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IPO OFFERING

SHYAM METALICS AND ENERGY LTD



About Company

Incorporated in 2002, Shyam Metalics and Energy Ltd (SMEL) is a Kolkata based leading integrated metal producing company with a focus on long steel products and ferro alloys. It is amongst the largest producers of ferro alloys in terms of installed capacity in India as on Feb 2021. SMEL produces intermediate and long products such as iron pellets, sponge iron, steel billets, TMT, structural products, wire rods and ferro alloys products with specific focus on high margin products such as customized billets and specialized ferro alloys for special steel applications. As of March 2020, SMEL was one of the leading players in terms of pellet capacity and the 4th largest player in the sponge iron industry in terms of sponge iron capacity in India. It has 3 manufacturing units with aggregate operating capacity of 5.70MTPA with 227MW of captive power plant. As on Dec 2020 SMEL have 42 distributors through which SMEL caters across 13 states and 1 union territory.

Recommendation: Subscribe

Price Band	: Rs. 303 to 306 per share
Face Value	: Rs. 10
Bid Lot size	: 45 Shares
Issue size	: Rs. 909 Cr
Issue Opens	: June 14 th 2021, Monday
Issue Closes	: June 16 th 2021, Wednesday
Min App Amount	: Rs. 13,770 /- at upper band

Important Note: All retail applications compulsory in UPI mode*. Currently IPO through UPI Mechanism in Retail Category is available only on BHIM App. Application made using third party UPI Id Or ASBA Bank A/c are liable to be rejected.

Msearch View & Recommendation: We believe SMEL IPO gives investors a unique opportunity to invest in well diversified integrated metal producers serving demands of both B2C & B2B segments globally. We are optimistic on overall rising demand growth from long steel and Ferro alloys as overall prices are forecasted to remain elevated in 2021 on supply shortfall and rising demand. SMEL stands well to encash rising demand with competitive margins which would drive sustainable business as well as profitable growth in the medium to long term. SMEL has well planned to open its IPO in the time the commodity cycle is on an upswing with tailwinds working in the steel makers favour along with extreme bullishness for the sector which argues for a good listing gain candidate. Considering its competitive strength's like integrated operations across the steel value chain, diversified product mix with focus on value added products, strategically located plants, focus on exports and low leveraged business model with capacity doubling plan adds a catalyst to future business growth. **On valuations parse at upper price band (Rs 306/-), the issue is asking for a market cap of Rs 7805 Cr with PE (annualised FY21) ~12.86x and P/BV stands at ~1.81x which seems the issue is reasonably priced in line with industry average when compared to its listed peers. Hence, based on all the above aspects we advise investors to "SUBSCRIBE"** Given the prospects of the metals sector and the ongoing momentum in the market, the issue seems to have come at the right time.



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BASIC FINANCIAL DETAILS

Particulars Rs (in Cr)	2018	2019	2020	9M FY21
Equity Share Capital	47	234	234	234
Reserves as stated	1807	2256	2593	3052
Net worth as stated	1854	2490	2826	3286
Revenue from Operations	3843	4606	4363	3933
Revenue Growth (%)	-	19.88%	-5.29%	-
EBITDA as stated	715	957	634	717
Profit Before Tax	517	764	295	506
Net Profit for the period	528	637	340	456
EPS (Rs)	18.17	25.86	14.57	19.53
RONW%	22.89%	24.27%	12.04%	13.89%
ROCE%	19.58%	24.69%	9.49%	13.30%
NAV (₹)	79.36	106.57	120.97	140.63

Source: Company RHP

COMPARISON WITH LISTED INDUSTRY PEERS Rs (in Cr)

Companies	Mcap	FV	Revenue	EPS	NAV	P/E	RoNW
Shyam Metalics & Energy Ltd	7,805	10	4,395	23.80	169.29	12.86	14.06%
Tata Steel Ltd	1,33,998	10	1,56,294	63.78	619.69	17.47	11.03%
JSW Steel Ltd	1,70,632	1	79,839	32.91	154.84	21.45	16.83%
SAIL*	53.092	10	61,664	5.13	100.58	24.9	5.11%
Jindal Steel & Power Ltd	41,346	1	38,989	-	310.62	-	-

Data as on 31st March 2021

Source: BSE

*Data as on 31st March 2020