

SHYAM METALICS AND ENERGY LIMITED

Issue highlights

- ❑ **Shyam Metals and Energy Limited ("SMEL")** was incorporated on December 10, 2002. SMEL is a leading integrated metal producing company based in India with a focus on long steel products and ferro alloys. They are amongst the largest producers of ferro alloys in terms of installed capacity in India, as of February 2021. As of March 31, 2020, they were 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. Since the commencement of their operations in Fiscal 2005, they have delivered a positive EBITDA in each of the Fiscals.
- ❑ SMEL primarily produces intermediate and long steel products, such as, iron pellets, sponge iron, steel billets, TMT, structural products, wire rods, and ferro alloys products with a specific focus on high margin products, such as, customised billets and specialised ferro alloys for special steel applications.
- ❑ SMEL has **3 manufacturing units** with aggregate operating capacity of 5.70 MTPA with 227 MW of Captive Power Plant. Its plants are located at **Sambalpur** in Odisha, and **Jamuria** and **Mangalpur** in West Bengal. As of December 31, 2020, they had partnerships with 42 distributors, who stock and sell their finished products across 13 states and 1 union territory.
- ❑ **Key Strength Areas for SMEL:**
 - Backward and forward integration,
 - Proximity to raw material sources & key demand clusters,
 - Advance technology adept to market practices,
 - Captive power plant,
 - Captive railway siding and
 - Better financial strength in long steel space.
- ❑ **key Opportunity Areas for SMEL:**
 - Rising demand growth from long steel and Ferro alloys,
 - Planned expansion in new high growth potential sectors. SMEL is planning to set up a Blast Furnace; the output of which (Pig Iron) may serve as a raw material for the planned DI Pipes unit alongside IF units.

Brief Financial Details*

(₹ In Cr)

	As at Dec'31,		As at Mar' 31,		
	2020(09)	2019(09)	2020(12)	2019(12)	2018(12)
Equity Share Capital	233.61	233.61	233.61	233.61	46.72
Reserves as stated	3,051.67	2,513.05	2,592.37	2,256.05	1,807.27
Net worth as stated	3,285.28	2,746.66	2,825.98	2,489.66	1,853.99
Long Term Borrowings	182.62	354.78	351.31	213.28	201.72
Short Term Borrowings	682.30	617.79	921.13	442.77	278.66
Revenue from Operations	3,933.08	3,283.09	4,362.89	4,606.40	3,842.57
Revenue Growth (%)	19.80%	-	(5.29)%	19.88%	-
EBITDA as stated	717.32	448.12	634.05	956.78	714.87
EBITDA (%) as stated	18.18%	13.61%	14.49%	20.64%	18.97%
Profit Before Tax	506.26	222.10	295.46	763.90	517.39
Net Profit for the period	456.32	260.36	340.33	636.78	528.04
Net Profit (%) as stated	11.60%	7.93%	7.80%	13.82%	13.74%
EPS (₹)	19.53 [^]	11.15 [^]	14.57	25.86	18.17 [~]
RoNW (%)	13.89 [^]	9.49% [^]	12.04	24.27	22.89 [~]
NAV(₹) [~]	140.63	117.57	120.97	106.57	79.36 [~]
ROCE	13.30%	-	9.49%	24.69%	19.58%
Debt to Equity Ratio	0.27	-	0.47	0.29	0.30

Source:RHP *Restated Consolidated, [^]not annualized. [~]After taking the effect of bonus shares issued on 20.06. 2018.

Issue Details

Issue of Equity Shares aggregating up to of ₹ 909 Cr

(Fresh Issue of Equity Shares aggregating up to ₹ 657 Crore and Offer for sale aggregating up to ₹ 252 Crore)

Issue size: ₹ 909 Cr

No. of shares: 29,999,999 - 29,705,882

Equity Shares

Face value: ₹ 10

Employee Reservation: Upto 300,000

Equity Shares

Price band : ₹ 303 – 306

Bid Lot: 45 Shares and in multiple thereof

Post Issue Implied Market Cap:

₹ 7,735 – 7,805 Cr

BRLMs: Axis Capital, ICICI Securities, IIFL Securities, JM Financial, SBI Capital Markets

Registrar: KFin Technologies Pvt. Ltd.

Issue opens on: Monday, 14th Jun'2021

Issue closes on: Wednesday, 16^h Jun'2021

Indicative Timetable

Activity	On or about
Finalisation of Basis of Allotment	21-06-2021
Refunds/Unblocking ASBA Fund	22-06-2021
Credit of equity shares to DP A/c	23-06-2021
Trading commences	24-06-2021

Issue break-up

	No. of Shares (Approx)	₹ In Cr	% of Issue
QIB	14,849,998 – 14,702,940	450	50%
NIB	4,455,000 – 4,410,883	135	15%
Retail	10,395,001 – 10,292,059	315	35%
Empl	300,000 – 300,000	9	-
Total	29,999,999 – 29,705,882	909	100%

Listing: BSE & NSE

Shareholding (No. of Shares)

Pre issue	Post issue [^]	Post issue [#]
233,610,100	255,293,268	255,080,688

[^]@Lower price Band [#]@ Upper Price Band

Shareholding (%)

	Pre-Issue	Post-Issue
Promoters & Promoter Gr	100.00%	88.35%
Public	-	11.65%
Total	100.00%	100.00%

BACKGROUND

Company and Directors

The company was incorporated as “*Shyam DRI Power Limited*” on December 10, 2002, at Kolkata, West Bengal. Mahabir Prasad Agarwal, Brij Bhushan Agarwal, Sanjay Kumar Agarwal, Subham Capital, Subham Buildwell, Narantak Dealcomm, Kalpataru Housefin, Dorite Tracon and Toplight Mercantiles are the Promoters of the company. Currently Promoters hold an aggregate of 230,088,850 Equity Shares, equivalent to 98.49 % of the pre-Offer issued, subscribed and paid-up Equity Share capital of the company.

Brief Biographies of Directors

Mahabir Prasad Agarwal is the Promoter, Non-Executive Chairman of the company. He is also the founder of, and has been a director of, their Subsidiary, Shyam SEL and Power Ltd. (“SSPL”), since its inception. He is actively involved in the CSR activities of the company and SSPL. He has over 3 decades of experience in the steel and ferro alloys industry.

Brij Bhushan Agarwal is the Promoter, Vice Chairman and Managing Director of the company. He is also the Vice Chairman and Managing Director of SSPL. He has over 3 decades of experience in the steel and ferro alloys industry. He is primarily responsible for strategic planning, future expansion, business development, marketing, human resources and corporate affairs of the company.

Sanjay Kumar Agarwal is the Promoter, Joint Managing Director of the company. He has over 17 years of experience in the steel and ferro alloys industry. He is primarily responsible for the operations of their manufacturing plants at Sambalpur, Jamuria and Mangalpur, with focus on cost control, production efficiency and competitive procurement of raw material.

Deepak Kumar Agarwal is the Whole-Time Director of the company. He has previously been associated with Shyam SEL and Power Ltd. and has over a decade of experience in the steel and ferro alloys industry. He is responsible for handling the finance, risk management and corporate affairs of the company and its Subsidiaries.

Bhagwan Shaw is the Whole-Time Director of the company. He has 12 years of experience in the steel and ferro alloys industry. He is responsible for management and inventory control of stores and spares at their Sambalpur manufacturing plant.

Dev Kumar Tiwari is the Whole-Time Director of the company. He has over 23 years of experience in the steel and ferro alloys industry. He is responsible for project implementation and operations of the Sambalpur manufacturing plant.

Venkata Krishna Nageswara Rao Majji is an Independent Director of the company. He was previously associated with Shyam Century Ferrous Ltd. He has several years of experience in the iron and steel industry.

Yudhvir Singh Jain is an Independent Director of the company. He was previously associated with Corporation Bank for 34 years, and retired as a general manager.

Ashok Kumar Jaiswal is an Independent Director of the company. He has several years of experience in the finance sector.

Ajay Choudhury is an Independent Director of the company since April 6, 2018.

Kishan Gopal Baldwa is an Independent Director of the company since May 15, 2018.

Rajni Mishra is an additional Independent Director of the company since February 12, 2021. She is also currently a director on the board of directors of Shyam Steel Industries Ltd. and Elpee Commercial Ltd.

Key Managerial Personnel

Shree Kumar Dujari is the Chief Financial Officer of the company and has been associated with the company since October 1, 2006. He has over two decades of experience in accounts, finance and secretarial departments.

Birendra Kumar Jain is the Company Secretary and Compliance Officer of the company and has been associated with the company since April 6, 2018. He has over a decade of experience as a company secretary.

OBJECTS OF THE ISSUE

(₹ In Cr)	
Objects	Amount
Repayment and/or pre-payment of debt of the company and SSPL, one of their Subsidiaries	470.00
General Corporate Purposes	[•]
Total	[•]

OFFER DETAILS

The Offer	Amount	No. of Shares (Approx.)
Fresh Issue	₹ 657 Cr	Upto 21,683,168 [~] - 21,470,588 [^] Equity Shares
* Offer for sale by the Promoter Selling Shareholders	₹ 252 Cr	Upto 8,316,831 [~] - 8,235,294 [^] Equity Shares
<i>Dorite Tracon Private Ltd.</i>	₹ 30 Cr	Upto 990,099 [~] - 980,392 [^] Equity Shares
<i>Narantak Dealcomm Ltd.</i>	₹ 97 Cr	Upto 3,201,320 [~] - 3,169,935 [^] Equity Shares
<i>Subham Capital Pvt. Ltd.</i>	₹ 37 Cr	Upto 1,221,122 [~] - 1,209,150 [^] Equity Shares
<i>Subham Buildwell Pvt. Ltd.</i>	₹ 63 Cr	Upto 2,079,208 [~] - 2,058,824 [^] Equity Shares
<i>Kalpataru Housefin & Trading Pvt. Ltd.</i>	₹ 25 Cr	Upto 825,083 [~] - 816,993 [^] Equity Shares

([~] at lower price band and [^] upper price band)

Shareholding Pattern:

Shareholder	Pre-offer		No. of Shares offered	Post-offer	
	Number of Equity Shares	% of Total Equity Share Capital		Number of Equity Shares	% of Total Equity Share Capital
Promoter & Promoter Group	233,610,100	100.00%	8,235,294	225,374,806	88.35%
- <i>Dorite Tracon Private Ltd.</i>	15,196,665	6.51%	980,392	14,216,273	5.57%
- <i>Narantak Dealcomm Ltd.</i>	54,063,340	23.14%	3,169,935	50,893,405	19.95%
- <i>Subham Capital Pvt. Ltd.</i>	41,994,770	17.98%	1,209,150	40,785,620	15.99%
- <i>Subham Buildwell Pvt. Ltd.</i>	72,597,250	31.08%	2,058,824	70,538,426	27.65%
- <i>Kalpataru Housefin & Trading Pvt. Ltd.</i>	22,219,150	9.51%	816,993	21,402,157	8.39%
- <i>Promoter & Pro. Group - Others</i>	27,538,925	11.79%		27,538,925	10.80%
Public Total	-	-		29,705,882	11.65%
- <i>Public</i>	-	-		29,705,882	11.65%
Total Equity Share Capital	233,610,100	100.00%	8,235,294	255,080,688	100.00%

No. of shares offered are @ upper price band

BUSINESS OVERVIEW

Shyam Metalics and Energy Limited (“SMEL”) is a leading integrated metal producing company based in India with a focus on long steel products and ferro alloys. They are amongst the largest producers of ferro alloys in terms of installed capacity in India, as of February 2021. They have the ability to sell intermediate and final products across the steel value chain. As of March 31, 2020, they were 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. They were also one of the leading integrated steel and ferro alloys producers in the eastern region of India in terms of long steel products, as of March 31, 2020. The company has a consistent track record of delivering operating profitability, and since the commencement of their operations in Fiscal 2005, they have delivered a positive EBITDA in each of the Fiscals.

SMEL currently operates 3 manufacturing plants that are located at Sambalpur in Odisha, and Jamuria and Mangalpur in West Bengal. As of December 31, 2020, the aggregate installed metal capacity of their manufacturing plants was 5.71 million tonne per annum (“MTPA”) (comprising of intermediate and final products). Their manufacturing plants also include captive power plants with an aggregate installed capacity of 227 MW. They are also in the process of increasing the capacities of their existing manufacturing plants and captive power plants, which is expected to increase their aggregate installed metal capacity (comprising of intermediate and final products) from 5.71 MTPA to 11.60 MTPA and captive power plants aggregate installed capacity from 227 MW to 357 MW. These proposed expansions are expected to become operational between Fiscal 2022 and Fiscal 2025. In addition, they are **in the process of commissioning an aluminium foil rolling mill at Pakuria in West Bengal** with a proposed installed capacity of 0.04 MTPA, which is expected to become operational in Fiscal 2022.

The Sambalpur and Jamuria plants operate as ‘ore to metal’ integrated steel manufacturing plants and comprise captive railway sidings, captive power plants, iron pellet, sponge iron, billet, thermo mechanically treated (“TMT”), wire rod and structural mills, and ferro alloy plants. Their integrated manufacturing plants are fungible by design, which provides them with the ability to quickly adapt to continuously evolving market conditions, change their production and product offerings and optimise the operating margins thereby insulating them from price volatility. Further, the Mangalpur plant comprises sponge iron and ferro alloy plants, and a captive power plant. **They have 8 captive power plants that utilise non-fossil fuels**, such as, waste, rejects, heat and gas, generated from their operations to produce electricity, and thereby enable them to operate at lower power costs. In Fiscals 2018, 2019 and 2020, and the 9 months ended December 31, 2020, power units produced from their captive power plants accounted for 90.06%, 87.32%, 85.19% and 79.58%, respectively, of their total power units consumed. The proposed expansion plans of their captive power plants will help them to meet their increased requirement of power and enable them to become more self-sufficient.

SMEL primarily produces intermediate and long steel products, such as, iron pellets, sponge iron, steel billets, TMT, structural products, wire rods, and ferro alloys products with a specific focus on high margin products, such as, customised billets and specialised ferro alloys for special steel applications. Their TMT and structural products

are sold under the brand ‘SEL’ and their logo . They also undertake conversion of hot rolled coils to pipes, chrome ore to ferro chrome and manganese ore to silico manganese for an Indian steel conglomerate. They are also currently in the process of further diversifying their product portfolio by entering into the segments, such as, pig iron, ductile iron pipes and aluminium foil.

The Sambalpur manufacturing plant caters to customers in the southern and western regions of India whereas their Jamuria and Mangalpur manufacturing plants cater to customers in northern and eastern regions of India. Their product offerings cater to a mix of customers that consist of institutional customers and end-use consumers through their distribution network.

As of December 31, 2020, they had partnerships with 42 distributors, who stock and sell their finished products across 13 states and 1 union territory. They also sell their intermediate products through brokers.

Company’s manufacturing plants are strategically located in close proximity to the mineral belt in eastern India and are well connected by roads, railways and ports. The Sambalpur and Jamuria manufacturing plants have captive railways sidings which enable them to transport the raw materials and products in a cost and time effective manner. They are one of the few integrated metal producing companies in India with captive railway sidings, as of March 31, 2020. They follow stringent quality standards and place a strong emphasis on quality for their products. Their Sambalpur and Jamuria manufacturing plants have obtained quality certifications such as ISO 9001:2015, ISO 14001:2015, ISO 45001: 2018 and ISO OHSAS 18001:2007. They have also achieved cost efficiencies by utilising waste materials or by-products as raw material inputs for other products and processes.

SMEL has a relatively better financial strength as compared to other companies operating in the long and intermediary steel sector. They had reported healthy operational as well as financial growth despite downturns in the industry (especially during Fiscal 2009 and Fiscal 2015). Their revenue from operations increased at a CAGR of 6.56% from ₹ 3,842.57 crore in Fiscal 2018 to ₹ 4,362.89 crore in Fiscal 2020 and was ₹ 3,933.08 crore in the 9 months ended December 31, 2020.

The EBITDA amounted to ₹ 634.05 crore and ₹ 717.32 crore in Fiscal 2020 and the 9 months ended December 31, 2020, respectively. Further, **the company is also the least leveraged group among its peers.**

They are led by their individual Promoters, Mahabir Prasad Agarwal, Brij Bhushan Agarwal and Sanjay Kumar Agarwal, who have several decades of experience in the steel and ferro alloys industry and have been instrumental in the growth of the company. They have a diversified Board of Directors, which is supplemented by a strong senior management team with significant experience in the metal industry. As of December 31, 2020, they had a workforce of 11,457 personnel comprised 5,841 permanent employees and 5,616 contract employees for their operations.

BUSINESS IMPACT – COVID 19

On account of the COVID-19 pandemic, India had imposed a nationwide lockdown on March 24, 2020. However, since manufacturing of steel was determined to be an essential commodity, SMEL continued operations at their Sambalpur manufacturing plant, however, their Jamuria and Mangalpur manufacturing plants were operating with few operational production plants and limited workforce, and only after May 23, 2020, the Jamuria and Mangalpur manufacturing plants increased their operations and workforce in a phased manner in accordance with the specific

directions/ guidelines issued by the State Government. Further, their manufacturing plants are currently operating subject to certain social distancing and additional safety measures, such as, regular temperature checks, regular sanitization, and compulsory use of masks and hand sanitization. Despite of the impact of the COVID-19 pandemic, company's revenue from operations increased by 19.80% from ₹ 3,283.09 crore in the 9 months ended December 31, 2019 to ₹ 3,933.08 crore in the 9 months ended December 31, 2020.

Revenue from Operations: Revenue Segment-wise

Particulars	9 Months ended Dec'31				Year Ended March 31,					
	2020				2020		2019		2018	
	Revenue (₹ in Cr)	% to Total	Revenue (₹ in Cr)	% to Total	Revenue (₹ in Cr)	% to Total	Revenue (₹ in Cr)	% to Total	Revenue (₹ in Cr)	% to Total
Sale of manufactured products	3,876.80	98.57%	3,166.14	96.44%	4,183.88	95.90%	4,432.02	96.21%	3,595.11	93.56%
Sale of services	46.94	1.19%	76.52	2.33%	102.78	2.36%	130.82	2.84%	98.50	2.56%
Sale of traded goods	4.06	0.10%	27.86	0.85%	60.81	1.39%	26.32	0.57%	138.03	3.59%
Sale of Power	2.94	0.07%	3.88	0.12%	4.38	0.10%	4.19	0.09%	3.79	0.10%
By Product	2.34	0.06%	8.68	0.26%	11.02	0.25%	13.03	0.28%	7.12	0.19%
Income from Carbon Credit	-	-	0.02	0.00%	0.02	0.00%	0.03	0.00%	0.01	0.00%
Total	3,933.08	100.00%	3,283.09	100.00%	4,362.89	100.00%	4,606.40	100.00%	3,842.57	100.00%

Revenue from Operations: Finished Product-wise

Particulars	9 Months ended Dec'31		Fiscal					
	2020		2020		2019		2018	
	Revenue (₹ in Cr)	% to Total	Revenue (₹ in Cr)	% to Total	Revenue (₹ in Cr)	% to Total	Revenue (₹ in Cr)	% to Total
Ferro Alloys	599.58	15.47%	752.57	17.99%	851.71	19.22%	1,113.63	30.98%
TMT, Structural products, wire rods and pipes	1,449.56	37.39%	959.45	22.93%	754.59	17.03%	552.07	15.36%
Steel billets	541.78	13.97%	1,022.17	24.43%	1,118.71	25.24%	687.45	19.12%
Sponge iron	440.21	11.35%	852.39	20.37%	1,213.26	27.37%	911.39	25.35%
Iron pellets	845.68	21.81%	597.31	14.28%	493.77	11.14%	330.57	9.20%
Total for Revenue from Sale of Manufactured Products	3,876.80	100.00%	4,183.88	100.00%	4,432.02	100.00%	3,595.11	100.00%

MANUFACTURING UNITS

Company's business is operated through their manufacturing plants at Sambalpur, Jamuria and Mangalpur with a combined installed metal capacity of 5.71 MTPA (including intermediate and final products), as of December 31, 2020. Their manufacturing plants are driven by advanced technology and integration, as well as green technologies, which have been instrumental in achieving cost and operational efficiencies.

The installed capacity and capacity utilisation (on the basis of total installed capacity and actual production) of their products at their manufacturing plants as of/ for the financial years ended March 31, 2018, 2019 and 2020 and the 9 months ended December 31, 2020:

Installed Production Capacity and Capacity Utilization:									
Product	Unit	As of and for the 9 months ended Dec'31, 2020		As of and for the Financial year ended March 31,					
		Installed Capacity in TPA	% Utilization	2020		2019		2018	
				Installed Capacity in TPA	% Utilization	Installed Capacity in TPA	% Utilization	Installed Capacity in TPA	% Utilization
Iron pellet	TPA	2400,000	99.34%	2400,000	103.23%	900,000	110.27%	900,000	104.24%
Sponge iron	TPA	1389,900	86.90%	1274,400	98.87%	1012,800	102.45%	1012,800	99.78%
Billet	TPA	892,320	100.28%	797,280	97.06%	628,320	97.17%	539,520	80.52%
TMT, structural products, wire rods and pipes	TPA	820,000	70.52%	820,000	79.68%	253,008	80.18%	253,008	73.55%
Ferro alloy products	TPA	205,920	67.80%	205,920	85.43%	205,920	91.92%	192,320	89.19%
Captive power plant	MW	227	84.58%	227	92.57%	164	85.56%	164	82.46%

Location of the Manufacturing Plants



key characteristics of the existing manufacturing plants:

Manufacturing Plant	Total Installed Metal Capacity as of Dec' 31, 2020*	Products
Sambalpur, Odisha	2.90 MTPA	Pellet, sponge iron, billets, TMT, structural products, wire rods, and pipes and ferro alloys
Jamuria, West Bengal	2.71 MTPA	Pellet, sponge iron, billets, TMT and structural products, wire rods, and ferro alloys
Mangalpur, West Bengal	0.10 MTPA	Sponge iron and ferro alloys

* (including intermediate and final products)

Plant-wise installed capacities and the proposed capacity expansions as of December 31, 2020

Product	Sambalpur Plant		Jamuria Plant		Mangalpur Plant		Total	
	Installed Capacity in TPA	Proposed Capacity						
Pellet	1,200,000	600,000	1,200,000	600,000	-	-	2,400,000	1,800,000
Sponge iron	792,000	561,000	537,900	947,100	60,000	-	1,389,900	1,739,100
Billet	401,280	461,200	491,040	653,440	-	-	892,320	1,054,720
Rolling mill and wire rod mill	320,000	510,000	350,000	744,000	-	-	670,000	1,064,000
Structure mill	60,000	-	60,000	-	-	-	120,000	60,000
Pipe mill	30,000	-	-	-	-	-	30,000	30,000
Ferro alloy	98,000	14,000	70,000	-	37,920	-	205,920	98,000
Blast furnace	-	-	-	600,000	-	-	-	600,000
Ductile pipe	-	-	-	200,000	-	-	-	200,000

Proposed Manufacturing Plant

Manufacturing Plant	Proposed Installed Metal Capacity (including intermediate and final products)	Products
Pakuria, West Bengal	0.04 MTPA	Aluminium foil rolling mill

COMPANY PRODUCT PORTFOLIO

The various steel products, as well as their principal end uses/ markets:

Product	Description	Principal End Usage / Markets
Pellet	Pellets are a type of agglomerated iron ore fines and can be used as a substitute of lump ore for the production of sponge iron and in blast furnaces for the production of hot metal.	Apart from using items as input for the finished products, SMEL also sell iron pellets, an intermediate product, primarily in the states of West Bengal, Odisha, Chhattisgarh, Maharashtra and Jharkhand. They also export pellet to China
Sponge Iron	Sponge iron is a spongy mass of iron which is a substitute for scrap and is mainly used in making steel through the secondary route. The process of sponge iron making aims to remove the oxygen from iron ore or pellets.	The company sell sponge iron, an intermediate product, primarily in the states of West Bengal, Chhattisgarh, Jharkhand, Bihar, Assam, Meghalaya, Madhya Pradesh Uttarakhand, Rajasthan, Maharashtra and Gujarat.
Billets	A billet is typically cast to a rectangular or square cross section compatible with secondary processing. Billets are used as raw material for the manufacture of TMT and structural products.	Apart from using items as input for their finished products, they also sell billets in the states of Chhattisgarh, Uttar Pradesh, Punjab, Rajasthan and Maharashtra. They also export billets to Nepal and Bangladesh.
TMT, structural	TMT bars or Thermo-Mechanically Treated bars	The company sell TMT, structural products angles,

Product	Description	Principal End Usage / Markets
products (angles, channels, beams), wire rods and pipes	are high strength reinforced bars having a tough outer core and a soft inner core. TMT, structural products (angles, channels and beams), wire rods are used for the construction of buildings, transmission towers, industrial sheds, structures, road, dam and in other various infrastructures.	channels and beams), wire rods and pipes, a finished product, primarily in the states of West Bengal, Odisha, Bihar, Jharkhand, Tripura, Sikkim, Assam, Arunachal Pradesh, Manipur, Meghalaya, Uttarakhand, Uttar Pradesh, Punjab and Haryana. They also undertake conversion of hot rolled coils to pipes exclusively for an Indian steel conglomerate.
Ferro Alloy Products	Ferro alloy refers to various alloys of iron with a high proportion of one or more other elements such as manganese, aluminium, or silicon. They are used in the production of steels and alloys. Ferro alloys produced by the company are used as raw materials for the manufacture of stainless steel products. They also sell specialised ferro alloys - low and medium carbon - for special steel applications.	The company sell ferro alloys of various grades, a finished product, to steel companies primarily in the states of Odisha, Jharkhand, Karnataka, Uttar Pradesh, Haryana and Rajasthan. They also export ferro alloys to South Korea, Indonesia, Thailand, Taiwan, Japan, New Zealand, United Kingdom.

MAJOR CLIENTELE

Various domestic and multinational companies operating in and outside India are company's customers for the products manufactured by them.

Domestic Customers	International Customers
<ul style="list-style-type: none"> Jindal Stainless Limited, Jindal Stainless (Hisar) Limited, Rimjhim Ispat Limited. 	<ul style="list-style-type: none"> Norecom DMCC, Norecom Limited, POSCO International Corporation, World Metals & Alloys (FZC), Traxys North America LLC, JM Global Resources Limited, Goenka Steels Pvt. Limited, Vijayshri Steel Pvt. Limited

SALES & DISTRIBUTION NETWORK

Company's product range is supported by a diverse sales and distribution network throughout India and globally. They distribute their products in the domestic market by selling through distribution network comprising of wholesale traders, distributors, channel partners and dealers as well as sell directly to institutional customers. In the export market, they use a combination of direct sales to institutional customers and sales through international trading houses. Their TMT and structural products are sold under the brand 'SEL' and logo . Their sales contracts are a mix of medium term and spot contracts. As of December 31, 2020, they had partnerships with 42 distributors, who stock and sell their products across 13 states and 1 union territory.

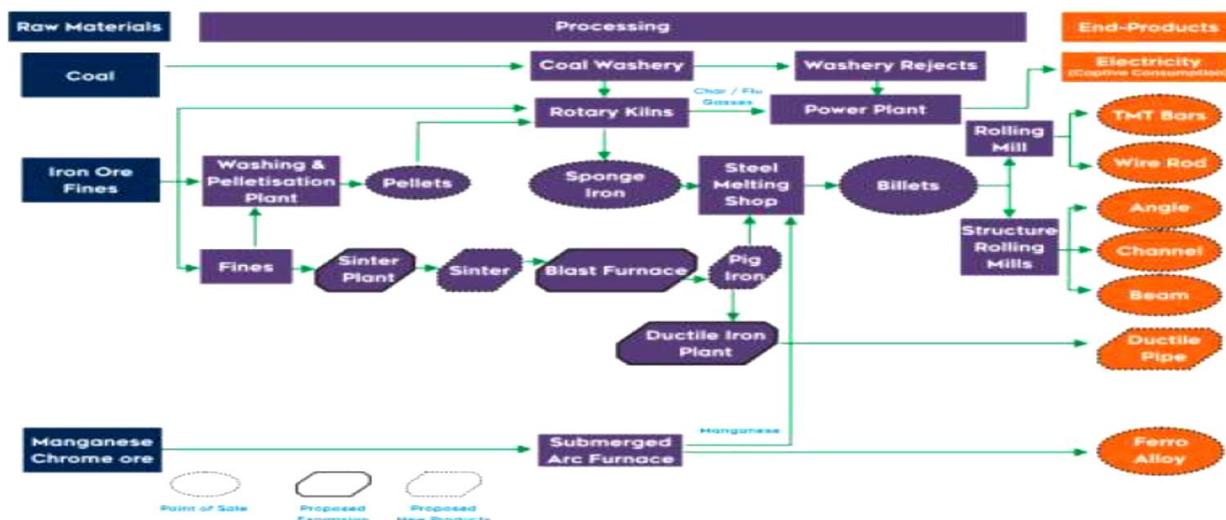
COMPETITIVE STRENGTHS

- Integrated operations across the steel value chain**

SMEL is the leading integrated metal producing company based in India currently operate two 'ore to metal' integrated steel manufacturing plants one each in Sambalpur, Odisha and Jamuria, West Bengal. The integrated nature (backward and forward integration) of their manufacturing plants has resulted in the control over all aspects of their operations (with the exception of sourcing of primary raw materials) as well as operating margins, thereby enabling them to focus more on quality and create multiple points of sale across the steel value chain.

The backward integration activities include, setting up of iron pellet plants and installation of rotary kilns to produce sponge iron. They utilises the sponge iron produced to further manufacture billets, which are not required to be reheated and are directly utilised by their rolling mills to produce TMT bars and wire rods, thereby resulting in cost efficiencies. Whereas, the forward integration activities, include, diversification of their product mix by utilising the billets to produce value added products, such as, TMT bars, structural products and wire rods, which enable them to de-risk their revenue streams and expand their product offerings.

The flowchart highlights the integrated nature of company's operations:



The company has undertaken various measures to expand and integrate their steel manufacturing plants. For instance, they commenced operations at their Sambalpur manufacturing plant with a sponge iron plant of 115,500 TPA in 2006. Subsequently, in order to produce TMT bars, they forward integrated the sponge iron plant with a billet plant and rolling mill of 219,000 TPA and 60,000 TPA, respectively, in 2007, and 60,000 TPA structural mill in 2010. In addition, they backward integrated their Sambalpur manufacturing plant by setting up an iron pellet plant in 2013.

- **Strategically located manufacturing plants supported by robust infrastructure resulting in cost and time efficiencies**

Company's manufacturing facilities are strategically located in close proximity to their raw material sources, which lowers their transportation costs and provides significant logistics management and cost benefits thereby improving their operating margins. Their manufacturing plants are located within 250 kilometres of the mineral belt in eastern India, including, iron ore, iron ore fines, manganese ore, chrome ore and coal mines, their primary raw materials. The strategic location of their manufacturing plants has helped them in creating synergies as well as achieving economies of scale and operational efficiencies. They source their primary raw materials in the following manner:

Raw Material	Source
Iron ore / Iron ore fines	Mine owners located in Odisha
Chrome ore	Long term linkages with Odisha Mining Corporation Ltd, other mine owners and imports
Manganese ore	MOIL Ltd, other mine owners and imports
Coal	Fuel supply agreements entered into with Mahanadi Coalfields Ltd, Central Coalfields Ltd and South Eastern Coalfields Ltd, and imports

Further, the ports nearest to their Odisha manufacturing plant are Dhamra and Paradip, which are situated within a radius of 300 km while Visakhapatnam port is situated within a radius of 600 km from their Odisha manufacturing plant. The ports nearest to their West Bengal manufacturing plants are Kolkata and Haldia, which are situated within a radius of 300 km from their West Bengal manufacturing plants. SMEL has also achieved cost efficiencies by utilising waste materials or by-products as raw material inputs for other products and processes.

- **Diversified product mix with strong focus on value added products**

Company's products primarily comprise of (i) long steel products, which range from intermediate products, such as, iron pellets, sponge iron and billets and final products, such as, TMT, customised billets, structural products and wire rods; and (ii) ferro alloys with a specific focus on high margin products, such as, specialised ferro alloys for special steel applications. Their TMT and structural products are sold under the brand 'SEL' and the company logo. They also undertake conversion of hot rolled coils to pipes, chrome ore to ferro chrome and manganese ore to silico manganese.

The company sell their products to institutional customers and end consumers through their distribution network. They also customise and sell their products as per the customer's specifications.

- **Strong financial performance and credit ratings**

Company's focus on continuous efficiency improvements, improved productivity and cost rationalization has enabled them to deliver consistent and strong financial and operational performance. They have a relatively better financial strength as compared to other companies operating in the long and intermediary steel sector. The revenue

from operations increased at a CAGR of 6.56%. Further, since the commencement of their operations in Fiscal 2005, they have delivered a positive EBITDA in each of the Fiscals. As of March 31, 2020, the gearing ratio was one of the lowest amongst their competitors. In Fiscal 2020, the interest coverage ratio was one of the highest amongst their competitors.

They have also obtained strong credit ratings. In particular, the company and their subsidiary, Shyam SEL and Power Ltd, has received CRISIL A1+, CRISIL AA-/Stable, and CRISIL A1+ rating from CRISIL for their short-term (bank facilities) rating, long-term (bank facilities) rating and commercial paper, respectively. In addition, the company and the subsidiary, Shyam SEL and Power Ltd, has received CARE A1+, CARE AA-/Stable, and CARE A1+ rating from CARE for their short-term (bank facilities) rating, long-term (bank facilities) rating and commercial paper, respectively.

- **Experienced Promoters, Board and senior management team**

SMEL is led by their individual Promoters, Mahabir Prasad Agarwal, Brij Bhushan Agarwal and Sanjay Kumar Agarwal, who have several decades of experience in the steel and ferro alloys industry, and have been instrumental in the growth of their company. They also have an experienced Board of Directors who have extensive knowledge and understanding of the metal industry and have the expertise and vision to scale up their business.

Company's diversified Board of Directors is supplemented by a strong senior management team with significant experience in the metal industry and some of them have been associated with the company since its commencement of operations.

KEY BUSINESS STRATEGIES

- **Continue to increase the manufacturing capacities**

The company intends to strengthen their leading market position in India and achieve better economies of scale by expanding their existing manufacturing capacities and setting up additional manufacturing plants. They have, over the years, consistently grown their manufacturing capabilities. They have recently undertaken various expansions of their manufacturing plants. Consistent with past practice, they will look to add capacity in a phased manner to ensure that they utilize their capacity at optimal levels.

The information in relation to the major proposed expansion plans they intend to undertake to further augment their existing capacities:

Particulars	Unit	Sambalpur manufacturing Plant		Jamuria manufacturing plant		Mangalpur manufacturing plant		Total		
		Existing installed capacity	Proposed capacity expansion	Existing installed capacity	Proposed capacity expansion	Existing installed capacity	Proposed capacity expansion	Existing installed capacity	Proposed capacity expansion	Proposed Grand Total
Captive power plant	MW	118	40	94	90	15	-	227	130	357
Iron pellet plant	TPA	1,200,000	600,000	1,200,000	600,000	-	-	2,400,000	1,200,000	3,600,000
Sponge iron plant	TPA	792,000	561,000	537,900	947,100	60,000	-	1,389,900	1,508,100	2,898,000
Billet plant	TPA	401,280	461,200	491,040	653,440	-	-	892,320	1,114,640	2,006,960
TMT, structural product, wire rods and pipes	TPA	410,000	510,000	410,000	744,000	-	-	820,000	1,254,000	2,074,000
Ferro alloy plant	TPA	98,000	14,000	70,000	-	37,920	-	205,920	14,000	219,920
Blast furnace	TPA	-	-	-	600,000	-	-	-	600,000	600,000
Ductile pipe plant	TPA	-	-	-	200,000	-	-	-	200,000	200,000
Total - TPA		2,901,280	2,146,200	2,708,940	3,744,540	97,920	-	5,708,140	5,890,740	11,598,880

These proposed expansions are expected to become operational between Fiscal 2022 and Fiscal 2025.

- **Introduce new products by leveraging the forward integration capabilities**

The forward and backward integration created cost synergies resulting in cost efficiencies and increase in profitability. They intend to further integrate their operations by using the existing waste and by-products from their operations to introduce new and high margin products. They are currently in the process of further diversifying their product portfolio by entering into the segments, such as, pig iron, ductile iron pipes and aluminium foil. In particular, they intend to use the pig iron from their operations to produce ductile iron pipes. In order to market their new

products, they intend to leverage their existing distribution network. Introduction of new products will result in further diversification of products lines, augmentation of profits and further de-risking of their revenue streams.

They are also in the process of (i) setting up a new 200,000 TPA ductile iron pipe plant at their Jamuria manufacturing plant; and (ii) commissioning an aluminium foil rolling mill at Pakuria in West Bengal by installing 2 mills with an installed capacity of 20,000 TPA each. They expect this aluminium foil rolling mill to become operational in Fiscal 2022.

- **Continue to maintain low leverage with healthy capitalisation metrics**

SMEL is the least leveraged group among its peers. As of March 31, 2020, their gearing ratio was one of the lowest amongst their competitors. As of March 31, 2018, 2019 and 2020 and as of December 31, 2020, their Gross Debt to Equity ratio was 0.30, 0.29, 0.47 and 0.27, respectively. The Gross Debt to EBITDA ratio for Fiscals 2018, 2019 and 2020, and for the 9 months ended December 31, 2020, was 0.79, 0.75, 2.10 and 1.24, respectively. They intend to use the Net Proceeds from the Offer to prepay their and their Subsidiary, Shyam SEL and Power Ltd's debt. Prepayment of their debt will reduce their debt to equity ratio for future leverage as well as increase their profits.

- **Continue to focus on cost efficiency and increase profitability and market share**

The company intends to focus on keeping their operating costs low, which is critical for remaining profitable, by implementing measures to reduce their operating costs and improving the operational efficiencies. They intend to continuously invest in new infrastructure at their manufacturing plants and are exploring opportunities to obtain synergies in their existing manufacturing plants. The company intends to introduce a new 600,000 TPA blast furnace at their Jamuria manufacturing plant which will enable them to forward integrate by manufacturing pig iron. The gas generated from the blast furnace will be utilised by their captive power plant thereby resulting in lower cost of power. The proposed iron pellet plant at their Jamuria manufacturing plant will enable them to backward integrate their proposed ductile iron pipe plant.

- **Focus on exports**

Exports typically result in higher margins and timely realisation of company's revenue streams. In Fiscal 2019, a sharp increase in chrome alloy demand from South Korea, China and Japan supported an increase in exports from India. Exports of chrome alloy increased by 9% year-on-year in Fiscal 2019 due to improved demand from Indonesia, Japan and South Korea. Further, pellet production has increased at a robust rate led by strong domestic demand along with an exceptional increase in export volumes. Share of exports in overall pellet production has increased from 1.5 % in Fiscal 2016 to approximately 18% in Fiscal 2020. The domestic sale of pellets is estimated to have grown at a CAGR of 9% compared to a CAGR of 13% in exports during Fiscal 2017 and Fiscal 2020. The company currently export their products to Nepal, China, Bangladesh, Bhutan, United Kingdom, South Korea, Thailand, Indonesia, Taiwan and Japan, and are currently exploring newer geographies in North America, South America, Europe and Africa in order to increase their exports.

INDUSTRY OVERVIEW

Leading players in Sponge Iron Industry:

Players	Sponge Iron Capacity (FY20)
AM/NS	7.83 MT + 1.7 MT Corex
JSPL	3.2 MT
JSW	2.5 MT + 1.7 MT Corex
Shyam Metals	1.4 MT
Prakash Industries	1.2 MT
Adhunik Group /Liberty Steel	0.5 MT
Godawari Power & Ispat	0.5 MT
Jai Balaji	0.5 MT
Tata Steel Long Products	0.4 MT
Sarda Energy & Minerals	0.4 MT
MSP Steel and Power Ltd	0.3 MT

Leading players in Pellet Industry:

Players	Pallet Capacity
AM/NS	14 MTPA
Jindal Steel & Power Ltd	9 MTPA
Tata Steel	6 MTPA
JSW Steel	14 MT
KIOCL	3.5 MT

Leading players in Ferro Alloys Industry:

Players	Ferro Alloys Capacity (FY20)
Shyam Metals	0.21 MT
IMFA	0.275 MT
Balasore Alloys	0.16 MT
Abhijeet Alloys	0.2 MT
Modern India Concast Ltd	0.2 MT
Shri Girija Alloys and Power	0.15 MT
Tata Steel	0.11 MT
Nava Bharat Ventures Ltd	0.13 MT

Peer Comparison on key operational parameters:

Company Name	External Credit Rating	Geographical Location	Product Portfolio
JSW Steel	CARE AA- IND AA ICRA AA-	Karnataka, Maharashtra, Tamil Nadu	HR, CR, Colour Coated Products, Galvanized, Galvalume, TMT Bars, Wire Rods, Special Alloy Steel
Tata Steel	S&P B+	Jharkhand, Odisha in India; UK, Netherlands, Thailand, Singapore outside India	TMT Bars, Structures, CR, GC, Tubes, Pipes, Ferro Alloy, Automotive Steel
Steel Authority of India Ltd	India Ratings AA-	Chhatisgarh, West Bengal, Odisha, Jharkhand, Karnataka, Tamil Nadu	Bars, Rods, Rebars, Cr, GP, HR, Plates, Railway Products, STRUCTURALS, Alloy Steel, Pig Iron, Semis
Jindal Steel & Power Ltd	CRISIL BBB ICRA BBB+ CARE BBB+	Chhattisgarh, Jharkhand, Odisha	Rails, Beams & Columns, Plates & Coils, Angels & Channels, TMT Rebars, Wire Rods, Sponge Iron, Semis
Kalyani Steel	CARE AA	Karnataka	Allot special steel, Rolled Bards, Rounds for S. Tubes
Godawari Power & Ispat Ltd	CRISIL A CARE BBB+	Chhattisgarh	Pellets, Sponge iron, Billets, Silico manganese, Wires
MSP Steel & Power	n.a.	Chhattisgarh	TMT bars, Billets Semis, Sponge iron, Pellets
Prakash Industries Ltd	CARE BB	Chhattisgarh	Sponge iron, Ferro alloys, Billets & blooms, Wire rods, TMT & Structural
Sarada Energy & Minerals Ltd	n.a.	Chhattisgarh	Sponge iron, Billets, Wire rods, Ferro alloys, Pellets
Vedanta Electrosteeel Steel Ltd	n.a.	Jharkhand	Pig iron, TMT bars, Billets, Iron Pipes, Hot & Cold rolled products of steel
Shyam Metals	CRISIL AA- CARE AA-	West Bengal, Odisha	Pellets, Sponge Iron, Billets, TMT, Structural, Wire rods, Ferro Alloys

Comparison with Listed Industry Peers (as on 31st March 2020)

Name of the Company	Consolidated/ Standalone	Face Value	Closing Price (₹)	Total Revenue (₹ Cr)	EPS (Basic)	NAV [^]	P/E [~]	RoNW (%)
Shyam Metals and Energy Ltd	Consolidated	10	[•]	4,395.3	14.57	120.97	[•]	12.04%
Tata Steel Ltd	Consolidated	10	1,064.55	141,660.1	11.86	640.52	89.76	1.54%
JSW Steel Ltd	Consolidated	1	723.25	73,872.0	16.78	150.41	43.39	10.87%
Steel Authority of India Ltd	Consolidated	10	127.75	62,570.0	5.13	100.58	24.90	5.11%
Jindal Steel & Power Ltd	Consolidated	1	445.45	36,943.7	(1.08)	310.62	NA	(1.28)%
Tata Steel Long Products Ltd	Consolidated	10	940.25	3,571.3	(142.81)	452.16	NA	(25.59)%

Source: RHP; Closing Market Price as on 03.05.2021 on BSE site

AXIS CAPITAL LIMITED

Axis House, 1st Floor, Level-1, C-Wing, C-2, Wadia International Center, Pandurang Budhkar Marg, Worli, Mumbai 400 025.

Tel: +91 22 4325 2525; Fax: +91 22 4325 3000

www.axiscapital.co.in

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