16	781.65	778.33
Total Income	39,956.32	43,953.02	46,845.60	39,203.99
Total Expenses	34,895.22	40,998.63	39,206.95	34,054.59
EBITDA	7,195.27	6,455.8	9,447.42	7,034.58
EBITDA Margin	18.29%	14.80%	20.51%	18.31%
PAT	4,563.21	3,403.29	6,367.83	5,280.39
PAT Margins	11.60%	7.80%	13.82%	13.74%
EPS	19.53	14.57	25.86	18.17

Issue Details

Issue Open	14 June 2021, Mon
Issue Close	16 June 2021, Wed
Issue Type	Book Built IPO issue
Issue Size	Fresh issue: 21.47 mn Eq. Shares (₹6,570 mn) OFS: 8.24 mn Eq. Shares (₹2,520 mn)
Face Value	₹ 10
Issue Price Band	₹303-306
Listing at	NSE, BSE
Minimum Lot Size	45 shares

Objects of the Issue

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

Issue Break-Up

Category	No of shares (Mn)	In Million	% of issue
QIB	14.71	4,501.35	50%
NIB	4.41	1,350.41	15%
Retail	10.30	3,150.95	35%
Employees	0.30	87.30	-
Total	29.72	9090.0	100%

Shareholding Pattern (%)

	Pre- Issue	Post- Issue
Promoters and Promoters Group	100.00%	88.35%
Public	0.00%	11.65%
Total	100.00%	100.00%

Capital Structure

Particulars	Aggregate value
Authorised Share Capital	2,900.00 million
Paid -Up Capital (Pre-Offer)	2,336.10 million
Paid- Up Capital (Post-Offer)	2550.81 million



Competitive Strengths

- Strategically located manufacturing plants supported by robust infrastructure resulting in cost and time efficiencies
- Diversified product mix with strong focus on value added products, such as, ferro alloys, association with reputed customers and robust distribution network.
- Integrated operations across the steel value chain

Key Business Strategies

- Continue to increase manufacturing capacities
- Introduce new products by leveraging its forward integration capabilities
- Maintain low leverage with healthy capitalization metrics
- Focus on cost efficiency and increase profitability and market share
- Focus on exports

Key Risks

- The demand and pricing in the steel industry is volatile. A decrease in steel prices may have a material adverse effect on company business.
- Chairman and Individual Promoter (Mahabir Prasad Agarwal), Vice Chairman, Managing Director and Individual Promoter (Brij Bhushan Agarwal), Joint Managing Director and Individual Promoter (Sanjay Kumar Agarwal) Whole-Time Directors (Bhagwan Shaw and Dev Kumar Tiwari) are party to certain criminal proceedings.

Peer Comparison

Name of company	Total Revenue	EPS (₹)	NAV (₹ per share)	RoNW (%)
Shyam Metallics Ltd.	43,953	14.57	120.97	12.04
Tata Steel Ltd	14,16,601	11.86	640.52	1.54
JSW Steel Ltd.	7,38,720	16.78	150.41	10.87
Steel Authority of India Ltd.	6,25,700	5.13	100.58	5.11
Jindal Steel & Power Ltd.	3,69,437	(1.08)	310.62	(1.28)
Tata Steel Long Products Ltd.	35,713	(142.81)	452.16	(25.59)

Promoters and Management Details

Mahabir Prasad Agarwal- Chairman

Brij Bhushan Agarwal- Vice Chairman & Managing Director

Sanjay Kumar Agarwal- Joint Managing Director

