



Steel Authority of India Ltd. (SAIL)

Key Stock Indicators

NSE Ticker :	SAIL	CMP as on 07 Jun 2011-Rs/share :	145.8	Shares outstanding (mn) :	4,130.4
Bloomberg Ticker :	SAIL:IN	52 week range up to 07 Jun 2011 (Rs)(H/L) :	234.3/138.4	Free Float (%) :	14.2
Face value per share :	10.0	Market Cap as on 07 Jun 2011 (Rs mn) :	602,212	Average daily volumes (12 months) :	2,891,222
Div.Yield (%) :	2.3	Enterprise Value as on 07 Jun 2011 (Rs mn) :	543,179	Beta (2 year) :	1.1

Steel Authority of India Ltd (SAIL) was incorporated in 1973. The company manufactures and sells a broad range of steel products. These steel products are used in various industries. It has several on-going joint venture projects and memorandum of understandings with other companies.

KEY HIGHLIGHTS

Dominant player in steel industry

SAIL is one of the leading players in manufacturing of steel. The company has five integrated steel plants and three alloy steel plants. The primary products include hot rolled coils, plates and rails and secondary products are pig iron, coal chemicals, ingots, etc. During FY10, the steel plants produced 319,027 tones of pig iron; 13,198,558 tones of crude steel, and 12,127,650 tones of saleable steel. During same period, alloy steels plants produced 3,587 tones of pig iron; 307,712 tones of crude steel, and 504,198 tones of saleable steel. In FY10, the company also produced 14.5 million (mn) tones of hot metal and sold 4.45 million tones of long steel products. The company has nation wide distribution network with a presence in every district in India with around 2,500 dealers in place.

Key joint ventures (JVs) and memorandum of understanding (MOUs) to enhance growth

SAIL has several JVs and MOUs from inception of operations. The key JVs are with National Thermal Power Corporation Ltd (NTPC) which manages SAIL's captive power plants at Rourkela, Durgapur and Bhilai manufacturing units with a combined capacity of 814 mega watts (MW) and other with Damodar Valley Corporation (DVC) which manages 302 MW power generating station and 660 tonnes per hour steam generation facilities at Bokaro steel plant unit. Its other JV has formed a company which is promoted by five central public sector units (PSUs), i.e. SAIL, Coal India Ltd, Rashtriya Ispat Nigam Limited (RINL), National Mineral Development Corporation Ltd and NTPC aiming to acquire stake in coal mines/blocks/companies overseas for securing coking and thermal coal supplies, etc. It has a MOU with IRCON to work jointly on infrastructure projects having transportation by rail/road as a component in India and abroad, other MOU is with Rashtriya Ispat Nigam Ltd (RINL) to explore and develop high grade low silica limestone deposits of Qalhat in the sultanate of Oman for supply to steel plants of both the companies on a long term basis, etc.

Captive facility in manufacturing process saves cost

SAIL has nine captive iron ore mines which take care of its entire requirement. The company will continue to be self sufficient after on-going expansion plans. It has three coal mines and generates 700 MW of captive power (including JVs) which take care about 70% of its total power need. It also has five captive limestone mines and two dolomite mines which are required for manufacturing of steel. Such, captive facilities saves operating cost of the company.

KEY RISKS

- Slowdown in global economy will impact overall steel demand adversely
- Cheap imports of steel products from China
- Delays in environmental clearances and renewal of mining leases

Stock Performances vis-à-vis market

	Returns			
	YTD	1-m	3-m	12-m
SAIL	-42	-6	-11	-25
NIFTY	5	0	1	10

Note:

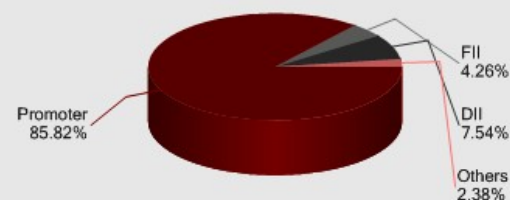
- 1) YTD returns are since Apr 1, 2010 to Jun 7, 2011.
- 2) 1-m, 3-m and 12-m returns are up to Jun 7, 2011

Key Financial Indicators

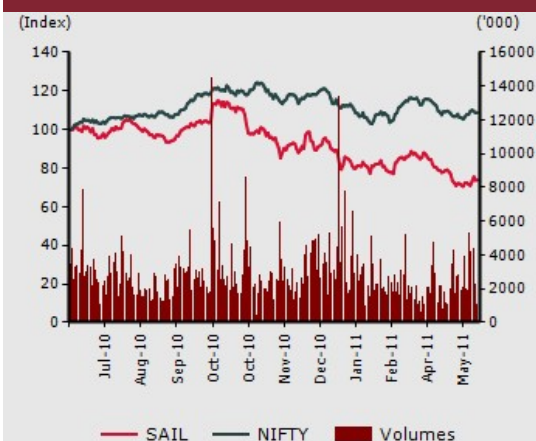
	MAR-08	MAR-09	MAR-10
Revenue (Rs mn)	398,581.0	437,162.0	410,676.2
EBITDA margins (%)	29.3	21.6	24.3
PAT (Rs mn)	75,968.7	62,531.9	68,464.4
PAT margins (%)	19.1	14.3	16.7
Gearing (x)	0.1	0.3	0.5
EPS (Rs/share)	18.4	15.1	16.6
PE (x)	10.1	6.4	8.8
P/BV (x)	3.3	1.4	1.9
RoCE (%)	46.9	31.1	24.2
RoE (%)	37.8	24.5	22.7
EV/EBITDA (x)	5.6	3.1	5.4

n.m. : Not meaningful

Shareholding (As on March 31, 2011)



Indexed price chart



Steel Authority of India Ltd. (SAIL)

BACKGROUND

SAIL was incorporated in 1973. The company manufactures and sells a broad range of steel products, including hot and cold rolled sheets and coils, galvanised sheets, electrical sheets, structurals, railway products, plates, bars and rods, stainless steel and other alloy steels. It is one of the leading steel making company in India. The manufacturing capacities includes for two plants viz main steel plant and alloy steel plant. Installed capacity in main steel plant for pig iron is 23,97,000 tonnes, for crude steel 12,487,000 tonnes, for saleable steel 10,740,000 tonnes and installed capacity in alloy steel plant for pig iron is 58,000 tonnes, for crude steel 352,000 tonnes and for saleable steel 457,000 tonnes. These steel products are used in various industries such as construction, engineering, power, railway, automotive and defense. As on FY10, integrated steel products contributed ~90%, alloy and steel products ~5% and other products ~5% to net profits. As on FY10, the company has one subsidiary namely, Maharashtra Elektros melt Limited (MEL) and several joint venture projects with PSUs and other companies.

COMPETITIVE POSITION

Peer Comparison

	Steel Authority of India Ltd. (SAIL) Mar-10	Hindalco Industries Ltd. Mar-10	Jindal Steel & Power Ltd. Mar-10	JSW Steel Ltd. Mar-10	Sterlite Industries (India) Ltd. Mar-10
Revenue (Rs mn)	410,676.2	607,336.0	111,131.2	190,387.5	246,923.3
EBITDA margins (%)	24.3	13.9	53.6	22.0	26.3
PAT (Rs mn)	68,464.4	38,142.0	36,484.2	15,087.2	53,860.9
PAT margins (%)	16.7	6.3	32.8	7.9	21.8
Gearing (x)	0.5	1.6	0.8	2.1	0.2
EPS (Rs/share)	16.6	19.9	39.2	60.8	64.1
PE (x)	8.8	9.4	16.2	15.5	1.3
P/BV (x)	1.8	2.4	5.6	2.9	0.1
RoCE (%)	24.2	14.4	28.5	11.2	14.7
RoE (%)	22.7	33.6	41.9	20.4	14.3
EV/EBITDA (x)	5.4	6.8	11.4	9.3	2.0

n.m: Not meaningful

FINANCIAL PROFILE

Lower realisations impact top-line in FY10; PAT grew by ~10%

Top-line declined by ~6% in FY10 vis-à-vis FY09, led by lower net sales realisations despite growth in sales volume for saleable steel and value added steel.

Operating margins stood at ~24% in FY10 (up ~6% y-o-y), led by decline in raw material costs, employee costs and selling expenses. Net profits were Rs 68.4 bn in FY10 vis-à-vis Rs 62.5 bn in FY09, due to growth in operating profits, decline in interest and finance charges and dividend income earned from investments.

Key Financial Indicators

	Units	Mar-08	Mar-09	Mar-10
Revenue	Rs million	398,581.0	437,162.0	410,676.2
EBITDA margins	Per cent	29.3	21.6	24.3
PAT	Rs million	75,968.7	62,531.9	68,464.4
PAT margins	Per cent	19.1	14.3	16.7
Revenue growth	Per cent	14.8	9.7	-6.1
EBITDA growth	Per cent	15.3	-19.1	5.6
PAT growth	Per cent	21.5	-17.7	9.5
Gearing	Times	0.1	0.3	0.5
RoCE	Per cent	46.9	31.1	24.2
RoE	Per cent	37.8	24.5	22.7

INDUSTRY PROFILE

Steel

Finished steel can be classified into two basic types according to their shape: Flat steel and long steel. In India, production of both longs and flats has been more or less equal. After declining by 0.4 per cent in 2008-09, domestic demand for steel products in India recovered swiftly owing to strong growth witnessed in key end user sectors like automobile, construction, infrastructure, and capital goods. Domestic steel demand increased by 7.8 per cent to 52.8 million tonnes in 2009-10. Consumption growth in flat steel products was higher as compare to long steel products on account of robust growth in Indian automobile industry. Automobile sector in India witnessed a strong growth of 26-28 per cent in 2009-10, on account of an increase in the disposable income of people, easy availability of finance at relatively low level of interest, among others. Consumption of flat steel products increased by 9 per cent (y-o-y) in 2009-10, while consumption of long steel products increased by 6.7 per cent during the same period.

Steel Authority of India Ltd. (SAIL)

ANNUAL RESULTS

Income statement

(Rs million)	Mar-08	Mar-09	Mar-10
Net Sales	393,386.0	431,585.8	404,599.7
Operating Income	398,581.0	437,162.0	410,676.2
EBITDA	116,760.6	94,446.2	99,711.6
EBITDA Margin	29.3	21.6	24.3
Depreciation	12,866.2	13,363.7	14,317.4
Interest	1,472.7	4,819.4	2,749.2
Other Income	12,440.9	18,924.2	19,081.1
PBT	115,873.7	96,010.7	103,712.8
PAT	75,968.7	62,531.9	68,464.4
PAT Margin	19.1	14.3	16.7
No. of shares (Mn No.)	4,130.4	4,130.4	4,130.4
Earning per share (EPS)	18.4	15.1	16.6

Cash flow

(Rs million)	Mar-08	Mar-09	Mar-10
Pre-tax Profit	114,863.0	95,187.3	101,726.0
Total tax paid	-38,429.8	-35,845.4	-34,224.0
Depreciation	12,866.2	13,363.7	14,317.4
Change in working capital	4,899.5	-70.1	-3,467.2
Cash flow from operating activities	94,198.5	72,635.5	78,352.3
Capital expenditure	-29,136.6	-64,178.6	-114,163.0
Investments and others	-27.3	-174.2	111.6
Cash flow from investing activities	-29,163.9	-64,352.8	-114,051.0
Equity raised/(repaid)	0.0	0.0	0.0
Debt raised/(repaid)	-7,704.0	48,242.0	90,114.8
Dividend (incl. tax)	-17,892.5	-12,574.3	-15,949.5
Others (incl extraordinary)	1,766.9	1,582.3	3,855.7
Cash flow from financing activities	-23,829.6	37,250.0	78,021.0
Change in cash position	41,205.0	45,532.7	42,322.4
Opening cash	98,125.1	139,331.0	184,863.0
Closing cash	139,331.0	184,863.0	227,185.0

n.m.: Not meaningful

QUARTERLY RESULTS

Profit and loss account

(Rs million)	Mar-11	% of Rev	Mar-10	% of Rev	Dec-10	% of Rev
No of Months	3		3		3	
Revenue	125,739.0	100.0	126,726.9	100.0	115,839.2	100.0
EBITDA	27,478.3	21.9	35,399.9	27.9	20,667.7	17.8
Interest	1,745.6	1.4	1,347.1	1.1	592.4	0.5
Depreciation	3,856.1	3.1	3,384.4	2.7	3,793.3	3.3
PBT	21,876.6	17.4	30,668.4	24.2	16,282.0	14.1
PAT	15,071.2	12	20,849.0	16.5	11,074.7	9.6

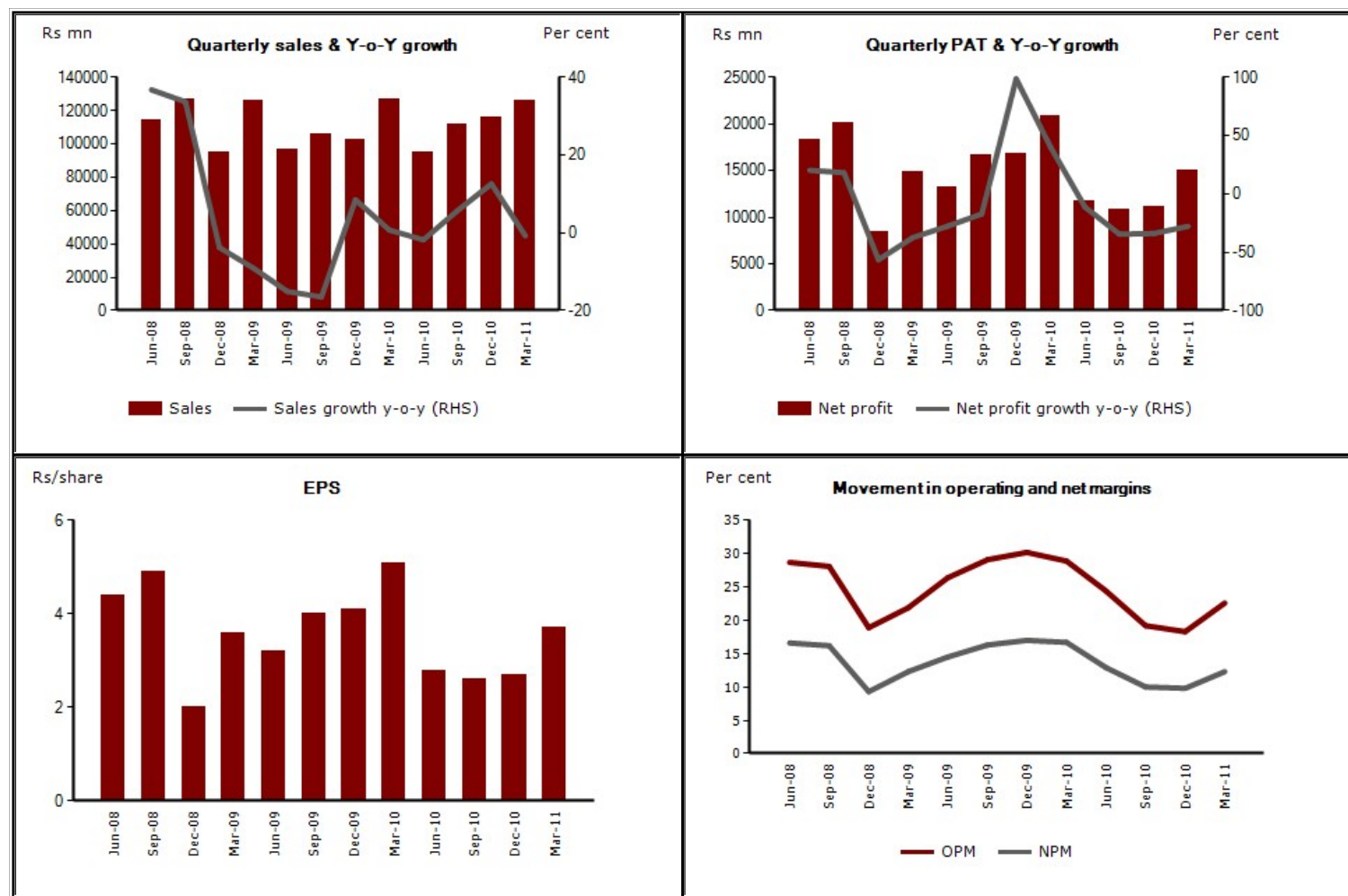
Balance Sheet

(Rs million)	Mar-08	Mar-09	Mar-10
Equity share capital	41,319.0	41,466.8	41,304.0
Reserves and surplus	188,726.8	238,589.8	283,111.1
Tangible net worth	230,045.8	280,056.6	324,415.1
Deferred tax liability: asset	15,643.5	13,276.9	14,301.3
Long-term debt	26,420.9	68,247.6	112,504.5
Short-term-debt	3,374.2	9,789.5	55,647.4
Total debt	29,795.1	78,037.1	168,151.9
Current liabilities	75,530.9	87,423.2	120,621.1
Total provisions	69,964.1	95,067.1	64,238.4
Total liabilities	420,979.4	553,860.9	691,727.8
Gross block	313,125.1	330,564.2	359,101.2
Net fixed assets	151,769.8	201,879.0	291,698.7
Investments	397.2	571.4	459.8
Current assets	268,813.1	351,410.5	399,569.3
Receivables	31,102.7	30,951.9	36,234.9
Inventories	69,540.8	102,431.6	91,617.4
Cash	139,330.8	184,862.8	227,185.2
Total assets	420,980.1	553,860.9	691,727.8

Ratios

	Mar-08	Mar-09	Mar-10
Revenue growth(%)	14.8	9.7	-6.1
EBITDA growth(%)	15.3	-19.1	5.6
PAT growth(%)	21.5	-17.7	9.5
EBITDA margins(%)	29.3	21.6	24.3
Tax Rate(%)	33.2	37.4	33.0
PAT margins(%)	19.1	14.3	16.7
Dividend payout(%)	20.1	17.2	19.9
Dividend per share(Rs)	3.7	2.6	3.3
BV(Rs)	55.7	67.8	78.5
Return on Equity(%)	37.8	24.5	22.7
Return on Capital employed(%)	46.9	31.1	24.2
Gearing(x)	0.1	0.3	0.5
Interest coverage(x)	79.3	19.6	36.3
Debt/EBITDA(x)	0.3	0.8	1.7
Asset turnover(x)	1.3	1.4	1.2
Current ratio(x)	1.8	1.8	1.7
Gross current assets(days)	243	293	346

FOCUS CHARTS AND TABLES



Shareholding pattern (Per cent)

	Jun 2010	Sep 2010	Dec 2010	Mar 2011
Promoters	85.8	85.8	85.8	85.8
FII	4.3	4.4	4.3	4.3
DII	7.4	7.5	7.5	7.5
Others	2.4	2.3	2.4	2.4

Board of Directors

Directors Name	Designation
Chandra Shekhar Verma	Chairman
Soiles Bhattacharya	Director
Jagdish Khattar	Part-Time Non-Official Director
S. Machendranathan	Nominee Director-Goi
Deepak Nayyar)	Part-Time Non-Official Director-Goi
Prasenjit Kumar Sen Gupta	Part-Time Non-Official Director-Goi
Subrata Chaudhuri	Part-Time Non-Official Director
A.K. Goswami	Part-Time Non-Official Director-Goi
P.C. Jha	Part-Time Non-Official Director-Goi
S. Mukherjee	Director-Commercial
B.B. Singh	Nominee Director-Goi
Upendra Prasad Singh	Nominee Director-Goi

Additional Disclosure

This report has been sponsored by NSE - Investor Protection Fund Trust (NSEIPFT).

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