

Bloomberg Code	SAIL IN
No of share O/S	413.05
Market Cap	17410.16
Face Value	10.00
Dividend Yield	1.19
52 Wk High/Low	60.1/29.5

**Weak Operating profits despite revenue growth on account of higher cost.**

***Key result highlights***

Steel Authority of India reported YoY revenue growth of 4.4% and 17.1% on a QoQ basis to Rs.16,542 cr in Q3FY20 due to higher sales volume and improved exports. With revival in the steel industry, steel price picking up and positive announcements in the budget from the government, the company expects a rise in demand.

Negatively impacted by weaker realisations and higher costs, EBITDA came below at Rs.1,006 cr, down 13.9% QoQ and 61.1% on a YoY basis and EBITDA margins declined to 6.1%. Raw material costs increased significantly during the quarter from Rs. 6,380 cr in Q2FY20 to Rs. 9,004 cr. in Q3FY20. The PBT loss stood at Rs. 598 cr. and PAT loss at Rs. 442 cr.

Other income (OI) grew at a YoY rate of 167.3% to Rs. 172 cr due to dividends received from subsidiaries . Employee cost reduced by 5.4% YoY during the quarter due to a reduction in manpower during the year. Amongst the plants, the Bhilai plant which contributes 23% of the revenue, showed a growth of 28.39% YoY to Rs.5,316 cr and IISCO Steel Plant showed a growth of 29.62% YoY to Rs. 2,170.9 cr. On the other hand, Alloy Steel Plant, Visvesvaraya Iron & Steel plant and Rourkela Steel plant declined 24.53%, 23.94% and 15.83% respectively on a YoY basis.

## ***Concall Highlights***

- Steel demand has improved since November; if there is progress in infrastructure projects, FY21 demand would also be good.
- Export volumes were higher in 3QFY20 and export realization is better than India on flat products but lower on long products.
- The company's net steel realization (NSR) was Rs. 35,310/ton in 3QFY20 and higher at Rs. 37,700/ton in February.
- With the steel industry making a revival, steel prices picking up and positive announcements in the budget from the government, the company expects a rise in demand

## ***Valuation***

SAIL is currently trading at FY22 forwarded P/E of 4.84x (FY22 est EPS of Rs 8.70)

## Financial Summary

Gross sales grew by 4.4% YoY and 17.1% QoQ aided by a sales volume rise in November and December.

The EBITDA margins declined to 6.1% in Q3FY20 due to a rise in raw material costs.

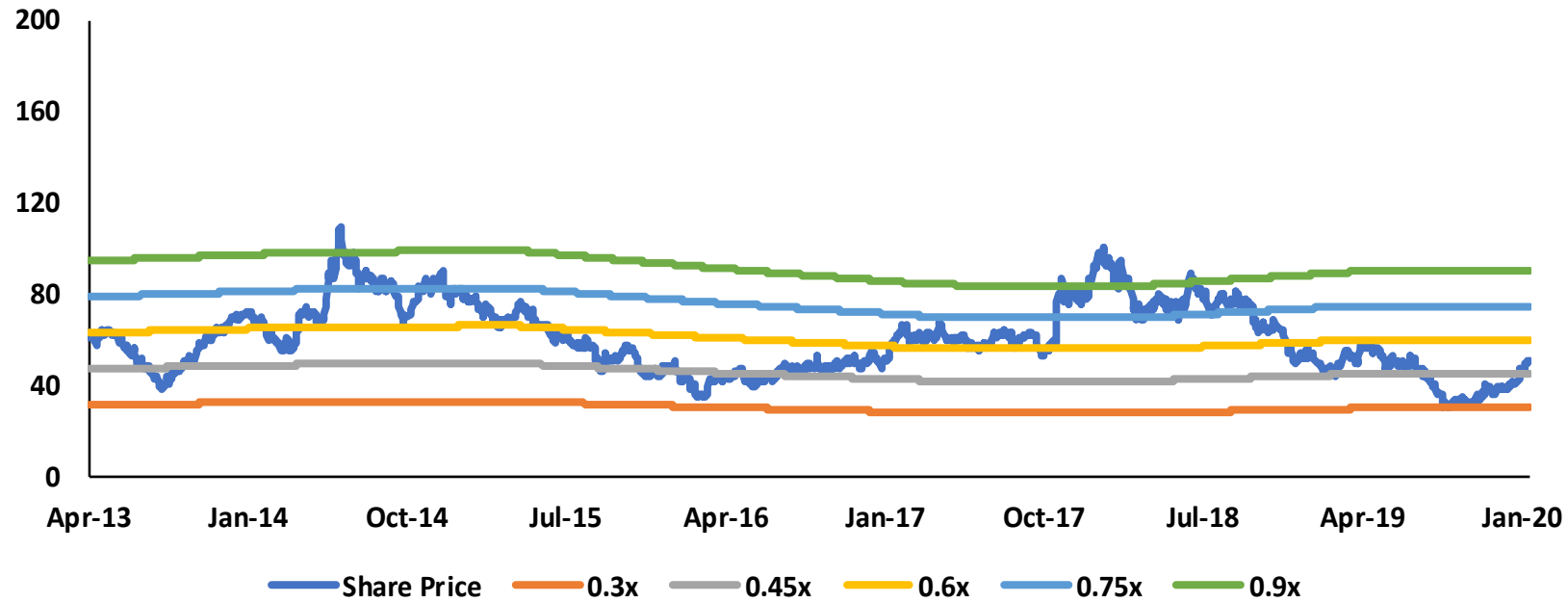
Other income increased mainly on account of dividends received from subsidiaries.

Figures are in Rs Cr	Q3FY20	Q3FY19	YoY (%)	Q2FY20	QoQ (%)	FY19	FY20E	YoY (%)	FY21E	YoY (%)	FY22E	YoY (%)
Gross Sales	16,542	15,842	4.4	14,129	17.1	66,974	63,748	-4.8	70,238	10.2	75,703	7.8
Raw Material Cost	9,004	6,288		6,380		29,687						
RM Cost to Sales (%)	54.4	39.7		45.2								
Employee Cost	2,028	2,144	-5.4	1,964	3.3	8,849						
Employee Cost to Sales (%)	12.3	13.5		13.9								
Operating Expenses	4,504	4,826	-6.7	4,618	-2.5	18,676						
OPEX to Sales (%)	27.2	30.5		32.7								
EBITDA	1,006	2,585	-61.1	1,167	-13.9	9,762	5,495	-43.7	9,805	78.4	11,496	17.2
<b>EBITDA Margin (%)</b>	<b>6.1</b>	<b>16.3</b>		<b>8.3</b>		<b>14.6</b>	<b>8.6</b>		<b>14.0</b>		<b>15.2</b>	
Depreciation	926	855	8.4	901	2.8	3,385	3,640	7.5	3,642	0.0	3,376	-7.3
Depreciation to Net Block (%)				5.7								
Interest	849	825	2.9	940	-9.7	3,155						
<b>Interest Rate (%)</b>												
TTM Interest Coverage	1			1		2						
Other Income	172	65	167.3	153	12.5	495						
<b>Other Income to Sales (%)</b>	<b>1.0</b>	<b>0.4</b>		<b>1.1</b>		<b>0.7</b>						
Exceptional Income / Expenses	0	-23	-100.0	0		-389						
Profit Before Tax	-598	946	-163.2	-521	14.8	3,326						
<b>Tax Rate (%)</b>	<b>26.0</b>	<b>36.3</b>		<b>32.1</b>		<b>36.1</b>						
Profit After Tax	-442	603	-173.4	-354	25.0	2,126	-30	-101.4	2,236	-7,610.3	3,594	60.7
<b>PAT Margin (%)</b>	<b>-2.7</b>	<b>3.8</b>		<b>-2.5</b>		<b>3.2</b>	<b>-0.0</b>		<b>3.2</b>		<b>4.7</b>	
Adjusted EPS	-0.8	1.5	-153.8	-0.7	20.2	5.7	-0.1	-101.3	5.4	-7,610.3	8.7	60.7
Shareholder's Funds				39,232		39,646	39,520	-0.3	42,034	6.4	45,572	8.4
BV per share				95.0		96.0	95.7	-0.3	101.8	6.4	110.3	8.4
Net Debt						0	0	-0.3	0	6.4	0	8.4
Net Debt to Equity						0.0	0.0		0.0		0.0	
Net Debt to EBITDA						0.0	0.0		0.0		0.0	
Working Capital Cycle				115								
CAPEX						3,981	4,250	6.8	4,025	-5.3	3,892	-3.3
RoE						5.4	-0.1		5.3		7.9	
RoCE						16.1	4.7		14.7		17.8	
P/E						8.2	-584.7		7.8		4.8	
P/B				4.4		0.4	0.4		0.4		0.4	
EV/EBITDA						1.8	3.2		1.8		1.5	

# Segmental Performance

Year ending Mar	Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	FY17	FY18	FY19
<b>Segment Revenue Breakup (Rs crs)</b>											
Bhilai	4,584.4	4,148.4	3,872.7	4,141.0	4,856.0	4,023.2	4,713.2	5,316.7	14,926.6	16,497.9	17,018.0
Durgapur	2,365.7	2,148.0	2,365.0	2,078.0	2,508.4	1,890.4	1,703.4	2,075.0	6,447.7	7,426.8	9,099.4
Rourkela	3,680.4	3,631.8	4,041.6	3,777.2	4,153.9	3,267.7	2,907.3	3,179.1	10,060.9	12,530.7	15,604.5
Bokaro	3,939.8	3,920.5	4,287.2	3,954.4	4,293.9	3,537.1	2,822.3	3,629.5	12,221.7	14,468.7	16,456.0
IISCO	2,192.3	1,780.9	1,937.1	1,674.9	2,555.0	1,813.2	1,771.4	2,170.9	4,779.4	6,900.3	7,947.9
Alloy	184.5	182.7	211.4	222.9	203.8	197.8	210.9	168.2	616.9	654.6	820.7
Salem	295.5	359.6	448.3	383.5	509.3	443.9	379.5	417.4	2,032.4	1,363.1	1,700.7
Visvesaraya	43.8	53.8	57.1	44.9	24.0	19.9	22.5	34.2	197.0	164.1	179.8
Other	1,077.8	1,191.1	1,175.8	1,368.2	1,425.3	1,293.2	1,158.4	1,038.6	3,583.5	4,065.2	5,078.3
<b>Total Revenue</b>	<b>18,364.2</b>	<b>17,416.6</b>	<b>18,396.2</b>	<b>17,645.0</b>	<b>20,529.5</b>	<b>16,486.3</b>	<b>15,688.9</b>	<b>18,029.6</b>	<b>54,866.1</b>	<b>64,071.4</b>	<b>73,905.3</b>
<b>Segment Revenue Breakup (%)</b>											
Bhilai	25.0%	23.8%	21.1%	23.5%	23.7%	24.4%	30.0%	29.5%	27.2%	25.7%	23.0%
Durgapur	12.9%	12.3%	12.9%	11.8%	12.2%	11.5%	10.9%	11.5%	11.8%	11.6%	12.3%
Rourkela	20.0%	20.9%	22.0%	21.4%	20.2%	19.8%	18.5%	17.6%	18.3%	19.6%	21.1%
Bokaro	21.5%	22.5%	23.3%	22.4%	20.9%	21.5%	18.0%	20.1%	22.3%	22.6%	22.3%
IISCO	11.9%	10.2%	10.5%	9.5%	12.4%	11.0%	11.3%	12.0%	8.7%	10.8%	10.8%
Alloy	1.0%	1.0%	1.1%	1.3%	1.0%	1.2%	1.3%	0.9%	1.1%	1.0%	1.1%
Salem	1.6%	2.1%	2.4%	2.2%	2.5%	2.7%	2.4%	2.3%	3.7%	2.1%	2.3%
Visvesaraya	0.2%	0.3%	0.3%	0.3%	0.1%	0.1%	0.1%	0.2%	0.4%	0.3%	0.2%
Other	5.9%	6.8%	6.4%	7.8%	6.9%	7.8%	7.4%	5.8%	6.5%	6.3%	6.9%
<b>Total Revenue</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
Year ending Mar	Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	FY17	FY18	FY19
<b>EBIT Breakup (Rs crs)</b>											
Bhilai	565.6	330.2	312.3	441.7	524.7	156.1	860.0	713.0	546.9	1,240.5	1,084.3
Durgapur	147.8	149.9	122.4	124.1	190.3	48.4	(124.2)	(77.9)	(724.4)	(58.6)	396.3
Rourkela	432.6	524.5	572.2	514.8	496.3	243.1	(185.2)	(205.4)	(703.2)	398.7	1,611.5
Bokaro	553.5	552.4	665.4	483.7	589.4	294.8	(28.2)	(66.0)	251.9	804.1	1,701.5
IISCO	271.6	180.5	(132.1)	172.8	82.2	(60.6)	(194.9)	(152.3)	(1,326.3)	(329.5)	221.2
Alloy	(13.9)	(1.2)	0.0	(2.5)	(1.7)	(13.7)	(3.8)	(22.5)	(1.8)	(25.8)	(3.6)
Salem	(21.8)	(29.5)	(16.9)	(39.4)	(34.7)	(76.9)	(63.7)	(57.6)	(112.5)	(118.2)	(85.8)
Visvesaraya	(15.0)	(22.3)	(18.0)	(20.2)	(13.0)	(21.2)	(21.7)	(19.7)	(114.9)	(108.3)	(60.5)
Other	(194.6)	199.5	216.4	155.7	(265.2)	368.8	249.1	238.8	213.2	466.8	571.6
<b>Total Profit</b>	<b>1,725.8</b>	<b>1,883.9</b>	<b>1,721.8</b>	<b>1,830.7</b>	<b>1,568.3</b>	<b>938.9</b>	<b>487.4</b>	<b>350.5</b>	<b>(1,971.1)</b>	<b>2,269.7</b>	<b>5,436.5</b>
<b>EBIT Margin (%)</b>											
Bhilai	12.3	8.0	8.1	10.7	10.8	3.9	18.2	13.4	3.7	7.5	6.4
Durgapur	6.2	7.0	5.2	6.0	7.6	2.6	(7.3)	(3.8)	(11.2)	(0.8)	4.4
Rourkela	11.8	14.4	14.2	13.6	11.9	7.4	(6.4)	(6.5)	(7.0)	3.2	10.3
Bokaro	14.0	14.1	15.5	12.2	13.7	8.3	(1.0)	(1.8)	2.1	5.6	10.3
IISCO	12.4	10.1	(6.8)	10.3	3.2	(3.3)	(11.0)	(7.0)	(27.8)	(4.8)	2.8
Alloy	(7.5)	(0.6)	0.0	(1.1)	(0.8)	(6.9)	(1.8)	(13.4)	(0.3)	(3.9)	(0.4)
Salem	(7.4)	(8.2)	(3.8)	(10.3)	(6.8)	(17.3)	(16.8)	(13.8)	(5.5)	(8.7)	(5.0)
Visvesaraya	(34.3)	(41.5)	(31.5)	(44.9)	(54.1)	(106.3)	(96.5)	(57.7)	(58.3)	(66.0)	(33.6)
Other	(18.1)	16.7	18.4	11.4	(18.6)	28.5	21.5	23.0	6.0	11.5	11.3

### Price to Book Value



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