

April 1, 2013

STEEL AUTHORITY OF INDIA LTD

BSE Code: 500113 NSE Code: SAIL Reuters Code: SAIL.NS Bloomberg Code: SAIL:IN

Steel Authority of India Limited (SAIL) is the leading steel-making company in India. SAIL produces iron and steel at five integrated plants and three special steel plants, located principally in the eastern and central regions of India and situated close to domestic sources of raw materials, including the Company's iron ore, limestone and dolomite mines. SAIL's principal products include flat products, long products, rails and pipes, including branded products such as SAIL-TMT & SAIL JYOTI. SAIL is the supplier to defence, atomic energy, power, infrastructure, heavy machinery, oil & gas and Railways etc. During FY12, the Company's main steel plants produced 97,000 tons of pig iron; 12,961,000 tons of crude steel, and 11,855,000 tons of saleable steel.

Investor's Rationale

Topline remained flat on subdued sales volume - SAIL, posted a decline in topline by 0.9% YoY (1.6% QoQ) at ₹104.9 bn in Q3FY'13 on standalone basis mainly on account of subdued sales volume. Sales volume remained subdued due to subdued demand for both flat and long products and lower steel realizations. Realisations declined by 6.9% QoQ and 5.6% YoY) at ₹38,162/tonne.

Bottom-line declined 23.4% YoY on higher interest and forex loss - SAIL's bottomline declined by 23.4% YoY (10.9% QoQ) at ₹4.8 bn, primarily led by higher interest cost which increased by 19.8% YoY at ₹2.22 bn. Further, forex loss of ₹307 mn also dragged the bottomline. Increased competition in the steel industry has also affected profitability of the company. Thus, NPM contracted by 124bps YoY at 4.4% against 5.7%.

EBITDA margin crashed 407bps YoY on higher employees and other expenses - EBITDA of the company fell 28.0% YoY to ₹11.4 bn during the quarter, mainly on account of rise in employee cost and other expenses by 11.6% YoY and 22.8% YoY respectively.

Capex - Capital expenditure incurred during Mar-Dec 2012 stood at ₹65.5 bn. Where, ₹9.5 bn capex has been incurred in Jan'13 and FY13 Capex is likely to be ₹105 bn.

Capacity Expansion - Rourkela steel plant (RSP) and IISCO steel plant (ISP) made substantial progress in the expansion projects. New coke battery and blast furnace at RSP will commence its production in coming few months whereas the new sinter plant has already started production. Dispatches from the new sinter plant to Bokaro steel plant have commenced. The company aims to increase saleable steel production by 1mn ton in FY14.

Market Data

CMP (₹)	62.4
Target Price (₹)	72
Stop Loss (₹)	58
Duration	Short-term
52-week High-Low (₹)	101.8/60.0
Rise from 52WL (%)	3.9
Correction from 52WH (%)	38.7
Beta	1.6
1 year Average Volume (mn)	3.2
Stock Return (%)	3M- (1.3) 6M- (28.0) 1Y- (34.3)
Market Cap (₹bn)	257.5
Book Value (₹)	96.4

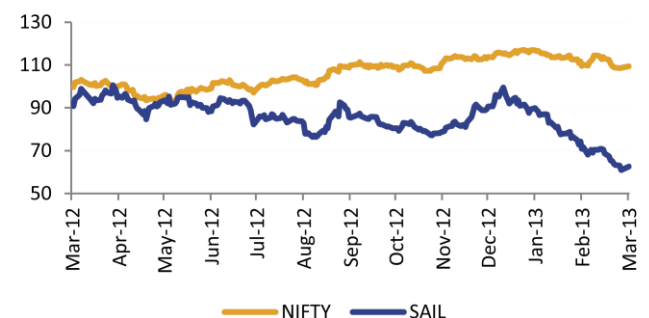
Shareholding Pattern

	Dec'12	Sep'12	Chg
Promoters (%)	85.82	85.82	-
FII (%)	3.80	3.51	0.29
DII (%)	7.36	7.56	(0.20)
Public & Others (%)	3.02	3.11	(0.09)

Quarterly Performance Standalone

(₹bn)	Q3 FY'13	Q3 FY'12	Q2 FY'13	YoY Change(%)	QoQ Change(%)
Revenue	104.9	105.9	106.6	(0.9)	(1.6)
Op. exp	95.3	91.5	97.1	4.2	(1.8)
EBITDA	11.4	15.8	11.1	(28.0)	2.6
OPM (%)	10.7	14.7	10.3	(407bps)	42bps
Net profit	4.8	6.3	5.4	(23.4)	(10.9)
NPM (%)	4.4	5.7	4.9	(124bps)	(47bps)
EPS (₹)	1.2	1.5	1.3	(23.5)	(10.7)

One Year Price Chart





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