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## Steel companies' EBITDA/tonne likely to soften QoQ...

In sync with global prices, domestic steel prices witnessed a sharp uptick in March 2022 due to the Russia-Ukraine conflict and remained largely elevated in April 2022. However, with the levy of 15% export duty on several steel products in May 2022, domestic steel prices witnessed a steep downtrend from the last week of May 2022, which continued till the end of the quarter (Q1FY23). On the back of healthy steel prices during the first half of the quarter, blended steel realisation for Q1FY23 is expected to be up sequentially by ~₹ 2000-3000/tonne. However, uptick in realisations on a QoQ basis is unlikely to compensate for ~US\$100-125/tonne increase in coking coal consumption cost sequentially. Hence, on the back of elevated coking coal prices, sequentially, EBITDA/tonne of steel companies are likely to witness a softening trend in Q1FY23E. Within our coverage universe, for large steel companies we expect a sequential dip in EBITDA/tonne in the range of ~₹ 3200-5200/tonne QoQ. For Q1FY23E, EBITDA/tonne of Tata Steel (standalone operations) is expected to come in at ₹ 20500/tonne (₹ 23690/tonne in Q4FY22). For Q1FY23E, standalone operations of JSW Steel are likely to post an EBITDA/tonne of ₹ 8250/tonne (₹ 13517/tonne in Q3FY22). SAIL's EBITDA/tonne for Q1FY23E is likely to come in at ₹ 5250/tonne (₹ 9196/tonne in Q4FY22). Steel players are likely to report a decline in sales volume sequentially to the tune of ~20-22%.

### Majority of base metal prices decline sequentially (except zinc)

In Q1FY23E, majority of base metal prices (except zinc) witnessed a declining trend on a QoQ basis. During the quarter, average zinc prices on LME were at US\$3904/tonne, up 34% YoY, 4% QoQ. During the quarter, average lead prices were at US\$2192/tonne, up 3% YoY, but down 6% QoQ. In the quarter, average aluminium prices on LME were at US\$2872/tonne, up 20% YoY, but down 12% QoQ. Average copper prices for the quarter on LME were at US\$9508/tonne, down 2% YoY, 5% QoQ.

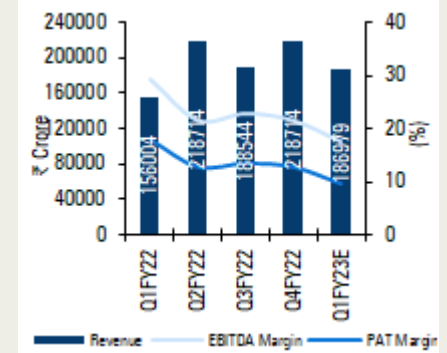
### For Q1FY23E, aggregate EBITDA to decline both QoQ, YoY

For Q1FY23E, we expect the aggregate topline of coverage companies to increase 20% YoY but decline 15% QoQ to ₹ 186979 crore. Aggregate EBITDA of the coverage universe is expected to decline 28% YoY, 30% QoQ to ₹ 33005 crore. The aggregate EBITDA margin of the coverage universe is likely to come in at 17.7% (down 1170 bps YoY, 390 bps QoQ). The decline in aggregate EBITDA margins is likely to be on account of higher input costs.

Company	Revenue			EBITDA			PAT		
	Q1FY23E	YoY	QoQ	Q1FY23E	YoY	QoQ	Q1FY23E	YoY	QoQ
Coal India	32,505	29	-1	8,436	74	-7	6,013	89	-10
Graphite India	960	57	14	161	14	83	156	4	64
Hindalco	17,633	32	-10	2,864	10	-35	1,147	11	-43
JSW Steel	38,475	33	-18	4,716	-54	-49	941	-84	-72
NMDC	4,022	-38	-40	1,340	-68	-50	1,005	-69	-45
SAIL	24,638	19	-20	1,916	-71	-56	592	-85	-76
Jindal Stainless	5,220	29	-20	554	-8	-34	275	-10	-63
Jindal Stainless Hisar	3,333	20	-23	378	-8	-37	326	-9	-43
Tata Steel	59,280	11	-14	12,497	-22	-21	7,198	-26	-27
Ratnamani Metals & Tube	915	74	-6	141	117	-17	91	81	-19
<b>Total</b>	<b>1,86,979</b>	<b>20</b>	<b>-15</b>	<b>33,005</b>	<b>-28</b>	<b>-30</b>	<b>17,743</b>	<b>-36</b>	<b>-36</b>

Source: Company, ICICI Direct Research, Hindalco results are Hindalco Standalone + Utkal

### Topline & Profitability (Coverage Universe)



### Movement of base metal prices on LME

US\$/t	Q1FY23	Q1FY22	YoY %	Q4FY22	QoQ %
Zinc	3904	2916	33.9	3738	4.4
Lead	2192	2129	3.0	2325	(5.7)
Alum.	2872	2401	19.6	3262	(11.9)
Copper	9508	9696	(1.9)	9997	(4.9)

Source: Bloomberg, ICICI Direct Research,

₹/tonne	Q1FY23	Q1FY22	YoY %	Q4FY22	QoQ %
Zinc	301588	215170	40.2	281256	7.2
Lead	169381	157135	7.8	174960	(3.2)
Alum.	221918	177162	25.3	245410	(9.6)
Copper	734548	715499	2.7	752144	(2.3)

Source: Bloomberg, ICICI Direct Research,

### Top Picks

Coal India  
Ratnamani Metals and Tubes

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**Exhibit 2: Company Specific Views – Metals and Mining**

Company	Remarks
Tata Steel	For Q1FY23E, we expect Tata Steel's standalone operations to report an EBITDA/tonne of ₹ 20500/tonne (compared to an EBITDA/tonne of ₹ 23690/tonne in Q4FY22). Higher coking coal costs are likely to increase operating costs during Q1FY23E thereby resulting in both QoQ as well as YoY decline in EBITDA/tonne of Tata Steel's standalone operations. For Q1FY23E, Tata Steel's standalone operations is expected to report steel sales volume of ~3.9 million tonne (MT), down 3% YoY and 22% QoQ, while European operation steel sales are likely to come in at ~2.16 MT, down 7% YoY and 10% QoQ. For Q1FY23E, we expect European operations to report an EBITDA/tonne of US\$250/tonne (EBITDA/tonne of US\$241/tonne in Q4FY22). For Q1FY23E, on a consolidated basis, the topline is expected to increase 11% YoY but decline 14% QoQ to ₹ 59280 crore. Consolidated EBITDA for Q1FY23E is expected to decline 22% YoY and 21% QoQ to ₹ 12497 crore. Consolidated EBITDA margins for Q1FY23E are likely to come in at 21.1% compared to 22.9% in Q4FY22 and 30.2% in Q1FY22. Ensuing consolidated PAT is likely to come in at ₹ 7198 crore, down 26% YoY and 27% QoQ
JSW Steel	For Q1FY23E, we expect JSW Steel's standalone sales volume to come in at 4.1 MT, up 13% YoY but down 21% QoQ. For the quarter, we expect consolidated topline to come in at ₹ 38475 crore, up 33% YoY but down 18% QoQ. Consolidated EBITDA is likely to come in at ₹ 4716 crore, down 54% YoY and 49% QoQ. For Q1FY23E, for standalone operations JSW Steel is likely to report an EBITDA/tonne of ₹ 8250/tonne (₹ 13517/tonne in Q4FY22 and ₹ 26291/tonne in Q1FY22). Consolidated EBITDA margin for Q1FY23E is likely to come in at 12.3% (35.5% in Q1FY22, 19.6% in Q4FY22). For Q1FY23E, decline in consolidated EBITDA margins and EBITDA/tonne for both QoQ as well as YoY would be primarily due to higher coking coal costs. Ensuing consolidated PAT for Q1FY23E is likely to come in at ₹ 941 crore, down 84% YoY and 72% QoQ
SAIL	For Q1FY23E, we expect SAIL's EBITDA/tonne to decline both QoQ as well as YoY due to higher coking coal costs. For the quarter, we expect SAIL to report sales volume of 3.7 MT, up 11% YoY but down 22% QoQ. The topline is expected to come in at ₹ 24638 crore, up 19% YoY but down 20% QoQ. EBITDA is likely to come in at ₹ 1916 crore, down 71% YoY and 56% QoQ. EBITDA/tonne for Q1FY23E is likely to come in at ₹ 5250/tonne compared to ₹ 9196/tonne in Q4FY22. Ensuing PAT is likely to come in at ₹ 592 crore, down 85% YoY and 76% QoQ
Hindalco	For Q1FY23E, we expect Hindalco's domestic operations (standalone operations + Utkal) to report aluminium sales volume of ~320000 tonnes (303000 in Q1FY22 and 336000 in Q4FY22) and copper volumes of ~100000 tonnes (80000 tonnes in Q1FY22 and 105000 tonnes in Q4FY22). We expect Hindalco's domestic operations (standalone operations + Utkal) topline to come in at ₹ 17633 crore (up 32% YoY but down 10% QoQ). EBITDA margin is likely to come it at 16.2% (19.6% in Q1FY22, 22.6% in Q4FY22). The subsequent EBITDA of Hindalco's domestic operations (standalone operations + Utkal) is likely to come in at ₹ 2864 crore, up 10% YoY but down 35% QoQ. Novelis is likely to report sales volume of 985 KT and EBITDA/tonne of US\$500/tonne
Jindal Stainless	For Q1FY23E, we expect Jindal Stainless (JSL) to report sales volume of ~240000 tonnes (up 1% YoY but down 11% QoQ). Consolidated topline is expected to come in at ₹ 5220 crore (up 29% YoY, however down 20% QoQ). Consolidated EBITDA is likely to come in at ₹ 554 crore (down 8% YoY, 34% QoQ). Consolidated EBITDA margin is likely to come in at 10.6% (14.9% in Q1FY22 and 12.8% in Q4FY22). EBITDA/tonne (standalone) is likely to come in at ₹ 21000/tonne (₹ 24378/tonne in Q1FY22, ₹ 28278/tonne in Q4FY22). Consolidated PAT for Q1FY23E is likely to come in at ₹ 275 crore (down 10% YoY and 63% QoQ)
Jindal Stainless Hisar	For Q1FY23E, we expect Jindal Stainless Hisar (JSHL) to report sales volume of 155000 tonnes (up 3% YoY but down 13% QoQ). Consolidated topline is expected to come in at ₹ 3333 crore (up 20% YoY but down 23% QoQ). Consolidated EBITDA is likely to come in at ₹ 378 crore (down 8% YoY and 37% QoQ). Consolidated EBITDA margin is likely to come in at 11.4% (14.8% in Q1FY22 and 14.0% in Q4FY22). EBITDA/tonne (standalone) is likely to come in at ₹ 21500/tonne (₹ 25278/tonne in Q1FY22, ₹ 30011/tonne in Q4FY22). Consolidated PAT for Q1FY23E is likely to come in at ₹ 326 crore (down 9% YoY, 43% QoQ)
Ratnamani Metals & Tubes	We expect Ratnamani Metals and Tubes (RMTL) to report a steady performance in Q1FY23E. Topline is likely to increase 74% YoY but reduce 6% QoQ to ₹ 915 crore. EBITDA is likely to increase 117% YoY but fall 17% QoQ to ₹ 141 crore. For Q1FY23E, RMTL is likely to report an EBITDA margin of 15.4% (12.4% in Q1FY22 and 17.4% in Q4FY22). Ensuing PAT for the quarter is likely to come in at ₹ 91 crore, up 81% YoY but down 19% QoQ

Source: Company, ICICI Direct Research

**JSW Steel: Sales Volume; EBITDA/tonne....**

	Q1FY23E	Q1FY22	YoY	Q4FY22	QoQ
Sales Vol.	4.1	3.6	13%	5.1	-21%
EBITDA/t	8250	26291	-69%	13517	-39%

Source: Company, ICICI Direct Research, Sales volume in MT, EBITDA/tonne in ₹/tonne.

**Tata Steel: Sales Volume; EBITDA/tonne....**

	Q1FY23E	Q1FY22	YoY	Q4FY22	QoQ
<b>Sales Vol.</b>					
India Stand.	3.9	4.0	-3%	5.0	-22%
Europe Op.	2.2	2.3	-7%	2.4	-10%
<b>EBITDA/t</b>					
India Stand.	20500	35558	-42%	23690	-13%
Europe	250	89	181%	241	4%

Source: Company, ICICI Direct Research, Sales volume in MT, Indian EBITDA/tonne in ₹/tonne, \*- Europe EBITDA/tonne in US\$/tonne. Tata Steel's sales volume and EBITDA/tonne is for the Standalone operations.

**Exhibit 3: Company Specific Views – Metals and Mining**

Graphite India	<p>For Q1FY23E, on a consolidated basis, we expect Graphite India (GIL) to report capacity utilisation of 83% (75% in Q1FY22 and 76% in Q4FY22). For the quarter, we expect Graphite India to report a consolidated topline of ₹ 960 crore (up 57% YoY, 14% QoQ). For the quarter, we expect GIL to report consolidated EBITDA of ₹ 161 crore (up 14% YoY, 83% QoQ) and consolidated net profit of ₹ 156 crore (up 4% YoY, 64% QoQ)</p>
Coal India	<p>For Q1FY23E, Coal India (CIL) reported coal offtake of 178 million tonne (MT), up 11% YoY but down 1% QoQ. For the quarter, we expect the consolidated topline to increase 29% YoY but decline 1% QoQ to ₹ 32505 crore. Consolidated EBITDA margin is likely to come in at 26.0% for Q1FY23E compared to 19.2% in Q1FY22 and 27.8% in Q4FY22. For Q1FY23E, we expect EBITDA/tonne at ₹ 475/tonne compared to ₹ 303/tonne in Q1FY22 and ₹ 504/tonne in Q4FY22. Ensuing consolidated PAT for the quarter is likely to come at ₹ 6013 crore, up 89% YoY but down 10% QoQ</p>
NMDC	<p>For Q1FY23E, we expect NMDC to report sales volume of 7.7 million tonnes (MT) down 19% YoY and 38% QoQ. Topline is expected to come in at ₹ 4022 crore, down 38% YoY and 40% QoQ. EBITDA is expected to come in at ₹ 1340 crore, down 68% YoY and 50% QoQ. EBITDA margin for Q1FY23E is likely to come in at 33.3% (40.0% in Q4FY22). Ensuing PAT for Q1FY23E is likely to come in at ₹ 1005 crore, down 69% YoY and 45% QoQ</p>

Source: Company, ICICI Direct Research

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