

Estimate change

TP change

Rating change



**CMP: INR106**

**TP: INR115 (+9%)**

**Neutral**

## Lower input costs drive earnings beat

- SAIL reported a 3QFY25 revenue of INR245b (+5% YoY and +6% QoQ), in line with our estimate of INR257b. The growth was primarily led by better volume, which was partially offset by weak realization.
- Crude steel production stood at 4.6mt, down 3% YoY/QoQ. Sales volume grew 17% YoY and 8% QoQ to 4.4mt. The ASP stood at INR55,282/t, -10% YoY and -2% QoQ on account of weak domestic pricing during the quarter.
- EBITDA declined 5% YoY to INR20b (vs. our est. of INR11b) due to weak ASP, while it rose 59% QoQ driven by better volume and lower input costs. EBITDA/t stood at INR4,582 (vs. our est. of INR2,278), fueled by lower-than-expected costs. Adj. PAT was INR1b vs. our estimated loss of INR1.7b for 3Q.
- During 9MFY25, SAIL's revenue declined 5% YoY to INR715b. EBITDA dipped 7% YoY to INR55b, and APAT decreased 94% YoY to INR0.6b.

## Highlights from the management commentary

- In 3QFY25, avg. landed coking coal costs stood at INR19,200/t vs. INR20,600/t in 2QFY25. For 4QFY25, the management expects coking coal costs to decline further by INR1,000/t QoQ.
- In Jan'25, the average realization for long steel was INR51,500/t, and flat was INR48,400/t. Management expects an upward trend in prices in the coming months, particularly in the flats segment.
- In Phase I, three plants (IISCO-Greenfield, Bokaro, and Durgapur) have received Stage-1 approvals, and SAIL will be adding ~7.5mtpa with a capex outlay of INR550-560b.
- The company expects to achieve a sales volume of 17.5mt for FY25.
- SAIL plans to add a new TMT mill capacity of 1mtpa at Durgapur (in the next 3-4 years), which will reduce the semi-steel share in the future.

## Valuation and view

- SAIL's 3QFY25 performance has been strong, driven by lower costs despite weak realizations. We raise our FY25 estimates to incorporate the strong performance.
- While we expect domestic steel demand to grow fueled by infra investments and government policies, global uncertainties such as tariffs, weak global demand/price, and geopolitical risks could have an adverse impact. Considering these factors, we trim our FY26 revenue and EBITDA estimates by 15% and 35%, respectively, while we largely retain our FY27 estimates.
- SAIL plans to undertake 15mtpa expansions to increase its capacity to 35mt. As the capex intensity picks up, it would limit the deleveraging efforts ahead. At CMP, SAIL trades at 5.4x EV/EBITDA on FY27E and is fully priced at current levels. **We reiterate our Neutral rating on the stock with a revised TP of INR115 (premised on 5.5x EV/EBITDA on FY27E).**

Bloomberg	SAIL IN
Equity Shares (m)	4130
M.Cap.(INRb)/(USD\$)	436.8 / 5
52-Week Range (INR)	176 / 99
1, 6, 12 Rel. Per (%)	1/-14/-20
12M Avg Val (INR M)	4377
Free float (%)	35.0

### Financials & Valuations (INR b)

Y/E MARCH	2025E	2026E	2027E
Sales	973	1,154	1,279
EBITDA	76	103	141
APAT	4	28	56
EBITDA Margin (%)	8	9	11
Cons. Adj. EPS (INR)	1	7	13
EPS Gr. (%)	-65	640	101
BV/Sh. (INR)	141	145	153

### Ratios

Net D:E	0.5	0.5	0.5
RoE (%)	0.6	4.7	9.0
RoCE (%)	2.9	5.6	9.0
Payout (%)	40.0	40.0	40.0

### Valuations

P/E (x)	116.1	15.7	7.8
P/BV (x)	0.7	0.7	0.7
EV/EBITDA(x)	9.2	7.3	5.4
Div. Yield (%)	0.3	2.5	5.1
FCF Yield (%)	25.5	-5.4	6.8

### Shareholding pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	65.0	65.0	65.0
DII	15.9	16.0	15.5
FII	2.6	2.8	4.3
Others	16.6	16.2	15.2

FII Includes depository receipts

## Quarterly performance (INR b)

Y/E March	FY24				FY25E				FY24	FY25E	FY25	vs Est
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	(%)
<b>Sales (m tons)</b>	<b>3.9</b>	<b>4.8</b>	<b>3.8</b>	<b>4.6</b>	<b>4.0</b>	<b>4.1</b>	<b>4.4</b>	<b>4.6</b>	<b>17.0</b>	<b>17.1</b>	<b>4.7</b>	<b>(6.6)</b>
Change (YoY %)	23.0	14.0	(8.5)	(2.6)	3.4	(14.6)	16.6	0.7	5.2	0.5		
<b>Realization (INR ton)</b>	<b>62,781</b>	<b>58,256</b>	<b>61,444</b>	<b>57,554</b>	<b>59,845</b>	<b>56,191</b>	<b>55,282</b>	<b>56,112</b>	<b>59,809</b>	<b>56,790</b>	<b>54,191</b>	<b>2.0</b>
Change (YoY %)	(17.6)	(6.5)	1.8	(7.5)	(4.7)	(3.5)	(10.0)	(2.5)	(7.3)	(5.0)		
<b>Net Sales</b>	<b>243.6</b>	<b>279.6</b>	<b>233.5</b>	<b>262.4</b>	<b>240.0</b>	<b>230.4</b>	<b>244.9</b>	<b>257.6</b>	<b>1,019.2</b>	<b>972.9</b>	<b>257.0</b>	<b>(4.7)</b>
Change (YoY %)	1.4	6.5	(6.8)	(9.9)	(1.5)	(17.6)	4.9	(1.8)	(2.4)	(4.5)		
Change (QoQ %)	(16.4)	14.8	(16.5)	12.4	(8.6)	(4.0)	6.3	5.2				
Total Expenditure	<b>227.1</b>	<b>258.4</b>	<b>212.1</b>	<b>244.8</b>	<b>217.8</b>	<b>217.6</b>	<b>224.6</b>	<b>236.4</b>	<b>942.3</b>	<b>896.4</b>		
<b>EBITDA</b>	<b>16.5</b>	<b>21.3</b>	<b>21.4</b>	<b>17.7</b>	<b>22.2</b>	<b>12.8</b>	<b>20.3</b>	<b>21.2</b>	<b>76.9</b>	<b>76.5</b>	<b>10.8</b>	<b>87.9</b>
Change (YoY %)	(28.4)	189.2	3.1	(39.5)	34.6	(40.0)	(5.3)	20.0	(4.4)	(0.5)		
Change (QoQ %)	(43.6)	28.9	0.8	(17.4)	25.5	(42.5)	59.1	4.6				
<b>EBITDA (INR/t)</b>	<b>4,250</b>	<b>4,429</b>	<b>5,638</b>	<b>3,879</b>	<b>5,536</b>	<b>3,111</b>	<b>4,582</b>	<b>4,622</b>	<b>4,511</b>	<b>4,464</b>	<b>2,278</b>	<b>101.1</b>
Interest	6.1	6.1	6.1	6.4	6.9	7.6	6.8	6.8	24.7	28.1		
Depreciation	12.8	13.3	13.2	13.6	14.0	13.0	14.2	14.4	52.8	55.7		
Other Income	4.6	1.5	1.4	3.1	1.8	1.7	2.3	2.5	10.7	8.3		
Share of Asso/JVs/Inv.	0.6	1.0	1.3	1.5	1.1	1.6	1.3	1.4	4.4	5.4		
<b>PBT (before EO Inc.)</b>	<b>2.9</b>	<b>4.4</b>	<b>4.9</b>	<b>2.3</b>	<b>4.1</b>	<b>(4.6)</b>	<b>2.9</b>	<b>3.9</b>	<b>14.4</b>	<b>6.3</b>		
EO Income (exp)	-	13.3	0.8	12.1	(3.1)	16.4	0.3	-	26.2	13.5		
<b>PBT (after EO Inc.)</b>	<b>2.9</b>	<b>17.7</b>	<b>5.6</b>	<b>14.4</b>	<b>1.0</b>	<b>11.7</b>	<b>3.2</b>	<b>3.9</b>	<b>40.6</b>	<b>19.9</b>		
Total Tax	0.8	4.6	1.4	3.2	0.2	2.8	1.8	0.8	10.0	5.6		
% Tax	26.3	26.2	24.8	21.9	16.6	23.5	56.1	21.1	24.5	28.0		
<b>Reported PAT</b>	<b>2.1</b>	<b>13.1</b>	<b>4.2</b>	<b>11.3</b>	<b>0.8</b>	<b>9.0</b>	<b>1.4</b>	<b>3.1</b>	<b>30.7</b>	<b>14.3</b>		
<b>Adjusted PAT</b>	<b>2.1</b>	<b>3.2</b>	<b>3.7</b>	<b>1.8</b>	<b>3.2</b>	<b>(3.8)</b>	<b>1.1</b>	<b>3.1</b>	<b>10.8</b>	<b>3.7</b>	<b>(1.7)</b>	<b>NA</b>
Change (YoY %)	(73.6)	LP	50.3	(84.9)	52.9	(219.3)	(69.1)	71.0	(43.8)	(65.3)		
Change (QoQ %)	(82.3)	49.7	15.1	(50.7)	80.0	(216.9)	(129.9)	172.4				

Source: MOFSL, Company



## Highlights from the management commentary

### Guidance:

- In 3QFY25, avg. landed coking coal costs stood at INR19,200/t vs. INR20,600/t in 2QFY25. For 4QFY25, the management expects coking coal costs to decline further by INR1,000/t QoQ.
- The long steel prices increased from INR52,000/t in 3QFY25 to INR53,400/t in 3QFY25, while the flat steel prices declined from INR49,000/t in 2QFY25 to INR46,800/t in 3QFY25. The overall blended average steel price fell by INR800/t due to weakness in the flat steel market.
- In Jan'25, the average realization for long steel was INR51,500/t, and flat was INR48,400/t. Management expects an upward trend in prices in the coming months, particularly in the flats segment.
- SAIL is actively working on improving operational efficiency by reducing coke consumption, increasing coal dust injection (CDI), and enhancing blast furnace productivity.
- The total inventory of finished and semi-finished goods stands at 2.98mt, valued at around ~INR120-130b. The finished goods inventory decreased to 1.79mt from 1.93mt in Sep'24.
- Management guided to achieve a sales volume of 17.5mt for FY25 and in Jan'25 volume stood at 1.57mt.
- SAIL plans to add a new TMT mill capacity of 1mtpa at Durgapur (in the next 3-4 years), which will reduce the semi-steel share in the future.

### Capex:

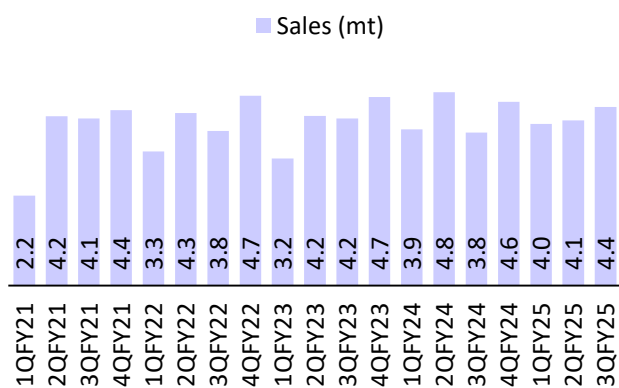
- SAIL plans to expand capacity by 15mtpa with a total outlay of INR1.1-1.15t by FY31, with phase-wise approvals.
- In Phase I, three plants (IISCO-Greenfield, Bokaro, and Durgapur) have received Stage-1 approvals, and SAIL will be adding ~7.5mtpa with a capex outlay of INR550-560b.
- Total capex for FY25 is projected at INR57b, with INR39b already spent in 9MFY25. It targets to spend INR75b during FY26E.
- In phase II (7.5mtpa), management expects to undertake a 3.5mtpa expansion at Rourkela and the rest to be at Durgapur.

### Debt & Other highlights:

- SAIL has submitted recommendations for a 25% safeguard duty on imports, but the decision is pending with the Finance Ministry.
- Royalty rates on mineral resources have increased in Jharkhand by INR100/t, while in Odisha and Chhattisgarh, the decision is awaited.
- Major expansion will start from mid-FY26, which will increase the debt level to a peak of INR1t in FY28-29E. It aims to maintain a net debt-to-EBITDA ratio of 1.1x.
- Borrowings decreased by INR17b in 3QFY25, bringing the total debt to INR326b compared to INR356b in 2QFY25.
- SAIL plans to expand palletization capacity (under approval) to utilize sub-grade iron ore fines inventory located at Goa mines.

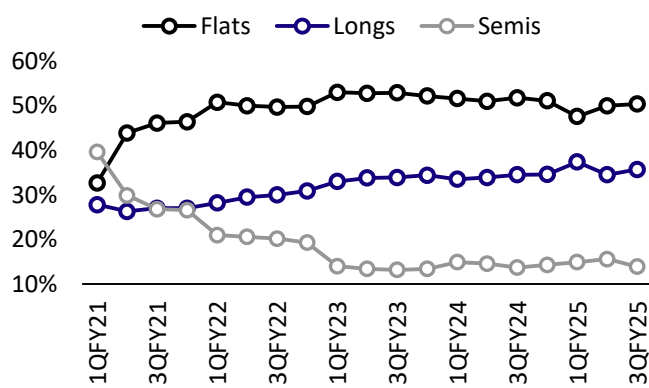
## Story in charts

**Exhibit 1: Sales volume (mt)**



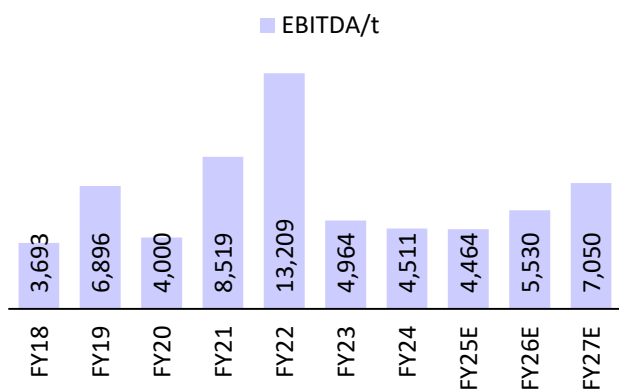
Source: MOFSL, Company

**Exhibit 2: Breakup of longs-semis-flats**



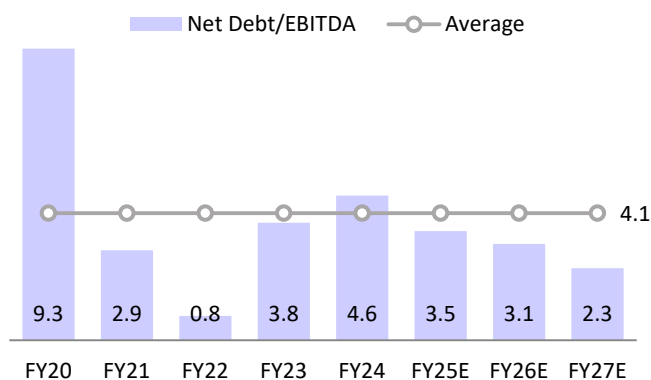
Source: MOFSL, Company

**Exhibit 3: EBITDA/t to improve in the long run**



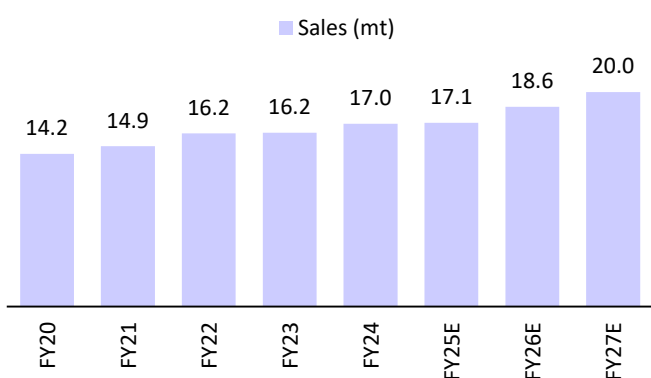
Source: MOFSL, Company

**Exhibit 4: Net debt to decline led by lower capex**



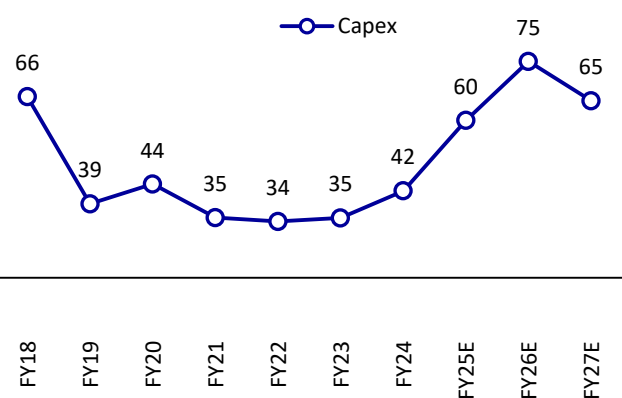
Source: MOFSL, Company

**Exhibit 5: Sales (mt) growth momentum to continue**



Source: MOFSL, Company

**Exhibit 6: Major capex (INR b) to start post-FY27E**



Source: MOFSL, Company

**Exhibit 7: Key financials and revisions to our estimates**

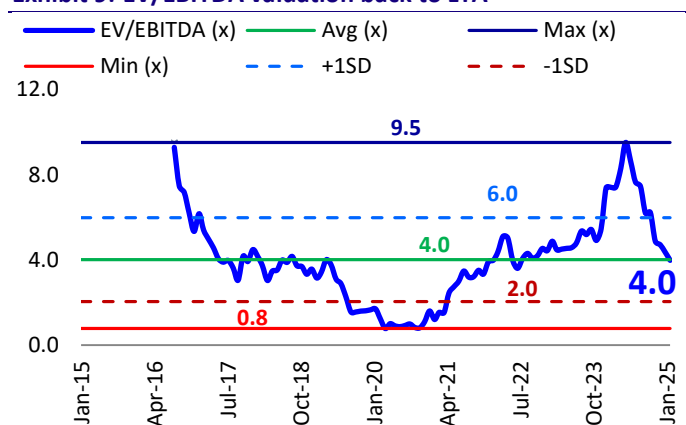
	FY25E			FY26E			FY26E		
	New	Old	Change (%)	New	Old	Change (%)	New	Old	Change (%)
Sales (mt)	17.1	18.0	-4.8	18.6	19.2	-3.0	20.0	20.6	-3.1
Realization/t	56,790	56,840	-0.1	61,950	62,250	-0.5	63,975	63,275	1.1
EBITDA/t	4,464	3,729	19.7	5,530	6,306	-12.3	7,050	7,101	-0.7
Revenue (INR b)	973	1,023	-4.9	1,154	1,195	-3.4	1,279	1,305	-2.0
EBITDA (INR b)	76	67	13.9	103	121	-14.9	141	146	-3.8
PAT (INR b)	4	3	17.8	28	43	-35.4	56	61	-9.0

Source: MOFSL

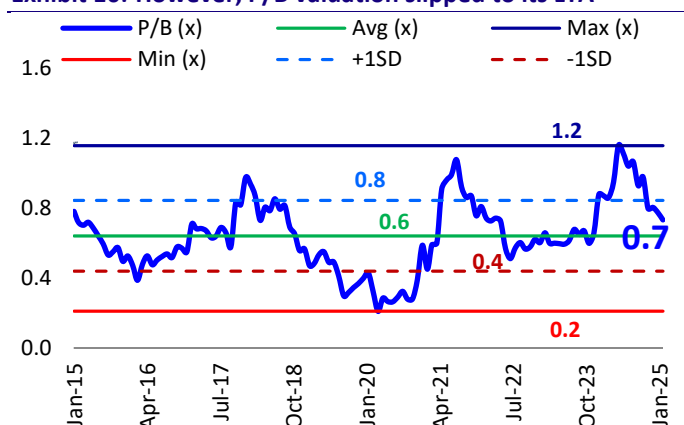
**Exhibit 8: Valuation**

YEAR	UoM	FY27E
Volumes	mt	20.0
EBITDA	INR/t	7,050
EBITDA	INR b	141
Target EV/EBITDA(x)	x	5.5
Target EV	INR b	775
less: Net Debt (INR m)	INR b	326
Equity value	INR b	450
No. of shares o/s	b	4
Target price (INR/sh.)	INR	115

Source: MOFSL

**Exhibit 9: EV/EBITDA valuation back to LTA**

Source: Company, MOSL

**Exhibit 10: However, P/B valuation slipped to its LTA**

Source: Company, MOSL

## Financials and valuation

### Income Statement (Consolidated)

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
<b>Net Sales</b>	<b>617</b>	<b>691</b>	<b>1,035</b>	<b>1,044</b>	<b>1,019</b>	<b>973</b>	<b>1,154</b>	<b>1,279</b>
Change (%)	-7.9	12.1	49.7	0.9	-2.4	-4.5	18.6	10.8
<b>EBITDA</b>	<b>57</b>	<b>127</b>	<b>213</b>	<b>80</b>	<b>77</b>	<b>76</b>	<b>103</b>	<b>141</b>
Change (%)	-41.5	123.1	67.5	-62.3	-4.4	-0.5	34.7	36.8
EBITDA per tonne (INR)	4,012	8,526	13,209	4,964	4,511	4,464	5,530	7,050
Depreciation	38	41	43	50	53	56	57	60
<b>EBIT</b>	<b>20</b>	<b>86</b>	<b>171</b>	<b>31</b>	<b>24</b>	<b>21</b>	<b>46</b>	<b>81</b>
Interest	35	28	17	20	25	28	25	26
Other income	9	9	9	10	11	8	9	10
Share of Asso/JV/investments	2	5	4	6	4	5	6	7
<b>PBT before EO</b>	<b>-4</b>	<b>71</b>	<b>166</b>	<b>26</b>	<b>14</b>	<b>6</b>	<b>36</b>	<b>72</b>
Extraordinary Item	37	1	-4	3	26	14	0	0
<b>PBT after EO</b>	<b>33</b>	<b>72</b>	<b>163</b>	<b>29</b>	<b>41</b>	<b>20</b>	<b>36</b>	<b>72</b>
Total Tax	12	31	40	7	10	6	8	17
Effective Rate (%)	35.8	42.4	24.8	24.8	24.5	28.0	23.0	23.0
<b>Reported PAT</b>	<b>21</b>	<b>41</b>	<b>122</b>	<b>22</b>	<b>31</b>	<b>14</b>	<b>28</b>	<b>56</b>
Change (%)	-9.7	95.6	195.2	-82.2	40.9	-53.4	93.3	101.4
<b>Adjusted PAT</b>	<b>-16</b>	<b>41</b>	<b>126</b>	<b>19</b>	<b>11</b>	<b>4</b>	<b>28</b>	<b>56</b>
Change (%)	-158.9	-353.5	208.0	-84.8	-43.8	-65.3	639.6	101.4

### Balance Sheet (Consolidated)

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
<b>Sources of Funds</b>								
Share Capital	41	41	41	41	41	41	41	41
Reserves and Surplus	374	413	501	506	530	543	559	592
<b>Shareholders' funds</b>	<b>415</b>	<b>454</b>	<b>542</b>	<b>547</b>	<b>571</b>	<b>584</b>	<b>600</b>	<b>634</b>
Loans	538	374	173	308	363	333	333	333
Deferred Tax Liability	-20	13	54	58	63	63	63	63
Minority Interest	0	0	0	0	0	0	0	0
<b>Capital Employed</b>	<b>933</b>	<b>842</b>	<b>769</b>	<b>913</b>	<b>997</b>	<b>980</b>	<b>996</b>	<b>1,030</b>
<b>Application of Funds</b>								
Gross Fixed Assets	1,131	1,158	1,248	1,288	1,330	1,384	1,459	1,524
Less: Depreciation	441	482	511	553	605	661	718	779
<b>Net Fixed Assets</b>	<b>690</b>	<b>676</b>	<b>737</b>	<b>735</b>	<b>724</b>	<b>723</b>	<b>740</b>	<b>745</b>
Capital WIP	88	89	40	49	61	67	67	67
Investments	32	34	38	42	46	46	46	46
<b>Curr. Assets</b>								
Inventory	238	196	242	278	327	253	285	315
Sundry Debtors	88	72	48	54	84	80	95	105
Cash and Bank Balances	4	8	8	6	7	66	16	8
Other assets	100	110	83	135	149	131	154	166
Loans and Advances	7	8	6	7	9	9	9	9
<b>Current Liabilities</b>								
Sundry Creditors	63	70	169	143	153	139	158	175
Other Current Liabilities	188	215	198	178	186	186	186	186
Provisions	65	66	65	70	70	70	70	70
<b>Net Current Assets</b>	<b>123</b>	<b>42</b>	<b>-46</b>	<b>87</b>	<b>166</b>	<b>144</b>	<b>143</b>	<b>171</b>
<b>Application of Funds</b>	<b>933</b>	<b>842</b>	<b>769</b>	<b>913</b>	<b>997</b>	<b>980</b>	<b>996</b>	<b>1,030</b>

## Financials and valuation

### Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
<b>Basic (INR)</b>								
<b>EPS</b>	<b>-3.9</b>	<b>9.9</b>	<b>30.5</b>	<b>4.6</b>	<b>2.6</b>	<b>0.9</b>	<b>6.7</b>	<b>13.5</b>
Cash EPS	14.2	20.0	40.0	17.3	20.2	16.9	20.6	28.0
Book Value per Share	100.5	109.9	131.2	132.5	138.2	141.3	145.4	153.4
Dividend Per Share	0.0	2.8	8.8	1.5	2.0	0.4	2.7	5.4
<b>Valuation (x)</b>								
P/E	-26.9	10.6	3.4	22.6	40.2	116.1	15.7	7.8
Cash PE	7.4	5.3	2.6	6.1	5.2	6.2	5.1	3.7
EV/EBITDA	16.9	6.3	2.8	9.2	10.3	9.2	7.3	5.4
EV/Sales	1.6	1.2	0.6	0.7	0.8	0.7	0.7	0.6
Price-to-Book Value	1.0	1.0	0.8	0.8	0.8	0.7	0.7	0.7
<b>Profitability Ratios (%)</b>								
EBITDA Margin	9.3	18.4	20.6	7.7	7.5	7.9	8.9	11.0
APAT Margin	-2.6	5.9	12.2	1.8	1.1	0.4	2.4	4.4
RoE	-4.0	9.4	25.3	3.5	1.9	0.6	4.7	9.0
RoCE (pre-tax)	3.3	10.7	22.3	4.8	3.6	2.9	5.6	9.0
RoIC (pre-tax)	2.7	11.4	24.5	4.1	2.8	2.5	5.5	9.1
<b>Turnover Ratios</b>								
Debtors (Days)	52.4	37.8	16.8	18.8	29.9	29.9	29.9	29.9
Inventory (Days)	141.1	103.4	85.2	97.0	117.2	95.0	90.0	90.0
Creditors (Days)	41.3	45.4	75.2	54.3	59.4	52.0	50.0	50.0
Asset Turnover (x)	0.7	0.8	1.3	1.1	1.0	1.0	1.2	1.2
<b>Leverage Ratio</b>								
Debt/Equity (x)	1.3	0.8	0.3	0.6	0.6	0.5	0.5	0.5

### Cash Flow Statement

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
<b>(INR b)</b>								
<b>EBITDA</b>	<b>57</b>	<b>127</b>	<b>213</b>	<b>80</b>	<b>77</b>	<b>76</b>	<b>103</b>	<b>141</b>
(Inc.)/Dec. in WC	(107)	101	95	(137)	(76)	81	(49)	(37)
Direct Taxes Paid	(1)	(0)	(1)	(4)	(1)	(6)	(8)	(17)
Other Items	44	7	3	8	30	19	6	7
<b>CF from Oper. Activity</b>	<b>(6)</b>	<b>234</b>	<b>310</b>	<b>(53)</b>	<b>29</b>	<b>171</b>	<b>52</b>	<b>95</b>
(Inc.)/Dec. in FA & CWIP	(44)	(35)	(34)	(35)	(42)	(60)	(75)	(65)
<b>Free Cash Flows to Firm</b>	<b>(50)</b>	<b>199</b>	<b>276</b>	<b>(88)</b>	<b>(13)</b>	<b>111</b>	<b>(23)</b>	<b>30</b>
Interest and Dividend	1	1	2	2	2	8	9	10
(Pur.)/Sale of Invest.	(0)	(0)	(7)	(1)	(3)	-	-	-
<b>CF from Inv. Activity</b>	<b>(43)</b>	<b>(34)</b>	<b>(40)</b>	<b>(34)</b>	<b>(43)</b>	<b>(52)</b>	<b>(66)</b>	<b>(55)</b>
<b>Issue of Shares</b>								
Inc./(Dec.) in Debt	89	(163)	(224)	120	41	(30)	-	-
Interest Paid	(37)	(29)	(19)	(21)	(22)	(28)	(25)	(26)
Dividends Paid	(3)	(4)	(31)	(13)	(6)	(1)	(11)	(22)
<b>CF from Finan. Activity</b>	<b>50</b>	<b>(197)</b>	<b>(274)</b>	<b>86</b>	<b>14</b>	<b>(60)</b>	<b>(36)</b>	<b>(48)</b>
<b>Inc./(Dec.) in Cash</b>	<b>1</b>	<b>3</b>	<b>(4)</b>	<b>(1)</b>	<b>0</b>	<b>59</b>	<b>(50)</b>	<b>(8)</b>
Add: Opening cash Balance	1	2	5	1	1	1	60	10
Closing cash balance	2	5	1	1	1	60	10	2
Bank Balance	3	3	7	5	6	6	6	6
<b>Closing Balance (incl. Bank Balance)</b>	<b>4</b>	<b>8</b>	<b>8</b>	<b>6</b>	<b>7</b>	<b>66</b>	<b>16</b>	<b>8</b>

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NOTES



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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

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