

May 21, 2024

Q4FY24 Result Update

☒ Change in Estimates | ☒ Target | ☒ Reco

Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	SELL		REDUCE	
Target Price	127		138	
Sales (Rs. bn)	1,106	1,230	1,127	1,253
% Chng.	(1.9)	(1.9)		
EBITDA (Rs. bn)	133	150	134	151
% Chng.	(0.8)	(0.8)		
EPS (Rs.)	11.2	13.8	12.1	14.8
% Chng.	(7.7)	(7.0)		

Key Financials - Standalone

Y/e Mar	FY23	FY24	FY25E	FY26E
Sales (Rs. bn)	1,044	1,027	1,106	1,230
EBITDA (Rs. bn)	80	85	133	150
Margin (%)	7.7	8.3	12.0	12.2
PAT (Rs. bn)	17	14	46	57
EPS (Rs.)	4.2	3.4	11.2	13.8
Gr. (%)	(86.0)	(17.9)	228.0	22.8
DPS (Rs.)	1.5	2.5	2.5	2.5
Yield (%)	0.9	1.4	1.4	1.4
RoE (%)	3.3	2.7	8.3	9.5
RoCE (%)	5.6	4.9	9.4	10.6
EV/Sales (x)	1.0	1.1	1.0	0.8
EV/EBITDA (x)	13.2	13.0	8.2	6.8
PE (x)	41.9	51.1	15.6	12.7
P/BV (x)	1.4	1.3	1.2	1.2

Key Data

SAIL.BO | SAIL IN

52-W High / Low	Rs.175 / Rs.80
Sensex / Nifty	73,953 / 22,529
Market Cap	Rs.720bn/ \$ 8,643m
Shares Outstanding	4,130m
3M Avg. Daily Value	Rs.7285.64m

Shareholding Pattern (%)

Promoter's	65.00
Foreign	3.18
Domestic Institution	15.86
Public & Others	15.96
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	19.4	92.3	112.2
Relative	18.0	70.8	77.2

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Steel Authority of India (SAIL IN)

Rating: SELL | CMP: Rs174 | TP: Rs127

Lower NSR & high input costs affected margins

Quick Pointers:

- Sharp 5.1% QoQ decline in average realization and 8% jump in RM cost per ton affected EBITDA.
- EBITDA/t declined 20% QoQ to Rs 4,472 post adjusting upward revision of provisional rail prices for earlier quarters.

SAIL reported in-line operating performance in 4Q affected by sharp 5.1% QoQ decline in NSR to Rs58,162 (PLe Rs59k) and sequential increase in coking coal prices. EBITDA per ton of Rs4,472 was in-line with PLe of Rs4,385 post adjusting for Rs 14.4bn towards upward revision of provisional railway contract prices for earlier quarters. Going forward, there is expectation of USD30/t decline in cost of coking coal in 1Q while FY25 sales guidance of ~19mt was given. Steel prices declined sharply in April and then improved which may keep 1Q NSR flattish sequentially. SAIL has planned to increase its capacity from ~20.2mtpa to 35mtpa by FY32 in phases, yet, in the near term no significant capacity addition is envisaged till FY27E. SAIL has ~1.5mt of finished goods inventory and enough capacity to cater to strong demand till FY26E.

We expect SAIL to remain a play on steel prices in long term as a) its volume growth would depend upon successful execution of planned capex and significant capacity addition would only come post FY27E; b) near term volume growth would remain 7-9% but margins may remain at mercy of coking coal prices; and c) higher capex can deteriorate balance sheet unless there is timely execution. We cut our FY25/26E EBITDA estimates by -1% each assuming ~18.5/20mt sales volume. We downgrade the stock to 'Sell' with revised TP of Rs 127 (Rs138 earlier) as the stock has run up ahead of fundamentals and we do not expect proportionate earnings growth.

Volume growth offset by weak realization: Revenue grew 14% QoQ to Rs265bn (-9% YoY; PLe Rs 274bn) led by strong sequential volume growth. Realization declined 5.1% QoQ to Rs 58.2k/t (-7% YoY; PLe Rs 59k/t) as long product prices were on a declining trend since 3Q. Volumes increased 20% QoQ to 4.56mt (-3% YoY; in line with PLe of 4.64mt) due to strong domestic demand.

Margins under pressure: EBITDA declined 5% QoQ to Rs20.4bn (-30% YoY; PLe Rs20.3bn) led by decline in realization as well as increase in raw material costs. Staff costs and other expense were contained well during 4Q. EBITDA/t declined 20% QoQ to Rs 4,472 (-28% YoY; PLe Rs 4,385).

Exhibit 1: Standalone 4QFY24 Results Overview (Rs bn)

Y/e March	4QFY24	4QFY23	YoY Gr.(%)	3QFY24	QoQ Gr. (%)	FY24	FY23	YoY Gr.(%)
Net Sales	265.2	291.3	-9.0	233.5	13.6	1021.9	1044.5	-2.2
Raw material	144.9	155.0	-6.5	111.9	29.5	542.7	569.3	-4.7
% of Net Sales	54.6	53.2		47.9		53.1	54.5	
Staff Cost	28.4	34.3	-17.3	29.4	-3.3	117.5	120.5	-2.5
% of Net Sales	10.7	11.8		12.6		11.5	11.5	
Other expenses	71.5	72.8	-1.7	70.8	1.1	282.3	274.4	2.9
% of Net Sales	27.0	25.0		30.3		27.6	26.3	
Total expenditure	244.8	262.2	-6.6	212.1	15.5	942.4	964.2	-2.3
EBITDA	20.4	29.1	-30.0	21.4	-4.7	79.5	80.2	-1.0
Margin (%)	7.7	10.0		9.2		7.8	7.7	
Depreciation	13.6	13.6	-0.6	13.2	2.7	52.8	49.6	6.3
EBIT	6.8	15.5	NA	8.2	-16.6	26.7	30.6	-12.8
Other income	3.5	4.9	-27.5	1.8	NA	11.5	13.5	-15.3
Interest	6.4	5.2	24.2	6.1	4.6	24.7	20.4	21.4
PBT	3.9	15.2	NA	3.8	2.8	13.4	23.8	-43.5
Extraordinary income/(expense)	9.3	-0.4	NA	0.8	NA	23.4	2.6	NA
PBT (after EO)	13.3	14.8	NA	4.6	188.3	36.9	26.4	39.8
Tax	3.2	4.3	NA	1.3	NA	9.5	7.3	
Reported PAT	10.1	10.5	NA	3.3	205.1	27.3	19.0	43.6
Adjusted PAT	3.0	10.8	NA	2.8	8.7	10.0	17.2	-42.0

Source: Company, PL

Exhibit 2: Operating matrix

(In Rs)	4QFY24	4QFY23	YoY Gr.(%)	3QFY24	QoQ Gr. (%)	FY24	FY23	YoY Gr.(%)
Crude Steel Production volumes (mt)	5.02	4.95	1.4	4.75	5.7	19.24	18.29	5.2
Sales volume (mt)	4.56	4.68	-2.6	3.81	19.7	17.02	16.2	5.1
Realization/t	58,162	62,245	-6.6	61,274	-5.1	60,027	64,510	-6.9
EBITDA/t	4,472	6,226	-28.2	5,617	-20.4	4,668	4,956	-5.8

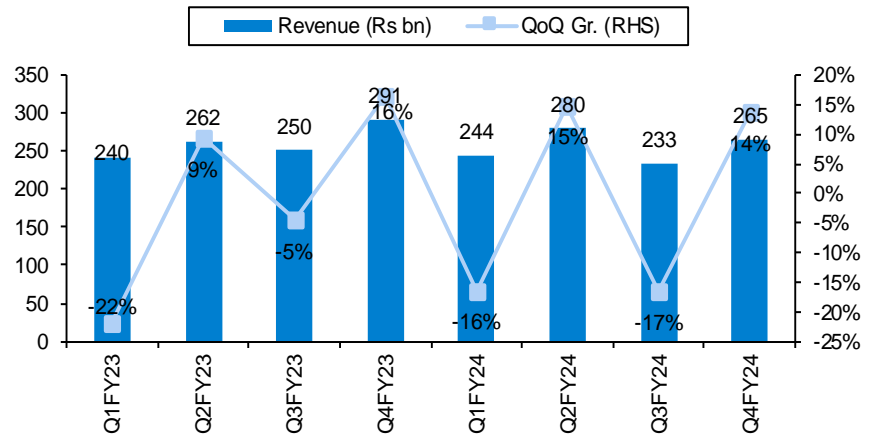
Source: Company, PL

Exhibit 3: Plant wise performance

Segment Revenue (Rs bn)	4QFY24	4QFY23	YoY Gr.(%)	3QFY24	QoQ Gr. (%)	FY24	FY23	YoY Gr.(%)
Bhilai Steel Plant	97.0	91.5	6.0	65.0	49.2	333.0	305.2	9.1
Durgapur Steel Plant	32.5	36.2	-10.3	29.0	11.8	124.5	132.5	-6.1
Rourkela Steel Plant	69.8	68.0	2.7	58.6	19.0	262.7	256.0	2.6
Bokaro Steel Plant	65.3	68.6	-4.9	60.0	8.7	257.6	263.4	-2.2
IISCO Steel plant	33.8	37.7	-10.5	29.1	16.2	127.0	135.2	-6.1
Special Steel plants	13.8	13.5	2.3	12.0	14.8	51.9	46.4	11.9
Total Revenue	312.1	315.5	-1.1	253.8	23.0	1156.6	1138.7	1.6
Segment EBIT (Rs bn)								
Bhilai Steel Plant	13.4	6.3	112.9	0.6	2,040.7	35.5	9.5	271.8
Durgapur Steel Plant	1.8	3.0	-41.1	2.0	-10.6	5.6	5.0	12.4
Rourkela Steel Plant	2.9	4.3	-32.1	4.0	-27.1	14.2	11.9	18.8
Bokaro Steel Plant	2.4	3.1	-21.9	4.6	-47.0	13.7	12.2	12.1
IISCO Steel plant	0.7	3.7	-80.2	0.5	38.1	3.0	5.6	-47.1
Special Steel plants	3.5	0.0	NA	(1.7)	NA	(1.9)	(0.1)	NA
Total EBIT	24.7	20.4	21.4	10.0	147.8	70.0	44.2	58.6

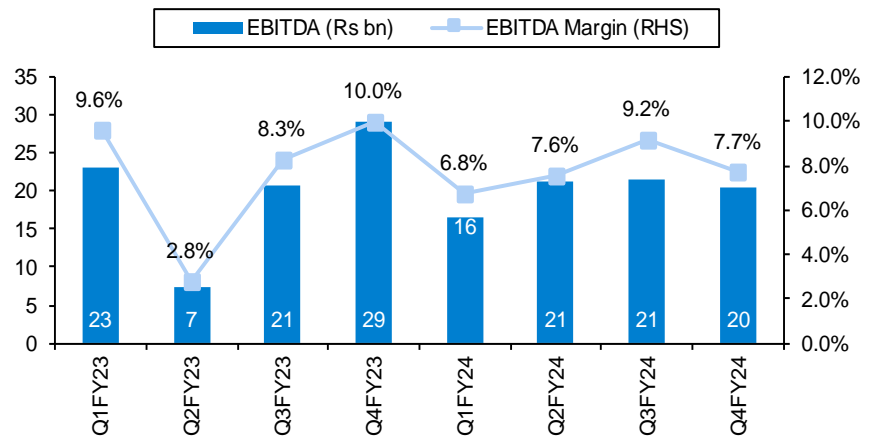
Source: Company, PL

Exhibit 4: 14% QoQ revenue growth aided by strong volumes



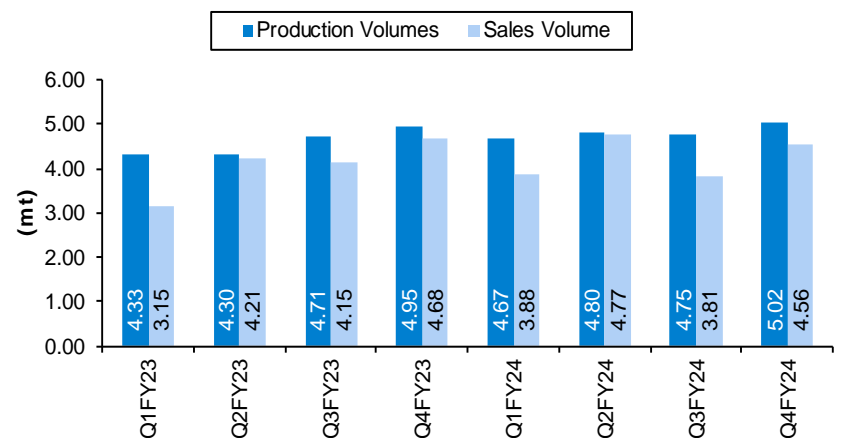
Source: Company, PL

Exhibit 5: EBITDA declined 5% QoQ owing to weak NSR and high RM

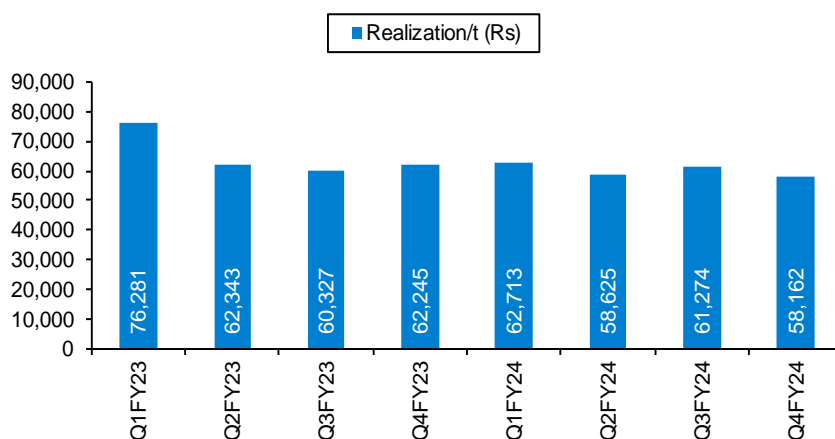


Source: Company, PL

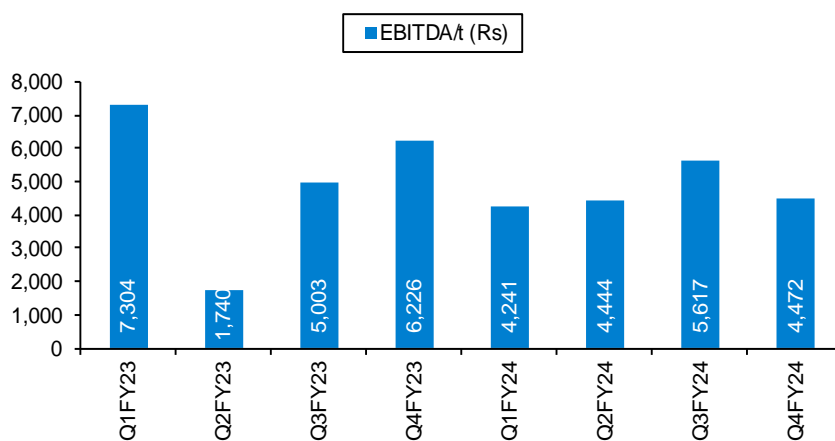
Exhibit 6: Production and Sales volumes grew 6% QoQ and 20% QoQ



Source: Company, PL

Exhibit 7: Avg. realization declined as long product prices declined


Source: Company, PL

Exhibit 8: Higher coking coal and weak NSR impacted margins


Source: Company, PL

Conference Call Highlights:

- Average NSR for 4QFY24 was Rs54,500/t. Flat and Long product prices were Rs 53,700/t and Rs 55,400/t respectively.
- In May'24, Long steel prices are Rs 54,600/t and Flat steel is ~Rs 53,500/t.
- The share of semis stood at ~8% in FY24.
- Capex for FY25 is expected to be Rs 63bn.
- Imported Coking coal costs for 4Q stood Rs26,524/t and is expected to decline by USD30/t in 1QFY25. Indigenous coal cost increased from Rs12k to 13k/t QoQ.
- Finished steel inventory stood at ~1.6mt as of 4Q.
- The employee headcount is decreasing by ~3,000 per year. FY25 employee costs is expected to be Rs110-115bn.
- Other expense declined sequentially due to lower power and fuel costs and reduction in provisions.
- Borrowings have increased to Rs350bn from Rs300bn in Mar'24 due to lower realization from railway contract and pile up of inventory.
- Production and sales volume for FY25 is expected to be >20mt and 19mt respectively.
- IISCO's expansion will start in Oct'24 once the vendor tendering process is finalized. As per pre-feasibility report, the capex is expected to be Rs360bn.
- SAIL has received approval for Bokaro and Durgapur expansion projects.
- 0.8mtpa caster at Bhilai is under trail and 0.4mtpa caster at Rourkela is expected to commission in FY25.
- Capex costs for 15mtpa expansion is expected to be Rs70-75bn/mt.
- The Rs17bn railway price revision includes Rs2.78bn for 4QFY24, Rs5.6bn for 9MFY24 and Rs8.8bn for FY23.

Financials

Income Statement (Rs bn)

Y/e Mar	FY23	FY24	FY25E	FY26E
Net Revenues	1,044	1,027	1,106	1,230
YoY gr. (%)	0.9	(1.6)	7.6	11.2
Cost of Goods Sold	569	543	540	600
Gross Profit	475	485	565	630
Margin (%)	45.5	47.2	51.1	51.2
Employee Cost	121	117	122	128
Other Expenses	274	282	310	353
EBITDA	80	85	133	150
YoY gr. (%)	(62.4)	6.0	56.6	12.4
Margin (%)	7.7	8.3	12.0	12.2
Depreciation and Amortization	50	53	55	58
EBIT	31	32	78	92
Margin (%)	2.9	3.1	7.1	7.5
Net Interest	20	25	27	27
Other Income	14	11	12	12
Profit Before Tax	26	37	62	77
Margin (%)	2.5	3.6	5.7	6.2
Total Tax	7	10	16	20
Effective tax rate (%)	27.8	25.9	26.0	26.0
Profit after tax	19	27	46	57
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	17	14	46	57
YoY gr. (%)	(86.0)	(17.9)	228.0	22.8
Margin (%)	1.6	1.4	4.2	4.6
Extra Ord. Income / (Exp)	2	13	-	-
Reported PAT	19	27	46	57
YoY gr. (%)	(84.2)	43.6	69.2	22.8
Margin (%)	1.8	2.7	4.2	4.6
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	19	27	46	57
Equity Shares O/s (bn)	4	4	4	4
EPS (Rs)	4.2	3.4	11.2	13.8

Source: Company Data, PL Research

Balance Sheet Abstract (Rs bn)

Y/e Mar	FY23	FY24	FY25E	FY26E
Non-Current Assets				
Gross Block	1,379	1,384	1,447	1,522
Tangibles	1,379	1,384	1,447	1,522
Intangibles	-	-	-	-
Acc: Dep / Amortization	561	614	669	726
Tangibles	561	614	669	726
Intangibles	-	-	-	-
Net fixed assets	818	770	778	796
Tangibles	818	770	778	796
Intangibles	-	-	-	-
Capital Work In Progress	49	61	61	61
Goodwill	-	-	-	-
Non-Current Investments	27	30	30	30
Net Deferred tax assets	(57)	(62)	(62)	(62)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	-	-	-	-
Inventories	277	326	333	337
Trade receivables	54	83	91	101
Cash & Bank Balance	4	5	26	73
Other Current Assets	-	-	-	-
Total Assets	1,277	1,375	1,418	1,497
Equity				
Equity Share Capital	41	41	41	41
Other Equity	480	500	536	582
Total Network	521	541	577	624
Non-Current Liabilities				
Long Term borrowings	345	391	391	371
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	143	153	151	185
Other current liabilities	210	228	237	255
Total Equity & Liabilities	1,277	1,375	1,418	1,497

Source: Company Data, PL Research



Cash Flow (Rs bn)

Y/e Mar	FY23	FY24	FY25E	FY26E
PBT	26	37	62	77
Add. Depreciation	50	53	55	58
Add. Interest	20	25	27	27
Less Financial Other Income	14	11	12	12
Add. Other	(8)	(7)	-	-
Op. profit before WC changes	88	107	145	161
Net Changes-WC	(138)	(77)	(8)	39
Direct tax	(4)	(1)	(16)	(20)
Net cash from Op. activities	(54)	29	121	180
Capital expenditures	(43)	(49)	(63)	(75)
Interest / Dividend Income	-	-	-	-
Others	11	6	-	-
Net Cash from Invt. activities	(32)	(43)	(63)	(75)
Issue of share cap. / premium	(3)	(8)	-	-
Debt changes	123	49	-	(20)
Dividend paid	(13)	(6)	(10)	(10)
Interest paid	(21)	(22)	(27)	(27)
Others	-	-	-	-
Net cash from Fin. activities	86	14	(38)	(57)
Net change in cash	(1)	0	20	48
Free Cash Flow	(97)	(19)	58	105

Source: Company Data, PL Research

Quarterly Financials (Rs bn)

Y/e Mar	Q1FY24	Q2FY24	Q3FY24	Q4FY24
Net Revenue	244	280	233	265
YoY gr. (%)	1.4	6.5	(6.8)	(9.0)
Raw Material Expenses	131	155	112	145
Gross Profit	113	124	122	120
Margin (%)	46.4	44.5	52.1	45.4
EBITDA	16	21	21	20
YoY gr. (%)	(28.4)	189.3	3.1	(30.0)
Margin (%)	6.8	7.6	9.2	7.7
Depreciation / Depletion	13	13	13	14
EBIT	4	8	8	7
Margin (%)	1.5	2.8	3.5	2.6
Net Interest	6	6	6	6
Other Income	4	2	2	4
Profit before Tax	2	17	5	13
Margin (%)	0.8	6.1	2.0	5.0
Total Tax	1	5	1	3
Effective tax rate (%)	25.9	26.9	28.1	23.9
Profit after Tax	1	12	3	10
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	1	12	3	10
YoY gr. (%)	(80.7)	(421.6)	(28.5)	(3.6)
Margin (%)	0.6	4.4	1.4	3.8
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	1	12	3	10
YoY gr. (%)	(80.7)	(421.6)	(28.5)	(3.6)
Margin (%)	0.6	4.4	1.4	3.8
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1	12	3	10
Avg. Shares O/s (m)	4	4	4	4
EPS (Rs)	0.4	3.0	0.8	2.4

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY23	FY24	FY25E	FY26E
Per Share(Rs)				
EPS	4.2	3.4	11.2	13.8
CEPS	16.2	16.2	24.5	27.7
BVPS	126.2	131.0	139.7	151.0
FCF	(23.5)	(4.7)	14.0	25.4
DPS	1.5	2.5	2.5	2.5
Return Ratio(%)				
RoCE	5.6	4.9	9.4	10.6
ROIC	2.8	2.7	6.3	7.5
RoE	3.3	2.7	8.3	9.5
Balance Sheet				
Net Debt : Equity (x)	0.7	0.7	0.6	0.5
Net Working Capital (Days)	65	91	90	75
Valuation(x)				
PER	41.9	51.1	15.6	12.7
P/B	1.4	1.3	1.2	1.2
P/CEPS	16.2	16.2	24.5	27.7
EV/EBITDA	13.2	13.0	8.2	6.8
EV/Sales	1.0	1.1	1.0	0.8
Dividend Yield (%)	0.9	1.4	1.4	1.4

Source: Company Data, PL Research

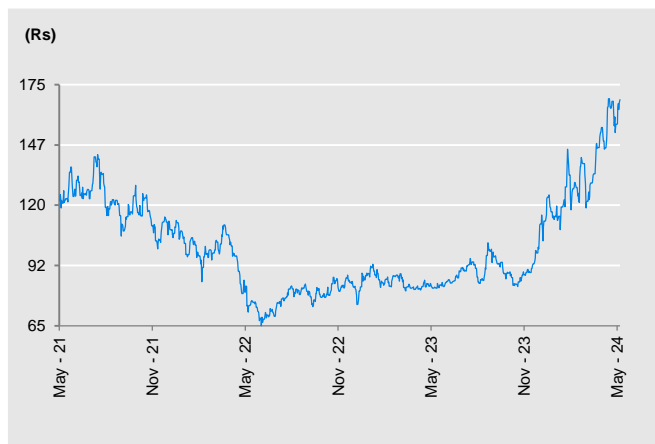
Key Operating Metrics

Y/e Mar	FY23	FY24	FY25E	FY26E
Sales volume (mt)	16	17	18	20
Realisation/t (Rs)	64,510	60,027	60,022	61,722
EBITDA/t (Rs)	4,956	4,668	7,230	7,513

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	12-Apr-24	Reduce	138	153
2	14-Feb-24	Hold	108	123
3	05-Jan-24	Accumulate	95	119
4	17-Nov-23	Accumulate	95	88
5	07-Oct-23	Accumulate	95	89
6	28-Aug-23	Accumulate	95	86

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ACC	BUY	3,509	2,580
2	Ambuja Cement	Accumulate	683	622
3	Dalmia Bharat	Accumulate	2,077	1,806
4	Hindalco Industries	BUY	658	603
5	Jindal Stainless	Hold	712	680
6	Jindal Steel & Power	Accumulate	987	939
7	JSW Steel	Accumulate	980	902
8	National Aluminium Co.	Sell	141	183
9	NMDC	Accumulate	253	241
10	Nuvoco Vistas Corporation	Accumulate	384	335
11	Shree Cement	BUY	29,225	25,820
12	Steel Authority of India	Reduce	138	153
13	Tata Steel	Accumulate	170	165
14	Ultratech Cement	BUY	11,608	9,964

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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