

Steel Authority of India

03 February 2026

Volume execution steady, realisations to continue recovery in 4Q

RESULT UPDATE

Sector: Metals	Rating: HOLD
CMP: Rs 154	Target Price: Rs 138

Stock Info

Sensex/Nifty	83,739/25,728
Bloomberg	SAIL IN
Equity shares (mn)	4,130
52-wk High/Low	Rs 160/99
Face value	Rs 10
M-Cap	Rs 636bn/USD 7bn

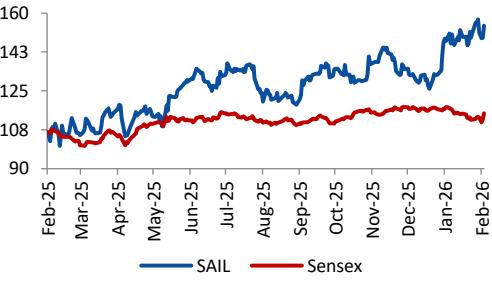
Financial Snapshot (Rs bn)

Y/E Mar	FY26E	FY27E	FY28E
Sales	1,056	1,143	1,211
EBITDA	121	130	142
Adjusted PAT	29	31	34
EPS (Rs)	7	7	8
PE (x)	22	21	19
EV/EBITDA (x)	8	8	7
RoE (%)	5	5	5
RoCE (%)	8	9	9
Dividend yield (%)	2	2	2

Shareholding Pattern (%)

	Dec'25	Sep'25	Jun'25
Promoter	65	65	65
FII	5	4	4
DII	18	18	17
Others	13	13	14

Stock Performance (1-year)



Steel Authority of India (SAIL) reported 3QFY26 consolidated EBITDA of Rs 22.94bn, up 13% YoY and down by 9% QoQ, 54% above our estimates, driven by higher operational efficiency, inventory liquidation, and better realisations. EBITDA/t for the quarter was USD 54/t (-2%/-15% YoY/QoQ). SAIL's 3QFY26 revenue of Rs 273.71bn (+12%/+2% YoY/QoQ), was 8% above our estimate primarily led by better realisations partially offset by lower volumes. Saleable steel production for the quarter was 4.7mt (+7% YoY, -3% QoQ), and saleable steel sales were 4.8mt (+9% YoY and +4% QoQ), marginally below our estimate. Realizations for the quarter averaged Rs 57,024/t (+2% YoY), falling marginally by 2% despite a sharper 8% QoQ fall in HRC prices. SAIL has reduced borrowings roughly by Rs 50bn during 9MFY26. The company's growth is hinged on better product mix and debottlenecking-driven volume expansion in the near to medium term. We maintain HOLD rating on the stock based on 7x FY28E EV/EBITDA and TP of Rs 138/share.

Valuation and view: We moderately revise our FY26E EBITDA estimate lower by 1.5% and cut FY27E EBITDA by 14%, factoring in moderate realisations and higher raw material costs, particularly that of coking coal. We introduce FY28 estimates and project SAIL to deliver 5%/10%/15% revenue/EBITDA/PAT CAGR over FY25-FY28E, which will be largely driven by incremental volumes from debottlenecking and additional finishing lines at its existing plants. We value SAIL at 7x FY28E EV/EBITDA, arriving at a revised target price of Rs 138/share, implying 10% downside from CMP. SAIL plans to add 15mt steel capacity by 2031 at an estimated outlay of over Rs 1 trillion. SAIL's near-term volumes will be supported by debottlenecking activities; however, its long term 15mt expansion plan lacks sufficient clarity and is unlikely to be completed within a span of six years with IISCO's 4.5mt expansion being the only project that has secured necessary approvals. These factors indicate a slower growth trajectory and restrict the stock's potential for re-rating relative to its peers, in our view. **Maintain HOLD.**

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Investors are advised to refer disclosures made at the end of the research report.

Key highlights of the 3QFY26 earnings call

- **Macroeconomic outlook:** Domestic steel industry continues to witness robust demand with consumption rising by 7% YoY in 9MFY26. Crude steel production has risen by 9.5% over this period. Exports expanded by 33% to 4.8mt during 9MFY26 while imports fell 37% to 4.65mt, helping India re-attain its net exporter status.
- **Volume and production guidance:** Management expects stronger 4QFY26 supported by better pricing and increase in steel prices post monsoon and festive seasons. Management has reaffirmed FY26 sales volume guidance at ~19.5mt supported by inventory liquidation; 4Q volumes are likely to exceed 3Q despite limited NSL contribution.

Hot metal production guidance

- **FY26:** ~20.5-21mt
- **FY27:** ~22.5mt
- **FY27:** ~23mt

Saleable steel guidance

- **FY27:** ~21mt
- **FY28:** ~21.5mt

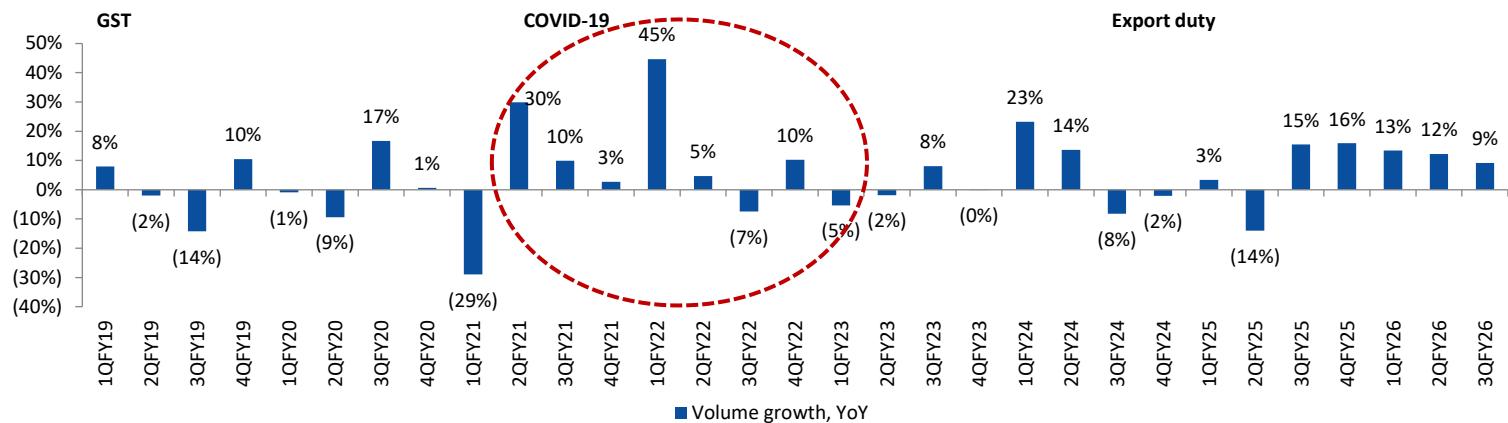
- **Capital expenditure:** Management guided FY26 capex at Rs 7.5-10bn, of which Rs 5.4bn has already been incurred in 9MFY26. Capex is expected to rise to ~Rs 15bn in FY27, largely comprising accelerated payments toward the IISCO Steel Plant (ISP) expansion. The ISP expansion, at an estimated outlay of Rs 36bn, has largely been tendered with peak spending expected in FY28 which will be followed by commissioning in FY30.
- **Near to medium term growth hinges on debottlenecking:** SAIL is undertaking multiple brownfield debottlenecking projects across Durgapur, Rourkela and Bhilai, including a 1mt TMT bar mill at Durgapur and associated upgrades which are expected to improve product mix with a targeted reduction in semis. These debottlenecking projects are slated to support volume growth ahead of ISP commissioning.
- **Debt and leverage:** SAIL has reduced debt by around Rs 50bn over nine months ended December 2025, with an additional Rs 20bn reduction recorded in January 2026. This would create balance sheet headroom as capex for ISP is set to materially increase from FY27.
- **NSR and price outlook:** Average NSR fell sequentially from Rs 48,836/t in 2QFY26 to Rs 47,735/t in 3QFY26, driven by weaker flat steel realisations. Long product realisation improved marginally to Rs 49,021/t in 3QFY26 from Rs 48,885/t in 2QFY26, while flat realisations moderated to Rs 46,580/t from Rs 48,790/t over this period. Management indicated that multiple price hikes since December are likely to translate into an effective increase of ~Rs 2,000-2,500/t for longs and Rs 3,300-3,500/t, implying a sequential recovery in 4QFY26 NSRs.

Exhibit 1: Quarterly snapshot

(Rs bn)	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26
Net revenues	245	293	259	267	274
<i>YoY change (%)</i>					12
<i>QoQ change (%)</i>					2
EBITDA	20	35	28	25	23
<i>YoY change (%)</i>					13
<i>QoQ change (%)</i>					(9)
EBITDA Margin (%)	8	12	11	9	8
Net earnings (adjusted)	1	13	7	8	4
<i>YoY change (%)</i>					230
<i>QoQ change (%)</i>					(51)

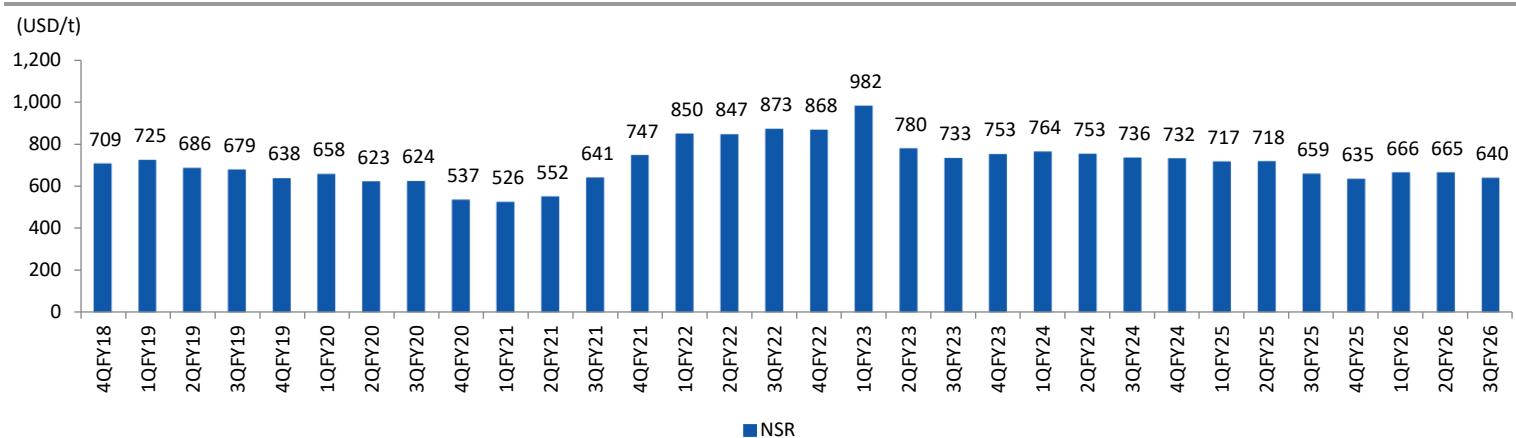
Source: Company, Systematix Research

Exhibit 2: Quarterly volumes

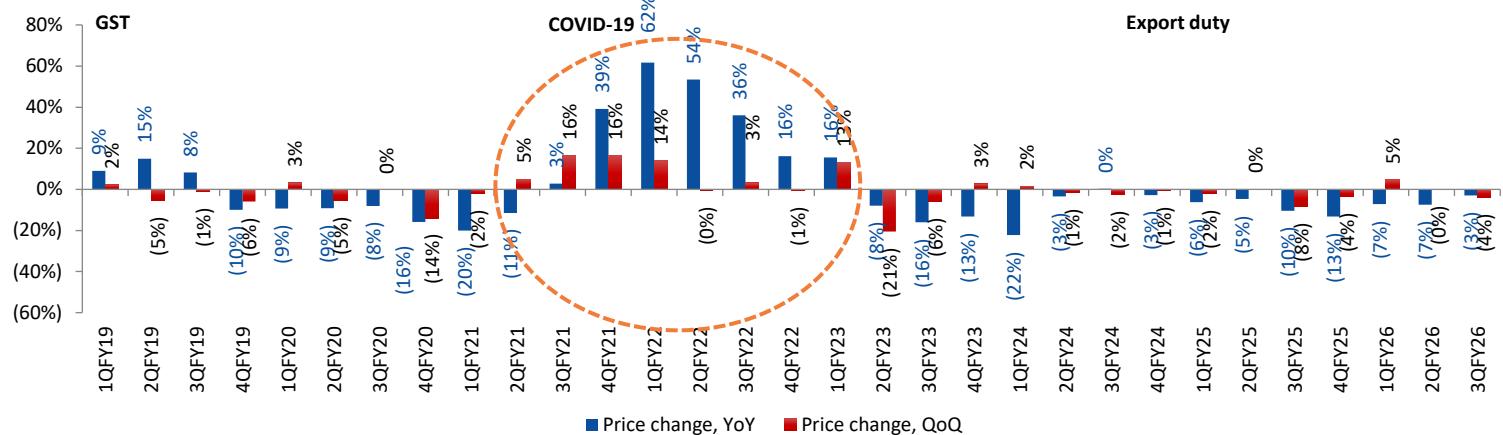


Source: Company data, Systematix Research

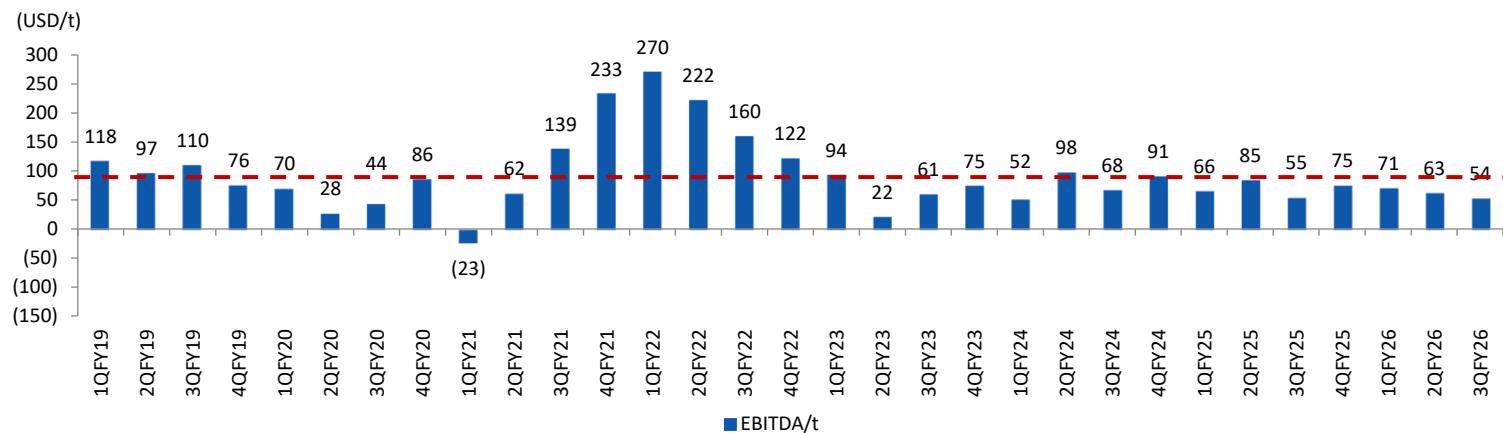
Exhibit 3: NSR remains broadly flat



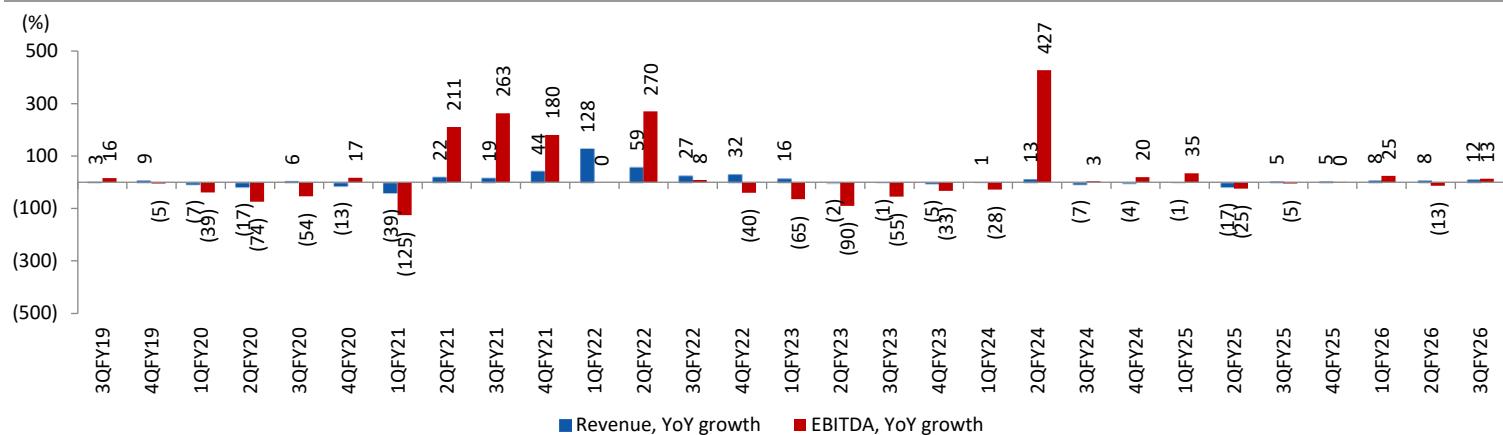
Source: Company, Systematix Research

Exhibit 4: YoY change in NSR

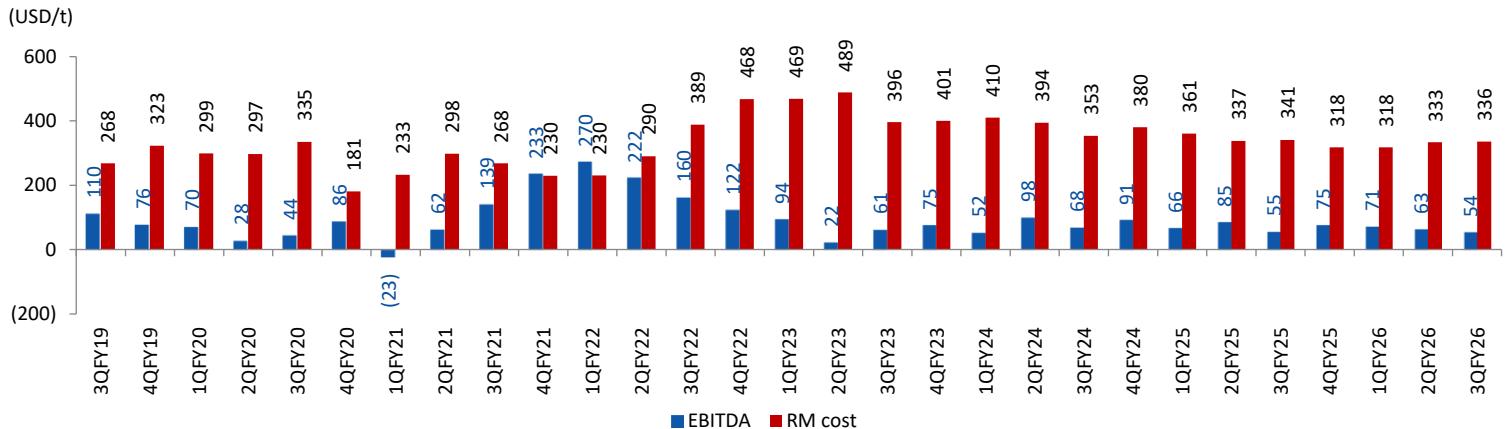
Source: Company, Systematix Research

Exhibit 5: EBITDA/t declined by 2% YoY and 15% QoQ to USD 54/t

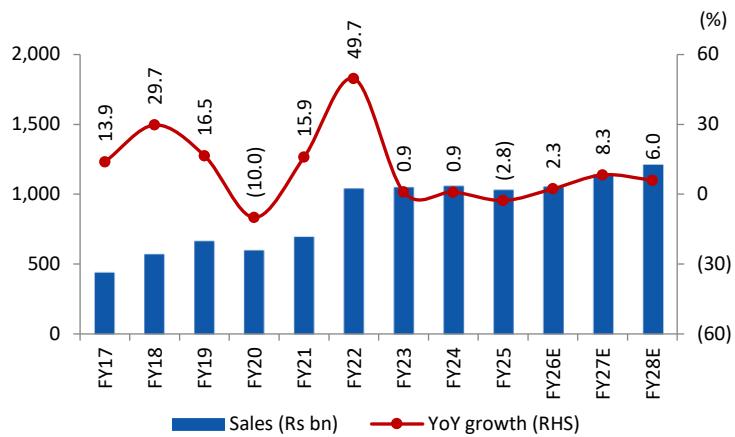
Source: Company, Systematix Research

Exhibit 6: Revenue and EBITDA change YoY

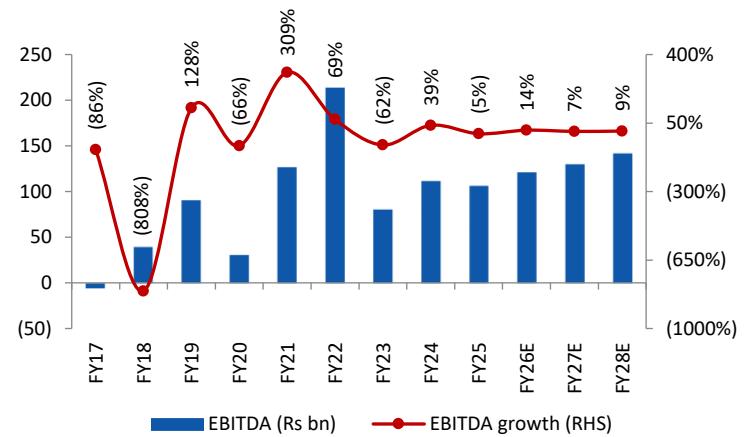
Source: Company, Systematix Research

Exhibit 7: RM costs (USD/t) vs. EBITDA (USD/t)

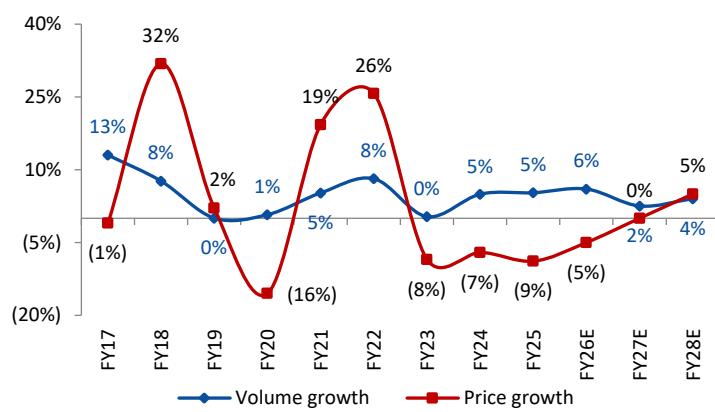
Source: Company, Systematix Research

Exhibit 8: Revenue to witness steady growth

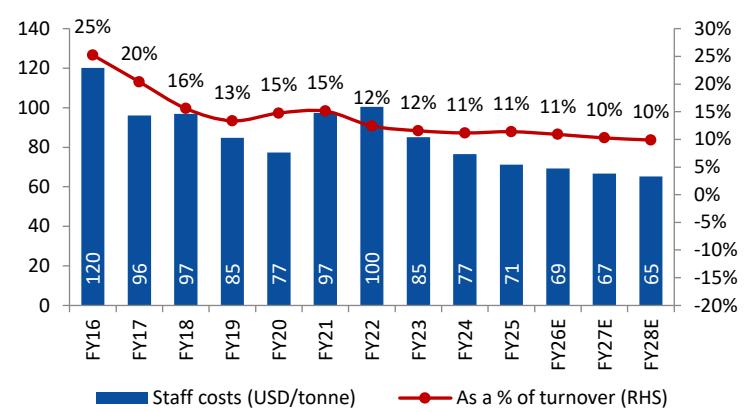
Source: Company, Systematix Research

Exhibit 9: EBITDA trend

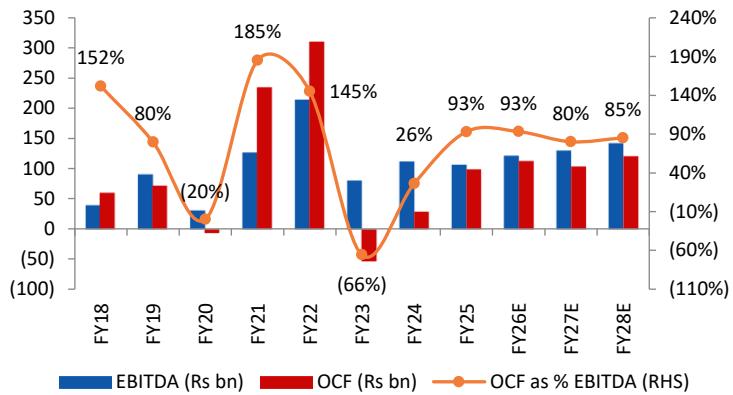
Source: Company, Systematix Research

Exhibit 10: Estimated YoY change in price and volume

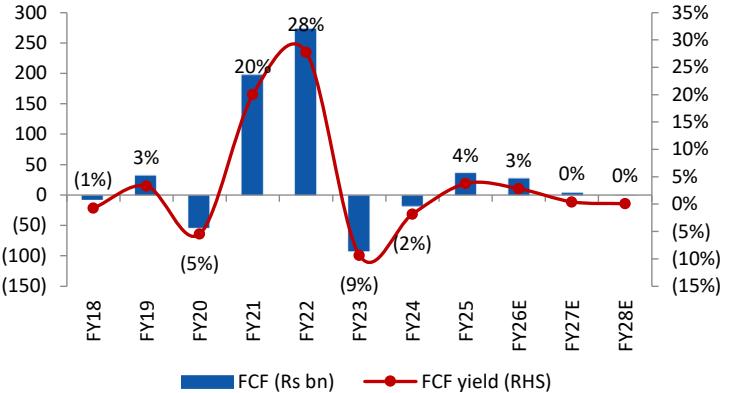
Source: Company, Systematix Research

Exhibit 11: Staff costs (USD/t) expected to stabilize at 10%

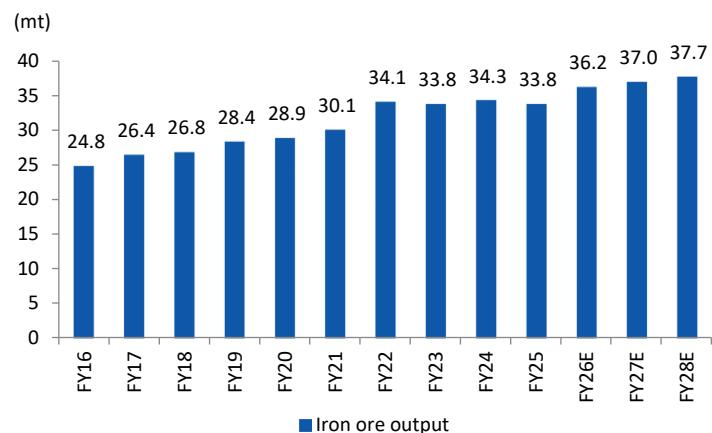
Source: Company, Systematix Research

Exhibit 12: EBITDA to OCF conversion

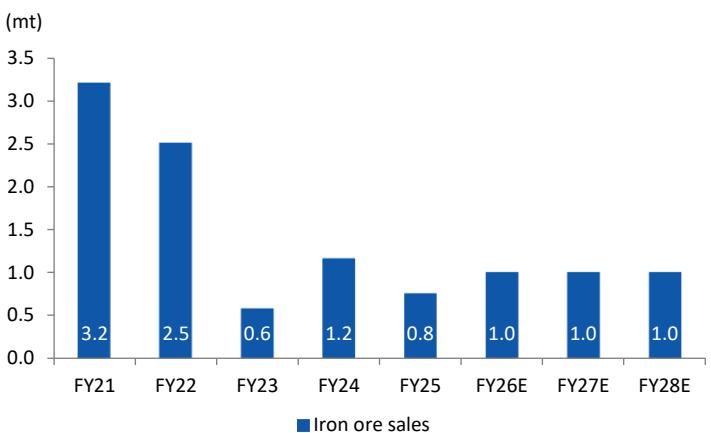
Source: Company, Systematix Research

Exhibit 13: FCF to EV ratio to remain stable

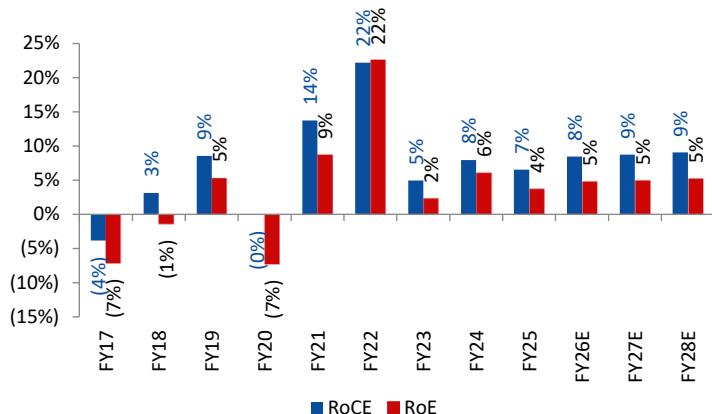
Source: Company, Systematix Research

Exhibit 14: Stable increase in iron ore output

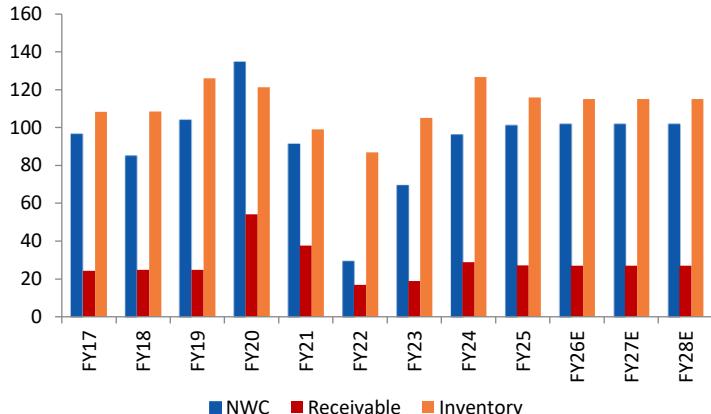
Source: Company, Systematix Research

Exhibit 15: Iron ore sales

Source: Company, Systematix Research

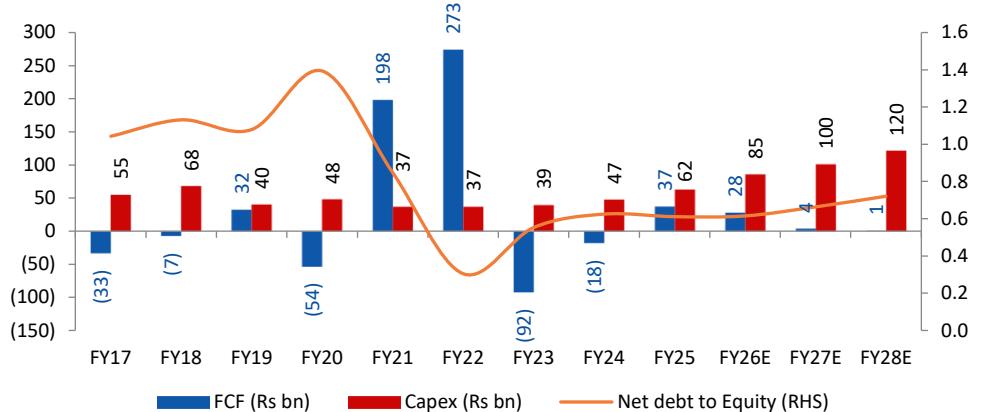
Exhibit 16: Return ratios (%) to improve

Source: Company, Systematix Research

Exhibit 17: Net working capital trend

Source: Company, Systematix Research

Exhibit 18: Net debt/equity trend – FCF to improve



Source: Company, Systematix Research

Exhibit 19: SAIL valuation: EV/EBITDA method (FY28E)

	EBITDA (Rs bn)	Multiple (x)	EV (Rs bn)
EBITDA	142	7	921
Less: Net debt (3QFY26 end)	350	1	350
Equity value			571
Target price (Rs/share)			138

Source: Company, Systematix Research

Exhibit 20: Revised estimates

(Rs bn)	Previous		New		% Change	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Net sales	1,054.1	1,103.5	1,056.3	1,143.3	0.2%	3.6%
EBITDA	122.8	150.9	121.0	129.8	-1.5%	-14.0%
PAT	31.6	51.2	29.2	30.9	-7.7%	-39.6%

Source: Company, Systematix Research

Exhibit 21: Key assumptions

	Unit	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Steel production	Mt	15	17	17	18	19	20	21	21
Steel sales	Mt	15	16	16	17	18	19	19	20
NSR	USD/t	640	804	736	685	623	624	633	630
EBITDA/t	USD/t	115	174	60	79	70	74	74	76

Source: Company, Systematix Research

FINANCIALS (CONSOLIDATED)

Profit & Loss Statement

YE: Mar (Rs bn)	FY24	FY25	FY26E	FY27E	FY28E
Net revenues	1,062	1,033	1,056	1,143	1,211
Expenditure	951	926	935	1,014	1,070
EBITDA	111	106	121	130	142
Depreciation	53	57	58	60	63
EBIT	59	50	63	70	79
Interest cost	25	28	32	36	41
Exceptionals	2	6	9	9	9
PBT	32	16	23	25	29
Taxes	10	9	11	12	13
Adjusted PAT	35	22	29	31	34
Reported PAT	31	24	29	31	34
No of Shares (mn.)	4	4	4	4	4
Adj. EPS (Rs/share)	7.4	5.7	7.1	7.5	8.2

Source: Company, Systematix Research

Balance Sheet

YE: Mar (Rs bn)	FY24	FY25	FY26E	FY27E	FY28E
Share capital	41	41	41	41	41
Reserves and surplus	530	548	567	587	609
Minority Interest	-	-	-	-	-
Net worth	571	589	608	628	650
Total Debt	363	369	395	449	508
Non-Current liabilities	139	131	131	131	131
Current liabilities	319	259	256	264	270
Total sources	1,407	1,364	1,404	1,487	1,575
Net block	767	779	792	815	852
CWIP	61	72	86	104	125
Non current investments	94	89	89	89	89
Total Non current assets	922	940	968	1,008	1,065
Cash	7	10	21	32	40
Inventories	327	292	292	317	335
Receivables	84	76	78	84	89
Other current assets	68	46	46	46	46
Current Assets	485	423	437	479	509
Total Assets	1,407	1,364	1,404	1,487	1,575

Source: Company, Systematix Research

Cash Flow

YE: Mar (Rs bn)	FY24	FY25	FY26E	FY27E	FY28E
PBT	41	33	41	43	47
Add: Depreciation	53	57	58	60	63
Add: Interest	25	28	32	36	41
Taxes paid	(1)	(6)	(11)	(12)	(13)
Add: Other adjustments	(12)	(7)	-	-	-
WC changes	(76)	(4)	(6)	(23)	(17)
Total OCF	29	99	113	104	121
OCF w/o WC changes	106	103	118	126	137
Capital expenditure	(47)	(62)	(85)	(100)	(120)
Change in investments	5	10	-	-	-
Interest/Dividend Recd	-	-	-	-	-
Total ICF	(43)	(53)	(85)	(100)	(120)
Free Cash Flows	(18)	37	28	4	1
Share issuances	-	-	-	-	-
Change in borrowings	41	(16)	25	54	59
Dividends	(6)	(4)	(10)	(11)	(12)
Interest payment	(22)	(24)	(32)	(36)	(41)
Others	-	-	-	-	-
Total Financing CF	14	(44)	(17)	8	7
Net change in cash	0	2	11	12	7
Opening cash & CE	1	1	3	14	26
Closing cash & CE	1	3	14	26	33

Source: Company, Systematix Research

Ratios

YE: Mar	FY24	FY25	FY26E	FY27E	FY28E
YoY growth in Revenue	1	(3)	2	8	6
YoY growth in EBITDA	39	(5)	14	7	9
YoY growth in Net income	173	(37)	33	6	9
RoCE	8.0	6.5	8.4	8.7	9.0
RoE	6	4	5	5	5
Per share numbers (Rs)					
Reported earnings	7	6	7	7	8
Book value	138	143	147	152	157
CPS	20.2	19.4	21.0	21.9	23.4
Valuations (x)					
P/E	20.7	26.8	21.8	20.6	18.8
EV/EBITDA	8.8	9.3	8.2	7.6	7.0
EV to sales	0.9	1.0	0.9	0.9	0.8
P/B	1.1	1.1	1.0	1.0	1.0
Margins (%)					
EBITDA margin	10	10	11	11	12
PAT margin	3	2	3	3	3

Source: Company, Systematix Research

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Details of Compliance officer: Ms Nipa Savla, Compliance officer Tel no. 022-66198092/4035808092 Email id compliance@systematixgroup.in

Details of Email id grievance redressal cell : grievance@systematixgroup.in

Details of Registration : CIN - U65993MH1995PLC268414 | BSE SEBI Reg. No.: INZ000171134 (Member Code: 182) | NSE SEBI Reg. No.: INZ000171134 (Member Code: 11327) | MCX SEBI Reg. No.: INZ000171134 (Member Code: 56625) | NCDEX SEBI Reg. No.: INZ000171134 (Member Code: 1281) | Depository Participant SEBI Reg. No.: IN-DP-480-2020 (DP Id: 12034600) | PMS SEBI Reg. No.: INP000002692 | Research Analyst SEBI Reg. No.: INH200000840 | AMFI : ARN - 64917