Motilal Oswal Financial Services

28 July 2026
1QFY27 Results Update | Sector: Metals

SAIL

Estimate change	↑
TP change	↔
Rating change	↔

Bloomberg	SAIL IN
Equity Shares (m)	4131
M.Cap.(INRb)/(USDb)	685 / 7.1
52-Week Range (INR)	210 / 118
1, 6, 12 Rel. Per (%)	-3/12/35
12M Avg Val (INR M)	3409
Free float (%)	35.0

Financials & Valuations (INR b)

Y/E MARCH	2026	2027E	2028E
Sales	1,106	1,308	1,370
EBITDA	118	161	170
APAT	37	66	68
EBITDA Margin (%)	10.7	12.3	12.4
Cons. Adj. EPS (INR)	8.9	16.1	16.5
EPS Gr. (%)	175.1	80.3	2.3
BV/Sh. (INR)	146	158	171
Ratios			
Net D:E	0.5	0.6	0.7
RoE (%)	6.2	10.6	10.0
RoCE (%)	6.7	10.3	9.7
Payout (%)	26.3	20.0	20.0
Valuations			
P/E (x)	18.6	10.3	10.1
P/BV (x)	1.1	1.0	1.0
EV/EBITDA(x)	8.4	6.8	6.8
Div. Yield (%)	1.4	1.9	2.0
FCF Yield (%)	16.0	(11.0)	(3.1)

Shareholding pattern (%)

As On	Jun-26	Mar-26	Jun-25
Promoter	65.0	65.0	65.0
DII	16.9	18.4	17.3
FII	7.1	5.0	3.7
Others	11.1	11.6	14.0

FII Includes depository receipts

CMP: INR166 TP: INR195 (+18%) Buy

Strong earnings in 1Q supported by strong NSR; outlook bright

- In 1QFY27, SAIL's reported revenue included a one-time downward revision of INR3.1b in rail prices for FY25. For a like-for-like comparison, we have adjusted 1QFY27 financials by adding back this one-time downward revision.
- Adj. revenue stood at INR266b (+3% YoY; against our est. INR258b), declining 14% QoQ. This was mainly driven by muted volumes, partially offset by healthy NSR.
- Crude steel production stood at 4.8mt, declining 2% YoY and 6% QoQ, as the company advanced certain scheduled repairs and maintenance in 1QFY27. Sales volume stood at 4.2mt, declining 9% YoY and 22% QoQ, aligned with muted production volume during the quarter. Of the total sales volume in 1QFY27, third-party contribution from RINL stood at 95kt.
- ASP for the quarter stood at INR63,800/t, rising 13% YoY and 10% QoQ, driven by an increase in steel prices during the quarter.
- Iron ore sales increased to 1.1mt in 1QFY27 (vs 0.31mt YoY), with mining revenue rising to INR5.74b (vs INR1.57b in 1QFY26) and generating ~INR1.5b of incremental EBITDA.
- Adj. EBITDA stood at INR44.6b (+72% YoY and +1% QoQ), higher than our estimate of INR40b during the quarter. This translated into Adj. EBITDA/t of INR10,725/t (vs. our est. of INR9,600/t), rising 88% YoY and 29% QoQ over strong NSR improvement.
- APAT stood at INR19.8b in 1QFY27 (vs. our est. of INR17.3b), compared to INR20.7b in 4QFY26 and INR5.7b in 1QFY26. This was mainly driven by strong operating performance.

Highlights from the management commentary

- Management targets to achieve FY27 volume guidance of ~22.5mt despite weak volumes in 1QFY27. It expects volumes to recover over the coming quarters.
- Management targets iron ore external sales of ~8mt in FY27, compared to ~3.5mt in FY26, driven by higher dispatches from Odisha mines and commencement of sales from Chhattisgarh and Jharkhand mines.
- Management expects 2QFY27 blended NSR to decline ~INR1,000-2,000/t QoQ due to seasonal monsoon weakness. The long prices have corrected by ~INR2,000-3,000/t during Jun-Jul'26, while flat prices fell INR1,000/t over the same period.
- Imported coking coal procurement costs increased ~INR3,200/t to ~INR21,300/t in 1QFY27. Management expects costs to soften, with procurement prices likely to start moderating by ~INR1,000-2,000/t progressively over Aug-Sept'26, driven by lower international prices and seasonally weak demand.
- Management targets cost reduction of ~INR2,000-3,000/t during FY27 through operational improvements following the completion of planned shutdowns, better productivity, and ongoing efficiency initiatives.

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Valuation and view

- SAIL reported strong earnings during the quarter despite muted volumes, as they were offset by elevated NSR.
- This earnings trend is expected to moderate over the coming quarters, led by moderation in long steel prices and escalation of input costs. However, higher/incremental volumes from captive/third-party, along with inventory liquidation, could limit earnings moderation.
- We increased our FY27/28 estimates marginally to reflect healthy steel prices and recent moderation in international coal costs. We believe any meaningful earnings upside and re-rating opportunity lies in volume growth, supported by third-party agreements or captive expansion. **We reiterate our BUY rating on the stock with a TP of INR195 (premised on 7.5x EV/EBITDA on FY28 estimate).**

Quarterly performance (INR b)

Y/E March	FY26				FY27				FY26	FY27E	FY27	Vs Est
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	(%)
Sales (m tons)	**4.6**	**4.9**	**5.2**	**5.3**	**4.2**	**5.0**	**5.8**	**6.6**	**19.9**	**21.5**	**4.2**	**(1.0)**
Change (YoY %)	13.5	19.8	16.3	(0.2)	(8.6)	0.8	11.7	24.8	11.5	7.9		
Realization (INR per ton)	**56,590**	**54,387**	**53,148**	**57,920**	**63,833**	**58,833**	**59,833**	**61,251**	**55,503**	**60,815**	**61,420**	**3.9**
Change (YoY %)	(5.4)	(3.2)	(3.9)	5.3	12.8	8.2	12.6	5.8	(1.6)	9.6		
Net Sales	**257.5**	**267.0**	**273.7**	**308.1**	**265.5**	**291.2**	**344.0**	**406.7**	**1,106.4**	**1,307.5**	**258.0**	**2.9**
Change (YoY %)	7.3	15.9	11.8	5.1	3.1	9.1	25.7	32.0	9.7	18.2		
Change (QoQ %)	(12.2)	3.7	2.5	12.6	(13.8)	9.7	18.1	18.2				
Total Expenditure	**231.5**	**241.8**	**250.8**	**264.0**	**220.9**	**260.0**	**306.3**	**359.3**	**988.1**	**1,146.6**		
EBITDA	**26.0**	**25.3**	**22.9**	**44.1**	**44.6**	**31.2**	**37.7**	**47.4**	**118.3**	**160.9**	**40.3**	**10.6**
Change (YoY %)	16.9	98.2	13.0	26.5	71.9	23.4	64.4	7.5	31.3	36.1		
Change (QoQ %)	(25.5)	(2.6)	(9.3)	92.2	1.2	(30.1)	20.9	25.6				
EBITDA per ton (INR)	**5,704**	**5,149**	**4,455**	**8,287**	**10,725**	**6,302**	**6,561**	**7,138**	**5,934**	**7,485**	**9,602**	**11.7**
Interest	5.9	4.8	5.5	5.3	4.9	5.5	6.0	7.6	21.6	24.0		
Depreciation	14.4	14.5	15.2	15.8	15.6	15.2	15.2	15.3	59.9	61.3		
Other Income	1.6	2.1	1.7	3.5	2.1	2.2	2.5	2.7	8.9	9.4		
Share of Asso/JVs	0.7	1.0	0.7	1.8	0.3	1.6	1.6	1.8	4.3	5.2		
PBT (before EO Inc.)	**7.9**	**8.9**	**4.8**	**28.3**	**26.4**	**14.3**	**20.6**	**29.0**	**50.0**	**90.3**		
EO Income(exp)	1.7	(3.4)	-	(3.3)	(4.5)	-	-	-	(4.9)	(4.5)		
PBT (after EO Inc.)	**9.7**	**5.6**	**4.8**	**25.0**	**21.9**	**14.3**	**20.6**	**29.0**	**45.1**	**85.7**		
Total Tax	2.2	1.4	1.1	6.7	5.4	3.8	5.6	8.0	11.3	22.7		
% Tax	23.1	24.7	22.0	26.6	24.8	26.5	27.0	27.4	25.1	26.5		
Reported PAT	**7.4**	**4.2**	**3.7**	**18.4**	**16.4**	**10.5**	**15.0**	**21.1**	**33.7**	**63.0**		
Adjusted PAT	**5.7**	**6.7**	**3.7**	**20.7**	**19.8**	**10.5**	**15.0**	**21.1**	**36.8**	**66.4**	**17.3**	**14.5**
Change (YoY %)	75.7	(277.1)	229.9	61.4	247.4	56.2	301.5	1.9	175.1	80.3		
Change (QoQ %)	(55.4)	17.8	(44.4)	452.4	(4.0)	(47.0)	42.9	40.2				

Source: MOFSL, Company

CONFERENCE CALL

Highlights from the management commentary

Volume Guidance and Outlook:

- Management targets to achieve FY27 volume guidance of ~22.5mt, despite a weak volume during 1QFY27. It expects volumes to recover in the coming quarters.
- Finished steel inventory increased by ~0.2mt during the quarter. Management expects no more inventory build-up and plans to liquidate some inventory during 2HFY27.
- Management targets iron ore external sales of ~8mt in FY27, compared with ~3.5mt in FY26, driven by higher dispatches from Odisha mines and commencement of sales from Chhattisgarh and Jharkhand mines.
- SAIL plans to auction ~3mt of sub-grade iron ore fines during FY27 from its accumulated inventory of ~32mt, monetizing the large stockpile as planned.

Pricing & Cost - Guidance and Outlook:

- Blended NSR increased sharply by ~INR5,000/t QoQ to INR57,100/t (flat ~INR57,200/t and long ~INR57,100/t) in 1QFY27, driven by stronger domestic steel prices.
- Management expects 2QFY27 blended NSR to decline by ~INR1,000-2,000/t QoQ due to seasonal monsoon weakness. The long prices have corrected by ~INR2,000-3,000/t during Jun-Jul'26, while flat prices fell INR1,000/t over the same period.
- Imported coking coal procurement cost increased by ~INR3,200/t to ~INR21,300/t in 1QFY27. Management expects imported coking coal costs to soften. It expects procurement prices to start moderating by ~INR1,000-2,000/t progressively over Aug-Sept'26 driven by lower international prices and seasonally weak demand.
- Imported coal currently accounts for ~85% of total coal consumption, while indigenous coal contributes ~15% (including ~5% from captive mines). Indigenous coal costs stood at INR13,100/t against imported coal at ~INR21,200/t, while coal from SAIL's own captive Tasra mine is expected to cost only ~INR5,000-6,000/t.
- Management targets cost reduction of ~INR2,000-3,000/t during FY27 through operational improvements following completion of planned shutdowns, better productivity, and ongoing efficiency initiatives.
- Over the medium term (FY29 onwards), new expansion facilities are expected to reduce variable costs by ~INR3,000-4,000/t, primarily through lower coke rate and fuel consumption. After accounting for higher fixed costs from new capacities, net cost savings are expected at ~INR2,000/t.

Capex and Capacity Update:

- FY27 capex guidance was maintained at INR150b, with 1QFY27 capex of INR25.8b, ahead of the internal quarterly target.
- Management reiterated that annual capex is expected to rise above INR200b over the next few years as major brownfield expansion projects accelerate.
- Durgapur TMT bar mill (~0.9mtpa) remains on track for commissioning in 2HFY28 (Sep-Dec'27), which will further reduce semi-finished steel sales.

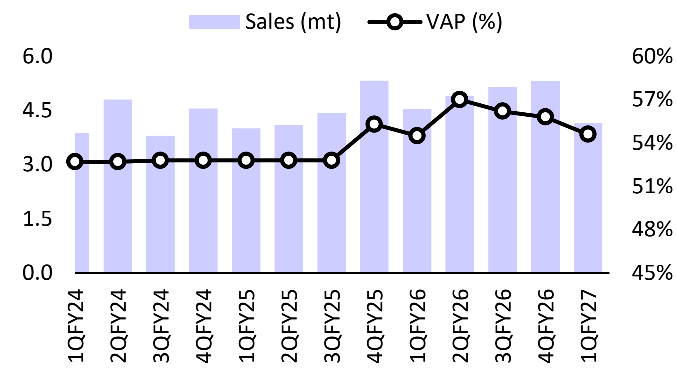
- Finished steel share increased to ~89% (vs ~86% last year), while semi-finished steel production reduced to ~12.5%. The company continues to convert semis into finished products through third-party processing arrangements.

Other Highlights:

- Geopolitical tensions in the Middle East increased freight, fuel, and raw material costs globally, although SAIL's integrated operations and captive gas generation limited the impact relative to peers.
- The existing 11.5% safeguard duty continues to support the domestic steel market, while management expects the ongoing anti-dumping investigation to potentially provide additional protection against unfair imports.
- Management believes domestic steel fundamentals remain supportive, aided by ~8% CAGR domestic demand growth, safeguard duty protection, lower imports, and ongoing anti-dumping investigations.
- Net debt remained largely unchanged at ~INR217b despite inventory build-up, reflecting stronger cash generation and treasury management.
- Gross debt has subsequently declined to ~INR320b, while the average borrowing cost reduced to 6.24% from 6.8% YoY.

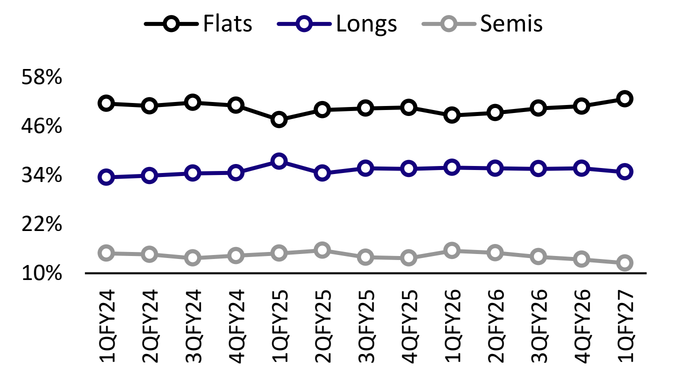
Story in charts

Exhibit 1: Sales volume (mt) and VAP quarterly trend



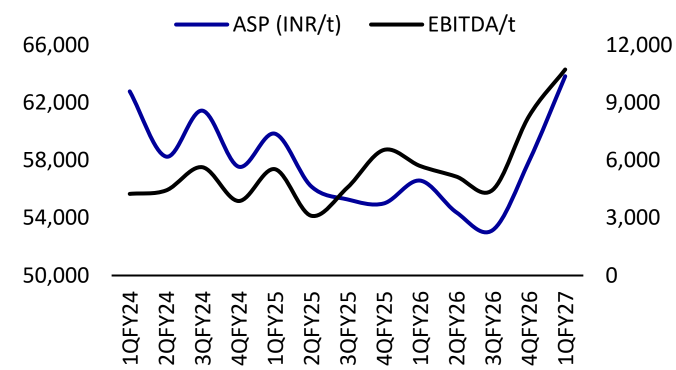
Source: MOFSL, Company

Exhibit 2: Breakup of longs-semis-flats



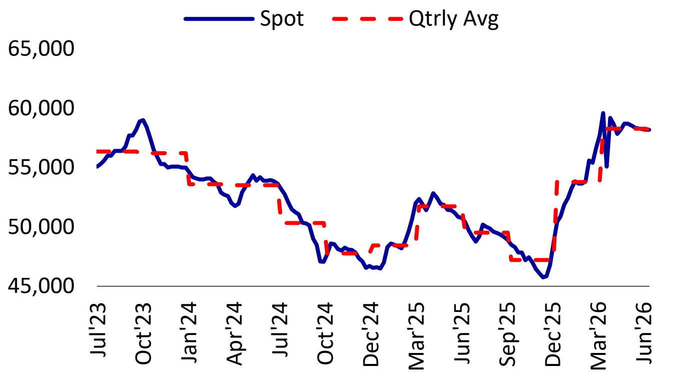
Source: MOFSL, Company

Exhibit 3: EBITDA/t improved over strong NSR recovery



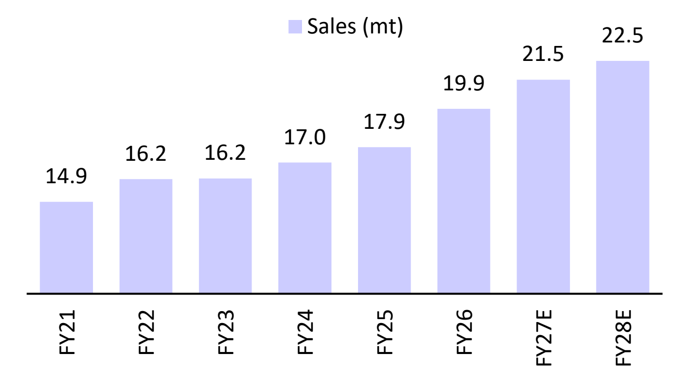
Source: MOFSL, Company

Exhibit 4: HRC prices (INR/t) rebounded in 4Q from Jan'26 lows



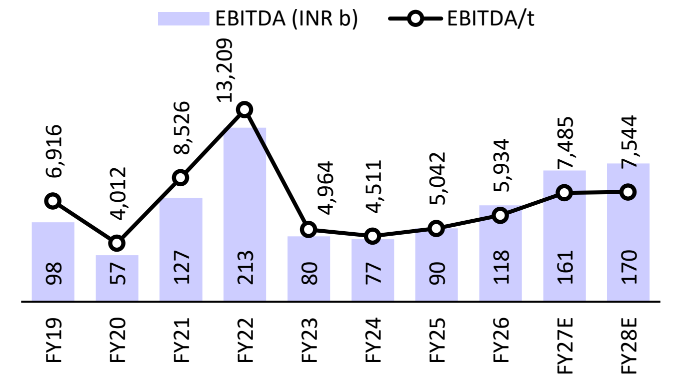
Source: MOFSL, Company

Exhibit 5: Expect gradual volume (mt) growth till FY28



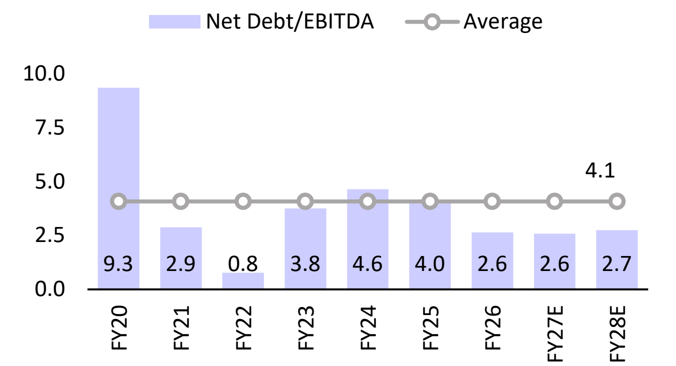
Source: MOFSL, Company

Exhibit 6: EBITDA/t to improve in the long run



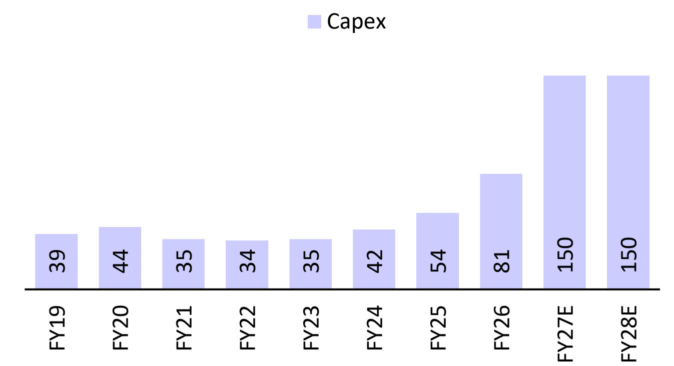
Source: MOFSL, Company

Exhibit 7: Net debt/EBITDA remained elevated



Source: MOFSL, Company

Exhibit 8: Major capex (INR b) to start post-FY27E



Source: MOFSL, Company

Exhibit 9: Key financials and revisions to our estimates (INR b)

	FY27E			FY28E		
	New	**Old**	**Change (%)**	**New**	**Old**	**Change (%)**
Revenue	161	157	2.7	170	162	4.7
EBITDA	66	65	2.8	68	65	4.4
PAT	16.1	15.6	2.8	16.5	15.8	4.4

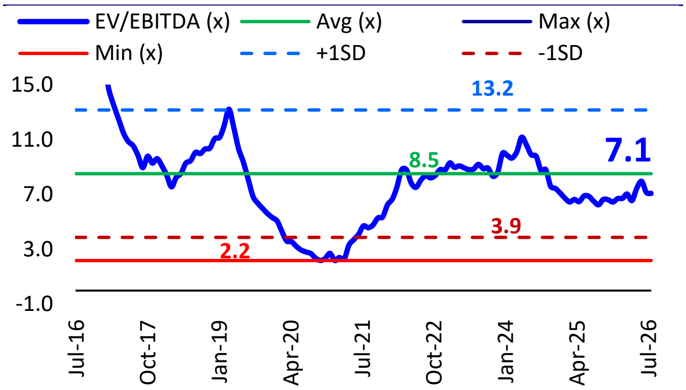
Source: MOFSL

Exhibit 10: Valuation

YEAR	**UoM**	**FY28E**
Volumes	mt	22.5
EBITDA	INR/t	7,544
EBITDA	INR b	170
Target EV/EBITDA(x)	x	7.5
Target EV	INR b	1,273
less: Net Debt (INR m)	INR b	466
Equity value	INR b	807
No. of shares o/s	b	4
Target price (INR/sh.)	**INR**	**195**

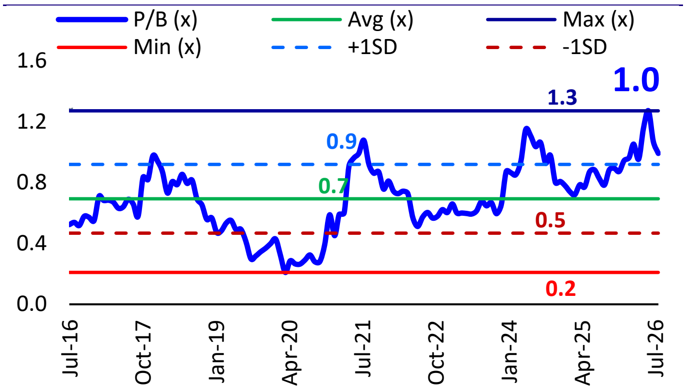
Source: MOFSL

Exhibit 11: EV/EBITDA valuation close to +1SD



Source: Company, MOFSL

Exhibit 12: However, P/B valuation hit its peak



Source: Company, MOFSL

Financials and valuation

Income Statement- Consolidated								(INR b)
Y/E March	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26**	**FY27E**	**FY28E**
Net Sales	**691**	**1,035**	**1,044**	**1,019**	**1,008**	**1,106**	**1,308**	**1,370**
Change (%)	12.1	49.7	0.9	(2.4)	(1.1)	9.7	18.2	4.8
EBITDA	**127**	**213**	**80**	**77**	**90**	**118**	**161**	**170**
Change (%)	123.1	67.5	(62.3)	(4.4)	17.2	31.3	36.1	5.5
EBITDA per ton (INR)	8,526	13,209	4,964	4,511	5,042	5,934	7,485	7,544
Depreciation	41	43	50	53	57	60	61	63
EBIT	**86**	**171**	**31**	**24**	**34**	**58**	**100**	**106**
Interest	28	17	20	25	28	22	24	26
Other income	9	9	10	11	9	9	9	10
Share of Asso/JV/investments	5	4	6	4	5	4	5	5
PBT before EO	**71**	**166**	**26**	**14**	**19**	**50**	**90**	**95**
Extraordinary Item	1	(4)	3	26	13	(5)	(5)	-
PBT after EO	**72**	**163**	**29**	**41**	**33**	**45**	**86**	**95**
Total Tax	31	40	7	10	9	11	23	27
Effective Rate (%)	42.4	24.8	24.8	24.5	27.1	25.1	26.5	28.5
Reported PAT	**41**	**122**	**22**	**31**	**24**	**34**	**63**	**68**
Change (%)	95.6	195.2	(82.2)	40.9	(22.7)	42.2	86.9	7.8
Adjusted PAT	**41**	**126**	**19**	**11**	**13**	**37**	**66**	**68**
Change (%)	(353.5)	208.0	(84.8)	(43.8)	24.3	175.1	80.3	2.3

Balance Sheet (Consolidated)								(INR b)
Y/E March	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26**	**FY27E**	**FY28E**
Sources of Funds								
Share Capital	41	41	41	41	41	41	41	41
Reserves and Surplus	413	501	506	530	548	562	612	666
Shareholders' funds	**454**	**542**	**547**	**571**	**589**	**604**	**653**	**708**
Loans	374	173	308	363	369	319	419	489
Deferred Tax Liability	13	54	58	63	65	62	62	62
Minority Interest	0	0	0	0	0	0	0	0
Capital Employed	**842**	**769**	**913**	**997**	**1,024**	**984**	**1,134**	**1,259**
Application of Funds								
Gross Fixed Assets	1,158	1,248	1,288	1,330	1,395	1,482	1,632	1,782
Less: Depreciation	482	511	553	605	662	722	783	846
Net Fixed Assets	**676**	**737**	**735**	**724**	**733**	**760**	**849**	**935**
Capital WIP	89	40	49	61	72	106	106	106
Investments	34	38	42	46	50	43	43	43
Curr. Assets								
Inventory	196	242	278	327	292	236	322	338
Sundry Debtors	72	48	54	84	76	65	107	112
Cash and Bank Balances	8	8	6	7	10	7	4	23
Other assets	110	83	135	149	122	142	147	154
Loans and Advances	8	6	7	9	10	0	0	0
Current Liabilities								
Sundry Creditors	70	169	143	153	105	109	179	188
Other Current Liabilities	215	198	178	186	160	182	182	182
Provisions	66	65	70	70	75	83	83	83
Net Current Assets	**42**	**-46**	**87**	**166**	**169**	**76**	**137**	**174**
Application of Funds	**842**	**769**	**913**	**997**	**1,024**	**984**	**1,134**	**1,259**

Financials and valuation

Ratios								
Y/E March	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26**	**FY27E**	**FY28E**
Basic (INR)								
EPS	**9.9**	**30.5**	**4.6**	**2.6**	**3.2**	**8.9**	**16.1**	**16.5**
Cash EPS	20.0	40.0	17.3	20.2	19.4	22.7	30.1	31.8
Book Value per Share	109.9	131.2	132.5	138.2	142.6	146.1	158.2	171.3
Dividend Per Share	2.8	8.8	1.5	2.0	2.4	2.4	3.2	3.3
Valuation (x)								
P/E	16.8	5.4	35.7	63.6	51.2	18.6	10.3	10.1
Cash PE	8.3	4.1	9.6	8.2	8.5	7.3	5.5	5.2
EV/EBITDA	8.3	4.0	12.3	13.6	11.6	8.4	6.8	6.8
EV/Sales	1.5	0.8	0.9	1.0	1.0	0.9	0.8	0.8
Price-to-Book Value	1.5	1.3	1.3	1.2	1.2	1.1	1.0	1.0
Profitability Ratios (%)								
EBITDA Margin	18.4	20.6	7.7	7.5	8.9	10.7	12.3	12.4
APAT Margin	5.9	12.2	1.8	1.1	1.3	3.3	5.1	5.0
RoE	9.4	25.3	3.5	1.9	2.3	6.2	10.6	10.0
RoCE (pre-tax)	10.7	22.3	4.8	3.6	4.2	6.7	10.3	9.7
RoIC (pre-tax)	11.4	24.5	4.1	2.8	3.8	6.8	11.0	10.3
Turnover Ratios								
Debtors (Days)	37.8	16.8	18.8	29.9	29.9	29.9	29.9	29.9
Inventory (Days)	103.4	85.2	97.0	117.2	95.0	95.0	90.0	90.0
Creditors (Days)	45.4	75.2	54.3	59.4	52.0	52.0	50.0	50.0
Asset Turnover (x)	0.8	1.3	1.1	1.0	1.0	1.1	1.2	1.1
Leverage Ratio								
Debt/Equity (x)	0.8	0.3	0.6	0.6	0.6	0.5	0.6	0.7

Cash Flow Statement								(INR b)
Y/E March	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26E**	**FY27E**	**FY28E**
EBITDA	127	213	80	77	90	118	161	170
(Inc.)/Dec. in WC	101	95	(137)	(76)	(4)	78	(64)	(19)
Direct Taxes Paid	(0)	(1)	(4)	(1)	(6)	(7)	(23)	(27)
Other Items	7	3	8	30	20	1	1	5
CF from Oper. Activity	**234**	**310**	**(53)**	**29**	**99**	**190**	**75**	**129**
(Inc.)/Dec. in FA & CWIP	(35)	(34)	(35)	(42)	(54)	(81)	(150)	(150)
Free Cash Flows to Firm	**199**	**276**	**(88)**	**(13)**	**45**	**109**	**(75)**	**(21)**
Interest and Dividend	1	2	2	2	2	2	9	10
(Pur.)/Sale of Invest.	(0)	(7)	(1)	(3)	(1)	(0)	-	-
CF from Inv. Activity	**(34)**	**(40)**	**(34)**	**(43)**	**(53)**	**(79)**	**(141)**	**(140)**
Issue of Shares								
Inc./(Dec.) in Debt	(163)	(224)	120	41	(16)	(93)	100	70
Interest Paid	(29)	(19)	(21)	(22)	(24)	(15)	(24)	(26)
Dividends Paid	(4)	(31)	(13)	(6)	(4)	(7)	(13)	(14)
CF from Finan. Activity	**(197)**	**(274)**	**86**	**14**	**(44)**	**(114)**	**63**	**30**
Inc./(Dec.) in Cash	**3**	**(4)**	**(1)**	**0**	**2**	**(3)**	**(3)**	**19**
Add: Opening cash Balance	2	5	1	1	1	3	0	(3)
Closing cash balance	5	1	1	1	3	0	(3)	16
Bank Balance	3	7	5	6	7	7	7	7
Closing Balance (incl. Bank)	**8**	**8**	**6**	**7**	**10**	**7**	**4**	**23**

Explanation of Investment Rating	
Investment Rating	**Expected return (over 12-month)**
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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