

Shyam Metals IPO: Growth outlook outweighs valuation concern, say experts

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Nikita Vashisht | New Delhi
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Shyam Metals and Energy Ltd (SMEL), an integrated metal producing company with focus on long steel products and ferro alloys, has opened its Rs 909 crore initial public offer (IPO) at a time when the domestic steel firms are eyeing price hikes and investments worth Rs 76,500 crore.

“Domestic steel prices are still at around a 20-25 per cent discount to the international price and are around 15-20 per cent lower than the landed cost of imported steel. Due to this, domestic steel players continue to remain optimistic about the increase in steel prices in future as well,” Brickwork Ratings said in its report.

Going ahead, as domestic steel demand appears robust at 5-6 per cent CAGR through FY25, as per rating agency Crisil, most of the analysts recommend investors subscribe to the issue.

About the issue

The nearly two decade old company has opened its three-day public offer (between June 14 and 16) at a price band of Rs 303-306 per share. Of the Rs 909 crore that the company aims to raise, Rs 657 crore could come via fresh issue (21.5-21.7 million shares) and the remaining Rs 252 crore could come via OFS.

“Of the net proceeds, Rs 470 crore will be utilized to repay or prepayment of debt availed by the company. Residual funds will be used for general corporate purposes,” the company said in its draft red herring prospectus (DRHP).

About 50 per cent of the net issue shall be allocated to qualified institutional buyers, while rest 15 per cent and 35 per cent is reserved for non-institutional bidders and retail investors, respectively. Three lakh shares are reserved for eligible employees. By 1 PM, 51 per cent of the issue had been subscribed on Monday.