

**SELL**

TP: Rs 178 | ▼ 7%

**SAIL**

| Metals & Mining

| 16 May 2026

## Operational performance beats expectations on lower cost

- Revenue grew 5.1% YoY, driven by higher realisations (+5.7% YoY); EBITDA increased 26.5% YoY on better operational efficiency
- Outlook remains positive, supported by improving steel prices and healthy demand from infrastructure, railways & construction
- Maintain SELL; raise TP to Rs178 from Rs132 on rollover to Mar'28E EBITDA

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**Operational performance above expectations:** SAIL reported revenue at Rs308bn, (+5.1%YoY, +12.6%QoQ) - 7.0% below our estimates. EBITDA came at Rs44bn (+26.5%YoY, +92.2%QoQ), was 22.5% above estimates. Better-than-expected EBITDA performance was primarily driven by operational efficiencies, including a 20kg reduction in coke rate, resulting in EBITDA/t improving 27.3% YoY to Rs8,313.

**Volumes:** For Q4 - Sales volumes came at 5.3mnt; (-0.6% YoY, +2.9% QoQ). In FY26 - Crude steel production increased 1% YoY to 19.4mnt, while saleable steel production grew 7% YoY and sales volumes increased 11% YoY to a record 19.9mnt, leading to significant inventory reduction and stronger profitability, For FY26 prices declined by 2.9% to Rs55,594/t and EBITDA/t stood at Rs6,018.

**Domestic pricing:** Realisation increased by 5.7%YoY and by 9.4%QoQ to Rs58,139/t. Spot HRC prices at Rs55,000 - 57,000/t. Current prices are Rs4,000 higher than Q4 average. Management is positive on the pricing and expects the price improvement to sustain on the back of healthy demand.

**Inventory:** Reduction in inventory remained a major highlight during FY26. The company reduced total inventory by 0.9mnt, including 0.4mnt saleable steel and 0.5mnt process inventory, driven by strong sales growth.

**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.

**Maintain SELL; raise TP:** We maintain SELL. Considering improved operational performance, we raise the valuation multiple and roll over to Mar'28E EBITDA. We have revised our TP to Rs178 from Rs132, based on 6.0x Mar.28E EBITDA.

### Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	SAIL IN/Rs 192
Market cap	US\$ 8.4bn
Free float	35%
3M ADV	US\$ 47.8mn
52wk high/low	Rs 210/Rs 118
Promoter/FPI/DII	65%/3%/16%

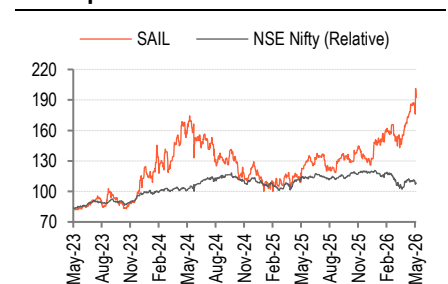
Source: NSE | Price as of 15 May 2026

### Key financials

Y/E 31 Mar	FY26A	FY27E	FY28E
Total revenue (Rs bn)	1,108	1,268	1,345
EBITDA (Rs bn)	120	147	157
Adj. net profit (Rs bn)	40	50	52
Adj. EPS (Rs)	9.8	12.1	12.7
Consensus EPS (Rs)	9.8	11.9	12.7
Adj. ROAE (%)	6.8	8.0	7.9
Adj. P/E (x)	19.7	15.9	15.2
EV/EBITDA (x)	8.7	7.4	7.7
Adj. EPS growth (%)	50.5	23.3	5.1

Source: Company, Bloomberg, BOBCAPS Research

### Stock performance



Source: NSE



**Fig 1 – Quarterly performance**

(Rs mn)	Q4FY26	Q3FY26	QoQ (%)	Q4FY25	YOY (%)	FY26	FY25	YOY (%)
Revenue	308,135	273,714	12.6	293,161	5.1	1,108,108	1,024,791	8.1
EBITDA	44,087	22,943	92.2	34,839	26.5	120,000	106,462	12.7
EBITDA margin (%)	14.3	8.4	593bps	11.9	242bps	10.8	10.4	44bps
Depreciation	15,772	15,155	4.1	15,238	3.5	59,877	56,507	6.0
Interest	5,320	5,472	(2.8)	6,644	(19.9)	21,582	27,932	(22.7)
Other income	3,517	1,745	101.5	2,975	18.2	8,942	8,750	2.2
PBT	26,512	4,061	552.9	15,931	66.4	47,483	30,774	54.3
Tax	6,663	1,057	530.2	4,062	64.0	11,327	8,797	28.8
Reported PAT	18,355	3,740	390.7	12,510	46.7	33,728	23,718	42.2
Exceptional item	(3,298)	0	NA	(294)	(1021.3)	(6,682)	(3,126)	(113.7)
<b>Adjusted PAT</b>	<b>21,653</b>	<b>3,740</b>	<b>478.9</b>	<b>12,804</b>	<b>69.1</b>	<b>40,410</b>	<b>26,845</b>	<b>50.5</b>
Adj. PATM (%)	7.0	1.4	566bps	4.4	266bps	3.6	2.6	103bps
Reported EPS (Rs)	4.4	0.9	390.7	3.0	46.7	8.2	5.7	42.2
<b>Adjusted EPS (Rs)</b>	<b>5.2</b>	<b>0.9</b>	<b>478.9</b>	<b>3.1</b>	<b>69.1</b>	<b>9.8</b>	<b>6.5</b>	<b>50.5</b>

Source: Company

**Fig 2 – Q4FY26 Actual v/s estimate**

Particulars	Q4 Actual	Estimate	VAR (%)
Revenue (Rs mn)	308,135	331,363	(7.0)
EBITDA (Rs mn)	44,087	35,980	22.5
EBITDA margin (%)	14.3	10.9	NA
PAT (Rs mn)	18,355	12,750	44.0
EPS (Rs)	4.4	3.1	44.0

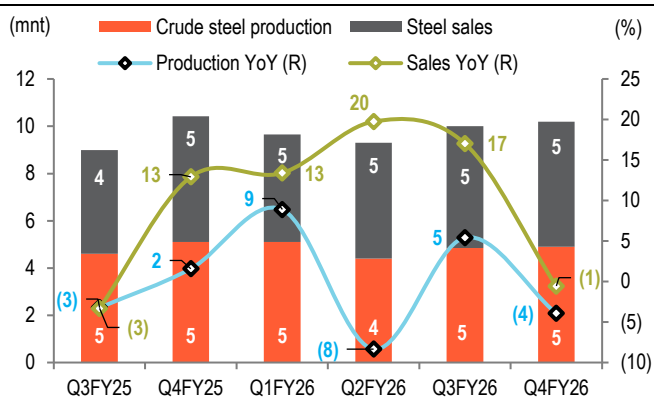
Source: Company, BOBCAPS Research

**Fig 3 – Business performance**

(Rs mn)	Q4FY26	Q3FY26	QoQ (%)	Q4FY25	YOY (%)	FY26	FY25	YoY (%)
Steel sales (mnt)	5.3	5.2	2.9	5.3	(0.6)	19.9	17.9	11.4
Realisation (Rs./t)	58,139	53,148	9.4	55,002	5.7	55,594	57,266	(2.9)
<b>EBITDA (Rs/t)</b>	<b>8,313</b>	<b>4,463</b>	<b>86.3</b>	<b>6,530</b>	<b>27.3</b>	<b>6,018</b>	<b>5,940</b>	<b>1.3</b>

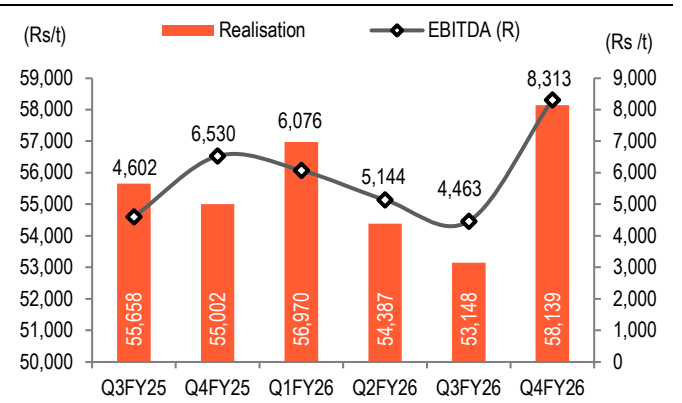
Source: Company

**Fig 4 – Production & sales trend**



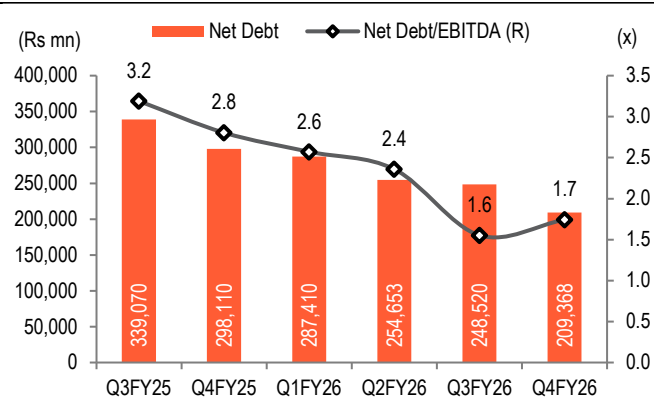
Source: Company

**Fig 5 – Realisation & EBITDA trend**



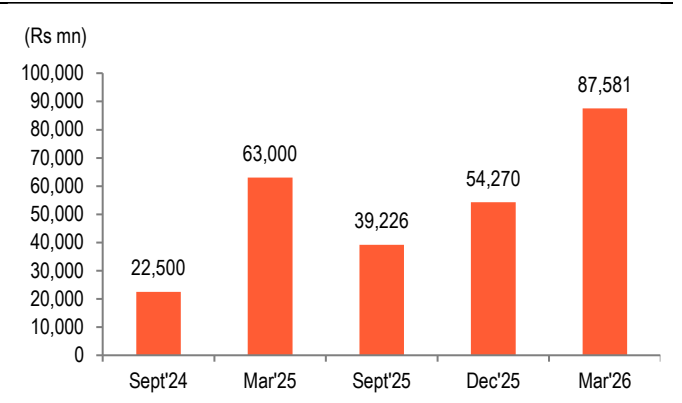
Source: Company

**Fig 6 – Leverage**



Source: Company

**Fig 7 – Capex as on quarter-end**



Source: Company

## Other Highlights

- **Volumes performance:** SAIL's volume growth of 11.4%YoY for FY26 and was better than the industry growth of 8.0%YoY in FY26. Exports account for 1.4% of total volumes. Management is positive on demand and expects sales volumes of 22.0mnt for FY27E — a growth of 10%YoY over FY26 volumes.
- **Cost reduction:** The company emphasized significant operational efficiency improvements across plants. Coke rate reduced by 20kg over the last two years due to higher PCI usage and oxygen enrichment in blast furnaces. Management targets an additional 20kg reduction in FY27. Closure of smaller inefficient blast furnaces and higher production from larger furnaces also improved BF productivity and cost efficiency.
- **Industry demand/environment:** Domestic steel consumption grew by 11.0%YoY to 44.6mnt in Q4FY26; and by 8.0%YoY to 164.2mnt in FY26. Steel imports fell by 6.0%YoY to 2.2mnt in Q4FY26. Imports declined by 22%YoY to 8.2mnt in FY26.
- **Pricing:** Current prices are Rs4,000 higher than Q4 average. Management is positive on the pricing. They expect price improvement to sustain on the back of good demand from infra, construction and auto segments. This will likely cover the rise in coking coal costs in the near term. On raw material security, management guided for iron ore production increase from 38mnt in FY26 to 56mnt in FY27, with long-term target of 80mnt.
- **Capex and capacity additions:** SAIL incurred a capex of Rs87bn in FY26 vs Rs62bn in FY25. 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. Management guided capex of Rs150bn in FY27E and near Rs200bn in FY28E.
- **Net debt:** Consolidated net debt decreased to Rs209bn as on Mar.26 from a net debt of Rs288bn on Mar'25. Net debt was Rs248bn on Dec.25. The decrease is due to improved cashflows. Net D/E is 0.3x.

## Valuation Methodology

We are positive on the demand environment and pricing. 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 FY26 performance.

- Volumes: Estimate growth at 9.0% as earlier 8.0% for FY27E; unchanged at 5.0% for FY28E. Introduce FY29 growth estimate of 3.0%. Growth will likely be subject to capacity constraints.
- Pricing/Realisation: revised growth to 5.0% vs the earlier 3.0% for FY27E; revised to 1.0% vs the earlier 2.0% for FY28E. Introduce FY29 growth estimate of 1.0%.
- USD-INR assumption was revised to Rs 95.0 vs the earlier Rs91 for FY27E and FY28E.

**Fig 8 – Revision in Estimates**

(Rs mn)	Actual	New			Old			Change (%)		
	FY26A	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
Revenue	1,108,108	1,268,230	1,344,958	1,399,159	1,217,723	1,304,182	-	4.1	3.1	-
EBITDA	120,000	146,898	157,359	165,169	138,403	155,936	-	6.1	0.9	-
EBITDA % margin	10.8	11.6	11.7	11.8	11.4	12.0	-	22bps	(26bps)	-
PAT	40,410	49,844	52,365	55,051	38,827	45,768	-	28.4	14.4	-
EPS (Rs)	9.8	12.1	12.7	12.1	9.4	11.1	-	28.4	14.4	-

Source: Company, BOBCAPS Research

**Fig 9 – 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	58,374	58,958	59,547
Utilisation (%)	83.6	93.1	97.0	101.8	102.6
<b>% growth YoY</b>					
Volumes	5.1	11.4	9.0	5.0	3.0
Realization	(7.5)	(2.9)	5.0	1.0	1.0
EBITDA/t (Rs)	5,940	6,018	6,761	6,898	7,029
USD - INR	83.0	90.0	95.0	95.0	95.0

Source: Company, BOBCAPS Research

### EV/EBITDA-based Valuation Rationale

We maintain SELL. However, considering the improved operational performance, we raise valuation multiple and roll over to Mar.28E EBITDA — increasing our TP to Rs178 from Rs132, based on 6.0x Mar.28E EBITDA. The revised TP factors in the benefit of net debt reduction and the increase in multiple to 6.0x vs the earlier 5.5.

**Fig 10 – Valuation summary**

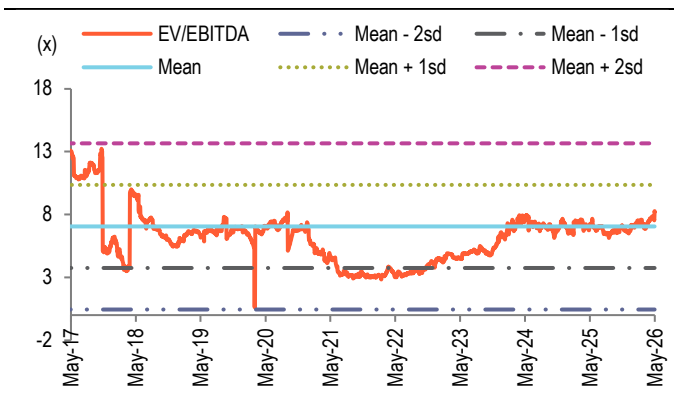
Particulars	Mar.28E EBITDA (Rs mn)	Multiple	Value (Rs cr)	Rs/share
SAIL	157,359	6.0	944,153	229
Less - Net debt			209,368	51
<b>Target price</b>			<b>734,785</b>	<b>178</b>

Source: BOBCAPS Research, Company

### Key Risks

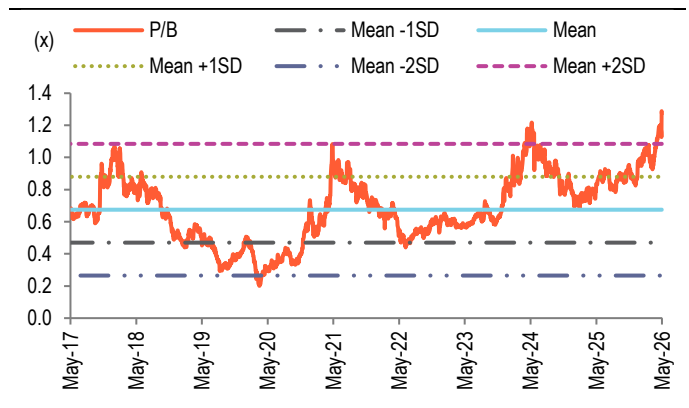
- Capex on expansion projects to risk leverage ratio: SAIL has plans to ramp up capacity. Major capex will come in FY27E-FY30E, due to the greenfield expansion project, which will raise the overall debt. Further, weak demand environment during this period can weigh on the balance sheet and cashflow.
- 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 11 – EV/EBITDA 1YF**



Source: Bloomberg

**Fig 12 – P/B 1YF**



Source: Bloomberg

## Financials

### Income Statement

Y/E 31 Mar (Rs bn)	FY25A	FY26A	FY27E	FY28E	FY29E
<b>Total revenue</b>	<b>1,025</b>	<b>1,108</b>	<b>1,268</b>	<b>1,345</b>	<b>1,399</b>
EBITDA	106	120	147	157	165
Depreciation	(57)	(60)	(70)	(74)	(80)
EBIT	50	60	77	84	85
Net interest inc./(exp.)	(28)	(22)	(26)	(30)	(28)
Other inc./(exp.)	9	9	9	9	9
Exceptional items	(3)	(7)	0	0	0
EBT	33	45	64	68	71
Income taxes	(9)	(11)	(14)	(15)	(16)
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	4	4	4	4	4
<b>Reported net profit</b>	<b>24</b>	<b>34</b>	<b>50</b>	<b>52</b>	<b>55</b>
Adjustments	3	7	0	0	0
<b>Adjusted net profit</b>	<b>27</b>	<b>40</b>	<b>50</b>	<b>52</b>	<b>55</b>

### Balance Sheet

Y/E 31 Mar (Rs bn)	FY25A	FY26A	FY27E	FY28E	FY29E
Accounts payables	105	109	128	136	134
Other current liabilities	146	167	167	167	167
Provisions	14	15	15	15	15
Debt funds	298	217	372	479	472
Other liabilities	212	247	247	247	247
Equity capital	41	41	41	41	41
Reserves & surplus	548	562	601	642	684
Shareholders' fund	589	604	643	683	726
<b>Total liab. and equities</b>	<b>1,364</b>	<b>1,359</b>	<b>1,572</b>	<b>1,728</b>	<b>1,761</b>
Cash and cash eq.	10	7	8	8	9
Accounts receivables	76	65	76	81	92
Inventories	337	279	400	425	446
Other current assets	42	51	51	51	51
Investments	50	43	43	43	43
Net fixed assets	651	647	727	853	854
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
<b>Total assets</b>	<b>1,364</b>	<b>1,359</b>	<b>1,572</b>	<b>1,728</b>	<b>1,761</b>

### Cash Flows

Y/E 31 Mar (Rs bn)	FY25A	FY26A	FY27E	FY28E	FY29E
<b>Cash flow from operations</b>	<b>120</b>	<b>214</b>	<b>33</b>	<b>135</b>	<b>129</b>
Capital expenditures	(76)	(120)	(150)	(200)	(80)
Change in investments	(4)	6	0	0	0
Other investing cash flows	5	(13)	0	0	0
<b>Cash flow from investing</b>	<b>(75)</b>	<b>(127)</b>	<b>(150)</b>	<b>(200)</b>	<b>(80)</b>
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	(8)	(81)	155	107	(7)
Interest expenses	(28)	(22)	(26)	(30)	(28)
Dividends paid	(11)	(10)	(11)	(12)	(13)
Other financing cash flows	5	23	0	0	0
<b>Cash flow from financing</b>	<b>(42)</b>	<b>(90)</b>	<b>118</b>	<b>65</b>	<b>(48)</b>
<b>Chg in cash &amp; cash eq.</b>	<b>3</b>	<b>(2)</b>	<b>1</b>	<b>0</b>	<b>1</b>
<b>Closing cash &amp; cash eq.</b>	<b>10</b>	<b>7</b>	<b>8</b>	<b>8</b>	<b>9</b>

### Per Share

Y/E 31 Mar (Rs)	FY25A	FY26A	FY27E	FY28E	FY29E
Reported EPS	5.7	8.2	12.1	12.7	13.3
Adjusted EPS	6.5	9.8	12.1	12.7	13.3
Dividend per share	2.6	2.4	2.6	2.9	3.1
Book value per share	142.6	146.1	155.6	165.4	175.6

### Valuations Ratios

Y/E 31 Mar (x)	FY25A	FY26A	FY27E	FY28E	FY29E
EV/Sales	1.1	0.9	0.9	0.9	0.9
EV/EBITDA	10.2	8.7	7.4	7.7	7.6
Adjusted P/E	29.6	19.7	15.9	15.2	14.4
P/BV	1.3	1.3	1.2	1.2	1.1

### DuPont Analysis

Y/E 31 Mar (%)	FY25A	FY26A	FY27E	FY28E	FY29E
Tax burden (Net profit/PBT)	82.6	89.7	77.6	77.5	77.5
Interest burden (PBT/EBIT)	52.4	68.8	69.7	67.9	70.2
EBIT margin (EBIT/Revenue)	4.9	5.4	6.1	6.2	8.4
Asset turnover (Rev./Avg TA)	0.7	0.8	0.9	0.8	0.8
Leverage (Avg TA/Avg Equity)	2.4	2.3	2.4	2.5	0.5
Adjusted ROAE	4.6	6.8	8.0	7.9	7.0

### Ratio Analysis

Y/E 31 Mar	FY25A	FY26A	FY27E	FY28E	FY29E
<b>YoY growth (%)</b>					
Revenue	(2.8)	8.1	14.5	6.1	4.0
EBITDA	(4.5)	12.7	22.4	7.1	5.0
Adjusted EPS	(31.3)	50.5	23.3	5.1	5.1
<b>Profitability &amp; Return ratios (%)</b>					
EBITDA margin	10.4	10.8	11.6	11.7	11.8
EBIT margin	4.9	5.4	6.1	6.2	6.1
Adjusted profit margin	2.6	3.6	3.9	3.9	3.9
Adjusted ROAE	4.6	6.8	8.0	7.9	7.8
ROCE	5.4	6.4	7.4	7.0	6.7
<b>Working capital days (days)</b>					
Receivables	27	21	22	22	24
Inventory	120	92	115	115	116
Payables	42	40	42	42	40
<b>Ratios (x)</b>					
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	3.0	2.8	3.0
Adjusted debt/equity	0.5	0.3	0.6	0.7	0.6

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

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 For any queries or grievances, you may contact the Grievance Officer.  
 Name of the Grievance Officer: Mr. Manoj Pawar  
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**BUY** – Expected return >+15%

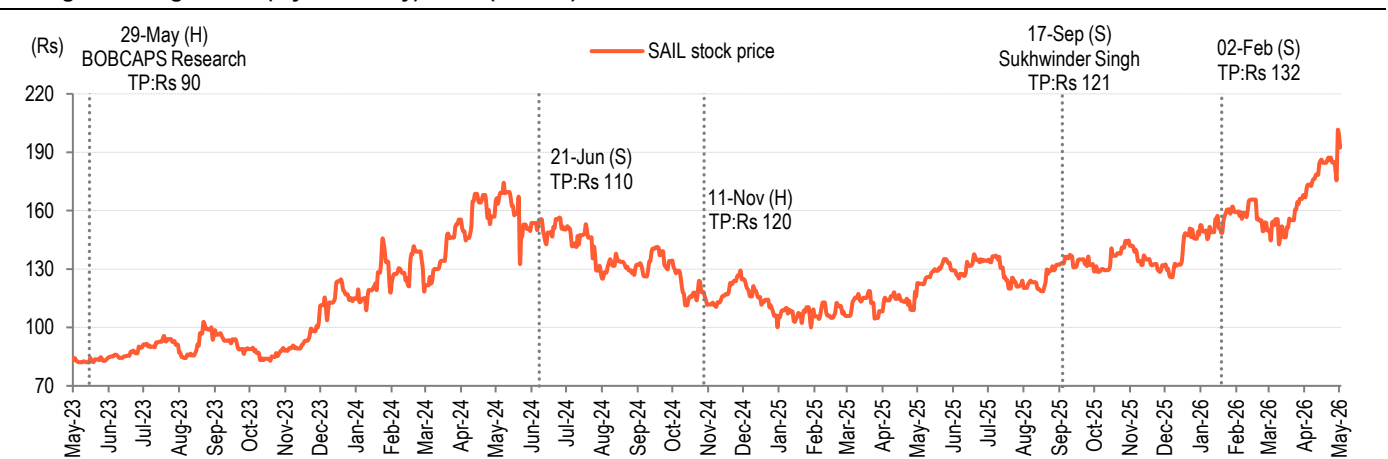
**HOLD** – Expected return from -6% to +15%

**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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