Steel Authority of India (SAIL)

CMP: ₹167 | Target ₹ 225 (35%) | Target Period: 12 months | BUY

November 4, 2026

Upcycle to propel earnings growth, trades inexpensive...

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.

Q2FY27 performance: SAIL reported a tad muted performance in Q2FY27. Consolidated topline stood ₹31,998 crore (up 20% YoY) with steel sales volume of 5.2 MT (up 5% YoY). Reported EBITDA stood at ₹4,216 crore with EBITDA margins at 13.2% (down ~265 bps QoQ). Adjusted EBITDA/tonne stood at ₹8,171 vs ₹9,982 in Q1FY27. Consolidated PAT for the quarter stood at ₹1,750 crore, including an exceptional expense of ₹73 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 116 kg, significantly below the global average of ~209 kg, indicating ample headroom for demand growth. Backed by the government's vision to increase crude steel capacity to 600 MT and per capita consumption to 302 kg by FY47, 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 at a total capex outlay of ~₹ 1.2 lakh crore over FY27E-31E. In addition, debottlenecking and brownfield expansion across existing facilities are expected to enhance operational capacity. With this, we bake in sales volumes CAGR of 5% over FY26-28E, reaching ~22 MT by FY28E.

- **Higher volume and operational efficiencies to support EBITDA/tonne:** SAIL delivered an adjusted EBITDA of ~₹8,171/tonne in Q2FY27, declining by ~₹1,800 QoQ, primarily led by NSR decreasing (~₹1,100 QoQ) and rise in raw material costs partially mitigated by o/p leverage gains. While elevated coking coal price could exert pressure on margins in Q3FY27, the impact is likely to be mitigated by higher metal prices led by post monsoon demand & continued cost optimisation measures. Furthermore, upcoming captive coking coal capacity and operating leverage should improve the margin profile over the medium term along with improving balance sheet as SAIL targets debt moderation in FY27E amid healthy CFO generation aided by inventory liquidation. Therefore, we estimate EBITDA/tonne at ~₹9.6k in FY27E and further improving to ~₹10k in FY28E.

Rating and Target Price:

- We believe SAIL is well placed to benefit from favourable domestic steel demand, cost optimization initiatives, and strong domestic steel pricing. Notably, it trades at an attractive valuation of <5x FY28E EV/EBITDA, vs >7x for most domestic steel peers. Considering the favourable risk-reward profile, we maintain our **BUY** rating with a target price of **₹225**, based on **5.5x EV/EBITDA on FY28E**

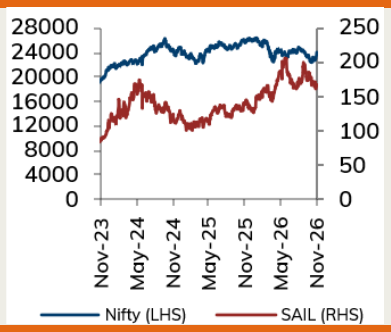
Particulars

Particulars	₹ crore
Market capitalisation	68,980
Total Debt (FY26)	21,669
Cash & Investment (FY26)	733
EV (₹ crore)	89,917
52-week H/L (₹)	210 / 124
Equity capital (₹ crore)	4,131
Face value (₹)	10.0

Shareholding pattern

	Dec-25	Mar-26	June-26	Sep-26
Promoters	65.0	65.0	65.0	65.0
FII	4.5	5.1	7.1	7.3
DIIs	17.8	18.4	16.9	16.5
Others	12.6	11.6	11.1	11.2

Price Chart



Key risks

- Reports a tad muted Q2FY27 results. Sales/EBITDA is expected to grow at ~14%/35% CAGR over FY26-28E.
- **Key Risk:** i) moderation in domestic steel prices impacting EBITDA/tonne profile (ii) higher capex overrun could impact B/S and impact return ratios

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Result Update

ICICI Securities – Retail Equity Research

Key Financial Summary

Key Financials (₹ crore)	FY23	FY24	FY25	FY26	4-year CAGR (FY22-26)	FY27E	FY28E	2-year CAGR (FY26-28E)
Net Sales	1,04,448	1,05,378	1,02,479	1,10,811	1.7%	135,674	143,946	14.0%
EBITDA	8,039	11,149	10,646	12,000	-13.4%	20,156	21,984	35.4%
EBITDA Margins (%)	7.7	10.6	10.4	10.8		14.9	15.3	
Net Profit	2,177	3,067	2,372	3,373	-27.6%	9,463	10,718	78.3%
EPS (₹)	5.3	7.4	5.7	8.2		22.9	25.9	
P/E	31.7	22.5	29.1	20.5		7.3	6.4	
RoNW (%)	4.3	4.3	2.4	4.8		13.6	13.8	

Source: Company, ICICI Direct Research

Key Takeaways of Recent Quarter

Q2FY27 Results: Reported a Healthy Performance

- Total operating income on consolidated basis for Q1FY27 came in at ₹31,998 crore (up 20% YoY) with steel sales volume of 5.2 MT (up 5% YoY). Moreover, the avg. blended realization decreased by ~₹1,080/ton QoQ to ~₹62,011/ton.
- Consequently, Consolidated EBITDA for Q2FY27 stood at ₹4,216 crore with corresponding EBITDA margins at 13.2% (down ~265 bps QoQ). Adjusted EBITDA/tonne deteriorated to ₹8,171 vs ₹9,982 in Q1FY27 owing to lower realizations and raw material cost inflationary pressures.
- PAT for the quarter stood at ₹1,750 crore (vs. ₹ 419 crore in Q2FY26 and ₹ 1,644 crore in Q1FY27), including an exceptional expense of ₹73 crore towards the Voluntary Retirement Scheme.

Q2FY27 Earnings Conference Call Highlights

- **Domestic Steel Pricing:** SAIL indicated that blended Net Sales Realization (NSR) during Q2FY27 stood at ~₹55,500/ton, compared with ₹57,100/tonne in Q1FY27, implying a sequential reduction of nearly ₹1,600/tonne. SAIL highlighted that, in October so far, prices for longs increased to ₹58,700/tonne (up ₹3,200 from Q2 average) and flats rose to ₹61,700/tonne (up ₹4,600 from Q2 average), respectively. Overall, management expects robust post-monsoon demand and further upward movement in steel spot prices, implying better realizations in Q3FY27.
- **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 be followed by Bokaro Steel plant and Vila Steel Plant in FY29E. Total capex outlay stands at ₹1,20,000 crores for FY27-31.
- **Raw Material cost:** Imported coking coal consumption cost increased during Q2FY27 to ~₹22,930/tonne (vs ₹21,300/tonne in Q1FY27). Going ahead, SAIL expects coking coal cost to inch up by ~₹1,000/tonne in Q3FY27. This is followed by the current stabilization of international coking coal prices at around ~$260-270/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 Jan'27, increasing captive coal availability and reducing overall coal procurement costs starting from Q4FY27.
- **Captive Mining and Iron Ore Sales:** During H1FY27, SAIL sold ~2.5 MT of iron ore from captive mines (vs 0.9 MT in H1FY26) with incremental profitability contribution pegged at ₹388 crores in H1FY27 (vs ₹124 crores in H1FY26). Moreover, it is targeting ~7-8 MT sales volume in this domain in FY27, supported by anticipation of increased sales from Chhattisgarh and possible Raoghat (where new mine might supply major chunk) while Jharkhand mines face price and permit issues. Capacity in Goa is planned to rise from 4MTPA to 10MTPA and Raoghat mine is expected to increase from 2 MTPA to 14 MTPA over next 3-4 years.
- **Others:** Debt as of Sep'26 remained stable at ~₹20,583 crore, while the debt-equity ratio improved further to 0.34x driven by better treasury management, thereby reducing the H1 average borrowing cost to ~6.34% (vs ~6.42% in CPLY). Furthermore, the company plans for further debt reduction in Q3 & Q4FY27 before raising again from FY28E onwards to support heavy capex funding of 1,20,000 (out of which ₹40,000-50,000 will be fulfilled by debt and rest through mix of FPO & internal accruals).

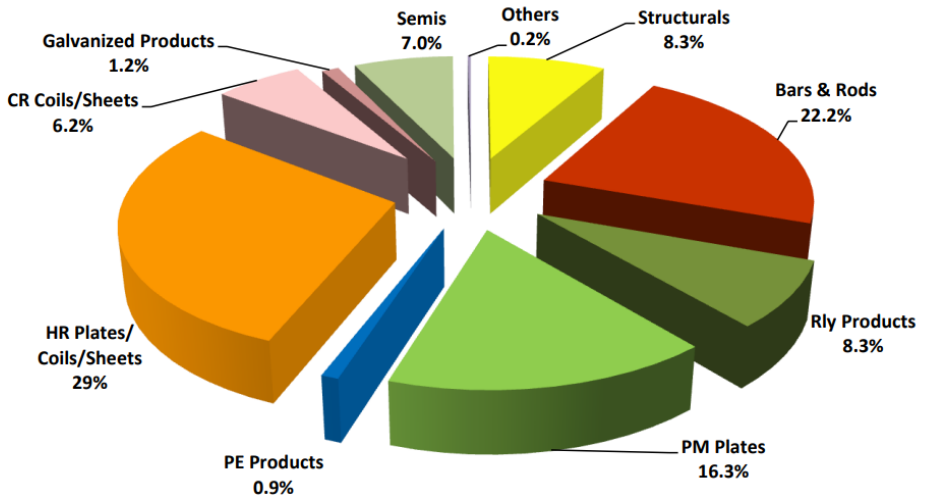
Key Tables and Charts

Exhibit 1: Quarterly Analysis

	Q2FY27	Q2FY26	YoY (%)	Q1FY27	QoQ (%)
Total Operating Income	31,998	26,704	19.8	26,246	21.9
Raw Material Expenses	16,802	13,382	25.6	10,851	54.8
Employee Expenses	2,864	2,943	-2.7	2,941	-2.6
Other expenses	8,115	7,851	3.4	8,301	-2.2
EBITDA	4,216	2,528	66.8	4,153	1.5
EBITDA Margin (%)	13.2	9.5	371 bps	15.8	-265 bps
Other Income	232	206	12.9	206	13.0
Depreciation	1,609	1,453	10.7	1,560	3.1
Interest	523	484	8.1	493	6.2
Exceptional Item	-73	-338	NA	-144	NA
Share of JV	81	98	-17.7	26	213.2
Tax	574	137	317.6	543	5.8
PAT	1,750	419	318.0	1,644	6.5
Key Metrics					
Sales Volume (million tonne)	5.16	4.90	5.3	4.16	24.0
Blended Realisations (₹/tonne)	62,011	54,498	13.8	63,091	-1.7
Adjusted EBITDA/tonne	8,171	5,160	58.4	9,982	-18.1

Source: Company, ICICI Direct Research

Exhibit 2: SAIL's Q2FY27 - Product Portfolio



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	22.0
Blended Realisations (₹/tonne)	46,385	63,875	64,474	61,987	57,251	55,628	64,718	65,500
EBITDA/tonne (₹/tonne)	8,549	13,174	4,962	6,558	5,948	6,024	9,615	10,003

Source: ICICI Direct Research

Exhibit 4: Change in Estimates

Change in estimates	FY27E			FY28E		
	Old	New	% Change	Old	New	% Change
Total Operating Income	129,729	135,674	4.6	139,725	143,946	3.0
EBITDA	17,515	20,156	15.1	20,553	21,984	7.0
Margins (%)	13.5	14.9	136 bps	14.7	15.3	57 bps
PAT	7,732	9,463	22.4	9,675	10,718	10.8
EPS	18.7	22.9	22.4	23.4	25.9	10.8

Source: ICICI Direct Research

Financial summary

Exhibit 5: Profit and loss statement ₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Total Operating Income	102,479	110,811	135,674	143,946
Growth (%)	-2.8	8.1	22.4	6.1
Raw Material Expenses	50,997	55,082	68,263	73,394
Employee Expenses	11,675	11,406	11,914	12,307
Other Operating Expense	29,161	32,323	35,341	36,261
Total Expenditure	91,833	98,811	115,518	121,962
EBITDA	10,646	12,000	20,156	21,984
Growth (%)	-4.5	12.7	68.0	9.1
Depreciation	5,651	5,988	6,433	6,638
Interest	2,793	2,158	2,076	2,271
Other Income	875	894	950	1,008
PBT	3,077	4,748	12,597	14,083
Exceptional Item	174	-243	60	304
Total Tax	880	1,133	3,194	3,669
PAT	2,372	3,373	9,463	10,718
Growth (%)	-22.7	42.2	180.6	13.3
EPS (₹)	5.7	8.2	22.9	25.9

Source: Company, ICICI Direct Research

Exhibit 6: Cash flow statement ₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Profit after Tax	2,372	3,373	9,463	10,718
Add: Depreciation	5,651	5,988	6,433	6,638
(Inc)/dec in Current Assets	6,543	5,734	-6,125	-2,477
Inc/(dec) in CL and Provisions	-5,583	2,740	3,145	2,123
Others	2,793	2,158	2,076	2,271
CF from operating activities	11,776	19,993	14,992	19,274
(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	2,800	4,500
Dividend & interest outgo	-3,206	-3,129	-3,315	-3,923
Inc/(dec) in Share Cap	0	0	0	0
Others	-154	-952	0	0
CF from financing activities	-4,150	-12,223	-515	577
Net Cash flow	294	-234	-213	160
Opening Cash	673	967	732	519
Closing Cash	967	732	519	679

Source: Company, ICICI Direct Research

Exhibit 7: Balance sheet ₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Liabilities				
Equity Capital	4,131	4,131	4,131	4,131
Reserve and Surplus	54,775	56,225	64,449	73,515
Total Shareholders' funds	58,906	60,356	68,580	77,646
Total Debt	29,811	21,669	24,469	28,969
Deferred Tax Liability	6,543	6,806	6,806	6,806
Minority Interest / Others	8,525	11,738	12,258	12,778
Total Liabilities	103,785	100,570	112,114	126,200
Assets				
Gross Block	137,698	146,348	156,900	161,900
Less: Acc Depreciation	64,371	70,359	76,792	83,430
Net Block	73,327	75,989	80,108	78,470
Capital WIP	7,206	10,552	15,000	30,000
Total Fixed Assets	80,533	86,541	95,108	108,470
Investments	4,976	4,339	4,439	4,539
Inventory	29,151	23,553	27,878	29,578
Debtors	7,610	6,507	7,434	7,887
Loans and Advances	23	21	26	27
Other Current Assets	4,138	5,106	5,974	6,297
Cash	966.9	732.5	519.2	679.4
Total Current Assets	41,888	35,920	41,832	44,469
Current Liabilities	25,089	27,634	30,592	32,234
Provisions	7,497	7,693	7,880	8,360
Current Liabilities & Prov	32,586	35,326	38,472	40,595
Net Current Assets	9,302	593	3,360	3,874
Others Assets	8,974	9,096	9,206	9,316
Application of Funds	103,785	100,570	112,114	126,200

Source: Company, ICICI Direct Research

Exhibit 8: Key ratios

(Year-end March)	FY25	FY26	FY27E	FY28E
Per share data (₹)				
EPS	5.7	8.2	22.9	25.9
Cash EPS	19.4	22.7	38.5	42.0
BV	142.6	146.1	166.0	188.0
DPS	1.6	2.4	3.0	4.0
Cash Per Share	2.3	1.8	1.3	1.6
Operating Ratios (%)				
EBITDA Margin	10.4	10.8	14.9	15.3
PAT Margin	2.3	3.0	7.0	7.4
Inventory days	103.8	77.6	75.0	75.0
Debtor days	27.1	21.4	20.0	20.0
Creditor days	37.4	35.9	30.0	30.0
Return Ratios (%)				
RoE	2.4	4.8	13.6	13.8
RoCE	5.2	6.7	13.7	13.5
RoIC	5.7	7.7	16.2	18.4
Valuation Ratios (x)				
P/E	29.1	20.5	7.3	6.4
EV / EBITDA	9.2	7.5	4.6	4.4
EV / Net Sales	1.0	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	1.2	1.3
Debt / Equity	0.5	0.4	0.4	0.4
Current Ratio	1.7	1.4	1.6	1.7
Quick Ratio	0.5	0.4	0.5	0.5

Source: Company, ICICI Direct Research

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Reduce: -15% to -5%;

Sell: <-15%

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