

Steady performance.....

SAIL reported an operationally steady set of numbers wherein EBITDA/tonne came in broadly in line with our estimate. For Q4FY21, EBITDA/tonne was at ₹ 14145/tonne, broadly in line with our estimate of ₹ 15000/tonne (Q3FY21 EBITDA/tonne was at ₹ 12089/tonne). For Q4FY21, sales volume was at 4.35 million tonne (MT), up 16% YoY (our estimate: 4.27 MT). For Q4FY21, standalone operations reported topline of ₹ 23286 crore (up 44% YoY, 17% QoQ), higher than our estimate of ₹ 22354 crore. Standalone EBITDA for the quarter was at ₹ 6153 crore (up 21% QoQ) vs. our estimate of ₹ 6405 crore. For Q4FY21, EBITDA/tonne was at ₹ 14145/tonne, broadly in line with our estimate of ₹ 15000/tonne (Q3FY21 EBITDA/tonne was at ₹ 12089/tonne). During the quarter there was an exceptional expense of ₹ 166 crore. Ensuing standalone PAT for Q4FY21 was at ₹ 3444 crore (our estimate: ₹ 3659 crore).

Access to captive iron augurs well...

SAIL has iron ore mines in Chhattisgarh, Jharkhand and Odisha, which aids in meeting 100% of its iron ore requirements captively. Even on the expanded capacity, the company would be self-sufficient in meeting its iron ore requirements. Captive supply of iron ore aids in keeping SAIL's overall raw material costs under check. Also, currently, the relatively firm trend in steel prices augurs well for SAIL. We model EBITDA/tonne of ₹ 12000/tonne in FY22E & ₹ 9000/tonne in FY23E (FY21 EBITDA/tonne was at ₹ 8519/tonne).

Model sales volume of 17 MT for FY22E, 19 MT for FY23E...

For FY21, SAIL reported sales volume of 14.94 million tonnes (MT), up 5% YoY. Going forward also, over the next couple of years, we expect SAIL to report healthy growth in its sales volumes. We expect SAIL's sales volume to grow at a CAGR of 13% in FY21-23E. We model sales volume of 17 MT in FY22E and 19 MT in FY23E.

Valuation & Outlook

SAIL has adopted a focused approach on improving its volume, improving its operational efficiencies, operating the facilities at optimum levels, deleveraging its balance-sheet, etc. In line with its focus on reducing the borrowings. SAIL has reduced its net debt by ~₹ 16200 crore in FY21. Going forward also, we expect SAIL's net debt to further reduce by ~₹ 6800 crore, over the next couple of years. We model sales volume of 17 MT for FY22E and 19 MT for FY23E. We value the stock at 5.5x FY23E EV/EBITDA and arrive at a target price of ₹ 160 (earlier ₹ 130). We maintain our **BUY** recommendation on the stock.

Key Financial Summary

(₹ Crore)	FY19	FY20	FY21	FY22E	FY23E	CAGR (FY21-FY23E)
Net Sales	66,967	61,661	69,110	1,00,348	96,821	18%
EBITDA	9,734	10,199	12,728	20,400	17,101	16%
EBITDA Margin (%)	14.5	16.5	18.4	20.3	17.7	
Net Profit	2,568	2,793	3,792	10,917	8,763	52%
EPS (₹)	6.2	6.8	9.2	26.4	21.2	
P/E (x)	20.9	19.2	14.2	4.9	6.1	
EV/EBITDA (x)	10.1	10.3	7.0	4.1	4.8	
RoCE (%)	7.6	7.1	10.9	18.4	13.9	
RoE (%)	5.7	5.1	8.9	20.7	14.7	

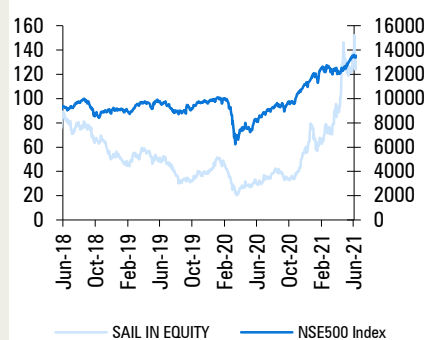
Source: Company, ICICI Direct Research



Particulars

Particulars	Amount
Market Capitalization	53697
Total Debt (FY21)	35576
Cash & Inv (FY21)	680
EV (₹ crore)	88592
52 week H/L (₹)	₹151/29
Equity Capital (₹ crore)	₹4131
Face Value (₹)	10

Price Performance



Key risks to call

- Steep decline in steel prices
- Higher than expected increase in operating costs

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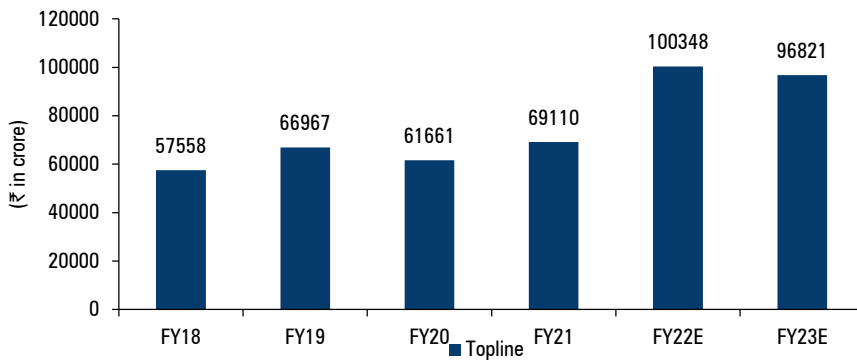
Exhibit 1: Variance analysis

	Q4FY21	Q4FY21E	Q4FY20	YoY (%)	Q3FY21	QoQ (%)	Comments
Total Operating Income	23,286	22,354	16,172	44%	19,833	17%	Topline came in higher than our estimates
Other Income	320	210	457	-30%	216	48%	
Total Operating Expense	17,133	15,949	9,712	76%	14,756	16%	
EBITDA	6,153	6,405	6,460	-5%	5,077	21%	EBITDA came in broadly in line with our estimate
EBITDA Margin (%)	26.4	28.7	39.9	-1352 bps	25.6	82 bps	EBITDA margin came in broadly in line with our estimate
Depreciation	1,158	1,050	1,055	10%	981	18%	
Interest	540	675	909	-41%	670	-19%	
Exceptional Items	-166	0	-772	-78%	2	-8422%	
PBT	4,609	4,890	4,181	10%	3,644	26%	
Tax Outgo	1,165	1,231	1,456	-20%	2,361	-51%	
Reported PAT	3,444	3,659	2,725	26%	1,283	168%	
Key Metrics							
Sales Volume	4.4	4.3	3.7	18%	4.2	4%	Sales volume came in broadly in line with our estimate
EBITDA/Tonne	14,145.0	15,000.0	6,321.0	124%	12,089.0	17%	EBITDA/tonne came in broadly in line with our estimate

Source: ICICI Direct Research, Company

Story in charts

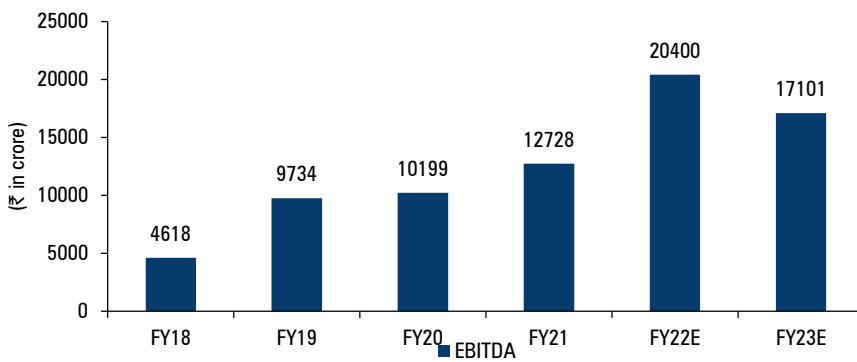
Exhibit 2: Trend in topline



We expect consolidated topline to grow at a CAGR of ~18% over FY21-F23E

Source: Company, ICICI Direct Research

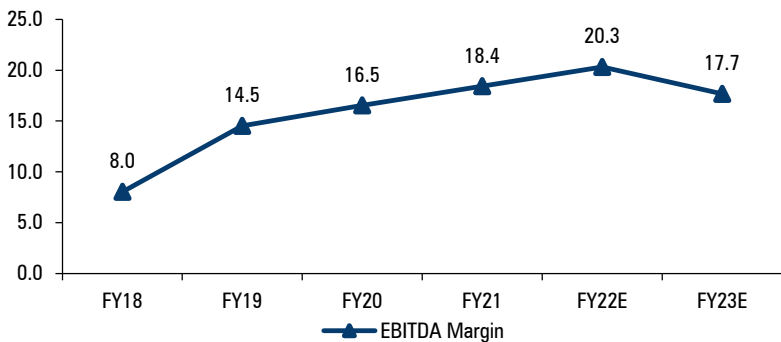
Exhibit 3: Trend in EBITDA



We expect consolidated EBITDA to grow at a CAGR of ~16% over FY21-F23E

Source: Company, ICICI Direct Research

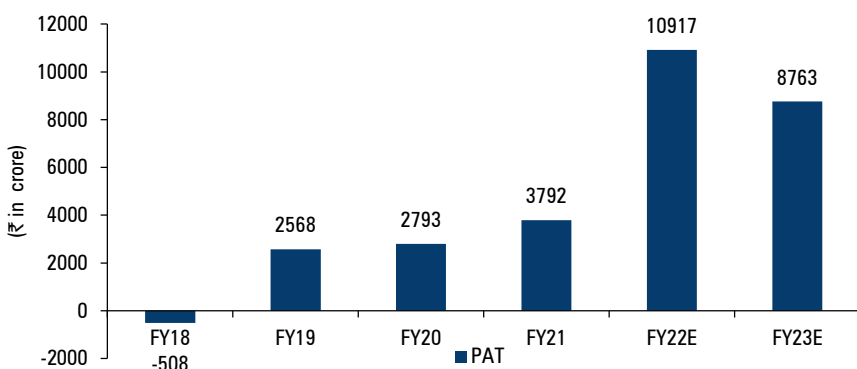
Exhibit 4: Trend in EBITDA margin....



Over the next couple of years, we expect consolidated EBITDA margin at ~20.3% for FY22E and ~17.7% for FY23E

Source: Company, ICICI Direct Research

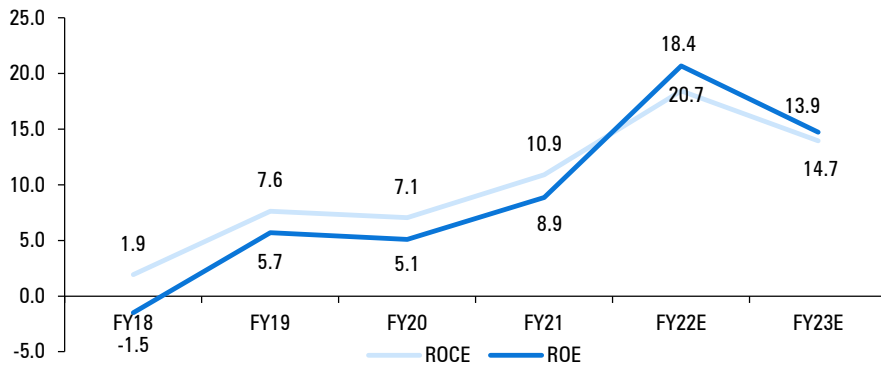
Exhibit 5: Trend in adjusted PAT....



We expect adjusted PAT to grow at a CAGR of ~52% over FY21-23E

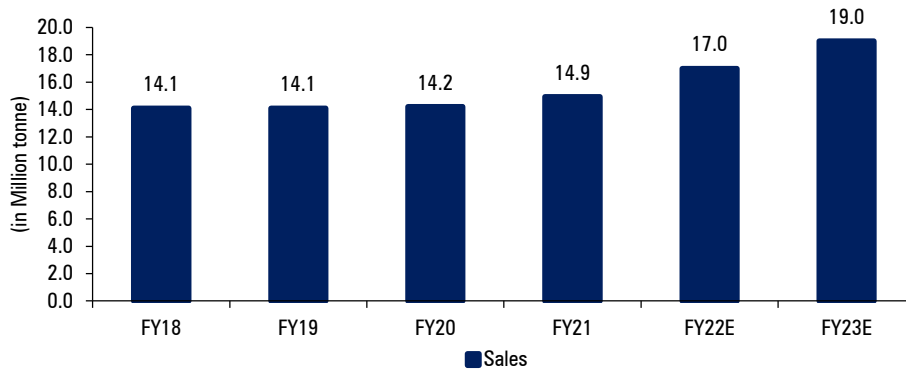
Source: Company, ICICI Direct Research

Exhibit 6: Trend in RoE & RoCE



Source: Company, ICICI Direct Research

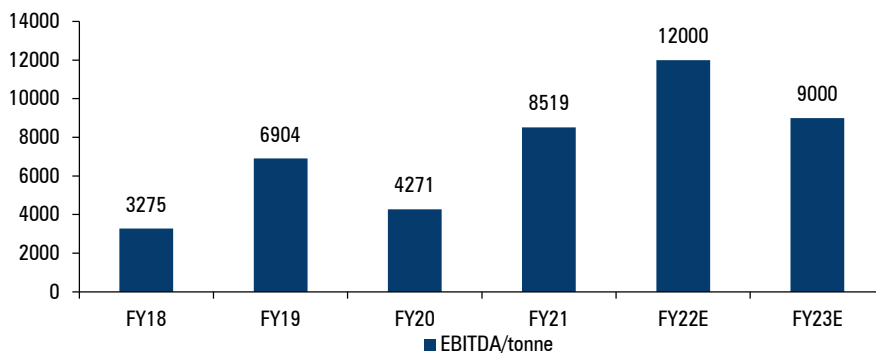
Exhibit 7: Trend in sales volume



On account of capacity expansion, we model sales volume of ~17 MT in FY22E & ~19 MT in FY23E

Source: Company, ICICI Direct Research

Exhibit 8: Trend in EBITDA/tonne



We have modelled EBITDA/tonne at | 12000/tonne for FY22E and | 9000/tonne for FY23E.

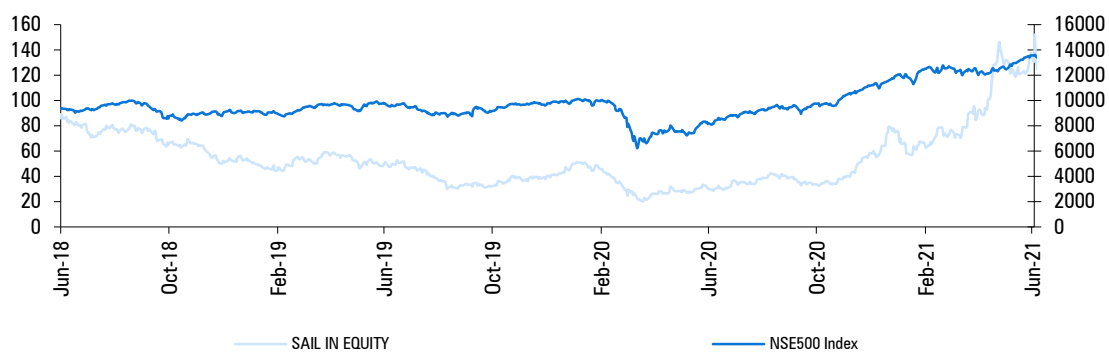
Source: Company, ICICI Direct Research

Exhibit 9: Valuation Matrix

	Sales	Growth	EPS	Growth	PE	EV/EBITDA	RoNW	RoCE
	(₹ cr)	(%)	(₹)	(%)	(x)	(x)	(%)	(%)
FY18	57558	29%	-1.2	NA	NA	21.4	-1.5	1.9
FY19	66967	16%	6.2	NA	20.9	10.1	5.7	7.6
FY20	61661	-8%	6.8	9%	19.2	10.3	5.1	7.1
FY21	69110	12%	9.2	36%	14.2	7.0	8.9	10.9
FY22E	100348	45%	26.4	188%	4.9	4.1	20.7	18.4
FY23E	96821	-4%	21.2	-20%	6.1	4.8	14.7	13.9

Source: Company, ICICI Direct Research

Exhibit 10: Price Performance



Source: Bloomberg, Company, ICICI Direct Research

Exhibit 11: Shareholding Pattern

(in %)	Sep-20	Dec-20	Mar-21
Promoter	75.00	75.00	65.00
Others	25.00	25.00	35.00
Total	100.0	100.0	100.0

Source: Company, ICICI Direct Research

Financial summary

Exhibit 12: Profit and loss statement					₹ crore
(Year-end March)	FY20	FY21	FY22E	FY23E	
Total Operating Income	61661	69110	100348	96821	
Growth (%)	-8%	12%	45%	-4%	
Total Operating Expenditure	51462	56382	79948	79720	
EBITDA	10199	12728	20400	17101	
Growth (%)	5%	25%	60%	-16%	
Interest & Finance Cost	3487	2817	1964	1799	
Depreciation	3755	4102	4884	4794	
Other Income	985	1012	1037	1203	
PBT before Exceptional Items	3942	6821	14589	11711	
Add/less: Exceptional Items	-772	58	0	0	
Share of profit from Associates	0	0	0	0	
PBT	3171	6879	14589	11711	
Total Tax	1149	3029	3672	2948	
PAT	2022	3850	10917	8763	
Growth (%)	-7%	90%	184%	-20%	
Adjusted PAT	2793	3792	10917	8763	
Growth (%)	9%	36%	188%	-20%	
EPS	7	9	26	21	

Source: Company, ICICI Direct Research

Exhibit 14 : Balance sheet					₹ crore
(Year-end March)	FY20	FY21	FY22E	FY23E	
Equity Capital	4131	4131	4131	4131	
Reserve and Surplus	35647	39364	48629	55327	
Total Shareholders funds	39777	43495	52760	59458	
Total Debt	51481	35576	31426	28776	
Other Non-Current Liabilities	1693	1671.0	2809.8	2711.0	
Deferred Tax Liability (net)	0	1253	1253	1253	
Source of Funds	92952	81995	88249	92198	
Net Block	69019	65545	69411	70367	
Capital WIP	8752	10934	9184	11434	
Net Fixed Assets	77771	76478	78595	81801	
Investments	1585	1595	1620	1645	
Inventory	23747	19508	27493	27853	
Cash	363	680	701	684	
Debtors	8812	7124	8248	7958	
Loans & Advances & Other CA	10892	9873	13160	13108	
Total Current Assets	43815	37185	49602	49603	
Creditors	6327	7014	10997	10611	
Provisions & Other CL	25819	28150	32472	32141	
Total Current Liabilities	32146	35164	43469	42751	
Net Current Assets	11668	2021	6133	6851	
Other Non-current assets	1928	1901	1901	1901	
Application of Funds	92952	81995	88249	92198	

Source: Company, ICICI Direct Research

Exhibit 13 : Cash flow statement					₹ crore
(Year-end March)	FY20	FY21	FY22E	FY23E	
Profit/(Loss) after taxation	2022	3850	10917	8763	
Add: Dep. & Amortization	3755	4102	4884	4794	
Net (Inc) / dec.in Current Asset	-7806	6947	-12396	-18	
Net Inc / (dec) in Current Liab.	485	3018	8305	-718	
CF from Operating Actv.	-1544	17917	11709	12822	
(Inc)/dec in Investments	0	-10	-25	-25	
(Inc)/dec in Fixed Assets	-4153	-2810	-7000	-8000	
Others	0	0	0	0	
CF from Investing Actv.	-4153	-2820	-7025	-8025	
Inc / (Dec) in Equity Capital	0	0	0	0	
Inc / (Dec) in Loans	6440	-15905	-4150	-2650	
Dividend & Dividend Tax	-248	-743	-1652	-2065	
Others	-351	1869	1139	-99	
CF from Financing Actv.	5841	-14780	-4664	-4814	
Net Cash flow	144	317	21	-17	
Opening Cash	219	363	680	701	
Closing Cash	363	680	701	684	

Source: Company, ICICI Direct Research

Exhibit 15: Key ratios					₹ crore
(Year-end March)	FY20	FY21	FY22E	FY23E	
Per share data (₹)					
EPS	6.8	9.2	26.4	21.2	
BV	96	105	128	144	
DPS	0.5	1.8	4.0	5.0	
Operating Ratios (%)					
EBITDA margins	16.5	18.4	20.3	17.7	
PBT margins	5.1	10.0	14.5	12.1	
Net Profit margins	3.3	5.6	10.9	9.1	
Inventory days	141	100	100	105	
Debtor days	52	30	30	30	
Creditor days	37	40	40	40	
Return Ratios (%)					
RoE	5.1	8.9	20.7	14.7	
RoCE	7.1	10.9	18.4	13.9	
RoIC	7.1	11.0	18.6	14.1	
Valuation Ratios (x)					
P/E	19.2	14.2	4.9	6.1	
EV / EBITDA	10.3	7.0	4.1	4.8	
EV / Revenues	1.7	1.3	0.8	0.8	
Market Cap / Revenues	0.9	0.8	0.5	0.6	
Price to Book Value	1.3	1.2	1.0	0.9	
Solvency Ratios					
Debt / Equity	1.3	0.8	0.6	0.5	
Debt/EBITDA	5.0	2.8	1.5	1.7	
Current Ratio	1.4	1.1	1.1	1.2	
Quick Ratio	0.6	0.5	0.5	0.5	

Source: Company, ICICI Direct Research

Exhibit 16: ICICI Direct coverage universe (Metals and Mining)

	CMP	TP	M Cap	EPS (₹)			P/E (x)			EV/EBITDA (x)			ROCE(%)			ROE(%)			
	(₹)	(₹)		Rating	(₹ Cr)	FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E
Coal India	149	165	Hold	90877	20.6	25.1	27.7	7.1	5.9	5.3	4.1	3.9	3.9	42.3	43.1	41.2	34.8	36.7	35.5
Hindalco	376	475	Buy	83764	25.5	42.6	45.7	15.6	9.3	8.7	7.8	6.1	5.4	8.8	11.7	12.0	8.5	13.4	12.7
Hind Zinc	340	340	Hold	139098	18.7	23.6	27.2	15.0	12.0	10.4	9.2	7.0	5.8	27.3	30.4	30.1	25.1	27.5	26.9
JSW Steel	690	800	Buy	162896	32.9	76.0	70.2	20.6	8.9	9.7	10.7	6.5	6.7	13.8	21.4	17.6	17.0	28.3	20.8
NMDC	178	210	Buy	52077	21.3	24.7	9.5	8.3	7.2	9.2	5.5	4.6	5.3	27.0	24.9	17.2	21.0	20.5	14.6
Ratnamani	2040	2400	Buy	9532	59.0	76.2	96.0	33.9	26.2	20.8	22.1	16.1	13.0	15.7	19.3	20.1	13.9	15.7	16.9
Graphite Ind.	626	825	Buy	11790	3.0	55.0	84.0	224.0	12.6	8.2	NA	9.1	4.6	-5.4	19.0	25.2	1.3	19.3	23.4
Tata Steel	1165	1500	Buy	134858	77.1	189.3	152.9	14.8	6.0	7.5	7.2	4.2	4.5	13.1	23.2	18.4	12.4	23.6	15.7
Sail	130	160	Buy	53697	9.2	26.4	21.2	14.2	4.9	6.1	7.0	4.1	4.8	10.9	18.4	13.9	8.9	20.7	14.7
Jindal Stainless	107	125	Buy	4706	8.6	9.4	10.2	11.0	10.1	9.3	5.4	5.4	5.5	16.0	14.2	12.7	13.0	12.5	11.9
Jindal Stainless Hisar	200	244	Buy	4249	29.0	27.0	32.0	6.3	6.8	5.7	5.2	5.1	4.1	18.6	15.8	16.9	23.2	17.4	16.8
Vedanta	262	300	Hold	93673	33.0	37.9	41.0	8.4	7.4	6.8	5.3	4.0	3.5	17.3	22.5	23.6	19.7	19.9	18.9
HEG	2207	2800	Buy	7985	-7.0	215.0	320.0	NA	11.1	7.4	NA	8.2	5.4	-0.5	27.1	34.3	-0.7	21.1	26.1

Source: ICICI Direct Research, Company

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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