



## Company Background

Steel Authority of India Limited is one of India’s largest integrated steel producers, operating across the entire steel value chain from iron ore mining to finished steel products. The company has a diversified product portfolio catering to infrastructure, construction, railways, defence, automotive, and engineering sectors, supported by a strong domestic manufacturing base and extensive distribution network across India. With a crude steel production capacity of over 21 million tonnes per annum, captive raw material security, and ongoing modernization initiatives, SAIL is strategically positioned to benefit from India’s structural infrastructure growth, rising steel consumption, government-led capex, and increasing focus on domestic manufacturing under initiatives such as “Make in India” and the National Infrastructure Pipeline.

## Investment View

Steel Authority of India Limited is well positioned to benefit from India’s ongoing steel upcycle, supported by rising domestic demand, improving steel spreads, and infrastructure-led consumption growth. Following years of balance sheet repair, cost optimization, and operational improvements, the company is entering a stronger operating leverage cycle where higher steel prices and better capacity utilization can significantly boost profitability. Management remains optimistic on earnings growth driven by higher sales volumes, improved blast furnace efficiencies, and expansion projects at Bhilai, Bokaro, and IISCO, with crude steel capacity expected to rise from ~19.4 MT in FY26 to over 22.5 MT in FY27, positioning SAIL for a multi-year earnings recovery.

## What We Think:

We believe Steel Authority of India Limited has entered a strong earnings recovery cycle driven by improving domestic steel dynamics, rising steel prices, operating leverage, and aggressive capacity expansion. Management’s confidence in achieving 22–22.5 MT production in FY27 despite 21 MT installed capacity highlights meaningful efficiency gains across operations driven by debottlenecking while lower debt and improving EBITDA per ton are strengthening profitability and balance sheet quality. Ongoing expansion projects at IISCO, Bokaro, and Bhilai, along with rising demand for value-added steel, position SAIL as a key beneficiary of India’s infrastructure and manufacturing-led growth over the long term.

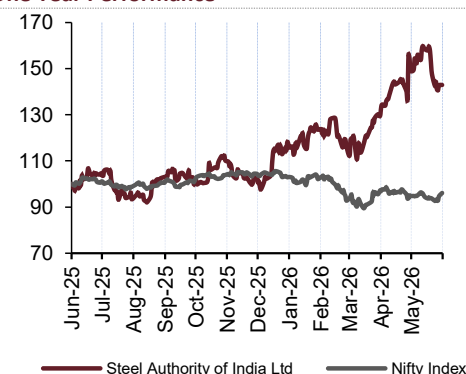
Rating	TP (Rs)	Up/Dn (%)
<b>BUY</b>	<b>225</b>	<b>22</b>

### Market data

<b>Current price</b>	<b>Rs</b>	<b>184</b>
Market Cap (Rs.Bn)	(Rs Bn)	761
Market Cap (US\$ Mn)	(US\$ Mn)	8,002
Face Value	Rs	10
52 Weeks High/Low	Rs	209.7 / 118.1
Average Daily Volume	(‘000)	10,637
BSE Code		500113
Bloomberg		SAIL.IN

Source: Bloomberg

### One Year Performance



Source: Bloomberg

% Shareholding	Mar-26	Dec-25
Promoters	65.00	65.00
Public	35.00	35.00
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

Source: Bloomberg

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## Why We Think So

### Operating Leverage Driving Profit Recovery:

Steel Authority of India Limited is witnessing a strong profit recovery driven by operating leverage, as a large portion of its costs remain fixed while improving steel realizations significantly boost profitability. In Q4FY26, revenue grew 5% YoY to ₹30,541 crore, while PBT and PAT increased 48% and 43% respectively, reflecting strong operational improvement despite the absence of rail pricing arrear benefits seen in FY25. Management also highlighted that blended NSR improved from ~₹52,000/ton in Q4FY26 to ~₹57,000/ton during April–May FY27, indicating strong earnings momentum heading into FY27.

### Strong Steel Cycle Supporting Profitability:

Steel Authority of India Limited is benefiting from a favorable domestic steel cycle driven by safeguard duties on imports, rupee depreciation, and improving global steel prices, which have reduced import competitiveness and strengthened pricing power for domestic producers. Management highlighted that Indian steel demand grew ~8% in FY26 while exports surged 36%, turning India into a net steel exporter. Rising steel realizations are also more than offsetting higher coking coal costs, resulting in wider steel spreads and a supportive profitability environment for integrated steel players like SAIL.

### Structural Overhead Optimization and Efficiency Wins:

SAIL has successfully executed an aggressive manpower rationalization program, reducing its employee count by approximately 3,400 over the past fiscal year to finish at 49,752 personnel. Management expects a similar reduction of 3,400 to 3,500 employees annually over the next two years, structurally lowering the company's massive employee wage bill. On the shop floor, technical efficiencies are compounding; blast furnace productivity has risen via the closure of inefficient, smaller units and the deployment of higher pulverized coal injection (PCI) and oxygen enrichment, dropping the core coke rate by 20 kg/bag over the last two years with an additional 20 kg/bag target reduction set for FY27.

**Balance Sheet Strengthening Rapidly:**

Steel Authority of India Limited has significantly strengthened its balance sheet, with debt reduced by ₹8,150 crore during FY26 alongside a decline in borrowing costs from 7.3% to 6.2%. Improved inventory management has also materially enhanced working capital efficiency. Management highlighted that FY26 financials carried no audit qualifications for the first time in many years, reflecting stronger financial discipline and operational stability. This healthier balance sheet now provides SAIL greater flexibility to pursue large expansion projects while maintaining manageable leverage levels.

**Large Capex Cycle Supporting Long-Term Growth:**

Steel Authority of India Limited has entered one of its largest capex cycles, with major expansion projects planned at IISCO (~₹35,000 crore, targeting ~4.5 MTPA capacity), Bhilai (~₹30,000 crore, targeting ~3.5 MTPA capacity), and Bokaro (~₹18,000 crore, targeting ~3.0 MTPA capacity). Management expects annual capex to rise from ₹9,100 crore in FY26 to ₹15,000 crore in FY27 and further to ₹20,000 crore in FY28, supporting significant long-term capacity expansion, operational efficiency improvements, and a stronger product mix from FY30 onward.

**Valuation:**

**SAIL offers an attractive long-term opportunity in the domestic steel sector with a Target Price of ₹225**, based on a target multiple of 6.0x FY28E EV/EBITDA. We believe the company is entering a structurally stronger phase, supported by improving steel spreads, sustained infrastructure-led demand, aggressive deleveraging, and strong execution visibility across its upcoming expansion projects.

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