

Sector update

Pecking order

Tata Steel (HOLD;
upgrade from REDUCE)

JSW Steel (REDUCE;
upgrade from SELL)

JSPL (HOLD; upgrade
from REDUCE)

SAIL (HOLD)

INDIA

Metals

Supply-squeeze driven price 'fever' continues

Regional HRC prices are consolidating at US\$1000/te. The current fever in global prices is allowing ~Rs7,000-10,000/te increase in domestic prices for Q1FY22, thereby, taking the cycle amplitude to unseen levels. April, '21TD has witnessed ~Rs7,000/te increase in prices. While we are factoring in a steady cyclical correction post Q1FY21, the extent of price increase is leading to improved estimates of deleveraging, future RoE profile and therefore, higher attributable P/B. We are, therefore, changing the stance on the sector to neutral from negative. We upgrade Tata and JSPL to HOLD from REDUCE and JSW Steel to REDUCE from SELL. We maintain HOLD on SAIL. We continue to work with the through cycle P/B valuation for Tata Steel, while we increase the same to ~0.9x for JSPL. The cycle will correct, but even a 12-quarter cycle length, given the current amplitude would make Indian steel sector leverage a thing of the past (Chart 2)

- ▶ **We now factor in ~Rs7000-10,000/te of price increases in Q1 and subsequent moderation.** The new base case glide path creates a higher EBITDA trajectory for FY22/23E and a better deleveraging and RoE profile for all sector participants. Along with that the increase in book value given the elevated earnings in FY22E leads to increase in our through cycle fair value for the names. To underline, we are still extremely cautious of the current spreads, but prices sustaining at US\$1000 for a couple of quarters are having a disproportionate impact on leverage and RoE profile.
- ▶ **Capex cycle not picking up with this kind of quick-fire upcycle.** Spreads have recovered to all-time recorded highs in a span of 4 quarters and have helped deleveraging and expected deleveraging. While companies are actively looking out for acquisitions and organic capex, the rate of capex increase will not be as quick as the increase in spreads leading to deleveraging. This may create an enhanced window for balance sheets to remain comfortably leveraged for longer. This alone should enhance the through cycle RoEs and the through cycle P/B – we see such a case with JSPL.
- ▶ **Chinese policy interventions to control production, continuation of Chinese demand stimuli and world ex-China restocking driving the pricing strength.** Our interaction with the industry veterans across regions highlights the unsustainability of current prices. There is consensus on demand decline in China in H2CY21, and world ex-China restocking demand is creating a bull-whip effect on prices. Current iron ore prices are unsustainable and likely to correct. Yet, the high amplitude wave is creating value for most Indian steel players, improving their RoEs. Prudent balance sheet management hereon can remove the concerns that were visible for majority of players in the last cycle; can lead to further rerating.
- ▶ **Based on our glide path net debt to EBITDA of the entire universe is ranging from 0.26-1.23x for FY23E.** 0.26x is for JSPL and 1.23x is for Tata Steel. For Tata Steel this will be the lowest sustainable net debt to EBITDA seen from FY07 (since the acquisition of Corus). Any solution involving Europe can increase sustainable RoE and increase the attributable P/B. JSPL and SAIL are on course to become debt free by FY23E, if they stay on course. The key concern is whether incumbents will allow this accelerated deleveraging.

Valuation summary

Rating	Target price		PE (x)			EV/E (x)			P/B (x)			
	New	Old	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	
Tata Steel	HOLD	920	769	9.1	3.8	11.1	6.1	3.4	5.9	1.3	1.0	0.9
JSW Steel	REDUCE	565	329	19.4	6.7	12.1	10.7	4.5	6.8	3.5	2.3	1.9
JSPL	HOLD	458	292	7.8	4.2	8.3	4.9	2.7	3.8	1.3	1.0	0.9
SAIL	HOLD	99	81	6.2	1.7	3.5	5.5	1.8	2.7	0.8	0.6	0.5

Source: Company data, I-Sec research

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Regional steel prices (HRC) consolidating at US\$1,000/te, leading to revised glide path of realisations

We assume ~Rs10,000/te increase in realisation over Q1/Q2FY22 followed by a steady decline to reach the bottom of the cycle by Q4FY23E. We have not increased the assumptions of cycle length ~12 quarters.

Table 1: Factoring in a revised glide path given the increases of Q1FY22

	% Chg. in realisations		FY23 Book Value (Rs)	TP based on through cycle RoE	FY23E RoE	P/B based on FY23E RoE (Assuming 11% CoE)
	FY22	FY23				
Base Case Scenario						
Tata Steel*			1,082	920	12.1	1.1
JSW Steel	28.1%	-18.5%	332	565	15.9	1.5
Jindal Steel			509	458	11.4	1.0
SAIL			182	99	14.4	1.3

* FY23E book assumes ~ Rs 50/share because of merger of Bhushan Steel.

Source: Company data, I-Sec research

FY23E RoEs are not representative mid-cycle RoEs, as can be seen from EBITDA/te (Table 3). The easy way to understand the same is to look at SAIL EBITDA/te. Hence, we continue to value the companies based on our understanding of through cycle RoEs. There is a definite case of expansion of RoE for JSPL, to be further helped if the company can find a resolution to the power assets. Similarly, for Tata Steel, we are working with a through cycle RoE of 0.85x – the same can improve if CRM capex in Kalinganagar helps improve RoE beyond what we are factoring, or some resolution is achieved with the European asset sales. We value JSWS at 1.7x FY23E book based on the average P/B of FY20-24E. SAIL P/B of 0.55x is based on our assessment of through cycle RoE for SAIL.

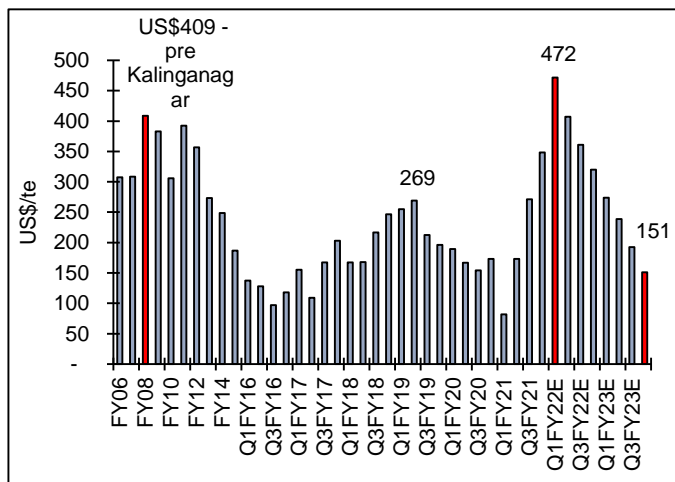
Table 2: EBITDA/te for the assumed glide path

	FY21E	FY22E	FY23E
Tata Steel (Standalone)	17,372	27,133	15,584
JSW Steel (Standalone)	12,648	23,073	12,659
JSPL	18,473	25,446	14,113
SAIL	9,758	20,742	10,550

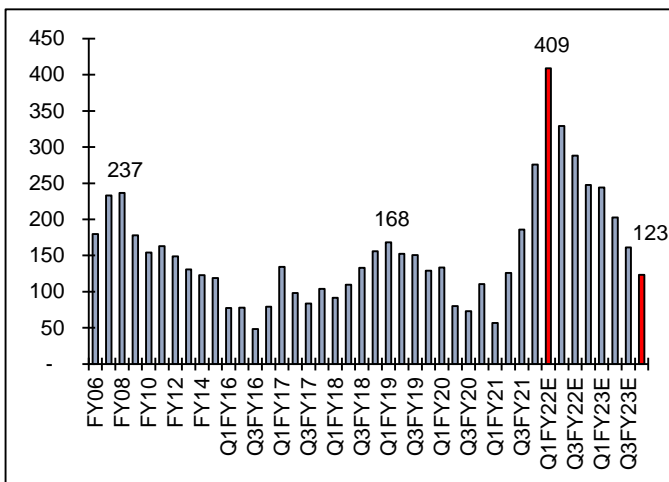
Source: Company data, I-Sec research

Chart 1: EBITDA long term view given our glide path of steel prices

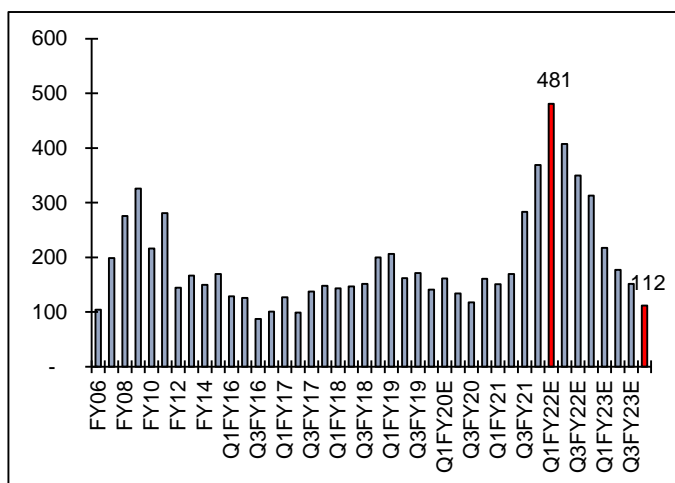
Tata Steel



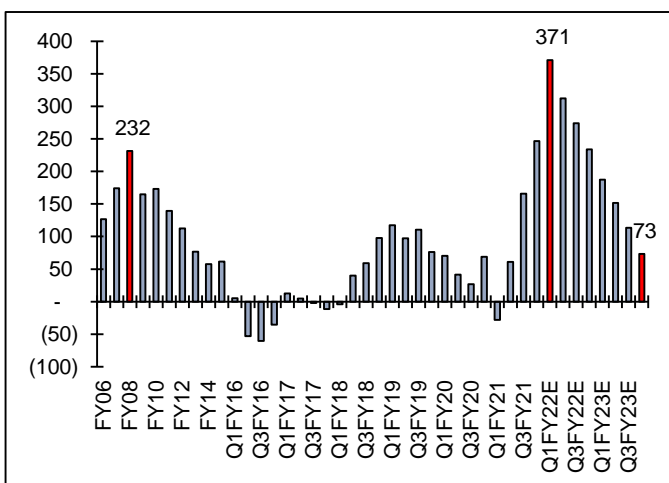
JSW Steel



JSPL



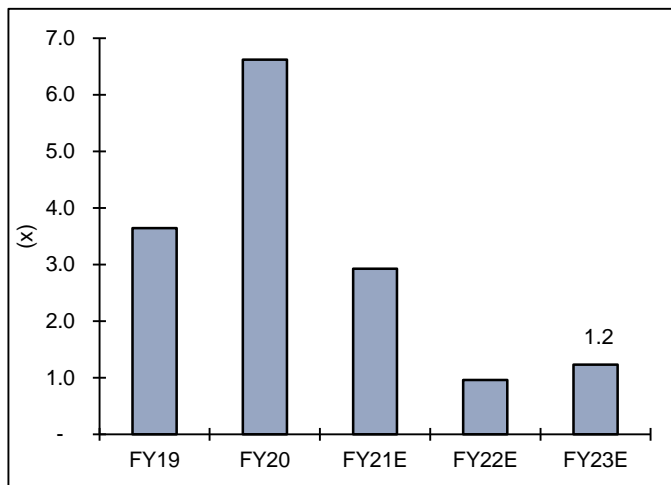
Steel Authority



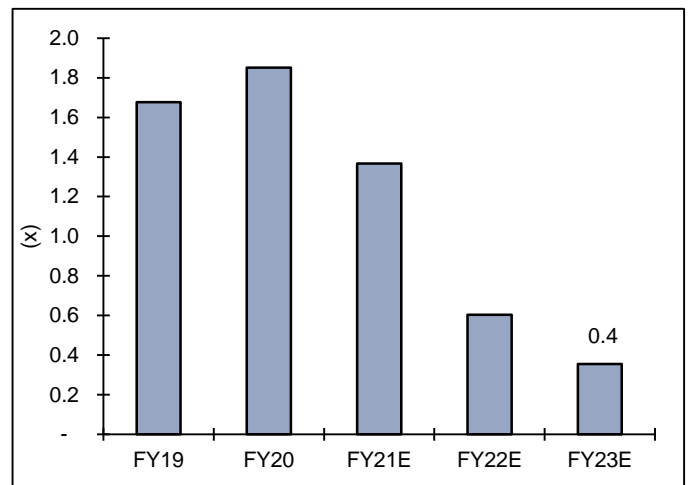
Source: Company data, I-Sec research

Chart 2: Net debt is fast becoming a *thing of the past*, as prices consolidate at these high levels

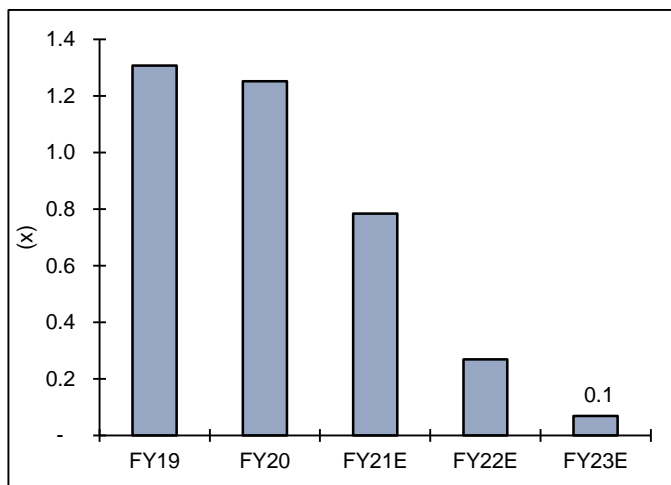
Net Debt to EBITDA -- Tata Steel



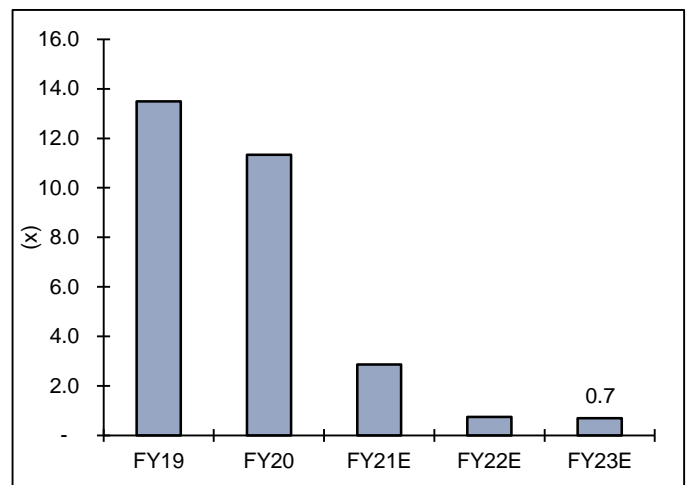
Net Debt to EBITDA -- JSW Steel



Net Debt to EBITDA -- JSPL



Net Debt to EBITDA -- Steel Authority



Source: Company data, I-Sec research

The cycle will correct, but even a 12-quarter cycle length, given the current amplitude would make Indian steel sector leverage a thing of the past. However, the concern is, whether steel players will allow such an accelerated deleveraging. There are three steel assets/companies that may come up for auction in near future i.e Neelanchal Ispat, NMDC steel plant and RINL.

Earnings change

Table 3: Majority earnings changes have happened due to adjustment of realisations glide path

(Rs mn)

	FY21E			FY22E			FY23E		
	New	Old	% Chg	New	Old	% Chg	New	Old	% Chg
Tata Steel									
Sales	1,555,759	1,555,759	-	2,005,153	1,898,897	5.6	1,811,176	1,725,622	5.0
EBITDA	288,338	288,338	-	575,483	469,227	22.6	332,587	256,664	29.6
PAT	84,250	109,531	(23.1)	334,665	265,645	26.0	157,891	89,248	76.9
JSW Steel									
Sales	814,379	814,379	-	1,135,026	1,035,978	9.6	1,039,788	955,289	8.8
EBITDA	191,916	191,916	-	407,829	308,781	32.1	253,687	169,189	49.9
PAT	79,800	79,800	-	231,252	158,479	45.9	127,479	59,063	115.8
JSPL									
Sales	409,688	411,011	(0.3)	511,635	462,915	10.5	445,650	395,128	12.8
EBITDA	142,801	143,972	(0.8)	205,681	163,709	25.6	126,813	92,305	37.4
PAT	57,497	58,387	(1.5)	107,606	76,126	41.4	54,186	28,608	89.4
SAIL									
Sales	681,717	681,717	-	993,083	894,602	11.0	860,347	780,072	10.3
EBITDA	143,439	143,439	-	352,615	254,134	38.8	189,907	109,632	73.2
PAT	60,699	60,699	-	224,004	147,218	52.2	108,497	41,953	158.6

Source: Company data, I-Sec research

Table 4: Valuation methodology, change in P/B and key risks

	Valuation Methodology	Key risks - Upside	Key risks – Downside
Tata Steel	0.85x FY23E book (0.8x earlier)	Higher steel prices for longer period Better than expected deleveraging Resolution of Tata Steel Europe	Cycle corrects itself Higher capex announcement / Inorganic acquisitions
JSW Steel	1.7x FY23E book (1.2x earlier)	Higher steel prices for longer period Better than expected deleveraging	Cycle corrects itself Higher organic capex announcement
Jindal Steel	0.9x FY23E book (0.65x earlier)	Cycle corrects itself Higher organic capex announcement Turnaround / asset sale of power operations	Cycle corrects itself Higher organic capex announcement Regulatory risks
Steel Authority	0.55x FY23E book (Unchanged)	Cycle corrects itself Higher organic capex announcement Higher iron ore sales to continue fetching additional EBITDA	Cycle corrects itself Higher organic capex announcement Raw material integration

Source: Company data, I-Sec research

Financial summary – Tata Steel

Table 5: Profit & loss statement

(Rs mn, year ending March 31)

	FY20	FY21E	FY22E	FY23E
Operating Income				
(Sales)	1,398,167	1,555,759	2,005,153	1,811,176
Operating Expenses	1,223,536	1,267,421	1,429,670	1,478,589
EBITDA	174,631	288,338	575,483	332,587
% margins	12.5	18.5	28.7	18.4
Depreciation & Amortisation	84,407	84,407	95,319	99,463
Gross Interest	75,335	75,000	44,450	34,300
Other Income	18,435	8,000	8,000	9,191
Recurring PBT	33,324	136,930	443,713	208,015
Add: Extraordinaries	(37,521)	-	-	-
Less: Taxes	(25,684)	54,560	110,928	52,004
Net Income (Reported)	64,716	88,079	338,493	161,720
Recurring Net Income	11,725	84,250	334,665	157,891

Source: Company data, I-Sec research

Table 6: Balance sheet

(Rs mn, year ending March 31)

	FY20	FY21E	FY22E	FY23E
Assets				
Total Current Assets	615,380	453,307	478,228	473,619
of which cash & cash eqv.	80,547	51,333	48,358	45,966
Total Current Liabilities & Provisions	364,738	433,100	460,053	477,449
Net Current Assets	250,642	20,206	18,175	(3,830)
Investments	62,852	62,852	62,852	62,852
Strategic/Group	28,533	28,533	28,533	28,533
Other Marketable	34,319	34,319	34,319	34,319
Net Fixed Assets	1,414,432	1,409,289	1,436,725	1,457,362
Capital Work-in-Progress	194,968	177,963	227,963	237,963
Goodwill	40,545	40,545	40,545	40,545
Total Assets	1,853,969	1,618,390	1,643,795	1,642,426
Liabilities				
Borrowings	1,270,569	930,000	635,000	490,000
Deferred Tax Liability	79,911	79,911	79,911	79,911
Minority Interest	25,866	22,037	18,208	14,379
Equity Share Capital	12,043	12,043	12,043	12,043
Face Value per share (Rs)	10	11	11	11
Reserves & Surplus	700,970	809,789	1,134,023	1,281,483
Net Worth	713,013	821,832	1,146,066	1,293,527
Total Liabilities	1,853,969	1,618,390	1,643,795	1,642,426

Source: Company data, I-Sec research

Table 7: Cashflow statement

(Rs mn, year ending March 31)

	FY20	FY21E	FY22E	FY23E
Operating Cash flow	83,918	158,778	420,104	246,283
Working Capital Changes	41,962	201,221	(943)	19,613
Capital Commitments	(140,665)	(79,264)	(122,756)	(120,100)
Free Cash Flow	(14,785)	280,735	296,405	145,796
Cash flow from Investing Activities	(4,638)	8,000	8,000	9,191
Issue of Share Capital	1,875	-	-	-
Repayment of borrowing	-	-	-	-
Inc (Dec) in Borrowings	76,073	(340,569)	(295,000)	(145,000)
Dividend paid	(18,152)	(10,431)	(10,431)	(10,431)
Extraordinary Items	-	-	-	-
Chg. in Cash & Bank balance	39,438	(64,512)	(3,272)	(2,690)

Source: Company data, I-Sec research

Table 8: Key ratios

(Year ending March 31)

	FY20	FY21E	FY22E	FY23E
Per Share Data (in Rs.)				
Recurring EPS	53.7	73.1	281.1	134.3
Reported EPS	53.7	73.1	281.1	134.3
Recurring Cash EPS	119.1	138.5	355.5	212.1
Dividend per share (DPS)	8.7	8.7	8.7	8.7
Book Value per share (BV)*	558	649	918	1,082
Growth Ratios (%)				
Operating Income	(24.8)	11.3	28.9	(9.7)
EBITDA	(40.6)	65.1	99.6	(42.2)
Recurring Net Income	(35.0)	39.6	304.0	(53.1)
Diluted Recurring EPS	(37.8)	36.1	284.3	(52.2)
Diluted Recurring CEPS	(12.7)	16.3	156.7	(40.3)
Valuation Ratios (% YoY)				
P/E	17.0	12.5	3.3	6.8
P/CEPS	7.7	6.6	2.6	4.3
P/BV	1.5	1.3	1.0	0.9
EV / EBITDA	11.7	6.0	2.5	3.9
EV / Operating Income	1.5	1.1	0.7	0.7
EV / Operating FCF	16.2	4.8	3.4	4.9
Operating Ratio				
Raw Material/Sales	55.7	49.4	44.1	50.0
SG&A/Sales	10.5	8.9	2.6	(0.6)
Other Income / PBT	55.3	5.8	1.8	4.4
Effective Tax Rate	612.0	39.8	25.0	25.0
NWC / Total Assets	9.2	(1.9)	(1.8)	(3.0)
Inventory Turnover (days)	104.2	88.6	83.4	84.3
Receivables (days)	20.1	13.9	13.9	13.9
Payables (days)	108.8	143.7	144.1	144.1
D/E Ratio (x)	1.89	1.23	0.62	0.44
Return/Profitability Ratio (%)				
Recurring Net Income Margins	4.2	5.3	16.5	8.6
RoCE	6.0	12.2	29.9	14.7
RoNW	8.3	10.0	29.0	12.1
Dividend Payout Ratio	16.1	11.8	3.1	6.4
Dividend Yield	0.9	0.9	0.9	0.9
EBITDA Margins	12.5	18.5	28.7	18.4

Source: Company data, I-Sec research

* Factors in increase on account of Bhushan merger

Financial summary - JSW Steel

Table 9: Profit & loss statement

(Rs mn, year ending March 31)

	FY20	FY21E	FY22E	FY23E
Operating Income	733,260	814,379	1,135,026	1,039,788
Operating Expenses	614,530	622,462	727,197	786,101
EBITDA	118,730	191,916	407,829	253,687
% margins	16.2	23.6	35.9	24.4
Depreciation & Amortisation	42,460	45,268	55,760	59,891
Gross Interest	42,650	39,506	29,934	18,973
Other Income	5,460	5,500	5,500	5,500
Recurring PBT	39,080	112,642	327,635	180,323
Add: Extraordinaries	(8,050)	-	-	-
Less: Taxes	(9,060)	33,291	96,833	53,295
Less: Minority Interest	(900)	(450)	(450)	(450)
Net Income	40,990	79,800	231,252	127,479
Recurring Net Income	49,040	79,800	231,252	127,479

Source: Company data, I-Sec research

Table 10: Balance sheet

(Rs mn, year ending March 31)

	FY20	FY21E	FY22E	FY23E
Assets				
Total Current Assets	293,730	233,830	279,391	286,697
of which cash & cash eqv.	120,030	73,479	44,037	51,772
Total Current Liabilities & Provisions	243,730	218,064	257,642	280,381
Net Current Assets	50,000	15,766	21,749	6,316
Investments	12,590	12,590	12,590	12,590
Strategic/Group	12,570	12,570	12,570	12,570
Other Marketable	20	20	20	20
Net Fixed Assets	852,990	897,980	921,434	940,834
Capital Work-in-Progress	271,910	119,648	122,362	125,154
Goodwill	4,150	4,150	4,150	4,150
Total Assets	1,074,470	1,038,674	1,038,670	1,050,372
Liabilities				
Borrowings	697,460	582,641	352,160	237,160
Deferred Tax Liability	16,770	16,770	16,770	16,770
Minority Interest	(5,750)	(6,200)	(6,650)	(7,100)
Equity Share Capital	2,417	2,417	2,417	2,417
Face Value per share (Rs)	1	1	1	1
Reserves & Surplus*	363,573	443,047	673,973	801,125
Net Worth	365,990	445,464	676,390	803,542
Total Liabilities	1,074,470	1,038,674	1,038,670	1,050,372

Source: Company data, I-Sec research

Table 11: Cashflow statement

(Rs mn, year ending March 31)

	FY20	FY21E	FY22E	FY23E
Operating Cash flow	66,260	124,742	286,686	187,043
WC Changes	16,390	34,234	(5,984)	15,433
Capital Commitments	(128,740)	(90,258)	(79,214)	(79,292)
Free Cash Flow	(46,090)	68,718	201,489	123,185
Cash flow from Investing Activities	(10,410)	(450)	(450)	(450)
Issue of Share Capital	-	-	-	-
Buyback of shares	-	-	-	-
Inc (Dec) in Borrowings	114,700	(114,819)	(230,481)	(115,000)
Dividend paid	(11,950)	(326)	(326)	(326)
Extraordinary Items				
Chg. in Cash & Bank balance	59,050	(46,551)	(29,442)	7,735

Source: Company data, I-Sec research

Table 12: Key ratios

(Year ending March 31)

	FY20	FY21E	FY22E	FY23E
Per Share Data (Rs)				
EPS(Basic Recurring)	20.3	33.0	95.7	52.7
Diluted Recurring EPS	20.3	33.0	95.7	52.7
Recurring Cash EPS	37.9	51.7	118.7	77.5
Dividend per share (DPS)	2.0	0.1	0.1	0.1
Book Value per share (BV)	151.4	184.3	279.8	332.4
Growth Ratios (%)				
Operating Income	(13.5)	11.1	39.4	(8.4)
EBITDA	(37.4)	61.6	112.5	(37.8)
Recurring Net Income	(34.8)	62.7	189.8	(44.9)
Diluted Recurring EPS	(34.8)	62.7	189.8	(44.9)
Diluted Recurring CEPS	(20.9)	36.7	129.5	(34.7)
Valuation Ratios (x)				
P/E	17.0	12.5	3.3	6.8
P/CEPS	7.7	6.6	2.6	4.3
P/BV	1.5	1.3	1.0	0.9
EV / EBITDA	11.7	6.0	2.5	3.9
EV / Operating Income	1.5	1.1	0.7	0.7
EV / Operating FCF	16.2	4.8	3.4	4.9
Operating Ratio (%)				
Raw Material/Sales	55.7	49.4	44.1	50.0
SG&A/Sales	10.5	8.9	2.6	(0.6)
Other Income / PBT	55.3	5.8	1.8	4.4
Effective Tax Rate	612.0	39.8	25.0	25.0
NWC / Total Assets	9.2	(1.9)	(1.8)	(3.0)
Inventory Turnover (days)	104.2	88.6	83.4	84.3
Receivables (days)	20.1	13.9	13.9	13.9
Payables (days)	108.8	143.7	144.1	144.1
D/E Ratio (x)	1.89	1.23	0.62	0.44
Return/Profitability Ratio (%)				
Recurring Net Income Margins	4.2	5.3	16.5	8.6
RoCE	6.0	12.2	29.9	14.7
RoNW	8.3	10.0	29.0	12.1
Dividend Payout Ratio	16.1	11.8	3.1	6.4
Dividend Yield	0.9	0.9	0.9	0.9
EBITDA Margins	12.5	18.5	28.7	18.4

Source: Company data, I-Sec research

Financial summary - JSPL

Table 13: Profit & loss statement

(Rs mn, year ending March 31)

	FY20	FY21E	FY22E	FY23E
Operating Income (Sales)	369,175	409,688	511,635	445,650
Operating Expenses	290,637	266,887	305,954	318,837
EBITDA	78,538	142,801	205,681	126,813
% margins	21.3	34.9	40.2	28.5
Depreciation & Amortisation	38,672	36,152	36,419	37,497
Gross Interest	41,493	32,013	21,702	12,909
Other Income	262	5,191	941	1,627
Recurring PBT	(1,365)	79,827	148,502	78,033
Add: Extraordinaries	(1,094)	(17,816)	-	-
Less: Taxes	1,539	21,472	39,399	22,260
Net Income (Reported)	(1,093)	39,681	107,606	54,186
Recurring Net Income	1	57,497	107,606	54,186

Source: Company data, I-Sec research

Table 14: Balance sheet

(Rs mn, year ending March 31)

	FY20	FY21E	FY22E	FY23E
Assets				
Total Current Assets	170,572	109,852	145,405	138,855
of which cash & cash eqv.	9,143	3,790	31,422	27,114
Total Current Liabilities & Provisions	116,285	130,160	139,603	139,762
Net Current Assets	54,287	(1,777)	26,777	20,081
Investments	1,806	1,806	1,806	1,806
Strategic/Group	1,806	1,806	1,806	1,806
Other Marketable	-	-	-	-
Net Fixed Assets	718,973	607,113	582,661	560,131
Capital Work-in-Progress	31,255	31,255	31,255	31,255
Goodwill	6,098	6,098	6,098	6,098
Total Assets	781,164	613,240	617,342	588,115
Liabilities				
Borrowings	411,332	250,000	145,000	60,000
Deferred Tax Liability	56,226	56,226	56,226	56,226
Minority Interest	(7,764)	(6,907)	(5,410)	(3,823)
Equity Share Capital	1,020	1,020	1,020	1,020
Face Value per share (Rs)	1	1	1	1
Reserves & Surplus	320,351	312,901	420,506	474,693
Net Worth	321,371	313,921	421,526	475,713
Total Liabilities	781,164	613,240	617,342	588,115

Source: Company data, I-Sec research

Table 15: Cashflow statement

(Rs mn, year ending March 31)

	FY20	FY21E	FY22E	FY23E
Operating Cash flow	40,084	89,316	144,580	91,644
Working Capital Changes	15,127	69,243	1,522	2,402
Capital Commitments	(16,646)	(10,500)	(11,967)	(14,967)
Free Cash Flow	38,564	148,059	134,135	79,078
Cash flow from Investing Activities	1,892	5,191	941	1,627
Issue of Share Capital	5,129	-	-	-
Buyback of shares	-	-	-	-
Inc (Dec) in Borrowings	(40,676)	(161,332)	(105,000)	(85,000)
Dividend paid	-	-	-	-
Extraordinary Items	-	-	-	-
Chg. in Cash & Bank balance	4,891	(5,353)	27,632	(1,553)

Source: Company data, I-Sec research

Table 16: Key ratios

(Year ending March 31)

	FY20	FY21E	FY22E	FY23E
Per Share Data (in Rs.)				
EPS(Basic Recurring)	0.0	56.4	105.5	53.1
Diluted Recurring EPS	0.0	56.4	105.5	53.1
Recurring Cash EPS	41.4	100.2	154.2	98.1
Dividend per share (DPS)	-	-	-	-
Book Value per share (BV)	344	336	451	509
Growth Ratios (%)				
Operating Income	(6.6)	11.0	24.9	(12.9)
EBITDA	(6.6)	81.8	44.0	(38.3)
Recurring Net Income	NM	NM	87.0	(48.9)
Diluted Recurring EPS	NM	NM	87.2	(49.6)
Diluted Recurring CEPS	(27.2)	142.2	53.8	(36.3)
Valuation Ratios (x)				
P/E	NM	7.8	4.2	8.3
P/CEPS	10.6	4.4	2.9	4.5
P/BV	1.28	1.3	1.0	0.9
EV / EBITDA	10.8	4.9	2.7	3.8
EV / Operating Income	2.4	2.1	1.4	1.3
EV / Operating FCF	15.7	5.4	4.8	6.0
Operating Ratio (%)				
Raw Material/Sales	13.0	11.7	9.4	10.8
Other Income / PBT	(19.2)	6.5	0.6	2.1
Effective Tax Rate	(62.6)	34.6	26.5	28.5
NWC / Total Assets	5.8	(0.9)	(0.8)	(1.2)
Inventory Turnover (days)	248.0	238.9	234.4	241.0
Receivables (days)	24.0	29.3	19.0	16.0
Payables (days)	99.6	134.1	168.5	160.9
D/E Ratio (x)	1.5	1.0	0.5	0.2
Return/Profitability Ratio (%)				
Recurring Net Income Margins	(0.8)	14.1	21.3	12.5
RoCE	4.9	13.0	21.3	11.4
RoNW	(0.3)	12.6	25.5	11.4
Dividend Payout Ratio	-	-	-	-
Dividend Yield	-	-	-	-
EBITDA Margins	21.3	34.9	40.2	28.5

Source: Company data, I-Sec research

Financial summary – SAIL

Table 17: Profit & loss statement

(Rs mn, year ending March 31)

	FY20	FY21E	FY22E	FY23E
Operating Income (Sales)	616,642	681,717	993,083	860,347
Operating Expenses	565,201	538,278	640,468	670,440
EBITDA	51,441	143,439	352,615	189,907
% margins	8.3	21.0	35.5	22.1
Depreciation and amortisation	37,557	39,480	40,666	41,717
Gross Interest	34,868	29,827	20,077	10,327
Other Income	9,058	6,800	6,800	6,800
Recurring PBT	(11,926)	80,932	298,672	144,663
Add: Extraordinaries	42,999	-	-	-
Less: Taxes	11,809	20,233	74,668	36,166
Less: Minority interest	(1,943)	-	-	-
Net Income (Reported)	21,207	60,699	224,004	108,497
Recurring Net Income	(21,792)	60,699	224,004	108,497

Source: Company data, I-Sec research

Table 18: Balance sheet

(Rs mn, year ending March 31)

	FY20	FY21E	FY22E	FY23E
Assets				
Total Current Assets	438,775	373,564	480,441	455,558
-cash & cash eqv	4,450	46,390	42,533	23,939
Total Current Liabilities & Provisions	265,295	280,199	333,394	348,996
Net Current Assets	173,480	93,365	147,047	106,562
Investments	32,404	32,404	32,404	32,404
Strategic/Group	31,073	31,073	31,073	31,073
Other Marketable	1,331	1,331	1,331	1,331
Net Fixed Assets	755,825	747,308	738,634	728,916
Capital Work-in-Progress	87,533	61,830	58,867	59,876
Total Assets	983,760	895,128	940,135	889,933
Liabilities				
Borrowings	588,879	458,879	308,879	158,879
Other liabilities	(20,222)	(20,222)	(20,222)	(20,222)
Minority Interest	0	0	0	0
Equity Share Capital	41,305	41,305	41,305	41,305
Face Value (Rs)	10	10	10	10
Reserves & Surplus	373,797	415,165	610,173	709,971
Net Worth	415,102	456,470	651,478	751,276
Total Liabilities	983,760	895,128	940,135	889,933

Source: Company data, I-Sec research

Table 19: Cashflow statement

(Rs mn, year ending March 31)

	FY20	FY21E	FY22E	FY23E
Operating CF before WC change	66,535	93,379	257,870	143,414
Working Capital Changes	(106,582)	122,055	(57,540)	21,891
Capital Commitments	(47,544)	(30,963)	(31,991)	(32,000)
Free Cash Flow	(87,591)	184,471	168,339	133,306
Cash flow from Financing activities	4,938	6,800	6,800	6,800
Issue of Share Capital	-	-	-	-
Buyback of shares	-	-	-	-
Inc (Dec) in Borrowings	89,074	(130,000)	(150,000)	(150,000)
Dividend paid	-	(19,331)	(28,996)	(8,699)
Extraordinary Items	-	-	-	-
Chg. in Cash & Bank balance	1,250	41,945	(3,853)	(18,588)

Source: Company data, I-Sec research

Table 20: Key ratios

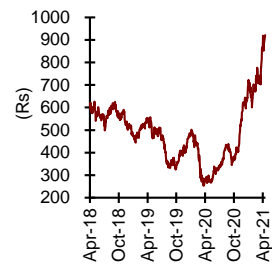
(Year ending March 31)

	FY20	FY21E	FY22E	FY23E
Per Share Data (Rs)				
EPS(Basic Recurring)	(5)	15	54	26
Diluted Recurring EPS	(5)	15	54	26
Recurring Cash EPS	4	24	64	36
Dividend per share (DPS)	-	4	6	2
Book Value per share (BV)	101	111	158	182
Growth Ratios (%)				
Operating Income	(8)	11	46	(13)
EBITDA	39	179	146	(46)
Recurring Net Income	NM	NM	269	(52)
Diluted Recurring EPS	NM	NM	269	(52)
Diluted Recurring CEPS	(512)	535	164	(43)
Valuation Ratios (x)				
P/E	NM	6.2	1.7	3.5
P/CEPS	24	4	1	3
P/BV	1	0.8	0.6	0.5
EV / EBITDA	19	5.5	1.8	2.7
EV / Operating Income	2	1	1	1
EV / Operating FCF	(24)	4	3	3
Operating Ratios (%)				
Raw Material/Sales	48	39	34	41
Other Income / PBT	(76)	8	2	5
Effective Tax Rate	38	25	25	25
NWC / Total Assets	17	5	11	9
Inventory Turnover (days)	565	293	211	333
Receivables (days)	53	30	30	30
Payables (days)	629	416	265	419
D/E Ratio (x)	1	1	0	0
Return/Profitability Ratios (%)				
Recurring Net Income Margins	(4)	9	22	13
RoCE	2	12	35	17
RoNW	(5.7)	13.3	34.4	14.4
Dividend Payout Ratio	-	27	11	7
Dividend Yield	-	4	7	2
EBITDA Margins	8	21	36	22

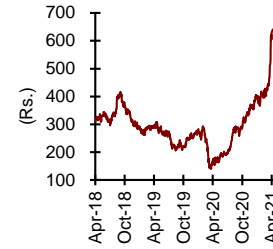
Source: Company data, I-Sec research

Price charts

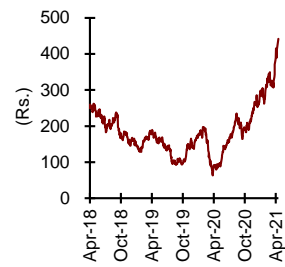
Tata Steel



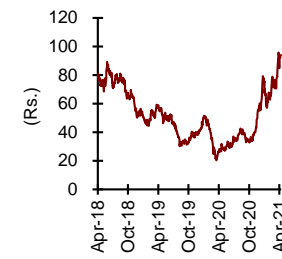
JSW Steel



Jindal Steel & Power



SAIL



Source: Bloomberg

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