



TM

Steel Authority of India

30 May 2025

Earnings beat on higher volumes; pricing pressure eases

RESULT UPDATE

Sector: Metals Rating: HOLD

CMP: Rs 130 Target Price: Rs 114

Stock Info

Sensex/Nifty	81,633/ 24,834
Bloomberg	SAIL IN
Equity shares (mn)	4,130
52-wk High/Low	Rs 169/99
Face value	Rs 10
M-Cap	Rs 537bn/USD 6.1bn

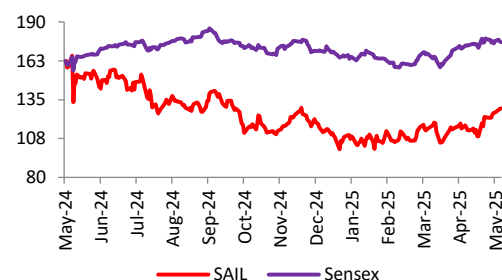
Financial Snapshot (Rs bn)

Y/E Mar	FY25	FY26E	FY27E
Sales	1,032.6	1,054.1	1,103.5
EBITDA	106.5	122.8	150.9
Adjusted PAT	22.0	31.6	51.2
EPS (Rs)	5.3	7.6	12.4
PE (x)	24.2	16.9	10.4
EV/EBITDA (x)	8.4	7.3	5.9
RoE (%)	3.7	5.2	8.0
RoCE (%)	6.5	8.1	10.6
Dividend yield (%)	1.4	2.1	3.4

Shareholding Pattern (%)

	Mar'25	Dec'24	Sep'24
Promoter	65	65	65
FII	3	3	3
DII	16	16	16
Others	16	17	16

Stock Performance (1-year)



Steel Authority of India (SAIL) reported consolidated EBITDA of Rs 34.89bn for 4QFY25, up 72% QoQ and flat YoY, 24% above our estimates, driven by better sales volumes and lower raw material costs. EBITDA/t for the quarter was USD 75/t (-17%/+38% YoY/QoQ). SAIL's 4QFY25 revenue of Rs 293.2bn (+5%/+20% YoY/QoQ), was 20% above our estimate, led by higher volumes. Saleable steel production for the quarter was 4.7mt (flat YoY, +7% QoQ), and saleable steel sales were 5.3mt (+16% YoY and +21% QoQ), 21% above our estimates. Realizations for the quarter averaged at Rs 55,002/t (-10%/-1% YoY/QoQ), muted due to lower flat steel prices. Flats and longs contributed 50.6% and 35.6% to SAIL's product mix this in FY25, respectively, while the remaining 13.7% were semis. The company remains committed to increasing the share of finished products in its sales mix and targets semi's contribution below 13% in FY26 and FY27. SAIL's near-term growth is hinged on improving capacity utilisation and smaller capacity additions through debottlenecking, to be supported by efficiency improvement via digitalization and technological advancements. We maintain HOLD rating on the stock based on 5.5x FY27E EV/EBITDA and TP of Rs 114/share.

SAIL's FY25 consolidated EBITDA of Rs 106bn (-5% YoY) was 7% above our estimate. Revenue for the year was reported at Rs 1,025bn (-3% YoY), in line with our estimate. Saleable steel production at 17.94mt declined 3% YoY while saleable steel sales recorded at 17.9mt improved by 5% YoY, 3% above our estimates. Average realizations fell 8% YoY to Rs 52,526/t, in line with broader steel price movement during the year. SAIL spent Rs 62bn in capex and closed the year with a net debt of Rs 360bn. SAIL's ongoing capex is largely directed towards sustenance and debottlenecking projects as it concurrently progresses its future growth capex to take the capacity to 35mt by 2031 from 20mt currently.

Valuation and view: Earnings growth in the near to medium term is likely to be favored by strengthening steel prices and softer raw material costs. Implementation of 12% safeguard duty on HRC imports has relieved pricing pressure, especially for flat steel, the impact of which will be visible through 1HFY26. We raise our FY26E/FY27E EBITDA by 8.2%/7.3% and keep the target multiple unchanged at 5.5x FY27E EV/EBITDA. We expect SAIL to deliver a 3%/19%/53% revenue/EBITDA/PAT CAGR over FY25-FY27E, which will be largely driven by peak capacity utilisation, lower raw material costs, and improved realisations. We value SAIL at 5.5x FY27E EV/EBITDA with a target price of Rs 114/share, implying a 12% downside from CMP, after factoring in higher debt and ascribing NIL value to SAIL's CWIP. The plateauing steel sales volume trajectory is SAIL's key limitation, accompanied by limited visibility on its long-term expansion strategy as it approaches its 35mt capacity target year of 2031. We believe the 15mt expansion is unlikely in less than six years, as evidenced by its previous capacity expansion track record. These factors may restrict the stock's potential for re-rating relative to its peers, in our view. **Maintain HOLD.**

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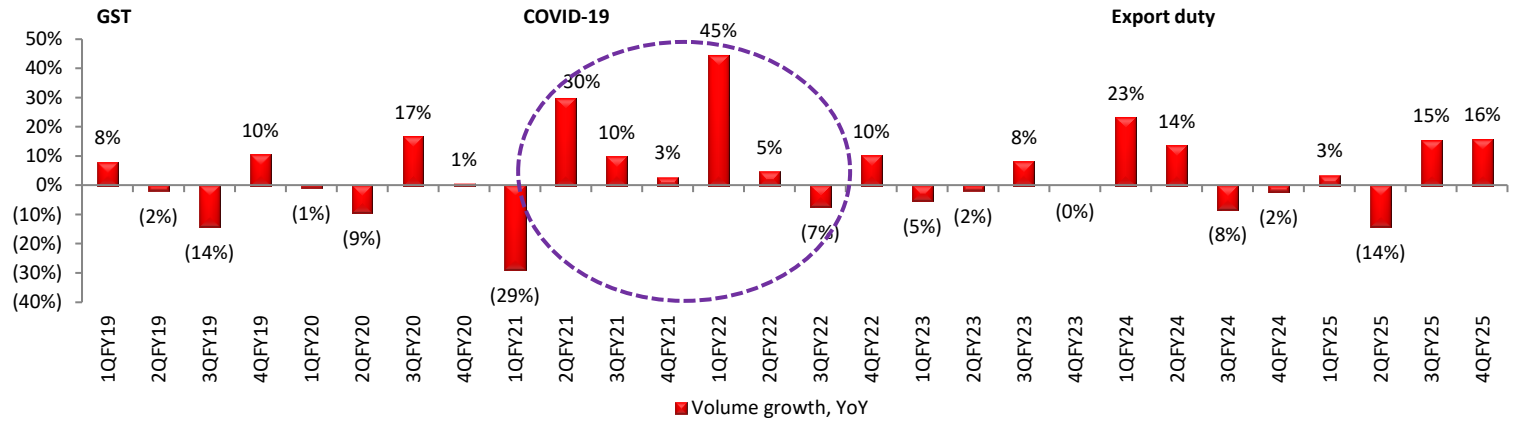
Key highlights of the 4QFY25 earnings call

- **Volume Guidance:** SAIL has achieved the highest sales volume of 5.3mt in 4QFY25, rising by 16%/21% YoY/QoQ. Management has guided FY26 sales at 19.2mt on a production of 20mt. Semi-finished steel sales are targeted to be around 11%-12%, down from 13.7% in FY25.
- **Cost Optimization Initiatives:** SAIL has already achieved cost savings of around Rs 6.5bn by enhancing its techno-economic parameters and aims to drive further savings through continued operational efficiencies. The management estimates employee costs by to be lower by Rs 4bn-5bn in the next fiscal year through natural attrition. Coking coal prices are projected to ease to Rs 17,000–17,500/t in 1HFY26, down from Rs 18,500/t in 4QFY25, supporting margin improvement.
- **Near term NSRs:** Realizations are also expected to improve in 1QFY26, with flat products likely to see a price increase of Rs 2,000–2,500/t and long products by Rs 1,700–2,000/t. The company maintains a flat and long steel mix balanced at 50:50.
- **Expansion Plans:** The management has guided for Rs 75bn capex in FY26 to be directed towards optimizing utilisation and enabling cost efficiencies. Capex will also be allocated between various debottlenecking projects. SAIL targets to achieve 3mt incremental capacity by FY28 through debottlenecking measures. This volume growth will be followed by larger expansions at the IISCO Steel Plant (ISP), Bhilai Steel Plant, Rourkela Steel Plant, and Durgapur Steel Plant, through a combination of brownfield and greenfield expansions. Expansions at ISP are at relatively advanced stages of approvals and project tendering, where 0.5mt will be added through debottlenecking and another 7mt greenfield capacity will come onstream by 2029.

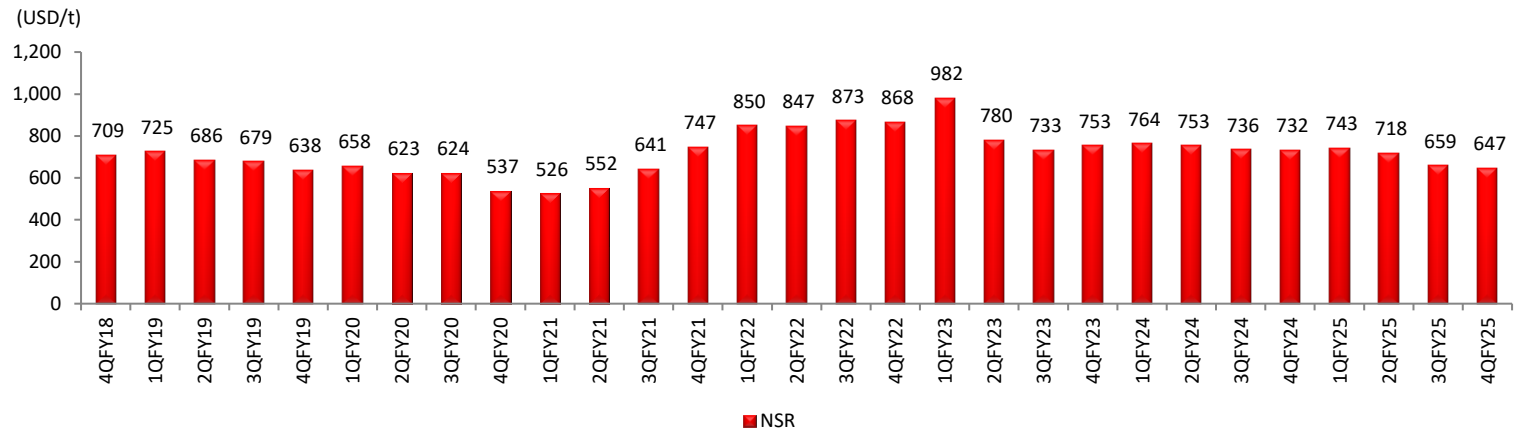
Exhibit 1: Quarterly snapshot

(Rs bn)	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Net revenues	280	240	247	245	293
YoY change (%)					5
QoQ change (%)					20
EBITDA	35	22	29	20	35
YoY change (%)					0
QoQ change (%)					72
EBITDA Margin (%)	12	9	12	8	12
Net earnings (adjusted)	16	4	9	1	13
YoY change (%)					(21)
QoQ change (%)					1,031

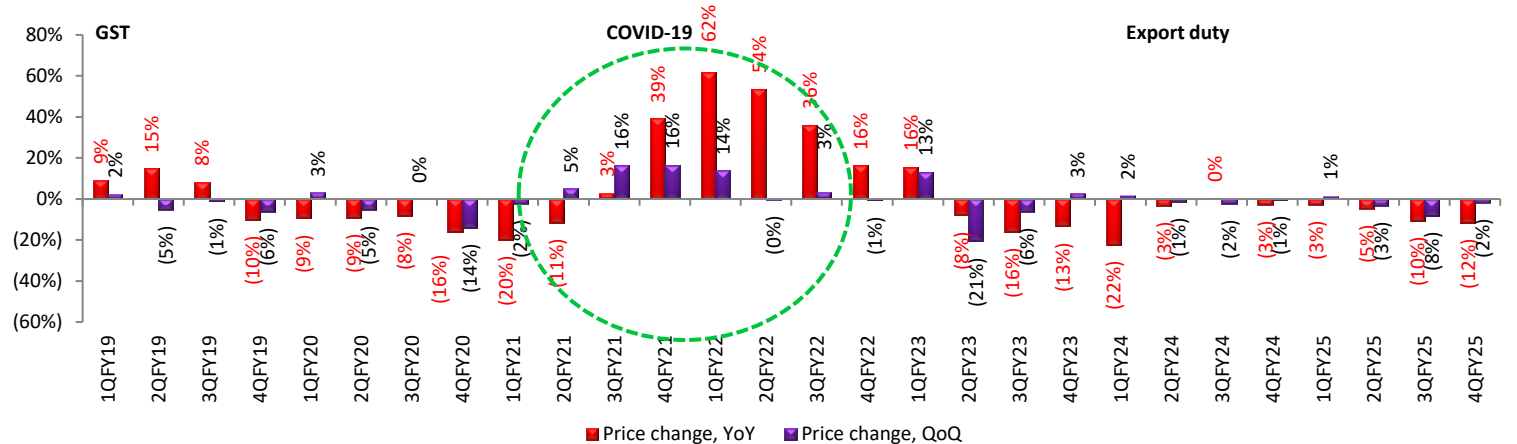
Source: Company, Systematix Institutional Research

Exhibit 2: 4QFY25 sales volumes improved by 21% sequentially

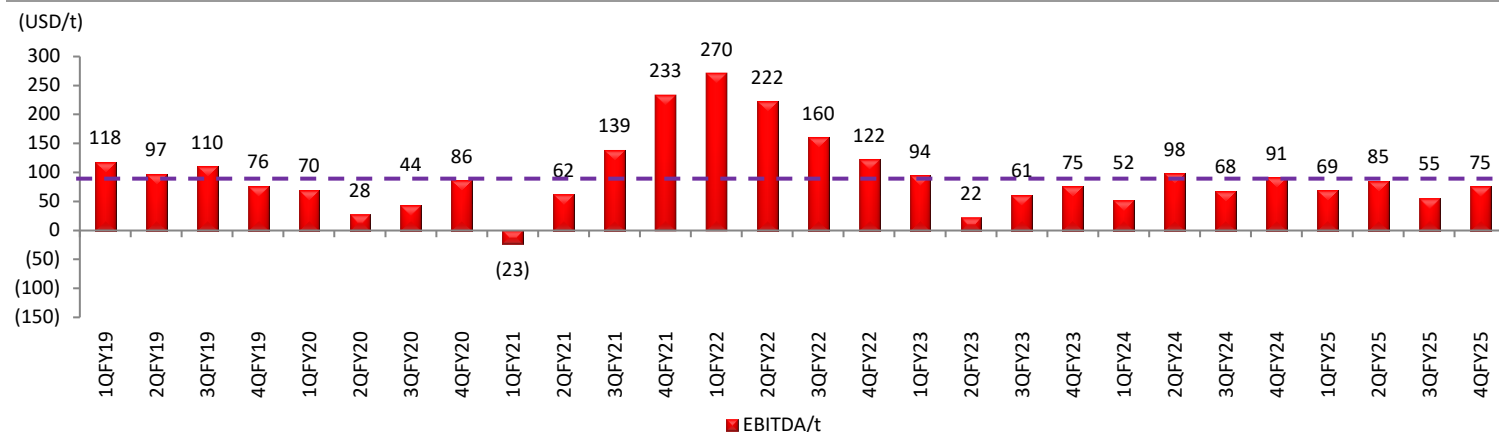
Source: Company data, Systematix Institutional Research

Exhibit 3: Declining trend in the NSR

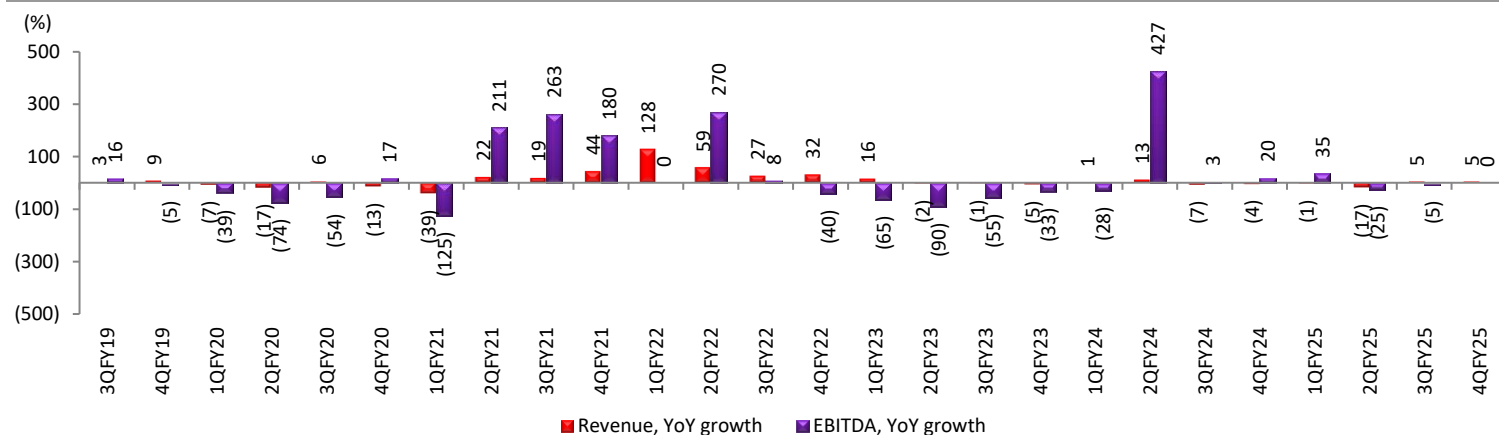
Source: Company, Systematix Institutional Research

Exhibit 4: YoY change in NSR

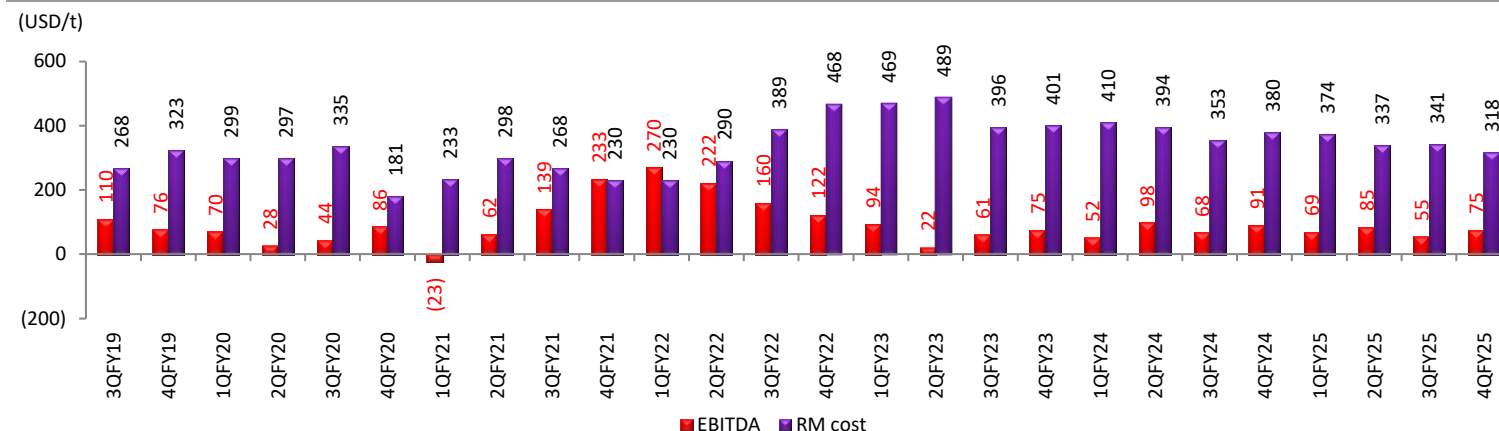
Source: Company, Systematix Institutional Research

Exhibit 5: EBITDA/t contracted by 17% YoY but rose by 38% QoQ to USD 75/t

Source: Company, Systematix Institutional Research

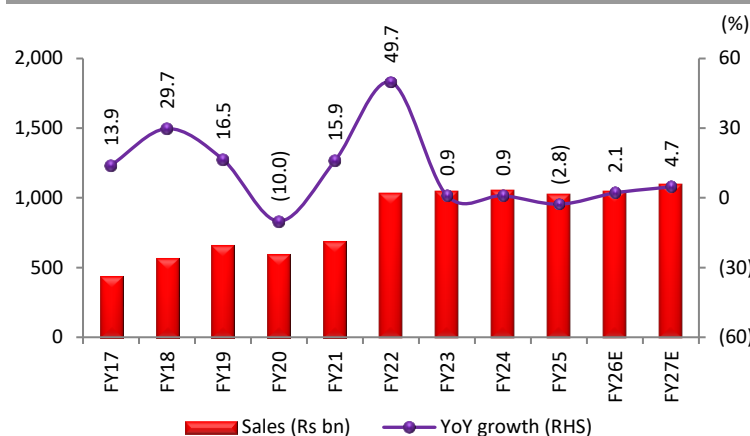
Exhibit 6: Revenue and EBITDA change YoY

Source: Company, Systematix Institutional Research

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

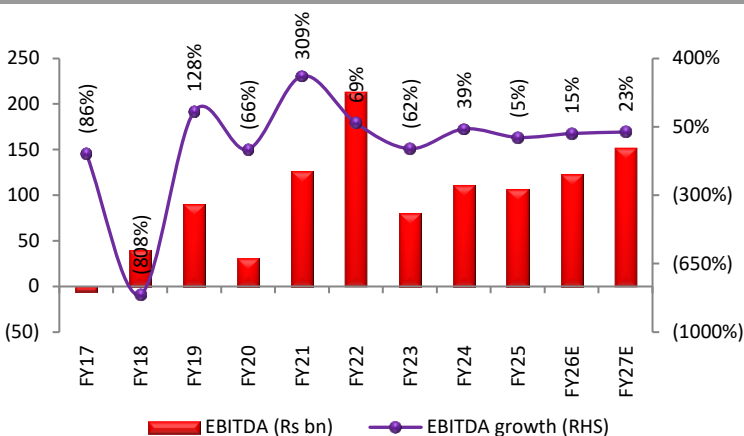
Source: Company, Systematix Institutional Research

Exhibit 8: Revenue to witness steady growth



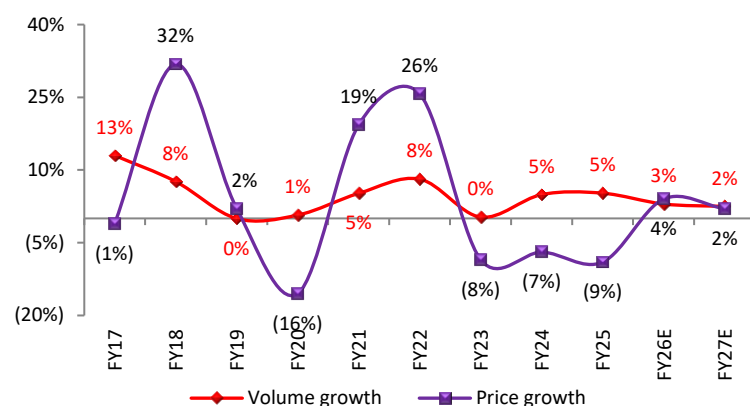
Source: Company, Systematix Institutional Research

Exhibit 9: EBITDA trend



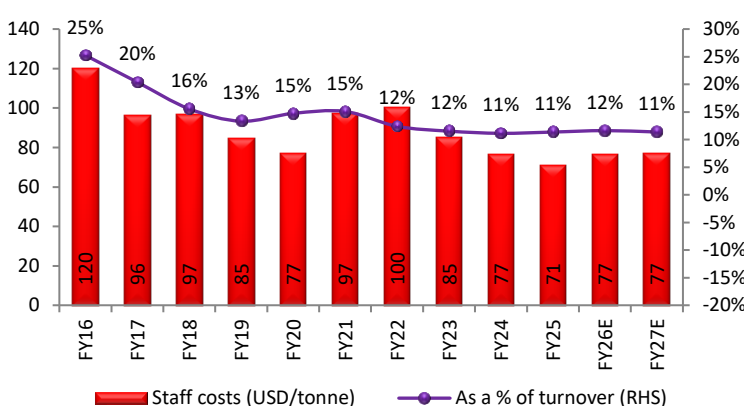
Source: Company, Systematix Institutional Research

Exhibit 10: Estimated YoY change in price and volume



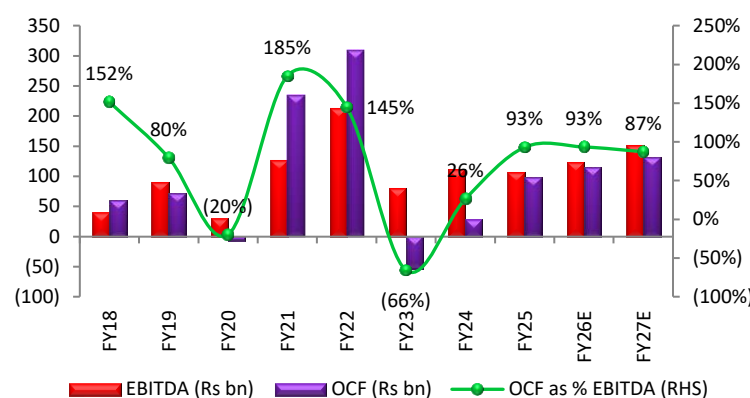
Source: Company, Systematix Institutional Research

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



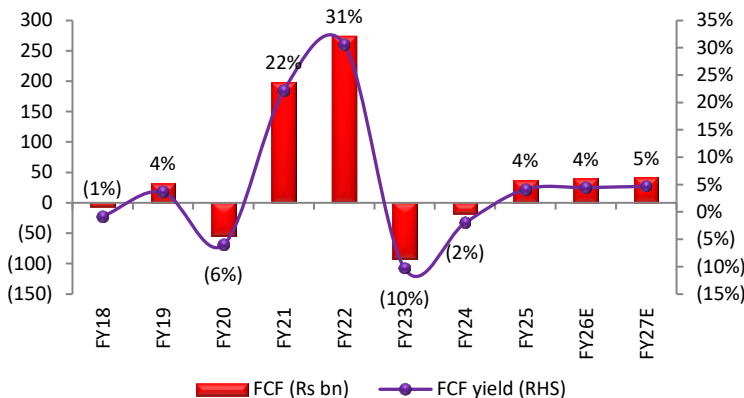
Source: Company, Systematix Institutional Research

Exhibit 12: EBITDA to OCF conversion

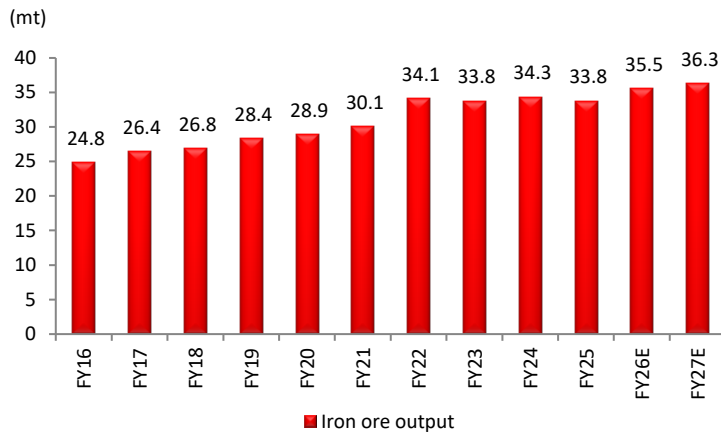


Source: Company, Systematix Institutional Research

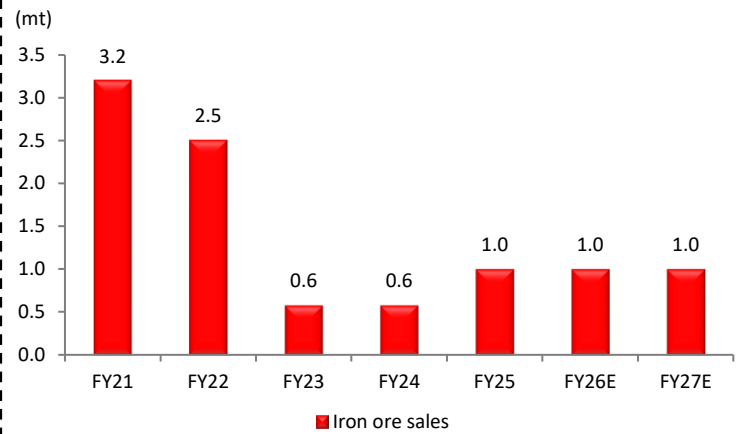
Exhibit 13: FCF to EV ratio to improve



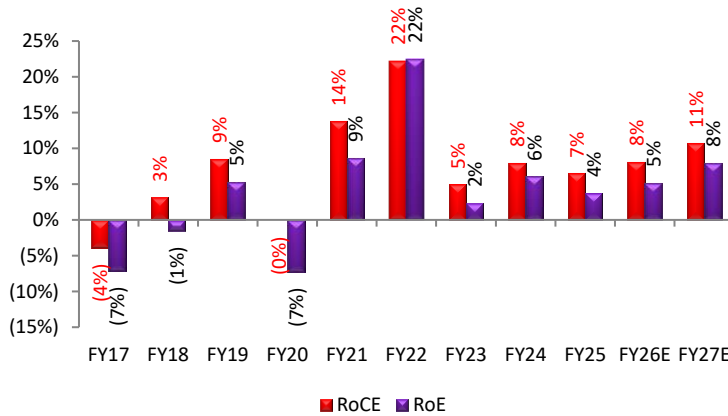
Source: Company, Systematix Institutional Research

Exhibit 14: Stable increase in iron ore output

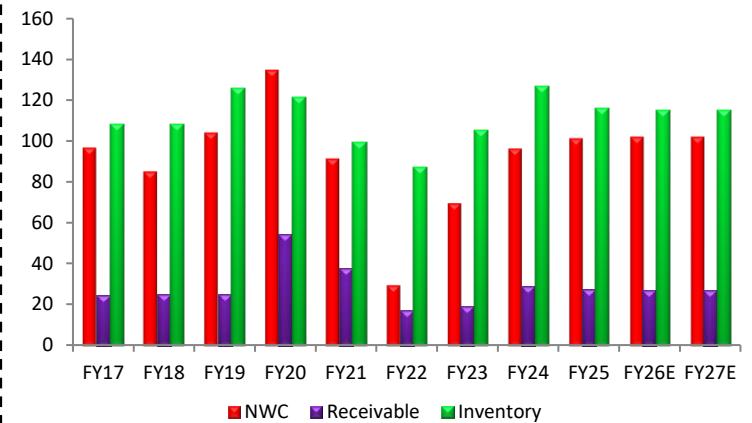
Source: Company, Systematix Institutional Research

Exhibit 15: Iron ore sales

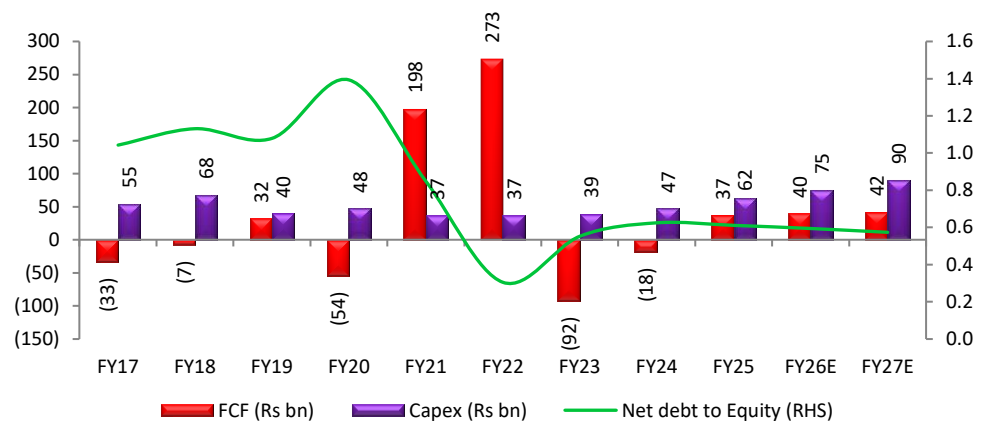
Source: Company, Systematix Institutional Research

Exhibit 16: Return ratios (%) to improve

Source: Company, Systematix Institutional Research

Exhibit 17: Net working capital trend

Source: Company, Systematix Institutional Research

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

Source: Company, Systematix Institutional Research

Exhibit 19: SAIL valuation: EV/EBITDA method (FY27E)

	EBITDA (Rs bn)	Multiple (x)	EV (Rs bn)
EBITDA	151	5.5	830
Less: Net debt	360	1.0	360
Equity value			470
Target price (Rs/share)			114

Source: Company, Systematix Institutional Research

Exhibit 20: Revised estimates

(Rs bn)	Previous		New		% Change	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Net sales	1,052.0	1,096.2	1,054.1	1,103.5	0.2%	0.7%
EBITDA	113.5	140.6	122.8	150.9	8.2%	7.3%
PAT	30.8	49.6	31.6	51.2	2.5%	3.2%

Source: Systematix Institutional Research

Exhibit 21: Key assumptions

	Unit	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Steel production	Mt	15	15	17	17	18	19	20	20
Steel sales	Mt	14	15	16	16	17	18	18	19
NSR	USD/t	536	640	804	736	685	623	650	665
EBITDA/t	USD/t	29	115	174	60	79	70	78	94

Source: Company, Systematix Institutional Research

FINANCIALS (CONSOLIDATED)

Profit & Loss Statement

YE: Mar (Rs bn)	FY23	FY24	FY25	FY26E	FY27E
Net revenues	1,052	1,062	1,033	1,054	1,103
Expenditure	972	951	926	931	953
EBITDA	80	111	106	123	151
Depreciation	50	53	57	57	58
EBIT	31	59	50	66	93
Interest cost	20	25	28	31	30
Exceptionals	12	2	6	9	9
PBT	(2)	32	16	26	54
Taxes	7	10	9	12	20
Adjusted PAT	13	35	22	32	51
Reported PAT	22	31	24	32	51
No of Shares (mn.)	4	4	4	4	4
Adj. EPS (Rs/share)	5.3	7.4	5.7	7.6	12.4

Source: Company, Systematix Institutional Research

Balance Sheet

YE: Mar (Rs bn)	FY23	FY24	FY25	FY26E	FY27E
Share capital	41	41	41	41	41
Reserves and surplus	506	530	548	568	602
Minority Interest	-	-	-	-	-
Net worth	547	571	589	610	643
Total Debt	308	363	369	386	381
Non-Current liabilities	141	139	131	131	131
Current liabilities	294	319	259	255	258
Total sources	1,305	1,407	1,364	1,397	1,428
Net block	775	767	779	783	798
CWIP	49	61	72	86	104
Non current investments	95	94	89	89	89
Total Non current assets	919	922	940	958	990
Cash	6	7	10	24	12
Inventories	278	327	292	291	298
Receivables	54	84	76	77	81
Other current assets	49	68	46	46	46
Current Assets	386	485	423	438	437
Total Assets	1,305	1,407	1,364	1,397	1,428

Source: Company, Systematix Institutional Research

Cash Flow

YE: Mar (Rs bn)	FY23	FY24	FY25	FY26E	FY27E
PBT	29	41	33	44	71
Add: Depreciation	50	53	57	57	58
Add: Interest	20	25	28	31	30
Taxes paid	(4)	(1)	(6)	(12)	(20)
Add: Other adjustments	(10)	(12)	(7)	-	-
WC changes	(137)	(76)	(4)	(5)	(8)
Total OCF	(53)	29	99	115	132
OCF w/o WC changes	84	106	103	119	140
Capital expenditure	(39)	(47)	(62)	(75)	(90)
Change in investments	6	5	10	-	-
Interest/Dividend Recd	-	-	-	-	-
Total ICF	(34)	(43)	(53)	(75)	(90)
Free Cash Flows	(92)	(18)	37	40	42
Share issuances	-	-	-	-	-
Change in borrowings	120	41	(16)	16	(5)
Dividends	(13)	(6)	(4)	(11)	(18)
Interest payment	(21)	(22)	(24)	(31)	(30)
Others	-	-	-	-	-
Total Financing CF	86	14	(44)	(25)	(53)
Net change in cash	(1)	0	2	14	(12)
Opening cash & CE	1	1	1	3	17
Closing cash & CE	1	1	3	17	6

Source: Company, Systematix Institutional Research

Ratios

YE: Mar	FY23	FY24	FY25	FY26E	FY27E
YoY growth in Revenue	1	1	(3)	2	5
YoY growth in EBITDA	(62)	39	(5)	15	23
YoY growth in Net income	(90)	173	(37)	44	62
RoCE	5.0	8.0	6.5	8.1	10.6
RoE	2	6	4	5	8
Per share numbers (Rs)					
Reported earnings	5	7	6	8	12
Book value	133	138	143	148	156
CPS	17.3	20.2	19.4	21.4	26.5
Valuations (x)					
P/E	24.5	17.4	22.5	16.9	10.4
EV/EBITDA	10.4	8.0	8.4	7.3	5.9
EV to sales	0.8	0.8	0.9	0.8	0.8
P/B	1.0	0.9	0.9	0.9	0.8
Margins (%)					
EBITDA margin	8	10	10	12	14
PAT margin	2	3	2	3	5

Source: Company, Systematix Institutional Research

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Tel no. 022-66198000/40358000 Fax no. 022-66198029/40358029 Email id contactus@systematixgroup.in. Visit us at: www.systematixgroup.in

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