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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.

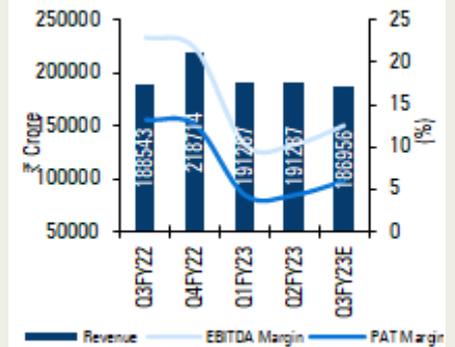
For Q3FY23E, aggregate EBITDA margin likely to increase QoQ

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
Total	1,86,956	-1	-2	23,447	-46	19	11,362	-55	35

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

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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. Ensuuing 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). Ensuuing 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. Ensuuing 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. Ensuuing 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. Ensuuing 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). Ensuuing 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

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