

Steel Authority of India Ltd.

CMP: 86.15
RICH DIVIDENDS HAVE FINALLY STARTED FROM MASSIVE EXPANSION AND MODERNIZATION.

ROBUST Q3 PERFORMANCE

Nifty	10,320
Sensex	33,611
Nifty PE	25.45
Sensex PE	24.45

Stock Data

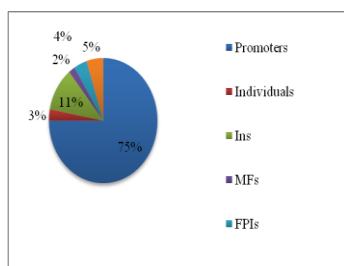
Sector	Metals
BSE Code	500113
NSE Code	SAIL
FV	10
Market Cap (Rs. Cr)	35,601
Market Cap (US\$ mn)	5,580
Equity Share Cap.	4,130.53

Stock Performance (%)

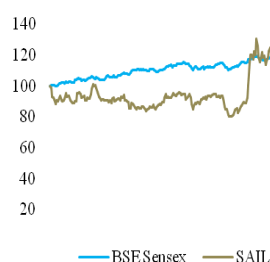
52-week low / high **Rs. 53 / 101.40**

	6M	12M
Absolute (%)	36.78	29.09

Shareholding Pattern (%)



Sensex and stock movement


19th February, 2018

• We at NVS had recommended **Steel Authority of India (SAIL)**, a listed **MAHARATNA** as a strong investment candidate in February 2017 at then prevailing price of Rs. 65.55 per share. The stock touched a high of Rs. 101.40 per share in January, 2018 thus registering a gain of over 54%. For full report please visit our website: http://trutechwebs.com/cs/nvs/module/upload/nvs/company/reports/report_64_1486361401.pdf

• **SAIL** declared its Q3FY2018 performance on 8th February, 2018 – **Best Financial Performance in over 10 Quarters, topline up by 21% to Rs. 15,324 Crs.** (Rs. 12,619 Crs. in Q3FY2017), **EBITDA had a phenomenal jump and stood at Rs. 1,571 Crs.** (Rs. 35 Crs.) and **PAT after exceptional item stood at Rs. 43 Crs.** against a loss of Rs. 795 Crs.

EBITDA/Tonne for Q3FY2018 is Rs. 4,162 which stands significantly higher than Rs. 107 per tonne in Q3FY2017 and 53% higher than Rs. 2,728 in Q2FY2018 on back of steady ramp up of production from its new mills, improvement in productivity, more value added products forming a part of the product mix and reduction in manpower cost. Company's sales volume grew by 14% YoY, registering sales volume of 3.77MT as against 3.3MT reflecting an increase in market share in the domestic market aided by the strong upturn in the steel cycle globally.

• For 9MFY2018 **SAIL topline** grew by 18% to Rs. 41,925 Crs. (Rs. 35,533 Crs. in 9MFY2017), **EBITDA increased by whopping 356% to Rs. 2,560 Crs.** (Rs. 562 Crs.) and **Loss after exceptional item reduced to Rs. 1,297 Crs.** against a loss of Rs. 2,062 Crs. on back of increase in sales volume by 6% to 10.3MT (9.7MT). **SAIL plans to sell 4.4MT in Q4FY2018** taking the total saleable steel volume to 14.7MT for the current fiscal year and further to 17.5MT in FY2019 and 20MT in FY2020. The massive expansion of capacities which is expected to be completed by March 2018 would inevitably lead to a 'Quantum Jump in Production'. We believe on back of uptrend in steel cycle, steel prices hardening, coupled with strong volume growth in next 3-4 years from massive expansion and modernization **"SAIL SHOULD BE OUTPERFORMER"**.

• **SAIL is aggressively working on cost control** such as reduction in coke rate, employee costs and reduction in the consumption of iron ore and this should result in significant 'Margin Expansion' in the coming quarters and coming years – **"DERIVED FROM ANALYST CALL"**

• The steel prices in Q3FY2018 were higher than that of Q2FY2018. Prices substantially improved in January 2018 and is currently higher than the average steel price of the entire third quarter. **With steel prices firming up and with quantum jump in the saleable steel volume expected for the fourth quarter and FY2019, is advantageous to SAIL.** With efforts to reduce the cost and boosting the profitability of the Company, we believe it will restore SAIL to its former glory.

• In the post earnings call with the analysts, the management – **Mr. Anil Chaudhary, CFO and Director (Finance)** exuded huge confidence in the performance of SAIL in Q4FY2018 and FY2019 and maintained a positive outlook for Indian steel sector citing the thrust from infrastructure, affordable housing and smart cities given in the Union Budget 2018-19, would further drive the demand for long steel in which SAIL has a dominant presence (almost 27% of SAIL's product mix comprises of long products such as rails, wire rods, beams, pipes, TMT rebars and so on).

• Currently the stock is trading in the range of Rs. 86-88 with a market cap less than Rs. 36,000 Crs. – i.e. **USD 5.58 Billion** (with expanded steel capacity of 21.4 MT - One of the largest steel producer in India) is available at an attractive price, considering huge potential emanating from the aggressive expansion and modernization which is expected to be completed by March 2018, steel prices substantially improving in fourth quarter, higher productivity, more value added products forming a part of the product mix, SAIL having dominant presence in long products, strong volume growth and higher share of exports in the total should augur well for SAIL in coming years.

At CMP of Rs. 88.35 per share, the company is trading at a modest P/BV multiple of 1.02 times compared to its peers like JSW Steel (P/BV: 3.2x) and Tata Steel (P/BV: 2.03x).

AT SAIL, THE TRANSFORMATION JOURNEY HAS JUST BEGUN AND SAIL SHOULD OUTPERFORM IN COMING QUARTERS AND COMING YEARS THEREBY RECLAIMING OLD GLORY.

WE RECOMMEND STRONG ACCUMULATION ON SAIL AT EVERY DIPS.

NVS Wealth Managers

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