



Pick of the week

Steel Authority of India (SAIL)

Recommendation: **BUY**

Current Price: ₹117

Potential Upside: **45.3%**

Date: **11th October 2021**

Time Period: **12 Months**

Target Price: ₹170

Why invest?

- 📈 SAIL's EBITDA/ton increased 18% qoq to a record high of Rs19,728/ton on higher steel prices.
- 📈 SAIL's expansion projects are at the last stage of completion, we conservatively build +7% yoy volume in FY22E versus guidance of 11%.
- 📈 We expect SAIL's EBITDA to grow at 10% CAGR over FY21-24E
- 📈 Deleveraging continues at an impressive pace with strong operating cash flows and limited capex spends.
- 📈 SAIL reduced net debt by Rs4200 cr in 1QFY22, aided by strong operational cash flows and measured capex. We estimate net debt to reduce further to Rs19500 cr as of FY22E, aided by strong margins.
- 📈 We estimate that SAIL's future growth capex would be funded by Operating Cash Flow assuming mid-cycle margins from FY2023E and net debt/EBITDA to remain below 1X.