BUY SAIL

Self-help kicks in; earnings floor shifts higher

Metals & Mining | Company Update | **February 24, 2026**

CMP (Rs): 160 | TP (Rs): 200

We expect sharp earnings recovery for SAIL, with EBITDA/t rising to Rs7,000-7,500 in the next two quarters (vs ~Rs4,500/t in Q3). This would be driven by inventory unwind and improved realization (QTD average at +11% for flats and +17% for longs vs Q3), partly offset by higher coking coal costs (+18% QoQ). We believe this will improve cashflow generation and drive deleveraging in FY26. Medium term, improved product mix (Durgapur mill by FY28), better coal blending, and the 4mt IISCO expansion are likely to help sustain Rs7,500-8,000/t EBITDA at USD350/t steel-coking coal spread. At 1.1x P/B (vs sector at 2.8x), valuations are attractive; TP raised >14% to Rs200 from Rs175; BUY.

The short view

We see near-term catalysts of self-help and pricing tailwinds supporting a recovery in SAIL's earnings trajectory, with EBITDA/t expected to improve to Rs7,000–7,500 over the next two quarters vs ~Rs4,500 in Q3. We see three distinct favorable catalysts – 1) Inventories: We expect continued inventory unwind, with potential of another 1.5mt over coming quarters. With this, SAIL is likely to deliver Q4 volume of 5.4mt (+5.5% QoQ). 2) Prices: Rebar prices have recovered meaningfully with uptick in construction and infra project activity, which, despite the recent spike in coking coal costs (QTD average of USD235/t vs USD199/t in Q3), should support a sequential recovery in margins. 3) Deleveraging: Higher realizations coupled with inventory unwind are likely to strengthen cash flow generation, reducing net debt by 28% YoY to Rs208bn in FY26. This should keep leverage under control, ahead of the upcoming expansion capex cycle.

The long view

Over the medium term, we see a set of structural catalysts strengthening the investment case, which should enable it to sustainably generate EBITDA/t of Rs7,500-8,000, building in a steel–coking coal spread of USD350/t. 1) Product mix: SAIL plans to reduce the share of semis structurally over the next two years, as downstream value-added capacity ramps up, with mills totalling 1.4mt of capacity at Durgapur slated for commissioning by FY28. 2) Coal blending: We expect SAIL to improve coking coal consumption to 0.9x of crude steel by FY30 (vs 1x now), driven by improved blending and diversified sourcing from FY27 onward. 3) Expansion plan: The planned 4mt expansion at IISCO, taking total capacity to 25.6mt by FY30 with Rs360bn of capex, provides visibility on volume growth, while also supporting scale benefits as these capacities ramp up.

Valuations inexpensive amid improving fundamentals

We maintain BUY on SAIL and increase our TP to Rs200 from Rs175, as valuations remain compelling, supported by near-term self-help measures and pricing tailwinds. Inventory unwind, improving product mix, and coal blending efficiencies should drive margin stability, while stronger domestic prices aid near-term profitability. SAIL trades at 1.1x P/B vs its long-term average of 0.7x and sector P/B of 2.8x (long-term average: 1.6x).

SAIL: Financial Snapshot (Standalone)

Y/E Mar (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Revenue	1,053,746	1,024,782	1,112,643	1,231,153	1,277,741
EBITDA	122,798	117,638	126,036	159,037	171,135
Adj. PAT	35,739	24,606	36,396	58,791	65,105
Adj. EPS (Rs)	8.7	6.0	8.8	14.2	15.8
EBITDA margin (%)	11.7	11.5	11.3	12.9	13.4
EBITDA growth (%)	30.9	(4.2)	7.1	26.2	7.6
Adj. EPS growth (%)	117.2	(31.2)	47.9	61.5	10.7
RoE (%)	6.7	4.5	6.4	9.8	10.1
RoIC (%)	6.5	5.1	6.3	9.9	11.6
P/E (x)	24.2	30.8	23.6	12.8	13.3
EV/EBITDA (x)	7.8	8.0	7.5	5.9	5.5
P/B (x)	1.2	1.2	1.1	1.1	1.0
FCFF yield (%)	(2.0)	3.7	12.0	3.2	(5.3)

Source: Company, Emkay Research

Target Price – 12M	Dec-26
Change in TP (%)	**14.3**
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	25.0

Stock Data	**SAIL IN**
52-week High (Rs)	163
52-week Low (Rs)	101
Shares outstanding (mn)	4,130.1
Market-cap (Rs bn)	662
Market-cap (USD mn)	7,274
Net-debt, FY26E (Rs mn)	208,184.2
ADTV-3M (mn shares)	20.6
ADTV-3M (Rs mn)	3,228.2
ADTV-3M (USD mn)	35.5
Free float (%)	35.0
Nifty-50	25,424.7
INR/USD	91.0

Shareholding, Dec-25	
Promoters (%)	65.0
FPIs/MFs (%)	4.5/17.8

Price Performance

(%)	1M	3M	12M
Absolute	7.5	21.3	48.0
Rel. to Nifty	5.9	23.8	31.3

1-Year share price trend (Rs)

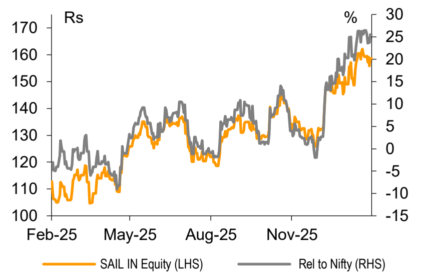

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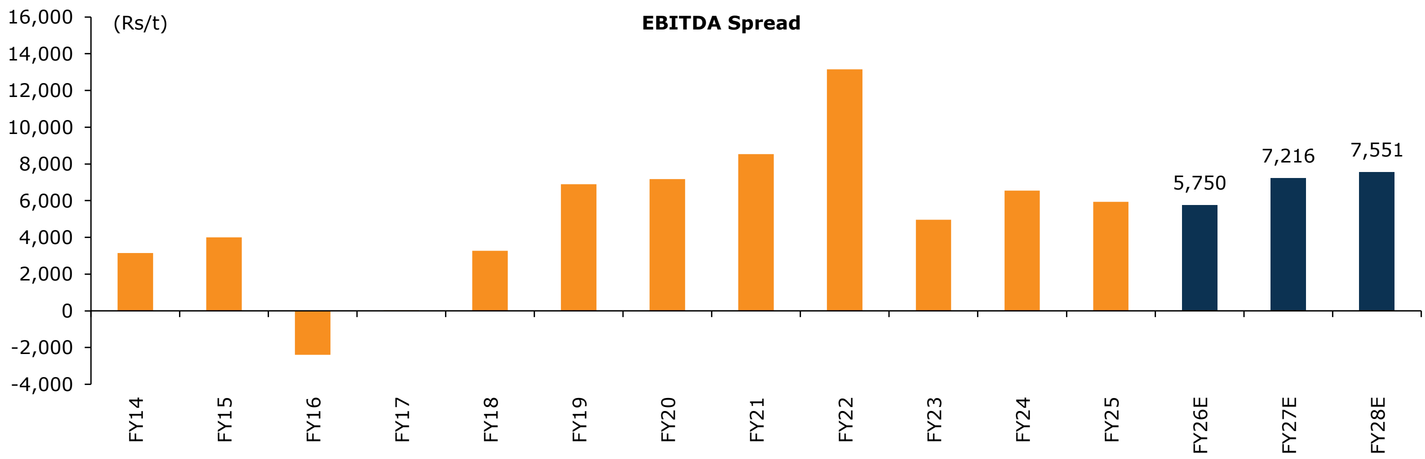
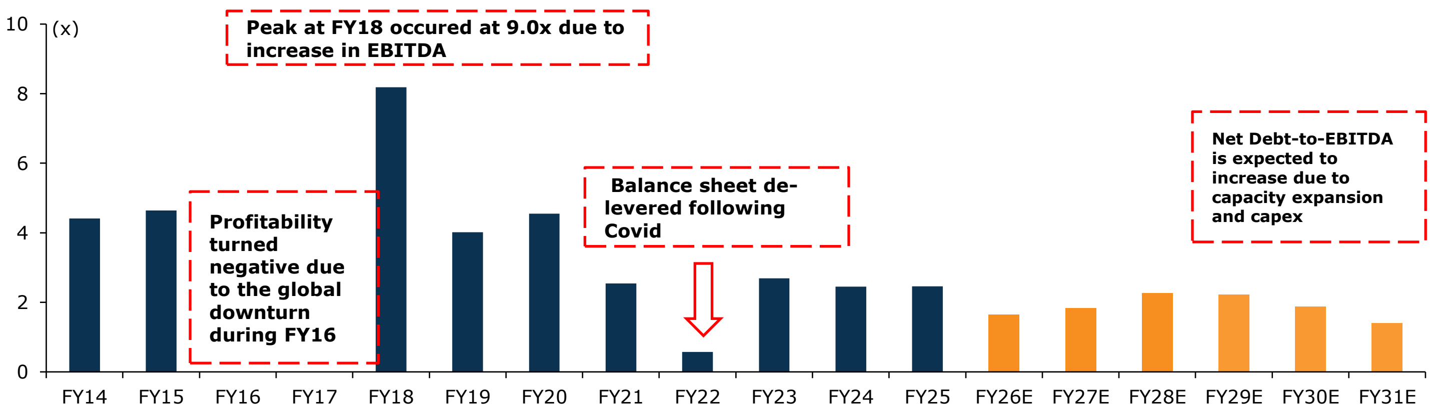
Exhibit 1: SAIL is likely to generate sustainable EBITDA/t of Rs7,500-8,000 at USD350/t steel-coking coal spread



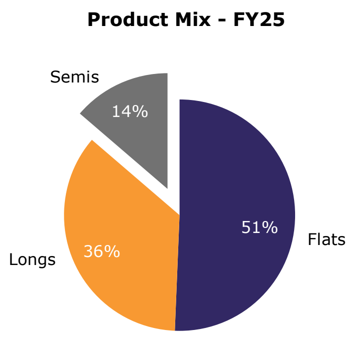
Source: Company, Emkay Research

Exhibit 2: SAIL on a deleveraging path before the new expansion capex kicks in



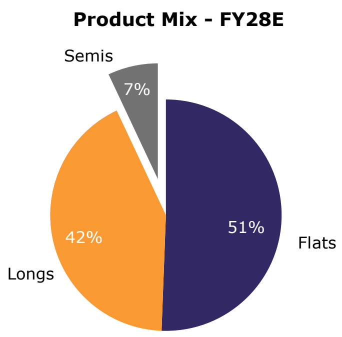
Source: Company, Emkay Research

Exhibit 3: Semis contributed 14% of the FY25 overall product mix…



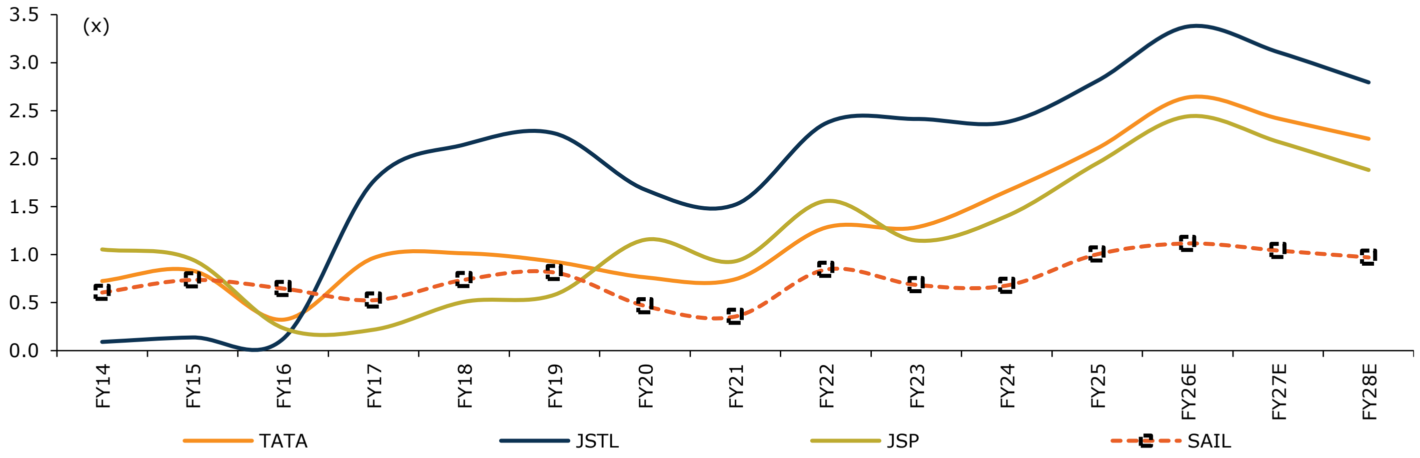
Source: Company, Emkay Research

Exhibit 4: …which is expected to reduce to 7% in FY28E



Source: Company, Emkay Research

Exhibit 5: SAIL trades at 1.1x P/B vs the sector average of 2.8x



Source: Company, Emkay Research

Exhibit 6: EBITDA estimates over FY27-28E change by 2-7%, on better product mix and pricing tailwinds

	Units	FY26E			FY27E			FY28E		
		New	Old	Chg	New	Old	Chg	New	Old	Chg
Financial metrics										
Net sales	Rs mn	1,112,643.3	1,084,341.8	2.6%	1,231,153.4	1,212,208.1	1.6%	1,277,740.9	1,256,361.5	1.7%
EBITDA	Rs mn	126,035.5	121,961.0	3.3%	159,036.8	156,197.3	1.8%	171,135.5	159,584.9	7.2%
Adj EBITDA	Rs mn	115,258.6	111,184.1	3.7%	147,721.1	144,881.6	2.0%	159,254.0	147,703.4	7.8%
EBIT	Rs mn	69,020.0	62,664.9	10.1%	100,897.3	95,880.5	5.2%	109,754.7	99,426.8	10.4%
Net profit	Rs mn	36,396.1	31,439.1	15.8%	58,790.9	51,740.0	13.6%	65,105.1	49,826.1	30.7%
EPS	Rs	8.8	7.6	15.8%	14.2	12.5	13.6%	15.8	12.1	30.7%
DPS	Rs	2.4	2.0	17.7%	4.3	3.8	13.6%	4.7	3.6	30.7%
Operating metrics										
Production	mt	19.5	19.5	-0.2%	20.5	20.9	-1.9%	21.1	21.6	-2.4%
Sales	mt	20.0	19.7	1.9%	20.5	20.9	-1.9%	21.1	21.6	-2.4%

Source: Company, Emkay Research

Exhibit 7: Summary of estimates

Rs mn	FY24	FY25	FY26E	FY27E	FY28E
P&L					
Net sales	1,053,745.9	1,024,781.9	1,112,643.3	1,231,153.4	1,277,740.9
Operating expenses	930,948.2	907,143.9	986,607.8	1,072,116.6	1,106,605.4
EBITDA	**122,797.7**	**117,638.0**	**126,035.5**	**159,036.8**	**171,135.5**
Depreciation	52,774.5	56,495.7	57,015.5	58,139.5	61,380.8
EBIT	**70,023.2**	**61,142.3**	**69,020.0**	**100,897.3**	**109,754.7**
Interest and taxes	34,283.7	36,536.3	32,623.9	42,106.4	44,649.6
Net earnings	**35,739.5**	**24,606.0**	**36,396.1**	**58,790.9**	**65,105.1**
EPS (Rs)	**8.7**	**6.0**	**8.8**	**14.2**	**15.8**
Dividend (Rs/sh)	2.0	1.6	2.4	4.3	4.7
Number of shares (mn)	4,128.6	4,130.7	4,130.7	4,130.7	4,130.7
Balance sheet					
Gross block	**1,244,251.7**	**1,296,379.0**	**1,371,379.0**	**1,371,379.0**	**1,371,379.0**
Inventories	326,455.8	290,723.6	228,625.3	236,111.6	262,549.5
Receivables	83,087.2	75,571.5	76,208.4	84,325.6	87,516.5
Payables	153,323.9	104,985.5	119,277.2	132,642.5	159,245.7
Net working capital	**256,219.1**	**261,309.6**	**185,556.6**	**187,794.7**	**190,820.3**
Cash	**5,416.0**	**9,050.2**	**89,926.9**	**85,781.9**	**89,510.6**
Total assets	1,375,324.5	1,329,180.5	1,366,580.4	1,429,899.3	1,601,876.1
Total liabilities	834,019.1	772,616.4	786,908.1	809,073.4	935,476.6
Total Equity	**541,305.4**	**556,564.1**	**579,672.3**	**620,825.9**	**666,399.5**
Cash flow					
Operating cash before WC	107,163.9	109,675.8	122,651.1	159,036.8	171,135.5
Working capital and other	-77,832.0	-10,792.4	65,487.4	-18,820.2	-21,388.5
Operating cash flow	**29,331.9**	**98,883.4**	**188,138.5**	**140,216.7**	**149,747.0**
Capex	-48,630.9	-64,275.2	-75,000.0	-110,000.0	-200,000.0
Other investing items	5,828.3	11,946.0	0.0	0.0	0.0
Investing cash flow	**-42,802.6**	**-52,329.2**	**-75,000.0**	**-110,000.0**	**-200,000.0**
Borrowings/(repayments)	49,315.4	-7,822.1	0.0	8,800.0	99,800.0
Equity changes	0.0	0.0	0.0	0.0	0.0
Other financing items	-35,771.8	-36,013.2	-32,261.8	-43,161.7	-45,818.2
Financing cash flow	**13,543.6**	**-43,835.3**	**-32,261.8**	**-34,361.7**	**53,981.8**
Net change in cash	**72.9**	**2,718.9**	**80,876.7**	**-4,145.0**	**3,728.8**
Ending cash	**5,416.0**	**9,050.2**	**89,926.9**	**85,781.9**	**89,510.6**
Free cash flow	-19,299.0	34,608.2	113,138.5	30,216.7	-50,253.0

	FY24	FY25	FY26E	FY27E	FY28E
Operational metrics					
Iron Ore (USD/t)	114.9	98.6	96.2	95.0	90.0
Steel HRC (Rs/t)	56,019.6	50,034.0	50,252.8	54,000.0	54,000.0
Crude Capacity (mt)	**19.5**	**19.5**	**20.7**	**20.7**	**20.7**
Production (mt)					
Hot Metal	20.5	20.3	20.4	21.7	22.2
Crude Steel	19.2	19.2	19.5	20.5	21.1
Sales volumes (mt)	17.0	17.9	20.0	20.5	21.1
Realization (Rs/t)	59,785.1	55,066.4	53,311.1	57,944.0	58,334.0
Financial metrics					
EBITDA margin	11.7%	11.5%	11.3%	12.9%	13.4%
Net margin	3.4%	2.4%	3.3%	4.8%	5.1%
EBITDA/t (Rs)	6,548.1	5,939.9	5,750.4	7,216.4	7,551.0
ROE	6.7%	4.5%	6.4%	9.8%	10.1%
ROCE	8.6%	7.2%	7.9%	11.0%	10.8%
ROIC	5.2%	4.1%	4.9%	7.2%	7.2%
Gross debt (Rs mn)	305,933.2	298,111.1	298,111.1	378,139.3	477,939.3
Net debt/(cash) (Rs mn)	300,517.2	289,060.9	208,184.2	292,357.4	388,428.7
Net debt-to-EBITDA (x)	2.4	2.5	1.7	1.8	2.3
Net debt-to-Equity	55.5%	51.9%	35.9%	47.1%	58.3%
Valuation					
P/E (x)	10.3	22.7	18.2	11.3	10.2
EV/EBITDA (x)	5.4	7.2	6.9	6.0	6.1
FCF yield	-5.3%	6.2%	17.1%	4.6%	-7.6%
Dividend yield	2.2%	1.2%	1.5%	2.7%	3.0%
Methodology	**Rs/sh**				
EV/EBITDA	248.6				
Less: Net debt, minorities	-50.4				
Equity Value	**198.2**				
Target price	**200.0**				
Current price	160.2				
Expected return	**24.9%**				

Source: Company, Emkay Research

SAIL: Standalone Financials and Valuations

Profit & Loss

Y/E Mar (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Revenue	**1,053,746**	**1,024,782**	**1,112,643**	**1,231,153**	**1,277,741**
Revenue growth (%)	0.9	(2.7)	8.6	10.7	3.8
EBITDA	**122,798**	**117,638**	**126,036**	**159,037**	**171,135**
EBITDA growth (%)	30.9	(4.2)	7.1	26.2	7.6
Depreciation & Amortization	52,775	56,496	57,015	58,140	61,381
EBIT	**70,023**	**61,142**	**69,020**	**100,897**	**109,755**
EBIT growth (%)	58.6	(12.7)	12.9	46.2	8.8
Other operating income	-	-	-	-	-
Other income	-	-	-	-	-
Financial expense	24,738	27,928	22,358	25,524	26,287
PBT	**45,285**	**33,215**	**46,662**	**75,373**	**83,468**
Extraordinary items	(8,408)	(3,126)	(3,384)	0	0
Taxes	9,546	8,609	10,266	16,582	18,363
Minority interest	-	-	-	-	-
Income from JV/Associates	-	-	-	-	-
Reported PAT	**27,331**	**21,480**	**33,012**	**58,791**	**65,105**
PAT growth (%)	43.6	(21.4)	53.7	78.1	10.7
Adjusted PAT	**35,739**	**24,606**	**36,396**	**58,791**	**65,105**
Diluted EPS (Rs)	**8.7**	**6.0**	**8.8**	**14.2**	**15.8**
Diluted EPS growth (%)	117.2	(31.2)	47.9	61.5	10.7
DPS (Rs)	**1.5**	**1.0**	**2.4**	**4.3**	**4.7**
Dividend payout (%)	**22.7**	**19.2**	**30.0**	**30.0**	**30.0**
EBITDA margin (%)	11.7	11.5	11.3	12.9	13.4
EBIT margin (%)	6.6	6.0	6.2	8.2	8.6
Effective tax rate (%)	21.1	25.9	22.0	22.0	22.0
NOPLAT (pre-IndAS)	**55,263**	**45,295**	**53,836**	**78,700**	**85,609**
Shares outstanding (mn)	4,129	4,131	4,131	4,131	4,131

Source: Company, Emkay Research

Balance Sheet

Y/E Mar (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Share capital	41,305	41,305	41,305	41,305	41,305
Reserves & Surplus	500,000	515,259	538,367	579,521	625,094
Net worth	**541,305**	**556,564**	**579,672**	**620,826**	**666,399**
Minority interests	-	-	-	-	-
Non-current liab. & prov.	61,782	64,223	64,223	64,223	64,223
Total debt	**305,933**	**298,111**	**298,111**	**306,911**	**406,711**
Total liabilities & equity	**1,056,185**	**1,070,388**	**1,093,497**	**1,143,450**	**1,288,824**
Net tangible fixed assets	653,966	650,229	668,214	610,074	548,693
Net intangible assets	14,888	14,257	14,257	14,257	14,257
Net ROU assets	0	0	0	0	0
Capital WIP	61,406	72,062	72,062	182,062	382,062
Goodwill	-	-	-	-	-
Investments [JV/Associates]	111,031	107,314	107,314	107,314	107,314
Cash & equivalents	**5,416**	**9,050**	**89,927**	**85,782**	**89,511**
Current assets (ex-cash)	473,405	407,883	346,421	362,025	391,653
Current Liab. & Prov.	319,140	258,792	273,084	286,449	313,052
NWC (ex-cash)	**154,266**	**149,091**	**73,337**	**75,576**	**78,601**
Total assets	**1,056,185**	**1,070,388**	**1,093,497**	**1,143,450**	**1,288,824**
Net debt	300,517	289,061	208,184	221,129	317,200
Capital employed	1,056,185	1,070,388	1,093,497	1,143,450	1,288,824
Invested capital	**878,332**	**881,962**	**824,194**	**768,293**	**709,937**
BVPS (Rs)	131.1	134.7	140.3	150.3	161.3
Net Debt/Equity (x)	0.6	0.5	0.4	0.4	0.5
Net Debt/EBITDA (x)	2.4	2.5	1.7	1.4	1.9
Interest coverage (x)	2.8	2.2	3.1	4.0	4.2
RoCE (%)	**8.6**	**7.2**	**8.0**	**11.2**	**11.0**

Source: Company, Emkay Research

Cash flows

Y/E Mar (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
PBT (ex-other income)	36,877	30,088	43,277	75,373	83,468
Others (non-cash items)	(4,161)	(1,784)	0	0	0
Taxes paid	(934)	(6,374)	(10,266)	(16,582)	(18,363)
Change in NWC	(76,898)	(4,418)	75,753	(2,238)	(3,026)
Operating cash flow	**29,332**	**98,883**	**188,139**	**140,217**	**149,747**
Capital expenditure	(48,631)	(64,275)	(75,000)	(110,000)	(200,000)
Acquisition of business	0	0	0	0	0
Interest & dividend income	3,609	4,453	0	0	0
Investing cash flow	**(42,803)**	**(52,329)**	**(75,000)**	**(110,000)**	**(200,000)**
Equity raised/(repaid)	0	0	0	0	0
Debt raised/(repaid)	41,305	(16,045)	0	8,800	99,800
Payment of lease liabilities	0	0	0	0	0
Interest paid	(21,566)	(23,660)	(22,358)	(25,524)	(26,287)
Dividend paid (incl tax)	(6,196)	(4,131)	(9,904)	(17,637)	(19,532)
Others	0	0	0	0	0
Financing cash flow	**13,544**	**(43,835)**	**(32,262)**	**(34,362)**	**53,982**
Net chg in Cash	73	2,719	80,877	(4,145)	3,729
OCF	29,332	98,883	188,139	140,217	149,747
Adj. OCF (w/o NWC chg.)	106,230	103,302	112,386	142,455	152,773
FCFF	(19,299)	34,608	113,139	30,217	(50,253)
FCFE	(40,428)	11,134	90,780	4,692	(76,540)
OCF/EBITDA (%)	23.9	84.1	149.3	88.2	87.5
FCFE/PAT (%)	(147.9)	51.8	275.0	8.0	(117.6)
FCFF/NOPLAT (%)	**(34.9)**	**76.4**	**210.2**	**38.4**	**(58.7)**

Source: Company, Emkay Research

Valuations and key Ratios

Y/E Mar	FY24	FY25	FY26E	FY27E	FY28E
P/E (x)	24.2	30.8	23.6	12.8	13.3
EV/CE(x)	1.1	1.1	1.1	1.0	0.9
P/B (x)	1.2	1.2	1.1	1.1	1.0
EV/Sales (x)	0.9	0.9	0.8	0.8	0.7
EV/EBITDA (x)	7.8	8.0	7.5	5.9	5.5
EV/EBIT(x)	13.7	15.5	13.7	9.4	8.6
EV/IC (x)	1.1	1.1	1.1	1.2	1.3
FCFF yield (%)	(2.0)	3.7	12.0	3.2	(5.3)
FCFE yield (%)	(6.1)	1.7	7.9	(0.8)	(7.4)
Dividend yield (%)	0.9	0.6	1.3	2.3	2.3
DuPont-RoE split					
Net profit margin (%)	3.4	2.4	3.3	4.8	5.1
Total asset turnover (x)	1.0	1.0	1.0	1.1	1.1
Assets/Equity (x)	1.9	1.9	1.9	1.9	1.9
RoE (%)	**6.7**	**4.5**	**6.4**	**9.8**	**10.1**
DuPont-RoIC					
NOPLAT margin (%)	5.2	4.4	4.8	6.4	6.7
IC turnover (x)	1.2	1.2	1.3	1.5	1.7
RoIC (%)	**6.5**	**5.1**	**6.3**	**9.9**	**11.6**
Operating metrics					
Core NWC days	53.4	53.1	24.1	22.4	22.5
Total NWC days	**53.4**	**53.1**	**24.1**	**22.4**	**22.5**
Fixed asset turnover	0.8	0.8	0.8	0.9	0.9
Opex-to-revenue (%)	88.3	88.5	88.7	87.1	86.6

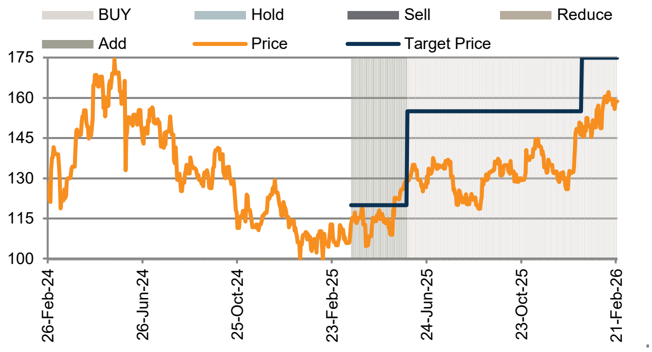
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (Rs)	TP (Rs)	Rating	Analyst
14-Feb-26	159	175	Buy	Amit Lahoti
02-Feb-26	149	175	Buy	Amit Lahoti
15-Jan-26	152	175	Buy	Amit Lahoti
08-Jan-26	146	175	Buy	Amit Lahoti
01-Jan-26	148	155	Buy	Amit Lahoti
26-Nov-25	137	155	Buy	Amit Lahoti
21-Nov-25	134	155	Buy	Amit Lahoti
13-Nov-25	145	155	Buy	Amit Lahoti
31-Oct-25	137	155	Buy	Amit Lahoti
09-Oct-25	136	155	Buy	Amit Lahoti
10-Sep-25	130	155	Buy	Amit Lahoti
27-Aug-25	120	155	Buy	Amit Lahoti
19-Aug-25	123	155	Buy	Amit Lahoti
28-Jul-25	126	155	Buy	Amit Lahoti
10-Jul-25	135	155	Buy	Amit Lahoti
28-Jun-25	132	155	Buy	Amit Lahoti
02-Jun-25	131	155	Buy	Amit Lahoti
31-May-25	129	155	Buy	Amit Lahoti
30-May-25	129	155	Buy	Amit Lahoti
29-May-25	130	120	Add	Amit Lahoti

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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

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