INVasset Corporate Insights

LLOYDS METALS

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Unlocking Potential: Lloyds Metals & Energy's Strategic Ventures

Dominating the Market with Diverse Offerings: Lloyds Metals & Energy stands as a formidable player in the industry, boasting a diversified portfolio spanning sponge iron manufacturing, power generation, and iron ore mining. With an emphasis on efficiency and innovation, the company has strategically allocated its resources to ensure a robust revenue stream across its operations. In FY23, the revenue breakup showcased the company's dominance in iron ore mining, accounting for 78% of its total revenue, while sponge iron manufacturing and power generation contributed 19% and 3% respectively.

Driving Growth Through Capacity Expansion: At the heart of Lloyds Metals & Energy's success lies its commitment to capacity expansion and product diversification. With a pioneering integrated sponge iron production capacity of 350,000 MTPA, coupled with substantial iron ore mining capabilities, the company has positioned itself as a key player in India's iron and steel sector.

Strategic Assets and Expansion Initiatives: Lloyds Metals & Energy leverages strategic assets like the Surjagarh Iron Ore Mine, positioning itself to cater to steel plants across India. Ambitious expansion plans, including iron ore facility scaling, slurry pipeline development, and a 360-kilotonne DRI plant, signal its commitment to future growth.

Visionary Expansion into Value-Added Products: The company aims to enhance its market presence through the production of value-added products, with a substantial CAPEX of Rs. 1200 crores earmarked for expansion. Phased construction reflects prudent financial management and commitment to long-term success.

Joint Ventures for Enhanced Operational Efficiency: A joint venture with Thriveni Earthmovers Pvt Ltd aims to revitalize mining operations at the Surjagarh mine. The company's acquisition of full ownership underscores confidence in driving operational efficiency and maximizing returns.

Ambitious Targets for Fiscal Year 2030: Lloyds Metals & Energy sets ambitious targets for FY30, including completing all expansion plans and achieving a debt-free status. Additionally, targeting a 50% contribution of value-added products in revenue demonstrates its commitment to growth.

Financial Fortitude and Sustainable Growth: Despite significant investment in expansion projects, the company remains financially robust. Prudent financial management and emphasis on sustainable growth underscore resilience and adaptability.

Charting a Course Towards Industry Leadership: As Lloyds Metals & Energy charts its course towards industry leadership, its commitment to innovation, operational excellence, and strategic partnerships sets it apart. With a strong foundation and visionary leadership, the company is poised to unlock new opportunities and create long-term value.

Stock Data	
CMP (14-05-2024)	703
52 Week High/Low	750/316
Face Value	1.00
Market Cap (In Crs)	35,519
Enterprise Value (In Crs)	35,265
NSE	LLOYDSME
BSE	512455
Bloomberg	LLOYDSME:IN
Sector	MINING AND MINERAL PRODUCTS

Shareholding Pattern (in %)		
	MAR 24	DEC 23
Promoter	65.69	65.69
FII	0.68	0.32
DII	0.06	0.00
Public	33.51	33.88

Price Performance (in%)			
(%)	1M	6M	1Yr
Nifty 50	-2.06	13.43	20.54
LLOYDSME	-2.03	30.25	21.18

Key Ratios	
P/E	28.6
P/S	5.45
P/B	12.6
Debt To Equity	0.01
ROE	57.3%
ROCE	79.1%
Dividend Yield	0.00%

Q4 FY 24 Result Update

Q4 FY24 Result Comparison (In Rs Cr)					
	Q4 FY24	Q3 FY24	Q4 FY23	QOQ	YOY
Sales	1,554	1,911	876	-18.68%	77.40%
Expenses	1,096	1,463	712	-25.09%	53.93%
EBITDA	466	461	184	1.08%	153.26%
Other Income	8	13	19	-38.46%	-57.89%
Net Profit	277	332	269	-16.57%	2.97%
EPS	5.48	6.56	5.33	-16.46%	2.81%

Result Highlights

A Stellar Year for Lloyd Metals and Energy Ltd: An In-Depth Look at FY24 Results

Overview of Q4 FY24 Performance: In the fourth quarter of the fiscal year 2024, Lloyd Metals and Energy Ltd exhibited a remarkable performance. The company's sales reached ₹1,554 crore, marking an increase of 77.40% year-over-year (YOY) and a decrease of 18.68% quarter-over-quarter (QOQ). This indicates a substantial growth in annual terms despite a slight dip from the previous quarter. The sales growth highlights the company's robust demand in its operational markets and its ability to capitalize on market opportunities.

Expenses and Profit Analysis: The company managed to significantly control its expenses, which were ₹1,096 crore in Q4 FY24 compared to ₹1,463 crore in Q3 FY24, showing a reduction of 25.09% QOQ. Even when compared to the same quarter last year, expenses rose by 53.93%, which is proportionally less than the increase in sales, suggesting improved operational efficiency. This effective cost management has played a crucial role in enhancing the company's profitability during the period.

EBITDA Highlights: Lloyd Metals' EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization) for Q4 FY24 stood at ₹466 crore. This represents a substantial increase of 153.26% YOY and a modest increase of 1.08% QOQ. The EBITDA margin expansion underscores the company's ability to enhance its profitability amidst fluctuating market conditions. The increase in EBITDA is indicative of efficient operations and the company's strategic focus on high-margin projects.

Other Income and Net Profit: Other income for the quarter was reported at ₹8 crore, a decrease from both the previous quarter and the same quarter last year, falling by 38.46% QOQ and 57.89% YOY. Despite the drop in other income, net profit for Q4 FY24 was ₹277 crore, up 2.97% YOY, although it decreased by 16.57% from the previous quarter, reflecting the challenge of sustaining non-operational income streams. The company's ability to maintain profitability in light of reduced other income is noteworthy.

Earnings Per Share (EPS): The Earnings Per Share (EPS) saw a slight decline of 16.46% QOQ, settling at ₹5.48 in Q4 FY24, but it also showed a modest growth of 2.81% YOY. This metric is crucial for investors as it reflects the profitability of the company on a per-share basis, indicating that the company remains a potentially lucrative investment despite some quarterly fluctuations. The EPS reflects the shareholders' return and is a critical measure of the company's financial health.

Future Outlook and Strategic Initiatives: As Lloyd Metals and Energy Ltd moves forward, the key will be maintaining the growth in sales and managing expenses effectively. Strategic initiatives aimed at optimizing production and expanding market reach could further enhance profitability. Investors and stakeholders should look forward to the company's future strategies and potential in sustaining its growth trajectory in the competitive metals and energy sector. Emphasizing innovation and market expansion, the company is poised to continue its growth in the coming years.

Concall Highlights

Comprehensive Growth in FY24: Lloyd Metals and Energy Ltd's Financial Highlights: Lloyd Metals and Energy Ltd demonstrated significant financial success in FY24, as evidenced by robust growth across various segments. The total income for the year stood at INR 65,746 million, with an impressive operating EBITDA of INR 17,812 million, reflecting an operating EBITDA margin of 27.1%. These results indicate a solid operational performance underpinned by higher sponge and iron ore volumes, which grew by 90% year-over-year. Notably, the company achieved a substantial 153% year-over-year increase in EBITDA in Q4 FY24 alone. The iron ore segment was particularly strong, with mining volumes reaching 2 million tonnes in Q4 and 10 million tonnes annually, an 88.7% increase from the previous year. Furthermore, the company committed to future growth by investing INR 16,900 million in capital expenditures throughout the year. Additionally, shareholders were rewarded with a 100% dividend, underscoring the company's financial health and commitment to returning value.

Dynamic Sector Performance: A Detailed Breakdown of Lloyd Metals' Quarterly Results: Lloyd Metals and Energy Ltd's latest quarterly performance showcases significant achievements across its key sectors—Iron Ore, DRI & Power, and Pellet Trading. The Iron Ore sector saw a sharp increase in revenue from INR 1,406 million in Q4 FY23 to INR 7,001 million in Q4 FY24, with EBIT margins expanding impressively from 20.1% to 33.4%. This growth was driven by a marked increase in sales volumes, rising from 1.10 MMT to 2.49 MMT over the year. The DRI & Power segment also reported robust results, with revenues climbing to INR 2,940 million in Q4 FY24 from INR 1,975 million in Q4 FY23 and EBIT margins improving to 24.8%. Sales in this segment increased from 51.67 thousand metric tonnes (MT) in Q3 FY24 to 67.24 thousand MT in Q4 FY24. Meanwhile, the Power sector experienced fluctuations, with sales peaking at 53.60 million units in Q3 FY24 before slightly reducing to 47.80 million units in Q4 FY24, reflecting the challenges and dynamics of the energy market. This comprehensive performance underscores Lloyd Metals' strategic agility and operational efficiency in navigating market demands and maximizing profitability across its diversified portfolio.

Strong Financial Growth and Resilient Performance in Q4 Fy24: Lloyd Metals and Energy Ltd's financial performance in Q4 FY24 highlights robust growth and resilience. The company achieved a total income of INR 15,624 million, representing a substantial 74% increase year-over-year (Y-o-Y), although there was a 19% decline quarter-over-quarter (Q-o-Q). This performance is supported by a strong EBITDA of INR 4,665 million, up 153% Y-o-Y, with the EBITDA margin reaching 29.86%, a significant improvement from 20.54% in Q4 FY23. The company managed to substantially reduce its finance costs by 87% Y-o-Y, positively impacting the profit before exceptional items, which soared by 180% Y-o-Y to INR 4,476 million. Despite facing challenges such as a decline in other comprehensive income, which was dramatically higher in the previous quarter, the company's PAT (Profit After Tax) remained stable, growing by 3% Y-o-Y. This indicates that Lloyd Metals and Energy Ltd not only expanded its operational capabilities but also enhanced its financial management to mitigate impacts from market fluctuations and maintain profitability.

Strategic Vision and Core Strengths of Lloyd Metals and Energy Ltd: Lloyd Metals and Energy Ltd (LMEL) distinguishes itself as a leader in the Indian metals and energy sectors, underpinned by its strong operational foundation and strategic foresight. At the heart of LMEL's operations is a substantial integrated sponge iron production capacity of 350,000 tonnes annually, supported by a significant iron ore capacity of 10 million tonnes. This capacity not only positions LMEL as a frontrunner in the industry but also emphasizes its commitment to sustainable and innovative mining practices. The company operates from a single mine location, which is among the largest iron ore merchant mining sites in India, ensuring both scalability and efficiency. Its core competencies include integrated operations and financial prudence, highlighted by its debt-free status and secured high-quality ore reserves available until 2057. With a strategic expansion from 3 million tonnes to 10 million tonnes of iron ore within a year and plans for further expansion to 55 million tonnes, LMEL is clearly focused on long-term growth and environmental stewardship, aiming to redefine the possibilities within the metals and energy landscape.

Historical Progression and Expansion: Lloyd Metals and Energy Ltd's Journey through the Decades: Since its incorporation in 1977, Lloyd Metals and Energy Ltd (LMEL) has charted a path of significant growth and innovation. Beginning with the application for a mining lease in 1993 in the Surgarjah, Gadchiroli district, LMEL has progressively expanded its operations. The company embarked on manufacturing with a 150,000 MTPA coal-based DRI plant at Ghugus, Chandrapur district in 1995, marking its initial venture into large-scale production. This was followed by a pivotal moment in 2006, when LMEL enhanced its DRI production capacity to 270,000 MTPA.

Further strides were made with the commissioning of a 30 MW power plant in 2011, bolstering LMEL's energy capabilities. In 2016, LMEL ventured into commercial mining activities, demonstrating a versatile expansion in its operational scope. The recent years have been particularly transformative, with the company reaching 100% mining capacity of 3 MMTPA in 2023, and obtaining the necessary environmental clearances to mine 10MMTPA, marking a major milestone. By 2024, LMEL commenced the ambitious production of 70,000 tonnes of DRI at Konsari and set a future target to scale up mining capacities to 10 million tonnes annually. These milestones not only highlight LMEL's growth trajectory but also its commitment to sustainable practices and its position as a leader in the metals and energy industry.

Visionary Leadership and Future Aspirations at Lloyd Metals and Energy Ltd: Lloyd Metals and Energy Ltd's Managing Director, Mr. Rajesh Gupta, expressed a profound sense of optimism in his commentary on the company's FY24 performance. Under his guidance, the company has experienced an exceptional year with a 153% year-over-year increase in EBITDA and a remarkable 101% growth in overall revenue. This surge is a testament to the company's strategic foresight and its ability to seize market opportunities effectively. FY24 also marked a significant operational achievement, with iron ore mining volumes reaching 10 million tonnes—an 88.7% increase year-over-year. Mr. Gupta highlighted the successful operation of the new DRI facility at Konsari, contributing to a 29% increase in DRI volumes. Looking forward, the company is set to undergo transformative changes with plans to expand iron ore mining capacity to 55 million tonnes and continue enhancements of key infrastructure projects. Mr. Prabhakaran, also a Managing Director at the firm, echoed these sentiments, attributing the company's success to the hard work of the team and the strong support of the local community. He reaffirmed the commitment to sustainable development and expressed confidence in achieving further significant milestones. Their combined vision sets a robust foundation for future growth and continual improvement in the metals and energy sectors.

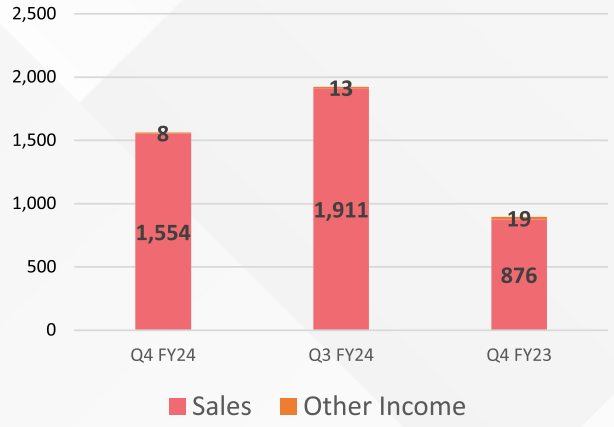
Strategic Growth in Iron Ore Production: Yearly Output Milestones: Lloyd Metals and Energy Ltd has demonstrated a strategic and scalable increase in iron ore output over a four-year period, showcasing their capacity for growth and enhancement in production processes. In Year 1, following all approvals, the company achieved a mined Direct Shipping Ore (DSO) output of 25 million tonnes (mmt). The subsequent years saw significant advancements in beneficiation processes, which allowed for an increase in total output. By Year 2, the total output, including beneficiated Banded Hematite Quartzite (BHQ), rose to 35 mmt, with 20 mmt from DSO and an additional 15 mmt from the first beneficiation plant. In Year 3, the introduction of a second beneficiation plant further boosted total production to 45 mmt, comprising 15 mmt DSO and 30 mmt processed BHQ. The upward trajectory continued into Year 4, with a third beneficiation plant elevating the total output to 55 mmt, split between 10 mmt DSO and 45 mmt processed BHQ. This progression not only reflects Lloyd Metals' commitment to enhancing their operational efficiency but also their dedication to increasing production capacity sustainably.

Defining the Competitive Edge: The "MOAT" of Lloyd Metals and Energy Ltd: Lloyd Metals and Energy Ltd articulates its competitive advantage through what it terms its "MOAT," encompassing three key strengths that set it apart in the industry. Firstly, the company benefits from allocated mines, which allow it to maintain cost competitiveness against mines auctioned at a premium. This strategic allocation not only enhances operational efficiency but also ensures cost-effectiveness in production. Secondly, Lloyd Metals boasts rich reserves, featuring high-quality iron ore with exceptionally low silica and alumina content, totaling over 157 million tonnes. This ensures a steady and superior quality supply, critical for maintaining high standards in production outputs. Lastly, the company's debt-free status empowers it to stand strong during market volatility, providing financial stability that many competitors lack. Together, these elements create a robust foundation for Lloyd Metals, enabling it to navigate industry challenges effectively and sustain its leadership position.

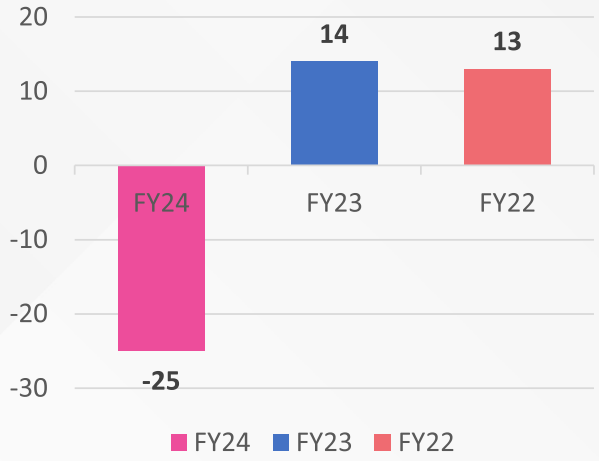
Strategic Cost Management and Capital Efficiency at Lloyd Metals and Energy Ltd: Lloyd Metals and Energy Ltd has established a robust ecosystem to ensure lower operational costs and efficient capital allocation, which is central to its competitive strategy. The company has secured its status as the lowest cost producer by leveraging captive raw materials, which ensures stability in iron ore costs regardless of global market volatility. This advantage is sustained through a long-term mine life projected until 2057 with favorable royalty rates. Additionally, Lloyd Metals optimizes transportation costs by currently using road and rail logistics, with plans to further reduce freight costs through an upcoming slurry pipeline. This will significantly decrease logistic expenses and enhance overall efficiency. Moreover, the company benefits from efficient capital allocation strategies underpinned by supportive government policies, allowing it to receive substantial refunds and subsidies that boost its financial health. These strategic measures ensure higher return ratios and reinforce Lloyd Metals' commitment to growth and sustainability in the competitive metals industry.

Commitment to Sustainability and Ethical Governance at Lloyd Metals and Energy Ltd: Lloyd Metals and Energy Ltd embraces a holistic approach to growth, prioritizing environmental sustainability, social responsibility, and ethical governance. The company focuses on reducing its carbon footprint through innovations like slurry pipelines and solar energy for green mining. Additionally, Lloyd Metals goes beyond the required CSR contributions, investing 50% more for regional development and community well-being, demonstrating its commitment to making a positive impact on society and the environment. This robust approach ensures continuous improvement in their operational practices and reinforces their position as a leader in sustainable industrial practices. Their governance model, emphasizing stakeholder engagement and board independence, further solidifies this commitment. Through these efforts, Lloyd Metals aims to set industry standards for sustainability and corporate responsibility.

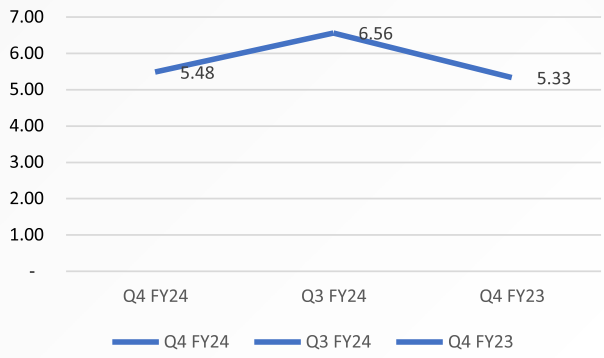
Sales & Other Income (In Cr)



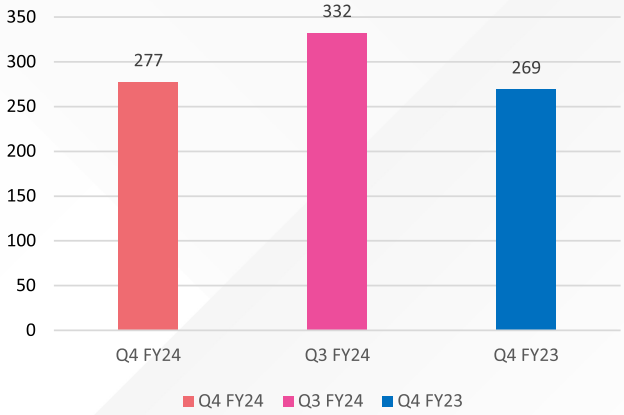
Cashflow (In Cr)



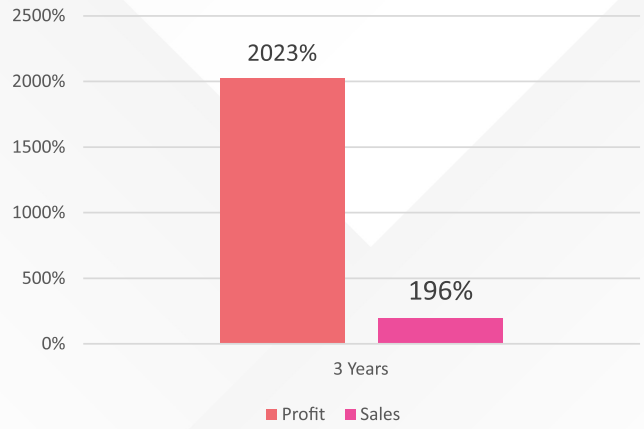
EPS



Net Profit (In Cr)



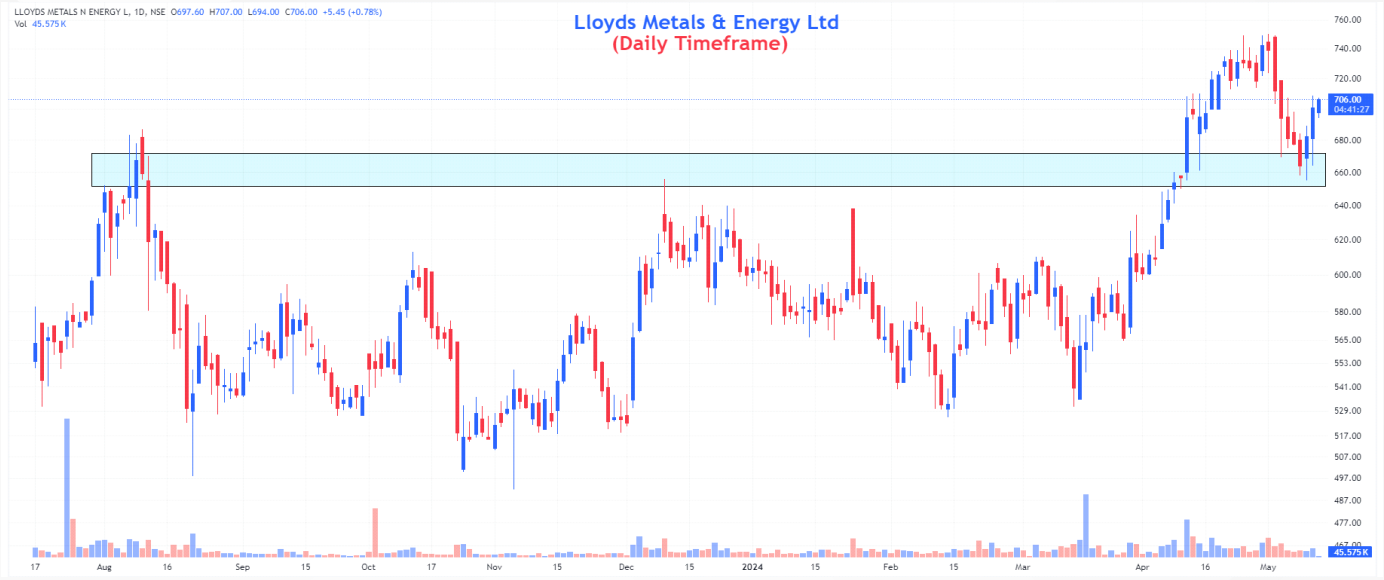
Compounded Growth (In %)



EBITDA (In Cr)



Technical Outlook



The daily chart for Lloyds Metals and Energy Ltd displays a series of volatile movements characterized by significant price swings over the past months, reflecting a dynamic trading environment. Initially, the stock demonstrated a bearish trend with a sharp decline, followed by periods of consolidation as evidenced by the flat trading ranges. Notably, a rectangular consolidation box marked earlier in the chart indicates a zone of major resistance which the stock struggled to overcome for several months. This was followed by a robust bullish reversal, where the stock began to post higher highs, indicating a strong buying interest. The recent months have shown an impressive bullish rally, marked by a consistent upward trend with the stock achieving new highs. The price action has moved away from earlier consolidation, suggesting that the stock has gained substantial momentum, possibly driven by positive market sentiment or favorable company developments. The trading volume shows peaks coinciding with significant price movements, which could be indicative of strong investor confidence and potential institutional buying.

The RSI values for Lloyds Metals & Energy Ltd suggest a moderately strong bullish momentum, with a daily RSI of 56.81 and a weekly RSI of 63.77. These figures indicate a healthy upward trend and investor optimism in both short and longer terms.

Lloyds Metals & Energy Ltd demonstrates strong bullish momentum, indicated by higher Simple and Exponential Moving Averages in shorter durations compared to longer ones. This suggests a solid upward trend with short-term investor confidence.

Moving Averages Days	Simple Moving Average	Exponential Moving Average
5	680.9	689.0
10	700.5	694.4
20	708.5	690.4
50	641.2	656.2
100	611.9	621.5
200	588.7	565.3

Pivot Levels : FIBONACCI		
R1 717.9	Pivot 690.77	S1 673.0
R2 735.7		S2 645.8
R3 762.9		S3 628.0

	Daily	Weekly
Relative Strength Index (RSI)	56.81	63.77

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