

Rationale:

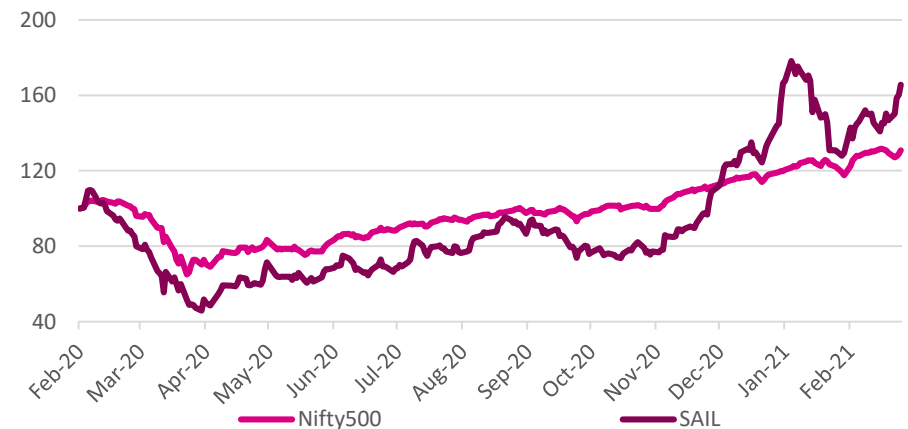
- ❑ Steel Authority of India Limited (SAIL) is one of the largest steel-making companies in India and one of the Maharatna's of the country's Central Public Sector Enterprises.
- ❑ SAIL produces iron and steel at five integrated plants and three special steel plants, located principally in the eastern and central regions of India and situated close to domestic sources of raw materials. SAIL manufactures and sells a broad range of steel products including special steel used in defence manufacturing.
- ❑ During the latest quarterly results the company has reported a growth of 19.6% in sales at ₹19,614 million as against ₹16,405 million in Q3-FY20. The company's operating profit margins stood at 27% at ₹5,294 million for the quarter against 7.2% at ₹1,186 million YoY, one of the highest operating margins.
- ❑ The improvement in operating performance was mainly due to higher realisation. In terms of volume, the company's steel sales rose 1.5% YoY to 4.15Mn. Tons. For the nine month period the company's sales stood at 10.6 Mn. Tons.
- ❑ During the current financial year, domestic demand had been impacted on account of COVID-19 during the initial months. However, the company has seized the opportunity available in the international market by exporting about 1.52 Mn. tonnes during the period as against 0.85 Mn. tonnes during YoY. Further, the domestic markets have also started to recover which has reflected in positive current quarter performance.
- ❑ In terms of balance sheet, the company has also continued to reduce debt which stood at ₹466.1 billion in Q3-FY21 as against ₹541.3 billion in Q4-FY20, a reduction of ~14%. The company has guided its net debt to fall below ₹400 billion by Q4-FY21. The management is also expected to revise employee costs and has guided it to increase by about 10% in Q4-FY21.
- ❑ In terms of guidance, the company expects to maintain its current run rate of sales volume of about 4.2 Mn.Tons and achieve about 17Mn.Ton in FY22. On capex front the company has incurred capex of about ₹24.4 billion so far and expects to close the current financial year at about ₹48 billion.
- ❑ We believe the company to continue to benefit from better realisations in medium term, the expected increase in employee costs should be absorbed by improved realisations and increased share of value added products. Also, the stronger balance sheet due to lower debt augurs well for the company.
- ❑ We initiate our coverage on SAIL with **BUY** recommendation and a target price of **₹94 per share**.

Research Team

52 Week Low / High	20.1 / 80.3
Avg. Daily Volume (3M) ('000)	71,135
No. of Shares O/S (Mn.) / Mkt. Cap (₹Mn.)	4130.5 / 3,04,420
Shareholding (Promoters/Institutional/Others)	75% / 17.1% / 7.9%

(In ₹ mn)	FY-19	FY-20	FY-21E	FY-22E
Net Sales	6,74,681	6,25,700	6,77,741	7,41,683
EBITDA	1,02,560	1,11,215	1,27,555	1,30,500
EBITDA Margin	15.2%	17.8%	18.8%	17.6%
PAT	21,258	19,264	42,710	45,149
PAT Margin	3.2%	3.1%	6.3%	6.1%
EPS (₹)	5.1	4.7	10.3	10.9
P/E (x)	14.3	15.8	7.1	6.7

Source: Company, Bloomberg Consensus Estimates. Note: Prices are as on 25-Feb-21

Price Performance (Feb'20=100)

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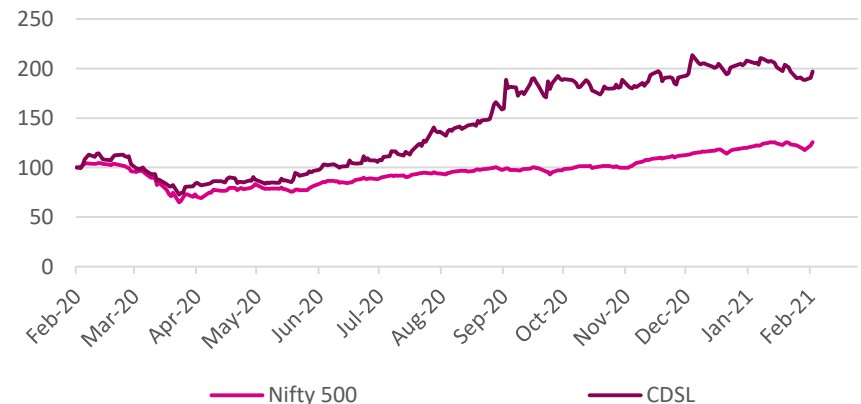
- Commencing operations in 1999, Central Depository Services (India) Ltd. (CDSL) facilitates holding and transacting in securities in the electronic form and facilitates settlement of trades executed on stock exchanges. These securities include equities, debentures, bonds, Exchange Traded Funds, units of mutual funds, units of Alternate Investment Funds, Government Securities, etc.
- The Depository Participants (DPs) act as agent of the company and offer depository services to the beneficial owner of the securities. Among other services, CDSL offers services to corporates, KYC services in respect of investors to capital market intermediaries, facilitates holding of insurance policies in electronic form to the policy holders and online services such as e-voting, e-Locker, etc.
- CDSL enjoys strong market position as India's largest securities depository. In terms of cumulative market share of active demat accounts, CDSL has witnessed a solid growth in market share from 40% in FY14 to 51% in FY20. As of Jan 31, 2021, the company had 588 DPs.
- Revenue of the company remains well diversified with Annual Issuer charges comprising about 34% of FY20 revenues, followed by Transaction charges (19%), online data charges (16%), IPO / Corporate action charges (10%) and others (17%). Notably, CDSL has high stability of revenues from the fixed annual charges collected from the registered Issuer companies and transaction-based fees received from DPs.
- During Q3-FY21, CDSL reported revenue of ₹861.3 million up by 59.1% YoY and PAT of ₹540.3 million up by 150.1% YoY. During Q3-FY21, The number of new active Beneficial Owners accounts with CDSL increased by 2.8 million taking the total number of active beneficial to 28.9 million and as on 31st Jan 2021 the company reported 30.4 million accounts an increase by 1.5 million accounts in the month of January 2021.
- Within financial assets, the allocation towards equities has been rising as retail investors have usually been under-invested in equities. CDSL stands to benefit with growth in capital markets. Also, increasing thrust on digital account opening & online initiatives create further optimism. We initiate our coverage on CDSL with **BUY** rating with a target price of **₹760 per share**.

52 Week Low / High	179.8 / 632.5
Avg. Daily Volume (3M) ('000)	1242.56
No. of Shares O/S (Mn.) / Mkt. Cap (₹Mn.)	104.5 / 64,706
Shareholding (Promoters/Institutional/Others)	20.0% / 42.73% / 37.27%

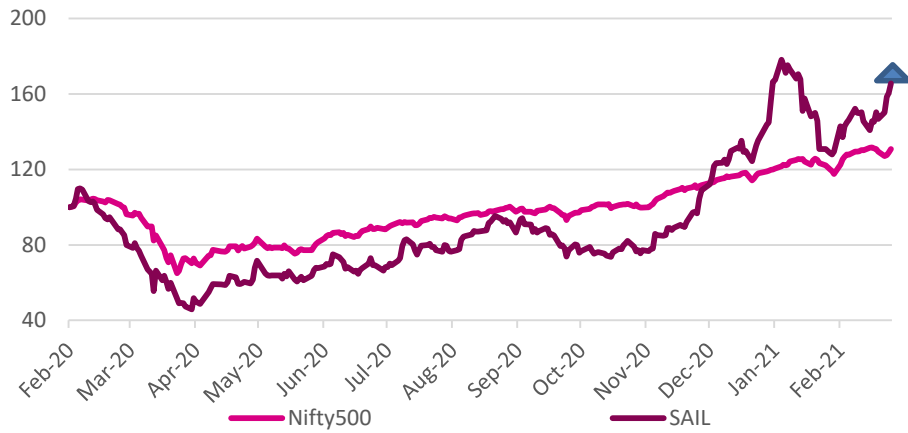
(In ₹ mn)	FY-19	FY-20	FY-21E	FY-22E
Net Sales	1,963	2,251	3,144	3,440
EBITDA	1,089	890	1,888	2,017
EBITDA Margin	55.5%	39.5%	60.0%	58.6%
PAT	1,135	1,062	1,853	1,962
PAT Margin	57.8%	47.1%	58.9%	57.0%
EPS (₹)	10.9	10.2	17.75	18.8
P/E (x)	56.7	60.6	34.8	32.9

Source: Company, Bloomberg Consensus Estimates. Note: Prices are as on 25-Feb-21

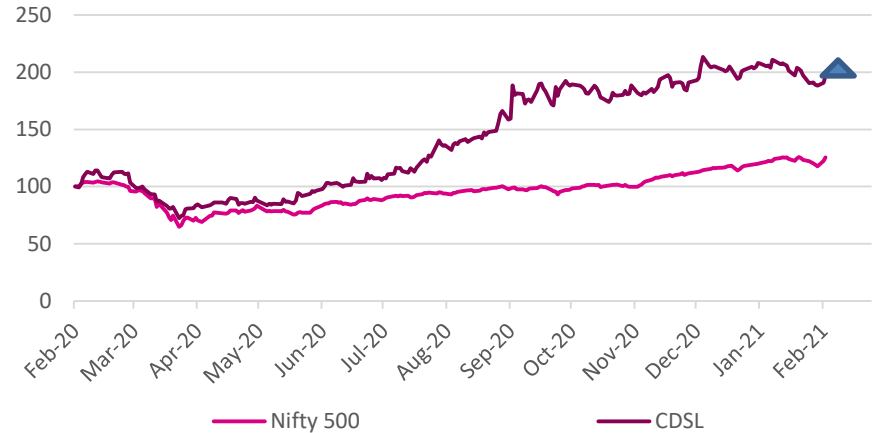
Price Performance (Feb'20=100)



SAIL rating history & price chart



CDSL rating history & price chart



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Large Caps (>₹300Bn.)	15%	5%-10%	Below 5%
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