28 July 2025

1QFY26 Results Update | Sector: Metals

SAIL

Estimate change	⟷
TP change	⟷
Rating change	⟷

Bloomberg	SAIL IN
Equity Shares (m)	4130
M.Cap.(INRb)/(USDb)	518.7 / 6
52-Week Range (INR)	156 / 99
1, 6, 12 Rel. Per (%)	-1/15/-14
12M Avg Val (INR M)	2424
Free float (%)	35.0

Financials & Valuations (INR b)

Y/E MARCH	2025	2026E	2027E
Sales	1,008	1,084	1,299
EBITDA	90	104	144
APAT	13	26	56
EBITDA Margin (%)	9	10	11
Cons. Adj. EPS (INR)	3	6	14
EPS Gr. (%)	24	92	118
BV/Sh. (INR)	143	148	159
Ratios			
Net D:E	0.6	0.5	0.5
RoE (%)	2.3	4.3	8.8
RoCE (%)	4.2	5.3	9.1
Payout (%)	49.4	15.0	20.0
Valuations			
P/E (x)	38.9	20.3	9.3
P/BV (x)	0.9	0.9	0.8
EV/EBITDA(x)	9.8	7.8	5.9
Div. Yield (%)	1.3	0.7	2.1
FCF Yield (%)	8.7	16.5	0.9

Shareholding pattern (%)

As On	Jun-25	Mar-25	Jun-24
Promoter	65.0	65.0	65.0
DII	17.3	15.8	15.7
FII	3.7	3.2	3.0
Others	14.0	16.1	16.3

FII Includes depository receipts

CMP: INR126 TP: INR130 (+4%) Neutral

Muted volume drags down earnings

- In 1QFY26, SAIL received a one-time revenue gain of INR1.7b related to rail price revisions for FY24. For a like-for-like comparison, we have adjusted its 1QFY26 financials by excluding this one-time gain.
- SAIL reported revenue of INR258b (+7% YoY and -12% QoQ) against our estimate of INR276b, primarily due to muted volumes in 1Q.
- Crude steel production stood at 4.85mt (+4% YoY and -5% QoQ), while sales volume stood at 4.55mt (+14% YoY and -15% QoQ) in 1QFY26 (incl. ~0.3mt of volume from NMDC steel products). ASP for the quarter stood at ~INR56,600/t (-5% YoY and +3% QoQ).
- EBITDA stood at INR26b (+17% YoY and -26% QoQ) against our estimate of INR33.4b, affected by muted volumes.
- EBITDA/t stood at ~INR5,700 (vs. our est. of INR6,967/t), up 3% YoY but down 12% QoQ due to a rise in royalty on iron ore (~INR1.73b) and one-time stock revaluation impact (INR10.5b).
- Adj PAT came in at INR5.7b (vs. our est. INR11.5b), up 76% YoY but down 55% QoQ in 1QFY26.

Highlights from the management commentary

- In 1QFY26, the blended coking coal costs stood at INR16,920/t vs. INR17,650/t in 4QFY25. For 2QFY26, management expects coking coal costs to largely remain stable QoQ.
- Currently, the average realization for long steel stood at INR51,500/t, and flat at INR48,600/t.
- Guided to achieve ~18.5mt volume (excl. NMDC steel volume) in FY26.
- For FY26, SAIL has set a capex target of INR75b, to be spent on ongoing projects across various plants. The IISCO expansion will start contributing to capex from FY27 onward, and similar capacity enhancement plans are being considered for other facilities in the next phase.

Valuation and view

- SAIL's 1QFY26 performance was affected by soft volumes and one-time costs related to inventory revaluation and a rise in royalty on iron ore. We trim our FY26 EBITDA/PAT estimates by 7%/13% to incorporate the 1Q performance miss; however, we maintain our FY27 estimates.
- SAIL plans to increase its capacity to 35mtpa. This plan is currently in the initial tendering phase and any notable development is expected to be visible after FY27.
- Considering the limited room for production, we estimate a modest volume CAGR of 6% over FY26-27. Any incremental earnings will be driven by healthy pricing and lower costs.

We reiterate our Neutral rating on the stock with a TP of INR130 (premised on 6x EV/EBITDA on FY27E).

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Quarterly performance (INR b)

Y/E March	FY25				FY26				FY25	FY26	FY26	Vs Est
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	(%)
Sales (m tons)	**4.0**	**4.1**	**4.4**	**5.3**	**4.6**	**4.6**	**4.8**	**5.1**	**17.9**	**19.1**	**4.8**	**(5.0)**
Change (YoY %)	3.4	(14.6)	16.6	16.9	13.5	13.0	8.2	(3.4)	4.9	7.0		
Realization (INR per ton)	**59,845**	**56,191**	**55,282**	**55,002**	**56,590**	**54,590**	**56,590**	**58,763**	**56,431**	**56,690**	**57,549**	**(1.7)**
Change (YoY %)	(4.7)	(3.5)	(10.0)	(4.4)	(5.4)	(2.8)	2.4	6.8	(5.6)	0.5		
Net Sales	**240.0**	**230.4**	**244.9**	**293.2**	**257.5**	**252.9**	**271.2**	**302.4**	**1,008.4**	**1,083.9**	**275.5**	**(6.6)**
Change (YoY %)	(1.5)	(17.6)	4.9	11.7	7.3	9.8	10.7	3.2	(1.1)	7.5		
Change (QoQ %)	(8.6)	(4.0)	6.3	19.7	(12.2)	(1.8)	7.2	11.5				
Total Expenditure	**217.8**	**217.6**	**224.6**	**258.3**	**231.5**	**230.8**	**245.3**	**272.0**	**918.3**	**979.7**		
EBITDA	**22.2**	**12.8**	**20.3**	**34.8**	**26.0**	**22.0**	**25.9**	**30.4**	**90.1**	**104.2**	**33.4**	**(22.2)**
Change (YoY %)	34.6	(40.0)	(5.3)	97.0	16.9	72.6	27.5	(12.8)	17.2	15.7		
Change (QoQ %)	25.5	(42.5)	59.1	71.6	(25.5)	(15.1)	17.5	17.4				
EBITDA per ton (INR)	**5,536**	**3,111**	**4,582**	**6,536**	**5,704**	**4,755**	**5,398**	**5,901**	**5,042**	**5,451**	**6,967**	**(18.1)**
Interest	6.9	7.6	6.8	6.6	5.9	6.2	6.4	7.0	27.9	25.5		
Depreciation	14.0	13.0	14.2	15.2	14.4	14.9	14.9	15.3	56.5	59.4		
Other Income	1.8	1.7	2.3	3.0	1.6	2.5	2.7	2.8	8.8	9.6		
Share of Asso/JVs	1.1	1.6	1.3	0.9	0.7	1.7	1.8	1.8	4.9	6.0		
PBT (before EO Inc.)	**4.1**	**(4.6)**	**2.9**	**16.9**	**7.9**	**5.1**	**9.1**	**12.7**	**19.3**	**34.8**		
EO Income(exp)	(3.1)	16.4	0.3	(0.3)	1.7	-	-	-	13.2	1.7		
PBT (after EO Inc.)	**1.0**	**11.7**	**3.2**	**16.6**	**9.7**	**5.1**	**9.1**	**12.7**	**32.5**	**36.6**		
Total Tax	0.2	2.8	1.8	4.1	2.2	1.3	2.3	3.4	8.8	9.1		
% Tax	16.6	23.5	56.1	24.5	23.1	25.0	25.0	26.5	27.1	25.0		
Reported PAT	**0.8**	**9.0**	**1.4**	**12.5**	**7.4**	**3.8**	**6.8**	**9.3**	**23.7**	**27.4**		
Adjusted PAT	**3.2**	**(3.8)**	**1.1**	**12.8**	**5.7**	**3.8**	**6.8**	**9.3**	**13.4**	**25.7**	**11.5**	**(50.2)**
Change (YoY %)	52.9	(219.3)	(69.1)	609.1	75.7	(201.3)	499.2	(27.0)	24.3	91.9		
Change (QoQ %)	80.0	(216.9)	(129.9)	1,029.5	(55.4)	(32.6)	76.5	37.6				

Source: MOFSL, Company

CONFERENCE CALL

Highlights from the management commentary

Guidance:

- In 1QFY26, the blended coking coal costs stood at INR16,920/t vs. INR17,650/t in 4QFY25. The imported coking coal cost dropped to INR17,600/t from INR18,500/t in 4QFY25. For 2QFY26, management expects coking coal costs to largely remain stable QoQ.
- EBITDA margins were affected by downward inventory revaluation. The stock revaluation impact was ~INR10.5b as compared to 1QFY25, primarily driven by a sharp decline in imported coking coal prices (down by INR5,000-6,000/t), which reduced the cost of existing inventory. It was a one-time hit and will not recur in 2QFY26.
- Long steel prices increased to INR54,500/t in 1QFY26 from INR53,300/t in 4QFY25, while flat steel prices improved from INR47,300/t in 4QFY25 to INR50,400/t in 1QFY26. Currently, the average NSR for long steel stood at INR51,500/t, and flat at INR48,600/t.
- SAIL holds 1.7mt of saleable steel and 1.3mt of in-process stock as of Jun'25, against ~1.4mt and 1.3mt, respectively in 4QFY25 end.
- Guided to achieve sales of ~18.5mt (excl. volume from NMDC steel) for FY26.

Capex:

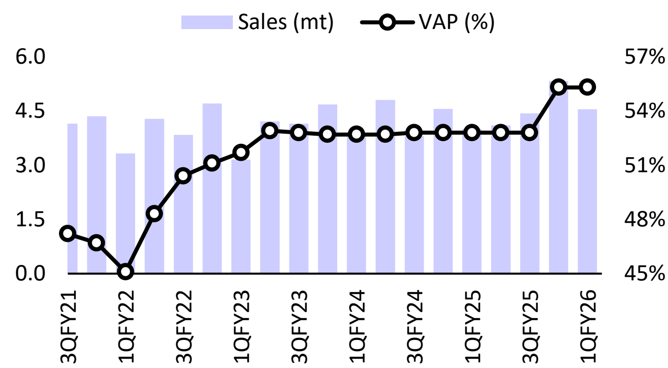
- SAIL plans to add 4.5mtpa capacity at IISCO with an estimated capital outlay of ~INR360b (~USD1050/mtpa). This includes 4mtpa of new capacity and 0.5mtpa via debottlenecking.
- The tendering process is currently underway, and order placements are expected soon. The major capex related to this expansion will begin in FY27E, with the project expected to be implemented over 3-4 years.
- For FY26, SAIL has set a capex target of INR75b, to be spent on ongoing projects across various plants.
- The IISCO expansion will start contributing to capex from FY27 onward, and similar capacity enhancements will be considered for other facilities.

Debt and other highlights:

- Steel imports, particularly from China, Vietnam, and Japan, have created price pressure on domestic producers.
- 1Q imports were under control. Steel prices have stabilized, with expectations of improvement in subsequent quarters.
- SAIL continued its focus on deleveraging during 1QFY26, reducing its total borrowings by ~INR11b to INR287b. This reduction was supported by improved cash flows and operational efficiencies.

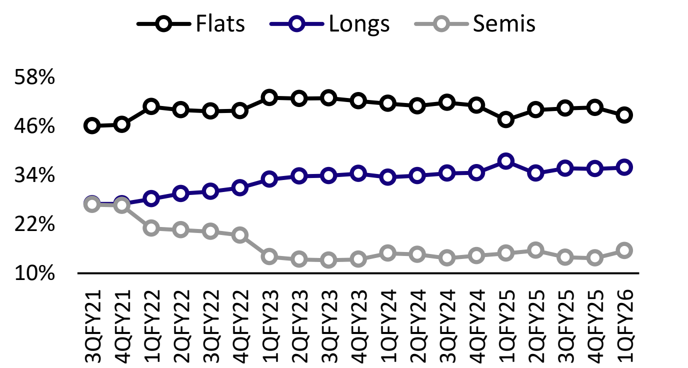
Story in charts

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



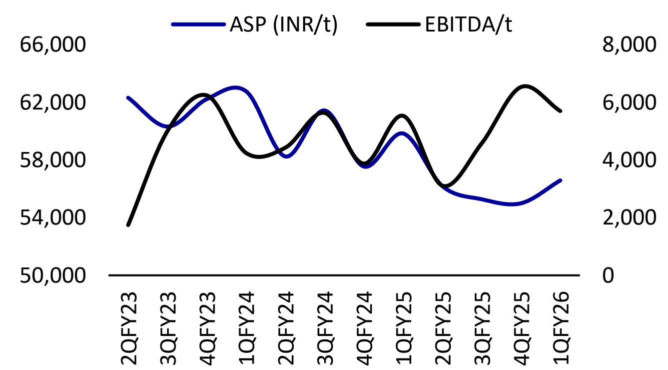
Source: MOFSL, Company

Exhibit 2: Breakup of longs-semis-flats



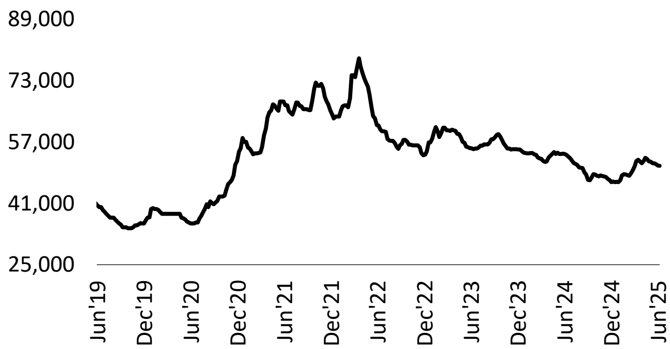
Source: MOFSL, Company

Exhibit 3: EBITDA/t improves despite weak NSR



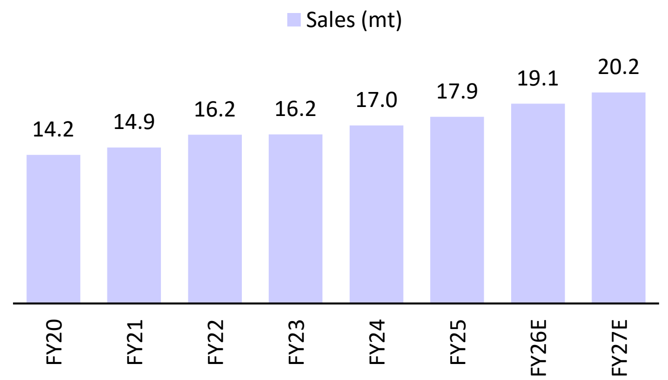
Source: MOFSL, Company

Exhibit 4: HRC prices (INR/t) rebound over safeguard duty



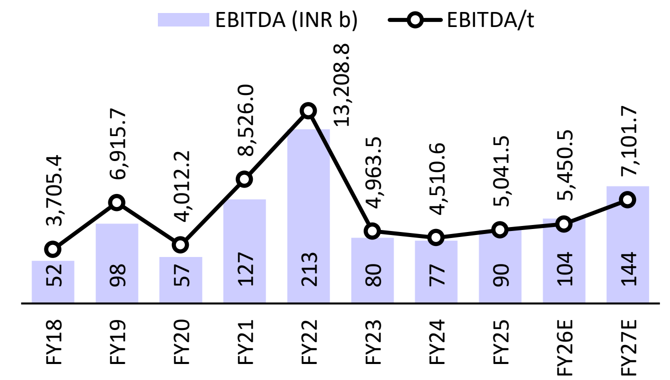
Source: MOFSL, Company

Exhibit 5: Sales (mt) growth to remain modest



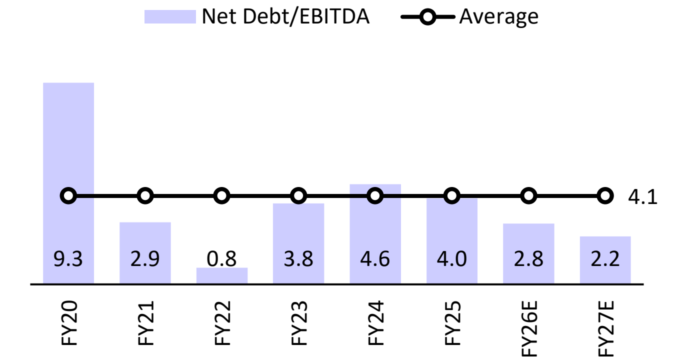
Source: MOFSL, Company

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



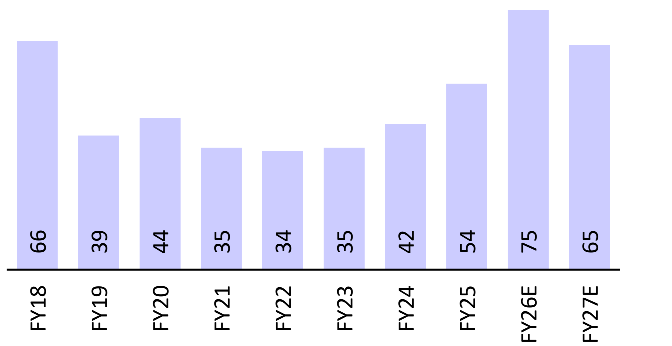
Source: MOFSL, Company

Exhibit 7: Net debt/EBITDA to decline led by better 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)	19.1	19.1	0.0	20.2	20.2	0.0
Realization/t	56,690	57,465	-1.3	64,275	64,275	0.0
EBITDA/t	5,451	5,838	-6.6	7,102	7,102	0.0
Revenue (INR b)	1,084	1,099	-1.3	1,299	1,299	0.0
EBITDA (INR b)	104	112	-6.6	144	144	0.0
PAT (INR b)	26	30	-12.9	56	56	0.0

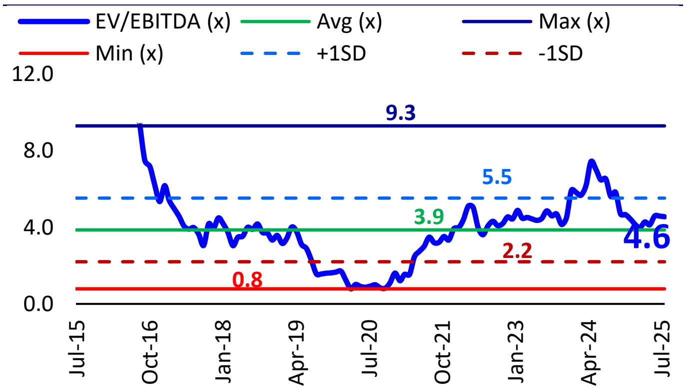
Source: MOFSL

Exhibit 10: Valuation

YEAR	UoM	FY27E
Volumes	mt	20.2
EBITDA	INR/t	7,102
EBITDA	INR b	144
Target EV/EBITDA(x)	x	6.0
Target EV	INR b	861
less: Net Debt (INR m)	INR b	319
Equity value	INR b	542
No. of shares o/s	b	4
Target price (INR/sh.)	**INR**	**130**

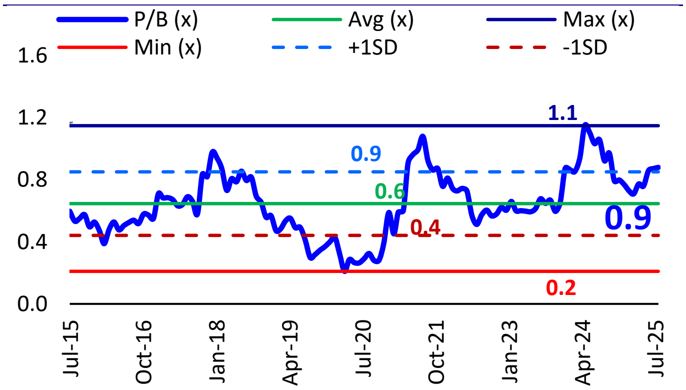
Source: MOFSL

Exhibit 11: EV/EBITDA valuation below LTA



Source: Company, MOFSL

Exhibit 12: However, P/B valuation at its LTA



Source: Company, MOFSL

Financials and valuation

Income Statement (Consolidated)								(INR b)
Y/E March	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26E**	**FY27E**
Net Sales	**617**	**691**	**1,035**	**1,044**	**1,019**	**1,008**	**1,084**	**1,299**
Change (%)	-7.9	12.1	49.7	0.9	-2.4	-1.1	7.5	19.8
EBITDA	**57**	**127**	**213**	**80**	**77**	**90**	**104**	**144**
Change (%)	-41.5	123.1	67.5	-62.3	-4.4	17.2	15.7	37.7
EBITDA per ton (INR)	4,012	8,526	13,209	4,964	4,511	5,042	5,451	7,102
Depreciation	38	41	43	50	53	57	59	57
EBIT	**20**	**86**	**171**	**31**	**24**	**34**	**45**	**86**
Interest	35	28	17	20	25	28	26	30
Other income	9	9	9	10	11	9	10	11
Share of Asso/JV/investments	2	5	4	6	4	5	6	7
PBT before EO	**-4**	**71**	**166**	**26**	**14**	**19**	**35**	**75**
Extraordinary Item	37	1	-4	3	26	13	2	0
PBT after EO	**33**	**72**	**163**	**29**	**41**	**33**	**37**	**75**
Total Tax	12	31	40	7	10	9	9	19
Effective Rate (%)	35.8	42.4	24.8	24.8	24.5	27.1	25.0	25.0
Reported PAT	**21**	**41**	**122**	**22**	**31**	**24**	**27**	**56**
Change (%)	-9.7	95.6	195.2	-82.2	40.9	-22.7	15.7	103.9
Adjusted PAT	**-16**	**41**	**126**	**19**	**11**	**13**	**26**	**56**
Change (%)	-158.9	-353.5	208.0	-84.8	-43.8	24.3	91.9	117.7

Balance Sheet (Consolidated)								(INR b)
Y/E March	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26E**	**FY27E**
Sources of Funds								
Share Capital	41	41	41	41	41	41	41	41
Reserves and Surplus	374	413	501	506	530	548	571	616
Shareholders' funds	**415**	**454**	**542**	**547**	**571**	**589**	**613**	**657**
Loans	538	374	173	308	363	369	369	369
Deferred Tax Liability	-20	13	54	58	63	65	65	65
Minority Interest	0	0	0	0	0	0	0	0
Capital Employed	**933**	**842**	**769**	**913**	**997**	**1,024**	**1,047**	**1,092**
Application of Funds								
Gross Fixed Assets	1,131	1,158	1,248	1,288	1,330	1,395	1,470	1,535
Less: Depreciation	441	482	511	553	605	662	721	778
Net Fixed Assets	**690**	**676**	**737**	**735**	**724**	**733**	**749**	**757**
Capital WIP	88	89	40	49	61	72	72	72
Investments	32	34	38	42	46	50	50	50
Curr. Assets								
Inventory	238	196	242	278	327	292	267	320
Sundry Debtors	88	72	48	54	84	76	89	106
Cash and Bank Balances	4	8	8	6	7	10	76	50
Other assets	100	110	83	135	149	122	118	139
Loans and Advances	7	8	6	7	9	10	10	10
Current Liabilities								
Sundry Creditors	63	70	169	143	153	105	148	178
Other Current Liabilities	188	215	198	178	186	160	160	160
Provisions	65	66	65	70	70	75	75	75
Net Current Assets	**123**	**42**	**-46**	**87**	**166**	**169**	**177**	**214**
Application of Funds	**933**	**842**	**769**	**913**	**997**	**1,024**	**1,047**	**1,092**

Financials and valuation

Ratios								
Y/E March	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26E**	**FY27E**
Basic (INR)								
EPS	**-3.9**	**9.9**	**30.5**	**4.6**	**2.6**	**3.2**	**6.2**	**13.5**
Cash EPS	14.2	20.0	40.0	17.3	20.2	19.4	21.0	27.4
Book Value per Share	100.5	109.9	131.2	132.5	138.2	142.6	148.3	159.2
Dividend Per Share	0.0	2.8	8.8	1.5	2.0	1.6	0.9	2.7
Valuation (x)								
P/E	-32.3	12.7	4.1	27.2	48.4	38.9	20.3	9.3
Cash PE	8.9	6.3	3.2	7.3	6.2	6.5	6.0	4.6
EV/EBITDA	18.5	7.0	3.2	10.2	11.4	9.8	7.8	5.9
EV/Sales	1.7	1.3	0.7	0.8	0.9	0.9	0.8	0.6
Price-to-Book Value	1.3	1.1	1.0	1.0	0.9	0.9	0.9	0.8
Profitability Ratios (%)								
EBITDA Margin	9.3	18.4	20.6	7.7	7.5	8.9	9.6	11.0
APAT Margin	-2.6	5.9	12.2	1.8	1.1	1.3	2.4	4.3
RoE	-4.0	9.4	25.3	3.5	1.9	2.3	4.3	8.8
RoCE (pre-tax)	3.3	10.7	22.3	4.8	3.6	4.2	5.3	9.1
RoIC (pre-tax)	2.7	11.4	24.5	4.1	2.8	3.8	5.1	9.8
Turnover Ratios								
Debtors (Days)	52.4	37.8	16.8	18.8	29.9	29.9	29.9	29.9
Inventory (Days)	141.1	103.4	85.2	97.0	117.2	95.0	90.0	90.0
Creditors (Days)	41.3	45.4	75.2	54.3	59.4	52.0	50.0	50.0
Asset Turnover (x)	0.7	0.8	1.3	1.1	1.0	1.0	1.0	1.2
Leverage Ratio								
Debt/Equity (x)	1.3	0.8	0.3	0.6	0.6	0.6	0.5	0.5

Cash Flow Statement								(INR b)
Y/E March	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26E**	**FY27E**
EBITDA	57	127	213	80	77	90	104	144
(Inc.)/Dec. in WC	(107)	101	95	(137)	(76)	(4)	58	(62)
Direct Taxes Paid	(1)	(0)	(1)	(4)	(1)	(6)	(9)	(19)
Other Items	44	7	3	8	30	20	8	7
CF from Oper. Activity	**(6)**	**234**	**310**	**(53)**	**29**	**99**	**161**	**70**
(Inc.)/Dec. in FA & CWIP	(44)	(35)	(34)	(35)	(42)	(54)	(75)	(65)
Free Cash Flows to Firm	**(50)**	**199**	**276**	**(88)**	**(13)**	**45**	**86**	**5**
Interest and Dividend	1	1	2	2	2	2	10	11
(Pur.)/Sale of Invest.	(0)	(0)	(7)	(1)	(3)	(1)	-	-
CF from Inv. Activity	**(43)**	**(34)**	**(40)**	**(34)**	**(43)**	**(53)**	**(65)**	**(54)**
Issue of Shares								
Inc./(Dec.) in Debt	89	(163)	(224)	120	41	(16)	-	-
Interest Paid	(37)	(29)	(19)	(21)	(22)	(24)	(26)	(30)
Dividends Paid	(3)	(4)	(31)	(13)	(6)	(4)	(4)	(11)
CF from Finan. Activity	**50**	**(197)**	**(274)**	**86**	**14**	**(44)**	**(29)**	**(41)**
Inc./(Dec.) in Cash	**1**	**3**	**(4)**	**(1)**	**0**	**2**	**66**	**(26)**
Add: Opening cash Balance	1	2	5	1	1	1	3	69
Closing cash balance	2	5	1	1	1	3	69	44
Bank Balance	3	3	7	5	6	7	7	7
Closing Balance (incl. Bank Balance)	**4**	**8**	**8**	**6**	**7**	**10**	**76**	**50**

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

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