

January 11, 2023

## Steel companies' EBITDA/t to increase sequentially in Q3

For Q3FY23E, on a QoQ basis, steel companies are likely to report a sequential increase in EBITDA/tonne to the tune of ~₹ 2500-₹ 3500/tonne, primarily aided by lower coking coal consumption costs. While on a QoQ basis for the quarter blended steel realisations are expected to decline by ~₹ 1000 to ₹ 2000/tonne, the sequential improvement in EBITDA/tonne was primarily on account of lower coking coal consumption costs, which is expected to decline by ~US\$70-80/tonne in Q3FY23E compared to Q2FY23. For Q3FY23E, EBITDA/tonne of Tata Steel (standalone operations) is expected to come in at ₹ 12500/tonne (₹ 10177/tonne in Q2FY23). For Q3FY23E, standalone operations of JSW Steel are likely to post an EBITDA/tonne of ₹ 7000/tonne (₹ 3477/tonne in Q2FY23). SAIL's EBITDA/tonne for Q3FY23E is likely to come in at ₹ 4250/tonne (₹ 1740/tonne in Q2FY23). For Q3FY23E, within the stainless steel segment, standalone EBITDA/tonne of Jindal Stainless (JSL) and Jindal Stainless (Hisar) (JSHL) is also likely to register a sequential improvement of ~₹ 2400/tonne to ~₹ 2800/tonne. For Q3FY23, we expect standalone operations of JSL to report EBITDA/tonne of ₹ 18000/tonne (₹ 15208/tonne in Q2FY23) and JSHL to report EBITDA/tonne of ₹ 18500/tonne (₹ 16085/tonne in Q2FY23).

## On QoQ basis, base metal prices to witness mixed trend...

During Q3FY23E, base metal prices witnessed a mixed trend QoQ wherein lead and copper were up QoQ while zinc and aluminium witnessed a falling trend on a QoQ basis. On the other hand, on a YoY basis all major base metal prices were lower. During the quarter, average zinc prices on the LME were at US\$3009/tonne, down 10% YoY, 8% QoQ. During the quarter, average lead prices were at US\$2104/tonne, down 10% YoY, but up 6% QoQ. For the quarter, average aluminium prices on LME were at US\$2335/tonne, down 15% YoY, 1% QoQ. Average copper prices for the quarter on LME were at US\$8020/tonne, down 17% YoY but up 3% QoQ.

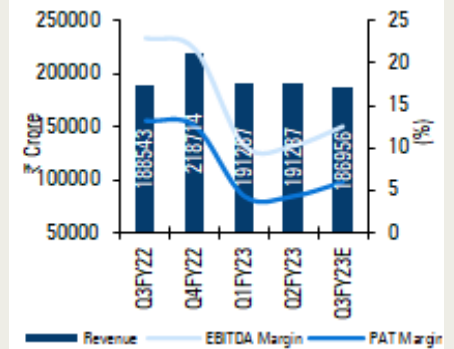
## For Q3FY23E, aggregate EBITDA margin likely to increase QoQ

For Q3FY23E, we expect the aggregate topline of coverage companies to decline 1% YoY and 2% QoQ to ₹ 186956 crore. Aggregate EBITDA of the coverage universe is expected to decline 46% YoY but increase 19% QoQ to ₹ 23447 crore. The aggregate EBITDA margin of the coverage universe is likely to come in at 12.5% (up 220 bps QoQ).

Company	Revenue			EBITDA			PAT		
	Q3FY23E	YoY	QoQ	Q3FY23E	YoY	QoQ	Q3FY23E	YoY	QoQ
Coal India	34,403	21	15	9,237	35	27	7,651	68	27
Graphite India	1,001	14	21	145	6	42	150	13	63
Hindalco	19,212	4	1	2,086	-45	0	760	-56	-17
JSW Steel	39,120	3	-6	3,685	-60	110	353	-92	LP
NMDC	3,704	-37	11	1,203	-54	41	941	-54	6
SAIL	26,031	3	-1	1,806	-47	146	304	-79	LP
Jindal Stainless	5,914	4	6	503	-37	41	268	-39	76
Jindal Stainless Hisar	3,924	-6	0	349	-39	8	266	-48	5
Tata Steel	52,618	-13	-12	4,279	-73	-29	564	-94	-56
Ratnamani Metals & Tube	1,029	11	14	154	18	6	105	18	6
<b>Total</b>	<b>1,86,956</b>	<b>-1</b>	<b>-2</b>	<b>23,447</b>	<b>-46</b>	<b>19</b>	<b>11,362</b>	<b>-55</b>	<b>35</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	Q3FY23	Q3FY22	YoY %	Q2FY23	QoQ %
Zinc	3009	3356	-10	3275	-8
Lead	2104	2326	-10	1976	6
Alum.	2335	2754	-15	2354	-1
Copper	8020	9704	-17	7761	3

Source: Bloomberg, ICICI Direct Research,

₹/tonne	Q3FY23	Q3FY22	YoY %	Q2FY23	QoQ %
Zinc	247398	251589	-2	261395	-5
Lead	172965	174336	-1	157694	10
Alum.	192006	206423	-7	187859	2
Copper	659455	727423	-9	619392	6

Source: Bloomberg, ICICI Direct Research,

### Top Pick

Ratnamani Metals and Tubes

### Research Analyst

Dewang Sanghavi

dewang.sanghavi@icicisecurities.com

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

Company	Remarks
Tata Steel	For Q3FY23E, we expect Tata Steel's standalone operations to report an EBITDA/tonne of ₹ 12500/tonne compared to ₹ 10177/tonne in Q2FY23 and ₹ 28631/tonne in Q3FY22. For Q3FY23E, Tata Steel's standalone operations is expected to report steel sales volume of ~4.5 million tonne (MT), up 5% YoY but down 6% QoQ while European operation steel sales volume is likely to come in at ~1.96 MT, down 9% YoY but up 5% QoQ. For Q3FY23E, we expect European operations to report loss at EBITDA level. For Q3FY23E, European operations is likely to report negative EBITDA/tonne of US\$75/tonne. For Q3FY23E, on a consolidated basis, the topline is expected to decline 13% YoY, 12% QoQ to ₹ 52618 crore. Tata Steel's consolidated EBITDA for Q3FY23E is expected to decline 73% YoY and 29% QoQ to ₹ 4279 crore. Consolidated EBITDA margins for Q3FY23E are likely to come in at 8.1% compared to 26.1% in Q3FY22 and 10.1% in Q2FY23. Ensuining consolidated PAT is likely to come in at ₹ 564 crore, down 94% YoY, 56% QoQ
JSW Steel	For Q3FY23E, we expect JSW Steel's standalone sales volume to come in at 4.8 MT, up 20% YoY but down 4% QoQ. For the quarter, we expect JSW Steel to report a consolidated topline of ₹ 39120 crore, up 3% YoY but down 6% QoQ. Consolidated EBITDA is likely to come in at ₹ 3685 crore, down 60% YoY but up 110% QoQ. For standalone operations, JSW Steel is likely to report an EBITDA/tonne of ₹ 7000/tonne (₹ 3477/tonne in Q2FY23). Consolidated EBITDA margin for Q3FY23E is likely to come in at 9.4% (24.0% in Q3FY22, 4.2% in Q2FY23). Ensuining consolidated PAT for Q3FY23E is likely to come in at ₹ 353 crore, down 92% YoY
SAIL	For Q3FY23E, we expect SAIL to report sales volume of 4.3 million tonnes (MT), up 12% YoY, 1% QoQ. The topline is expected to come in at ₹ 26031 crore, up 3% YoY but down 1% QoQ. EBITDA is likely to come in at ₹ 1806 crore, down 47% YoY but up 146% QoQ. EBITDA/tonne for Q3FY23E is likely to come in at ₹ 4250/tonne compared to ₹ 1740/tonne in Q2FY23 and ₹ 8881/tonne in Q3FY22. Ensuining PAT is likely to come in at ₹ 304 crore, down 79% YoY
Hindalco	For Q3FY23E, we expect Hindalco's domestic operations (standalone operations + Utkal) to report aluminium sales volume of ~340000 tonnes (325000 in Q3FY22, 341000 in Q2FY23) and copper volumes of ~110000 tonnes (110000 tonnes in Q3FY22 and 112000 tonnes in Q3FY23). We expect Hindalco's domestic operations (standalone operations + Utkal) topline to come in at ₹ 19212 crore (up 4% YoY, 1% QoQ). EBITDA margin is likely to come it at 10.9% (20.4% in Q3FY22 and 11.0% in Q2FY23). The subsequent EBITDA of Hindalco's domestic operations (standalone operations + Utkal) is likely to come in at ₹ 2086 crore, down 45% YoY flattish QoQ. Novelis is likely to report sales volume of 950 KT and EBITDA/tonne of US\$400/tonne
Jindal Stainless	For Q3FY23E, we expect Jindal Stainless (JSL) to report sales volume of ~285000 tonnes (up 15% YoY, 5% QoQ). Consolidated topline is expected to come in at ₹ 5914 crore (up 4% YoY, 6% QoQ). Consolidated EBITDA is likely to come in at ₹ 503 crore (down 37% YoY but up 41% QoQ). Consolidated EBITDA margin for Q3FY23E is likely to come in at 8.5% (14.1% in Q3FY22 and 6.4% in Q2FY23). For Q3FY23E JSL's EBITDA/tonne (standalone) is likely to come in at ₹ 18000/tonne compared to ₹ 15208/tonne in Q2FY23 and ₹ 29855/tonne in Q3FY22. Ensuining consolidated PAT for Q3FY23E is likely to come in at ₹ 268 crore (down 39% YoY but up 76% QoQ)
Jindal Stainless Hisar	For Q3FY23E, we expect Jindal Stainless Hisar (JSHL) to report sales volume of ~172500 tonnes (down 6% each both QoQ as well as YoY). Consolidated topline is expected to come in at ₹ 3924 crore (down 6% YoY and flattish QoQ). Consolidated EBITDA is likely to come in at ₹ 349 crore (down 39% YoY but up 8% QoQ). Consolidated EBITDA margin for Q3FY23E is likely to come in at 8.9% (13.6% in Q3FY22, 8.2% in Q2FY23). For Q3FY23E, JSHL's EBITDA/tonne (standalone) is likely to come in at ₹ 18500/tonne compared to ₹ 16085/tonne in Q2FY23 and ₹ 28259/tonne in Q3FY22. Ensuining consolidated PAT for Q3FY23E is likely to come in at ₹ 266 crore (down 48% YoY but up 5% QoQ)
Ratnamani Metals & Tubes	We expect Ratnamani Metals & Tubes (RMTL) to report a healthy performance in Q3FY23E. Topline is likely to increase 11% YoY to ₹ 1029 crore. EBITDA is likely to increase 18% YoY to ₹ 154 crore. For Q3FY23E, RMTL is likely to report an EBITDA margin of 14.9% (14.0% in Q3FY22 and 16.1% in Q2FY23). Ensuining PAT for the quarter is likely to come in at ₹ 105 crore, up 18% YoY

Source: Company, ICICI Direct Research

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

	Q3FY23	Q3FY22	YoY %	Q2FY23	QoQ %
Sales Vol.	4.8	4.0	20%	5.0	-4%
EBITDA₹t	7000	16993	-59%	3477	101%

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

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

	Q3FY23	Q3FY22	YoY %	Q2FY23	QoQ %
Sales Vol.	4.5	4.3	5%	4.8	-6%
India Stand.	4.5	4.3	5%	4.8	-6%
Europe Op.	2.0	2.2	-9%	1.9	5%
EBITDA₹t					
India Stand.	12500	28631	-56%	10177	23%
Europe	-75	182	PL	120	PL

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	For Q3FY23E, on a consolidated basis, we expect Graphite India (GIL) to report capacity utilisation of 68% (90% in Q3FY22 and 56% in Q2FY23). For the quarter, we expect GIL to report a consolidated topline of ₹ 1001 crore, up 14% YoY. For the quarter, we expect GIL to report consolidated EBITDA of ₹ 145 crore, up 6% YoY with consolidated net profit of ₹ 150 crore, up 13% YoY
Coal India	For Q3FY23E, Coal India (CIL) reported coal offtake of 176 million tonne (MT), up 1% YoY. For the quarter, we expect consolidated topline to increase 21% YoY to ₹ 34403 crore. Consolidated EBITDA margin is likely to come in at 26.9% for Q3FY23E compared to 24.0% in Q3FY22 and 24.4% in Q2FY23. For Q3FY23E, we expect CIL to clock an EBITDA/tonne of ₹ 525/tonne compared to ₹ 393/tonne in Q3FY22 and ₹ 471/tonne in Q2FY23. Ensuing consolidated PAT for the quarter is likely to come at ₹ 7651 crore, up 68% YoY
NMDC	For Q3FY23E, we expect NMDC to report sales volume of 9.6 million tonnes (MT) down 2% YoY but up 11% QoQ. Topline is expected to come in at ₹ 3704 crore, up 11% QoQ. EBITDA is expected to come in at ₹ 1203 crore, up 41% QoQ. EBITDA margin for Q3FY23E is likely to come in at 32.5% (44.5% in Q3FY22 and 25.7% in Q2FY23). Ensuing PAT for Q3FY23E is likely to come in at ₹ 941 crore, up 6% QoQ

Source: Company, ICICI Direct Research

## RATING RATIONALE

ICICI Direct endeavours to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: > 15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: < -15%



Pankaj Pandey

Head – Research

[pankaj.pandey@icicisecurities.com](mailto:pankaj.pandey@icicisecurities.com)

ICICI Direct Research Desk,  
ICICI Securities Limited,  
1st Floor, Akruiti Trade Centre,  
Road No 7, MIDC,  
Andheri (East)  
Mumbai – 400 093  
[research@icicidirect.com](mailto:research@icicidirect.com)

## ANALYST CERTIFICATION

I/We, Dewang Sanghavi MBA (Finance), Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

## Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock broking and distribution of financial products.

ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager and Research Analyst. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on [www.icicibank.com](http://www.icicibank.com).

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit [icidirect.com](http://icidirect.com) to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Retail Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Institutional Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as a entity are engaged in various financial service businesses, they might have financial interests or actual/ beneficial ownership of one percent or more or other material conflict of interest various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.