

Estimate change	↑
TP change	↑
Rating change	↑

Bloomberg	SAIL IN
Equity Shares (m)	4130
M.Cap.(INRb)/(USD\$)	614 / 6.7
52-Week Range (INR)	160 / 99
1, 6, 12 Rel. Per (%)	6/22/33
12M Avg Val (INR M)	2434
Free float (%)	35.0

Financials & Valuations (INR b)

Y/E MARCH	2026E	2027E	2028E
Sales	1,090	1,208	1,284
EBITDA	105	143	152
APAT	25	56	59
EBITDA Margin (%)	10	12	12
Cons. Adj. EPS (INR)	6	14	14
EPS Gr. (%)	87	124	5
BV/Sh. (INR)	148	158	170

Ratios

Net D:E	0.5	0.5	0.5
RoE (%)	4.2	8.9	8.7
RoCE (%)	5.1	8.5	8.7
Payout (%)	15.0	20.0	20.0

Valuations

P/E (x)	24.5	10.9	10.4
P/BV (x)	1.0	0.9	0.9
EV/EBITDA(x)	8.7	6.5	6.3
Div. Yield (%)	0.6	1.8	1.9
FCF Yield (%)	13.1	0.0	2.5

Shareholding pattern (%)

As On	Dec-25	Sep-25	Dec-24
Promoter	65.0	65.0	65.0
DII	17.9	18.1	15.9
FII	4.5	3.8	2.6
Others	12.6	13.2	16.6

FII Includes depository receipts

CMP: INR149 TP: INR175 (+18%) Upgrade to Buy

In-line performance; high steel prices and cost control improve outlook

- SAIL reported in-line revenue of INR274b (+12% YoY and +3% QoQ) in 3QFY26, driven by healthy volume growth, despite weak NSR.
- EBITDA stood at INR22.9b (+13% YoY and -9% QoQ), in line with our est. of INR22.2b. EBITDA/t was INR4,455 (in line with est.), down 3% YoY and 14% QoQ, due to weak NSR and higher operating cost.
- Adj. PAT came in at INR3.7b (vs. our est. INR4.5b), down 44% QoQ and down from INR1.1b in 3QFY25. APAT was dragged down by lower other income and higher depreciation.
- Crude steel production stood at 4.9mt (+5% YoY and +4% QoQ), while sales volume stood at 5.15mt (+16% YoY and +5% QoQ; in line with our est.), driven by aggressive inventory liquidation and improved market outreach.
- ASP for the quarter came in at INR53,148/t as expected, down 3% YoY/2% QoQ, due to weak steel prices.
- 9MFY26 volume stood at 14.6mt (+17% YoY), slightly offset by NSR decline of 4% (INR54,640/t), resulting in revenue of INR798b (+12% YoY). NMDC steel (NSL) contributed ~1mt to sales in 9MFY26 and 0.37mt in 3QFY26.
- On account of strong volume growth, EBITDA for 9MFY26 stood at INR74b (+34% YoY; INR5,077/t) and Adj. PAT was INR16.2b (+15% YoY).

Highlights from the management commentary

- SAIL targets FY26 crude steel volume of 20.5mt and sales volumes of ~19.5mt (14.6mt in 9MFY26; ex-NSL 18.2-18.5mt), supported by inventory liquidation and trading volume from NMDC steel.
- Finished and in-process inventory declined to 2.4mt (1.5mt + 0.9mt, respectively) from 2.7mt in FY25 end, enabling significant working capital release. For 4Q, management expects inventory reduction of ~0.6mt.
- SAIL took price hikes in Jan'26, with long up INR2,000-2,500/t and flat up INR3,300-3,500/t. Management indicated that the full benefit of price hikes will reflect in Feb'26 realizations, supporting 4Q margins.
- Further pricing upside is expected in 4QFY26, driven by rising coking coal costs and improving domestic demand conditions.
- Average blended coking coal cost stood at INR18,351/t in 3QFY26, largely stable QoQ due to inventory benefit. Coking coal consumption cost is expected to rise by INR1,500/t QoQ in 4Q, reflecting the recent rise in coal prices (USD250/t).
- Capex guidance for FY26 is INR75-100b, with INR54.3b already spent in 9MFY26. In FY27, management anticipates capex of INR150b, led by the ramp-up of ISP modernization-related spending.

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Valuation and view

- Despite muted NSR, SAIL reported decent earnings in 3QFY26, aided by healthy volumes. This earnings trend is expected to improve further in 4Q, supported by steel price recovery and better volumes backed by inventory liquidation.
- We increase our FY27 EBITDA estimates by 2% to reflect the improving steel prices and cost efficiency with higher volumes of finished steel. For FY28, we keep our estimates largely unchanged. **Considering a strong improvement in steel prices, an improved margin outlook and the recent correction in stock price, we upgrade our rating on SAIL to BUY with a TP of INR175 (premised on 7x EV/EBITDA on Sep'27 estimate).**

Quarterly performance (INR b)

Y/E March	FY25				FY26				FY25	FY26	FY26	Vs Est
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE				
Sales (m tons)	4.0	4.1	4.4	5.3	4.6	4.9	5.2	5.2	17.9	19.8	5.0	3.7
Change (YoY %)	3.4	(14.6)	16.6	16.9	13.5	19.8	16.3	(2.4)	4.9	10.9		
Realization (INR per ton)	59,845	56,191	55,282	55,002	56,590	54,387	53,148	56,031	56,431	55,003	53,587	(0.8)
Change (YoY %)	(4.7)	(3.5)	(10.0)	(4.4)	(5.4)	(3.2)	(3.9)	1.9	(5.6)	(2.5)		
Net Sales	240.0	230.4	244.9	293.2	257.5	267.0	273.7	291.4	1,008.4	1,089.6	266.0	2.9
Change (YoY %)	(1.5)	(17.6)	4.9	11.7	7.3	15.9	11.8	(0.6)	(1.1)	8.1		
Change (QoQ %)	(8.6)	(4.0)	6.3	19.7	(12.2)	3.7	2.5	6.4				
Total Expenditure	217.8	217.6	224.6	258.3	231.5	241.8	250.8	260.7	918.3	984.8		
EBITDA	22.2	12.8	20.3	34.8	26.0	25.3	22.9	30.6	90.1	104.8	22.2	3.3
Change (YoY %)	34.6	(40.0)	(5.3)	97.0	16.9	98.2	13.0	(12.1)	17.2	16.3		
Change (QoQ %)	25.5	(42.5)	59.1	71.6	(25.5)	(2.6)	(9.3)	33.5				
EBITDA per ton (INR)	5,536	3,111	4,582	6,536	5,704	5,149	4,455	5,892	5,042	5,291	4,473	(0.4)
Interest	6.9	7.6	6.8	6.6	5.9	4.8	5.5	5.9	27.9	22.2		
Depreciation	14.0	13.0	14.2	15.2	14.4	14.5	15.2	15.3	56.5	59.4		
Other Income	1.8	1.7	2.3	3.0	1.6	2.1	1.7	1.8	8.8	7.3		
Share of Asso/JVs	1.1	1.6	1.3	0.9	0.7	1.0	0.7	0.7	4.9	3.2		
PBT (before EO Inc.)	4.1	(4.6)	2.9	16.9	7.9	8.9	4.8	12.0	19.3	33.7		
EO Income(exp)	(3.1)	16.4	0.3	(0.3)	1.7	(3.4)	-	-	13.2	(1.6)		
PBT (after EO Inc.)	1.0	11.7	3.2	16.6	9.7	5.6	4.8	12.0	32.5	32.0		
Total Tax	0.2	2.8	1.8	4.1	2.2	1.4	1.1	3.1	8.8	7.7		
% Tax	16.6	23.5	56.1	24.5	23.1	24.7	22.0	25.7	27.1	24.2		
Reported PAT	0.8	9.0	1.4	12.5	7.4	4.2	3.7	8.9	23.7	24.3		
Adjusted PAT	3.2	(3.8)	1.1	12.8	5.7	6.7	3.7	8.9	13.4	25.1	4.5	(17.3)
Change (YoY %)	52.9	(219.3)	(69.1)	609.1	75.7	(277.1)	229.9	(30.6)	24.3	87.2		
Change (QoQ %)	80.0	(216.9)	(129.9)	1,029.5	(55.4)	17.8	(44.4)	137.6				

Source: MOFSL, Company



Highlights from the management commentary

Guidance and outlook:

- Management guided for FY26 crude steel volume of 20.5mt and sales volumes of ~19.5mt (14.6mt in 9MFY26; ex-NSL 18.2-18.5mt), supported by inventory liquidation and trading volume from NMDC steel.
- Finished and in-process inventory declined to 2.4mt (1.5mt + 0.9mt, respectively) from 2.7mt in FY25 end, enabling significant working capital release. For 4Q, management expects inventory reduction of ~0.6mt.
- NMDC steel (NSL) contributed a volume of 1mt in 9MFY26 and 0.37mt in 3QFY26. NSL volumes are sold at price parity with SAIL products, with low but positive margins, primarily aiding market stability in southern regions.
- For FY27 (ex-NSL), management targets ~22.5mt of hot metal and ~20.5-21mt of saleable steel (for FY28: 21.5 saleable steel ex-NSL, in absence of new capacity).
- Flat steel NSR fell from INR48,790/t in 2Q to INR46,580/t in 3QFY26, while long product NSR improved to INR49,021/t. As a result, the average NSR fell from INR48,836/t in 2Q to INR47,735/t in 3Q.
- SAIL took price hikes in Jan'26, with long products up INR2,000-2,500/t and flat products up INR3,300-3,500/t. Management indicated that the full benefit of Jan'26 price hikes will reflect in Feb'26 realizations, supporting 4Q margins.
- Further pricing upside is expected in 4QFY26, encouraged by rising coking coal costs and improving domestic demand conditions.
- Average blended coking coal cost stood at INR18,351/t in 3Q, largely stable QoQ due to inventory benefits. Coking coal consumption cost is expected to rise by INR1,500/t QoQ in 4Q, reflecting the recent rise in coal prices (USD250/t).

Capex and capacity update:

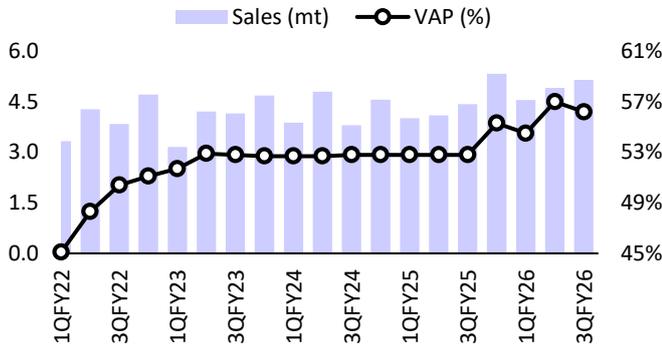
- Capex guidance for FY26 is INR75-100b, with INR54.3b already spent in 9MFY26. For FY27, management expects capex of INR150b, led by the ramp-up of ISP modernization spending.
- The ISP expansion project entails a total capex of INR360b, with peak spending in FY28-29 and commissioning targeted by FY30.
- After ISP expansion, management expects EBITDA/t to exceed INR10,000, materially narrowing its cost disadvantage vs. peers.
- A 1mt TMT bar mill at Durgapur is under execution and expected to be commissioned in ~18-24 months, which should reduce semis to near zero. Additional debottlenecking at Durgapur is expected to add ~1mt of hot metal capacity post TMT commissioning.

Other highlights:

- Net debt reduced by INR50b in 9MFY26, with an additional INR20b reduction in Jan'26, strengthening the balance sheet.
- Wage revision impact will commence only from Jan'27 and there is no near-term cost pressure, which is expected to be offset by reducing the manpower.
- Recent incidents at Bokaro and Bhilai plants are fully resolved, with operations now running at 98-100% capacity, and no impact expected in 4Q.

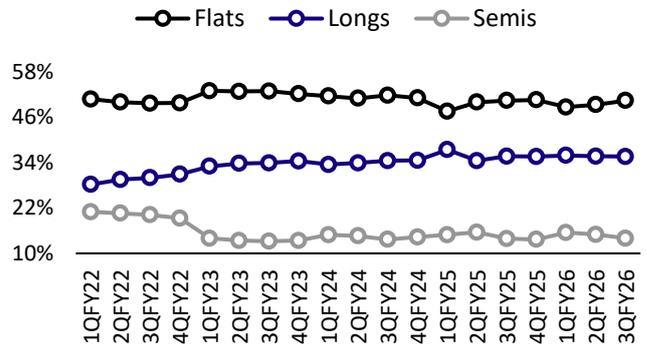
Story in charts

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



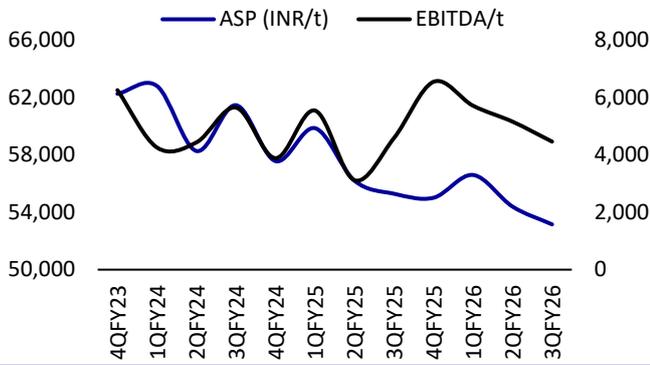
Source: MOFSL, Company

Exhibit 2: Breakup of longs-semis-flats



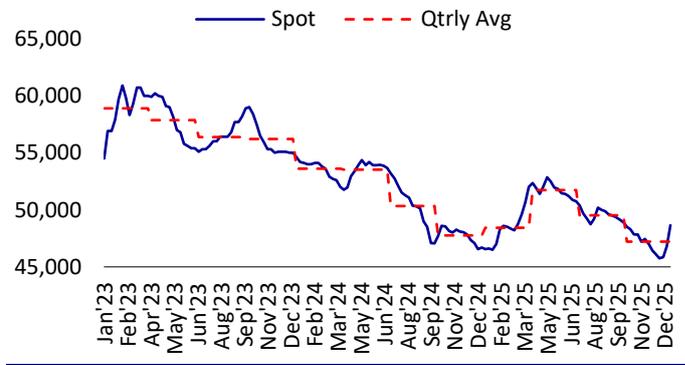
Source: MOFSL, Company

Exhibit 3: EBITDA/t declined over weak NSR



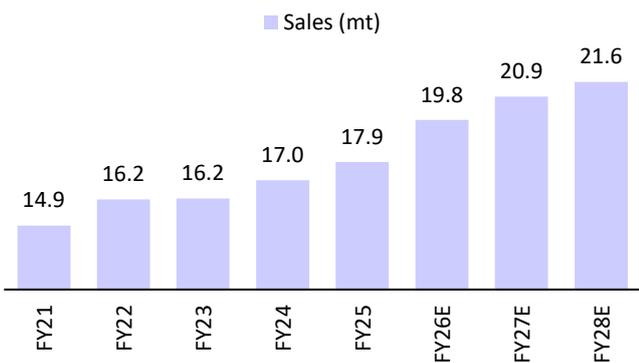
Source: MOFSL, Company

Exhibit 4: HRC prices (INR/t) muted in 3Q; recover in Jan'26



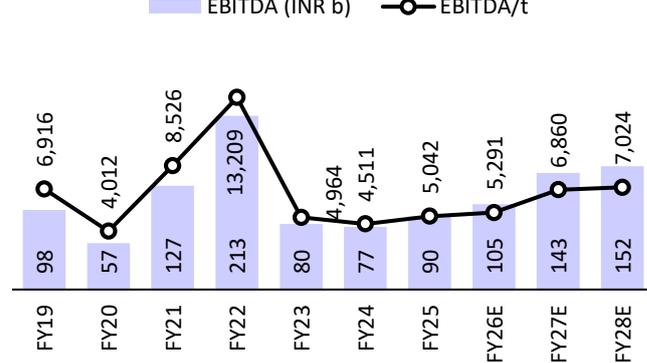
Source: MOFSL, Company

Exhibit 5: Volume (mt) growth to remain modest



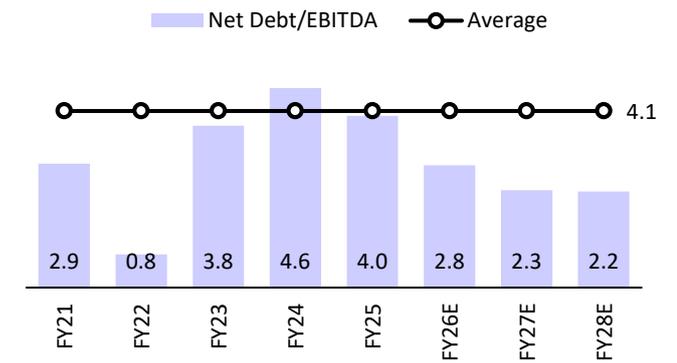
Source: MOFSL, Company

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



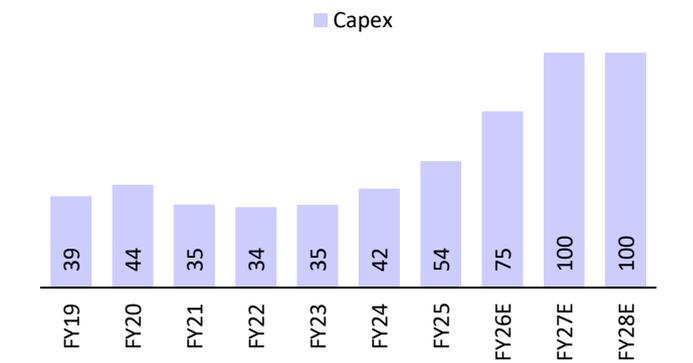
Source: MOFSL, Company

Exhibit 7: Net debt/EBITDA to decline



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 (INR b)

	FY26E			FY27E			FY28E		
	New	Old	Change (%)	New	Old	Change (%)	New	Old	Change (%)
Revenue	1,090	1,083	0.6	1,208	1,193	1.3	1,284	1,282	0.1
EBITDA	105	103	1.5	143	141	1.5	152	151	0.1
PAT	25	27	-7.6	56	54	3.1	59	59	0.4

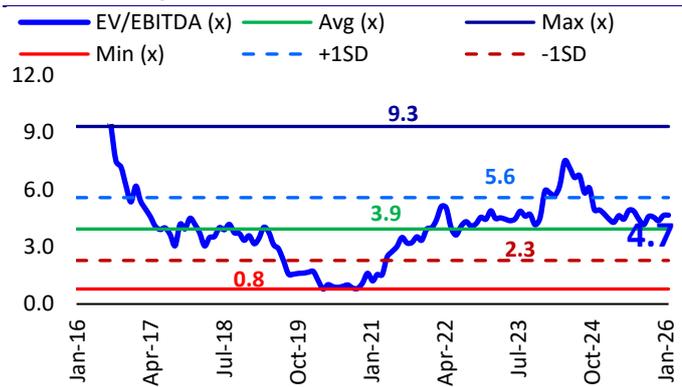
Source: MOFSL

Exhibit 10: Valuation

YEAR	UoM	FY27E
Volumes	mt	21.2
EBITDA	INR/t	6,943
EBITDA	INR b	147
Target EV/EBITDA(x)	x	7.0
Target EV	INR b	1,047
less: Net Debt (INR m)	INR b	331
Equity value	INR b	715
No. of shares o/s	b	4
Target price (INR/sh.)	INR	175

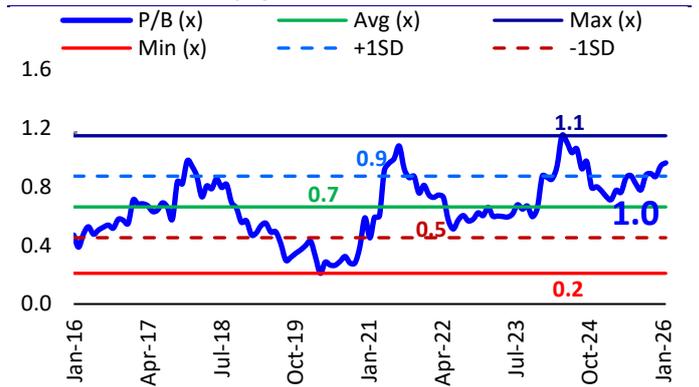
Source: MOFSL

Exhibit 11: EV/EBITDA valuation close to LTA



Source: Company, MOFSL

Exhibit 12: However, P/B valuation above LTA



Source: Company, MOFSL

Financials and valuation

Income Statement (Consolidated)

(INR b)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Net Sales	691	1,035	1,044	1,019	1,008	1,090	1,208	1,284
Change (%)	12.1	49.7	0.9	(2.4)	(1.1)	8.1	10.9	6.2
EBITDA	127	213	80	77	90	105	143	152
Change (%)	123.1	67.5	(62.3)	(4.4)	17.2	16.3	36.8	5.7
EBITDA per ton (INR)	8,526	13,209	4,964	4,511	5,042	5,291	6,860	7,024
Depreciation	41	43	50	53	57	59	61	62
EBIT	86	171	31	24	34	45	83	89
Interest	28	17	20	25	28	22	23	24
Other income	9	9	10	11	9	7	8	8
Share of Asso/JV/investments	5	4	6	4	5	3	7	6
PBT before EO	71	166	26	14	19	34	74	79
Extraordinary Item	1	(4)	3	26	13	(2)	-	-
PBT after EO	72	163	29	41	33	32	74	79
Total Tax	31	40	7	10	9	8	18	20
Effective Rate (%)	42.4	24.8	24.8	24.5	27.1	24.2	24.0	25.0
Reported PAT	41	122	22	31	24	24	56	59
Change (%)	95.6	195.2	(82.2)	40.9	(22.7)	2.3	131.2	5.2
Adjusted PAT	41	126	19	11	13	25	56	59
Change (%)	(353.5)	208.0	(84.8)	(43.8)	24.3	87.2	123.8	5.2

Balance Sheet (Consolidated)

(INR b)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Sources of Funds								
Share Capital	41	41	41	41	41	41	41	41
Reserves and Surplus	413	501	506	530	548	568	613	660
Shareholders' funds	454	542	547	571	589	610	654	702
Loans	374	173	308	363	369	369	369	369
Deferred Tax Liability	13	54	58	63	65	65	65	65
Minority Interest	0	0	0	0	0	0	0	0
Capital Employed	842	769	913	997	1,024	1,044	1,089	1,136
Application of Funds								
Gross Fixed Assets	1,158	1,248	1,288	1,330	1,395	1,470	1,570	1,670
Less: Depreciation	482	511	553	605	662	721	782	844
Net Fixed Assets	676	737	735	724	733	749	788	826
Capital WIP	89	40	49	61	72	72	72	72
Investments	34	38	42	46	50	50	50	50
Curr. Assets								
Inventory	196	242	278	327	292	269	298	316
Sundry Debtors	72	48	54	84	76	89	99	105
Cash and Bank Balances	8	8	6	7	10	71	45	31
Other assets	110	83	135	149	122	119	128	137
Loans and Advances	8	6	7	9	10	10	10	10
Current Liabilities								
Sundry Creditors	70	169	143	153	105	149	165	176
Other Current Liabilities	215	198	178	186	160	160	160	160
Provisions	66	65	70	70	75	75	75	75
Net Current Assets	42	-46	87	166	169	174	179	189
Application of Funds	842	769	913	997	1,024	1,044	1,089	1,136

Financials and valuation

Ratios

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Basic (INR)								
EPS	9.9	30.5	4.6	2.6	3.2	6.1	13.6	14.3
Cash EPS	20.0	40.0	17.3	20.2	19.4	20.3	28.3	29.4
Book Value per Share	109.9	131.2	132.5	138.2	142.6	147.6	158.4	169.9
Dividend Per Share	2.8	8.8	1.5	2.0	1.6	0.9	2.7	2.9
Valuation (x)								
P/E	15.0	4.9	32.0	57.0	45.9	24.5	10.9	10.4
Cash PE	7.4	3.7	8.6	7.4	7.7	7.3	5.3	5.1
EV/EBITDA	7.7	3.7	11.4	12.6	10.8	8.7	6.5	6.3
EV/Sales	1.4	0.8	0.9	1.0	1.0	0.8	0.8	0.7
Price-to-Book Value	1.4	1.1	1.1	1.1	1.0	1.0	0.9	0.9
Profitability Ratios (%)								
EBITDA Margin	18.4	20.6	7.7	7.5	8.9	9.6	11.9	11.8
APAT Margin	5.9	12.2	1.8	1.1	1.3	2.3	4.6	4.6
RoE	9.4	25.3	3.5	1.9	2.3	4.2	8.9	8.7
RoCE (pre-tax)	10.7	22.3	4.8	3.6	4.2	5.1	8.5	8.7
RoIC (pre-tax)	11.4	24.5	4.1	2.8	3.8	5.2	9.3	9.4
Turnover Ratios								
Debtors (Days)	37.8	16.8	18.8	29.9	29.9	29.9	29.9	29.9
Inventory (Days)	103.4	85.2	97.0	117.2	95.0	90.0	90.0	90.0
Creditors (Days)	45.4	75.2	54.3	59.4	52.0	50.0	50.0	50.0
Asset Turnover (x)	0.8	1.3	1.1	1.0	1.0	1.0	1.1	1.1
Leverage Ratio								
Debt/Equity (x)	0.8	0.3	0.6	0.6	0.6	0.5	0.5	0.5

Cash Flow Statement

(INR b)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
EBITDA	127	213	80	77	90	105	143	152
(Inc.)/Dec. in WC	101	95	(137)	(76)	(4)	57	(32)	(23)
Direct Taxes Paid	(0)	(1)	(4)	(1)	(6)	(8)	(18)	(20)
Other Items	7	3	8	30	20	2	7	6
CF from Oper. Activity	234	310	(53)	29	99	155	100	115
(Inc.)/Dec. in FA & CWIP	(35)	(34)	(35)	(42)	(54)	(75)	(100)	(100)
Free Cash Flows to Firm	199	276	(88)	(13)	45	80	(0)	15
Interest and Dividend	1	2	2	2	2	7	8	8
(Pur.)/Sale of Invest.	(0)	(7)	(1)	(3)	(1)	-	-	-
CF from Inv. Activity	(34)	(40)	(34)	(43)	(53)	(68)	(92)	(92)
Issue of Shares								
Inc./Dec. in Debt	(163)	(224)	120	41	(16)	-	-	-
Interest Paid	(29)	(19)	(21)	(22)	(24)	(22)	(23)	(24)
Dividends Paid	(4)	(31)	(13)	(6)	(4)	(4)	(11)	(12)
CF from Finan. Activity	(197)	(274)	86	14	(44)	(26)	(34)	(36)
Inc./Dec. in Cash	3	(4)	(1)	0	2	62	(27)	(13)
Add: Opening cash Balance	2	5	1	1	1	3	64	38
Closing cash balance	5	1	1	1	3	64	38	25
Bank Balance	3	7	5	6	7	7	7	7
Closing Balance (incl. Bank)	8	8	6	7	10	71	45	31

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

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

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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