

Strong pricing offsets volume-led weakness

Metals & Mining ▶ Result Update ▶ July 25, 2026

CMP (Rs): 161 | TP (Rs): 190

SAIL reported an in-line quarter, with adjusted EBITDA of Rs41.5bn, which was 9.1% below our estimate due to weaker-than-expected sales volumes, while it was in line with street estimate. Despite the volume decline, EBITDA remained resilient, aided by improvement in NSRs, while EBITDA/t improved to Rs9,974. We expect pricing strength and ongoing cost-efficiency initiatives to support gradual margin expansion. However, weak 1Q performance raises the execution risk on FY27 volume guidance, with earnings likely to remain realization-led in the near term. Additionally, the 20% correction in rebar prices and SAIL's high exposure to long products could weigh on 2QFY27 earnings. Hence, we cut our TP by 5% to Rs190 (from Rs200) while retaining BUY, supported by improving operational efficiencies and attractive medium-term earnings potential.

In-line quarter

SAIL reported broadly in-line 1QFY27 results. Adjusted EBITDA of Rs41.5bn was 9.1% below our estimate but broadly in line with street expectation, with the miss primarily driven by lower sales volumes of 4.16mt (vs our estimate of 4.7mt), reflecting weaker-than-expected dispatches. Despite sales volumes declining 21.8% qoq and 8.5% yoy, absolute EBITDA remained resilient, supported by a ~Rs4,600/t qoq improvement in NSRs. However, the realization benefit lagged peers' due to SAIL's relatively higher exposure to semi-finished products, where pricing remained largely flat during the quarter. EBITDA/t improved by ~Rs1,700 qoq to Rs9,974, broadly in line with our estimate, while PAT stood at Rs16.4bn, down 2.6% qoq but up 139% yoy.

Margin expansion intact; volume execution remains key

While the strong pricing environment and continued cost-efficiency initiatives should support absolute EBITDA growth and drive a gradual improvement in EBITDA spreads over the medium term to ~Rs7,500/t, we remain cautious on SAIL's volume outlook. The company guided healthy volume growth for FY27 during the 4QFY26 earnings call; however, the subdued performance in 1QFY27 raises the execution hurdle for the remainder of the year. Although seasonally stronger demand and higher capacity utilization in the coming quarters could aid recovery, achieving the full-year guidance now appears challenging. Consequently, we expect earnings improvement in the near term to be driven largely by better realizations and operational efficiencies rather than volume growth. That said, we remain constructive on the medium-term margin trajectory but cautious on SAIL's structural volume growth until the next leg of major capacity expansion is commissioned in FY29-30.

Rebar price correction to weigh on 2QFY27 earnings

We expect the market to take the results largely neutrally, as EBITDA spread expansion remained modest despite a favorable pricing environment in 1QFY27. With the company entering a seasonally weaker quarter and rebar prices correcting ~20% to ~Rs48,000/t, SAIL's high exposure to long products could weigh on 2QFY27 earnings. Accordingly, we cut our TP to Rs190 (from Rs200) while maintaining BUY, supported by its improving cost structure and medium-term earnings potential.

Target Price – 12M	Jun-27
Change in TP (%)	(5.0)
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	18.0

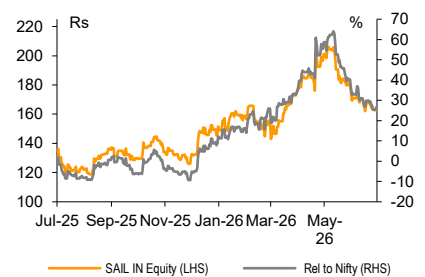
Stock Data	SAIL IN
52-week High (Rs)	210
52-week Low (Rs)	118
Shares outstanding (mn)	4,130.1
Market-cap (Rs bn)	667
Market-cap (USD mn)	6,905
Net-debt, FY27E (Rs mn)	253,455.3
ADTV-3M (mn shares)	25.4
ADTV-3M (Rs mn)	4,447.2
ADTV-3M (USD mn)	46.1
Free float (%)	35.0
Nifty-50	23,767.4
INR/USD	96.6

Shareholding, Jun-26

Promoters (%)	65.0
FPIs/MFs (%)	7.1/16.9

Price Performance

(%)	1M	3M	12M
Absolute	(5.8)	(9.5)	18.6
Rel. to Nifty	(4.8)	(9.0)	25.0

1-Year share price trend (Rs)**SAIL: Financial Snapshot (Standalone)**

Y/E Mar (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
Revenue	1,024,782	1,108,102	1,198,595	1,250,055	1,308,018
EBITDA	117,638	131,456	161,501	166,948	180,347
Adj. PAT	24,606	39,017	62,330	62,834	64,197
Adj. EPS (Rs)	6.0	9.4	15.1	15.2	15.5
EBITDA margin (%)	11.5	11.9	13.5	13.4	13.8
EBITDA growth (%)	(4.2)	11.7	22.9	3.4	8.0
Adj. EPS growth (%)	(31.2)	58.6	59.8	0.8	2.2
RoE (%)	4.5	6.9	10.3	9.7	9.3
RoIC (%)	5.1	6.5	9.9	10.7	12.9
P/E (x)	31.0	20.6	10.7	10.6	10.4
EV/EBITDA (x)	8.1	7.3	5.9	5.7	5.3
P/B (x)	1.2	1.1	1.1	1.0	0.9
FCFF yield (%)	3.6	10.5	(0.4)	(3.4)	(6.7)

Source: Company, Emkay Research

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Exhibit 1: 1Q adjusted EBITDA of Rs41.5bn in line with market expectation

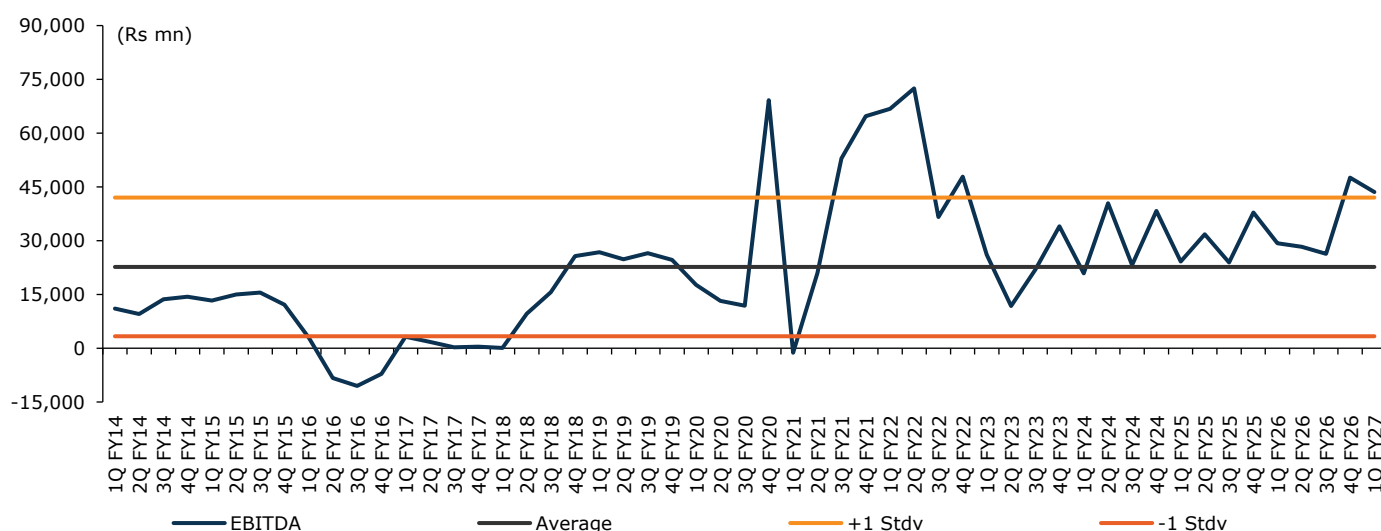
Standalone	Units	1Q FY26A	2Q FY26A	3Q FY26A	4Q FY26A	1Q FY27A	1Q FY27E	1Q FY27 Consensus	vs Emkay	vs Consensus	QoQ	YoY
Production	mt	4.9	4.6	4.8	5.1	4.8	4.8	-	-1.7%	na	-6.4%	-2.0%
Sales volume	mt	4.6	4.9	5.1	5.3	4.2	4.7	-	-11.3%	na	-21.8%	-8.5%
Revenue	Rs mn	259,214.6	267,039.4	273,713.9	308,134.5	262,456.4	288,095.0	268,871.0	-8.9%	-2.4%	-14.8%	1.3%
Reported EBITDA	Rs mn	29,253.9	28,286.3	26,297.8	47,618.0	43,556.0	48,890.2	-	-10.9%	na	-8.5%	48.9%
Adj EBITDA	Rs mn	25,910.0	25,256.0	22,983.9	44,060.0	41,520.9	45,690.2	41,291.0	-9.1%	0.6%	-5.8%	60.3%
Adj EBITDA spread	Rs/t	5,694.5	5,141.7	4,464.6	8,278.8	9,973.8	9,730.2	na	2.5%	na	20.5%	75.1%
Net profit	Rs mn	6,854.8	4,267.9	4,417.0	16,795.1	16,360.0	22,744.1	16,282.0	-28.1%	0.5%	-2.6%	138.7%
EPS	Rs	1.66	1.03	1.07	4.07	3.96	5.51	3.32	-28.2%	19.3%	-2.7%	138.6%

Source: Company, Bloomberg, Emkay Research

Exhibit 2: EBITDA estimates for FY28-29 are revised downward on revisiting rebar price assumptions

	Units	FY27E			FY28E			FY29E		
		New	Old	Chg	New	Old	Chg	New	Old	Chg
Financial metrics										
Net sales	Rs mn	1,193,902.0	1,263,155.1	-5.5%	1,250,055.2	1,301,497.0	-4.0%	1,308,017.7	1,357,809.4	-3.7%
EBITDA	Rs mn	156,807.7	151,659.0	3.4%	166,948.0	171,927.1	-2.9%	180,346.7	181,834.7	-0.8%
Adj EBITDA	Rs mn	144,721.4	139,572.7	3.7%	154,257.4	159,236.5	-3.1%	167,021.6	168,509.5	-0.9%
EBIT	Rs mn	95,880.7	90,731.9	5.7%	100,453.9	105,433.0	-4.7%	109,702.0	111,190.0	-1.3%
Net profit	Rs mn	58,669.0	56,732.7	3.4%	60,246.9	68,010.7	-11.4%	64,197.2	65,357.8	-1.8%
EPS	Rs	14.2	13.7	3.4%	14.6	16.5	-11.4%	15.5	15.8	-1.8%
DPS	Rs	4.3	4.1	3.4%	4.4	4.9	-11.4%	4.7	4.7	-1.8%
Operating metrics										
Production	mt	20.5	20.5	0.0%	20.7	21.1	-2.0%	21.6	22.0	-2.0%
Sales	mt	19.9	20.9	-4.8%	21.0	21.5	-2.4%	21.9	22.5	-2.4%

Source: Company, Emkay Research

Exhibit 3: SAIL – Quarterly EBITDA variability over the years

Source: Company, Emkay Research

Exhibit 4: Summary of estimates

Rs mn	FY25	FY26	FY27E	FY28E	FY29E		FY25	FY26	FY27E	FY28E	FY29E
P&L						Operational metrics					
Net sales	1,024,781.9	1,108,102.4	1,193,902.0	1,250,055.2	1,308,017.7	Iron Ore (USD/t)	98.6	98.1	100.0	90.0	85.0
Operating expenses	907,143.9	976,646.4	1,037,094.3	1,083,107.1	1,127,671.0	Steel HRC (Rs/t)	50,034.0	50,612.5	56,400.0	54,000.0	54,000.0
EBITDA	117,638.0	131,456.0	156,807.7	166,948.0	180,346.7	Crude Capacity (mt)	19.5	20.7	20.7	20.7	21.6
Depreciation	56,495.7	59,854.2	60,927.1	66,494.1	70,644.7	Production (mt)					
EBIT	61,142.3	71,601.8	95,880.7	100,453.9	109,702.0	Hot Metal	20.3	20.5	21.6	21.8	22.7
Interest and taxes	36,536.3	32,584.8	37,211.6	40,207.0	45,504.8	Crude Steel	19.2	19.4	20.5	20.7	21.6
Net earnings	24,606.0	39,017.0	58,669.0	60,246.9	64,197.2	Sales volumes (mt)	17.9	19.9	19.9	21.0	21.9
EPS (Rs)	6.0	9.4	14.2	14.6	15.5	Realization (Rs/t)	55,066.4	53,394.1	57,819.5	57,259.0	57,475.0
Dividend (Rs/sh)	1.6	2.4	4.3	4.4	4.7	Financial metrics					
Number of shares (mn)	4,130.7	4,129.6	4,129.6	4,129.6	4,129.6	EBITDA margin	11.5%	11.9%	13.1%	13.4%	13.8%
Balance sheet						Net margin	2.4%	3.5%	4.9%	4.8%	4.9%
Gross block	1,276,739.3	1,332,665.7	1,332,665.7	1,332,665.7	1,332,665.7	EBITDA/t (Rs)	5,939.9	5,930.7	7,275.4	7,343.4	7,619.9
Inventories	290,723.6	234,560.8	228,967.5	256,860.6	268,770.8	ROE	4.5%	6.9%	9.7%	9.4%	9.3%
Receivables	75,571.5	65,413.9	81,774.1	85,620.2	89,590.3	ROCE	7.2%	8.1%	10.2%	9.7%	9.3%
Payables	104,985.5	109,199.8	123,353.5	152,131.5	166,814.3	ROIC	4.1%	5.0%	6.5%	6.3%	6.2%
Net working capital	261,309.6	190,774.9	187,388.2	190,349.3	191,546.7	Gross debt (Rs mn)	298,111.1	216,632.0	266,632.0	331,632.0	456,632.0
Cash	9,050.2	6,453.6	11,835.7	2,541.5	16,927.0	Net debt/(cash) (Rs mn)	289,060.9	210,178.4	254,796.3	329,090.5	439,705.0
Total assets	1,329,180.5	1,332,527.0	1,437,749.0	1,573,699.9	1,758,320.7	Net debt-to-EBITDA (x)	2.5	1.6	1.6	2.0	2.4
Total liabilities	772,616.4	750,573.4	814,727.1	908,505.1	1,048,187.9	Net debt-to-Equity	51.9%	36.1%	40.9%	49.5%	61.9%
Total Equity	556,564.1	581,953.6	623,021.9	665,194.8	710,132.8	Valuation					
Cash flow						P/E (x)	22.0	14.2	11.4	11.1	10.4
Operating cash before WC	109,675.8	118,772.5	156,807.7	166,948.0	180,346.7	EV/EBITDA (x)	7.1	5.8	5.9	6.0	6.1
Working capital and other	-10,792.4	71,298.7	-13,160.9	-19,953.9	-19,304.2	FCF yield	6.4%	18.0%	-1.0%	-5.0%	-9.6%
Operating cash flow	98,883.4	190,071.2	143,646.8	146,994.1	161,042.5	Dividend yield	1.2%	1.7%	2.6%	2.7%	2.9%
Capex	-64,275.2	-90,071.2	-150,000.0	-180,000.0	-225,000.0	Methodology	Rs mn	Rs/sh			
Other investing items	11,946.0	11,329.1	0.0	0.0	0.0	EV/EBITDA	1,021,786.2	247.4			
Investing cash flow	-52,329.2	-78,742.1	-150,000.0	-180,000.0	-225,000.0	Less: Net debt, minorities	-254,796.3	-61.7			
Borrowings/(repayments)	-7,822.1	-81,920.7	50,000.0	65,000.0	125,000.0	Equity Value	766,989.9	185.7			
Equity changes	0.0	0.0	0.0	0.0	0.0	Target price		190.0			
Other financing items	-36,013.2	-32,169.5	-38,264.7	-41,288.3	-46,657.1	Current price		161.4			
Financing cash flow	-43,835.3	-114,090.2	11,735.3	23,711.7	78,342.9	Expected return		17.7%			
Net change in cash	2,718.9	-2,761.1	5,382.1	-9,294.2	14,385.4						
Ending cash	9,050.2	6,453.6	11,835.7	2,541.5	16,927.0						
Free cash flow	10,948.6	85,455.7	-27,017.2	-56,220.1	-91,355.4						

Source: Company, Emkay Research

This report is intended for Team White Marque Solutions (team.emkay@whitemarquesolutions)

SAIL: Standalone Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
Revenue	1,024,782	1,108,102	1,198,595	1,250,055	1,308,018
Revenue growth (%)	(2.7)	8.1	8.2	4.3	4.6
EBITDA	117,638	131,456	161,501	166,948	180,347
EBITDA growth (%)	(4.2)	11.7	22.9	3.4	8.0
Depreciation & Amortization	56,496	59,854	60,927	66,494	70,645
EBIT	61,142	71,602	100,574	100,454	109,702
EBIT growth (%)	(12.7)	17.1	40.5	(0.1)	9.2
Other operating income	-	-	-	-	-
Other income	-	-	-	-	-
Financial expense	27,928	21,581	20,664	19,898	27,398
PBT	33,215	50,021	79,910	80,556	82,304
Extraordinary items	(3,126)	(6,682)	0	0	0
Taxes	8,609	8,037	17,580	17,722	18,107
Minority interest	-	-	-	-	-
Income from JV/Associates	-	-	-	-	-
Reported PAT	21,480	32,335	62,330	62,834	64,197
PAT growth (%)	(21.4)	50.5	92.8	0.8	2.2
Adjusted PAT	24,606	39,017	62,330	62,834	64,197
Diluted EPS (Rs)	6.0	9.4	15.1	15.2	15.5
Diluted EPS growth (%)	(31.2)	58.6	59.8	0.8	2.2
DPS (Rs)	1.0	1.6	4.5	4.6	4.7
Dividend payout (%)	19.2	20.4	30.0	30.0	30.0
EBITDA margin (%)	11.5	11.9	13.5	13.4	13.8
EBIT margin (%)	6.0	6.5	8.4	8.0	8.4
Effective tax rate (%)	25.9	22.0	22.0	22.0	22.0
NOPLAT (pre-IndAS)	45,295	55,851	78,448	78,354	85,568
Shares outstanding (mn)	4,131	4,130	4,130	4,130	4,130

Source: Company, Emkay Research

Cash flows					
Y/E Mar (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
PBT (ex-other income)	30,088	43,339	79,910	80,556	82,304
Others (non-cash items)	(1,784)	(2,327)	0	0	0
Taxes paid	(6,374)	(6,810)	(17,580)	(17,722)	(18,107)
Change in NWC	(4,418)	78,108	2,165	(1,740)	(1,197)
Operating cash flow	98,883	190,071	146,086	147,486	161,043
Capital expenditure	(64,275)	(90,071)	(150,000)	(180,000)	(225,000)
Acquisition of business	0	0	0	0	0
Interest & dividend income	4,453	4,879	0	0	0
Investing cash flow	(52,329)	(78,742)	(150,000)	(180,000)	(225,000)
Equity raised/(repaid)	0	0	0	0	0
Debt raised/(repaid)	(16,045)	(92,937)	50,000	65,000	125,000
Payment of lease liabilities	0	0	0	0	0
Interest paid	(23,660)	(14,544)	(20,664)	(19,898)	(27,398)
Dividend paid (incl tax)	(4,131)	(6,609)	(18,699)	(18,850)	(19,259)
Others	0	0	0	0	0
Financing cash flow	(43,835)	(114,090)	10,637	26,252	78,343
Net chg in Cash	2,719	(2,761)	6,723	(6,262)	14,385
OCF	98,883	190,071	146,086	147,486	161,043
Adj. OCF (w/o NWC chg.)	103,302	111,963	143,921	149,226	162,240
FCFF	34,608	100,000	(3,914)	(32,514)	(63,957)
FCFE	11,134	83,298	(24,578)	(52,412)	(91,355)
OCF/EBITDA (%)	84.1	144.6	90.5	88.3	89.3
FCFE/PAT (%)	51.8	257.6	(39.4)	(83.4)	(142.3)
FCFF/NOPLAT (%)	76.4	179.0	(5.0)	(41.5)	(74.7)

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
Share capital	41,305	41,305	41,305	41,305	41,305
Reserves & Surplus	515,259	540,648	584,279	628,263	673,201
Net worth	556,564	581,954	625,584	669,568	714,506
Minority interests	-	-	-	-	-
Non-current liab. & prov.	64,223	63,738	63,738	63,738	63,738
Total debt	298,111	216,632	266,632	331,632	456,632
Total liabilities & equity	1,070,388	1,047,916	1,141,547	1,250,530	1,420,469
Net tangible fixed assets	650,229	646,663	585,736	519,242	448,597
Net intangible assets	14,257	13,895	13,895	13,895	13,895
Net ROU assets	0	0	0	0	0
Capital WIP	72,062	105,517	255,517	435,517	660,517
Goodwill	-	-	-	-	-
Investments [JV/Associates]	107,314	109,868	109,868	109,868	109,868
Cash & equivalents	9,050	6,454	13,177	6,915	21,300
Current assets (ex-cash)	407,883	351,240	363,229	393,746	409,627
Current Liab. & Prov.	258,792	284,611	298,765	327,543	342,225
NWC (ex-cash)	149,091	66,629	64,464	66,204	67,401
Total assets	1,070,388	1,047,916	1,141,547	1,250,530	1,420,469
Net debt	289,061	210,178	253,455	324,717	435,332
Capital employed	1,070,388	1,047,916	1,141,547	1,250,530	1,420,469
Invested capital	881,962	826,077	762,985	698,230	628,783
BVPS (Rs)	134.7	140.9	151.5	162.1	173.0
Net Debt/Equity (x)	0.5	0.4	0.4	0.5	0.6
Net Debt/EBITDA (x)	2.5	1.6	1.6	1.9	2.4
Interest coverage (x)	2.2	3.3	4.9	5.0	4.0
RoCE (%)	7.2	8.7	11.9	10.6	10.1

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY25	FY26	FY27E	FY28E	FY29E
P/E (x)	31.0	20.6	10.7	10.6	10.4
EV/CE(x)	1.1	1.2	1.1	1.0	0.8
P/B (x)	1.2	1.1	1.1	1.0	0.9
EV/Sales (x)	0.9	0.9	0.8	0.8	0.7
EV/EBITDA (x)	8.1	7.3	5.9	5.7	5.3
EV/EBIT(x)	15.6	13.4	9.5	9.5	8.7
EV/IC (x)	1.1	1.2	1.3	1.4	1.5
FCFF yield (%)	3.6	10.5	(0.4)	(3.4)	(6.7)
FCFE yield (%)	1.7	12.5	(3.7)	(7.9)	(13.7)
Dividend yield (%)	0.6	1.0	2.8	2.8	2.9
DuPont-RoE split					
Net profit margin (%)	2.4	3.5	5.2	5.0	4.9
Total asset turnover (x)	1.0	1.0	1.1	1.0	1.0
Assets/Equity (x)	1.9	1.9	1.8	1.8	1.9
RoE (%)	4.5	6.9	10.3	9.7	9.3
DuPont-RoIC					
NOPLAT margin (%)	4.4	5.0	6.5	6.3	6.5
IC turnover (x)	1.2	1.3	1.5	1.7	2.0
RoIC (%)	5.1	6.5	9.9	10.7	12.9
Operating metrics					
Core NWC days	53.1	21.9	19.6	19.3	18.8
Total NWC days	53.1	21.9	19.6	19.3	18.8
Fixed asset turnover	0.8	0.8	0.8	0.9	0.9
Opex-to-revenue (%)	88.5	88.1	86.5	86.6	86.2

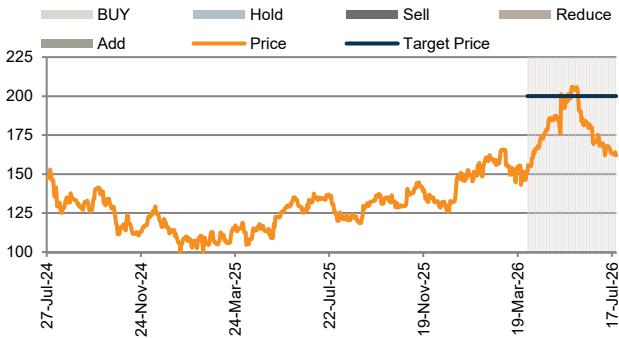
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (Rs)	TP (Rs)	Rating	Analyst
07-Jul-26	166	200	Buy	Akhilesh Kumar
16-Jun-26	181	200	Buy	Akhilesh Kumar
29-May-26	204	200	Buy	Akhilesh Kumar
16-May-26	192	200	Buy	Akhilesh Kumar
08-Apr-26	164	200	Buy	Akhilesh Kumar
31-Mar-26	151	200	Buy	Akhilesh Kumar

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

This report is intended for Team White Marque Solutions (team.emkay@whitemarquesolutions.com)

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ADD	5-15% upside
REDUCE	5% upside to 15% downside
SELL	>15% downside

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