

February 12, 2025

Q3FY25 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	HOLD		REDUCE	
Target Price	107		110	
Sales (Rs. bn)	1,060	1,172	1,052	1,155
% Chng.	0.7	1.5		
EBITDA (Rs. bn)	122	152	118	134
% Chng.	3.5	13.3		
EPS (Rs.)	9.5	14.2	8.4	10.6
% Chng.	13.3	34.3		

Key Financials - Standalone

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales (Rs. bn)	1,027	990	1,060	1,172
EBITDA (Rs. bn)	85	87	122	152
Margin (%)	8.3	8.7	11.5	13.0
PAT (Rs. bn)	14	11	39	59
EPS (Rs.)	3.4	2.7	9.5	14.2
Gr. (%)	(17.9)	(21.0)	251.0	50.2
DPS (Rs.)	2.5	2.0	2.0	2.0
Yield (%)	2.4	1.9	1.9	1.9
RoE (%)	2.7	2.0	6.9	9.6
RoCE (%)	4.9	4.6	8.4	10.8
EV/Sales (x)	0.8	0.8	0.7	0.6
EV/EBITDA (x)	9.7	9.3	6.3	4.7
PE (x)	31.0	39.2	11.2	7.4
P/BV (x)	0.8	0.8	0.7	0.7

Key Data

	SAIL.BO SAIL IN
52-W High / Low	Rs.176 / Rs.99
Sensex / Nifty	76,171 / 23,045
Market Cap	Rs.437bn/ \$ 5,027m
Shares Outstanding	4,130m
3M Avg. Daily Value	Rs.1824.08m

Shareholding Pattern (%)

Promoter's	65.00
Foreign	2.59
Domestic Institution	15.87
Public & Others	16.54
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(0.3)	(19.7)	(13.8)
Relative	1.3	(16.0)	(19.6)

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Volume recovery led to strong operating leverage

Quick Pointers:

- Sales/ production volume guidance cut by 0.5mt/1.5mt to ~17.5mt/18.5mt
- Blended coking coal cost to decline by Rs1,000/t in Q4, while the management sees traction in flat products and expect it to improve in coming months

SAIL delivered strong operating performance during the quarter, driven by 16.3% YoY volume growth on a lower base and supported by the consumer/ infrastructure sectors. Average NSR declined 1.6% QoQ due to decline in flats product prices since mid-2024, though it was somewhat negated by increase in longs prices. The management has reduced its FY25 sales guidance to 17.5mt from 18mt given in Q2 and 19.2mt in Q1 due to challenging steel markets. SAIL's performance is set to improve further with imported coking coal prices expected to decline by ~Rs1,000/t in Q4 and flats prices likely to rise in coming months. SAIL has maintained lower capex guidance for FY25 at Rs57bn, which is largely sustenance and debottlenecking capex. Although the management reiterated its growth capex for 15mtpa expansion by FY31 at various sites, only 3 projects have received Stage 1 approval, and pace of execution remains a challenge. In the first phase, 7.5mtpa expansion is planned, of which, 4mtpa addition at IISCO (at Rs370bn capex) would start from end-FY26 as the management is yet to finalize costs and vendors.

We expect SAIL to remain a play on steel prices as a) inability to liquidate inventory during tough market conditions, b) its medium-term volume growth would depend upon successful execution of planned capex by FY28E, and c) higher capex can deteriorate balance sheet, unless there is timely execution. We increase our FY26/27E EBITDA estimates by ~3/13% taking into consideration higher volume assumptions. At CMP, the stock is trading at an EV of 6.3x/4.7x FY26/FY27E EBITDA. We upgrade the stock to 'Hold' from 'Reduce' with revised TP of Rs107 (Rs110 earlier) giving 5.5x Sep'26E EV/EBITDA.

Strong operating performance driven by volumes: SAIL's std revenue grew 5% YoY Rs245bn (+6% QoQ; PLe Rs225bn) on strong volume growth due to a weak base, aided by infra and consumer sectors. Average realization declined 1.6% QoQ to Rs55,281/t (-10% YoY; PLe Rs55,628/t), while volumes improved sharp 16% YoY to 4.4mt on a weak base (+8% QoQ; PLe 4.1mt). Crude steel production declined 3% YoY to 4.6mt (-3% QoQ).

EBITDA improvement leads to strong operating leverage: EBITDA declined just 5% YoY to Rs20.2bn (up 60% QoQ; PLe Rs13bn) on lower other expenses and employee costs. RM cost declined 3% YoY (up 1% QoQ) to Rs28,530/t, while staff costs declined 5% YoY to Rs5,876/t. Other expenses declined 14% YoY to Rs16,039/t mostly on positive operating leverage due to better volumes. Resultantly, EBITDA declined 19% YoY to Rs4,571/t (PLe Rs3,078/t). Reported PAT includes reversal of Rs285mn as an exceptional item.

Higher steel pricing warranted for EBITDA growth: Domestic steel spreads have improved in the last 2 months from lows of Rs19,400/t to Rs21,500/t recently as mills have taken price hikes in Jan'25. Going forward, with infrastructure demand set to improve significantly and the management seeing good traction in flat products, average NSR should improve. SAIL would benefit from lower coking coal prices as it has long-term contracts and lower cost inventory would come in the next few quarters. Global HRC pricing can remain under pressure in the near term due to the ongoing tariff war initiated by the US. Domestic pricing can also benefit from impending government measures to control cheap imports from China. We expect SAIL to remain a pure play on steel prices in the near term and outperform only in rising steel pricing scenarios.

Q3FY25 Conference Call Highlights:

- Crude steel production and sales volume targets for FY25 are ~18.5mt and ~17.5mt (20mt and 18mt earlier), respectively.
- Exports declined 73.7% in 9MFY25 for SAIL.
- Blended NSR for Q3FY25 was Rs49,700–49,800/t. For Jan'25, it was Rs48,400/t (long: Rs51,500/t, flats: Rs45,800/t). Flats prices are expected to increase in coming months.
- Blended and imported coal costs were Rs19,200 and Rs20,000/t, respectively, during the quarter. Imported coal prices are expected to decline further to Rs18,700–19,000/t.
- SAIL's coal mix consists of 85% imported coal and 15% domestic coal. SAIL does not purchase coke externally.
- Capex for 9MFY25 was Rs39bn, and for FY25, the management expects to be Rs57bn. FY26 capex is expected to be Rs75bn. Gross capex for the announced 15mtpa expansion program till 2031, will be Rs1.1-1.2tn.
- In Phase 1, SAIL is adding 7.5mtpa capacity at its 3 complexes, viz. IISCO, Bokaro and DSP, for Rs550–560bn, for which Stage 1 approvals have been received. SAIL is currently finalizing the costs.
- Jan'25 sales volume was 1.57mt. Proportion of semis for production and sales were 14% and 8%, respectively, although to keep this proportion low, SAIL is tying up with conversion agents.
- Current debt stands at Rs32.6bn, down from Rs35bn in Q2FY25, and is expected to be near the Q4FY24 level of Rs30.5bn by the end of Q4FY25. The debt-to-equity ratio is expected to be 1:1, with a peak of 1.2:1 during the capex cycle.
- Total inventory stands at 2.98mt, of which 1.79mt is finished goods.
- SAIL is yet to get approval for the pellet plant, to utilize fines from its Goa mine.
- SAIL is currently selling iron ore in Odisha and Chhattisgarh and is awaiting approval from the state government for sale in Jharkhand.

Exhibit 1: Standalone Q3FY25 Results Overview (Rs bn)

Y/e March	3QFY25	3QFY24	YoY gr. (%)	3QFY25E	% Var.	2QFY25	QoQ gr. (%)	9MFY25	9MFY24	YoY gr. (%)
Net Sales	244.9	233.5	4.9	224.7	9.0	230.4	6.3	715.3	756.7	-5.5
Raw material	126.4	111.9	12.9	107.7	17.4	115.6	9.3	362.6	397.8	-8.8
% of Net Sales	51.6%	47.9%		47.9%		50.2%		50.7%	52.6%	
Staff Cost	27.2	29.4	-7.4	30.3	-10.1	28.7	-5.3	83.7	89.1	-6.0
% of Net Sales	11.1%	12.6%		13.5%		12.5%		11.7%	11.8%	
Other expenses	71.1	70.8	0.4	74.3	-4.3	73.4	-3.1	213.9	210.8	1.5
% of Net Sales	29.0%	30.3%		33.1%		31.8%		29.9%	27.9%	
Total expenditure	224.6	212.1	5.9	212.2	5.9	217.7	3.2	660.1	697.6	-5.4
EBITDA	20.3	21.4	-5.4	12.4	62.9	12.7	59.8	55.1	59.1	-6.7
Margin (%)	8.3%	9.2%		5.5%		5.5%		7.7%	7.8%	
Depreciation	14.2	13.2	7.6	13.1	8.6	13.0	9.0	41.3	39.2	5.2
EBIT	6.0	8.2	-26.2	-0.7	NA	-0.4	-1,763.0	13.9	19.9	-30.2
Other income	3.6	1.8	104.0	2.1	70.0	2.7	35.2	8.3	7.9	4.9
Interest	6.8	6.1	10.7	7.6	-11.2	7.6	-10.3	21.3	18.3	16.2
PBT	2.9	3.8	-24.7	-6.2	NA	-5.2	-155.2	0.9	9.5	-90.4
Extraordinary income/(expense)	0.3	0.8	NA	0.0	NA	16.4	NA	13.5	14.1	-4.0
PBT (after EO)	3.2	4.6	-31.0	-6.2	NA	11.1	NA	14.4	23.6	-38.8
Tax	1.9	1.3	48.6	-1.5	NA	2.8	NA	4.7	6.4	-25.5
Reported PAT	1.3	3.3	-62.0	-4.6	NA	8.3	-84.9	9.7	17.2	-43.7
Adjusted PAT	1.1	2.8	-58.6	-4.6	NA	-3.9	NA	0.6	6.9	-91.2

Source: Company, PL

Exhibit 2: Operating matrix

Y/e March	3QFY25	3QFY24	YoY gr. (%)	3QFY25E	% Var.	2QFY25	QoQ gr. (%)	9MFY25	9MFY24	YoY gr. (%)
Crude Steel Production volumes (mt)	4.63	4.75	-2.5	4.99	-7.2	4.76	-2.7	14.07	14.22	-1.1
Sales volume (mt)	4.43	3.81	16.3	4.04	9.7	4.10	8.0	12.54	12.46	0.6
Realization/t	55,281	61,274	-9.8	55,628	-0.6	56,190	-1.6	57,038	60,709	-6.0
EBITDA/t	4,571	5,617	-18.6	3,078	48.5	3,091	47.9	4,395	4,739	-7.3

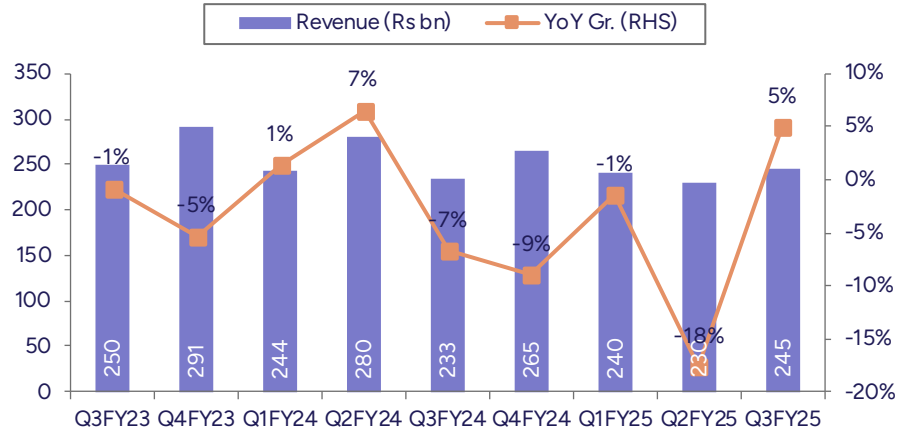
Source: Company, PL

Exhibit 3: Plant-wise performance

Y/e March (Rs bn)	3QFY25	3QFY24	YoY gr. (%)	2QFY25	QoQ gr. (%)	9MFY25	9MFY24	YoY gr. (%)
Revenue								
Bhilai Steel Plant	78.3	65.0	20.4	85.8	-8.7	243.4	236.0	3.1
Durgapur Steel Plant	30.1	29.0	3.8	29.6	1.7	91.3	92.0	-0.8
Rourkela Steel Plant	57.7	58.6	-1.6	55.4	4.1	178.9	192.9	-7.3
Bokaro Steel Plant	59.9	60.0	-0.2	53.7	11.5	162.9	192.3	-15.3
IISCO Steel plant	25.8	29.1	-11.3	32.8	-21.4	89.3	93.2	-4.2
Special Steel plants	12.5	12.0	4.2	11.7	6.8	37.9	38.1	-0.6
Total Revenue	264.3	253.8	4.1	269.0	-1.8	803.5	844.4	-4.8
Segment EBIT								
Bhilai Steel Plant	6.4	0.6	920.2	16.9	-62.3	28.5	22.1	28.7
Durgapur Steel Plant	1.1	2.0	-43.7	1.4	-18.7	3.9	3.9	0.7
Rourkela Steel Plant	1.9	4.0	-51.4	-1.0	NA	4.6	11.2	-59.1
Bokaro Steel Plant	(1.0)	4.6	NA	0.4	NA	-0.9	11.2	NA
IISCO Steel plant	1.3	0.5	138.9	1.9	-32.8	2.7	2.2	22.8
Special Steel plants	(0.0)	(1.7)	NA	(0.8)	NA	(0.2)	(5.4)	NA
Total EBIT	9.7	10.0	-2.9	18.7	-48.2	38.6	45.3	-14.9

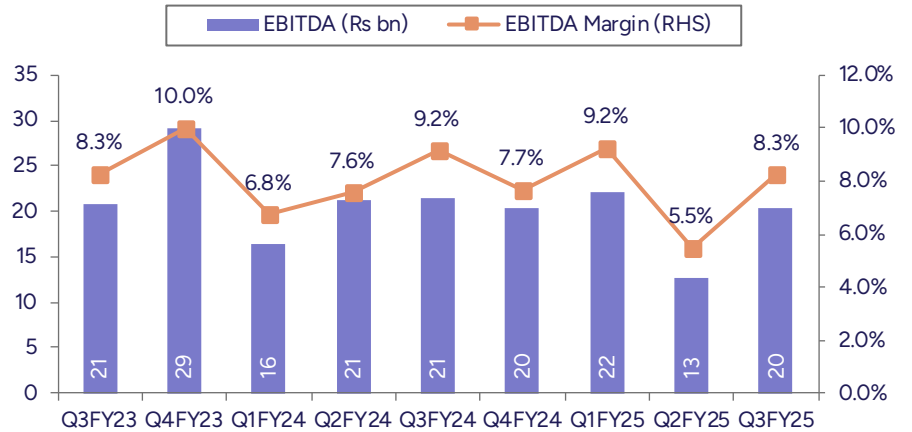
Source: Company, PL

Exhibit 4: Revenue grew 5% YoY on strong volumes



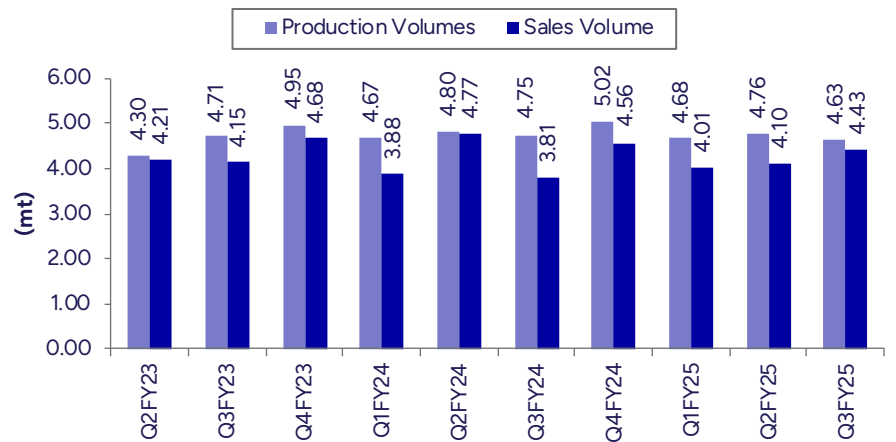
Source: Company, PL

Exhibit 5: EBITDA declined just 5% YoY on lower other & employee expenses



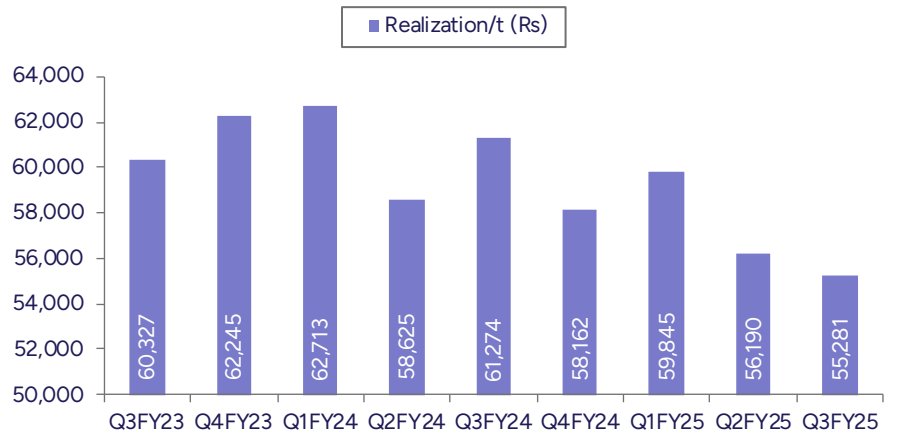
Source: Company, PL

Exhibit 6: Sales volume grew 16% YoY on improved domestic demand



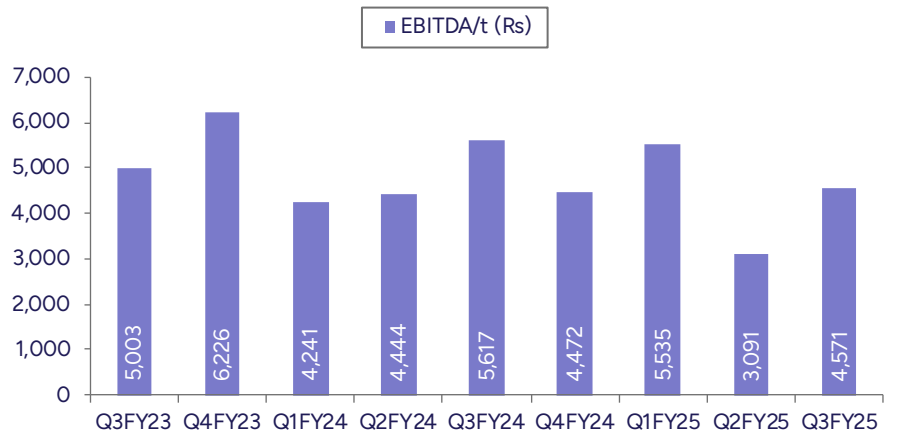
Source: Company, PL

Exhibit 7: Avg realization declined 1.6% QoQ on weak steel pricing



Source: Company, PL

Exhibit 8: EBITDA/t declined 19% YoY despite lower costs



Source: Company, PL

Financials

Income Statement (Rs bn)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Net Revenues	1,027	990	1,060	1,172
YoY gr. (%)	(1.6)	(3.6)	7.1	10.5
Cost of Goods Sold	543	494	493	540
Gross Profit	485	496	567	631
Margin (%)	47.2	50.1	53.5	53.9
Employee Cost	117	114	119	125
Other Expenses	282	296	326	354
EBITDA	85	87	122	152
YoY gr. (%)	6.0	1.8	41.2	24.3
Margin (%)	8.3	8.7	11.5	13.0
Depreciation and Amortization	53	55	56	61
EBIT	32	32	66	90
Margin (%)	3.1	3.2	6.2	7.7
Net Interest	25	28	27	26
Other Income	11	12	13	14
Profit Before Tax	37	29	52	78
Margin (%)	3.6	2.9	4.9	6.7
Total Tax	10	8	13	20
Effective tax rate (%)	25.9	26.5	25.1	25.1
Profit after tax	27	21	39	59
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	14	11	39	59
YoY gr. (%)	(17.9)	(21.0)	251.0	50.2
Margin (%)	1.4	1.1	3.7	5.0
Extra Ord. Income / (Exp)	13	10	-	-
Reported PAT	27	21	39	59
YoY gr. (%)	43.6	(22.8)	85.4	50.2
Margin (%)	2.7	2.1	3.7	5.0
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	27	21	39	59
Equity Shares O/s (bn)	4	4	4	4
EPS (Rs)	3.4	2.7	9.5	14.2

Source: Company Data, PL Research

Balance Sheet Abstract (Rs bn)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Non-Current Assets				
Gross Block	1,384	1,441	1,516	1,616
Tangibles	1,384	1,441	1,516	1,616
Intangibles	-	-	-	-
Acc: Dep / Amortization	614	669	725	786
Tangibles	614	669	725	786
Intangibles	-	-	-	-
Net fixed assets	770	772	791	830
Tangibles	770	772	791	830
Intangibles	-	-	-	-
Capital Work In Progress	61	61	61	61
Goodwill	-	-	-	-
Non-Current Investments	30	30	30	30
Net Deferred tax assets	(62)	(62)	(62)	(62)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	-	-	-	-
Inventories	326	298	290	321
Trade receivables	83	81	87	96
Cash & Bank Balance	5	20	24	56
Other Current Assets	-	-	-	-
Total Assets	1,375	1,362	1,383	1,494
Equity				
Equity Share Capital	41	41	41	41
Other Equity	500	513	544	594
Total Networkth	541	554	585	635
Non-Current Liabilities				
Long Term borrowings	391	391	361	341
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	153	136	145	160
Other current liabilities	228	219	230	295
Total Equity & Liabilities	1,375	1,362	1,383	1,494

Source: Company Data, PL Research

Cash Flow (Rs bn)

Y/e Mar	FY24	FY25E	FY26E	FY27E
PBT	37	29	52	78
Add. Depreciation	53	55	56	61
Add. Interest	25	28	27	26
Less Financial Other Income	11	12	13	14
Add. Other	(7)	-	-	-
Op. profit before WC changes	107	112	135	166
Net Changes-WC	(77)	4	22	41
Direct tax	(1)	(7)	(13)	(20)
Net cash from Op. activities	29	108	145	186
Capital expenditures	(49)	(57)	(75)	(100)
Interest / Dividend Income	-	-	-	-
Others	6	-	-	-
Net Cash from Invst. activities	(43)	(57)	(75)	(100)
Issue of share cap. / premium	(8)	-	-	-
Debt changes	49	-	(30)	(20)
Dividend paid	(6)	(8)	(8)	(8)
Interest paid	(22)	(28)	(27)	(26)
Others	-	-	-	-
Net cash from Fin. activities	14	(36)	(65)	(54)
Net change in cash	0	14	4	32
Free Cash Flow	(19)	51	70	86

Source: Company Data, PL Research

Quarterly Financials (Rs bn)

Y/e Mar	Q4FY24	Q1FY25	Q2FY25	Q3FY25
Net Revenue	265	240	230	245
YoY gr. (%)	(9.0)	(1.5)	(17.6)	4.9
Raw Material Expenses	145	121	116	126
Gross Profit	120	119	115	119
Margin (%)	45.4	49.8	49.8	48.4
EBITDA	20	22	13	20
YoY gr. (%)	(30.0)	34.7	(40.2)	(5.4)
Margin (%)	7.7	9.2	5.5	8.3
Depreciation / Depletion	14	14	13	14
EBIT	7	8	-	6
Margin (%)	2.6	3.4	(0.2)	2.5
Net Interest	6	7	8	7
Other Income	4	2	3	4
Profit before Tax	13	-	11	3
Margin (%)	5.0	0.1	4.8	1.3
Total Tax	3	-	3	2
Effective tax rate (%)	23.9	25.1	25.1	60.4
Profit after Tax	10	-	8	1
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	10	-	8	1
YoY gr. (%)	(3.6)	(92.9)	(32.8)	(62.0)
Margin (%)	3.8	-	3.6	0.5
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	10	-	8	1
YoY gr. (%)	(3.6)	(92.9)	(32.8)	(62.0)
Margin (%)	3.8	-	3.6	0.5
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	10	-	8	1
Avg. Shares O/s (bn)	4	4	4	4
EPS (Rs)	2.4	-	2.0	0.3

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Per Share(Rs)				
EPS	3.4	2.7	9.5	14.2
CEPS	16.2	16.0	23.0	29.1
BVPS	131.0	134.2	141.6	153.8
FCF	(4.7)	12.3	16.9	20.9
DPS	2.5	2.0	2.0	2.0
Return Ratio(%)				
RoCE	4.9	4.6	8.4	10.8
ROIC	2.7	2.5	5.4	7.5
RoE	2.7	2.0	6.9	9.6
Balance Sheet				
Net Debt : Equity (x)	0.7	0.7	0.6	0.4
Net Working Capital (Days)	91	90	80	80
Valuation(x)				
PER	31.0	39.2	11.2	7.4
P/B	0.8	0.8	0.7	0.7
P/CEPS	16.2	16.0	23.0	29.1
EV/EBITDA	9.7	9.3	6.3	4.7
EV/Sales	0.8	0.8	0.7	0.6
Dividend Yield (%)	2.4	1.9	1.9	1.9

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales volume (mt)	17	18	19	20
Realisation/t (Rs)	60,027	56,539	56,576	58,117
EBITDA/t (Rs)	4,668	4,944	6,521	7,535

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	09-Jan-25	Reduce	110	108
2	09-Nov-24	Reduce	104	118
3	07-Oct-24	Reduce	131	139
4	09-Aug-24	Sell	112	129
5	07-Jul-24	Sell	134	156
6	21-May-24	Sell	127	174
7	12-Apr-24	Reduce	138	153
8	14-Feb-24	Hold	108	123

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ACC	BUY	2,878	2,001
2	Ambuja Cement	BUY	628	522
3	Dalmia Bharat	Accumulate	1,988	1,799
4	Hindalco Industries	BUY	682	589
5	Jindal Stainless	Accumulate	715	649
6	Jindal Steel & Power	Accumulate	847	792
7	JSW Steel	Hold	919	932
8	National Aluminium Co.	Accumulate	205	183
9	NMDC	Accumulate	70	64
10	Nuvoco Vistas Corporation	Hold	339	353
11	Shree Cement	Hold	26,190	27,796
12	Steel Authority of India	Reduce	110	108
13	Tata Steel	Accumulate	145	129
14	Ultratech Cement	Accumulate	12,350	11,421

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

ANALYST CERTIFICATION

(Indian Clients)

We/I, Mr. Tushar Chaudhari- MMS-Finance, Mr. Satyam Kesarwani- BFM, Passed CFA Level I Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

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