

India Ratings Upgrades Steel Authority of India and its Debt Instruments to 'IND AA+/Stable; Affirms CPs at 'IND A1+'

Sep 02, 2026 | Steel Authority of India Limited | Iron & Steel

India Ratings and Research (Ind-Ra) has upgraded Steel Authority of India Limited's (SAIL) Long-Term Issuer Rating and debt instruments to 'IND AA+' from 'IND AA'. The Outlook is Stable. The instrument-wise rating actions are as follows:

Details of Instruments

Instrument Description	Regulator of Instrument	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (INR million)	Rating Assigned along with Watch/Outlook	Rating Action
Issuer rating	#	-	-	-	-	IND AA+/Stable	Upgraded
Bank loan facilities	RBI	-	-	-	220,000	IND AA+/Stable/IND A1+	Long term rating upgrade & short-term rating affirmed
Bonds*	Refer ISIN annexure	-	-	-	140	WD	Withdrawn@
Commercial paper	RBI	-	-	Up to 365 days	80,000	IND A1+	Affirmed
Public deposits	RBI	-	-	-	10,000	IND AA+/Stable	Upgraded

WD – Rating Withdrawn

There is no instrument being rated and hence, Regulator of the Instrument is not applicable. The rating scale and definitions are being followed as stipulated in SEBI Master Circular for CRAs.

*Details in Annexure

@Paid in full

Analytical Approach

Ind-Ra continues to fully consolidate SAIL's subsidiaries: SAIL Refractory Company Limited (100% stake owned by SAIL) and M/s Chattisgarh Mega Steel Limited (74%); associate company, Almora Magnesite Ltd and 14 joint control entities while factoring in the availability of support to the company from the government of India (GoI).

Detailed Rationale of the Rating Action

The upgrade reflects an improvement in SAIL's operational performance over FY26-1QFY27, supported by improved sales volume and reduced cost of production, due to its ability to manage raw material consumption through improved coke rate, blast furnace productivity and captive iron ore consumption. Furthermore, the consolidated net adjusted leverage (net adjusted debt/EBITDA including lease liabilities and letter of credit (LC) acceptances) improved over FY26-1QFY27, backed by a reduction in net debt, following lower working capital requirements aided by better inventory management, a recovery of receivables and repayment of long-term debt. The ratings reflect low but stable EBITDA per tonne (t) in FY26, on account of operating efficiencies following its modernisation initiatives and a moderation in raw material prices despite a fall in realisations.

The EBITDA/t improved in 1QFY27 and is likely to remain elevated from historical levels, supported by its cost reduction initiatives. Furthermore, the operationalisation of Tasra and Rowghat mines over FY27-FY28 would support the availability of raw materials and support profitability from sale of surplus iron ore. The company would ramp up the capacities over FY27-FY31, further improving its sales volume. Any delay in the operationalisation of the same would remain a key rating monitorable.

The ratings remain constrained by increased capex over FY27-FY31, leading to negative free cash flow. The high capex is likely to increase net adjusted leverage in the near term but remain below 3.0x over FY27 which could increase to 3.5x-4.0x during the peak capex phase over FY28-FY30 and deleverage thereafter. Furthermore, SAIL's EBITDA/t remained around INR6,000 over FY24-FY26, due to low proportion of high value-added product and weak operating parameters which are likely to improve over FY27-FY29, on the back of an increase in sales volume from higher value-added product with higher profitability and continued cost optimisation measures, which would remain a key rating monitorable.

SAIL plans to incur capex and debottlenecking projects of around INR1,000 billion over FY27-FY31. While the company has a track record of underspending relative to announced plans and Ind-Ra's expectations, the proposed capex is likely to commensurate with the increase in the cash flows. However, any meaningfully lower cash generation with high capex outflow can adversely affect its credit ratios and remain a key rating monitorable. Ind-Ra will continue to monitor the terms of incremental capex debt and the availability of moratorium and the resultant capital structure. Any additional stretch in its working capital cycle or a reduction in steel spreads will remain a key rating monitorable. The ratings continue to reflect SAIL's strong business profile, sustained revenue and moderate credit profile.

List of Key Rating Drivers

Strengths

- Volume growth to improve over FY27-FY28
- Continued Gol support
- Strong business profile
- Improving techno economic parameters
- Moderation in working capital requirement, resulting in reduction in debt

Weaknesses

- Debt-funded capex
- Low but stable EBITDA/t; likely to improve over FY27-FY28
- Industry risks
- Regulatory risks

Detailed Description of Key Rating Drivers

Volume Growth to Improve over FY27-FY28: SAIL operates at near full capacity over FY25-FY26, with healthy scale of operations, supported by robust demand in the domestic market. The company's sales volumes improved to around 19.9 million tonnes per annum (MTPA) in FY26 (FY25: 17.9 MTPA; FY24: 17 MTPA; FY23: 16.2 MTPA). In 1QFY27, its sales volumes remained broadly stable at 4.2 million metric tonnes (MMT; 1QFY26: 4.6 MMT) with revenue of INR262 billion (INR259 billion). The revenue increased 8% in FY26 to INR1,108 billion (FY25: INR1,025 billion; FY24: INR1,054 billion), supported by the increase in the sales volumes, on account of management's effort to improve marketing and channel sales inventory which is likely to sustain in the near term.

Ind-Ra expects the revenue to improve in FY27, supported by an uptick in volumes from various debottlenecking projects amid robust domestic demand fundamentals. Furthermore, the operationalisation of the Tasra mines from December 2027 and Rowghat mines from FY28, would support the raw material availability and requirement for the enhanced production volumes.

Continued Gol Support: SAIL is a Maharatna public sector entity and the Gol owned a 65% stake in the company as of March 2026. Hence, SAIL continues to be a strategically important entity for the Gol and has been receiving support from the latter, largely through policy initiatives. There has been a visible track record of timely policy interventions on occasions when the company has faced sectoral issues such as imposition of safeguard duty on imported alloy and non-alloy steel flat products of 12% in December 2025; minimum import price provisions in February 2016 and preference given to domestically manufactured iron and steel products in government procurements, among others.

Furthermore, one of SAIL's largest customers is Indian Railways; for which the prices are regulated by Gol to ensure healthy returns on investments. From September 2019, SAIL has been allowed to undertake merchant sales of iron ore as well, which shall provide significant support to the company in the form of an additional revenue stream. The management

expects the sale of iron ore to positively impact the revenue and profit FY27 onwards. Additionally, the ownership structure benefits the company in procuring contracts/tenders and raising finances on a preferential basis at a competitive rate. SAIL has high financial flexibility from large banks and capital markets.

Strong Business Profile: SAIL has presence across the steel value chain with an integrated crude steel manufacturing capacity of 20.84 MTPA as of March 2026. The company benefits from the presence of captive power plant and captive iron ore mines across Jharkhand, Odisha and Chhattisgarh, supporting 100% of iron ore requirement. SAIL's 2%-3% of coal demand is met domestically from its owned coal blocks and the balance through imports from Australia, the US, and New Zealand, and its joint venture (JV) with Minas de Benga Limitada (Mozambique), a foreign JV company of International Coal Ventures Pvt. Ltd (a JV of SAIL and others).

Furthermore, the company is undertaking various cost reduction initiatives through renewable power projects and expansion of its iron ore mining capacity under its modernisation and expansion (M&E) project, along with the development of captive coking coal mine expansion over FY27-FY29. Furthermore, the business profile benefits from SAIL's wide marketing network and diversified geographical presence. The management is focussing on increasing the share of higher value-added products (FY26: 56%; FY25: 55%) gradually over the near to medium term, leading to an improvement in its sales revenue and support sustained higher profits.

Improving Techno Economic Parameters: The company continues to improve on its techno-economic parameters, although it lags behind its larger peers. The improvement in techno economic parameters has been achieved using efficient techniques such as coke dry quenching and coal dust injection, helping the company bring down the coke rate to 420kg/tonne of hot metal (thm) in FY27 (FY26: 419kg/thm; FY25: 421kg/thm). The company continues to incur required maintenance capex for technology upgradation and upkeep of its plants, while using raw material as per prescribed specifications to maintain optimum specific energy consumption. The company has increased the use of pellets in steel making to further improve the blast furnace productivity, which the management expects to improve further with the target of 100% of pellet utilisation in the near to medium term. SAIL has also been replacing the energy intensive ingot teeming method with the continuous casting method.

Moderation in Working Capital Requirement, Resulting in Reduction in Debt: SAIL's credit metrics improved in FY26, led by a reduction in consolidated net adjusted debt (including lease liabilities and LC acceptances), on account of a decline in inventory and receivables, in line with Ind-Ra's expectation. SAIL's net debt reduced to INR357 billion in FY26 (FY25: INR414 billion; FY24: INR465 billion). Its net adjusted leverage (net adjusted debt/operating EBITDA) reduced to 2.97x in FY26 (FY25: 3.89x; FY24: 4.17x), and the gross interest coverage (operating EBITDA/gross interest expenses) increased to 8.4x (3.8x; 4.5x). In 1QFY27, the net debt remained around INR358 billion with the net adjusted leverage of 2.0x on annualised basis and the interest coverage of 8.4x. The inventory had substantially reduced owing to aggressive marketing, direct dispatches to customers and reduced debtors owing to collection from largest debtor railways where the collection was slow earlier.

Ind-Ra expects the net leverage to remain comfortable below 3.0x over FY27, supported by operating leverage from volume ramp-up from debottlenecking and increased capacities, reduced cost of production, higher share of value-added products along with better working capital management resulting in debt levels being maintained at current levels. However, the leverage could increase to 3.5x-4.0x during the peak capex phase over FY28-FY30.

Debt-funded Capex: SAIL plans to incur capex along with debottlenecking projects over FY27-FY31. SAIL has commitments towards various capital-intensive projects for increasing capacity to 35 MMT by FY31-FY32 and expects a total outlay of around INR1,000 billion. The company also plans to enhance its existing capacity with processing and operating efficiencies. The majority of the capex will be undertaken over FY28-FY31 and will be funded through a debt of 55%-65% and the rest through internal accruals. While the company has a track record of incurring a lower-than-expected/announced large capex, and witnessed delays in execution, this will remain a key rating monitorable. SAIL also has INR40 billion-50 billion of maintenance capex liability every year which will be funded through internal accruals.

Furthermore, the company will avail long-term debt to fund the planned brownfield capex FY28 onwards. Ind-Ra will continue to monitor the terms of incremental capex debt and availability of moratorium and the resultant capital structure. Any additional stretch in its working capital cycle or higher than expected debt-funded capex without a commensurate increase in cash flows will adversely affect credit ratios will remain a key rating monitorable.

Low but Stable EBITDA/t; Likely to Improve over FY27-FY28: SAIL's EBITDA/t remained range-bound at around INR6,000 over FY24-FY26 and stood at INR6,030/t in FY26 (FY25: INR5,948; FY24: INR 6,551) despite increased sales volumes. The EBITDA margins remained stable at 10.8% in FY26 (FY25: 10.4%; FY24: 10.6%) accompanied by lower

realisations. SAIL's absolute EBITDA increased 13% to INR120 billion in FY26 (FY25: INR106 billion; FY24: INR111 billion). In 1QFY27, the EBITDA/t stood at INR9,887, and EBITDA stood at INR42 billion with margins of 15.8%, owing a reduction in the cost of production, improved coke rate, blast furnace productivity and captive iron ore consumption.

Ind-Ra expects the EBITDA to remain stable around INR8,500/t with the overall EBITDA margin to be at 12%-14% over FY27-FY28, supported by increased share of higher value-added products, operating efficiencies through modernisation initiatives undertaken by the company, and cost efficiency through increased backward integration in iron ore production, reduced employee cost and fuel cost and improved coke rate.

Industry Risks: SAIL's cash flows remain exposed to the cyclical nature inherent in the steel industry and the volatility in the prices of raw materials, particularly coking coal. The company's inventory days also remain high, as it needs to maintain high raw material inventory levels to ensure an adequate availability of imported inputs. Moreover, when the demand is subdued, SAIL's finished goods inventories also increase as production cuts cannot be implemented swiftly. However, SAIL has a diversified customer base, as it caters to various industries such as construction, infrastructure, capital goods and consumer durables. With a further increase in the share of higher value-added products in defence and auto segment, the customer profile would further diversify with higher margins industry. Also, most of its customers have strong-to-adequate credit profiles, thereby mitigating its counterparty collections risk to some extent.

Regulatory Risks: Given SAIL is involved in mining operations, it is exposed to the regulatory risk related to mining operations, mining lease and any contingent tax liabilities from the judgement of Supreme Court of India's ruling on mineral rights and mineral bearing lands to the state governments. As of August 2026, the GoI has suggested for the removal of cess, which would benefit the company. However, any regulatory change would remain a key monitorable.

Liquidity

Adequate: The average maximum utilisation of the fund-based limits was around 65%, during the 12 months ended July 2026. At end-June 2026, SAIL had adequate unutilised limits of around INR37 billion from its working capital consortium and INR381 billion from its short-term limits (outside the consortium). SAIL had unrestricted cash and equivalents of INR0.96 billion at end-March 2026 (FY25: INR3.48 billion; FY24: NR0.69 billion). The net working capital cycle reduced to 76 days in FY26 (FY25: 114 days; FY24: 130 days) and is likely to remain at similar levels in FY27, primarily due to a reduction in inventory and receivable days. SAIL's cash flow from operations remained positive in FY26, and Ind-Ra expects the cash flow from operations to remain positive in FY27 due to sustained EBITDA and working capital release.

Ind-Ra opines SAIL's liquidity will be sufficient to meet its fund requirements over FY27-FY28. With the scheduled repayments of INR40.4 billion and INR32.1 billion in FY27 and FY28, respectively. Ind-Ra expects SAIL's operational debt service coverage ratio (DSCR) to be comfortable at 2x-3x over FY27-FY28. SAIL has high financial transparency and flexibility for access to capital markets. The company has a long track record in the debt securities market, and its financing needs are adequately met through a mix of securities and diversified bank funding. SAIL's forex risk arises largely from its overseas borrowing arrangements, which are primarily denominated in US dollar. The promoters did not have any shareholding pledged as on 30 June 2025.

Rating Sensitivities

Positive: Developments that could, individually or collectively, lead to a positive rating action include:

- timely completion and ramp up of the new capacities leading to an increase in its sales volume and the share of higher value-added product
- an improvement in operating efficiency as well as other cost reduction measures, leading to a structural improvement in the EBITDA/t, resulting in reduced volatility, on a sustained basis
- a sustained reduction in working capital cycle, leading to the consolidated net adjusted leverage reducing below 2.0x

Negative: Developments that could, individually or collectively, lead to a negative rating action include:

- any delay in the ramp-up of the scheduled capex
- a substantially lower-than -expected EBITDA/t and a delay in the operating efficiency, leading to increased volatility in the EBITDA on a sustained and consolidated basis
- any substantial debt-funded capex and/or a stretch in the working capital cycle leading to the net adjusted leverage exceeding 3.25x, on a sustained and consolidated basis

Any Other Information

Standalone Financials: SAIL reported revenue of INR1,108 billion in FY26 (FY25: INR1,024 billion; FY24: INR1,054 billion) and EBITDA of INR120 billion (INR106 billion, INR111 billion) with EBITDA margins of 10.8% (10.4%; 10.6%). The interest coverage remained strong at 5.6x in FY26 (FY25: 3.8x; FY24: 4.5x) with net adjusted leverage (including LC acceptances and lease liabilities) of 3.0x (3.9x; 4.2x).

ESG Issues

ESG Factors Relevant to Rating: GHG Emissions and Air Quality under Environment have relevance and moderate impact on the credit rating of SAIL. For more information on Ind-Ra’s ESG Relevance Disclosures, please click [here](#). For answers to frequently asked questions regarding ESG Relevance Disclosures and their impact on ratings, please click [here](#).

About the Company

SAIL is an integrated iron and steelmaker with five integrated steel plants: Bhilai Steel Plant, Durgapur Steel Plant, Rourkela Steel Plant, Bokaro Steel Plant and IISCO Steel Plant. It also has three special steel plants, alloy steel plants, Salem steel plant and Visvesvaraya iron and steel plant.

The company is one of the largest steelmakers in India, with a total crude steel and **saleable steel production capacity of 20.84 million tonnes per annum** and 19.56 million tonnes per annum, respectively, as on 31 March 2026.

Key Financial Indicators

Particulars - Consolidated	FY26	FY25
Revenue (INR billion)	1,108	1,025
EBITDA (INR billion)	120	106
EBITDA margin (%)	10.8	10.4
Interest coverage (x)	5.6	3.8
Net adjusted leverage (including LC acceptances and lease liabilities) (x)	3.0	3.9
Source: Company, Ind-Ra		

Status of Non-Cooperation with Previous Rating Agency

Not applicable

Rating History

Instrument Type	Current Rating/Outlook			Historical Rating/Outlook		
	Rating Type	Rated Limits (INR million)	Current Rating	03 September 2025	04 September 2024	05 September 2023
Public deposits	Long-term	10,000	IND AA+/Stable	IND AA/Stable	IND AA/Stable	IND AA/Stable
Bank loan facilities	Long-term/Short-term	220,000	IND AA+/Stable/IN D A1+	IND AA/Stable/IND A1+	IND AA/Stable/IND A1+	IND AA/Stable/IND A1+
Issuer Rating	Long-term	-	IND AA+/Stable	IND AA/Stable	IND AA/Stable	IND AA/Stable

Instrument Type	Current Rating/Outlook			Historical Rating/Outlook		
	Rating Type	Rated Limits (INR million)	Current Rating	03 September 2025	04 September 2024	05 September 2023
Commercial paper	Short-term	80,000	IND A1+	IND A1+	IND A1+	IND A1+
Bond	Long-term	140	WD	IND AA/Stable	IND AA/Stable	IND AA/Stable

Disclosure on instruments / activities and names of regulators:

A list of products/activities or ratings of instruments falling under the purview of various financial sector regulators (FSRs) along with the names of respective FSRs has been duly disclosed by Ind-Ra on its website. A link to the same has been provided below for ready reference:

Rating Activities

Note: Kindly note that for activities or instruments falling under the purview of FSRs other than SEBI, the grievance/dispute redressal mechanisms and investor protection mechanisms provided by SEBI shall not be available.

Bank wise Facilities Details

Complexity Level of the Instruments

Instrument Type	Complexity Indicator
Bank loan facilities	Low
Commercial paper	Low
Public deposits	Low

For details on the complexity level of the instruments, please visit <https://www.indiaratings.co.in/complexity-indicators>.

Annexure

Instrument Type	ISIN	Regulator of instruments	Date of Issuance	Coupon rate	Maturity Date	Size of Issue (million)	Rating/Outlook
Bonds*	INE114A07638	SEBI	26 October 2009	8.80	26 October 2025	140	WD

Source: SAIL

*Ind-Ra has withdrawn the ratings to the bond issue (ISIN: INE114A07638) of total INR140 million.

Contact

Primary Analyst

Hasti Bhanushali
 Senior Analyst
 India Ratings and Research Pvt Ltd
 Wockhardt Towers, 4th Floor, West Wing, Bandra Kurla Complex, Bandra East,Mumbai - 400051
 +91 22 40356171
 For queries, please contact: infogrp@indiaratings.co.in

Secondary Analyst

Anjali Dhingra
 Senior Analyst
 +91 124 6687200

Media Relation

Ameya Bodkhe
Marketing Manager
+91 22 40356121

About India Ratings

India Ratings and Research (Ind-Ra) is India's SEBI registered credit rating agency committed to providing India's credit markets accurate, timely and prospective credit opinions. Built on a foundation of independent thinking, rigorous analytics, and an open and balanced approach towards credit research, Ind-Ra has grown rapidly during the past decade, gaining significant market presence in India's fixed income market.

Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance companies, urban local bodies, and structured finance and project finance companies.

Headquartered in Mumbai, Ind-Ra has seven branch offices located in Ahmedabad, Bengaluru, Chennai, Gurugram, Hyderabad, Kolkata and Pune. Ind-Ra is recognised by the Securities and Exchange Board of India and the Reserve Bank of India.

Ind-Ra is a 100% owned subsidiary of the Fitch Group.

Solicitation Disclosures

Additional information is available at www.indiaratings.co.in. The ratings above were solicited by the issuer, and therefore, India Ratings has been compensated for the provision of the ratings.

Ratings are not a recommendation or suggestion, directly or indirectly, to you or any other person, to buy, sell, make or hold any investment, loan or security or to undertake any investment strategy with respect to any investment, loan or security or any issuer.

APPLICABLE CRITERIA AND POLICIES

Corporate Rating Methodology

Parent and Subsidiary Rating Linkage

Short-Term Ratings Criteria for Non-Financial Corporates

The Rating Process

Evaluating Corporate Governance

DISCLAIMER

India Ratings and Research Private Limited (India Ratings) is a private limited company registered under the provisions of the Companies Act, 1956, having CIN U67100MH199SFTC140049, and registered office at Wockhardt Towers, 4th Floor, West Wing, Bandra Kurla Complex, Bandra East, Mumbai, Maharashtra, 400051, India. The contact details of India Ratings are Telephone No.: +91 22 4000 1700 and Fax. No.: +91 22 4000 1701. India Ratings is registered with the Securities and Exchange Board of India (SEBI) as a Credit Rating Agency under Section 12 of the SEBI Act, 1992, having SEBI Registration Number IN/CRA/002/1999.

India Ratings and Research Private Limited (India Ratings) is a Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI) under Section 12 of the SEBI Act, 1992. In this capacity, India Ratings undertakes ratings of listed and proposed to be listed instruments that fall under the regulatory oversight of SEBI. In addition, in line with Regulation 9(f) of the SEBI (Credit Rating Agencies) Regulation, 1999, India Ratings rates financial instruments falling under the purview of other financial sector regulators (FSR). Instruments which come under the purview of other FSRs do not come under the overall governance of SEBI. Issuers/Users/readers of this

communication/report are, therefore, cautioned to know the risks involved in dealing in such instruments. Such instruments can carry Liquidity and Price Risk which pertains to how saleable a Security is in the market. If a particular Security does not have a market at the time of sale, then the Investor's investments may have to bear an impact depending on its exposure to that particular Security. It is not possible to predict if, and to what extent, a secondary market may develop in the debt securities or at what price the debt securities will trade in the secondary market or whether such market will be liquid or illiquid. The more limited the secondary market is, the more difficult it may be for holders of the debt securities to realise value for the debt securities prior to redemption of the debt securities. If the debt securities are unlisted, then the ability of the Investors to resell or trade them may be limited, leading to liquidity and price risk on the debt securities. The returns from a particular asset class may underperform returns from other asset classes. The changes in government policy in general and changes in taxation may impact the returns to investors. There can be external risks arising out of geopolitical situations which can lead to volatility in/impact the performance of the individual securities. Issuers/Users/readers are advised to note that SEBI's investor protection mechanisms and SEBI's grievance or dispute redressal mechanisms are not applicable to ratings assigned by India Ratings that fall under the purview of other FSRs. Should you have any grievance with instruments under the purview of other FSRs, please write to infogrp@indiaratings.co.in. For any grievance with instruments under the purview of SEBI, please write to investor.grievances@indiaratings.co.in.

All credit ratings assigned by India Ratings are subject to certain limitations and disclaimers. Please read these limitations and disclaimers by following this link: <https://www.indiaratings.co.in/rating-definitions>. In addition, rating definitions and the terms of use of such ratings are available on the agency's public website www.indiaratings.co.in. Published ratings, criteria, and methodologies are available from this site at all times. India Ratings' code of conduct, confidentiality, conflicts of interest, affiliate firewall, compliance, and other relevant policies and procedures are also available from the code of conduct section of this site.