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## EBITDA/t to decline in Q2FY23, recovery likely in Q3...

For Q2FY23, we expect EBITDA/tonne of domestic steel companies to decline both QoQ as well as YoY, primarily due to a steep fall in steel prices. Sequentially, average decline in steel prices is expected to be ~₹ 12000-13000/tonne QoQ (~16-17% QoQ), due to price cuts taken in the domestic market and lower export realisation due to export duty. During Q2FY23, against a steep fall in steel prices, there was only a marginal relief in the form of softening coking coal and iron ore costs. Sequentially, during Q2FY23, coking coal costs are expected to be ~US\$40-60/tonne, lower compared to Q1FY23. As steel companies generally carry a couple of months of coking coal inventory, higher benefit of falling coking coal costs is likely to come with a lag and is likely to be seen in Q3FY23E. During Q2FY23, a sharp fall in steel prices would outweigh benefit of fall in costs, thereby resulting in a decline in EBITDA/tonne of steel companies (in Q2FY23). For Q2FY23E, EBITDA/tonne of Tata Steel (standalone operations) is expected to come in at ₹ 10000/tonne (₹ 21326/tonne in Q1FY23). For Q2FY23E, standalone operations of JSW Steel are likely to post EBITDA/tonne of ₹ 4800/tonne (JSW Steel's adjusted EBITDA/tonne for Q1FY23 was at ~₹ 12086/tonne). SAIL's EBITDA/tonne for Q2FY23E is likely to come in at ₹ 3250/tonne (₹ 7304/tonne in Q1FY23). Steel players are likely to report an increase in sales volume QoQ to the tune of ~21-29%.

### Majority of base metal prices decline QoQ, YoY (except zinc)

During Q2FY23E, majority of base metal prices witnessed a declining trend both on a QoQ as well as YoY basis, except zinc, which was up YoY. During the quarter, average zinc prices on LME were at US\$3275/tonne, up 10% YoY but down 16% QoQ. During the quarter, average lead prices were at US\$1976/tonne, down 15% YoY, 10% QoQ. In the quarter, average aluminium prices on LME were at US\$2354/tonne, down 11% YoY, 18% QoQ. Average copper prices for the quarter on the LME were at US\$7761/tonne, down 17% YoY, 18% QoQ.

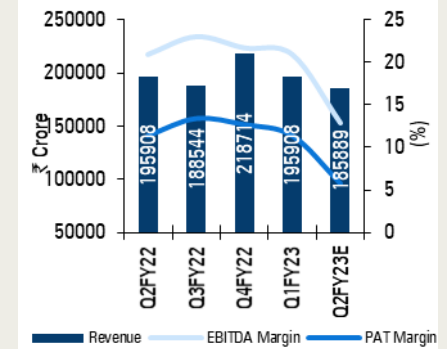
### For Q2FY23E, aggregate EBITDA to decline both QoQ, YoY

For Q2FY23E, we expect the aggregate topline of coverage companies to increase 5% YoY but decline 5% QoQ to ₹ 185889 crore. Aggregate EBITDA of the coverage universe is expected to decline 48% YoY, 42% QoQ to ₹ 23780 crore. The aggregate EBITDA margin of the coverage universe is likely to come in at 12.8% (down 1320 bps YoY, 810 bps QoQ).

Exhibit 1: Estimates for Q2FY23E: (Metals and Mining) (₹ crore)									
Company	Revenue			EBITDA			PAT		
	Q2FY23E	YoY	QoQ	Q2FY23E	YoY	QoQ	Q2FY23E	YoY	QoQ
Coal India	28,960	24	-17	8,878	125	-28	6,251	113	-29
Graphite India	868	25	0	100	-8	-3	96	-25	-3
Hindalco	17,543	1	-11	1,782	-51	-55	450	-75	-75
JSW Steel	37,830	16	-1	3,111	-70	-28	64	-99	-92
NMDC	4,046	-40	-15	1,305	-58	-31	1,008	-57	-31
SAIL	26,831	0	12	1,316	-81	-43	50	-99	-94
Jindal Stainless	5,214	4	-5	411	-45	-25	200	-51	-39
Jindal Stainless Hisar	3,924	5	14	287	-49	-15	262	-48	-15
Tata Steel	59,697	-1	-6	6,465	-61	-57	2,350	-81	-70
Ratnamani Metals & Tube	975	37	0	125	12	-5	82	14	-6
<b>Total</b>	<b>1,85,889</b>	<b>5</b>	<b>-5</b>	<b>23,780</b>	<b>-48</b>	<b>-42</b>	<b>10,812</b>	<b>-66</b>	<b>-51</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	Q2FY23	Q2FY22	YoY %	Q1FY23	QoQ %
Zinc	3275	2991	9.5	3904	(16.1)
Lead	1976	2332	(15.3)	2192	(9.9)
Alum.	2354	2646	(11.0)	2872	(18.1)
Copper	7761	9382	(17.3)	9508	(18.4)

Source: Bloomberg, ICICI Direct Research,

₹/tonne	Q2FY23	Q2FY22	YoY %	Q1FY23	QoQ %
Zinc	261395	221558	18.0	301588	(13.3)
Lead	157694	172783	(8.7)	169381	(6.9)
Alum.	187859	196011	(4.2)	221918	(15.3)
Copper	619392	695084	(10.9)	734548	(15.7)

Source: Bloomberg, ICICI Direct Research,

### Top Pick

Coal India  
Ratnamani Metals and Tubes

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

Company	Remarks
Tata Steel	For Q2FY23E, we expect Tata Steel's standalone operations to report an EBITDA/tonne of ₹ 10000/tonne, down 67% YoY and 53% QoQ. On the back of a muted trend in steel realisations, we expect EBITDA/tonne of Tata Steel's standalone operations to decline both QoQ as well as YoY. For Q2FY23E, Tata Steel's standalone operations is expected to report steel sales volume of ~4.8 million tonne (MT), up 8% YoY, 22% QoQ, while European operation steel sales are likely to come in at ~1.88 MT, down 12% YoY. For Q1FY23E, we expect European operations to report an EBITDA/tonne of US\$100/tonne, down 53% YoY and 73% QoQ. For Q2FY23E, on a consolidated basis, the topline is expected to decline 1% YoY and 6% QoQ to ₹ 59697 crore. Tata Steel's consolidated EBITDA for Q2FY23E is expected to decline 61% YoY and 57% QoQ to ₹6465 crore. Consolidated EBITDA margins for Q2FY23E are likely to come in at 10.8% compared to 27.3% in Q2FY22 and 23.6% in Q1FY23. Ensuing consolidated PAT is likely to come in at ₹ 2350 crore, down 81% YoY and 70% QoQ
JSW Steel	For Q2FY23E, we expect JSW Steel's standalone sales volume to come in at 4.9 MT, up 28% YoY and 20% QoQ. For the quarter, we expect JSW Steel to report a consolidated topline of ₹ 37830 crore, up 16% YoY but down 1% QoQ. Consolidated EBITDA is likely to come in at ₹ 3111 crore, down 70% YoY, 28% QoQ. For Q2FY23E, for standalone operations, JSW Steel is likely to report an EBITDA/tonne of ₹ 4800/tonne (₹ 22884/tonne in Q2FY22). Consolidated EBITDA margin for Q2FY23E is likely to come in at 8.2% (32.0% in Q2FY22, 11.3% in Q1FY23). For Q2FY23E, decline in consolidated EBITDA margins and EBITDA/tonne both QoQ as well as YoY would be primarily due to a muted trend in steel realisations. Ensuing consolidated PAT for Q2FY23E is likely to come in at ₹ 64 crore, down 99% YoY, 92% QoQ
SAIL	For Q2FY23E, on the back of a muted trend in steel prices, we expect SAIL's EBITDA/tonne to decline both QoQ as well as YoY. For the quarter, we expect SAIL to report sales volume of 4.1 MT, down 5% YoY but up 29% QoQ. The topline is expected to come in at ₹ 26831 crore, flattish YoY and up 12% QoQ. EBITDA is likely to come in at ₹ 1316 crore, down 81% YoY and 43% QoQ. EBITDA/tonne for Q2FY23E is likely to come in at ₹ 3250/tonne, down 80% YoY and 56% QoQ. Ensuing PAT is likely to come in at ₹ 50 crore, down 99% YoY and 94% QoQ
Hindalco	For Q2FY23E, we expect Hindalco's domestic operations (standalone operations + Utkal) to report aluminium sales volume of ~335000 tonnes (338000 in Q2FY22 and 323000 in Q1FY23) and copper volumes of ~105000 tonnes (110000 tonnes in Q2FY22 and 105000 tonnes in Q4FY22). We expect Hindalco's domestic operations (standalone operations + Utkal) topline to come in at ₹ 17543 crore (up 1% YoY but down 11% QoQ). EBITDA margin is likely to come it at 10.2% (20.7% in Q2FY22 and 20.2% in Q1FY23). The subsequent EBITDA of Hindalco's domestic operations (standalone operations + Utkal) is likely to come in at ₹ 1782 crore, down 51% YoY and 55% QoQ. Novelis is likely to report sales volume of 985 KT and EBITDA/tonne of US\$525/tonne
Jindal Stainless	For Q2FY23E, we expect Jindal Stainless (JSL) to report sales volume of ~257500 tonnes (flattish YoY and up 9% QoQ). Consolidated topline is expected to come in at ₹ 5214 crore (up 4% YoY but down 5% QoQ). Consolidated EBITDA is likely to come in at ₹ 411 crore (down 45% YoY, 25% QoQ). Consolidated EBITDA margin for Q2FY23E is likely to come in at 7.9% (14.9% in Q2FY22, 10.0% in Q1FY23). For Q2FY23E, EBITDA/tonne (standalone) is likely to come in at ₹ 15000/tonne, down 46% YoY, 32% QoQ. Ensuing consolidated PAT for Q2FY23E is likely to come in at ₹ 200 crore (down 51% YoY, 39% QoQ)
Jindal Stainless Hisar	For Q2FY23E, we expect Jindal Stainless Hisar (JSHL) to report sales volume of 172500 tonnes (up 31% QoQ but down 8% YoY). Consolidated topline is expected to come in at ₹ 3924 crore (up 5% YoY, 14% QoQ). Consolidated EBITDA for Q2FY23E is likely to come in at ₹ 287 crore (down 49% YoY, 15% QoQ). Consolidated EBITDA margin for Q2FY23E is likely to come in at 7.3% (15.1% in Q2FY22, 9.8% in Q1FY23). For Q2FY23E, EBITDA/tonne (standalone) is likely to come in at ₹ 15500/tonne, down 42% YoY, 35% QoQ. Consolidated PAT for Q2FY23E is likely to come in at ₹ 262 crore (down 48% YoY, 15% QoQ)
Ratnamani Metals & Tubes	We expect Ratnamani Metals and Tubes (RMTL) to report a steady performance in Q2FY23E. Topline is likely to increase 37% YoY to ₹ 975 crore. EBITDA is likely to increase 12% YoY but fall 5% QoQ to ₹ 125 crore. For Q2FY23E, RMTL is likely to report an EBITDA margin of 12.8% (15.6% in Q2FY22 and 13.4% in Q1FY23). Ensuing PAT for the quarter is likely to come in at ₹ 82 crore, up 14% YoY but down 6% QoQ

Source: Company, ICICI Direct Research

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

	Q1FY23E	Q2FY22	YoY	Q1FY23 *	QoQ
Sales Vol.	4.9	3.8	28%	4.0	20%
EBITDA₹	4800	22884	-79%	12086	-60%

Source: Company, ICICI Direct Research, Sales volume in MT, EBITDA/tonne in ₹/tonne, \* - JSW Steel's Q1FY23 EBITDA/tonne is adjusted EBITDA/tonne.

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

	Q1FY23E	Q2FY22	YoY	Q1FY23	QoQ
Sales Vol.					
India Stand.	4.8	4.4	8%	3.9	22%
Europe Op.	1.9	2.1	-12%	2.1	-12%
EBITDA₹					
India Stand.	10000	30385	-67%	21326	-53%
Europe	100	211	-53%	365	-73%

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 Q2FY23E, on a consolidated basis, we expect Graphite India (GIL) to report capacity utilisation of 68% (81% in Q2FY22 and 71% in Q1FY23). For the quarter, we expect Graphite India to report a consolidated topline of ₹ 868 crore, up 25% YoY. For the quarter, we expect GIL to report consolidated EBITDA of ₹ 100 crore, down 8% YoY and consolidated net profit of ₹ 96 crore, down 25% YoY</p>
Coal India	<p>For Q2FY23E, Coal India (CIL) reported coal offtake of 154 million tonne (MT), up 5% YoY. For the quarter, we expect CIL's consolidated topline to increase 24% YoY to ₹ 28960 crore. Consolidated EBITDA margin is likely to come in at 30.7% for Q2FY23E compared to 16.9% in Q2FY22 and 34.9% in Q1FY23. For Q2FY23E, we expect CIL to clock an EBITDA/tonne of ₹ 575/tonne compared to ₹ 267/tonne in Q2FY22 and ₹ 690/tonne in Q1FY23. Ensuing consolidated PAT for the quarter is likely to come at ₹ 6251 crore, up 113% YoY</p>
NMDC	<p>For Q2FY23E, we expect NMDC to report sales volume of 8.7 million tonnes (MT), down 3% YoY. Topline is expected to come in at ₹ 4046 crore, down 40% YoY. Steep decline in topline is due to sharp fall in realisation of iron ore. EBITDA is expected to come in at ₹ 1305 crore, down 58% YoY, 31% QoQ. EBITDA margin for Q2FY23E is likely to come in at 32.3% (45.8% in Q2FY22 and 39.9% in Q1FY23). Ensuing PAT for Q2FY23E is likely to come in at ₹ 1008 crore, down 57% YoY, 31% QoQ</p>

Source: Company, ICICI Direct Research

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