

SELL**TP: Rs 132 | ▼ 11%****SAIL**

| Metals & Mining

| 02 February 2026

Revenue performance driven by strong volume growth

- Revenue grew by 11.8%YoY, driven by strong volumes growth of 17.0%YoY, offset by price decline. EBITDA/t was lower YoY
- Outlook is positive on account of improved pricing since Dec'25; demand to sustain on seasonally strong period
- Maintain SELL and raise TP to Rs132 from Rs121, based on 5.5x Dec'27 EBITDA, considering 9MFY26 performance

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Results above expectations on strong volume growth: Revenue came at Rs273bn, (+11.8%YoY, +2.5%QoQ) and was 9.0% above our estimates. EBITDA came at Rs23bn (+13.0%YoY, -9.3%QoQ), was 5.4% below estimates. Outperformance on revenue is primarily on strong volume growth of 17.0%YoY. EBITDA/t was Rs4,463 lower by 3.0%YoY, impacted by price decline.

Volumes: Sales volumes came at 5.2mnt; higher by 17.0%YoY. Volume growth was higher vs domestic demand growth of 4.6% YoY. Volumes grew 4.9% QoQ.

Domestic pricing and cost: Realisation declined by 4.5%YoY and by 2.3%QoQ to Rs53,148/t. Spot HRC prices at Rs52,000/t. Prices have improved by Rs2,500-3,500/t since end of Dec'25. Management is positive on the pricing and expects the price improvement to sustain in Q4, on the back of a seasonally strong construction period. Going forward, Q4 is projected to have a better QoQ spread due to price, but this will be partially offset by an increase in coal cost.

Expansion projects: SAIL is currently undergoing a major expansion strategy that includes brownfield and greenfield expansion projects, increasing overall capacity by 14 million tonnes from 21 million tonnes to 35 million tonnes. Incremental volumes are projected to appear in FY29E and thereafter. We anticipate a 7% CAGR in volume increase from FY25 to FY28E.

Maintain SELL and raise TP: SAIL faces capacity growth constraints in the near term, higher costs relative to peers and risk on balance sheet parameters as the capex picks up. Thus, we maintain SELL. Considering 9M performance, we raise TP to Rs132 from Rs121, based on 5.5x Dec'27 EBITDA.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	SAIL IN/Rs 149
Market cap	US\$ 6,707.1bn
Free float	35%
3M ADV	US\$ 32.7mn
52wk high/low	Rs 160/Rs 99
Promoter/FPI/DII	65%/3%/16%

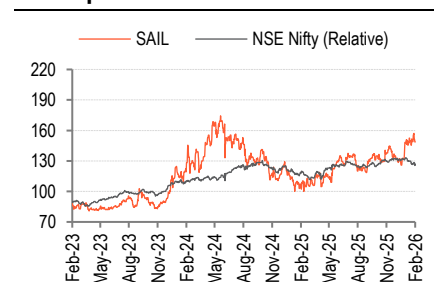
Source: NSE | Price as of 2 Feb 2026

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs bn)	1,025	1,095	1,218
EBITDA (Rs bn)	106	104	138
Adj. net profit (Rs bn)	27	26	39
Adj. EPS (Rs)	6.5	6.2	9.4
Consensus EPS (Rs)	6.6	7.8	10.7
Adj. ROAE (%)	4.6	4.3	6.3
Adj. P/E (x)	22.9	23.9	15.8
EV/EBITDA (x)	5,770.9	5,890.1	4,439.6
Adj. EPS growth (%)	(31.3)	(4.1)	50.8

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Fig 1 – Quarterly performance

(Rs mn)	Q3FY26	Q2FY26	QoQ (%)	Q3FY25	YoY (%)	9MFY26	9MFY25	YoY (%)
Revenue	273,714	267,042	2.5	244,899	11.8	799,974	731,629	9.3
EBITDA	22,943	25,283	(9.3)	20,297	13.0	75,913	71,624	6.0
EBITDA margin (%)	8.4	9.5		8.3		9.5	9.8	
Depreciation	15,155	14,535	4.3	14,206	6.7	44,105	41,268	6.9
Interest	5,472	4,843	13.0	6,796	(19.5)	16,261	21,287	(23.6)
Other income	1,745	2,059	(15.2)	2,335	(25.3)	5,425	5,775	(6.1)
PBT	4,061	7,964	(49.0)	1,630	149.2	20,972	14,843	41.3
Tax	1,057	1,374	(23.1)	1,810	(41.6)	4,664	4,735	(1.5)
Reported PAT	3,740	4,187	(10.7)	1,419	163.6	15,373	11,208	37.2
Exceptional item	0	(3,384)		285	(100.0)	(3,384)	(2,832)	(19.5)
Adjusted PAT	3,740	7,572	(50.6)	1,134	229.9	18,758	14,041	33.6
Adj. PATM (%)	1.4	2.8	(51.8)	0.5	195.2	2.3	1.9	
EPS (Rs)	0.9	1.8	(50.6)	0.3	229.9	4.5	3.4	33.6

Source: Company

Fig 2 – Q3FY26 Actual v/s estimate

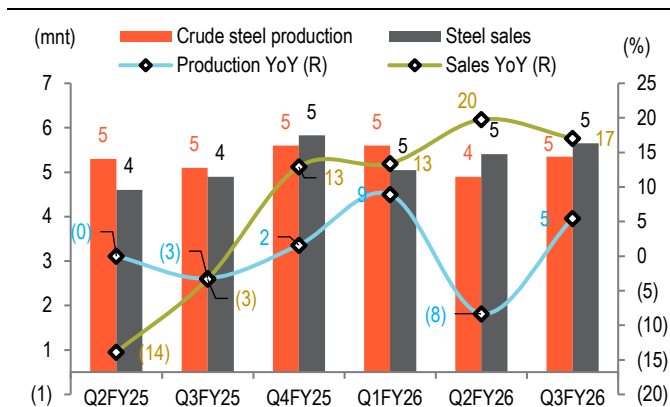
Particulars	Q3 Actual	Estimate	VAR(%)
Revenue (Rs mn)	273,714	251,061	9.0
EBITDA (Rs mn)	22,943	24,245	(5.4)
EBITDA margin (%)	8.4	9.7	NA
PAT (Rs mn)	3,740	6,677	(44.0)
EPS (Rs)	0.9	1.6	(44.0)

Source: Company, BOBCAPS Research

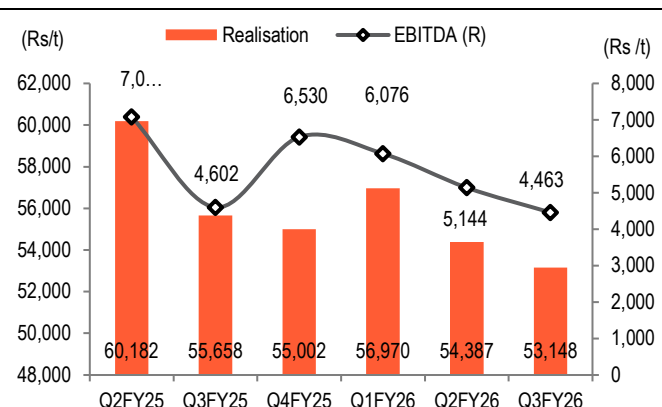
Fig 3 – Business performance

(Rs mn)	Q3FY26	Q2FY26	QoQ (%)	Q3FY25	YoY (%)	9MFY26	9MFY25	YoY (%)
Steel sales (mnt)	5.2	4.9	4.9	4.4	17.0	14.6	12.5	16.8
Realization (Rs./t)	53,148	54,387	(2.3)	55,658	(4.5)	54,755	58,474	(6.4)
EBITDA (Rs/t)	4,463	5,144	(13.2)	4,602	(3.0)	5,194	5,713	(9.1)

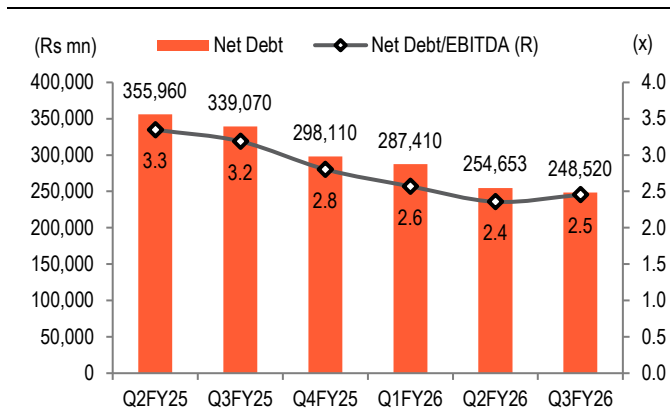
Source: Company

Fig 4 – Production & sales trend

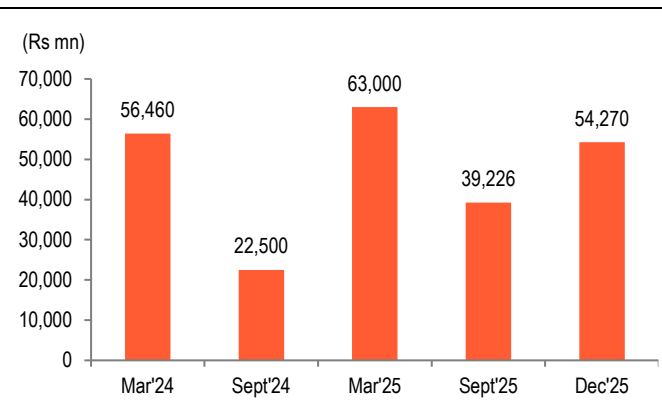
Source: Company

Fig 5 – Realisation & EBITDA trend

Source: Company

Fig 6 – Leverage

Source: Company

Fig 7 – Capex

Source: Company

Call Highlights

- **Volumes performance:** Volume growth of 17.0%YoY outpaced the industry's 4.6% growth in Q3. Management forecasted sales volumes of 19.5 million tonnes for FY26E, representing a 9.0% YoY increase above FY25 volumes of 17.8 million tonnes. Exports account for 1.7% of total volumes. It estimates sales volumes of 21.0 million for FY27E and 21.5 million for FY28E.
- **Industry environment:** Safeguard duty was imposed in Dec'25 with 12% in the 1st year, starting April'26; 11.5% in the 2nd year while 11.0% in the 3rd. During Q3, domestic steel consumption rose by 4.6%YoY to 40.7mnt and crude steel production went up 10.0%YoY to 42.5mnt. Steel imports fell by 42.4%YoY and 35.9%QoQ. 9M consumption increased by 7%YoY.
- **Pricing:** Domestic prices have increased by Rs2,500-3,500/t from the end of Dec'25. Long prices have grown by Rs2,000-2,500/t, while flat prices have risen by Rs3,000-3,500/t. Management anticipates pricing increases to continue in Q4, given the seasonally robust building period.
- **Cost guidance:** Average cost of coking coal for Q3 was Rs18,351/t. Management guided coking coal costs to grow by 7.0% in Q4FY26, based on price increases experienced in Jan-Feb 2026.
- **Capex and capacity additions:** SAIL has a capex of Rs54,270 million in 9MFY26. and estimated investment of Rs70,000-100,000 million for FY26. SAIL is currently undergoing a major expansion programme that includes brownfield and greenfield development projects, with the goal of increasing overall capacity by 14 million tonnes from 21 million to 35 million tonnes. Major capital expenditures will be incurred between FY27E and FY30E as a result of the greenfield expansion. Management anticipates capex to reach Rs150,000 million in FY27E.
- **Net debt:** Consolidated net debt decreased to Rs248bn in Dec'25 from a net debt of Rs255bn in Sept'25. The decrease is due to improved performance. Net debt was Rs288bn in Mar'25. Net D/E is 0.4x.

Valuation Methodology

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. Major capex will come in FY27E-FY30E, due to the greenfield expansion project. This will increase the overall debt and can put pressure on the balance sheet and cashflow.

Changes in assumptions consider the performance of 9MFY26. Numbers are being revised down, particularly for FY26E.

Key changes in assumptions:

- Volumes are expected to increase by 9.0% compared to 5.0% in FY26, 8.0% compared to 4.0% in FY27E, and 5.0% compared to 2.5% in FY28E, respectively.
- Pricing: Estimated fall of 2.0% vs. positive 2.0% in FY26E, revised to +3.0% vs. 2.0% in FY27E, and 2.0% vs. 1.0% in FY28E.
- USD-INR assumption was revised to Rs 90.0 for FY26E, Rs 91.0 for FY27E, and Rs 91.0 for FY28E.

Fig 8 – Revision in Estimates

(Rs mn)	Actual	New			Old			Change (%)		
	FY25A	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	1,024,791	1,094,681	1,217,723	1,304,181	1,097,550	1,164,281	1,205,322	(0.3)	4.6	8.2
EBITDA	106,462	104,309	138,403	155,936	124,329	131,842	148,362	(16.1)	5.0	5.1
EBITDA % margin	10.4	9.5	11.4	12.0	11.3	11.3	12.3			
PAT	26,844	25,747	38,827	45,768	34,773	37,410	40,759	(26.0)	3.8	12.3
EPS (Rs)	6.5	6.2	9.4	11.1	8.4	9.1	9.9	(26.0)	3.8	12.3

Source: Company, BOBCAPS Research

Fig 9 – Key assumptions

Particulars	FY24	FY25	FY26E	FY27E	FY28E
Sales volumes (mn t)	17.0	17.9	19.5	21.1	22.1
Realization (Rs/t)	61,898	57,266	56,121	57,805	58,961
Utilization (%)	79.6	83.6	86.1	88.7	91.4
% growth YoY					
Volumes	5.0	5.1	9.0	8.0	5.0
Realization	(3.9)	(7.5)	-2.0	3.0	2.0
EBITDA/tonne (Rs)	6,539	5,940	5,339	6,562	7,042
USD - INR	82.8	83.0	90.0	91.0	91.0

Source: Company, BOBCAPS Research

EV/EBITDA-based Valuation Rationale

We retain the SELL recommendation due to short-term capacity limitations, greater costs compared to peers, and risk on balance sheet metrics as capital expenditures increase. We increase TP to Rs132 from Rs121 based on 5.5x Dec'27 EBITDA considering 9MFY26 performance.

Fig 10 – Valuation summary

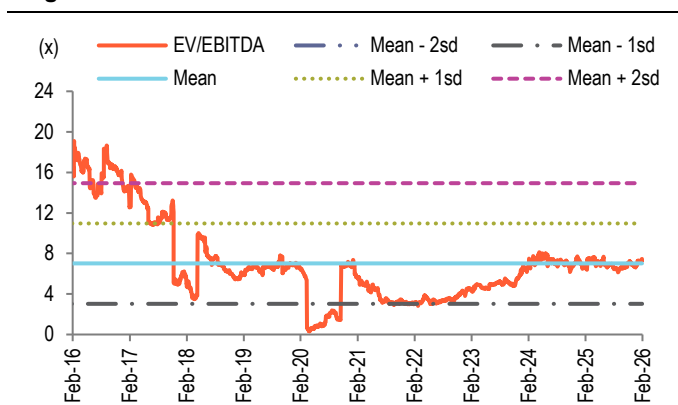
Particulars	Dec 27 EBITDA (Rs mn)	Multiple	Value (Rs cr)	Rs/share
SAIL	151,553	5.5	833,542	202
Less - Net debt			288,442	70
Target price			545,099	132

Source: BOBCAPS Research, Company

Key Risks

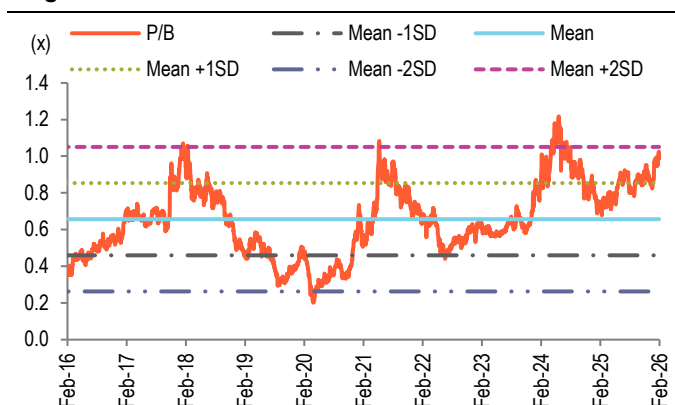
- Capex on expansion projects to risk leverage ratio: SAIL has plans to ramp up capacity. Major capex will come in FY27E-FY30E due to the greenfield expansion project, which will raise the overall debt. Further, an environment of weak demand during this period can put pressure on the balance sheet and cashflow.
- Coking coal – disruption and price volatility can impact 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 in terms of interruption can impact the requirement. Also, price volatility can raise operating cost and thus, impact 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)	FY24A	FY25A	FY26E	FY27E	FY28E
Total revenue	1,054	1,025	1,095	1,218	1,304
EBITDA	111	106	104	138	156
Depreciation	(53)	(57)	(60)	(68)	(73)
EBIT	59	50	45	71	82
Net interest inc./(exp.)	(25)	(28)	(26)	(35)	(38)
Other inc./(exp.)	11	9	9	9	9
Exceptional items	(8)	(3)	0	0	0
EBT	41	33	32	50	59
Income taxes	(10)	(9)	(6)	(11)	(13)
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	5	5	5	5	5
Reported net profit	31	24	26	39	46
Adjustments	8	3	0	0	0
Adjusted net profit	39	27	26	39	46

Balance Sheet

Y/E 31 Mar (Rs bn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	153	105	100	115	123
Other current liabilities	158	146	146	146	146
Provisions	13	14	14	14	14
Debt funds	306	298	330	425	460
Other liabilities	206	212	212	212	212
Equity capital	41	41	41	41	41
Reserves & surplus	530	548	561	586	616
Shareholders' fund	571	589	602	627	658
Total liab. and equities	1,407	1,364	1,404	1,539	1,612
Cash and cash eq.	7	10	11	9	11
Accounts receivables	84	76	90	102	109
Inventories	373	337	352	394	422
Other current assets	64	42	42	42	42
Investments	46	50	50	50	50
Net fixed assets	654	651	661	743	780
CWIP	61	72	72	72	72
Intangible assets	15	14	14	14	14
Deferred tax assets, net	0	0	0	0	0
Other assets	149	162	162	162	162
Total assets	1,407	1,364	1,404	1,539	1,612

Cash Flows

Y/E 31 Mar (Rs bn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	38	120	79	102	130
Capital expenditures	(54)	(76)	(70)	(150)	(110)
Change in investments	(4)	(4)	0	0	0
Other investing cash flows	7	5	0	0	0
Cash flow from investing	(52)	(75)	(70)	(150)	(110)
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	49	(8)	32	95	35
Interest expenses	(25)	(28)	(26)	(35)	(38)
Dividends paid	(8)	(11)	(13)	(13)	(15)
Other financing cash flows	(2)	5	0	0	0
Cash flow from financing	15	(42)	(7)	47	(18)
Chg in cash & cash eq.	1	3	1	(2)	2
Closing cash & cash eq.	7	10	11	9	11

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	7.4	5.7	6.2	9.4	11.1
Adjusted EPS	9.5	6.5	6.2	9.4	11.1
Dividend per share	2.0	2.6	3.1	3.3	3.8
Book value per share	138.2	142.6	145.7	151.9	159.2

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	583.0	599.5	561.2	504.6	471.2
EV/EBITDA	5,510.3	5,770.9	5,890.1	4,439.6	3,940.8
Adjusted P/E	15.7	22.9	23.9	15.8	13.4
P/BV	1.1	1.0	1.0	1.0	0.9

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	79.7	75.3	80.5	78.4	78.1
Interest burden (PBT/EBIT)	83.5	71.3	71.5	70.0	71.1
EBIT margin (EBIT/Revenue)	5.6	4.9	4.1	5.8	6.3
Asset turnover (Rev./Avg TA)	77.7	74.0	79.1	82.8	82.8
Leverage (Avg TA/Avg Equity)	2.4	2.4	2.3	2.4	2.5
Adjusted ROAE	698.7	462.8	432.3	631.6	712.3

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	0.9	(2.8)	6.8	11.2	7.1
EBITDA	38.7	(4.5)	(2.0)	32.7	12.7
Adjusted EPS	103.7	(31.3)	(4.1)	50.8	17.9
Profitability & Return ratios (%)					
EBITDA margin	10.6	10.4	9.5	11.4	12.0
EBIT margin	5.6	4.9	4.1	5.8	6.3
Adjusted profit margin	3.7	2.6	2.4	3.2	3.5
Adjusted ROAE	7.0	4.6	4.3	6.3	7.1
ROCE	6.6	5.4	4.8	6.6	7.1
Working capital days (days)					
Receivables	29	27	30	31	31
Inventory	129	120	117	118	118
Payables	59	42	37	39	39
Ratios (x)					
Gross asset turnover	0.8	0.7	0.8	0.8	0.8
Current ratio	1.0	1.0	1.1	1.2	1.2
Net interest coverage ratio	2.4	1.8	1.7	2.0	2.2
Adjusted debt/equity	0.5	0.5	0.5	0.7	0.7

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

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BUY – Expected return >+15%

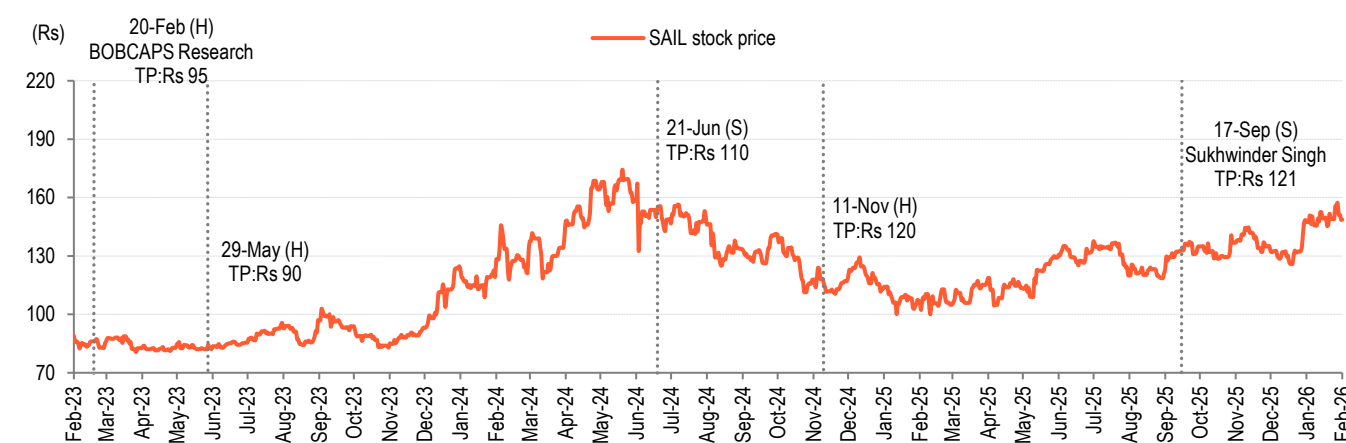
HOLD – Expected return from -6% to +15%

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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