Sarda Energy & Minerals Ltd.

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Pune E-Stock Broking Limited

About the Company:

Sarda Energy & Minerals Limited (SEML) operates a vertically integrated business model that spans the entire value chain from mining to finished products. The company's core strategy relies on deep backward integration, utilising captive iron ore and coal mines to insulate itself from raw material price volatility and supply chain disruptions. This enables SEML to maintain its status as one of India's lowest-cost steel producers. Historically a metals-focused firm, SEML is undergoing a strategic transformation into an "Energy-plus-Minerals" enterprise. By diversifying into hydropower, waste-heat recovery, and commercial thermal power, most notably through the 600 MW SKS Power acquisition, the company generates annuity-like, high-margin cash flows.

Investment Rationale:

Structural Shift Towards a High-Margin Energy Business: Sarda Energy is transforming from a cyclical steel and ferro-alloy producer into an integrated energy and mining company. In Q1FY27, the energy segment contributed nearly 70% of consolidated EBITDA, driving record quarterly profitability. With power capacity targeted to increase from 928 MW currently to 1,721 MW by FY30, the company is well positioned to deliver sustainable earnings growth and lower business cyclicality.

Strong Balance Sheet Enables Self-Funded Growth: The company has emerged as a net debt-free business with liquidity of over ₹2,500 crore, allowing it to fund its expansion plans without raising equity or significant debt. Management plans annual capex of ₹500–700 crore over FY27–FY29 while maintaining financial discipline. Robust cash generation and internal accruals provide strong visibility for executing thermal, hydro, solar and mining projects.

Multi-Year Growth Pipeline with Strong Earnings Visibility: SEML has a strong growth pipeline backed by the 600 MW SKS thermal expansion, 74 MW hydro projects, 50 MW captive solar plant, ₹500 crore pellet expansion, and multiple captive coal mines. Management targets to double EBITDA by FY30, while we expect the company to deliver Revenue, EBITDA, and PAT growth of 21%/29%/37% CAGR, respectively, over FY26–FY29E. The company's integrated expansion strategy supports long-term value creation.

Outlook: Sarda Energy is well positioned to benefit from India's rising demand for steel, ferro alloys and power, backed by its integrated business model and aggressive capacity expansion plans. The company reported a record Q1FY27 performance with EBITDA rising 9.4% YoY to ₹762 crore and PAT increasing 9.4% YoY to ₹478 crore, despite temporary operational disruptions. The energy business contributed nearly 70% of consolidated EBITDA, supporting profitability, while management expects further margin improvement as hydro operations normalise and captive coal production ramps up. The company plans to double its energy generation capacity and quadruple mining capacity over the medium term, funded entirely through internal accruals. With a net debt-free balance sheet, liquidity of over ₹2,500 crore, and strong cash generation, Sarda Energy remains well positioned to deliver sustainable earnings growth, improve return ratios and create long-term shareholder value. We continue to maintain our **ACCUMULATE** rating on the stock with a TP of ₹605, implying an upside of 16.34% with DCF methodology (WACC: 10.46).

CMP: ₹520
Rating: ACCUMULATE
Target Price: ₹605

Stock Info	
BSE	504614
NSE	SARDAEN
Sector	Iron & Steel
Face Value (₹)	1.00
Equity Capital (₹ Cr)	35
Mkt Cap (₹ Cr)	18,324
Avg volume (1 year)	8,92,489
Dividend yield (%)	0.39
52w H/L (₹)	640/ 453

Source: Company filings, PESB research

Shareholding Pattern (June 2026)	
Promoters	73%
FII	3.5%
DII	3.5%
Public	20%

Source: Company filings, PESB research

Returns (%)	Sarda Energy	Nifty50
1M	16.75	0.35
6M	0.05	-4.91
1 year	-0.51	-0.86

Soft Coverage Link: Sarda Energy & Minerals

Anupama Bhootra
Analyst
Praveen Kumar Yadav
Associate

Q1FY27 Financials

Particulars (₹ cr)	Q1FY27	Q4FY26	QoQ	Q1FY26	YoY
Revenue from Operations	1,608	1,254	*28%*	1,633	*-2%*
Expenses					
COGS	669	647	*3%*	789	*-15%*
Employee Expenses	58	60	*-3%*	51	*15%*
Other Expenses	227	199	*14%*	177	*29%*
EBITDA	**653**	**348**	*88%*	**617**	*6%*
EBITDA Margin	*41%*	*28%*	*1291bps*	*38%*	*284bps*
Depreciation & Amortization	89	88	*1%*	81	*9%*
EBIT	**565**	**259**	*118%*	**536**	*5%*
EBIT Margin	*35%*	*21%*	*1443bps*	*33%*	*229bps*
Finance Cost	58	54	*9%*	62	*-6%*
Other Income	108	5	*2184%*	80	*36%*
EBT	**615**	**210**	*192%*	**553**	*11%*
EBT Margin	*38%*	*17%*	*2144bps*	*34%*	*435bps*
Exceptional Items	0	0		0	
Tax Expenses	152	69	*119%*	130	*17%*
PAT	**463**	**141**	*228%*	**423**	*9%*
PAT Margin	*29%*	*11%*	*1752bps*	*26%*	*288bps*
Share of Profit/(Loss) of JV	15	14	*10%*	14	*13%*
Total Profit/Loss	**478**	**155**	*208%*	**437**	*9%*

Source: Company filings, PESB research

➢ Concall Highlights

- **Energy Business Remains the Key Earnings Driver:** The energy business continued to be the company's biggest profit contributor, accounting for nearly 70% of consolidated EBITDA in Q1FY27 despite operational disruptions. The 600 MW thermal plant operated at a healthy 85.9% PLF, while the 113 MW Sikkim hydro plant resumed full operations after a temporary shutdown caused by transmission tower damage. Management highlighted that the business now enjoys greater earnings visibility with over 380 MW of saleable capacity secured under medium and long-term PPAs, reducing volatility in merchant power revenues.

- **Resilient Performance Despite Temporary Operational Disruptions:** Q1FY27 performance was affected by multiple temporary disruptions, including planned maintenance shutdowns at the 300 MW IPP, sponge iron and steel plants, unplanned outages, and lower hydro generation due to transmission line damage at the 113 MW Sikkim plant. Despite these headwinds, the company reported 9.4% YoY growth in EBITDA to ₹762 crore and PAT of ₹478 crore (+9.4% YoY) on flat revenue of ₹1,717 crore (+0.2% YoY). Management expects these disruptions to reverse from Q2FY27 as all key assets have resumed normal operations.

- **Power Tariff Outlook:** Management clarified that the reported Q1 realisation of around ₹8/unit was distorted by prior-period tariff adjustments and should not be annualised. Going forward, the sustainable tariff for contracted power is expected to remain in the ₹5–6/unit range, with gradual escalation over time through inflation-linked revisions and rising peak-hour demand. Higher July merchant prices (around ₹5/unit on IEX versus ₹4.2/unit last year) also provide confidence of better realisations in Q2 and beyond.

- **Q2FY27 Expected to be Operationally Stronger:** Management expects a significant operational improvement from Q2FY27 as temporary disruptions witnessed in Q1 have largely been resolved. The 30 MW captive power unit at Raipur has been commissioned, the 113 MW Sikkim hydro project has resumed full generation, and rainfall has improved materially during July, benefiting smaller hydro plants. Better hydro generation, stronger merchant power prices and higher steel production supported by additional captive power are expected to drive sequential earnings improvement, although no formal EBITDA or PAT guidance was provided.

Concall Highlights

- **Mining Expansion to Drive Long-Term Growth:** Management reaffirmed its mining roadmap, with Shahpur West coal mine expected to commence production by end-FY27, followed by the Bartunga coal mine by end-FY28. Shahpur West will primarily supply high-grade coal to the steel and ferro alloy businesses, while additional mines such as Senduri and Gare Palma IV/5 will gradually increase overall mining capacity. Rather than expanding existing mines, the company is prioritising newly acquired higher-grade coal assets, which offer superior economics and better long-term returns.

- **Aggressive Capacity Expansion with Internal Funding:** The company's management reiterated its long-term strategy of doubling energy generation capacity and quadrupling mining capacity while maintaining a conservative balance sheet. The company is pursuing a 600 MW brownfield thermal expansion at SKS, 74 MW of small hydro projects, a 66 MW Arunachal hydro project, and a 50 MW captive solar plant. Importantly, management confirmed that all ongoing expansion projects are being funded entirely through internal accruals, supported by a net debt-free balance sheet and liquidity exceeding ₹2,500 crore.

- **Steel & Ferro Alloy Outlook Remains Positive:** Steel prices remained largely range-bound during Q1FY27 due to weak global sentiment, while ferro alloy prices improved modestly. Management expects steel prices to remain stable, with potential upside if geopolitical tensions in West Asia ease and global demand recovers. Ferro alloy margins are expected to improve further because of softening raw material costs. The commissioning of the new 30 MW captive power plant will also enhance captive power availability, enabling higher steel production and better operating leverage in coming quarters.

- **Growth Drivers:** While management refrained from issuing EBITDA or PAT guidance due to volatility in power prices, rainfall and steel markets, it identified multiple growth levers for FY27. These include higher merchant power prices, better utilisation of independent power plants, improved hydro generation following normal monsoons, and increased steel output supported by additional captive power capacity. Management also expects annual PLF for its IPP business to exceed last year's level, indicating higher electricity generation during FY27.

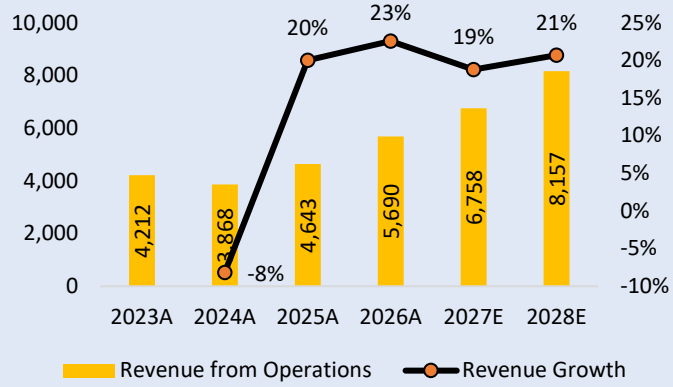
- **Brownfield Thermal Expansion Progressing as Planned:** The proposed expansion of the SKS thermal plant from 600 MW to 1,200 MW remains on schedule. Management indicated that the Terms of Reference (ToR) submission is in its final stage, with environmental clearance expected around 6–8 months after public hearings. Consultant appointments will begin in parallel to accelerate execution. The company expects the expanded capacity to be commissioned by FY31, leveraging existing land, water and evacuation infrastructure, making it one of SEML's most capital-efficient projects.

- **Mineral Wool Business Showing Strong Demand:** The recently commissioned mineral wool business is witnessing demand exceeding current production, although profitability has not yet been achieved due to commissioning-related challenges and delays in imported equipment. Capacity utilisation has already reached 60–65%, and management expects to achieve full production within the next 3–6 months. Revenue guidance for FY27 has been maintained at ₹90–110 crore, positioning the segment as a promising future growth driver once operational efficiencies stabilise.

- **Balance Sheet Strength Supports Multi-Year Growth:** Management emphasised that SEML has become net debt-free on both standalone and consolidated levels, with cash and liquidity exceeding ₹2,500 crore. This financial strength allows the company to simultaneously pursue thermal, hydro, solar and mining expansions without increasing leverage.

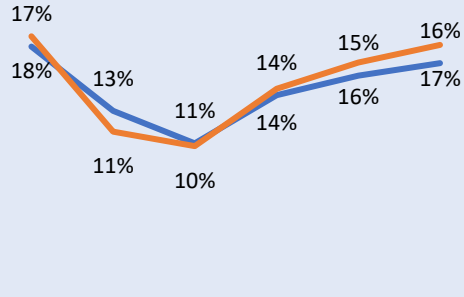
Charts – Key Financial Metrics

Revenue (₹ Cr.)



Source: Company filings, PESB Research

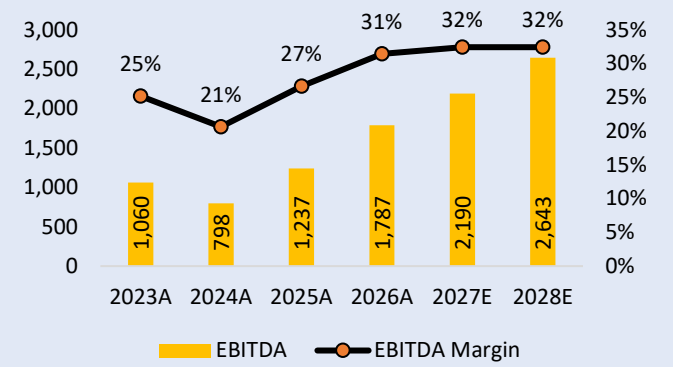
Return Ratios



	2023A	2024A	2025A	2026A	2027E	2028E
ROE	17%	13%	11%	14%	15%	16%
ROCE	18%	11%	10%	14%	16%	17%

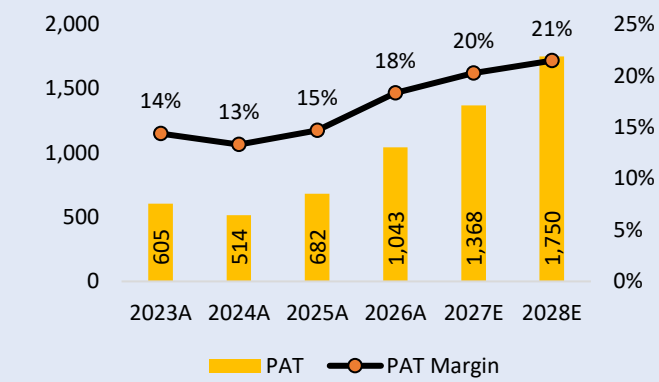
Source: Company filings, PESB Research

EBITDA (₹ Cr.) and EBITDA Margin



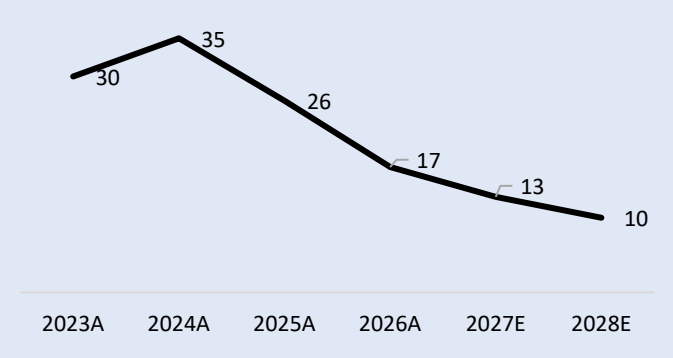
Source: Company filings, PESB Research

PAT (₹ Cr.) and PAT Margin



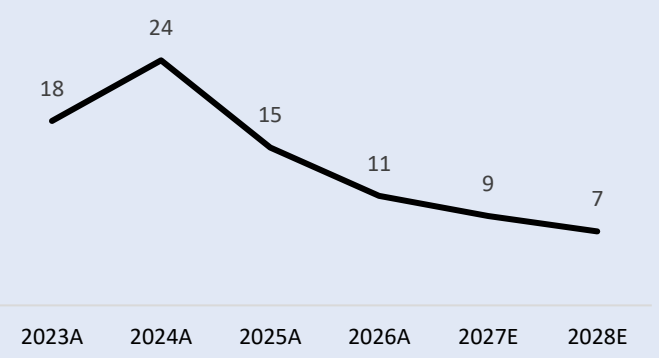
Source: Company filings, PESB Research

P/E (x)



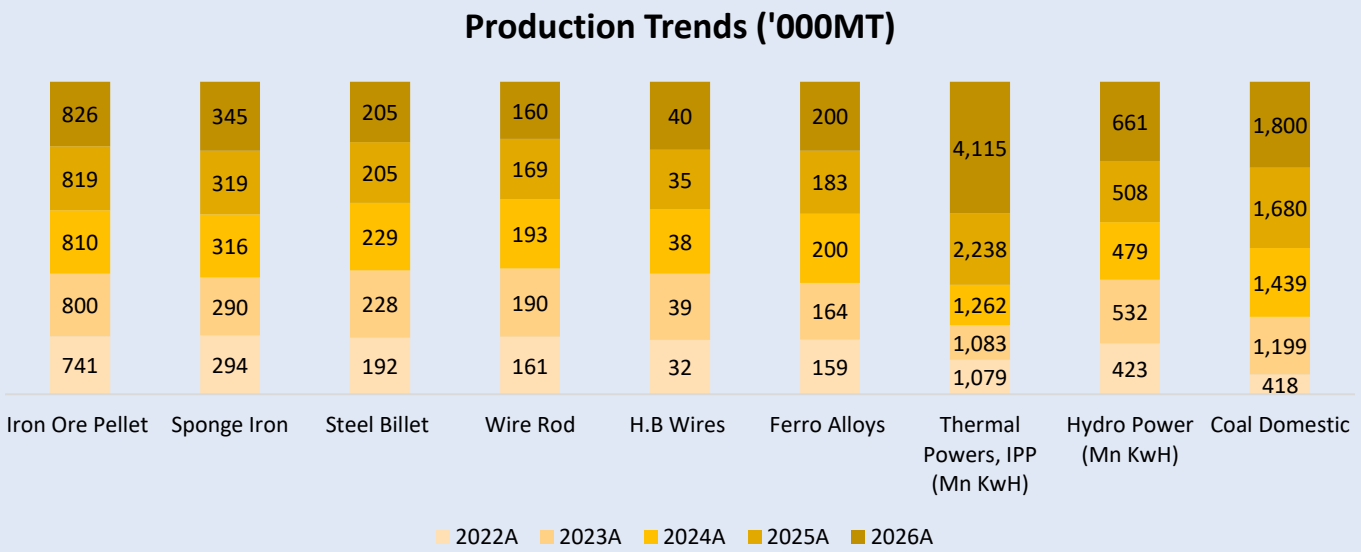
Source: Company filings, PESB Research

EV/EBITDA (x)

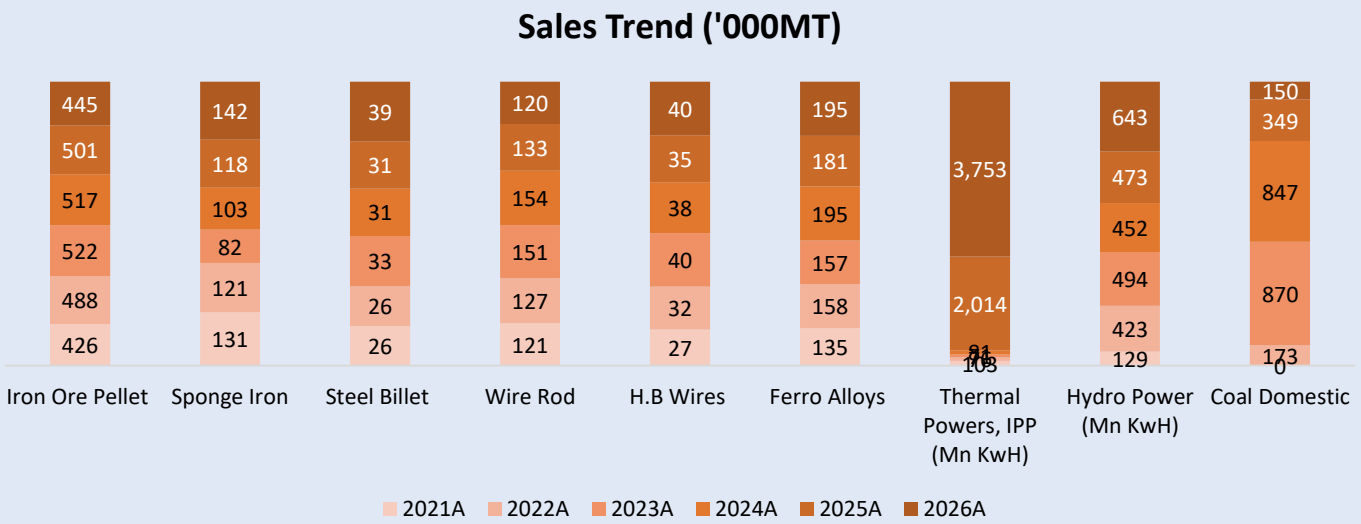


Source: Company filings, PESB Research

Charts



Source: Company filings, PESB Research



Source: Company filings, PESB Research

Financials

Income Statement

Particulars (₹ Cr)	2023A	2024A	2025A	2026A	2027E	2028E
Revenue from Operations	4,212	3,868	4,643	5,690	6,758	8,157
Expenses						
COGS	2,495	2,407	2,573	2,918	3,514	4,242
Employee Expense	127	142	176	222	243	294
SG&A	529	521	657	764	811	979
EBITDA	**1,060**	**798**	**1,237**	**1,787**	**2,190**	**2,643**
EBITDA Margin	***25%***	***21%***	***27%***	***31%***	***32%***	***32%***
EBITDA Growth rate		***-25%***	***55%***	***44%***	***23%***	***21%***
Depreciation and Amortization	178	183	271	341	365	343
EBIT	**882**	**615**	**966**	**1,447**	**1,825**	**2,300**
EBIT Margin	***21%***	***16%***	***21%***	***25%***	***27%***	***28%***
EBIT Growth rate		***-30%***	***57%***	***50%***	***26%***	***26%***
Finance Cost	124	128	220	244	197	189
Other Income	49	184	172	237	196	225
Exceptional items	0	3	0	-10	0	-1
EBT	**807**	**673**	**918**	**1,429**	**1,823**	**2,334**
EBT Margin	***19%***	***17%***	***20%***	***25%***	***27%***	***29%***
EBT Growth rate		***-17%***	***36%***	***56%***	***28%***	***28%***
Tax expense	202	159	237	386	456	584
PAT	**605**	**514**	**682**	**1,043**	**1,368**	**1,750**
PAT Margin	***14%***	***13%***	***15%***	***18%***	***20%***	***21%***
PAT Growth rate		***-15%***	***33%***	***53%***	***31%***	***28%***

	FY23-26	FY26-28E
Revenue CAGR	**16%**	**21%**
EBITDA CAGR	**30%**	**29%**
PAT CAGR	**31%**	**37%**

Source: Company filings, PESB Research

RATIOS

	2023A	2024A	2025A	2026A	2027E	2028E
Margin Analysis						
Gross Margins	41%	38%	45%	49%	48%	48%
EBITDA Margin	25%	21%	27%	31%	32%	32%
PAT Margin	14%	13%	15%	18%	20%	21%
	2023A	2024A	2025A	2026A	2027E	2028E
Profitability						
ROA	11%	9%	7%	9%	11%	12%
ROCE	18%	11%	10%	14%	16%	17%
ROE	17%	13%	11%	14%	15%	16%
	2023A	2024A	2025A	2026A	2027E	2028E
Liquidity and Solvency						
Current ratio (x)	3.0	3.4	3.1	4.5	4.1	4.3
Quick ratio (x)	2.0	2.7	2.3	3.7	3.3	3.6
fixed asset turnover (x)	1.4	1.3	0.7	0.9	1.0	1.1
Total Debt/ Equity (x)	0.4	0.3	0.4	0.3	0.3	0.2
Interest Coverage Ratio (x)	7.1	4.8	4.4	5.9	9.2	12.1
	2023A	2024A	2025A	2026A	2027E	2028E
Valuation Ratios						
EV/EBITDA (x)	18	24	15	11	9	7
P/E (x)	30	35	26	17	13	10
P/B (x)	5	5	3	2	2	2
EV/Sales (x)	5	5	4	3	3	2

Financials

BALANCE SHEET

Particulars (₹ Cr)	2023A	2024A	2025A	2026A	2027E	2028E
Assets						
PP&E (Including Intangibles)	2,828	2,782	5,738	5,972	6,362	6,689
Capital WIP	131	251	621	472	546	509
Other Non Current Assets	277	344	618	510	563	833
Inventories	727	528	809	794	915	988
Investments	353	558	649	1,515	1,600	1,800
Trade Receivables	182	101	221	276	278	313
Cash and Bank	372	768	608	864	1,113	2,068
Other Current Assets	612	669	860	967	1,030	1,200
Total Assets	**5,481**	**6,002**	**10,125**	**11,371**	**12,407**	**14,399**
Equity						
Equity Share Capital	35	35	35	35	35	35
Other Equity	3,475	3,959	6,357	7,441	8,919	10,828
Total Equity	**3,510**	**3,994**	**6,392**	**7,476**	**8,954**	**10,864**
Liabilities						
Borrowings	1,063	1,058	2,342	2,134	1,742	1,592
Other Non Current Liabilities	157	169	362	778	500	450
Borrowings	344	308	481	461	600	800
Trade Payables	135	173	194	172	250	314
Other Current Liabilities	272	300	353	349	360	380
Total Equity and Liabilities	**5,481**	**6,002**	**10,125**	**11,371**	**12,407**	**14,399**

Source: Company filings, PESB Research

CASH FLOW

Particulars (₹ Cr)	2023A	2024A	2025A	2026A	2027E	2028E
Net cash from operations	701	742	886	1,735	1,651	1,918
Net cash from Investing	-431	-423	-2,132	-1,166	-1,246	-1,152
Net cash from Financing	-479	-223	1,200	-519	-156	189

Source: Company filings, PESB Research

Disclosures and Disclaimers:

Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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