

## Steel Authority of India Limited – OFFER FOR SALE

14 - January - 2021

### OFFER BACKGROUND

The President of India acting through and represented by Ministry of Steel, Government of India, promoter of the company has informed the Exchange about offer for sale through Stock Exchange Mechanism for 20,65,26,264 Equity Shares (representing 5% of the total issued and paid-up Equity Share capital) with an option to additionally sell upto 20,65,26,264 equity shares (representing 5% of the total issue and Paid-up Equity share capital).

### THE SYNOPSIS OF THE OFFER FOR SALE IS AS FOLLOWS:

Name of the Seller (Promoter /Promoter Group)	The President of India acting through and represented by Ministry of Steel, Government of India
Name of the company whose shares are proposed to be sold and ISIN	Steel Authority of India
Name of the stock exchanges where orders shall be placed	NSE and BSE
Name of the designated stock exchange	BSE
<b>Date and time of opening and closing of the sale</b>	<b>Date: January 14, 2021 for Non-Retail; Open: 9.15am; Close: 3.30 pm Date : January 15, 2021 for retail; Open : 9:15am; Close : 3.30pm</b>
<b>Total number of equity shares being offered in the Sale</b>	20,65,26,264 Equity Shares (representing 5% of the total issued and paid-up Equity Share capital) with an option to additionally sell upto 20,65,26,264 equity shares (representing 5% of the total issue and Paid-up Equity share capital)
Name of the broker(s)	DAM Capital Advisors Limited ICIC Securities Limited
<b>Retail Discount</b>	<b>No discount</b>
<b>Floor Price</b>	<b>Rs.64</b>
<b>Allocation Methodology</b>	The <b>allocation shall be at or above the Floor Price on price priority method at multiple clearing prices</b> ("Clearing Prices") basis in accordance with the SEBI OFS Circulars.

### Stock Data

Latest Data as on 13th January, 2021	
Latest Equity(Subscribed)	4130.53
Latest Reserve	36507.78
Latest EPS -Unit Curr.	4.52
Latest Bookvalue -Unit Curr.	98.39
Face Value	10.00
Stock Exchange	BSE
<b>Latest Market Price--Unit Curr.</b>	<b>74.70</b>
Latest P/E Ratio	16.53
Latest P/BV	0.76
52 Week High -Unit Curr.	80.35
52 Week High-Date	05/01/2021
52 Week Low -Unit Curr.	20.15
52 Week Low-Date	30/03/2020
<b>Market Capitalisation</b>	<b>30855.02</b>
Dividend Yield -%	0.00

### P\B Chart



### AVERAGES – Turnover (NSE)

	Total Turnover	Avg. Turnover
Weekly	11829054464	2365810944
Fornightly	44690739200	4469073920
Monthly	83320127488	3787278592

### AVERAGES – VOLUME (NSE)

	Total Volume	Avg Volume	No. Of Days
Weekly	154445008	30889002	5
Fornightly	590096320	59009636	10
Monthly	1230004864	55909312	22
Quarterly	2622477056	40976204	64
Half Yearly	4717354496	36568640	129
Yearly	8440668672	33494718	252

## Key Findings

- SAIL is engaged in the manufacturing of flat products, such as hot rolled (HR) coils, HR plates, cold rolled (CR) coils, pipes and electric sheets, and long products, such as thermo mechanically treated (TMT) bars and wire rods.
- Total income rose 21.21% to Rs 17,393.86 crore in Q2 September 2020 over Q2 September 2019. EBITDA in Q2 FY21 registered a growth of 58.7% over CPLY and stood at Rs 2098.09 crore. With the strategic focus on enhancing the saleable steel production, the company registered the best ever saleable steel Q2 production of 3.752 MT in Q2 FY21 surpassing the previous best of 3.658 MT achieved during Q2 FY18. The saleable steel production in Q2 FY21 grew by 5% over CPLY. The focus on operational efficiency also resulted in improvement in the key Techo-economic parameters during Q2 FY21 viz. Coke Rate (4%), blast furnace productivity (9%) and specific energy consumption (1%) over CPLY.
- SAIL said that the COVID-19 pandemic outbreak and measures to curtail it has caused significant disturbances and slow down of economic activities. Consequently, the company's manufacturing operations had to be scaled down during the quarter ended 30 June 2020. Following the resumption of operations during the later part of the first quarter, the company has operated at normal capacity in quarter ended 30 September 2020.
- According to the management of the company, the year began with unforeseeable challenges, which had engulfed the entire world. It was a time to foster synergy and channelize all its energy and determination to surmount the obstacles and prove our mettle. SAIL Collective did this and the Company has registered profit in Q2 FY'21 by braving all odds and exhibiting substantial growth in the operational performance. The Company is determined to perform better in future and is geared up to take all necessary actions to remain a world-class domestic steel producer towards building an Atmanirbhar Bharat.
- At present, SAIL, under the Ministry of Steel, is the country's largest steel maker having a total installed capacity of about 21 million tonne per annum (MTPA). The company has set up a target to more than double its capacity to 50 MTPA by 2030. From a debt level of Rs 50,638 crore in September 2020, the company aims to bring it down to around Rs 45,000 crore by the end of this month, and Rs 40,000 crore by the end of the ongoing fiscal.
- The Centre had approved outright sale of loss making Alloy Steels Plant (ASP) in West Bengal, Salem Steel Plant (SSP) in Tamil Nadu and Visvesvaraya Iron and Steel Plant (VISP) in Karnataka.
- Sharing the status of SAIL's three plants which were up for sale, he said "Preliminary information memorandum/expression of interest request for ASP, VISP and SSP were issued on July 4, 2019 and the last date for submission of EoI requests after granting three extensions was September 10, 2019.
- The bids were received for VISP and SSP for which bidders have been shortlisted and the process is underway.

## Conclusion

**The company continues to derive strength from its turnaround story from several quarters of losses. The outlook has improved, with both demand and pricing recovering in the quarter.**

**On the valuation part, for short term on CMP of Rs.67.80 and we expect the stock to see a price target of Rs.77 in 2-3 month an expected P/BVx 0.76 and FY21 BVPS of Rs.101.16. (approx. target by 14% from current level) but for long term short term on CMP of Rs.67.80 and we expect the stock to see a price target of Rs.81 in 2-3 month an expected P/BVx 0.76 and FY22 BVPS of Rs.107.18.**

## View : Fundamentally good for long term purpose

**Size of offer : Rs.1322 crore if oversubscribed Rs.2644 crore**

## Shareholding Pattern (%)

Description as on	30/09/2020	30/06/2020	31/03/2020	31/12/2019
Total Foreign	3.23	2.82	2.91	3.58
Total Institutions	13.65	14.11	14.58	14.69
Total Govt Holding	0.06	0.06	0.06	0.06
Total Promoters	75.00	75.00	75.00	75.00
Total Public & Others	8.06	8.01	7.45	6.68

### Shareholding of securities of persons belonging to the category Public and holding more than 1% of the total number of shares

Description as on	30/09/2020	30/06/2020	31/03/2020	31/12/2019
LIFE INSURANCE COPORATION OF INDIA	10.24	9.6	9.6	9.6
President of India	0.06	0.06	0.06	0.06
RELAINCE CAPITAL TRUSTEE CO LTD	1.52			
RELIANCE CAPITAL TRUSTEE CO LTD.		2.8	3.29	3.26

#### Allocation methodology

A minimum of 25% of the equity shares being offered in the Sale shall be reserved for allocation to mutual funds registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996, as amended ("Mutual Funds") and insurance companies registered with the insurance Regulatory and Development Authority under the Insurance Regulatory and Development Authority Act, 1999, as amended ("Insurance Companies"), subject to receipt of valid bids/orders at the Clearing Prices.

In the event of any under subscription by Mutual Funds and Insurance Companies, the unsubscribed portion shall be available to the other bidders.

No single bidder other than Mutual Funds and Insurance Companies shall be allocated more than 25% of the size of the Sale.

#### Oversubscription option

In case the Oversubscription Option is not exercised, the equity shares of the Company forming part of the Base Offer Size will hereinafter be referred to as "Offer Shares") through a separate, designated window of the BSE Limited (the "BSE") and the National Stock Exchange of India Limited ("NSE", and together with the BSE, the "Stock Exchanges"). The Offer shall be undertaken exclusively through the Seller's Brokers named below on a separate window provided by the Stock Exchanges for this purpose.

#### Conditions for withdrawal of the Sale

The Seller reserves the right to not to proceed with the Sale at any time prior to the time of opening of the Sale on the Sale Date.

In such a case, there shall be a cooling off period of 10 trading days from the date of withdrawal before an offer is made again. The Stock Exchanges shall suitably disseminate details of such withdrawal.

#### Conditions for cancellation of the Sale

In the event (i) the aggregate number of orders received in the Sale at or above the Floor Price is less than the total number of Sale Shares or (ii) of any default in settlement obligations, the Seller reserves the right to either conclude the Sale to the extent of valid bids / orders or cancel the Sale in full. The decision to either accept or reject the Sale shall be at the sole discretion of the Seller.

#### Conditions for participating in the Sale

Non-institutional buyers shall deposit 100% of the order value in cash up-front with the Clearing Corporation at the time of placing bids for the Sale.

In case of institutional investors who place orders with 100% of the order value deposited upfront, custodian confirmation shall be within trading hours.

In case of institutional investors who place orders without depositing 100% of the order value upfront, custodian confirmation shall be as per the existing rules for secondary market transactions.

The funds collected shall neither be utilized against any other obligation of the trading member nor co-mingled with other segments.

Modification or cancellation of orders would be allowed during the duration of the offer only for:

(i) Orders placed by institutional investors and by non-institutional investors, with 100% of the order value deposited upfront: Such orders can be modified or canceled at any time during the trading hours.

(ii) Orders placed by institutional investors without depositing 100 % of the order value upfront: Such orders cannot be modified or cancelled by the investors or stock brokers, except for making upward revision in the price or quantity.

The buyer shall also be liable to pay any other fees, as may be levied by the Stock Exchanges, including Securities Transaction Tax.

In case of any permitted modification or cancellation of the order / bid, the funds shall be released/ collected on a real-time basis by the clearing corporation.

In case of default in pay-in by any investor, 10% of the order value shall be charged as penalty from the investor and collected from the broker. This amount shall be credited to the Investor Protection Fund of the stock exchange.

### QUARTERLY PERFORMANCE

	Qtr Ending Sep.20	Qtr Ending Sep.19	VAR %
Total Income	16925.49	14128.96	20
OPM (%)	11.24	8.26	
OP	1902.23	1167.48	63
Other income	468.37	221.16	112
PBIDT	2370.6	1388.64	71
Net Finance Charges	720.37	940.35	-23
PBDT	1650.23	448.29	268
Depreciation	990	901.27	10
PBT before EO	660.23	-452.98	-246
EO	147.04	0	
PBT after EO	513.19	-452.98	-213
Tax expense	223.71	-167.06	-234
PAT	289.48	-285.92	-201
Profit after Minority Interest and Share of profit of Associates	436.52	-285.92	-253

**Financial Overview ( Consolidates)**

**(Rs. In Crore)**

	<b>202003</b>	<b>201903</b>	<b>201803</b>	<b>201703</b>	<b>201603</b>
Equity Paid Up	4130.53	4130.53	4130.53	4130.53	4130.53
Networth	41510.23	39646.15	36946.65	37042.26	40151.43
Capital Employed	101529.81	90702.46	87653.86	83558.89	80258.68
Total Debt	54127.05	45170.04	45408.72	41395.65	35141.4
Gross Block (Excl. Reval. Res.)	112737.82	101482.32	95543.07	84589.33	77778.87
Net Working Capital ( Incl. Def. Tax)	17722.61	7998.52	6124.3	5468.71	4915.65
Current Assets ( Incl. Def. Tax)	54928.89	45656.32	42147.7	36352.97	31384.63
Current Liabilities and Provisions ( Incl. Def. Tax)	37206.28	37657.8	36023.4	30884.26	26468.98
Total Assets/Liabilities (excl Reval & W.off)	138736.09	128360.26	123677.26	114443.15	106727.66
Gross Sales	61664.16	66973.58	58966.16	49828.95	43932.73
Net Sales	61664.12	66973.49	57496.26	44209.65	38793.04
Other Income	1100.11	717.39	1530.79	643.4	493.18
Value Of Output	67241.75	69689.65	56357.44	44092.31	38252.59
Cost of Production	55301.66	56336.21	50389.81	43450.09	38173.46
Selling Cost	2356.94	2719.74	2339.65	1250.3	1199.92
PBIDT	10544.07	10089.5	5362.09	493.75	-2409.34
PBDT	7057.31	6934.58	2539.34	-2034.07	-4709.79
PBIT	6788.34	6704.16	2296.12	-2187.87	-4813.76
PBT	3301.58	3549.24	-526.63	-4715.69	-7114.21
PAT after Minority Interest & P/L Asso.Co.	2120.71	2348.71	-281.4	-2756.17	-4176.5
Adjusted PAT	2610.91	2636.95	-235.65	-2492.99	-4115.96
CP	5876.44	5734.05	2784.57	-74.55	-1772.08
Revenue earnings in forex	0	2872.64	2243.7	1729.73	557.13
Revenue expenses in forex	0	26116.74	3951.84	14864.75	10976.82
Capital earnings in forex	0	0	0	0	0
Capital expenses in forex	0	0	0	0	0
Book Value (Unit Curr)	100.5	95.98	89.45	89.68	97.21
Book Value (Adj.) (Unit Curr)	100.5	95.98	89.45	89.68	97.21
Market Capitalisation	9520.86	22180.92	28996.29	25278.81	17761.26
<b>Financial Years High &amp; Low Prices</b>					
High Date (BSE)	8-Apr-19	13-Jun-18	8-Jan-18	8-Feb-17	17-Apr-15
High Price (BSE)	60.1	91.1	101.4	68.15	78.95
Low Date (BSE)	30-Mar-20	11-Feb-19	28-Sep-17	24-May-16	12-Feb-16
Low Price (BSE)	20.15	44.1	53	38.45	33.5
Year End Price Date (BSE)	31-Mar-20	29-Mar-19	28-Mar-18	31-Mar-17	31-Mar-16
Year End Price (BSE)	23.05	53.7	70.2	61.2	43
High Date (NSE)	8-Apr-19	13-Jun-18	8-Jan-18	8-Feb-17	17-Apr-15
High Price (NSE)	60.2	91.1	101.45	68.15	79
Low Date (NSE)	30-Mar-20	8-Feb-19	28-Sep-17	24-May-16	12-Feb-16
Low Price (NSE)	20.15	44	52.85	38.45	33.5
Year End Price Date (NSE)	31-Mar-20	29-Mar-19	28-Mar-18	31-Mar-17	31-Mar-16
Year End Price (NSE)	23.05	53.75	70.2	61.3	43.1
CEPS (annualised) (Unit Curr)	14.22	13.88	6.74	-0.18	-4.29
EPS (ann.) after Minority Interest (Unit Curr)	5.13	5.69	0	0	0
EPS(ann.)afterMinorityInterest(Adjusted)(UnitCurr)	5.13	5.69	0	0	0

(Rs. In Crore)

	202003	201903	201803	201703	201603
Dividend (annualised%)	0	5	0	0	0
Payout (%)	9.74	0.18	-2.24	0	-2.47
Cash Flow From Operating Activities	-617.67	7215.15	6163.54	2160.1	4042.75
Cash Flow From Investing Activities	-4260.52	-3694.49	-6479.6	-5466.77	-4805.36
Cash Flow From Financing Activities	5003.15	-3549.08	269.42	3302.13	742.73
Rate of Growth (%)					
ROG-Net Worth (%)	4.7	7.31	-0.26	-7.74	-8.27
ROG-Capital Employed (%)	11.94	3.48	4.9	4.11	-1.57
ROG-Gross Block (%)	11.09	6.22	12.95	8.76	9.3
ROG-Gross Sales (%)	-7.93	13.58	18.34	13.42	-14.9
ROG-Net Sales (%)	-7.93	16.48	30.05	13.96	-15.86
ROG-Cost of Production (%)	-3.71	13.97	14.99	9.24	-4.02
ROG-Total Assets (%)	8.08	3.79	8.07	7.23	1.29
ROG-PBIDT (%)	4.51	88.16	985.99	-120.49	-142.22
ROG-PBDT (%)	1.77	173.09	-224.84	-56.81	-213.44
ROG-PBIT (%)	1.26	191.98	-204.95	-54.55	-226.68
ROG-PBT (%)	-6.98	-773.95	-88.83	-33.71	-416.93
ROG-PAT (%)	-9.71	-934.65	-89.79	-34.01	-315.41
ROG-CP (%)	2.48	105.92	-3835.17	-95.79	-144.95
ROG-Revenue earnings in forex (%)	-100	28.03	29.71	210.47	-64.46
ROG-Revenue expenses in forex (%)	-100	560.88	-73.41	35.42	-15.56
ROG-Market Capitalisation (%)	-57.08	-23.5	14.71	42.33	-37.09
<b>Key Ratios</b>					
Debt-Equity Ratio	1.22	1.18	1.17	0.99	0.8
Long Term Debt-Equity Ratio	0.81	0.79	0.66	0.47	0.4
Current Ratio	0.92	0.85	0.75	0.7	0.75
Turnover Ratios					
Fixed Assets Ratio	0.58	0.68	0.65	0.61	0.59
Inventory Ratio	2.81	3.62	3.55	3.23	2.65
Debtors Ratio	9.24	16.01	17.33	16.37	13.73
Total Asset Turnover Ratio	0.64	0.75	0.69	0.61	0.54
Interest Cover Ratio	2.18	2.26	0.81	-0.87	-2.09
PBIDTM (%)	18.43	15.71	9.09	0.99	-5.48
PBITM (%)	12.34	10.66	3.89	-4.39	-10.96
PBDTM (%)	12.78	11	4.31	-4.08	-10.72
CPM (%)	10.32	8.99	4.72	-0.15	-4.03
APATM (%)	4.23	3.94	-0.48	-5.53	-9.51
ROCE (%)	7.92	8.01	2.68	-2.67	-5.95
RONW (%)	6.43	6.89	-0.76	-7.14	-9.95
Debtors Velocity (Days)	52	25	24	21	26
Creditors Velocity (Days)	63	65	67	56	59
Inventory Velocity (Days)	178	134	127	139	162
Assets Utilisation Ratio (times)					
Value of Output/Total Assets	0.5	0.51	0.58	0.49	0.4
Value of Output/Gross Block	0.63	0.65	0.75	0.65	0.57

E-mail: [smc.care@smcindiaonline.com](mailto:smc.care@smcindiaonline.com)



Moneywise. Be wise.

**Corporate Office:**

11/6B, Shanti Chamber,  
Pusa Road, New Delhi - 110005  
Tel: +91-11-30111000  
[www.smcindiaonline.com](http://www.smcindiaonline.com)

**Mumbai Office:**

Lotus Corporate Park, A Wing 401 / 402, 4th Floor,  
Graham Firth Steel Compound, Off Western  
Express Highway, Jay Coach Signal, Goreagon  
(East) Mumbai - 400063  
Tel: 91-22-67341600, Fax: 91-22-67341697

**Kolkata Office:**

18, Rabindra Sarani, Poddar Court, Gate No-4,  
5th Floor, Kolkata - 700001  
Tel.: 033 6612 7000/033 4058 7000  
Fax: 033 6612 7004/033 4058 7004

SMC Global Securities Ltd. (hereinafter referred to as "SMC") is regulated by the Securities and Exchange Board of India ("SEBI") and is licensed to carry on the business of broking, depository services and related activities. SMC is a registered member of National Stock Exchange of India Limited, Bombay Stock Exchange Limited, MSEI (Metropolitan Stock Exchange of India Ltd) and M/s SMC Comtrade Ltd is a registered member of National Commodity and Derivative Exchange Limited and Multi Commodity Exchanges of India and other commodity exchanges in India. SMC is also registered as a Depository Participant with CDSL and NSDL. SMC's other associates are registered as Merchant Bankers, Portfolio Managers, NBFC with SEBI and Reserve Bank of India. It also has registration with AMFI as a Mutual Fund Distributor.

SMC is a SEBI registered Research Analyst having registration number INH100001849. SMC or its associates has not been debarred/ suspended by SEBI or any other regulatory authority for accessing /dealing in securities market. SMC or its associates or its Research Analyst or his relatives do not hold any financial interest in the subject company interest at the time of publication of this Report. SMC or its associates or its Research Analyst or his relatives do not hold any actual/beneficial ownership of more than 1% (one percent) in the subject company, at the end of the month immediately preceding the date of publication of this Report. SMC or its associates its Research Analyst or his relatives does not have any material conflict of interest at the time of publication of this Report.

SMC or its associates/analyst has not received any compensation from the subject company covered by the Research Analyst during the past twelve months. The subject company has not been a client of SMC during the past twelve months. SMC or its associates has not received any compensation or other benefits from the subject company covered by analyst or third party in connection with the present Research Report. The Research Analyst has not served as an officer, director or employee of the subject company covered by him/her and SMC has not been engaged in the market making activity for the subject company covered by the Research Analyst in this report.

The views expressed by the Research Analyst in this Report are based solely on information available publicly available/internal data/ other reliable sources believed to be true. SMC does not represent/ provide any warranty expressly or impliedly to the accuracy, contents or views expressed herein and investors are advised to independently evaluate the market conditions/risks involved before making any investment decision. The research analysts who have prepared this Report hereby certify that the views /opinions expressed in this Report are their personal independent views/opinions in respect of the subject company.

**Disclaimer:** This Research Report is for the personal information of the authorized recipient and doesn't construe to be any investment, legal or taxation advice to the investor. It is only for private circulation and use. The Research Report is based upon information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied upon as such. No action is solicited on the basis of the contents of this Research Report. The Research Report should not be reproduced or redistributed to any other person(s) in any form without prior written permission of the SMC. The contents of this material are general and are neither comprehensive nor inclusive. Neither SMC nor any of its affiliates, associates, representatives, directors or employees shall be responsible for any loss or damage that may arise to any person due to any action taken on the basis of this Research Report. It does not constitute personal recommendations or take into account the particular investment objectives, financial situations or needs of an individual client or a corporate/s or any entity/s. All investments involve risk and past performance doesn't guarantee future results. The value of, and income from investments may vary because of the changes in the macro and micro factors given at a certain period of time. The person should use his/her own judgment while taking investment decisions. Please note that SMC its affiliates, Research Analyst, officers, directors, and employees, including persons involved in the preparation or issuance of this Research Report: (a) from time to time, may have long or short positions in, and buy or sell the securities thereof, of the subject company(ies) mentioned here in; or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company(ies) discussed herein or may perform or seek to perform investment banking services for such company(ies) or act as advisor or lender/borrower to such subject company(ies); or (c) may have any other potential conflict of interest with respect to any recommendation and related information and opinions. All disputes shall be subject to the exclusive jurisdiction of Delhi High court.