

Estimate change



TP change



Rating change



Bloomberg	SAIL IN
Equity Shares (m)	4131
M.Cap.(INRb)/(USDb)	720.1 / 8.6
52-Week Range (INR)	175 / 80
1, 6, 12 Rel. Per (%)	18/78/88
12M Avg Val (INR M)	3954
Free float (%)	35.0

Financials & Valuations (INR b)

Y/E MARCH	2024	2025E	2026E
Sales	1,019	1,148	1,251
EBITDA	77	125	144
APAT	11	45	56
EBITDA Margin (%)	8	11	12
Cons. Adj. EPS (INR)	3	11	14
EPS Gr. (%)	-44	297	25
BV/Sh. (INR)	138	145	153

Ratios

Net D:E	0.6	0.5	0.5
RoE (%)	1.9	7.7	9.1
RoCE (%)	3.6	8.5	9.7
Payout (%)	76.7	40.0	40.0

Valuations

P/E (x)	66.7	16.1	12.8
P/BV (x)	1.3	1.2	1.1
EV/EBITDA(x)	14.0	8.2	7.0
Div. Yield (%)	1.1	2.5	3.1
FCF Yield (%)	-1.8	11.4	8.1

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	65.0	65.0	65.0
DII	15.9	15.5	12.4
FII	3.2	4.3	4.7
Others	16.0	15.2	17.9

FII Includes depository receipts

CMP: INR170
TP: INR174 (-2%)
Neutral

Revenue in line; EBITDA below our estimate

- In 4QFY24, SAIL received a one-time revenue and EBITDA gain of INR17b related to rail price revisions for FY22. For a like-to-like comparison, we have adjusted its 4QFY24 financials by excluding this one-time gain.
- SAIL reported a revenue of INR262b (-10%/+12% YoY/QoQ), which was in line with our estimate. ASP for the quarter stood at INR57,554/t (-8%/-6% YoY/QoQ) vs. our estimate of INR59,021/t.
- EBITDA declined 40% YoY and 17% QoQ to INR18b, which was slightly below our estimate of INR19b, due to muted realization and higher costs.
- APAT came in at INR1.8b, which declined 85% YoY and 51% QoQ, 8% above our estimate of INR1.7b during the quarter.
- Saleable steel production came in at 4.7mt (flat/+4% YoY/QoQ) vs. our estimate of 4.2mt. Sales volume was 4.6mt (-3%/+20% YoY/QoQ), 3% above our estimate of 4.4mt.
- All five major plants of SAIL reported net profit, while the alloy steel plants, VISP and Salem, reported operating losses during 4QFY24 and FY24.
- SAIL received a one-time revenue and EBITDA gain of INR17.5b and INR17.0b in 2Q and 4QFY24, respectively, related to rail price revisions. For a like-to-like comparison, we have adjusted the same during 2Q / 4QFY24 and FY24 financials by excluding this one-time gain.
- SAIL achieved crude steel production and sales of 18.5mt and 17.0mt in FY24, respectively. Revenue came in at INR1,019b (-2% YoY), EBITDA was INR77b (-4% YoY), while APAT stood at INR11b (-44% YoY) in FY24.
- As of Mar'24, total debt stood at INR306b vs. INR281b in 3QFY24; the increase was mainly because of higher inventory and muted realization.

Highlights from the management commentary

- In 4QFY24, coking coal costs increased to INR26,000/t against INR23,693/t in 3QFY24. In 1QFY25, management expects the coking coal costs to decline roughly by USD30/t, vs. 4QFY24.
- In 4QFY24, the long NSR stood at INR55,400/t and the flat NSR was INR53,700/t. Management foresees long NSR to be in the range of INR54,600/t and flat at INR53,500/t for 1QFY25.
- SAIL guided INR63b of expansion capex for FY25E.
- In Apr'24, the long prices ranged at INR51,700/t, which rose to INR54,600/t in May'24. Management foresees possibility of a price increase in the coming month.
- Management guided a production volume of 20mt, and sales volume of 19mt (incl. inventory of 1.6mt) for FY25.
- Debt is expected to be at INR300, with lower coal prices and incremental realizations from railways.
- VAP stood at 9.5mt and management expects to achieve 11mt of VAP.

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Valuation and view

- SAIL is planning to undertake multiple expansions to reach the installed capacity of 35mt by FY30-31. We anticipate that there will be no new facilities coming on stream in the next 2-3 years, as the company will focus on ramping up utilization levels and enhancing existing productivity.
- As the capex intensity is likely to pick up after FY25/FY26, it would limit the deleveraging going ahead and thereby exert pressure on the balance sheet and cash flow.
- We raise our EBITDA estimates by 2%/3% for FY25/26, envisaging lower coking coal costs.
- SAIL trades at an FY26E EV/EBITDA of 7x. We believe that the stock is fully priced in at current levels. **We reiterate our Neutral rating on the stock with a revised TP of INR170 (premised on 7x FY26E EV/EBITDA).**

Quarterly performance (INR b)

Y/E March	FY23				FY24				FY23	FY24	FY24	vs Est
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	(%)
Production (m tons)	4.1	4.1	4.4	4.7	4.4	4.8	4.6	4.7	17.2	18.5	4.2	13
Change (YoY %)	8.2	-5.1	0.8	5.9	8.0	17.5	3.9	0.4	2.3	7.1		
Sales (m tons)	3.2	4.2	4.2	4.7	3.9	4.8	3.8	4.6	16.2	17.0	4.4	3
Change (YoY %)	-5.2	-1.6	8.1	-0.6	23.1	14.0	-8.5	-2.6	0.2	5.2		
Realization (INR per ton)	76,185	62,328	60,328	62,232	62,717	58,256	61,444	57,554	64,486	59,795	59,021	-2
Change (YoY %)	22.8	-0.5	-8.2	-4.7	-17.7	-6.5	1.8	-7.5	0.7	-7.3		
Net Sales	240	262	250	291	244	280	233	262	1,044	1,019	261	1
Change (YoY %)	16.4	-2.2	-0.8	-5.3	1.4	6.5	-6.8	-9.9	0.9	-2.4		
Change (QoQ %)	-21.9	9.2	-4.6	16.3	-16.4	14.8	-16.5	12.4				
Total Expenditure	217	255	230	262	227	258	212	245	964	942		
EBITDA	23	7	21	29	16	21	21	18	80	77	19	-5
Change (YoY %)	-64.9	-89.6	-39.1	-33.0	-28.4	189.2	3.1	-39.5	-62.4	-4.4		
Change (QoQ %)	-47.1	-68.1	182.7	40.7	-43.6	28.9	0.8	-17.4				
EBITDA per ton (INR)	7,297	1,746	5,007	6,247	4,245	4,429	5,638	3,879	4,964	4,509	4,211	-8
Interest	4	5	6	5	6	6	6	6	20	25		
Depreciation	12	12	12	14	13	13	13	14	50	53		
Other Income	2	4	1	3	5	1	1	3	10	11		
Share of Asso/JV/investments	1	1	1	3	1	1	1	1	6	4		
PBT (before EO Inc.)	10	-4	4	16	3	4	5	2	26	14		
EO Income(exp)	0	0	3	-0	0	13	1	12	3	26		
PBT (after EO Inc.)	10	-4	7	16	3	18	6	14	29	41		
Total Tax	2	-1	2	4	1	5	1	3	7	10		
% Tax	23.2	25.6	25.3	25.8	26.3	26.2	24.8	21.9	24.8	24.5		
Reported PAT	8	-3	5	12	2	13	4	11	22	31		
Adjusted PAT	8	-3	2	12	2	3	4	2	19	11	2	8
Change (YoY %)	-79.8	PL	LP	-53.5	-73.6	LP	50.3	-84.9	-84.8	-43.8		
Change (QoQ %)	-65.6	PL	LP	392.1	-82.3	49.7	15.1	-50.7				

Note – 2QFY24 and 4QFY24 financials have been adjusted by excluding one-time revenue and EBITDA benefit recognized due to rail price revision (INR17.5b in 2QFY24 and INR17b in 4QFY24).

Highlights from the management commentary

Guidance:

- In 4QFY24, coking coal costs increased to INR26,000/t against INR23,693/t in 3QFY24. In 1QFY25, management expects the coking coal costs to decline roughly by USD30/t, vs. 4QFY24.
- In 4QFY24, the long NSR stood at INR55,400/t and the flat NSR was INR53,700/t. Management foresees long NSR to be in the range of INR54,600/t and flat at INR53,500/t for 1QFY25.
- Management guided a production volume of 20mt, and sales volume of 19mt (incl. inventory of 1.6mt) for FY25.
- In Apr'24, the long prices ranged at INR51,700/t, which rose to INR54,600/t in May'24. Management foresees possibility of a price increase in the coming month.
- SAIL's workforce reduced to 55,989 employees from 56,873 and may see further reduction going forward. Management foresees employee cost to be in the range of INR110-115b in FY25 owing to workforce reduction.
- VAP stood at 9.5mt and management expects to achieve 11mt of VAP.

Capex:

- SAIL plans to increase its capacity from 20mtpa of crude steel to 35mtpa by the end of FY31, and guided INR63b of expansion capex for FY25E.
- SAIL plans to set up 4.1mt Greenfield flat steel facility at IISCO, predominantly focused on HRC. The construction of the CRC facility will be undertaken at a later stage. Management guided a capex of INR63b for FY25.
- Under Phase-I, management plans to undertake expansion at special steel plants: 1) for Rourkela steel plant, the stage one Board approval has already been received; 2) for Durgapur 1mt TMT facility, the pre-feasibility report has been prepared and will be forming the project report. Once commissioned, this will reduce the share of semis at Durgapur.

Debt:

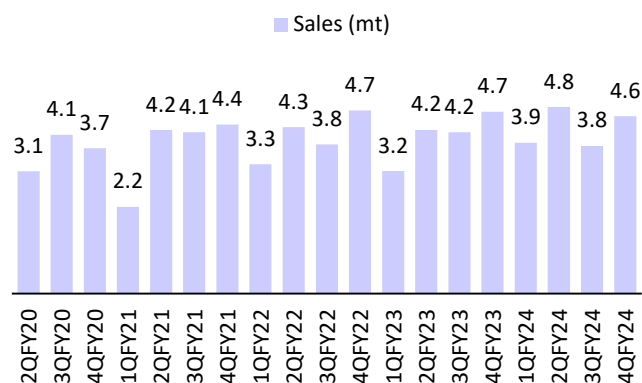
- Borrowing increased during 4QFY24 mainly due to higher inventory and lower realization from the railways.
- Currently, the borrowing is at INR300b and expected to remain stable on account of lower coal prices and railway realizations.

Other highlights:

- Provision of INR17b made in 4QFY24, which includes for FY22-23 and also for FY23-24.
- Overall demand in CY23 declined 1.1% YoY and the demand in China remains a concern as the real estate continues to decline.
- Steel demand in China dipped 3.3% YoY in CY23 and is expected to remain stagnant in CY24, followed by a 1% YoY contraction in CY25.
- Management reiterates its positive outlook on domestic demand on account of GOI push on infra and remains hopeful that better realization translates into margin improvement.

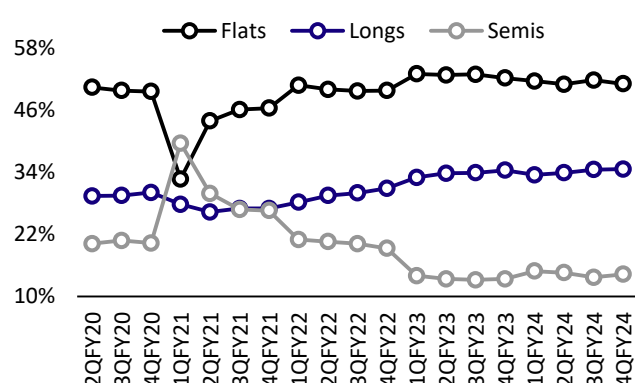
Story in charts

Exhibit 1: Sales volume (mt) rebounded in 4QFY24



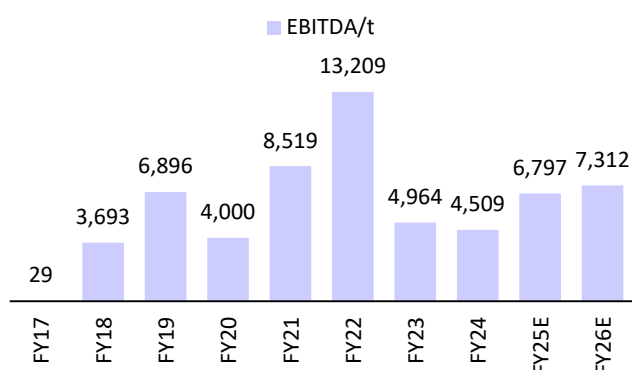
Source: MOFSL, Company

Exhibit 2: Break up of longs-semis-flats



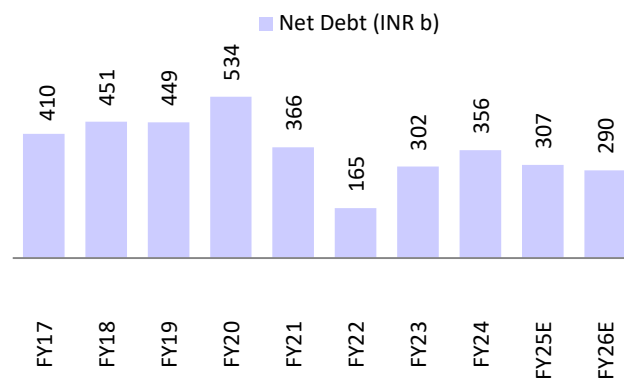
Source: MOFSL, Company

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



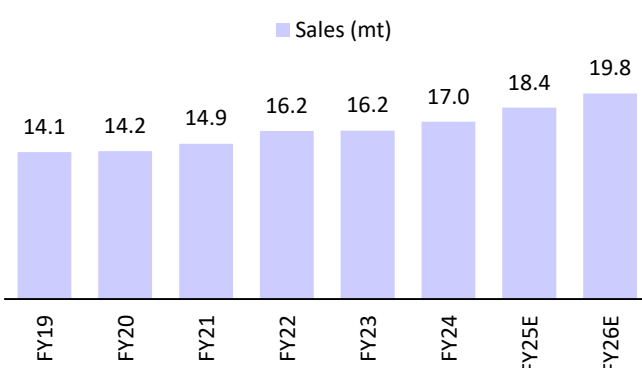
Source: MOFSL, Company

Exhibit 4: Net debt peaked in FY24 and is likely to reduce



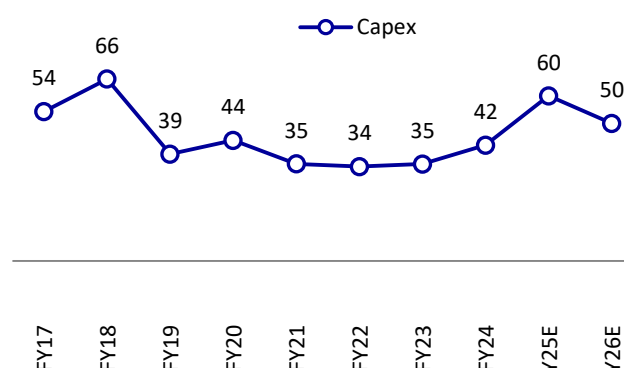
Source: MOFSL, Company

Exhibit 5: Sales (mt) growth momentum to continue



Source: MOFSL, Company

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



Source: MOFSL, Company

Exhibit 7: Key financials and revisions to our estimates

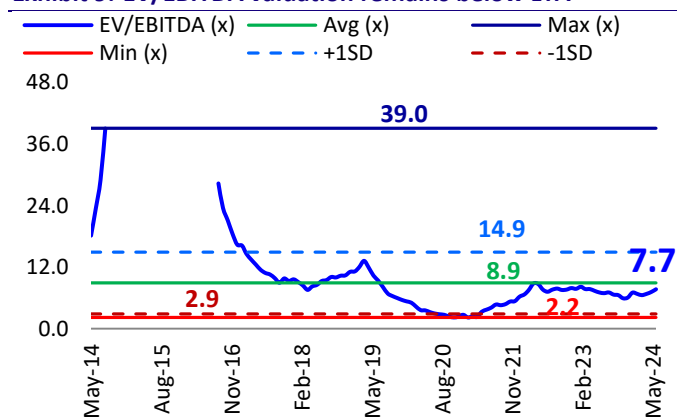
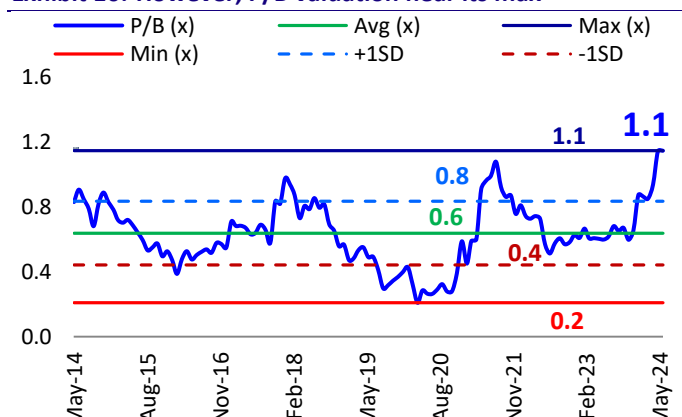
	FY25E			FY26E		
	New	Old	Change (%)	New	Old	Change (%)
Sales (mt)	18.4	18.3	0.5	19.8	19.7	0.5
Realization/t	62,390	63,790	-2.2	63,350	64,750	-2.2
EBITDA/t	6,797	6,678	1.8	7,312	7,098	3.0
Revenue (INR b)	1,148	1,167	-1.7	1,251	1,272	-1.7
EBITDA (INR b)	125	122	2.3	144	139	3.5
PAT (INR b)	45	45	0.1	56	54	3.7

Source: MOFSL

Exhibit 8: Valuation

YEAR	UoM	FY26E
Volumes	mt	19.8
EBITDA	INR/t	7,312
EBITDA	INR b	144
Target EV/EBITDA(x)	x	7.0
Target EV	INR b	1,011
less: Net Debt (INR m)	INR b	290
Equity value	INR b	721
No. of shares o/s	b	4
Target price (INR/sh.)	INR	170

Source: MOFSL

Exhibit 9: EV/EBITDA valuation remains below LTA**Exhibit 10: However, P/B valuation near its max**

Financials and valuation

Income Statement (Consolidated)

								(INR b)
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Net Sales	670	617	691	1,035	1,044	1,019	1,148	1,251
Change (%)	16.4	-7.9	12.1	49.7	0.9	-2.4	12.6	9.0
EBITDA	98	57	127	213	80	77	125	144
Change (%)	87.1	-41.5	123.1	67.5	-62.3	-4.4	62.7	15.5
EBITDA per tonne (INR)	6,916	4,012	8,526	13,209	4,964	4,509	6,797	7,312
Depreciation	34	38	41	43	50	53	55	57
EBIT	64	20	86	171	31	24	70	88
Interest	32	35	28	17	20	25	29	28
Other income	5	9	9	9	10	11	14	11
Share of Asso/JV/investments	2	2	5	4	6	4	5	5
PBT before EO	39	-4	71	166	26	14	60	75
Extraordinary Item	-4	37	1	-4	3	26	0	0
PBT after EO	35	33	72	163	29	41	60	75
Total Tax	12	12	31	40	7	10	15	19
Effective Rate (%)	33.8	35.8	42.4	24.8	24.8	24.5	25.2	25.2
Reported PAT	23	21	41	122	22	31	45	56
Change (%)	-934.7	-9.7	95.6	195.2	-82.2	40.9	45.9	25.5
Adjusted PAT	27	-16	41	126	19	11	45	56
Change (%)	898.7	-158.9	-353.5	208.0	-84.8	-43.8	315.2	25.5

Balance Sheet (Consolidated)

								(INR b)
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Sources of Funds								
Share Capital	41	41	41	41	41	41	41	41
Reserves and Surplus	355	374	413	501	506	530	557	590
Shareholders' funds	396	415	454	542	547	571	598	632
Loans	452	538	374	173	308	363	333	333
Deferred Tax Liability	-29	-20	13	54	58	63	63	63
Minority Interest	0	0	0	0	0	0	0	0
Capital Employed	819	933	842	769	913	997	994	1,028
Application of Funds								
Gross Fixed Assets	1,017	1,131	1,158	1,248	1,288	1,330	1,384	1,434
Less: Depreciation	403	441	482	511	553	605	660	717
Net Fixed Assets	614	690	676	737	735	724	724	717
Capital WIP	160	88	89	40	49	61	67	67
Investments	30	32	34	38	42	46	46	46
Curr. Assets								
Inventory	195	238	196	242	278	327	299	309
Sundry Debtors	45	88	72	48	54	84	94	103
Cash and Bank Balances	3	4	8	8	6	7	26	44
Other assets	98	100	110	83	135	149	150	162
Loans and Advances	6	7	8	6	7	9	9	9
Current Liabilities								
Sundry Creditors	72	63	70	169	143	153	164	171
Other Current Liabilities	193	188	215	198	178	186	186	186
Provisions	66	65	66	65	70	70	70	70
Net Current Assets	16	123	42	-46	87	166	157	198
Application of Funds	819	933	842	769	913	997	994	1,028

Financials and valuation

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Basic (INR)								
EPS	6.6	-3.9	9.9	30.5	4.6	2.6	10.8	13.6
Cash EPS	13.9	14.2	20.0	40.0	17.3	20.2	24.1	27.3
Book Value per Share	96.0	100.5	109.9	131.2	132.5	138.2	144.7	152.9
Dividend Per Share	0.5	0.0	2.8	8.8	1.5	2.0	4.3	5.4
Valuation (x)								
P/E	26.2	-44.5	17.6	5.7	37.5	66.7	16.1	12.8
Cash PE	12.5	12.2	8.7	4.4	10.1	8.6	7.2	6.4
EV/EBITDA	12.0	21.9	8.5	4.1	12.7	14.0	8.2	7.0
EV/Sales	1.7	2.0	1.6	0.9	1.0	1.1	0.9	0.8
Price-to-Book Value	1.8	1.7	1.6	1.3	1.3	1.3	1.2	1.1
Profitability Ratios (%)								
EBITDA Margin	14.6	9.3	18.4	20.6	7.7	7.5	10.9	11.5
APAT Margin	4.1	-2.6	5.9	12.2	1.8	1.1	3.9	4.5
RoE	7.1	-4.0	9.4	25.3	3.5	1.9	7.7	9.1
RoCE (pre-tax)	8.6	3.3	10.7	22.3	4.8	3.6	8.5	9.7
RoIC (pre-tax)	10.7	2.7	11.4	24.5	4.1	2.8	8.1	10.2
Turnover Ratios								
Debtors (Days)	24.5	52.4	37.8	16.8	18.8	29.9	29.9	29.9
Inventory (Days)	106.3	141.1	103.4	85.2	97.0	117.2	95.0	90.0
Creditors (Days)	46.1	41.3	45.4	75.2	54.3	59.4	52.0	50.0
Asset Turnover (x)	0.8	0.7	0.8	1.3	1.1	1.0	1.2	1.2
Leverage Ratio								
Debt/Equity (x)	1.1	1.3	0.8	0.3	0.6	0.6	0.5	0.5

Cash Flow Statement

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
							(INR b)	
EBITDA	98	57	127	213	80	77	125	144
(Inc.)/Dec. in WC	-27	-107	101	95	-137	-76	27	-23
Direct Taxes Paid	0	-1	0	-1	-4	-1	-15	-19
Other Items	1	44	7	3	8	30	5	5
CF from Oper. Activity	72	-6	234	310	-53	29	142	108
(Inc.)/Dec. in FA & CWIP	-39	-44	-35	-34	-35	-42	-60	-50
Free Cash Flows to Firm	33	-50	199	276	-88	-13	82	58
Interest and Dividend	1	1	1	2	2	2	14	11
(Pur.)/Sale of Invest.	1	0	0	-7	-1	-3	0	0
CF from Inv. Activity	-37	-43	-34	-40	-34	-43	-46	-39
Issue of Shares								
Inc./(Dec.) in Debt	-2	89	-163	-224	120	41	-30	0
Interest Paid	-33	-37	-29	-19	-21	-22	-29	-28
Dividends Paid	0	-3	-4	-31	-13	-6	-18	-22
CF from Finan. Activity	-35	50	-197	-274	86	14	-77	-51
Inc./(Dec.) in Cash	0	1	3	-4	-1	0	19	18
Add: Opening cash Balance	1	1	2	5	1	1	1	20
Closing cash balance	1	2	5	1	1	1	20	38
Bank Balance	2	3	3	7	5	6	6	6
Closing Balance (incl. Bank Balance)	3	4	8	8	6	7	26	44

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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

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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