Steel Authority of India (SAIL)

CMP: ₹165 | Target ₹ 225 (36%) | Target Period: 12 months | **BUY**

July 28, 2026

Continue focus on cost optimization to drive growth...

About the stock: Steel Authority of India Ltd (SAIL), is a government owned entity and one of India's largest steelmakers having crude steel capacity of ~21 MTPA).

- Operates five integrated steel plants i.e. Bhilai Steel plant, Durgapur Steel plant, Rourkela Steel plant, Bokaro Steel plant, and IISCO Steel plant.

Q1FY27 performance: SAIL reported a healthy performance in Q1FY27. Consolidated topline stood ₹26,246 crore (up 1% YoY) with steel sales volume of 4.2 MT (down 10% YoY). Reported EBITDA stood at ₹4,153 crore with corresponding EBITDA margins at 15.8% (up ~151 bps QoQ). Adjusted EBITDA/tonne stood at ₹10,725 vs ₹8,287 in Q4FY26. Consolidated PAT for the quarter stood at ₹1,644 crore, (vs.₹ 1835 crore in Q4FY26), including an exceptional expense of ₹144 crore towards the Voluntary Retirement Scheme.

Investment Rationale:

- **Strong structural growth supported by domestic steel demand and capacity expansion:** India remains one of the fastest-growing steel markets globally, with per capita steel consumption of 103 kg, significantly below the global average of ~215 kg, indicating ample headroom for demand growth. Backed by the government's vision to increase crude steel capacity to 300 MT and per capita consumption to 160 kg by FY31, SAIL is undertaking an aggressive capacity expansion programme. The company aims to increase its crude steel capacity from ~21 MTPA to ~35 MTPA by FY31, including the expansion of its IISCO facility from 2.5 MTPA to 7 MTPA by FY29 through a ₹36,000 crore investment. In addition, debottlenecking and brownfield expansion across existing facilities are expected to enhance operational capacity. With this, we forecast sales volumes to grow 6% CAGR over FY26-28E, reaching ~22.5 MT by FY28E.
- **Higher volume and operational efficiencies to support EBITDA/tonne:** SAIL delivered an adjusted EBITDA of ~₹10,725/tonne in Q1FY27, improving by ~₹2,400 QoQ, primarily led by cost efficiencies and stronger domestic steel realizations, with NSR increasing by ~₹5,100/tonne. While elevated coking coal prices and weaker long steel prices (down ~₹1,000-₹2,000/tonne) could exert pressure on margins in Q2FY27, the impact is likely to be mitigated by higher sales volumes, inventory liquidation, and continued cost optimisation measures. Furthermore, increasing reliance on captive coking coal and operating leverage should improve the margin profile over the medium term. We therefore estimate EBITDA/tonne at ~₹8.3k in FY27E and further improving to ~₹9.1k in FY28E.

Rating and Target Price:

- We believe SAIL is well placed to benefit from favourable domestic steel demand, improved operating efficiencies, and ongoing capacity additions. Notably, the stock trades at an attractive valuation of ~5x FY28E EV/EBITDA, vs >=8x for most domestic steel peers. Considering the favourable risk-reward profile, we maintain our BUY rating with a target price of ₹225, based on 6x EV/EBITDA on FY28E.

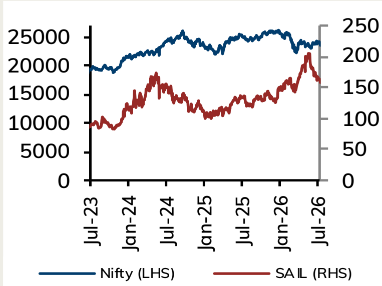
Particulars

Particulars	₹ crore
Market capitalisation	68,154
Total Debt (FY26P)	21,669
Cash & Investment (FY26P)	733
EV (₹ crore)	89,091
52 week H/L (₹)	210 / 118
Equity capital (₹ crore)	4,131
Face value (₹)	10.0

Shareholding pattern

	Sep-25	Dec-25	Mar-26	June-2
Promoters	65.0	65.0	65.0	65.0
FII	3.8	4.5	5.1	7.1
DIIs	18.1	17.8	18.4	16.9
Others	13.1	12.6	11.6	11.1

Price Chart



Key risks

- Reported healthy Q1FY27 results. Sales/EBITDA is expected to grow at ~12%/31% CAGR over FY26-28E.
- **Key Risk:** i) sharp decline in domestic steel prices impacting the performance. (ii) higher capex overrun could impact B/S.

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Key Financial Summary

Key Financials (₹ crore)	FY23	FY24	FY25	FY26P	5-year CAGR (FY21-26)	FY27E	FY28E	2-year CAGR (FY26-28E)
Net Sales	1,04,448	1,05,378	1,02,479	1,10,811	9.9%	1,29,729	1,39,725	12.3%
EBITDA	8,039	11,149	10,646	12,000	-1.2%	17,515	20,553	30.9%
EBITDA Margins (%)	7.7	10.6	10.4	10.8		13.5	14.7	
Net Profit	2,177	3,067	2,372	3,373	-4.1%	7,732	9,675	69.4%
EPS (₹)	5.3	7.4	5.7	8.2		18.7	23.4	
P/E	31.3	22.2	28.7	20.2		8.8	7.0	
RoNW (%)	4.3	4.3	2.4	4.8		11.4	12.9	

Source: Company, ICICI Direct Research

Key Takeaways of Recent Quarter

Q1FY27 Results: Reported a Healthy Performance

- Total operating income on consolidated basis for Q1FY27 came in at ₹26,246 crore (up 1% YoY) with steel sales volume of 4.2 MT (down 10% YoY). Moreover, the average blended realization increases by ~₹5,170/ton to ~₹63,091/ton owing to safeguard duty led higher steel spot prices.
- Consequently, Consolidated EBITDA for Q1FY27 stood at ₹4,153 crore with corresponding EBITDA margins at 15.8% (up ~151 bps QoQ). Adjusted EBITDA/tonne improved from ₹8,287 in Q4FY26 to ₹10,725 in Q1FY27.
- PAT for the quarter stood at ₹1,644 crore (vs. ₹ 744 crore in Q1FY26 and ₹ 1835 crore in Q4FY26), including an exceptional expense of ₹144 crore towards the Voluntary Retirement Scheme.

Q1FY27 Earnings Conference Call Highlights

- **Domestic Steel Pricing:** SAIL indicated that blended Net Sales Realization (NSR) during Q1FY27 stood at ~₹57,100/ton, compared with ₹52,000/tonne in Q4FY26, implying a sequential increase of nearly ₹5,000/tonne. SAIL highlighted that long products witnessed seasonal weakness during July'26 because of the monsoon season with correction nearly ₹3,000/tonne but currently prices is improving by ₹500-1,000/tonne. Flat steel prices, on the other hand, declined only ~₹1,000/tonne during the same period. Overall, management expects Q2FY27 Net Sales Realization to decline by ~₹1,000-2,000/tonne sequentially due to seasonal demand weakness before improving after the monsoon.
- **Capacity Expansion:** SAIL maintained its FY27 capital expenditure guidance of ₹15,000 crore. Capex is expected to increase substantially over the next few years as ongoing expansion projects gather pace, with annual spending likely to more than 20,000 crores in FY28 and ~₹25,000-26,000 crore ahead. Key projects include expansion at IISCO Steel Plant and installation of a new 0.8-0.9 MTPA TMT bar mill at Durgapur, which is expected to be commissioned during H2CY27 and will significantly reduce semis production while improving product value addition.
- **Raw Material cost:** Imported coking coal consumption cost increased during Q1FY27 to ~₹21,300/tonne (vs ₹18,100/tonne in Q4FY26). However, SAIL expects coking coal consumption cost to decline by ~₹1,200-1,500/tonne QoQ in Q2FY27. This is followed by the current softening of international coking coal prices from ~$235/tonne to ~$220/tonne. Imported coal currently accounts for ~85% of SAIL's coking coal requirement, while indigenous coal contributes the remaining 15%, including ~5% from captive mines. Production from the Tasra captive coal mine is expected to commence from Dec'26, increasing captive coal availability and reducing overall coal procurement costs.
- **Captive Mining and Iron Ore Sales:** During Q1FY27, SAIL sold ~1.1 MT of iron ore from captive mines (vs 0.31 MT in Q1FY26). Revenue from iron ore sales was at ₹574 crore in Q1FY27 (vs ₹157 crore in Q4FY26), with an EBITDA reported at ~₹150 crore in the quarter. Moreover, it is targeting ~8 MT in FY27, supported by increased production from Odisha mines and commencement of auctions from Chhattisgarh and Jharkhand mines. Additionally, the SAIL has initiated auctions for ~3 MT of sub-grade fines inventory as part of its long-term monetization strategy.
- **Others:** Debt as of June'26 remained stable at ~₹21,700 crore, while the debt-equity ratio improved further to 0.36x driven by better treasury management, thereby reducing the average borrowing cost to ~6.2% (vs ~6.8% in Q4FY26), resulting in finance cost savings of ~₹100 crore during Q1FY27. SAIL reiterated its objective of reducing working capital borrowings through inventory liquidation and stronger cash generation in FY27. Moreover, it plans to liquidate 0.2 MT inventory built during Q1FY27.

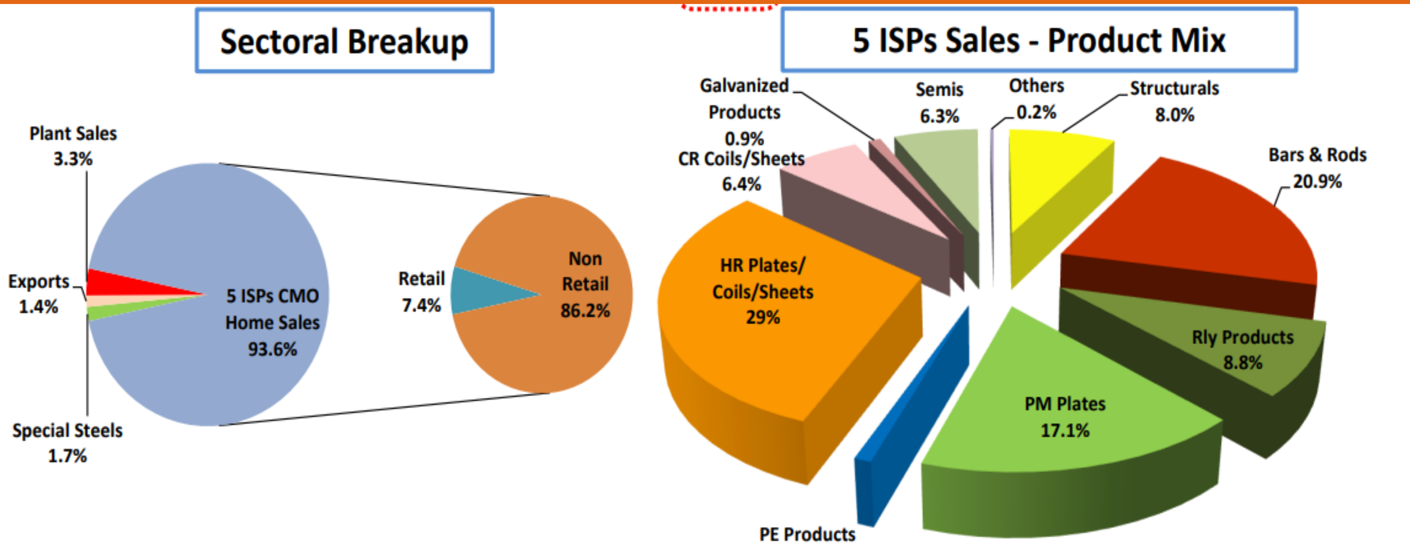
Key Tables and Charts

Exhibit 1: Quarterly Analysis

	Q1FY27	Q1FY26	YoY (%)	Q4FY26	QoQ (%)
Total Operating Income	26,246	25,922	1.2	30,813	-14.8
Raw Material Expenses	10,851	12,370	-12.3	14,961	-27.5
Employee Expenses	2,941	2,948	-0.2	2,670	10.1
Other expenses	8,301	7,836	5.9	8,774	-5.4
EBITDA	4,153	2,769	50.0	4,409	-5.8
EBITDA Margin (%)	15.8	10.7	514 bps	14.3	151 bps
Other Income	206	162	26.8	352	-41.6
Depreciation	1,560	1,441	8.2	1,577	-1.1
Interest	493	595	-17.1	532	-7.3
Exceptional Item	-144	0	NA	-330	NA
Share of JV	26	73	-64.7	180	-85.7
Tax	543	223	143.1	666	-18.6
PAT	1,644	744	120.8	1,835	-10.4
Key Metrics					
Sales Volume (million tonne)	4.16	4.60	-9.6	5.32	-21.8
Blended Realisations (₹/tonne)	63,091	56,352	12.0	57,920	8.9
Adjusted EBITDA/tonne	10,725	5,641	90.1	8,287	29.4

Source: Company, ICICI Direct Research

Exhibit 2: SAIL's FY26 Product ortfolio



Source: Company, ICICI Direct Research

Exhibit 3: Key Assumptions

	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Sales Volume (million tonne, MT)	14.9	16.2	16.2	17.0	17.9	19.9	21.0	22.5
Blended Realisations (₹/tonne)	46,385	63,875	64,474	61,987	57,251	55,628	61,673	61,990
EBITDA/tonne (₹/tonne)	8,549	13,174	4,962	6,558	5,948	6,024	8,327	9,118

Source: ICICI Direct Research

Exhibit 4: Change in Estimates

Change in estimates	FY27E			FY28E		
	Old	New	% Change	Old	New	% Change
Total Operating Income	1,32,496	1,29,729	-2.1	1,39,064	1,39,725	0.5
EBITDA	19,068	17,515	-8.1	20,568	20,553	-0.1
Margins (%)	14.4	13.5	-90 bps	14.8	14.7	-9 bps
PAT	9,219	7,732	-16.1	10,099	9,675	-4.2
EPS	22.3	18.7	-16.1	24.4	23.4	-4.2

Source: ICICI Direct Research

Financial summary

Exhibit 5: Profit and loss statement ₹ crore

(Year-end March)	FY25	FY26P	FY27E	FY28E
Total Operating Income	1,02,479	1,10,811	1,29,729	1,39,725
Growth (%)	-2.8	8.1	17.1	7.7
Raw Material Expenses	50,997	55,082	63,003	67,669
Employee Expenses	11,675	11,406	12,222	13,186
Other Operating Expense	29,161	32,323	36,988	38,318
Total Expenditure	91,833	98,811	1,12,214	1,19,172
EBITDA	10,646	12,000	17,515	20,553
Growth (%)	-4.5	12.7	46.0	17.3
Depreciation	5,651	5,988	6,228	6,638
Interest	2,793	2,158	1,991	2,234
Other Income	875	894	908	978
PBT	3,077	4,748	10,205	12,660
Exceptional Item	174	-243	154	328
Total Tax	880	1,133	2,626	3,312
PAT	2,372	3,373	7,732	9,675
Growth (%)	-22.7	42.2	129.2	25.1
EPS (₹)	5.7	8.2	18.7	23.4

Source: Company, ICICI Direct Research

Exhibit 6: Cash flow statement ₹ crore

(Year-end March)	FY25	FY26P	FY27E	FY28E
Profit after Tax	2,372	3,373	7,732	9,675
Add: Depreciation	5,651	5,988	6,228	6,638
(Inc)/dec in Current Assets	6,543	5,734	-6,158	-3,120
Inc/(dec) in CL and Provisions	-5,583	2,740	4,724	2,779
Others	2,793	2,158	1,991	2,234
CF from operating activities	11,776	19,993	14,516	18,206
(Inc)/dec in Investments	-387	636	-100	-100
(Inc)/dec in Fixed Assets	-7,617	-11,996	-15,000	-20,000
Others	672	3,354	410	410
CF from investing activities	-7,332	-8,005	-14,690	-19,690
Issue/(Buy back) of Equity	0	0	0	0
Inc/(dec) in loan funds	-790	-8,142	3,500	5,500
Dividend & interest outgo	-3,206	-3,129	-3,230	-3,886
Inc/(dec) in Share Cap	0	0	0	0
Others	-154	-952	0	0
CF from financing activities	-4,150	-12,223	270	1,614
Net Cash flow	294	-234	97	130
Opening Cash	673	967	732	829
Closing Cash	967	732	829	959

Source: Company, ICICI Direct Research

Exhibit 7: Balance sheet ₹ crore

(Year-end March)	FY25	FY26E	FY27E	FY28E
Liabilities				
Equity Capital	4,131	4,131	4,131	4,131
Reserve and Surplus	54,775	56,225	62,718	70,741
Total Shareholders' funds	58,906	60,356	66,849	74,872
Total Debt	29,811	21,669	25,169	30,669
Deferred Tax Liability	6,543	6,806	6,806	6,806
Minority Interest / Others	8,525	11,738	12,258	12,778
Total Liabilities	1,03,785	1,00,570	1,11,083	1,25,126
Assets				
Gross Block	1,37,698	1,46,348	1,51,900	1,61,900
Less: Acc Depreciation	64,371	70,359	76,587	83,225
Net Block	73,327	75,989	75,313	78,675
Capital WIP	7,206	10,552	20,000	30,000
Total Fixed Assets	80,533	86,541	95,313	1,08,675
Investments	4,976	4,339	4,439	4,539
Inventory	29,151	23,553	27,723	29,859
Debtors	7,610	6,507	7,819	8,422
Loans and Advances	23	21	24	26
Other Current Assets	4,138	5,106	5,779	6,158
Cash	966.9	732.5	829.1	959.2
Total Current Assets	41,888	35,920	42,174	45,424
Current Liabilities	25,089	27,634	31,260	33,361
Provisions	7,497	7,693	8,790	9,468
Current Liabilities & Prov	32,586	35,326	40,050	42,829
Net Current Assets	9,302	593	2,124	2,595
Others Assets	8,974	9,096	9,206	9,316
Application of Funds	1,03,785	1,00,570	1,11,083	1,25,126

Source: Company, ICICI Direct Research

Exhibit 8: Key ratios

(Year-end March)	FY25	FY26E	FY27E	FY28E
Per share data (₹)				
EPS	5.7	8.2	18.7	23.4
Cash EPS	19.4	22.7	33.8	39.5
BV	142.6	146.1	161.8	181.3
DPS	1.6	2.4	3.0	4.0
Cash Per Share	2.3	1.8	2.0	2.3
Operating Ratios (%)				
EBITDA Margin	10.4	10.8	13.5	14.7
PAT Margin	2.3	3.0	6.0	6.9
Inventory days	103.8	77.6	78.0	78.0
Debtor days	27.1	21.4	22.0	22.0
Creditor days	37.4	35.9	35.0	35.0
Return Ratios (%)				
RoE	2.4	4.8	11.4	12.9
RoCE	5.2	6.7	11.4	12.3
RoIC	5.7	7.7	14.4	17.0
Valuation Ratios (x)				
P/E	28.7	20.2	8.8	7.0
EV / EBITDA	9.1	7.4	5.3	4.8
EV / Net Sales	0.9	0.8	0.7	0.7
Market Cap / Sales	0.7	0.6	0.5	0.5
Price to Book Value	1.2	1.1	1.0	0.9
Solvency Ratios				
Debt/EBITDA	2.8	1.8	1.4	1.5
Debt / Equity	0.5	0.4	0.4	0.4
Current Ratio	1.7	1.4	1.5	1.5
Quick Ratio	0.5	0.4	0.5	0.5

Source: Company, ICICI Direct Research

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