28 October 2026
2QFY27 Results Update | Sector: Metals

SAIL

Estimate change	↑
TP change	↑
Rating change	↔

CMP: INR163 TP: INR190 (+17%) BUY

Bloomberg	SAIL IN
Equity Shares (m)	4131
M.Cap.(INRb)/(USDb)	668.2 / 7
52-Week Range (INR)	210 / 124
1, 6, 12 Rel. Per (%)	-12/-7/35
12M Avg Val (INR M)	3906
Free float (%)	35.0

Financials & Valuations (INR b)

Y/E MARCH	2026	2027E	2028E
Sales	1,106	1,346	1,410
EBITDA	118	197	191
APAT	37	92	78
EBITDA Margin (%)	10.7	14.6	13.5
Cons. Adj. EPS (INR)	8.9	22.3	19.0
EPS Gr. (%)	175.1	149.6	(14.8)
BV/Sh. (INR)	146	163	178
Ratios			
Net D:E	0.5	0.6	0.6
RoE (%)	6.2	14.4	11.1
RoCE (%)	6.7	13.4	11.0
Payout (%)	26.3	20.0	20.0
Valuations			
P/E (x)	18.3	7.3	8.6
P/BV (x)	1.1	1.0	0.9
EV/EBITDA(x)	8.3	5.5	6.0
Div. Yield (%)	1.4	2.7	2.3
FCF Yield (%)	16.3	(8.5)	(5.8)

Shareholding pattern (%)

As On	Sep-26	Jun-26	Sep-25
Promoter	65.0	65.0	65.0
DII	16.5	16.9	18.1
FII	7.3	7.1	3.8
Others	11.2	11.1	13.2

FII Includes depository receipts

Strong in-line earnings supported by healthy volume

- SAIL reported an in-line revenue of INR320b (+20% YoY/+21% QoQ), led by strong volume growth and healthy NSR in 2QFY27.
- EBITDA stood at INR42b (+67% YoY and -6% QoQ) and was in-line with our estimate. This translates into an EBITDA/t of INR8,170/t (vs. our est. of INR8,700/t). The QoQ moderation was due to higher imported coal costs, lower sequential NSR, and monsoon-led deterioration in BF productivity and RM quality.
- Adj. PAT came largely in line at INR18b in 2QFY27 vs. INR19.8b in 1QFY27 and INR6.7b in 2QFY26.
- Crude steel production stood at 4.9mt (+4% YoY and +2% QoQ), while sales volume at 5.2mt (+5% YoY and +24% QoQ) came in line. The higher sales were supported by inventory liquidation, improved market conditions and increased dispatches of high-end products.
- ASP for the quarter at INR62,000/t grew 14% YoY, but it declined 3% QoQ due to steel price volatility.
- In 1HFY27, reported revenue was INR585b (+12% YoY), mainly led by strong NSR growth of 13% YoY to INR62,800/t and flat YoY volume growth to 9.3mt. Adj. EBITDA during 1HFY27, stood at INR86.8b (+69% YoY), translating into an EBITDA/t of INR9,300 vs. INR5,400/t in 1HFY26. Adj. PAT stood at INR37.9b, surging more than 200% YoY in 1HFY27, mainly fueled by strong operating performance.
- Gross borrowings declined to INR205.8b as of Sep'26, down INR11.5b QoQ, supported by inventory reduction, stronger sales, and effective treasury management.

Highlights from the management commentary

- Management revised its FY27 finished steel sales volume guidance to ~21mt vs. its earlier expectation of ~22mt, while crude steel production is expected at ~22mt. Its 1HFY27 sales volume stood at 9.33mt, with management expecting stronger production and sales in 2H FY27.
- Blended steel NSR improved in Oct'26 following the post-monsoon recovery in demand. Oct'26 NSR reached INR58,700/t for longs and INR61,700/t for flats, representing rise of INR4,000/t over Q1FY27 average NSR.
- SAIL's 2QFY27 imported coking coal costs increased to INR22,930/t from INR21,300/t in 1QFY27. This increase was in line with higher international prices amid geopolitical tensions and supply-demand disruptions in China.
- Management expects imported coal costs to remain elevated in the near term, with Oct-Nov'26 costs expected to be at ~INR24,100/t and Dec'26 costs potentially moderating to ~INR23,500/t
- SAIL anticipates EBITDA/t to improve towards INR11,000-12,000 in 3Q/4QFY27, supported by stronger steel prices, better productivity, and operational efficiency improvements.

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Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

- FY27 capex guidance was maintained at INR150b, with 1HFY27 capex of ~INR55b, broadly in line. Management expects 2HFY27 capex of INR90-100b, followed by annual capex exceeding INR200b in FY28 and potentially reaching INR250b or higher in subsequent years.

Valuation and view

- SAIL reported strong earnings during the quarter, aided by strong volume growth and elevated NSR.
- This earnings trend is expected be sustained or rise further in the coming quarters, led by strong steel price, despite higher input costs. The higher/ incremental volume from captive/third-party sources, along with inventory liquidation, could drive overall earnings for FY27/28E.
- We raise our FY27/28 estimates to reflect healthy steel prices and revised volume guidance. Our EBITDA is revised by 7% and 12%, while APAT is revised by 12% and 15% for FY27/28E. We believe any meaningful earning upside risk and re-rating opportunity lies under the volume growth story via third-party agreements or captive expansion.
- **We reiterate our BUY rating on the stock with a TP of INR190 (premised on 6.5x EV/EBITDA on FY28 estimate).**

Quarterly performance (INR b)

Y/E March	FY26				FY27				FY26	FY27E	FY27	Vs Est
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	(%)
Sales (m tons)	**4.6**	**4.9**	**5.2**	**5.3**	**4.2**	**5.2**	**5.8**	**5.9**	**19.9**	**21.0**	**5.0**	**4.2**
Change (YoY %)	13.5	19.8	16.3	(0.2)	(8.6)	5.1	11.7	11.5	11.5	5.4		
Realization (INR per ton)	**56,590**	**54,387**	**53,148**	**57,920**	**63,833**	**62,011**	**64,511**	**65,758**	**55,503**	**64,115**	**62,133**	**(0.2)**
Change (YoY %)	(5.4)	(3.2)	(3.9)	5.3	12.8	14.0	21.4	13.5	(1.6)	15.5		
Net Sales	**257.5**	**267.0**	**273.7**	**308.1**	**265.5**	**320.0**	**370.9**	**389.9**	**1,106.4**	**1,346.4**	**307.6**	**4.0**
Change (YoY %)	7.3	15.9	11.8	5.1	3.1	19.8	35.5	26.6	9.7	21.7		
Change (QoQ %)	(12.2)	3.7	2.5	12.6	(13.8)	20.5	15.9	5.1				
Total Expenditure	**231.5**	**241.8**	**250.8**	**264.0**	**220.9**	**277.8**	**318.3**	**332.8**	**988.1**	**1,149.9**		
EBITDA	**26.0**	**25.3**	**22.9**	**44.1**	**44.6**	**42.2**	**52.6**	**57.1**	**118.3**	**196.5**	**43.0**	**(2.0)**
Change (YoY %)	16.9	98.2	13.0	26.5	71.9	66.8	129.4	29.5	31.3	66.2		
Change (QoQ %)	(25.5)	(2.6)	(9.3)	92.2	1.2	(5.5)	24.8	8.5				
EBITDA per ton (INR)	**5,704**	**5,149**	**4,455**	**8,287**	**10,725**	**8,171**	**9,154**	**9,630**	**5,934**	**9,358**	**8,692**	**(6)**
Interest	5.9	4.8	5.5	5.3	4.9	5.2	6.0	7.8	21.6	24.0		
Depreciation	14.4	14.5	15.2	15.8	15.6	16.1	15.6	15.0	59.9	62.3		
Other Income	1.6	2.1	1.7	3.5	2.1	2.3	2.5	2.6	8.9	9.4		
Share of Asso/JVs	0.7	1.0	0.7	1.8	0.3	0.8	1.6	2.7	4.3	5.4		
PBT (before EO Inc.)	**7.9**	**8.9**	**4.8**	**28.3**	**26.4**	**24.0**	**35.1**	**39.6**	**50.0**	**125.0**		
EO Income(exp)	1.7	(3.4)	-	(3.3)	(4.5)	(0.7)	-	-	(4.9)	(5.3)		
PBT (after EO Inc.)	**9.7**	**5.6**	**4.8**	**25.0**	**21.9**	**23.2**	**35.1**	**39.6**	**45.1**	**119.8**		
Total Tax	2.2	1.4	1.1	6.7	5.4	5.7	9.5	11.1	11.3	31.7		
% Tax	23.1	24.7	22.0	26.6	24.8	24.7	27.0	28.1	25.1	26.5		
Reported PAT	**7.4**	**4.2**	**3.7**	**18.4**	**16.4**	**17.5**	**25.6**	**28.5**	**33.7**	**88.0**		
Adjusted PAT	**5.7**	**6.7**	**3.7**	**20.7**	**19.8**	**18.0**	**25.6**	**28.5**	**36.8**	**91.9**	**19.0**	**(5.1)**
Change (YoY %)	75.7	(277.1)	229.9	61.4	247.4	167.8	584.8	37.8	175.1	149.6		
Change (QoQ %)	(55.4)	17.8	(44.4)	452.4	(4.0)	(9.2)	42.2	11.2				

Source: MOFSL, Company



Highlights from the management commentary

Volume Guidance and Outlook:

- Management revised FY27 finished steel sales volume guidance to ~21mt, compared to ~22mt earlier expectation, while crude steel production is expected at ~22mt. H1FY27 sales volume stood at 9.33mt, with management expecting stronger production and sales in 3QFY27 and 4QFY27.
- Total steel inventory declined to 1.59mt as of Sep'26, comprising 0.86mt of saleable steel and 0.73mt of work-in-process inventory, compared with 2.15mt in Jun'26 and 1.8mt in Mar'26. Management targets further reduction to ~1.2-1.3mt by FY27 end.
- Management targets iron ore external sales of ~7-8mt in FY27, against an internal target of 10mt and MoU target of 7mt. H1FY27 sales stood at 2.46mt against 0.9mt in H1FY26, with profit from iron ore sales increasing to INR3.88b from INR1.24b YoY.
- Higher iron ore dispatches are expected from Odisha mines, while sales from Jharkhand remain constrained by pricing and permit-related issues. SAIL has commenced sales from the Dalli-Rajhara mines in Chhattisgarh and is working towards increasing dispatches from Rowghat, where operational ramp-up remains subject to execution challenges.
- SAIL targets iron ore production of ~48-50mt in FY27, against ~38mt in FY26 and an initial target of 50.6mt. Over the longer term, management aspires to achieve 100mt of iron ore production by FY31-32, driven by Rowghat, Bolani, Kalta, Taldih and expansion of Goa mines (ex-Chiria mines).

Pricing & Cost - Guidance and Outlook:

- Blended steel NSR improved in Oct'26 following the post-monsoon recovery in demand. Oct'26 NSR reached INR58,700/t for longs and INR61,700/t for flats, representing rise of INR4,000/t over Q1FY27 average NSR.
- Q2FY27 imported coking coal cost increased to INR22,930/t from INR21,300/t in Q1FY27, in-line with higher international prices amid geopolitical tensions and supply-demand disruptions in China.
- Management expects imported coal costs to remain elevated in the near term, with Oct-Nov'26 costs expected to be at ~INR24,100/t and Dec'26 costs potentially moderating to ~INR23,500/t.
- Imported coking coal cost is expected to average ~INR23,800-23,900/t in Q3FY27, an increase of ~INR1,000/t QoQ, before potentially declining to ~INR22,000/t in Q4FY27, subject to international price movements.
- Imported coal accounts for ~85% of SAIL's total coal consumption, while indigenous coal contributes ~15%. SAIL does not purchase external coke, as the requirements are met through captive production. With commissioning of the Tasra coking coal mine by Jan'27, the cost benefits anticipated from 4QFY27 onwards as production ramps up.
- Management expects technical parameters to improve in Q3FY27 and Q4FY27 as weather conditions normalize.
- Management expects EBITDA/t to improve towards INR11,000-12,000 in 3Q/4QFY27, supported by stronger steel prices, better productivity, and operational efficiency improvements.

Capex and Capacity Update:

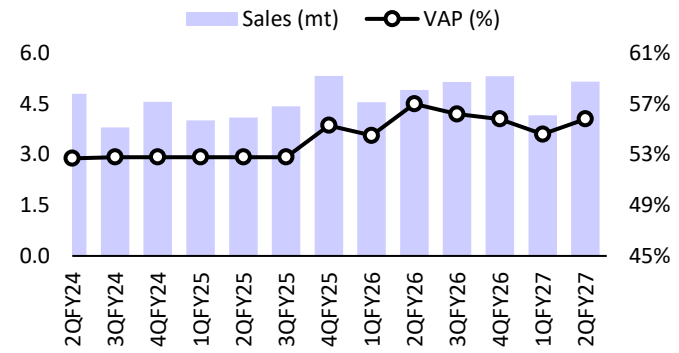
- FY27 capex guidance was maintained at INR150b, with 1HFY27 capex of ~INR55b, broadly in line with the expectation. Management expects 2HFY27 capex of INR90-100b, followed by annual capex exceeding INR200b in FY28 and potentially reaching INR250b or higher in subsequent years.
- SAIL plans to spend ~INR1.2t on capex over FY27-FY31 to increase steel capacity from ~20mt to 35mt across four plants. Capex is expected to ramp up progressively, with spending concentrated towards latter part of the expansion.
- IISCO Steel Plant is the priority, with major equipment orders already placed and on-ground execution underway. Bokaro is at an advanced tendering stage, Bhilai tendering is expected to commence shortly, while Rourkela's detailed project report has been prepared and is awaiting in-principal approval.
- Management expects to fund ~INR400-500b of the planned capex through internal accruals, targeting annual internal cash generation of INR100-120b through improved profitability, higher NSR and cost-reduction initiatives. The balance to be funded through a combination of FPO and borrowings.
- Management indicated that the timing of the proposed FPO will depend on market conditions and the company's growth phase, with no immediate commitment to raise equity. The company intends to improve profitability and investor confidence before undertaking the fund-raising exercise.
- Rowghat iron ore mine development is progressing, with interim mining underway under an MDO arrangement. Current EC permits production of ~3mt, with the mining operation to commence in next 12month or more. Production is expected to ramp up progressively towards 14mt over the following 3-4 years.
- SAIL plans to increase Goa mine production from ~4mt to 10mt through an MDO arrangement, although clearances and other preparatory work may delay the ramp-up. The 2mtpa pellet plant at Rourkela remains on track for commissioning as per the planned timeline.
- SAIL expanding the beneficiation and pellet facilities in Chhattisgarh and Goa to utilize accumulated sub-grade fines and tailings.

Other highlights:

- Management expects further debt reduction in 2HFY27, although borrowings could increase from FY28 as expansion capex accelerates. The average cost of borrowings declined to 6.34% in 1HFY27 from 6.42% in FY26. However, the recent 25bps repo rate increase may raise borrowing costs on fresh loans.
- Employee strength is expected to decline to ~46,000 by FY27-end from ~50,000 in FY26, with management targeting to reach 26,000 employee base by FY31. The reduction is expected to be gradual, driven by natural attrition of 3,000-4,000 employees annually and an additional ~1,000 through VRS.

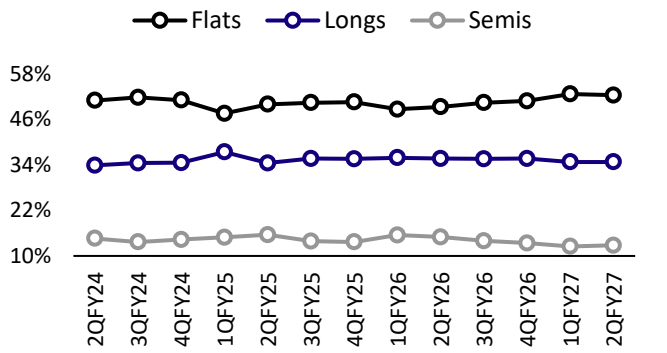
Story in charts

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



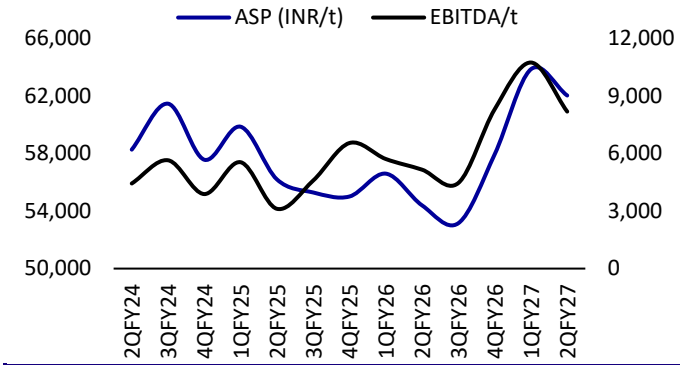
Source: MOFSL, Company

Exhibit 2: Breakup of longs-semis-flats



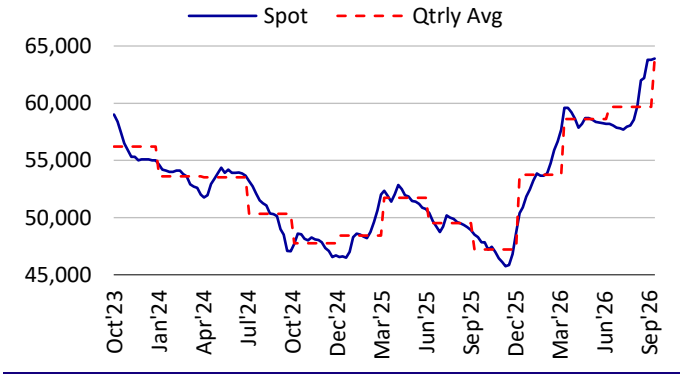
Source: MOFSL, Company

Exhibit 3: EBITDA/t down QoQ due to NSR dip and high cost



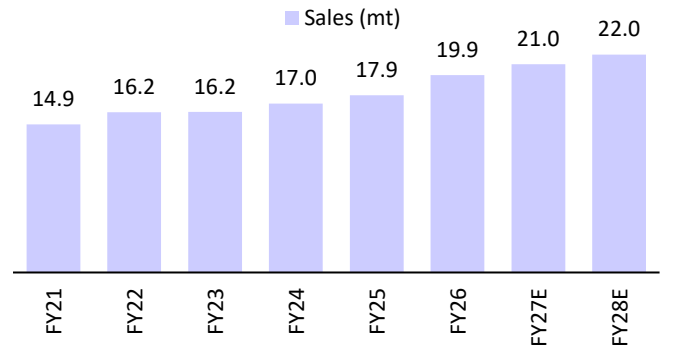
Source: MOFSL, Company

Exhibit 4: HRC prices (INR/t) rose in Sep'26



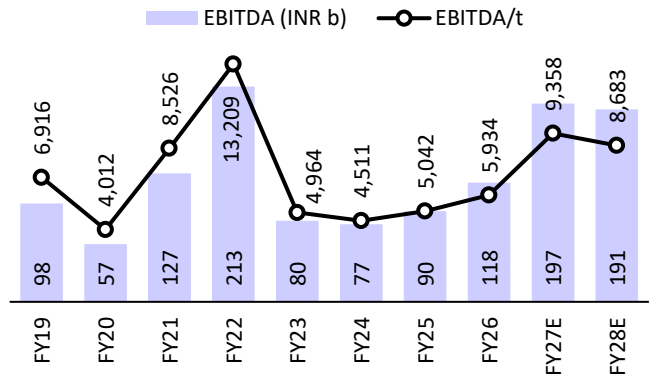
Source: MOFSL, Company

Exhibit 5: Expect gradual volume (mt) growth until FY28



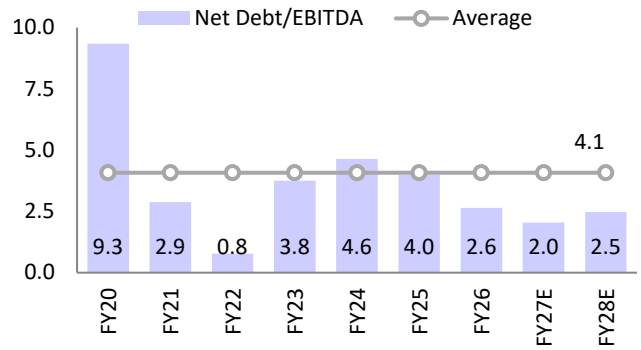
Source: MOFSL, Company

Exhibit 6: EBITDA/t to improve in FY27



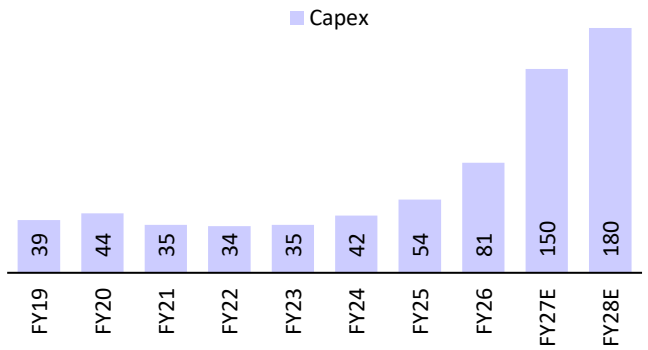
Source: MOFSL, Company

Exhibit 7: Net debt/EBITDA remained elevated



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 (INR b)

	FY27E			FY28E		
	New	Old	Change (%)	New	Old	Change (%)
Revenue	1,346	1,370	-1.7	1,410	1,404	0.4
EBITDA	197	183	7.4	191	170	12.3
PAT	92	82	12.0	78	68	14.7

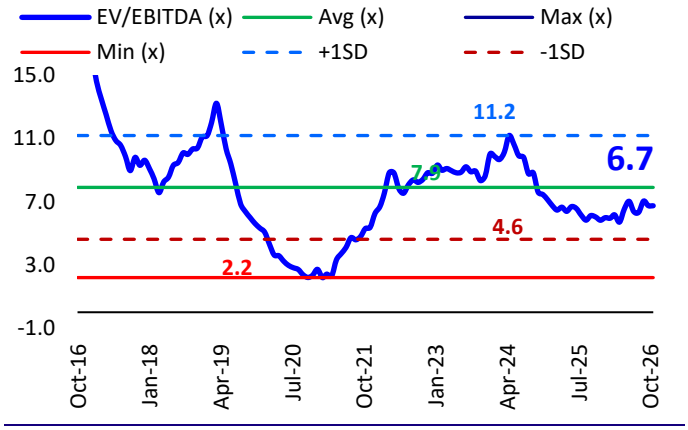
Source: MOFSL

Exhibit 10: Valuation

YEAR	UoM	FY28E
Volumes	mt	22.0
EBITDA	INR/t	8,683
EBITDA	INR b	191
Target EV/EBITDA(x)	x	6.5
Target EV	INR b	1,249
less: Net Debt (INR m)	INR b	473
Equity value	INR b	776
No. of shares o/s	b	4
Target price (INR/sh.)	**INR**	**190**

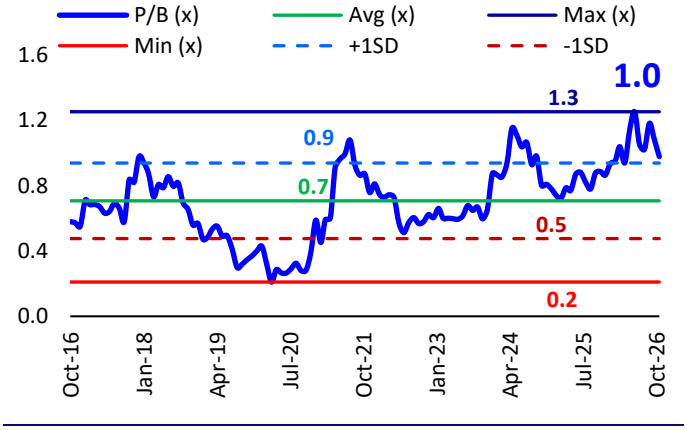
Source: MOFSL

Exhibit 11: EV/EBITDA valuation close to +1SD



Source: Company, MOFSL

Exhibit 12: However, P/B valuation hit its peak



Source: Company, MOFSL

Financials and valuation

Income Statement- Consolidated								(INR b)
Y/E March	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26**	**FY27E**	**FY28E**
Net Sales	**691**	**1,035**	**1,044**	**1,019**	**1,008**	**1,106**	**1,346**	**1,410**
Change (%)	12.1	49.7	0.9	(2.4)	(1.1)	9.7	21.7	4.7
EBITDA	**127**	**213**	**80**	**77**	**90**	**118**	**197**	**191**
Change (%)	123.1	67.5	(62.3)	(4.4)	17.2	31.3	66.2	(2.8)
EBITDA per ton (INR)	8,526	13,209	4,964	4,511	5,042	5,934	9,358	8,683
Depreciation	41	43	50	53	57	60	62	67
EBIT	**86**	**171**	**31**	**24**	**34**	**58**	**134**	**124**
Interest	28	17	20	25	28	22	24	26
Other income	9	9	10	11	9	9	9	10
Share of Asso/JV/investments	5	4	6	4	5	4	5	4
PBT before EO	**71**	**166**	**26**	**14**	**19**	**50**	**125**	**112**
Extraordinary Item	1	(4)	3	26	13	(5)	(5)	-
PBT after EO	**72**	**163**	**29**	**41**	**33**	**45**	**120**	**112**
Total Tax	31	40	7	10	9	11	32	34
Effective Rate (%)	42.4	24.8	24.8	24.5	27.1	25.1	26.5	30.0
Reported PAT	**41**	**122**	**22**	**31**	**24**	**34**	**88**	**78**
Change (%)	95.6	195.2	(82.2)	40.9	(22.7)	42.2	161.0	(11.0)
Adjusted PAT	**41**	**126**	**19**	**11**	**13**	**37**	**92**	**78**
Change (%)	(353.5)	208.0	(84.8)	(43.8)	24.3	175.1	149.6	(14.8)

Balance Sheet (Consolidated)								(INR b)
Y/E March	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26**	**FY27E**	**FY28E**
Sources of Funds								
Share Capital	41	41	41	41	41	41	41	41
Reserves and Surplus	413	501	506	530	548	562	632	695
Shareholders' funds	**454**	**542**	**547**	**571**	**589**	**604**	**673**	**736**
Loans	374	173	308	363	369	319	419	489
Deferred Tax Liability	13	54	58	63	65	62	62	62
Minority Interest	0	0	0	0	0	0	0	0
Capital Employed	**842**	**769**	**913**	**997**	**1,024**	**984**	**1,154**	**1,287**
Application of Funds								
Gross Fixed Assets	1,158	1,248	1,288	1,330	1,395	1,482	1,632	1,812
Less: Depreciation	482	511	553	605	662	722	784	851
Net Fixed Assets	**676**	**737**	**735**	**724**	**733**	**760**	**848**	**961**
Capital WIP	89	40	49	61	72	106	106	106
Investments	34	38	42	46	50	43	43	43
Curr. Assets								
Inventory	196	242	278	327	292	236	332	348
Sundry Debtors	72	48	54	84	76	65	110	116
Cash and Bank Balances	8	8	6	7	10	7	17	16
Other assets	110	83	135	149	122	142	148	156
Loans and Advances	8	6	7	9	10	0	0	0
Current Liabilities								
Sundry Creditors	70	169	143	153	105	109	184	193
Other Current Liabilities	215	198	178	186	160	182	182	182
Provisions	66	65	70	70	75	83	83	83
Net Current Assets	**42**	**-46**	**87**	**166**	**169**	**76**	**158**	**177**
Application of Funds	**842**	**769**	**913**	**997**	**1,024**	**984**	**1,154**	**1,287**

Financials and valuation

Ratios								
Y/E March	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26**	**FY27E**	**FY28E**
Basic (INR)								
EPS	**9.9**	**30.5**	**4.6**	**2.6**	**3.2**	**8.9**	**22.3**	**19.0**
Cash EPS	20.0	40.0	17.3	20.2	19.4	22.7	36.4	35.2
Book Value per Share	109.9	131.2	132.5	138.2	142.6	146.1	163.0	178.2
Dividend Per Share	2.8	8.8	1.5	2.0	2.4	2.4	4.5	3.8
Valuation (x)								
P/E	16.5	5.3	35.1	62.5	50.3	18.3	7.3	8.6
Cash PE	8.2	4.1	9.4	8.1	8.4	7.2	4.5	4.6
EV/EBITDA	8.2	3.9	12.1	13.4	11.5	8.3	5.5	6.0
EV/Sales	1.5	0.8	0.9	1.0	1.0	0.9	0.8	0.8
Price-to-Book Value	1.5	1.2	1.2	1.2	1.1	1.1	1.0	0.9
Profitability Ratios (%)								
EBITDA Margin	18.4	20.6	7.7	7.5	8.9	10.7	14.6	13.5
APAT Margin	5.9	12.2	1.8	1.1	1.3	3.3	6.8	5.6
RoE	9.4	25.3	3.5	1.9	2.3	6.2	14.4	11.1
RoCE (pre-tax)	10.7	22.3	4.8	3.6	4.2	6.7	13.4	11.0
RoIC (pre-tax)	11.4	24.5	4.1	2.8	3.8	6.8	14.8	11.8
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	95.0	90.0	90.0
Creditors (Days)	45.4	75.2	54.3	59.4	52.0	52.0	50.0	50.0
Asset Turnover (x)	0.8	1.3	1.1	1.0	1.0	1.1	1.2	1.1
Leverage Ratio								
Debt/Equity (x)	0.8	0.3	0.6	0.6	0.6	0.5	0.6	0.6

Cash Flow Statement								(INR b)
Y/E March	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26**	**FY27E**	**FY28E**
EBITDA	127	213	80	77	90	118	197	191
(Inc.)/Dec. in WC	101	95	(137)	(76)	(4)	78	(72)	(21)
Direct Taxes Paid	(0)	(1)	(4)	(1)	(6)	(7)	(32)	(34)
Other Items	7	3	8	30	20	1	0	4
CF from Oper. Activity	**234**	**310**	**(53)**	**29**	**99**	**190**	**93**	**141**
(Inc.)/Dec. in FA & CWIP	(35)	(34)	(35)	(42)	(54)	(81)	(150)	(180)
Free Cash Flows to Firm	**199**	**276**	**(88)**	**(13)**	**45**	**109**	**(57)**	**(39)**
Interest and Dividend	1	2	2	2	2	2	9	10
(Pur.)/Sale of Invest.	(0)	(7)	(1)	(3)	(1)	(0)	-	-
CF from Inv. Activity	**(34)**	**(40)**	**(34)**	**(43)**	**(53)**	**(79)**	**(141)**	**(170)**
Issue of Shares								
Inc./(Dec.) in Debt	(163)	(224)	120	41	(16)	(93)	100	70
Interest Paid	(29)	(19)	(21)	(22)	(24)	(15)	(24)	(26)
Dividends Paid	(4)	(31)	(13)	(6)	(4)	(7)	(18)	(16)
CF from Finan. Activity	**(197)**	**(274)**	**86**	**14**	**(44)**	**(114)**	**58**	**28**
Inc./(Dec.) in Cash	**3**	**(4)**	**(1)**	**0**	**2**	**(3)**	**10**	**(1)**
Add: Opening cash Balance	2	5	1	1	1	3	0	10
Closing cash balance	5	1	1	1	3	0	10	9
Bank Balance	3	7	5	6	7	7	7	7
Closing Balance (incl. Bank)	**8**	**8**	**6**	**7**	**10**	**7**	**17**	**16**

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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

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