BOBCAPS
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BUY
TP: Rs 206 | ▲ 27%

SAIL | Metals & Mining | 28 July 2026

Performance outlook strong backed by cost savings

- **Revenue grew 1.2% YoY, driven by higher realisations (+10.7% YoY); EBITDA grew by 50%YoY**
- **Demand outlook is positive and expect prices to improve post monsoon. Elevated imports remain a concern on domestic pricing**
- **Raise to BUY from SELL; on improved EBITDA performance & on rollover to June'28 EBITDA, raise TP to Rs206 from 178**

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Performance below expectations on temporary shutdown: SAIL reported revenue at Rs262bn, (+1.2%YoY, -14.8%QoQ, was 7.7% below our estimates. EBITDA came at Rs41bn (+50.0%YoY, -5.8%QoQ), was 1.3% below estimates. Lower-than-expected performance was due to advancing repair and maintenance shutdown in Q1FY27, which impacted volume performance

Volumes: Sales volumes came at 4.2mnt; (-8.5%YoY, -21.5%QoQ). Decline is due to advancing repair and maintenance shutdown in Durgapur and Bokaro steel plants. Going forward, management expect volumes to be higher in Q2FY27 on QoQ basis. On FY27E should see growth over FY26.i

Domestic pricing: Realisation increased by 10.7%YoY and by 8.4%QoQ to Rs63,045/t. Spot HRC prices at Rs56,500. Prices have shown moderation in July vs Q1FY27 average due to elevated level of imports & seasonality. Flats are lower by Rs1,000 and Longs are lower by Rs3,000/t. Management expects Q2 realisation to be lower by Rs1,000-2,000/t QoQ. We expect pricing to remain seasonally soft till monsoon period and then improving thereafter, supported by healthy domestic demand ted by healthy domestic demand.

Expansion projects: SAIL is currently undergoing a major expansion strategy that includes brownfield and greenfield expansion projects, ramping up the overall capacity by 14 mn tonnes — from 21 mnt to 35 mnt. Incremental volumes are projected to appear in FY29E and thereafter. We anticipate a 6% CAGR in volume increase from FY26 to FY29E.

Raise to BUY; revise TP upwards: Supported by strong EBITDA growth and expected cost savings. We roll forward valuation to June'28E EBITDA and revise TP to Rs206 from Rs178, based on 6.0x June'28E EBITDA.

Key changes

Target	Rating
▲	▲

Ticker/Price	SAIL IN/Rs 163
Market cap	US$ 7.1bn
Free float	35%
3M ADV	US$ 43.4mn
52wk high/low	Rs 210/Rs 118
Promoter/FPI/DII	65%/3%/16%

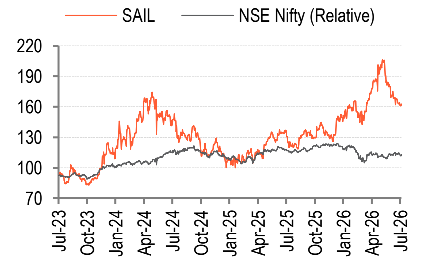
Source: NSE | Price as of 27 Jul 2026

Key financials

Y/E 31 Mar	FY26A	FY27E	FY28E
Total revenue (Rs bn)	1,108	1,280	1,358
EBITDA (Rs bn)	120	166	175
Adj. net profit (Rs bn)	40	65	66
Adj. EPS (Rs)	9.8	15.7	15.9
Adj. ROAE (%)	6.8	10.3	9.6
Adj. P/E (x)	16.6	10.4	10.2
EV/EBITDA (x)	7.7	5.7	6.1
Adj. EPS growth (%)	50.5	60.0	1.9

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Fig 1 – Quarterly performance

(Rs mn)	Q1FY27	Q4FY26	QoQ (%)	Q1FY26	YoY (%)
Revenue	**262,457**	**308,135**	**(14.8)**	**259,218**	**1.2**
EBITDA	**41,527**	**44,087**	**(5.8)**	**27,687**	**50.0**
EBITDA margin (%)	15.8	14.3	151bps	10.7	514bps
Depreciation	15,603	15,772	(1.1)	14,415	8.2
Interest	4,930	5,320	(7.3)	5,946	(17.1)
Other income	2,055	3,517	(41.6)	1,621	26.8
PBT	23,049	26,512	(13.1)	8,947	157.6
Tax	5,426	6,663	(18.6)	2,232	143.1
Reported PAT	16,441	18,355	(10.4)	7,446	120.8
Exceptional item	(1,440)	(3,298)	NA	0	NA
Adjusted PAT	**17,881**	**21,653**	**(17.4)**	**7,446**	**140.1**
Adj. PATM (%)	6.8	7.0	(21bps)	2.9	394bps
Reported EPS (Rs)	**4.0**	**4.4**	**(10.4)**	**1.8**	**120.8**
Adjusted EPS (Rs)	**4.3**	**5.2**	**(17.4)**	**1.8**	**140.1**

Source: Company

Fig 2 – Q1FY27 Actual v/s estimate

Particulars	Q1 Actual	Estimate	VAR (%)
Revenue (Rs mn)	262,457	284,476	(7.7)
EBITDA (Rs mn)	41,527	42,069	(1.3)
EBITDA margin (%)	15.8	14.8	103bps
PAT (Rs mn)	16,441	17,570	(6.4)
EPS (Rs)	4.0	4.3	(6.4)

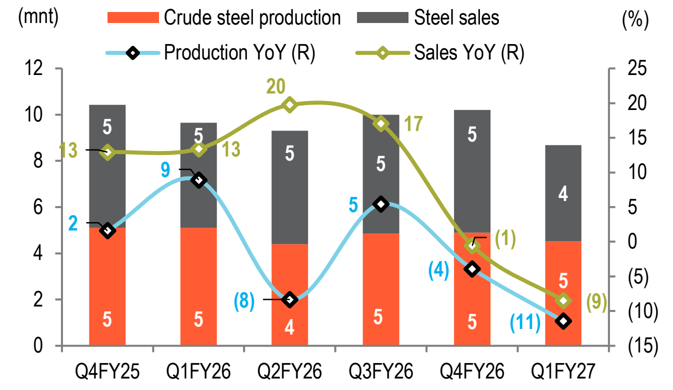
Source: Company, BOBCAPS Research

Fig 3 – Business performance

(Rs mn)	Q1FY27	Q4FY26	QoQ (%)	Q1FY26	YOY (%)
Production volumes (mnt)	4.5	4.9	(7.8)	5.1	(11.5)
Steel sales (mnt)	4.2	5.3	(21.5)	4.6	(8.5)
Realization (Rs./t)	63,045	58,139	8.4	56,970	10.7
EBITDA (Rs/t)	9,974	8,313	20.0	6,076	64.2

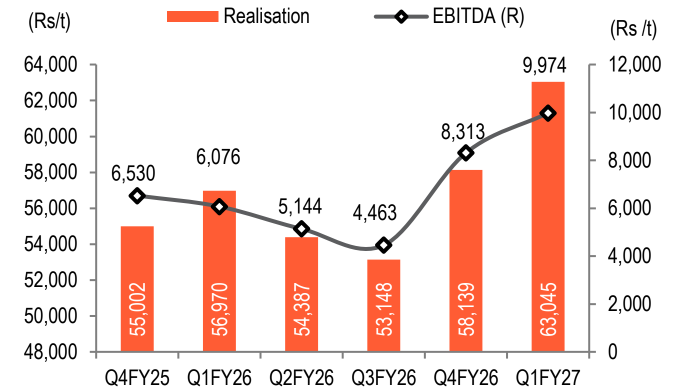
Source: Company

Fig 4 – Production & sales trend



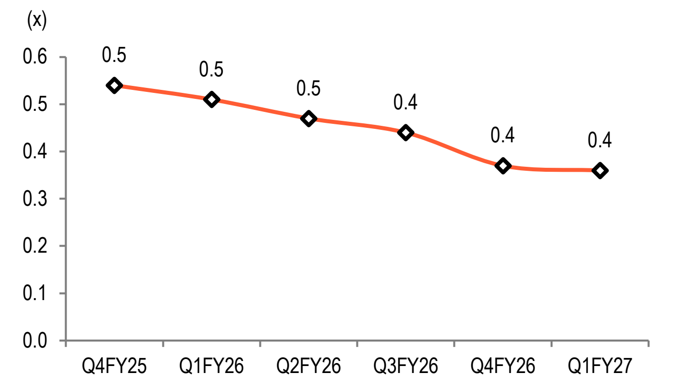
Source: Company

Fig 5 – Realisation & EBITDA trend



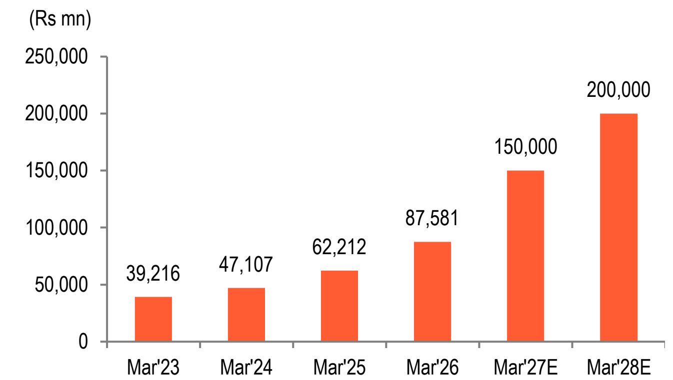
Source: Company

Fig 6 – Leverage continues to moderate



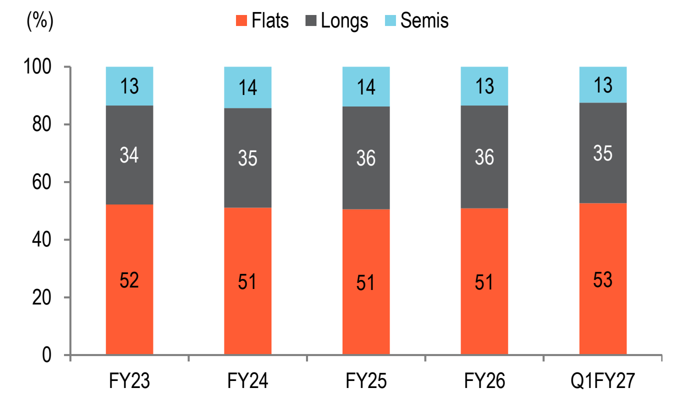
Source: Company

Fig 7 – Strong upward trend in capex



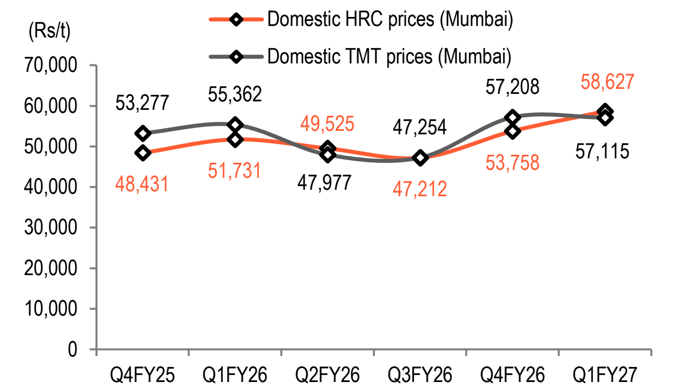
Source: Company

Fig 8 – Flats continue to lead



Source: Company, BOBCAPS Research

Fig 9 – HRC outpace TMT



Source: BOBCAPS Research, Bloomberg

Call Highlights

- **Volumes performance:** SAIL's volume performance was weak with decline of 8.5%YoY due to maintenance shutdown in their plants at IISCO, Durgapur and Bokaro. This was much lower than the industry growth of 8.0%YoY in Q1. Exports account for 1.4% of total volumes. Going forward, management expects production to recover from Q2 onward and maintain full-year volume growth guidance. On FY27E should see growth over FY26 volumes of 19.9mnt
- **Industry demand/environment:** Domestic steel consumption grew by 8.3%YoY to 42mnt in Q1FY27. Finished steel imports increased by 49%YoY and 10%QoQ to 2.1mnt in Q1FY27.
- **Pricing:** Spot HRC prices at Rs56,500. Prices have shown moderation in July vs Q1FY27 average due to elevated level of imports & seasonality. Flats are lower by Rs1,000 and Longs are lower by Rs3,000/t. Management expects Q2 realisation to be lower by Rs1,000-2,000/t QoQ. Product mix remained flat-heavy, with flats/longs/semis at 52.7%/34.8%/12.5% in Q1FY27. Management continues to focus on converting semis into finished products to improve realizations.
  - Management guided for Rs2,000-3,000/t cost reduction in FY27, driven by better utilization, lower consumable usage, improved coke/fuel rates, and operating efficiency gains.
  - Coking coal cost rose to Rs21,300/t in Q1FY27 vs Rs18,200/t in Q4FY26; management expects Rs1,000-2,000/t monthly reduction from Aug-Sep as imported coal indices soften.
- **VRS impact:** Employee cost was broadly flat YoY at Rs2,937cr in Q1FY27 vs Rs2,944cr in Q1FY26, despite VRS-related payouts being included. With the VRS scheme ongoing and headcount reducing, employee cost is expected to trend lower; wage revision provisioning will be assessed in Q4FY27. Wage revision is due from Jan. 2027
- **Capex and capacity additions:** SAIL incurred a capex of Rs26bn in Q1FY27. Management guided capex of Rs150bn in FY27E and +Rs200bn in FY28E.The company is currently undergoing a major expansion programme that includes brownfield and greenfield development projects, with the goal of expanding the overall capacity by 14 mn tonnes from 21 million to 35 mn tonnes. Major capital expenditures will be incurred between FY27E -FY30E as a result of the greenfield expansion.
- **Net debt:** Gross debt increased to Rs217bn on June 26 from Rs216bn on Mar. 26. Consolidated net debt was at Rs209bn as on Mar.26. Net D/E is 0.36x.

Valuation Methodology

We are positive on the demand environment. SAIL is undergoing a major expansion programme, in which it is doing brownfield and greenfield expansion projects, ramping up the overall capacity by 14mn tonnes. Incremental volumes will come from FY29E onwards.

We have revised the numbers upwards to account for improved operation performance in Q1 and management commitment to reduce cost further in FY27E, FY28E.

- Volumes: There are no changes in volume estimates.
- Pricing/Realisation: revised growth to 6.0% vs the earlier 5.0% for FY27E; kept unchanged at 1% for FY28E and at 1% for FY29E
- EBITDA/t estimates at Rs7,648 vs earlier Rs6,761 for FY27E, estimated at Rs7,680 vs earlier 6,898 for FY28E and at Rs7,710 vs earlier 7,029 for FY29E
- USD-INR assumption was revised to Rs 97.0 vs the earlier Rs95 for FY27E and FY28E.

Fig 10 – Revision in Estimates

(Rs mn)	Actual	New			Old			Change (%)		
	FY26A	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
Revenue	1,108,108	1,280,308	1,357,767	1,412,485	1,268,230	1,344,958	1,399,159	1.0	1.0	1.0
EBITDA	120,000	166,173	175,211	181,162	146,898	157,359	165,169	13.1	11.3	9.7
EBITDA % margin	10.8	13.0	12.9	12.8	11.6	11.7	12	140bps	120bps	102bps
PAT	40,410	64,648	65,849	66,146	49,844	52,365	55,051	29.7	25.7	20.2
EPS (Rs)	9.8	15.7	15.9	16.0	12.1	12.7	13.3	29.7	25.7	20.2

Source: Company, BOBCAPS Research

Fig 11 – Key assumptions

Particulars	FY25	FY26	FY27E	FY28E	FY29E
Sales volumes (mn t)	17.9	19.9	21.7	22.8	23.5
Realisation (Rs/t)	57,266	55,594	58,930	59,519	60,114
Utilisation (%)	83.6	93.1	97.0	101.8	102.6
% growth YoY					
Volumes	5.1	11.4	9.0	5.0	3.0
Realization	(7.5)	(2.9)	6.0	1.0	1.0
EBITDA/t (Rs)	5,940	6,018	7,648	7,680	7,710
USD – INR	83.0	90.0	97.0	97.0	97.0

Source: Company, BOBCAPS Research

EV/EBITDA-based Valuation Rationale

Upgrade to BUY from SELL, supported by strong EBITDA growth and expected cost savings. We roll forward valuation to June'28E EBITDA and revise TP to Rs206 from Rs178, based on 6.0x June'28E EBITDA.

Fig 12 – Valuation summary

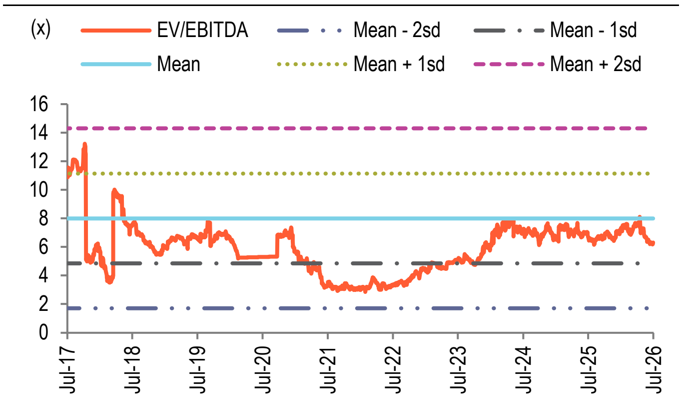
Particulars	June 28E EBITDA (Rs mn)	Multiple	Value (Rs cr)	Rs/share
SAIL	176,699	6.0	1,060,193	257
Less - Net debt			209,368	51
Target price			**850,825**	**206**

Source: BOBCAPS Research, Company

Key Risks

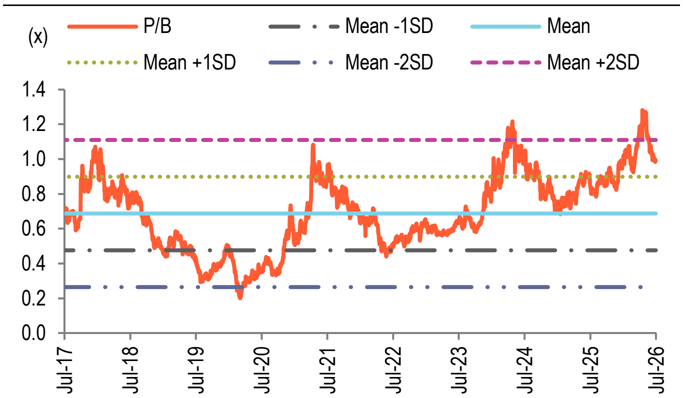
- Capex on expansion projects to risk leverage ratio: SAIL has plans to ramp up capacity. Major capex will come in FY27E-FY30E, due to the greenfield expansion project, which will raise the overall debt. Further, weak demand environment during this period can weigh on the balance sheet and cashflow.
- Coking coal – Disruption and price volatility can impact the operating profit. SAIL relies on imported coking coal for most of its requirements. Given a limited number of vendors, the bulk supply comes from one geographical area. Thus, the risk of interruption can impact requirement. Also, price volatility can push up the operating cost, thereby impacting EBITDA performance.

Fig 13 – EV/EBITDA 1YF



Source: Bloomberg

Fig 14 – P/B 1YF



Source: Bloomberg

Financials

Income Statement

Y/E 31 Mar (Rs bn)	FY25A	FY26A	FY27E	FY28E	FY29E
Total revenue	**1,025**	**1,108**	**1,280**	**1,358**	**1,412**
EBITDA	106	120	166	175	181
Depreciation	(57)	(60)	(69)	(76)	(84)
EBIT	50	60	97	99	97
Net interest inc./(exp.)	(28)	(22)	(25)	(29)	(27)
Other inc./(exp.)	9	9	9	9	9
Exceptional items	(3)	(7)	0	0	0
EBT	33	45	85	84	85
Income taxes	(9)	(11)	(20)	(18)	(18)
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	4	4	4	4	4
Reported net profit	**24**	**34**	**65**	**66**	**66**
Adjustments	3	7	0	0	0
Adjusted net profit	**27**	**40**	**65**	**66**	**66**

Balance Sheet

Y/E 31 Mar (Rs bn)	FY25A	FY26A	FY27E	FY28E	FY29E
Accounts payables	105	109	129	137	135
Other current liabilities	146	167	167	167	167
Provisions	14	15	15	15	15
Debt funds	298	217	362	457	442
Other liabilities	212	247	247	247	247
Equity capital	41	41	41	41	41
Reserves & surplus	548	562	616	670	724
Shareholders' fund	589	604	657	712	765
Total liab. and equities	**1,364**	**1,359**	**1,578**	**1,735**	**1,771**
Cash and cash eq.	10	7	9	13	21
Accounts receivables	76	65	77	82	93
Inventories	337	279	404	429	450
Other current assets	42	51	51	51	51
Investments	50	43	43	43	43
Net fixed assets	651	647	728	852	848
CWIP	72	106	106	106	106
Intangible assets	14	14	14	14	14
Deferred tax assets, net	0	0	0	0	0
Other assets	162	190	190	190	190
Total assets	**1,364**	**1,359**	**1,578**	**1,735**	**1,771**

Cash Flows

Y/E 31 Mar (Rs bn)	FY25A	FY26A	FY27E	FY28E	FY29E
Cash flow from operations	**120**	**214**	**43**	**149**	**142**
Capital expenditures	(76)	(120)	(150)	(200)	(80)
Change in investments	(4)	6	0	0	0
Other investing cash flows	5	(13)	0	0	0
Cash flow from investing	**(75)**	**(127)**	**(150)**	**(200)**	**(80)**
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	(8)	(81)	145	95	(15)
Interest expenses	(28)	(22)	(25)	(29)	(27)
Dividends paid	(11)	(10)	(11)	(12)	(13)
Other financing cash flows	5	23	0	0	0
Cash flow from financing	**(42)**	**(90)**	**109**	**55**	**(54)**
Chg in cash & cash eq.	**3**	**(2)**	**2**	**4**	**8**
Closing cash & cash eq.	**10**	**7**	**9**	**13**	**21**

Per Share

Y/E 31 Mar (Rs)	FY25A	FY26A	FY27E	FY28E	FY29E
Reported EPS	5.7	8.2	15.7	15.9	16.0
Adjusted EPS	6.5	9.8	15.7	15.9	16.0
Dividend per share	2.6	2.4	2.6	2.9	3.1
Book value per share	142.6	146.1	159.2	172.3	185.2

Valuations Ratios

Y/E 31 Mar (x)	FY25A	FY26A	FY27E	FY28E	FY29E
EV/Sales	0.9	0.8	0.7	0.8	0.8
EV/EBITDA	9.1	7.7	5.7	6.1	6.1
Adjusted P/E	25.0	16.6	10.4	10.2	10.2
P/BV	1.1	1.1	1.0	0.9	0.9

DuPont Analysis

Y/E 31 Mar (%)	FY25A	FY26A	FY27E	FY28E	FY29E
Tax burden (Net profit/PBT)	82.6	89.7	76.1	78.2	78.2
Interest burden (PBT/EBIT)	52.4	68.8	76.1	73.7	75.2
EBIT margin (EBIT/Revenue)	4.9	5.4	7.6	7.3	7.3
Asset turnover (Rev./Avg TA)	0.7	0.8	0.9	0.8	0.8
Leverage (Avg TA/Avg Equity)	2.4	2.3	2.3	2.4	0.6
Adjusted ROAE	4.6	6.8	10.3	9.6	7.5

Ratio Analysis

Y/E 31 Mar	FY25A	FY26A	FY27E	FY28E	FY29E
YoY growth (%)					
Revenue	(2.8)	8.1	15.5	6.1	4.0
EBITDA	(4.5)	12.7	38.5	5.4	3.4
Adjusted EPS	(31.3)	50.5	60.0	1.9	0.5
Profitability & Return ratios (%)					
EBITDA margin	10.4	10.8	13.0	12.9	12.8
EBIT margin	4.9	5.4	7.6	7.3	6.9
Adjusted profit margin	2.6	3.6	5.0	4.8	4.7
Adjusted ROAE	4.6	6.8	10.3	9.6	9.0
ROCE	5.4	6.4	9.1	8.1	7.4
Working capital days (days)					
Receivables	27	21	22	22	24
Inventory	120	92	115	115	116
Payables	42	40	42	42	40
Ratios (x)					
Gross asset turnover	0.7	0.8	0.9	0.8	0.8
Current ratio	1.0	0.9	1.2	1.2	1.3
Net interest coverage ratio	1.8	2.8	3.8	3.5	3.7
Adjusted debt/equity	0.5	0.3	0.5	0.6	0.6

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

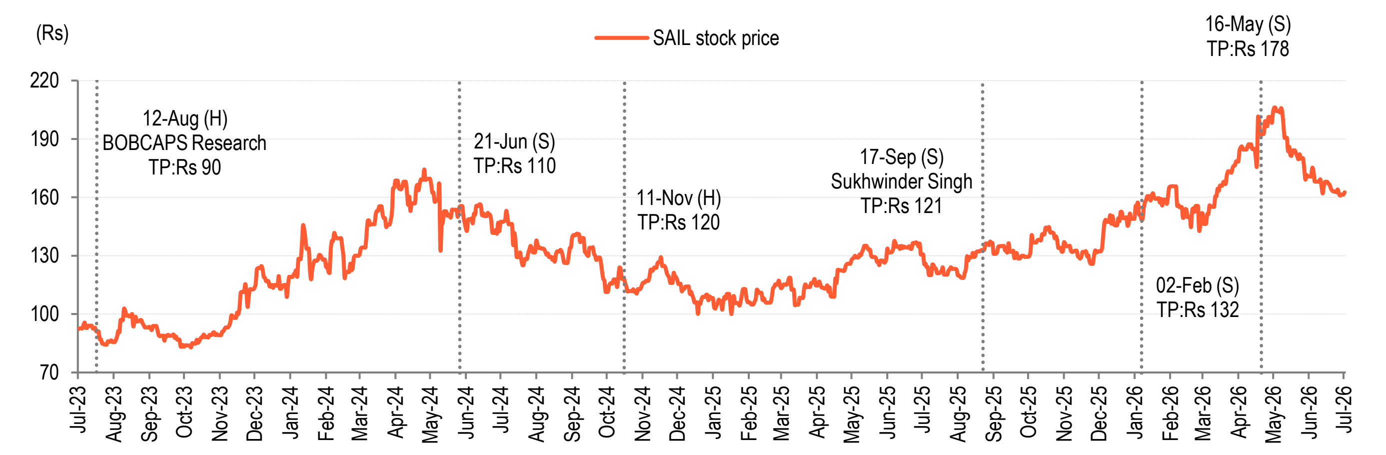
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Ratings and Target Price (3-year history): SAIL (SAIL IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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