

India

Underweight (no change)

Highlighted Companies

Jindal Steel and Power

ADD, TP Rs476, Rs368 close

Debt reduction has been significantly positive for the company, which will help in the coming downcycle. We value JSPL on a sum-of-the-parts valuation to arrive at our TP of Rs476.

JSW Steel

REDUCE, TP Rs330, Rs657 close

JSW Steel's standalone EBITDA will fall to a long-term average of Rs7,000/t from Q4FY22F, in our view.

Steel Authority of India

REDUCE, TP Rs60, Rs107 close

Despite having captive iron ore capacities, SAIL's operational cost/t is the highest among its peers. Its mining costs are rising, negating the advantages.

Summary Valuation Metrics

P/E (x)	Mar22-F	Mar23-F	Mar24-F
Jindal Steel and Power	30.29	28.93	
JSW Steel	16.92	48.99	58.31
Steel Authority of India	7.21	100.1	90.67

P/BV (x)

	Mar22-F	Mar23-F	Mar24-F
Jindal Steel and Power	2.33	2.15	
JSW Steel	3.52	3.4	3.32
Steel Authority of India	0.89	0.89	0.88

Dividend Yield

	Mar22-F	Mar23-F	Mar24-F
Jindal Steel and Power	0%	0%	
JSW Steel	0.99%	0.99%	0.99%
Steel Authority of India	0%	0%	0%

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Steel

Plenty of downside left; maintain Reduce

- Over the last 19 years, Indian steel companies' market capitalization has been determined by only one factor - China steel prices, and everything else is noise.
- We believe US\$400/t coking coal price is transitory as driven by falling steel prices, coking coal price will also trend downwards to US\$300/t.
- Even after the current fall, stock valuations are still not realistic and there is more downside left. Retain Reduce rating on TATA STEEL, SAIL and JSW.

Chinese exports didn't fall and ROW production is up 17.3% YTD

The steel sector upswing was driven by supply chain shortage, as pointed out in our Apr 2021 report ([Link here](#)). During the Mar- Apr 2021 period, normal supply chain shortage was around 30mt. Please note that this did not account for the normal human tendency to hoard during uncertain times. Please note that against the expectation of zero exports from China, exports from China in fact were up ~56% YTD. At the same time, ROW production was up 17.3% as at end-Sep 2021. Back-of-the-envelope calculations indicate that, at the end of Oct 2021, the supply chain was overfed by 45mt in ROW (ex-China). Now, unless the Covid-19 pandemic doesn't overwhelm the western world, and stricter import norms are implemented (please note that import norms have not been relaxed yet) steel destocking will start, which will lead to a collapse in steel prices. We expect European steel prices to fall to US\$700-750/t in coming weeks.

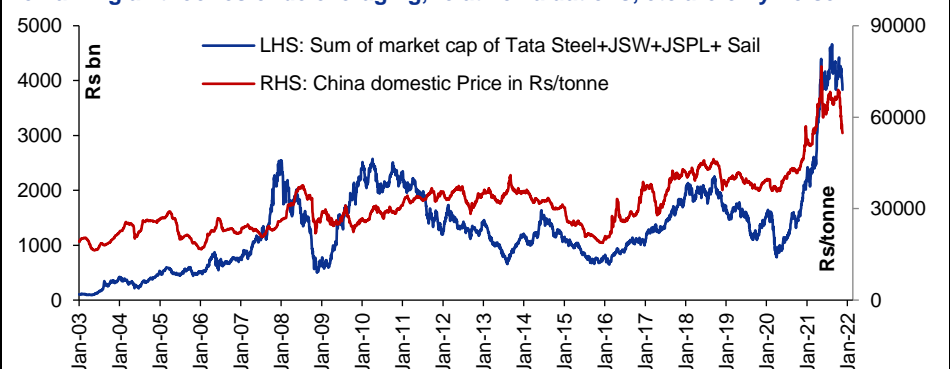
Deleveraging didn't happen for most companies

Tata Steel's reported EBITDA in H1FY22 was Rs325bn, interest and tax outgo was Rs70bn, capex stood at Rs42bn and debt reduction was to the tune of Rs67bn. Hence, cash lost in working capital was Rs146bn. Going ahead as EBITDA falls, capex rises and more working capital is needed, debt reduction is unlikely. Similarly, for JSW Steel, even in an era of super-normal EBITDA, debt increased by ~Rs0.4bn as at 30 Sep 2021 vis-à-vis end-March 2021. As at end-Mar 2021, only SAIL and JSPL had done a commendable job of debt reduction. Having said this, SAIL's fortunes will turn 180° from Q3FY22F and as EBITDA declines, debt will start accumulating again. In essence, the lowest debt point of SAIL is behind us. A shining example of sustainable debt reduction was noticed only in case of Jindal Steel and Power Ltd (JSPL).

We are adjusting FY22F and FY23F earnings and introduce FY24F

We have adjusted FY22F projections as our call on steel price decline happened with a lag of six months. During this period, Tata Steel Ltd, SAIL and JSW Steel Ltd reported extraordinary earnings, but barring SAIL no other company went for deleveraging their balance sheet significantly. As pointed in our May 2021 report ([Link here](#)), the deleveraging potential of Tata Steel was always a mirage. We retain Reduce rating on JSW Steel, Tata Steel and SAIL. JSPL is the only stock with ADD rating in our steel coverage universe.

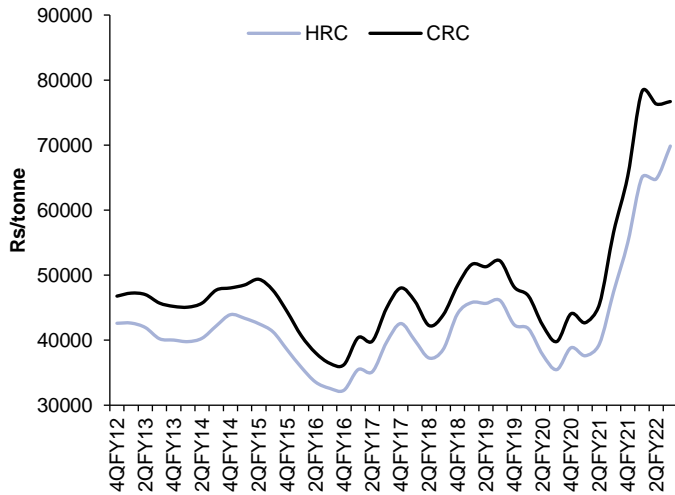
Figure 1: Indian steel companies' market cap reacts only to China steel prices and remaining all theories of deleveraging, relative valuations, etc are only noise



SOURCES: INCRED RESEARCH, COMPANY REPORTS

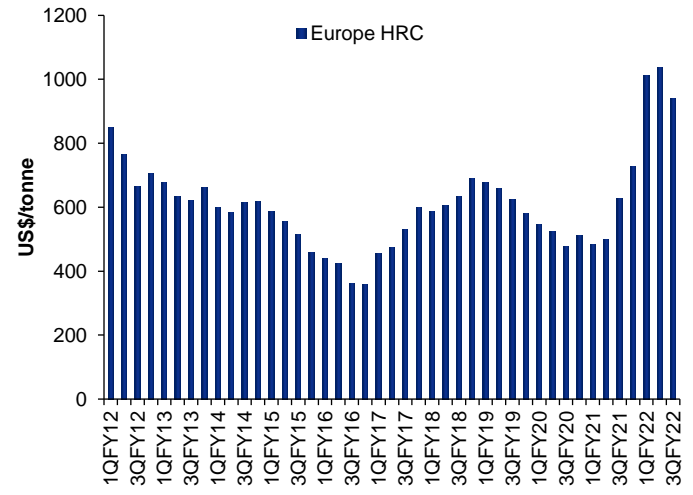
KEY CHARTS

Figure 2: Despite the recent correction, Indian HRC and CRC steel prices are still near their all-time highs



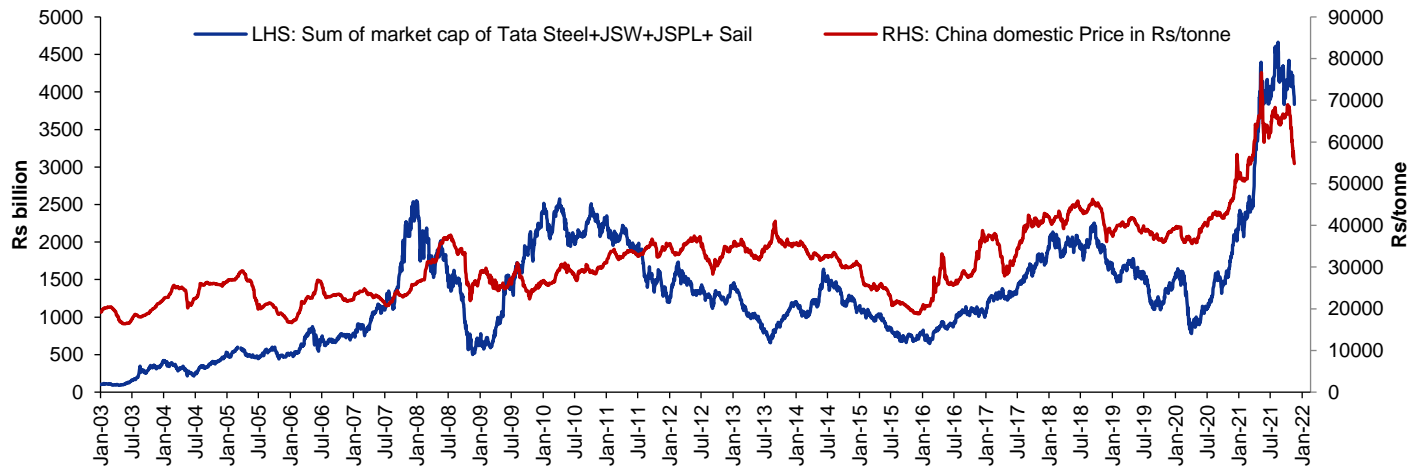
SOURCES: COMPANY REPORTS, INCRED RESEARCH

Figure 3: In US\$ terms, European HRC prices were even higher than their 2008 peak



SOURCES: COMPANY REPORTS, INCRED RESEARCH

Figure 4: Indian steel companies' market cap reacts to one only thing - China steel prices - and remaining all theories of deleveraging, relative valuations, etc are only noise; investors will do their best to keep away from them



SOURCES: INCRED RESEARCH, COMPANY REPORTS

Figure 5: Valuation swings both ways - from extreme high to extreme low - and we are still at extreme highs; valuation has to reach the mean and downswing below the mean is also likely



SOURCES: INCRED RESEARCH, COMPANY REPORTS

Steel stock fall: Keep away from value-picking

Most Indian steel stock prices have fallen by 15-17% from their peak and are underperforming the index since the past six months. The reader of this report knows better than the author that the fall cannot be linear and there will be a bounce-back. We don't know how and when there will be a bounce-back or is it even worthwhile to wait for the bounce-back. Our simple model based on China steel prices indicates a further downside.

Steel and China go hand in hand

Steel has two inventory cycles: 1) a long-term inventory cycle which is based on demand and demand perception, or in other words it can be called the demand cycle, and 2) a seasonal inventory cycle or the Chinese New Year cycle. China never had a sustained bull run in steel post 2005, which has made global steel stocks highly volatile.

A long-term analysis of Chinese steel spreads indicates that with current coking coal prices at US\$380/t, Chinese steel prices can fall to US\$650/t; if coking coal prices fall to US\$300/t, then Chinese steel prices will decline to US\$550/t against current price of US\$730/t



As always, nothing in the real world falls in a linear pattern and so steel prices can bounce back before falling again.

The last bull cycle in steel was between 2002-05, and during rest of the times there was volatility in supply chains

The bull cycle in steel can be characterised by consistently rising steel spreads. That happened during the synchronous global commodity upturn. We haven't seen that since 2005. What we have witnessed is only inventory cycles - the classic destocking and restocking.

Global (ex-China) production cut created ~30mt imbalance in CY20

Steel production in China increased by 69.5mt in CY20, but demand increased by 5% or about 45mt in CY20 (Source: World Steel Association). Global demand declined by 40mt from CY19 (Source: World Steel Association). Because of the steep production cut of 78mt in CY20, the global market had an overall shortage of 18m-20mt, in our view. We believe the decline in demand was not uniform but limited to the first-half of CY20, and demand was robust in the second-half.

Therefore, we estimate supply chain shortages were at least to the tune of 30mt (on an annualised basis) in CY20.

Global (ex-China) steel production cuts were steep in CY20 and rebound in production was equally large in CY21 ➤

After the COVID-19 outbreak, there were sharp production cuts across the world. Global production, ex-China, declined by 78mt in CY20 as compared to CY19, according to World Steel Association. In the current year, world (ex-China) steel production growth has been 17.2%

Figure 7: Excess steel production in China was 19mt; ROW ex-China production cut was 78mt

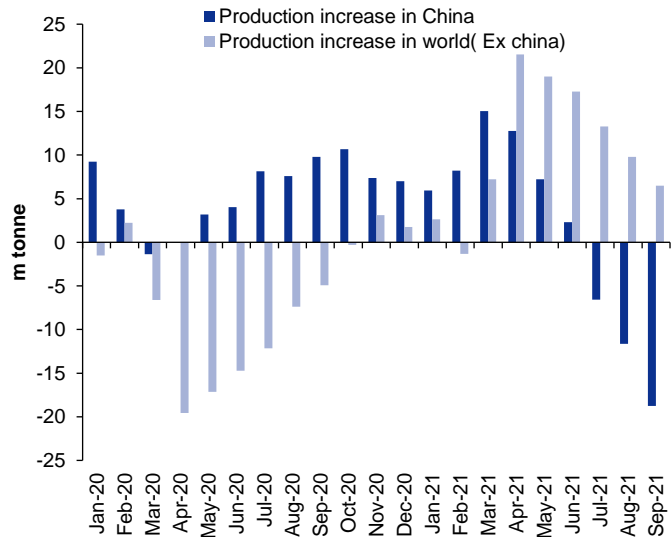
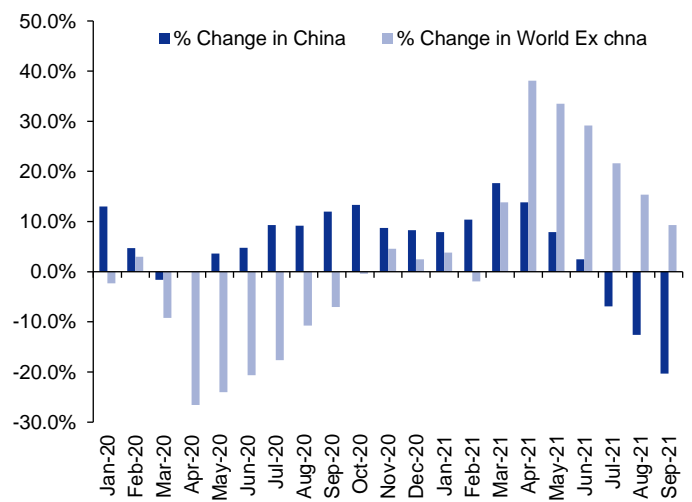


Figure 8: World, ex-China, production was cut by 10% yoy in CY20, but ROW production increase was 17.2% in CY21

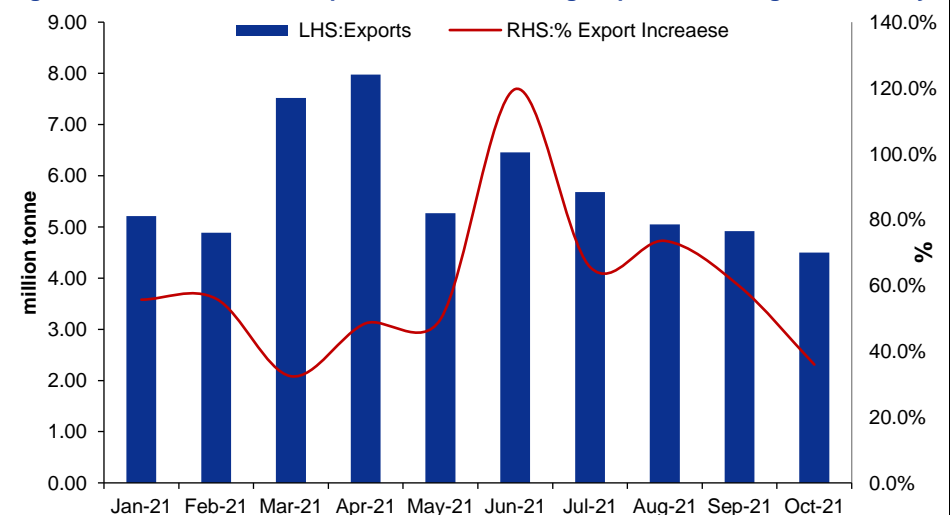


SOURCES: INCRED RESEARCH, WWW.WORLDSTEEL.COM

SOURCES: INCRED RESEARCH, WWW.WORLDSTEEL.COM

Despite the recent production decline, Chinese steel exports are still showing no signs of a fall - a matter of concern for Chinese domestic demand ➤

Figure 9: While Chinese steel production is declining, exports are rising continuously



SOURCES: COMPANY REPORTS, INCRED RESEARCH

Did China’s government expect the same? No, we don’t believe so ➤

Just a few months ago, China government cancelled the export rebates which led to a small rally in global steel stocks. The inherent assumptions for the rally were: 1) China will become an isolated island from where steel won’t be exported, and 2) in a bullish case, China can become a net importer as well. It was believed that the country was very much concerned about the environment. Neither of them has come true in the past five to six months.

Steel is in oversupply now in global market as Chinese demand appears to be declining ➤

As indicated by our Mar 2021 report, there was a shortage of around 30mt in ROW (ex-China) supply chain. At the same time, ROW demand was supposed to increase in early double-digits. In the first nine months of the current year, ROW production increased by 95.90mt and demand (as per our estimate) would have increased by 60mt. In addition to 36mt excess production, Chinese net exports have been 40mt. So, in place of a 30mt deficit, we now have a 45mt surplus.

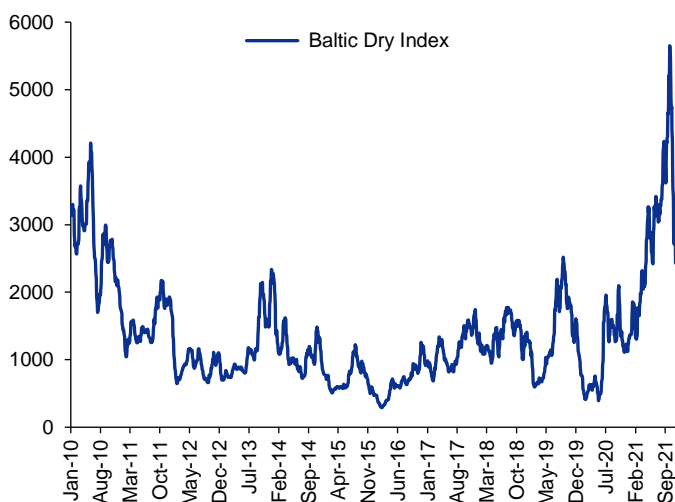
Expect destocking to start by year-end and a rapid collapse of steel prices in western world as well ➤

The extra supply chain stocking (primarily because of the fear of unavailability during times of need because of supply uncertainty) gave a false hope of demand. Now, as steel prices are declining, traders will be better off dumping inventory before the prices collapse further. As the positive feedback loop takes up prices, similarly, a negative feedback loop leads to a downward spiral in prices. We have seen that happening in China and now it’s the turn of western world.

To the chagrin of steel speculators, container shortage is easing and leading to a fall in container freight rates ➤

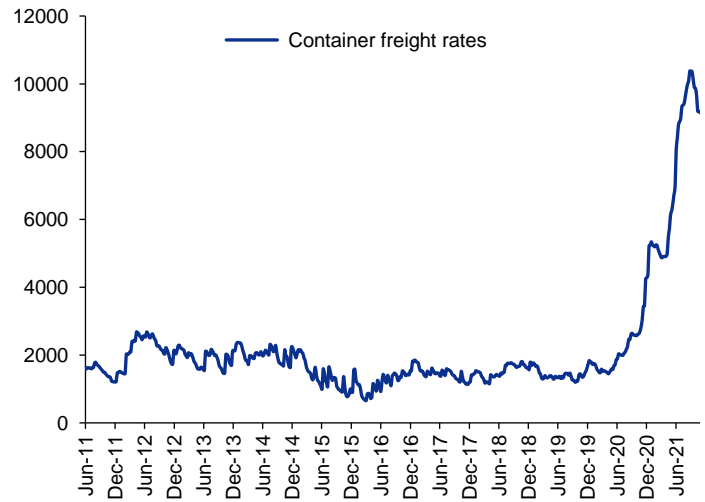
Easing of container logjam at ports will lead to a massive destocking in steel and so prepare for -2SD steel spreads.

Figure 10: Decline in Baltic dry index can lead to a further fall in iron ore prices



SOURCES: INCRED RESEARCH, COMPANY REPORTS

Figure 11: On the other hand, easing container congestion at ports can lead to a collapse in freight rates as well as ease steel transportation



SOURCES: INCRED RESEARCH, COMPANY REPORTS

The world's biggest container operator, Maersk, is reporting a much improved scenario ➤

Figure 12: In Sep 2021, Maersk painted a relatively grim picture for container and equipment availability at ports

Area	20DRY	40DRY	40HDRY	45HC	40HCRF
China	insufficient	insufficient	insufficient	insufficient	insufficient
Japan / Australia	enough	enough	enough	NA	enough
Korea	insufficient	tight	insufficient	enough	enough
Vietnam	tight	insufficient	insufficient	insufficient	insufficient
Myanmar	enough	enough	enough	enough	enough
Cambodia	tight	tight	tight	tight	enough
Thailand	insufficient	tight	tight	enough	enough
Malaysia	enough	enough	enough	enough	enough
Singapore	enough	enough	enough	enough	enough
Indonesia	insufficient	insufficient	insufficient	insufficient	enough
Philippines	enough	enough	enough	enough	enough
New Zealand	enough	enough	tight	NA	tight

SOURCES: INCRED RESEARCH, MAERSK ASIA PACIFIC MARKET UPDATE (SEPTEMBER 2021) | MAERSK

Figure 13: However, the situation much improved in Oct 2021, as per Maersk Asia Pacific newsletter

Area	20DRY	40DRY	40HDRY	45HC	40HCRF
China	enough	tight	tight	insufficient	insufficient
Japan	enough	enough	enough	NA	enough
Korea	enough	enough	tight	enough	enough
Vietnam	enough	tight	tight	tight	tight
Myanmar	tight	enough	enough	enough	enough
Cambodia	enough	enough	enough	enough	enough
Thailand	insufficient	enough	insufficient	enough	enough
Malaysia	enough	enough	enough	enough	enough
Singapore	enough	enough	enough	enough	enough
Indonesia	insufficient	insufficient	insufficient	tight	enough
Philippines	enough	enough	enough	enough	enough
Australia	enough	enough	enough	NA	enough
New Zealand	enough	enough	enough	NA	tight

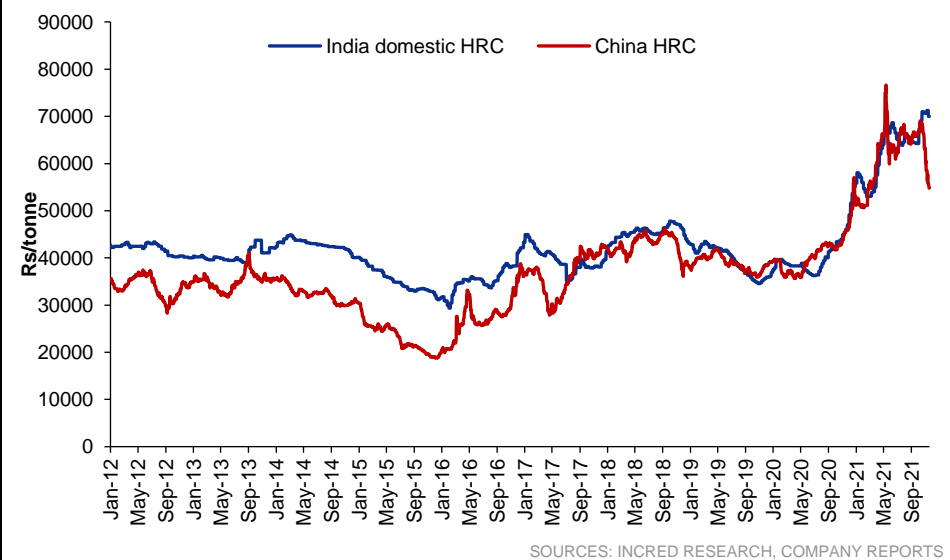
SOURCES: INCRED RESEARCH, MAERSK ASIA PACIFIC MARKET UPDATE (OCTOBER 2021) | MAERSK

Indian as well as European steel prices are likely to witness ~15-20% downside from current levels

Indian and European steel prices are likely to witness around 15-20% downside from current levels. We are primarily talking about flat steel prices as long steel is anyway a miniscule part of overall sales of leading Indian steel companies.

Indian flat steel prices have only one determining factor since the last decade or so – China steel prices ➤

Figure 14: China steel prices have fallen by ~30% from their peak and there is more room to fall, which means Indian steel prices can decline at least 15-20% from current levels

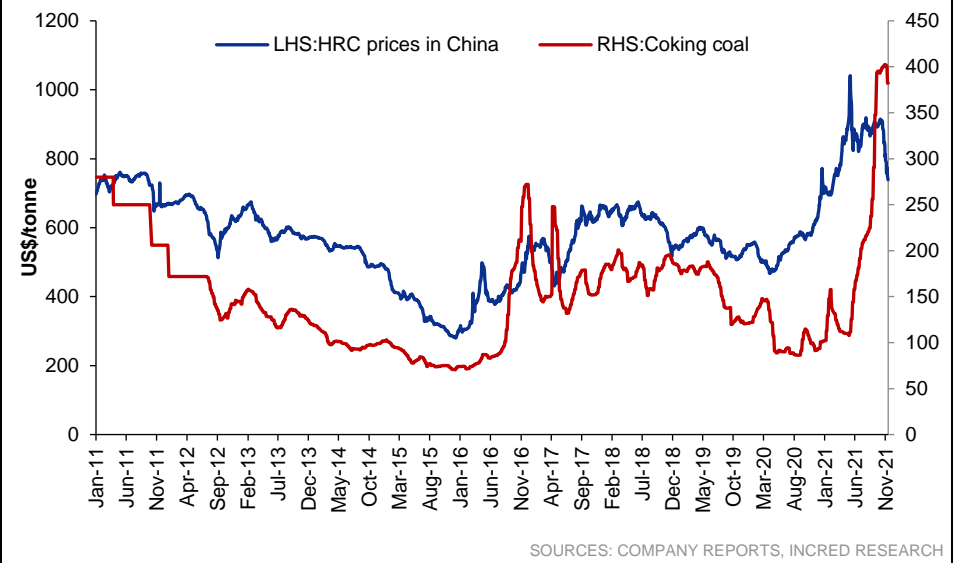


SOURCES: INCRED RESEARCH, COMPANY REPORTS

We believe coking coal prices should stabilize around US\$300/t in the medium-term ➤

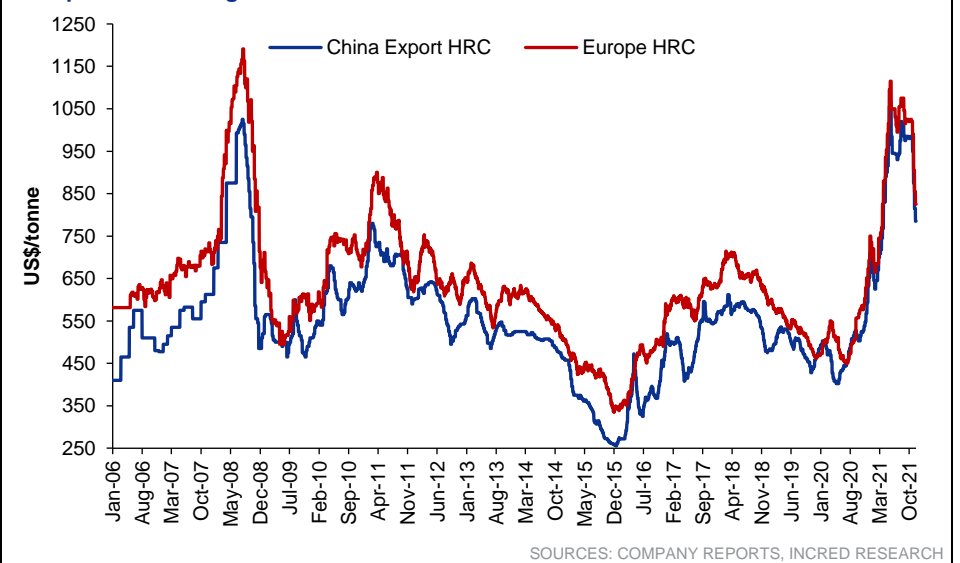
In our recent note, we have shown how lack of investment in coking coal assets is slowing down exports from Australia. ([Please click here for the link of report](#)). Nonetheless, the collapse in China steel prices will have an impact on coking coal prices as well and hence, we expect coking coal prices to fall to US\$300/t.

Figure 15: US\$300/t coking coal prices will mean that China steel prices should bottom out at around US\$600-650/t



China steel prices will drive down European steel prices to US\$700/t ➤

Figure 16: The fall in China HRC prices to US\$600-650/t will invariably lead to Europe HRC prices declining to US\$700/t

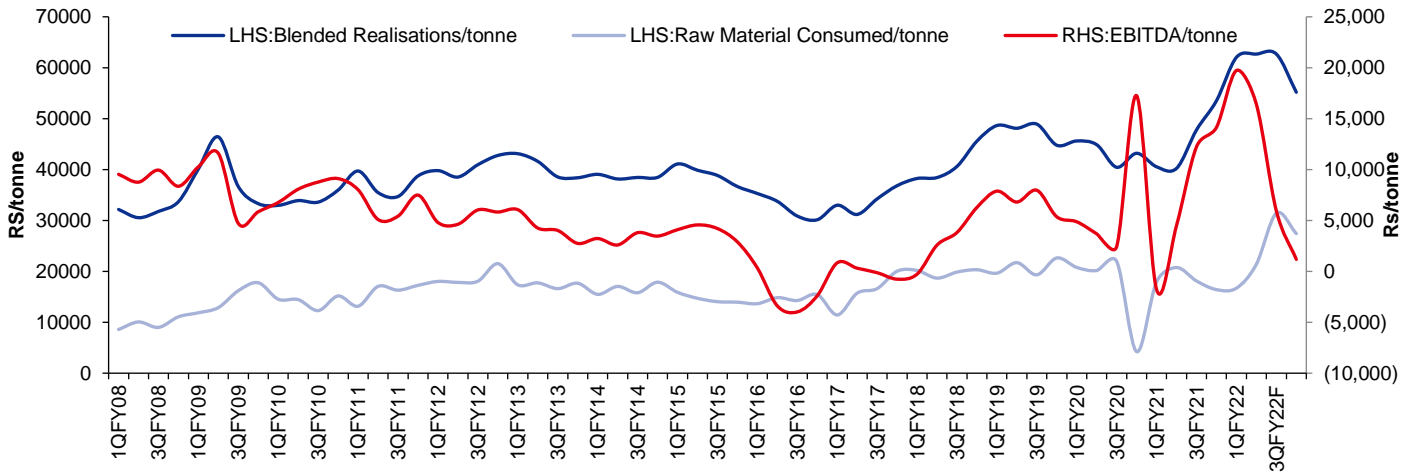


Indian companies will report substantially lower EBITDA/t in Q3FY22F and Q4FY22F

All Indian companies will report substantially lower EBITDA/t in Q3FY22F and Q4FY22F. Steel Authority of India Ltd (SAIL) has done well on deleveraging, but other steel companies have performed very poorly on this front.

SAIL's EBITDA can fall to nearly Rs1,000/t in Q4FY22F ➔

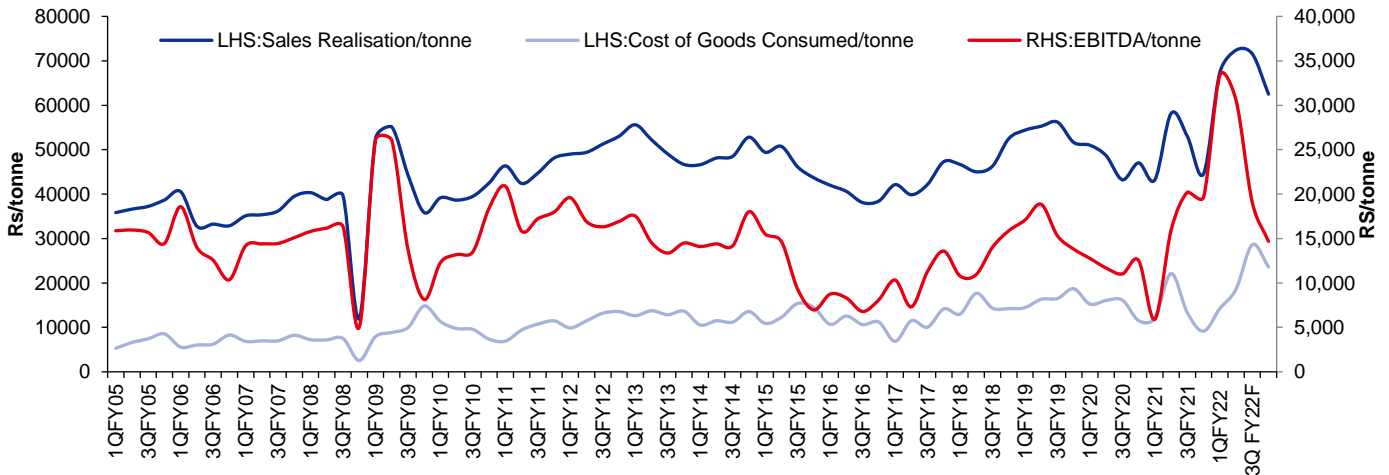
Figure 17: SAIL is likely to report ~Rs1,000/t EBITDA in Q4FY22F



SOURCES: INCRED RESEARCH, COMPANY REPORTS

Tata Steel's India EBITDA should be back to Rs15,000/t from Q4FY22F ➔

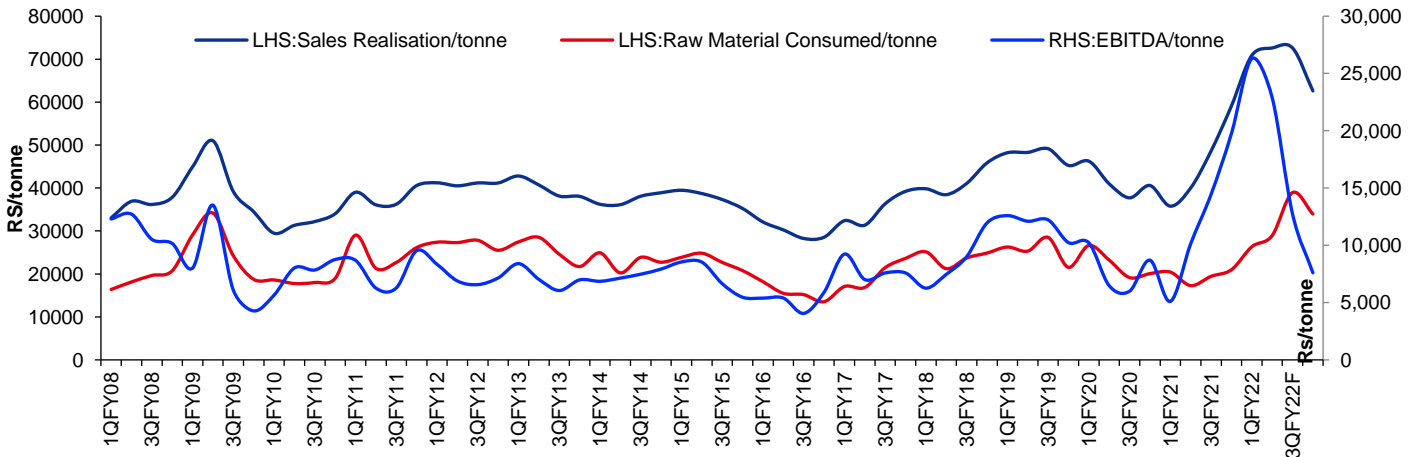
Figure 18: Tata Steel's India EBITDA will be back to its long-term average of Rs15,000/t, in our view



SOURCES: INCRED RESEARCH, COMPANY REPORTS

JSW Steel should also trend down to its average EBITDA level of around Rs7,000/t ➔

Figure 19: From Q4FY22F, JSW Steel's standalone EBITDA will fall to a long-term average of Rs7,000/t



SOURCES: INCRED RESEARCH, COMPANY REPORTS

We adjust our FY22F earnings for steel companies to account for a super-normal H1FY22

We have adjusted our earnings for SAIL, Tata Steel Ltd, JSPL and JSW Steel Ltd for FY22F to adjust for a super-normal H1FY22. We maintain our FY23F earnings and introduce FY24F numbers.

JSW Steel: We we reduce our FY23F numbers and introduce FY24F ➤

Figure 20: We reduce our FY23F estimates to account for higher costs

Rs bn	Old Estimates			New Estimates			Change (%)		
	FY22F	FY23F	FY24F	FY22F	FY23F	FY24F	FY22F	FY23F	FY24F
Consolidated									
Revenues	919	1,069	NA	1,246	1,195	1,280	35.6	11.8	NA
EBITDA	170	174	NA	260	167	161	53.3	(3.7)	NA
PAT	52	53	NA	117	39.8	33.4	124.7	(24.2)	NA
EPS (Rs/share)	21	22	NA	39	13	11	80.5	(38.8)	NA

SOURCES: INCRED RESEARCH, COMPANY REPORTS

SAIL: We maintain our FY23F numbers and introduce FY24F ➤

Figure 21: We increase our FY23F estimates as deleveraging will lead to lower interest costs

Rs m	Old Estimates			New Estimates			Change (%)		
	FY22F	FY23F	FY24F	FY22F	FY23F	FY24F	FY22F	FY23F	FY24F
Revenues	6,84,228	7,28,406	NA	9,79,131	8,06,957	8,58,454	43.1	10.8	NA
EBITDA	73,410	77,764	NA	1,66,198	66,728	69,345	126.4	(14.2)	NA
PAT	195	1,478	NA	61,515	4,429.6	4,890.2	31,446.3	199.7	NA
EPS (Rs/share)	0.0	0.4	NA	14.9	1.1	1.2	31,446.3	199.7	NA

SOURCES: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS (JSW Steel)

Profit & Loss					
(Rs mn)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
Total Net Revenues	733,260	782,370	1,246,213	1,195,045	1,280,488
Gross Profit	345,960	457,290	757,611	696,123	756,248
Operating EBITDA	118,730	185,390	260,025	167,176	160,619
Depreciation And Amortisation	(42,460)	(46,790)	(56,670)	(68,335)	(74,138)
Operating EBIT	76,270	138,600	203,355	98,841	86,481
Financial Income/(Expense)	(42,650)	(39,570)	(39,794)	(39,794)	(39,794)
Pretax Income/(Loss) from Assoc.	(900)	10	10	10	10
Non-Operating Income/(Expense)	5,460	5,920	13,442	5,597	7,709
Profit Before Tax (pre-EI)	38,180	104,960	177,013	64,654	54,407
Exceptional Items	(8,050)	(830)			
Pre-tax Profit	30,130	104,130	177,013	64,654	54,407
Taxation	9,060	(41,420)	(60,426)	(24,809)	(21,040)
Exceptional Income - post-tax					
Profit After Tax	39,190	62,710	116,587	39,845	33,366
Minority Interests	1,110	380	380	380	380
Preferred Dividends	279	279	279	279	279
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	40,579	63,369	117,246	40,504	34,025
Recurring Net Profit	48,629	63,869	117,246	40,504	34,025
Fully Diluted Recurring Net Profit	48,629	63,869	117,246	40,504	34,025

Cash Flow					
(Rs mn)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
EBITDA	118,730	185,390	260,025	167,176	160,619
Cash Flow from Invt. & Assoc.					
Change In Working Capital	16,390	12,640	5,723	(2,047)	(1,869)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	11,180	(9,840)	4,060	1,216	1,044
Other Operating Cashflow	32,340	56,450	53,235	45,390	47,503
Net Interest (Paid)/Received	(39,240)	(37,450)	(39,794)	(39,794)	(39,794)
Tax Paid	(11,550)	(19,300)	(60,426)	(24,809)	(21,040)
Cashflow From Operations	127,850	187,890	222,823	147,132	146,462
Capex	(127,670)	(92,070)	(85,720)	(81,500)	(81,500)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(68,190)	10,880			
Cash Flow From Investing	(195,860)	(81,190)	(85,720)	(81,500)	(81,500)
Debt Raised/(repaid)	114,700	16,740			
Proceeds From Issue Of Shares	(5,660)	390			
Shares Repurchased					
Dividends Paid	(11,950)	(4,830)	(19,909)	(19,909)	(19,909)
Preferred Dividends					
Other Financing Cashflow	(45,200)	(43,400)	(39,794)	(39,794)	(39,794)
Cash Flow From Financing	51,890	(31,100)	(59,703)	(59,703)	(59,703)
Total Cash Generated	(16,120)	75,600	77,401	5,930	5,260
Free Cashflow To Equity	46,690	123,440	137,103	65,632	64,962
Free Cashflow To Firm	(28,770)	144,150	176,897	105,426	104,756

SOURCES: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd (JSW Steel)

Balance Sheet					
(Rs mn)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
Total Cash And Equivalents	120,050	128,210	205,611	211,540	216,800
Total Debtors	45,050	44,860	62,541	63,618	66,262
Inventories	138,640	142,490	199,209	202,665	211,144
Total Other Current Assets	61,950	42,960	52,163	51,835	53,918
Total Current Assets	365,690	358,520	519,523	529,659	548,124
Fixed Assets	887,700	968,880	997,930	1,011,095	1,018,457
Total Investments	12,570	88,320	88,320	88,320	88,320
Intangible Assets	4,150	3,360	3,360	3,360	3,360
Total Other Non-Current Assets	48,090	64,090	71,928	71,510	71,721
Total Non-current Assets	952,510	1,124,650	1,161,537	1,174,285	1,181,859
Short-term Debt	83,250	19,990	19,990	19,990	19,990
Current Portion of Long-Term Debt					
Total Creditors	179,180	152,430	216,884	220,811	230,446
Other Current Liabilities	110,700	177,390	202,262	200,493	202,194
Total Current Liabilities	373,130	349,810	439,136	441,294	452,630
Total Long-term Debt	510,480	580,490	580,490	580,490	580,490
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	54,100	47,810	59,516	59,706	61,289
Total Non-current Liabilities	564,580	628,300	640,006	640,196	641,779
Total Provisions	20,250	43,610	44,181	45,170	45,222
Total Liabilities	957,960	1,021,720	1,123,323	1,126,660	1,139,631
Shareholders Equity	365,990	467,640	564,308	584,234	597,681
Minority Interests	(5,750)	(6,190)	(6,570)	(6,950)	(7,330)
Total Equity	360,240	461,450	557,738	577,284	590,351

Key Ratios					
	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
Revenue Growth	(13.5%)	6.7%	59.3%	(4.1%)	7.1%
Operating EBITDA Growth	(37.4%)	56.1%	40.3%	(35.7%)	(3.9%)
Operating EBITDA Margin	16.2%	23.7%	20.9%	14.0%	12.5%
Net Cash Per Share (Rs)	(196.86)	(156.38)	(130.75)	(128.79)	(127.05)
BVPS (Rs)	152.10	154.85	186.86	193.45	197.91
Gross Interest Cover	1.79	3.50	5.11	2.48	2.17
Effective Tax Rate		39.8%	34.1%	38.4%	38.7%
Net Dividend Payout Ratio	40.4%	30.6%	16.7%	48.5%	57.7%
Accounts Receivables Days	29.03	20.97	15.73	19.27	18.51
Inventory Days	133.88	157.83	127.63	147.00	144.06
Accounts Payables Days	160.57	186.17	137.94	160.10	157.09
ROIC (%)	11.0%	8.9%	13.8%	6.2%	5.3%
ROCE (%)	8.3%	13.4%	17.8%	8.2%	7.1%
Return On Average Assets	8.3%	6.2%	9.0%	3.8%	3.4%

SOURCES: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS (Steel Authority of India)

Profit & Loss					
(Rs mn)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
Total Net Revenues	602,492	691,100	979,131	806,957	858,454
Gross Profit	320,670	417,053	580,068	391,476	413,329
Operating EBITDA	42,625	127,281	166,198	66,728	69,345
Depreciation And Amortisation	(37,551)	(41,020)	(41,855)	(43,922)	(45,300)
Operating EBIT	5,075	86,261	124,342	22,806	24,045
Financial Income/(Expense)	(34,868)	(28,171)	(22,452)	(22,452)	(22,452)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	9,852	10,117	8,022	7,560	7,144
Profit Before Tax (pre-EI)	(19,941)	68,206	109,913	7,915	8,738
Exceptional Items	51,647	584			
Pre-tax Profit	31,707	68,790	109,913	7,915	8,738
Taxation	(11,491)	(30,290)	(48,397)	(3,485)	(3,847)
Exceptional Income - post-tax					
Profit After Tax	20,215	38,500	61,515	4,430	4,890
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	20,215	38,500	61,515	4,430	4,890
Recurring Net Profit	(12,714)	38,173	61,515	4,430	4,890
Fully Diluted Recurring Net Profit	(12,714)	38,173	61,515	4,430	4,890

Cash Flow					
(Rs mn)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
EBITDA	42,625	127,281	166,198	66,728	69,345
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(106,806)	100,367	(56,868)	14,015	(8,364)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	(1,956)	(4,221)	766	(10,697)	2,022
Other Operating Cashflow	92,631	38,535	(66,321)	23,042	21,901
Net Interest (Paid)/Received	(33,870)	(28,226)	(22,452)	(22,452)	(22,452)
Tax Paid	871	224	48,397	3,485	3,847
Cashflow From Operations	(6,506)	233,959	69,720	74,121	66,300
Capex	(44,491)	(36,843)	(40,000)	(40,000)	(40,000)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	2,130	2,935			
Cash Flow From Investing	(42,361)	(33,908)	(40,000)	(40,000)	(40,000)
Debt Raised/(repaid)	89,074	(163,350)			
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(2,481)	(4,131)			
Preferred Dividends					
Other Financing Cashflow	(36,538)	(29,421)	(22,452)	(22,452)	(22,452)
Cash Flow From Financing	50,055	(196,901)	(22,452)	(22,452)	(22,452)
Total Cash Generated	1,188	3,150	7,268	11,670	3,848
Free Cashflow To Equity	40,207	36,701	29,720	34,121	26,300
Free Cashflow To Firm	(14,997)	228,277	52,172	56,573	48,752

SOURCES: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd (Steel Authority of India)

Balance Sheet					
(Rs mn)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
Total Cash And Equivalents	3,633	6,805	14,074	25,743	29,592
Total Debtors	88,124	71,240	75,000	70,000	75,327
Inventories	237,472	152,720	268,255	221,084	235,193
Total Other Current Assets	79,956	88,996	98,920	94,283	95,541
Total Current Assets	409,185	319,761	456,249	411,111	435,652
Fixed Assets	777,706	788,951	787,096	783,174	777,874
Total Investments	15,850	15,950	15,950	15,950	15,950
Intangible Assets					
Total Other Non-Current Assets	48,238	28,740	29,590	29,315	29,386
Total Non-current Assets	841,794	833,642	832,636	828,439	823,210
Short-term Debt	166,408	158,502	158,502	158,502	158,502
Current Portion of Long-Term Debt					
Total Creditors	63,270	70,144	100,303	82,665	87,941
Other Current Liabilities	190,644	215,237	257,430	232,274	239,327
Total Current Liabilities	420,322	443,884	516,235	473,441	485,770
Total Long-term Debt	374,863	200,070	200,070	200,070	200,070
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	16,931	16,710	18,357	17,080	17,324
Total Non-current Liabilities	391,794	216,780	218,427	217,150	217,393
Total Provisions	41,088	57,791	57,759	48,064	49,914
Total Liabilities	853,204	718,454	792,421	738,655	753,077
Shareholders Equity	397,774	434,949	496,464	500,894	505,784
Minority Interests					
Total Equity	397,774	434,949	496,464	500,894	505,784

Key Ratios					
	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
Revenue Growth	(10.0%)	14.7%	41.7%	(17.6%)	6.4%
Operating EBITDA Growth	(56.2%)	198.6%	30.6%	(59.8%)	3.9%
Operating EBITDA Margin	7.1%	18.4%	17.0%	8.3%	8.1%
Net Cash Per Share (Rs)	(130.17)	(85.17)	(83.41)	(80.58)	(79.65)
BVPS (Rs)	96.30	105.30	120.20	121.27	122.45
Gross Interest Cover	0.15	3.06	5.54	1.02	1.07
Effective Tax Rate	36.2%	44.0%	44.0%	44.0%	44.0%
Net Dividend Payout Ratio					
Accounts Receivables Days	40.31	42.08	27.26	32.79	30.90
Inventory Days	279.68	259.85	192.52	214.94	187.07
Accounts Payables Days	(88.02)	(88.85)	(77.95)	(80.37)	(69.95)
ROIC (%)	0.5%	10.2%	13.8%	2.6%	2.7%
ROCE (%)	0.6%	9.9%	15.0%	2.7%	2.8%
Return On Average Assets	0.3%	5.5%	6.9%	2.1%	2.2%

SOURCES: INCRED RESEARCH, COMPANY REPORTS

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The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. CGS-CIMB Thailand does not confirm nor certify the accuracy of such survey result.

Score Range:	90 - 100	80 – 89	70 - 79	Below 70	No Survey Result
Description:	Excellent	Very Good	Good	N/A	N/A

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Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2021, Anti-Corruption 2021

ADVANC – Excellent, Certified, **AMATA** – Excellent, Certified, **ANAN** – Excellent, n/a, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Excellent, n/a, **AWC** – Excellent, Declared, **AU** – Good, n/a, **BAM** – Very Good, Certified, **BAY** – Excellent, Certified, **BBL** – Excellent, Certified, **BCH** – Very Good, Certified, **BCP** – Excellent, Certified, **BCPG** – Excellent, Certified, **BDMS** – Excellent, n/a, **BEAUTY** – Good, n/a, **BEM** – Excellent, n/a, **BH** – Good, n/a, **BJC** – Very Good, n/a, **BLA** – Very Good, Certified, **BTS** – Excellent, Certified, **CBG** – Very Good, n/a, **CGET** – n/a, n/a, **CENDEL** – Excellent, Certified, **CHAYO** – Very Good, n/a, **CHG** – Very Good, n/a, **CK** – Excellent, n/a, **COM7** – Excellent, Certified, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** – Excellent, Certified, **CPNREIT** – n/a, n/a, **CRC** – Excellent, Declared, **DELTA** – Excellent, Certified, **DDD** – Excellent, n/a, **DIF** – n/a, n/a, **DOHOME** – Very Good, Declared, **DREIT** – n/a, n/a, **DTAC** – Excellent, Certified, **ECL** – Excellent, Certified, **EGCO** – Excellent, Certified, **EPG** – Excellent, Certified, **ERW** – Very Good, Certified, **GFPT** – Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Excellent, n/a, **HANA** – Excellent, Certified, **HMPRO** – Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Certified, **III** – Excellent, Declared, **INTUCH** – Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** – Excellent, Certified, **JASIF** – n/a, n/a, **JKN** – n/a, Certified, **JMT** – Very Good, n/a, **KBANK** – Excellent, Certified, **KCE** – Excellent, Certified, **KEX** – Very Good, Declared, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** – Excellent, Certified, **KTC** – Excellent, Certified, **LH** – Excellent, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MAKRO** – Excellent, Certified, **MC** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** – Excellent, Certified, **MTC** – Excellent, Certified, **NETBAY** – Very Good, n/a, **NRF** – Very Good, Declared, **OR** – Excellent, n/a, **ORI** – Excellent, Certified, **OSP** – Excellent, n/a, **PLANB** – Excellent, Certified, **PRINC** – Very Good, Certified, **PR9** – Excellent, Declared, **PSH** – Excellent, Certified, **PTT** – Excellent, Certified, **PTTEP** – Excellent, n/a, **PTTGC** – Excellent, Certified, **QH** – Excellent, Certified, **RAM** – n/a, n/a, **RBF** – Very Good, n/a, **RS** – Excellent, Declared, **RSP** – Good, n/a, **S** – Excellent, n/a, **SAK** – Very Good, Declared, **SAPPE** – Very Good, Certified, **SAWAD** – Very Good, n/a, **SCB** – Excellent, Certified, **SCC** – Excellent, Certified, **SCGP** – Excellent, Declared, **SECURE** – n/a, n/a, **SHR** – Excellent, n/a, **SIRI** – Excellent, Certified, **SPA** – Very Good, n/a, **SPALI** – Excellent, Certified, **SPRC** – Excellent, Certified, **SSP** – Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIDLOR** – n/a, Certified, **TISCO** – Excellent, Certified, **TKN** – Very Good, n/a, **TOP** – Excellent, Certified, **TRUE** – Excellent, Certified, **TTB** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Certified, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – n/a, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

- CG Score 2021 from Thai Institute of Directors Association (IOD)

- Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of August 5, 2021) are categorised into: companies that have declared their intention to join CAC, and companies certified by CAC.

Recommendation Framework

Stock Ratings

Definition:

Add	The stock's total return is expected to exceed 10% over the next 12 months.
Hold	The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
Reduce	The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

Overweight	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.