

Estimate change



TP change



Rating change



**CMP: INR118**

**TP: INR130 (+10%)**

**Neutral**

## Weak volumes and low realization drag down earnings

Bloomberg	SAIL IN
Equity Shares (m)	4131
M.Cap.(INRb)/(USDb)	488.2 / 5.8
52-Week Range (INR)	176 / 85
1, 6, 12 Rel. Per (%)	-7/-35/13
12M Avg Val (INR M)	5235
Free float (%)	35.0

### Financials & Valuations (INR b)

Y/E MARCH	2025E	2026E	2027E
Sales	1,046	1,195	1,305
EBITDA	82	121	146
APAT	14	43	61
EBITDA Margin (%)	8	10	11
Cons. Adj. EPS (INR)	3	10	15
EPS Gr. (%)	27	212	43
BV/Sh. (INR)	143	149	158

### Ratios

Net D:E	0.5	0.5	0.4
RoE (%)	2.4	7.1	9.7
RoCE (%)	4.0	7.8	9.9
Payout (%)	40.0	40.0	40.0

### Valuations

P/E (x)	35.5	11.4	8.0
P/BV (x)	0.8	0.8	0.7
EV/EBITDA(x)	9.4	6.4	5.2
Div. Yield (%)	1.1	3.5	5.0
FCF Yield (%)	18.3	5.2	9.8

### Shareholding pattern (%)

As On	Sep-24	Jun-24	Sep-23
Promoter	65.0	65.0	65.0
DII	16.0	15.7	14.6
FII	2.8	3.0	3.7
Others	16.2	16.3	16.7

FII Includes depository receipts

- In 2QFY25, SAIL received a one-time revenue and EBITDA gain of INR16.4b related to rail price revisions for FY23. For a like-to-like comparison, we have adjusted its 2QFY25 financials by excluding this one-time gain.
- SAIL reported a revenue of INR230b (-18% YoY and -4% QoQ), which was 12% below our estimate of INR262b. This decline was primarily attributed to weak sales volume and lower realization during the quarter.
- EBITDA dipped 40% YoY/43% QoQ to INR13b, against our estimate of INR15b. EBITDA/t stood at INR3,111/t (vs. our est. of INR3,271) in 2QFY25.
- Adjusted net loss came in at INR4b vs. our loss estimate of INR0.4b.
- Crude steel production stood at 4.76mt (flat YoY/+2% QoQ). Sales volume stood at 4.1mt (-15% YoY/+2% QoQ).
- ASP for the quarter stood at INR56,191/t (-4% YoY/-6% QoQ).

### Highlights from the management commentary

- Currently, the share of indigenous coking coal stands at 15%, which SAIL aims to increase to 20-25% with its own Tasra captive coal mine.
- In 2QFY25, avg. landed coking coal costs stood at INR21,681/t (imported INR20,000/t and indigenous INR13,500/t) vs. INR23,000/t in 1QFY25. For 3QFY25, the management expects coking coal costs to decline further by INR2,000/t QoQ.
- The sequential decline in NSR was driven by weak pricing due to monsoon and higher cheap imports. 2Q NSR stood at INR50,500/t (long: INR52,000/t and flat: INR49,000) and for 3QFY25, the company expects a decline of INR1,000-1500/t QoQ as spot prices remain muted. Flat and longs both have seen marginal improvements in Nov'24.
- High imports dragged down flat prices in domestic markets and prices will remain under pressure in the near term due to elevated imports. Long steel prices would rebound as construction activities and government Infra spending pick up.
- The rail price revision for FY23 has been completely accounted. It expects FY24 price revisions to be accounted in the coming quarters.

### Valuation and view

- SAIL plans to undertake multiple expansions to increase its installed capacity to 35mt by FY30-31. As the capex intensity is likely to pick up after FY25/FY26, it would limit the deleveraging efforts going forward. 1H remained weak for the company, mainly due to muted steel prices. Hence, we cut our revenue/EBITDA/PAT estimates by 8%/3%/19% for FY25. Moderated coal costs will continue to offset the impact partly.
- At CMP, SAIL trades at 5.2x EV/EBITDA on FY27E. We believe the stock is fully priced at current levels. **We reiterate our Neutral rating on the stock with a revised TP of INR130 (premised on 6x EV/EBITDA on Sep'26 est.).**

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**Investors are advised to refer through important disclosures made at the last page of the Research Report.**

Motilal Oswal research is available on [www.motilaloswal.com/Institutional-Equities](http://www.motilaloswal.com/Institutional-Equities), Bloomberg, Thomson Reuters, Factset and S&P Capital.

## Quarterly performance (INR b)

Y/E March	FY24				FY25E				FY24	FY25E	FY25 2QE	vs Est (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE				
<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>4.7</b>	<b>5.2</b>	<b>17.0</b>	<b>18.0</b>	<b>4.6</b>	<b>(11.0)</b>
Change (YoY %)	23.0	14.0	(8.5)	(2.6)	3.4	(14.6)	24.0	13.6	5.2	5.6		
<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>56,691</b>	<b>59,508</b>	<b>59,809</b>	<b>58,090</b>	<b>56,845</b>	<b>(1.2)</b>
Change (YoY %)	(17.6)	(6.5)	1.8	(7.5)	(4.7)	(3.5)	(7.7)	3.4	(7.3)	(2.9)		
<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>267.1</b>	<b>308.1</b>	<b>1,019.2</b>	<b>1,045.6</b>	<b>261.9</b>	<b>(12.0)</b>
Change (YoY %)	1.4	6.5	(6.8)	(9.9)	(1.5)	(17.6)	14.4	17.4	(2.4)	2.6		
Change (QoQ %)	(16.4)	14.8	(16.5)	12.4	(8.6)	(4.0)	15.9	15.4				
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>247.8</b>	<b>280.1</b>	<b>942.3</b>	<b>963.2</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>19.3</b>	<b>28.1</b>	<b>76.9</b>	<b>82.4</b>	<b>15.1</b>	<b>(15.4)</b>
Change (YoY %)	(28.4)	189.2	3.1	(39.5)	34.6	(40.0)	(9.7)	58.7	(4.4)	7.2		
Change (QoQ %)	(43.6)	28.9	0.8	(17.4)	25.5	(42.5)	51.6	45.1				
<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>4,105</b>	<b>5,422</b>	<b>4,511</b>	<b>4,576</b>	<b>3,271</b>	<b>(4.9)</b>
Interest	6.1	6.1	6.1	6.4	6.9	7.6	5.6	6.0	24.7	26.1		
Depreciation	12.8	13.3	13.2	13.6	14.0	13.0	13.0	14.6	52.8	54.7		
Other Income	4.6	1.5	1.4	3.1	1.8	1.7	4.0	5.1	10.7	12.5		
Share of Asso/JVs/Inv.	0.6	1.0	1.3	1.5	1.1	1.6	1.4	0.7	4.4	4.7		
<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>6.1</b>	<b>13.2</b>	<b>14.4</b>	<b>18.7</b>	<b>(0.6)</b>	<b>NA</b>
EO Income (exp)	-	13.3	0.8	12.1	(3.1)	16.4	-	-	26.2	13.3		
<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>6.1</b>	<b>13.2</b>	<b>40.6</b>	<b>32.0</b>		
Total Tax	0.8	4.6	1.4	3.2	0.2	2.8	1.5	3.5	10.0	7.9		
% Tax	26.3	26.2	24.8	21.9	16.6	23.5	25.0	26.4	24.5	24.8		
<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>4.5</b>	<b>9.7</b>	<b>30.7</b>	<b>24.1</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>4.5</b>	<b>9.7</b>	<b>10.8</b>	<b>13.7</b>	<b>(0.4)</b>	<b>NA</b>
Change (YoY %)	(73.6)	LP	50.3	(84.9)	52.9	(219.3)	24.1	438.2	(43.8)	27.3		
Change (QoQ %)	(82.3)	49.7	15.1	(50.7)	80.0	(216.9)	(219.8)	113.7				

Source: MOFSL, Company



## Highlights from the management commentary

### Guidance:

- Currently, the share of indigenous coking coal stands at 15%, which SAIL aims to increase to 20-25% with its own Tasra captive coal mine.
- In 2QFY25, avg. landed coking coal costs stood at INR21,681/t (imported INR20,000/t and indigenous INR13,500/t) vs. INR23,000/t in 1QFY25. For 3QFY25, the management expects coking coal costs to decline further by INR2,000/t QoQ.
- Weak pricing led by monsoon and higher cheap imports primarily drove the sequential decline in NSR. The NSR for 2QFY25 stood at INR50,500/t (long – INR52,000/t and flat – INR49,000) and for 3QFY35, the company expects a decline of INR1,000-1500/t QoQ as spot prices remain muted. Flat and longs both have seen marginal improvements in Nov'24.
- High imports dragged down the flat prices in domestic markets and prices will remain under pressure amid higher imports. Long steel prices would rebound as construction activities and government infra spending pick up.
- The management guided a production volume of 20mt, and sales volume of 18mt (incl. inventory of 1.9mt) for FY25. Finished steel inventory rose from 1.84mt to 1.9mt, due to the upcoming maintenance shutdown of its hot strip mill at the Bokaro steel plant.
- SAIL plans to add a new TMT mill capacity of 1mtpa at Durgapur, which will reduce the semi share in the future.
- The rail price revision for FY23 has been completely accounted. It expects FY24 price revisions to be accounted in the coming quarters.

### Capex:

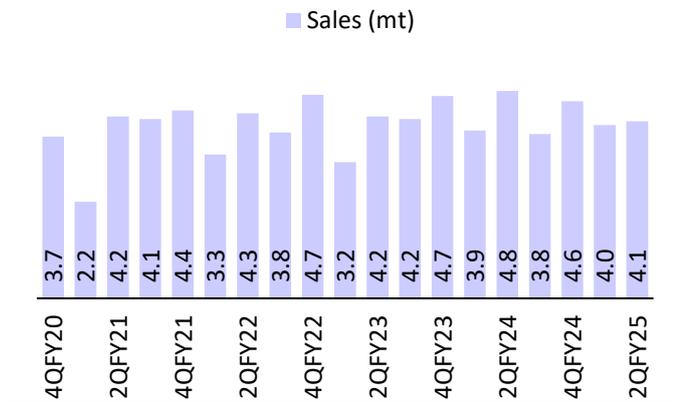
- Bokaro expansion final DPR has been prepared and currently it is under examination.
- SAIL plans to increase its capacity from 20mtpa of crude steel to 35mtpa by the end of FY31, and guided for INR63b of expansion capex for FY25.
- It plans to set up a 2.4mt Greenfield flat steel facility at IISCO, predominantly focused on HRC. The construction of the CRC facility will be undertaken at a later stage.
- The plant capacity is 2.8mtpa long product and the company will be adding 2.4mtpa flat product capacity, which includes BF, steel making, hot mill strip, pellet plant and infra. The company also plans a 0.9mtpa capacity expansion at Durgapur. The total capex outlay will be ~INR370b.
- FY25 capex outlay pegged at INR60b, of which INR22.5b has been spent in 1H and the rest is planned in 2H.

### Debt & Other highlights:

- 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.
- Debt reduction of INR45-50b by end of FY25 from current level of INR350b.
- Ongoing pellet capacity expansion will help the company to reduce its iron ore inventory located at Goa mines.
- Demand in China is expected to decline by 3% in CY24 and 1% in CY25.

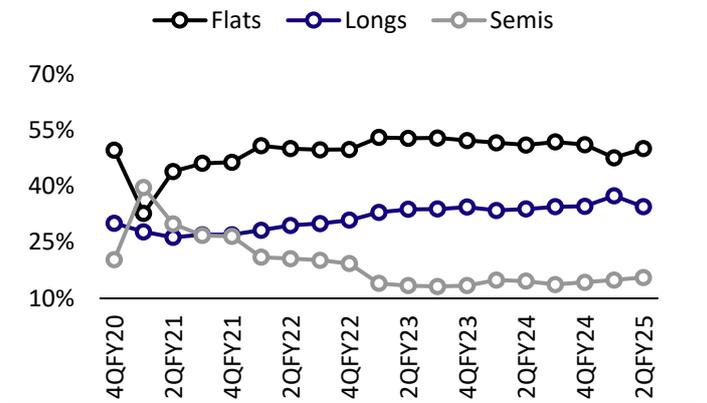
Story in charts

Exhibit 1: Sales volume (mt)



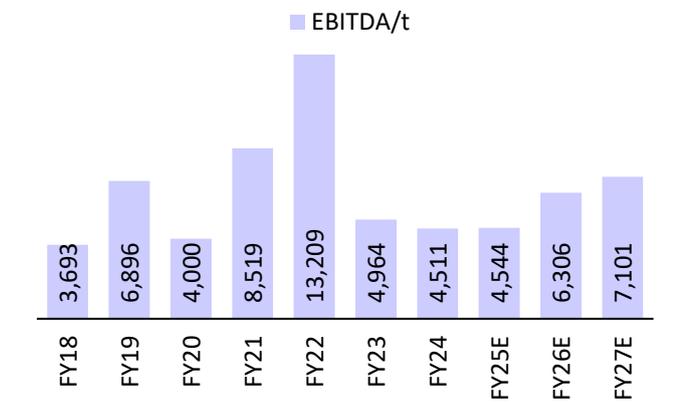
Source: MOFSL, Company

Exhibit 2: Break-up of longs-semis-flats



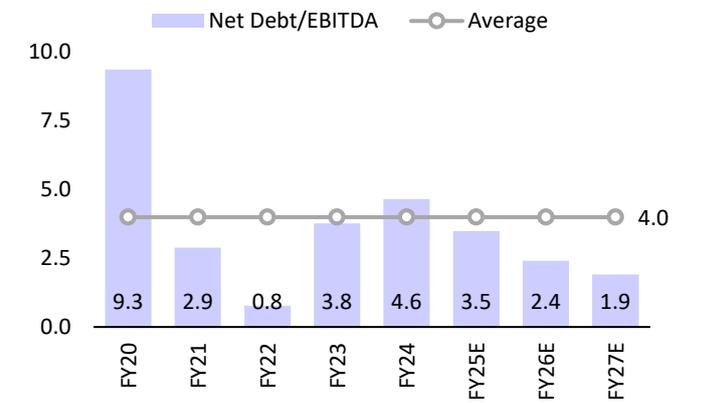
Source: MOFSL, Company

Exhibit 3: EBITDA/t to improve after bottoming out in FY24



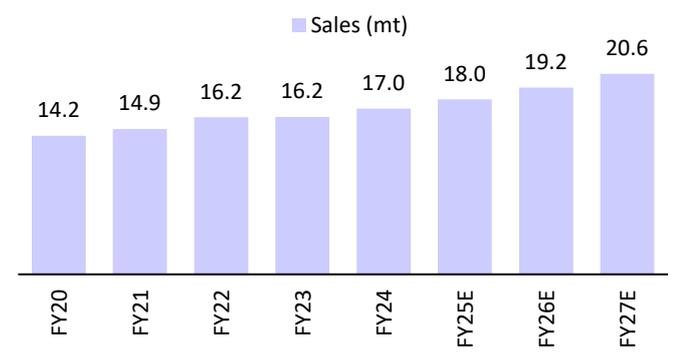
Source: MOFSL, Company

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



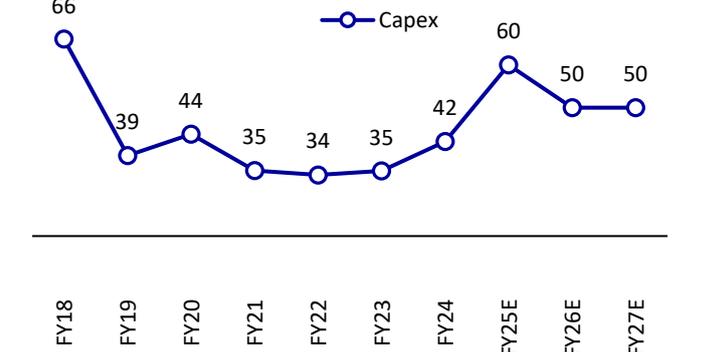
Source: MOFSL, Company

Exhibit 5: Sales (mt) growth momentum to continue



Source: MOFSL, Company

Exhibit 6: Capex (INR b) to increase in FY25 due to expansion



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)	18.0	18.7	-3.7	19.2	19.2	0.0	20.6	20.6	0.0
Realization/t	58,090	61,090	-4.9	62,250	62,250	0.0	63,275	63,275	0.0
EBITDA/t	4,576	4,544	0.7	6,306	6,306	0.0	7,101	7,101	0.0
Revenue (INR b)	1,046	1,142	-8.5	1,195	1,195	0.0	1,305	1,305	0.0
EBITDA (INR b)	82	85	-3.1	121	121	0.0	146	146	0.0
PAT (INR b)	14	17	-19.7	43	43	0.0	61	61	0.0

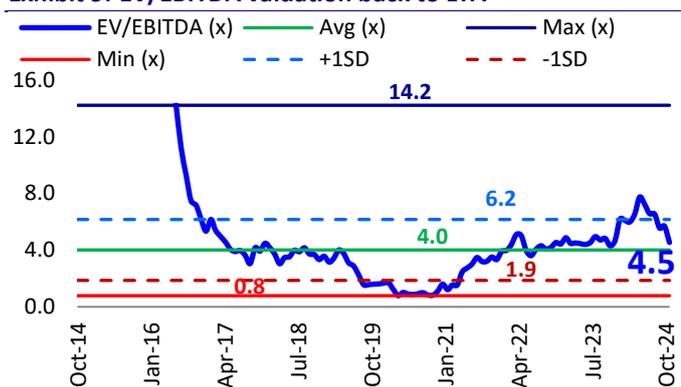
Source: MOFSL

**Exhibit 8: Valuation**

YEAR	UoM	Sep'26
Volumes	mt	19.9
EBITDA	INR/t	6,703
EBITDA	INR b	133
Target EV/EBITDA(x)	x	6.0
Target EV	INR b	801
less: Net Debt (INR m)	INR b	284
Equity value	INR b	517
No. of shares o/s	b	4
<b>Target price (INR/sh.)</b>	<b>INR</b>	<b>130</b>

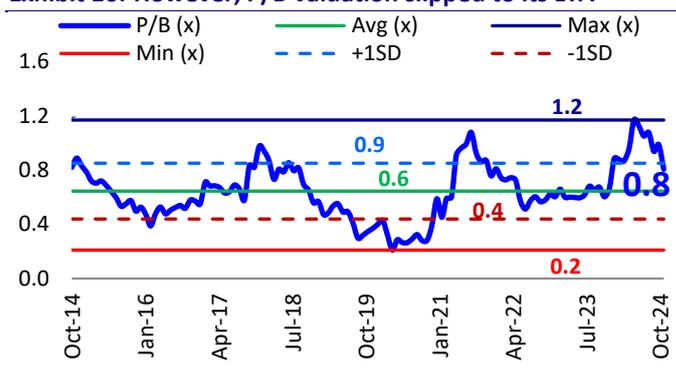
Source: MOFSL

**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)						(INR b)		
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>1,046</b>	<b>1,195</b>	<b>1,305</b>
Change (%)	-7.9	12.1	49.7	0.9	-2.4	2.6	14.3	9.2
<b>EBITDA</b>	<b>57</b>	<b>127</b>	<b>213</b>	<b>80</b>	<b>77</b>	<b>82</b>	<b>121</b>	<b>146</b>
Change (%)	-41.5	123.1	67.5	-62.3	-4.4	7.2	47.0	21.0
EBITDA per tonne (INR)	4,012	8,526	13,209	4,964	4,511	4,576	6,306	7,101
Depreciation	38	41	43	50	53	55	57	59
<b>EBIT</b>	<b>20</b>	<b>86</b>	<b>171</b>	<b>31</b>	<b>24</b>	<b>28</b>	<b>64</b>	<b>88</b>
Interest	35	28	17	20	25	26	25	26
Other income	9	9	9	10	11	12	13	15
Share of Asso/JV/investments	2	5	4	6	4	5	5	5
<b>PBT before EO</b>	<b>-4</b>	<b>71</b>	<b>166</b>	<b>26</b>	<b>14</b>	<b>19</b>	<b>57</b>	<b>82</b>
Extraordinary Item	37	1	-4	3	26	13	0	0
<b>PBT after EO</b>	<b>33</b>	<b>72</b>	<b>163</b>	<b>29</b>	<b>41</b>	<b>32</b>	<b>57</b>	<b>82</b>
Total Tax	12	31	40	7	10	8	14	21
Effective Rate (%)	35.8	42.4	24.8	24.8	24.5	24.8	25.2	25.2
<b>Reported PAT</b>	<b>21</b>	<b>41</b>	<b>122</b>	<b>22</b>	<b>31</b>	<b>24</b>	<b>43</b>	<b>61</b>
Change (%)	-9.7	95.6	195.2	-82.2	40.9	-21.6	77.9	43.0
<b>Adjusted PAT</b>	<b>-16</b>	<b>41</b>	<b>126</b>	<b>19</b>	<b>11</b>	<b>14</b>	<b>43</b>	<b>61</b>
Change (%)	-158.9	-353.5	208.0	-84.8	-43.8	27.3	212.0	43.0

Balance Sheet (Consolidated)						(INR b)		
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	548	574	611
<b>Shareholders' funds</b>	<b>415</b>	<b>454</b>	<b>542</b>	<b>547</b>	<b>571</b>	<b>590</b>	<b>615</b>	<b>652</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>986</b>	<b>1,011</b>	<b>1,048</b>
<b>Application of Funds</b>								
Gross Fixed Assets	1,131	1,158	1,248	1,288	1,330	1,384	1,434	1,484
Less: Depreciation	441	482	511	553	605	660	717	776
<b>Net Fixed Assets</b>	<b>690</b>	<b>676</b>	<b>737</b>	<b>735</b>	<b>724</b>	<b>724</b>	<b>717</b>	<b>708</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	272	295	322
Sundry Debtors	88	72	48	54	84	86	98	107
Cash and Bank Balances	4	8	8	6	7	47	43	55
Other assets	100	110	83	135	149	141	157	169
Loans and Advances	7	8	6	7	9	9	9	9
<b>Current Liabilities</b>								
Sundry Creditors	63	70	169	143	153	149	164	179
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>149</b>	<b>181</b>	<b>227</b>
<b>Application of Funds</b>	<b>933</b>	<b>842</b>	<b>769</b>	<b>913</b>	<b>997</b>	<b>986</b>	<b>1,011</b>	<b>1,048</b>

## Financials and valuation

Ratios								
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
<b>Basic (INR)</b>								
EPS	-3.9	9.9	30.5	4.6	2.6	3.3	10.4	14.8
Cash EPS	14.2	20.0	40.0	17.3	20.2	19.1	24.1	29.1
Book Value per Share	100.5	109.9	131.2	132.5	138.2	142.7	149.0	157.8
Dividend Per Share	0.0	2.8	8.8	1.5	2.0	1.3	4.1	5.9
<b>Valuation (x)</b>								
P/E	-30.2	11.9	3.9	25.4	45.2	35.5	11.4	8.0
Cash PE	8.3	5.9	2.9	6.8	5.8	6.2	4.9	4.1
EV/EBITDA	17.9	6.7	3.1	9.8	11.0	9.4	6.4	5.2
EV/Sales	1.7	1.2	0.6	0.8	0.8	0.7	0.7	0.6
Price-to-Book Value	1.2	1.1	0.9	0.9	0.9	0.8	0.8	0.7
<b>Profitability Ratios (%)</b>								
EBITDA Margin	9.3	18.4	20.6	7.7	7.5	7.9	10.1	11.2
APAT Margin	-2.6	5.9	12.2	1.8	1.1	1.3	3.6	4.7
RoE	-4.0	9.4	25.3	3.5	1.9	2.4	7.1	9.7
RoCE (pre-tax)	3.3	10.7	22.3	4.8	3.6	4.0	7.8	9.9
RoIC (pre-tax)	2.7	11.4	24.5	4.1	2.8	3.2	7.6	10.1
<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	1.1	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	0.4
<b>Cash Flow Statement</b>								
(INR b)								
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
EBITDA	57	127	213	80	77	82	121	146
(Inc.)/Dec. in WC	(107)	101	95	(137)	(76)	57	(36)	(33)
Direct Taxes Paid	(1)	(0)	(1)	(4)	(1)	(8)	(14)	(21)
Other Items	44	7	3	8	30	18	5	5
<b>CF from Oper. Activity</b>	<b>(6)</b>	<b>234</b>	<b>310</b>	<b>(53)</b>	<b>29</b>	<b>149</b>	<b>75</b>	<b>98</b>
(Inc.)/Dec. in FA & CWIP	(44)	(35)	(34)	(35)	(42)	(60)	(50)	(50)
<b>Free Cash Flows to Firm</b>	<b>(50)</b>	<b>199</b>	<b>276</b>	<b>(88)</b>	<b>(13)</b>	<b>89</b>	<b>25</b>	<b>48</b>
Interest and Dividend	1	1	2	2	2	12	13	15
(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>(48)</b>	<b>(37)</b>	<b>(35)</b>
<b>Issue of Shares</b>								
Inc./(Dec.) in Debt	89	(163)	(224)	120	41	(30)	-	-
Interest Paid	(37)	(29)	(19)	(21)	(22)	(26)	(25)	(26)
Dividends Paid	(3)	(4)	(31)	(13)	(6)	(5)	(17)	(24)
<b>CF from Finan. Activity</b>	<b>50</b>	<b>(197)</b>	<b>(274)</b>	<b>86</b>	<b>14</b>	<b>(62)</b>	<b>(42)</b>	<b>(50)</b>
<b>Inc./(Dec.) in Cash</b>	<b>1</b>	<b>3</b>	<b>(4)</b>	<b>(1)</b>	<b>0</b>	<b>40</b>	<b>(4)</b>	<b>12</b>
Add: Opening cash Balance	1	2	5	1	1	1	41	37
Closing cash balance	2	5	1	1	1	41	37	49
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>47</b>	<b>43</b>	<b>55</b>

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NOTES

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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