

Estimate change	↔↔
TP change	↔↔
Rating change	↔↔

Bloomberg	SAIL IN
Equity Shares (m)	4130
M.Cap.(INRb)/(USDb)	566 / 6.4
52-Week Range (INR)	143 / 99
1, 6, 12 Rel. Per (%)	-3/14/12
12M Avg Val (INR M)	2124
Free float (%)	35.0

Financials & Valuations (INR b)

Y/E MARCH	2026E	2027E	2028E
Sales	1,083	1,193	1,282
EBITDA	112	141	151
APAT	35	54	59
EBITDA Margin (%)	10	12	12
Cons. Adj. EPS (INR)	8	13	14
EPS Gr. (%)	158	57	8
BV/Sh. (INR)	149	160	171
Ratios			
Net D:E	0.5	0.5	0.5
RoE (%)	5.7	8.5	8.6
RoCE (%)	6.0	8.4	8.7
Payout (%)	15.0	20.0	20.0
Valuations			
P/E (x)	16.4	10.4	9.7
P/BV (x)	0.9	0.9	0.8
EV/EBITDA(x)	7.6	6.2	5.9
Div. Yield (%)	0.9	1.9	2.1
FCF Yield (%)	16.0	-0.2	2.1

Shareholding pattern (%)

As On	Sep-25	Jun-25	Sep-24
Promoter	65.0	65.0	65.0
DII	18.1	17.3	16.0
FII	3.8	3.7	2.8
Others	13.2	14.0	16.2

FII Includes depository receipts

CMP: INR137

TP: INR150 (+9%)

Neutral

Beat on estimates driven by better-than-expected volume and NSR; outlook strong

- SAIL reported revenue of INR267b (+16% YoY and +4% QoQ) in 2QFY26 against our estimate of INR244b. The beat was driven by healthy volume growth and a lower-than-expected decline in NSR.
- During the quarter, crude steel production stood at 4.9mt (+6% YoY and +3% QoQ), while sales volume was also 4.9mt (+20% YoY and +8% QoQ vs our est. 4.6mt). Strong offtake during 2QFY26 led to an inventory reduction to 1.9mt (vs opening stock of 2.7mt).
- ASP stood at INR54,387/t (-3% YoY and -4% QoQ) vs. our est. of INR52,590/t in 2QFY26. The decline in steel prices during 2Q was largely offset by higher sales of scrap (incl. defects) and by-product inventories (contributed INR11.4b in 2QFY26 vs INR8.69b in 1QFY26), leading to a better-than-expected NSR.
- EBITDA stood at INR25.3b (+98% YoY and -3% QoQ) against our est. of INR16.5b. EBITDA/t stood at INR5,149/t (vs. our est. of INR3,553/t), rising 66% YoY but declining 10% QoQ, driven by a decent NSR and lower operating cost. Adj. PAT came in at INR6.7b (vs. our est. INR1b), up 18% QoQ, compared to a net loss of INR3.8b in 2QFY25.
- In 1HFY26, sales volume stood at 9.5mt (+17% YoY) and revenue at INR525b (+12% YoY). EBITDA stood at INR51b (+47% YoY; INR5,416/t), driven by strong revenue and muted cost during 1HFY26. Adj. PAT stood at INR12.4b in 1HFY26, compared to the net loss of INR548m in 1HFY25.

Highlights from the management commentary

- Steel prices are expected to recover from late Nov'25 onwards, driven by a seasonal pickup in domestic demand, infra spending, and restocking activity.
- The company expects coking coal costs to rise USD6-8/t in 3QFY26.
- It has guided for 2HFY26 margins to expand over higher volumes, improved realizations, and lower input costs.
- The company has maintained its full-year capex guidance of over INR75b for FY26. For FY27, it has guided for higher capex of INR100b, mainly directed toward major expansion projects.
- The deleveraging measure will be supported by inventory liquidation, higher by-product monetization, and disciplined capex execution.

Valuation and view

- Despite muted NSR over weak seasonal prices, SAIL reported a strong 2QFY26 earnings, driven by healthy volumes and muted costs. The earnings outperformance during the quarter was primarily attributed to better-than-expected NSR.

- The company expects improved operational performance in 2HFY26, supported by higher volumes, efficiency gains, inventory liquidation, and stable raw material costs. We have increased our FY26 Revenue/EBITDA and APAT estimates by 3%/18% and 13% to incorporate the 2Q performance beat, while we largely maintain our FY27 estimates.
- SAIL plans to increase its capacity to 35mtpa. It is currently in the initial tendering phase, with any notable development likely to be visible only after FY27. Considering the limited room for production, we estimate a modest volume CAGR of 6% over FY26-28E. Therefore, any incremental earnings will be driven by healthy pricing and lower costs. **We reiterate our Neutral rating on the stock with a TP of INR150 (premised on 6.5x EV/EBITDA on Sep'27 estimate).**

Quarterly performance (INR b)

Y/E March	FY25				FY26				FY25	FY26	FY26	Vs Est
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	(%)
Sales (m tons)	4.0	4.1	4.4	5.3	4.6	4.9	4.9	5.1	17.9	19.4	4.6	6.0
Change (YoY %)	3.4	(14.6)	16.6	16.9	13.5	19.8	9.5	(4.1)	4.9	8.7		
Realization (INR per ton)	59,845	56,191	55,282	55,002	56,590	54,387	55,387	56,666	56,431	55,753	52,590	3.4
Change (YoY %)	(4.7)	(3.5)	(10.0)	(4.4)	(5.4)	(3.2)	0.2	3.0	(5.6)	(1.2)		
Net Sales	240.0	230.4	244.9	293.2	257.5	267.0	268.7	289.5	1,008.4	1,082.7	243.6	9.6
Change (YoY %)	(1.5)	(17.6)	4.9	11.7	7.3	15.9	9.7	(1.2)	(1.1)	7.4		
Change (QoQ %)	(8.6)	(4.0)	6.3	19.7	(12.2)	3.7	0.6	7.7				
Total Expenditure	217.8	217.6	224.6	258.3	231.5	241.8	240.4	256.6	918.3	970.3		
EBITDA	22.2	12.8	20.3	34.8	26.0	25.3	28.3	32.9	90.1	112.4	16.5	53.6
Change (YoY %)	34.6	(40.0)	(5.3)	97.0	16.9	98.2	39.4	(5.5)	17.2	24.8		
Change (QoQ %)	25.5	(42.5)	59.1	71.6	(25.5)	(2.6)	11.9	16.4				
EBITDA per ton (INR)	5,536	3,111	4,582	6,536	5,704	5,149	5,831	6,444	5,042	5,790	3,553	44.9
Interest	6.9	7.6	6.8	6.6	5.9	4.8	5.5	5.8	27.9	22.2		
Depreciation	14.0	13.0	14.2	15.2	14.4	14.5	14.9	15.6	56.5	59.4		
Other Income	1.8	1.7	2.3	3.0	1.6	2.1	2.4	2.6	8.8	8.8		
Share of Asso/JVs	1.1	1.6	1.3	0.9	0.7	1.0	1.8	2.5	4.9	6.0		
PBT (before EO Inc.)	4.1	(4.6)	2.9	16.9	7.9	8.9	12.1	16.6	19.3	45.6		
EO Income(exp)	(3.1)	16.4	0.3	(0.3)	1.7	(3.4)	-	-	13.2	(1.6)		
PBT (after EO Inc.)	1.0	11.7	3.2	16.6	9.7	5.6	12.1	16.6	32.5	43.9		
Total Tax	0.2	2.8	1.8	4.1	2.2	1.4	3.0	4.4	8.8	11.0		
% Tax	16.6	23.5	56.1	24.5	23.1	24.7	25.0	26.2	27.1	25.0		
Reported PAT	0.8	9.0	1.4	12.5	7.4	4.2	9.1	12.2	23.7	32.9		
Adjusted PAT	3.2	(3.8)	1.1	12.8	5.7	6.7	9.1	12.2	13.4	34.6	1.0	NA
Change (YoY %)	52.9	(219.3)	(69.1)	609.1	75.7	(277.1)	698.7	(4.3)	24.3	158.3		
Change (QoQ %)	80.0	(216.9)	(129.9)	1,029.5	(55.4)	17.8	34.6	35.3				

Source: MOFSL, Company



Highlights from the management commentary

Guidance:

- The company has guided for volume growth to continue in 2HFY26, supported by production and inventory liquidation. Management expects volumes to grow 5-7% YoY in FY27E, mainly through debottlenecking projects rather than adding major new capacities.
- The share of value-added steel rose to 57% of total sales in 2QFY26 (vs 55% in 1Q), and is expected to reach 60% by 4QFY26, supported by a better product mix.
- On account of weaker steel prices, the average blended NSR declined by about INR2,700/t QoQ to INR49,000/t in 2QFY26. Within product categories, long prices declined from INR54,500/t to INR49,000/t during the quarter, while flat prices declined from INR50,400/t to INR48,700/t.
- Despite lower steel prices, overall NSR was supported by higher by-product and scrap sales, which contributed INR11.4b in 2QFY26 vs INR8.69b in 1QFY26.
- Management indicated that the long steel prices remained flat at INR49,900/t, while flat prices reduced by INR1,200-1,300/t to INR46,600/t in Oct'25 vs the 2QFY26 average.
- Steel prices are expected to recover from late Nov'25 onwards, driven by a seasonal pickup in domestic demand, infra spending, and restocking activity.
- Oct'25 imported coking coal cost stood at ~INR17,400/t, broadly stable compared to 2QFY26 average, but increased from INR16,600/t in Aug'25 mainly due to rupee depreciation.
- Coking coal prices increased from USD185/t to USD195/t and remained range-bound at the current level. Management expects the company's coking coal costs to rise USD6-8/t in 3QFY26.
- The company is actively liquidating old iron ore dump inventories, particularly in Jharkhand, to enhance cash flow and free up working capital. Current iron ore dump dispatches are running at ~0.7-0.8mtpa.

Capex:

- The company has maintained its full-year capex guidance of over INR75b for FY26. For FY27, it has guided for a higher capex of INR100b, mainly toward major expansion projects.
- The company's capex remains focused on modernization, debottlenecking, and value-added product facilities across Bhilai, Rourkela, and Durgapur steel plants.
- Management stated that post-FY27, capex intensity will increase as large-scale capacity expansion projects move into full swing.
- The IISCO Steel Plant expansion will add 4.5mtpa of crude steel capacity at an estimated total cost of INR360b. Most of the orders for IISCO expansion have been finalized, and major spends are expected to begin in FY27.
- Alongside IISCO, debottlenecking projects at existing integrated plants are expected to deliver 5-7% annual growth in volumes for FY27.

Debt and other highlights:

- Interest costs have started to decline as a result of ongoing deleveraging and improved cash generation.

- The company continues to focus on debt reduction to create financial headroom for the upcoming expansion phase beginning FY27.
- The deleveraging measure will be supported by inventory liquidation, higher by-product monetization, and disciplined capex execution.

Story in charts

Exhibit 1: Sales volume (mt) and VAP quarterly trend

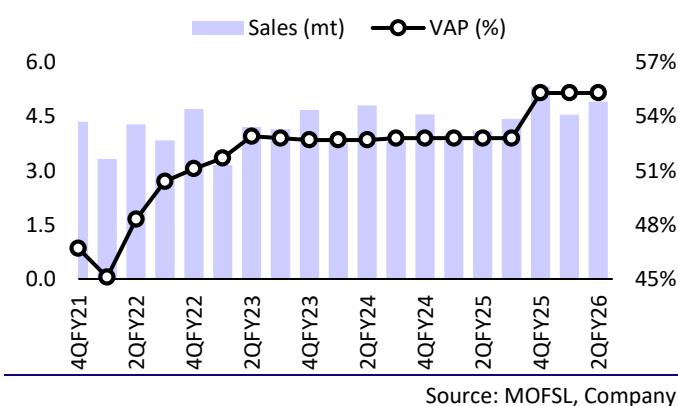


Exhibit 2: Breakup of longs-semis-flats

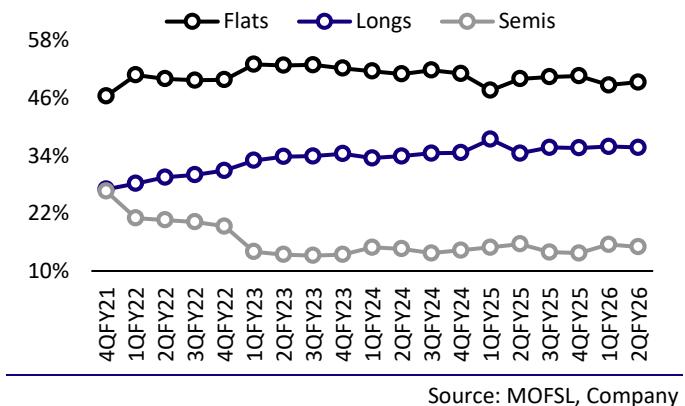


Exhibit 3: EBITDA/t decline over weak NSR

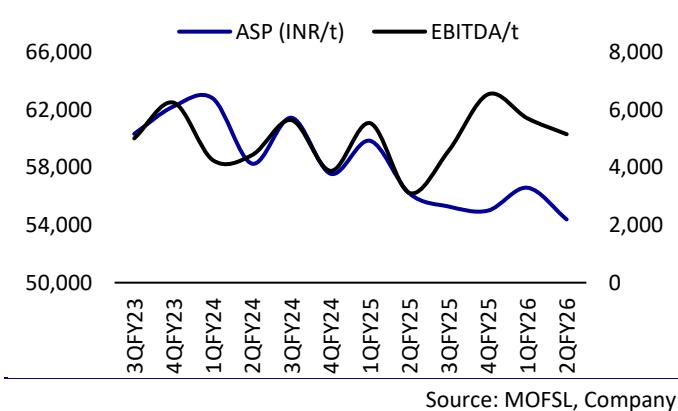


Exhibit 4: HRC prices (INR/t) muted

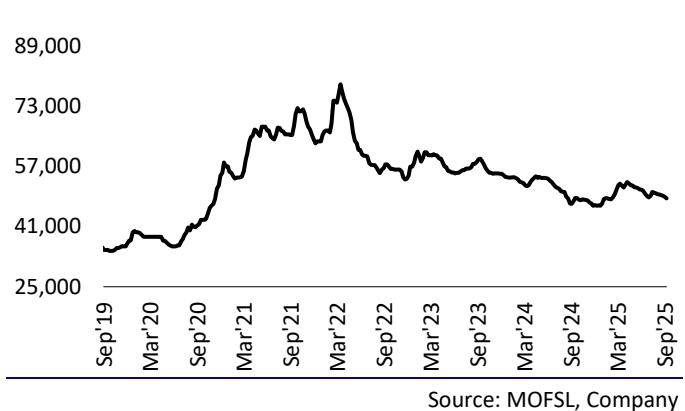


Exhibit 5: Sales (mt) growth to remain modest

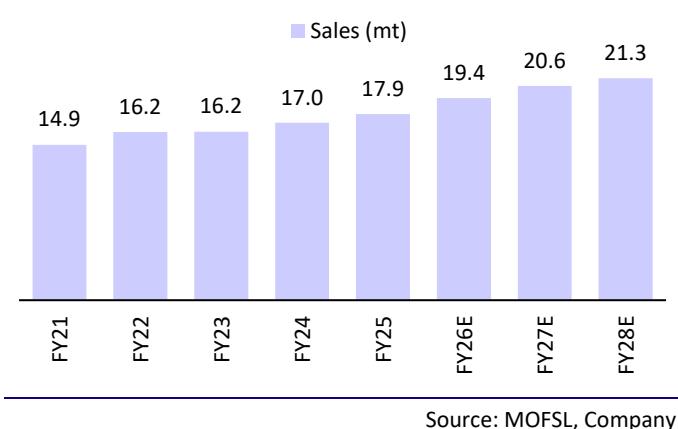


Exhibit 6: EBITDA/t to improve in the long run

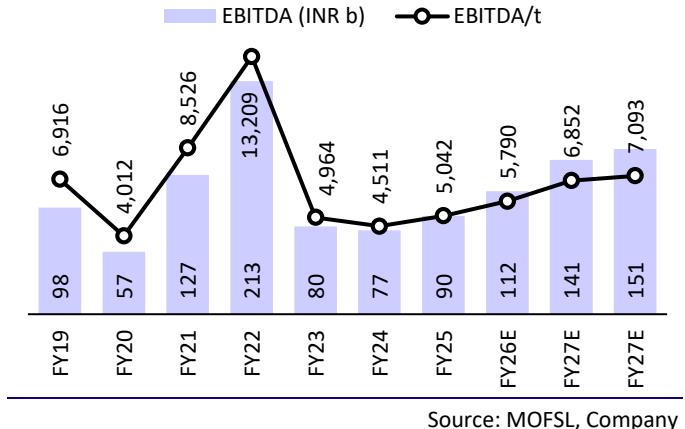
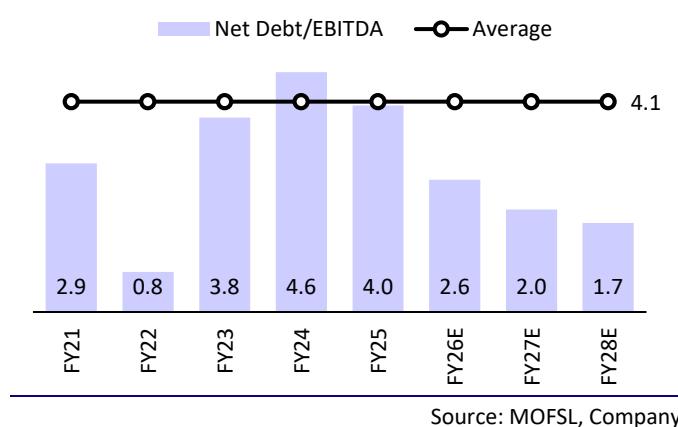
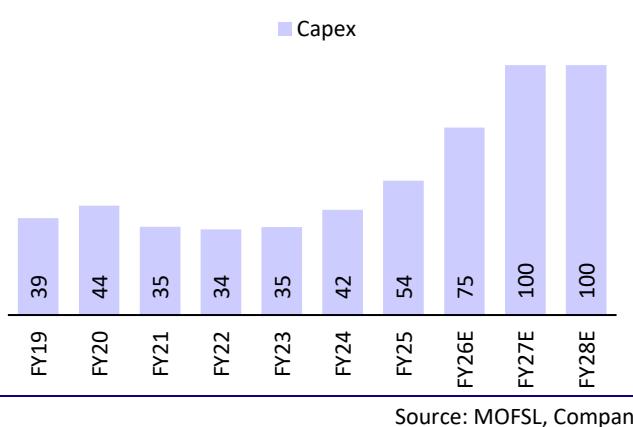


Exhibit 7: Net debt/EBITDA to decline due to expanded margins



Source: MOFSL, Company

Exhibit 8: Major capex (INR b) to start post-FY27E



Source: MOFSL, Company

Exhibit 9: Key financials and revisions to our estimates

	FY26E			FY26E		
	New	Old	Change (%)	New	Old	Change (%)
Sales (mt)	19.4	19.1	1.6	20.6	20.2	1.9
Realization/t	55,753	55,228	1.0	57,911	62,975	-8.0
EBITDA/t	5,790	4,997	15.9	6,852	7,062	-3.0
Revenue (INR b)	1,083	1,056	2.5	1,193	1,273	-6.3
EBITDA (INR b)	112	96	17.7	141	143	-1.1
PAT (INR b)	35	22	59.3	54	55	-1.5

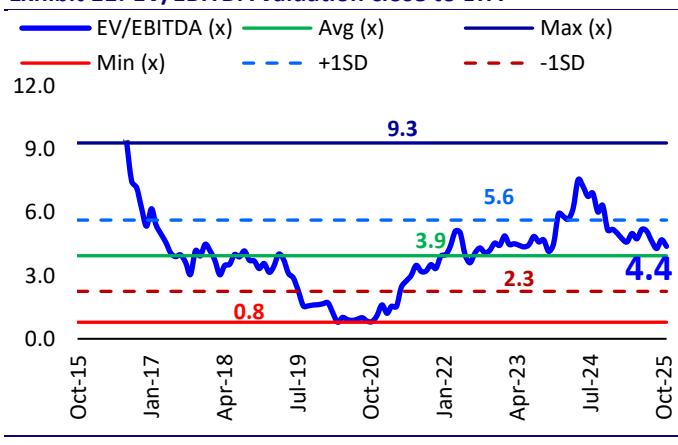
Source: MOFSL

Exhibit 10: Valuation

YEAR	UoM	FY27E
Volumes	mt	21.0
EBITDA	INR/t	6,975
EBITDA	INR b	146
Target EV/EBITDA(x)	x	6.5
Target EV	INR b	951
less: Net Debt (INR m)	INR b	322
Equity value	INR b	629
No. of shares o/s	b	4
Target price (INR/sh.)	INR	150

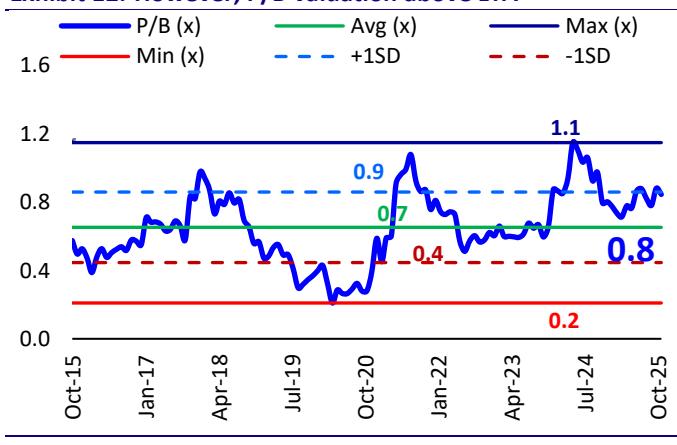
Source: MOFSL

Exhibit 11: EV/EBITDA valuation close to LTA



Source: Company, MOFSL

Exhibit 12: However, P/B valuation above LTA



Source: Company, MOFSL

Financials and valuation

Income Statement (Consolidated)								(INR b)
Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Net Sales	691	1,035	1,044	1,019	1,008	1,083	1,193	1,282
Change (%)	12.1	49.7	0.9	-2.4	-1.1	7.4	10.2	7.5
EBITDA	127	213	80	77	90	112	141	151
Change (%)	123.1	67.5	-62.3	-4.4	17.2	24.8	25.5	7.2
EBITDA per ton (INR)	8,526	13,209	4,964	4,511	5,042	5,790	6,852	7,093
Depreciation	41	43	50	53	57	59	61	65
EBIT	86	171	31	24	34	53	80	87
Interest	28	17	20	25	28	22	24	26
Other income	9	9	10	11	9	9	10	11
Share of Asso/JV/investments	5	4	6	4	5	6	7	7
PBT before EO	71	166	26	14	19	46	73	78
Extraordinary Item	1	-4	3	26	13	-2	0	0
PBT after EO	72	163	29	41	33	44	73	78
Total Tax	31	40	7	10	9	11	18	20
Effective Rate (%)	42.4	24.8	24.8	24.5	27.1	25.0	25.0	25.0
Reported PAT	41	122	22	31	24	33	54	59
Change (%)	95.6	195.2	-82.2	40.9	-22.7	38.9	65.2	8.0
Adjusted PAT	41	126	19	11	13	35	54	59
Change (%)	-353.5	208.0	-84.8	-43.8	24.3	158.3	57.3	8.0

Balance Sheet (Consolidated)								(INR b)
Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Sources of Funds								
Share Capital	41	41	41	41	41	41	41	41
Reserves and Surplus	413	501	506	530	548	575	619	666
Shareholders' funds	454	542	547	571	589	617	660	707
Loans	374	173	308	363	369	369	369	369
Deferred Tax Liability	13	54	58	63	65	65	65	65
Minority Interest	0	0	0	0	0	0	0	0
Capital Employed	842	769	913	997	1,024	1,052	1,095	1,142
Application of Funds								
Gross Fixed Assets	1,158	1,248	1,288	1,330	1,395	1,470	1,570	1,670
Less: Depreciation	482	511	553	605	662	721	782	847
Net Fixed Assets	676	737	735	724	733	749	788	823
Capital WIP	89	40	49	61	72	72	72	72
Investments	34	38	42	46	50	50	50	50
Curr. Assets								
Inventory	196	242	278	327	292	267	294	316
Sundry Debtors	72	48	54	84	76	89	98	105
Cash and Bank Balances	8	8	6	7	10	82	55	40
Other assets	110	83	135	149	122	117	127	136
Loans and Advances	8	6	7	9	10	10	10	10
Current Liabilities								
Sundry Creditors	70	169	143	153	105	148	163	176
Other Current Liabilities	215	198	178	186	160	160	160	160
Provisions	66	65	70	70	75	75	75	75
Net Current Assets	42	-46	87	166	169	181	185	197
Application of Funds	842	769	913	997	1,024	1,052	1,095	1,142

Financials and valuation

Ratios

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Basic (INR)								
EPS	9.9	30.5	4.6	2.6	3.2	8.4	13.2	14.2
Cash EPS	20.0	40.0	17.3	20.2	19.4	22.4	27.9	29.9
Book Value per Share	109.9	131.2	132.5	138.2	142.6	149.3	159.9	171.2
Dividend Per Share	2.8	8.8	1.5	2.0	1.6	1.3	2.6	2.8
Valuation (x)								
P/E	13.9	4.5	29.5	52.6	42.3	16.4	10.4	9.7
Cash PE	6.9	3.4	7.9	6.8	7.1	6.1	4.9	4.6
EV/EBITDA	7.3	3.4	10.8	12.0	10.3	7.6	6.2	5.9
EV/Sales	1.3	0.7	0.8	0.9	0.9	0.8	0.7	0.7
Price-to-Book Value	1.2	1.0	1.0	1.0	1.0	0.9	0.9	0.8
Profitability Ratios (%)								
EBITDA Margin	18.4	20.6	7.7	7.5	8.9	10.4	11.8	11.8
APAT Margin	5.9	12.2	1.8	1.1	1.3	3.2	4.6	4.6
RoE	9.4	25.3	3.5	1.9	2.3	5.7	8.5	8.6
RoCE (pre-tax)	10.7	22.3	4.8	3.6	4.2	6.0	8.4	8.7
RoIC (pre-tax)	11.4	24.5	4.1	2.8	3.8	6.1	9.1	9.1
Turnover Ratios								
Debtors (Days)	37.8	16.8	18.8	29.9	29.9	29.9	29.9	29.9
Inventory (Days)	103.4	85.2	97.0	117.2	95.0	90.0	90.0	90.0
Creditors (Days)	45.4	75.2	54.3	59.4	52.0	50.0	50.0	50.0
Asset Turnover (x)	0.8	1.3	1.1	1.0	1.0	1.0	1.1	1.1
Leverage Ratio								
Debt/Equity (x)	0.8	0.3	0.6	0.6	0.6	0.5	0.5	0.5

Cash Flow Statement

(INR b)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
EBITDA								
EBITDA	127	213	80	77	90	112	141	151
(Inc.)/Dec. in WC	101	95	(137)	(76)	(4)	60	(31)	(27)
Direct Taxes Paid	(0)	(1)	(4)	(1)	(6)	(11)	(18)	(20)
Other Items	7	3	8	30	20	4	7	7
CF from Oper. Activity	234	310	(53)	29	99	165	99	112
(Inc.)/Dec. in FA & CWIP	(35)	(34)	(35)	(42)	(54)	(75)	(100)	(100)
Free Cash Flows to Firm	199	276	(88)	(13)	45	90	(1)	12
Interest and Dividend	1	2	2	2	2	9	10	11
(Pur.)/Sale of Invest.	(0)	(7)	(1)	(3)	(1)	-	-	-
CF from Inv. Activity	(34)	(40)	(34)	(43)	(53)	(66)	(90)	(89)
Issue of Shares								
Inc./(Dec.) in Debt	(163)	(224)	120	41	(16)	-	-	-
Interest Paid	(29)	(19)	(21)	(22)	(24)	(22)	(24)	(26)
Dividends Paid	(4)	(31)	(13)	(6)	(4)	(5)	(11)	(12)
CF from Finan. Activity	(197)	(274)	86	14	(44)	(27)	(35)	(38)
Inc./(Dec.) in Cash	3	(4)	(1)	0	2	72	(27)	(15)
Add: Opening cash Balance	2	5	1	1	1	3	75	48
Closing cash balance	5	1	1	1	3	75	48	33
Bank Balance	3	7	5	6	7	7	7	7
Closing Balance (incl. Bank Balance)	8	8	6	7	10	82	55	40

Investment in securities market are subject to market risks. Read all the related documents carefully before investing

NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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