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## Steel companies' EBITDA/t to rise sequentially in Q4

For Q4FY23E, on a QoQ basis, steel companies within our coverage universe are likely to report a sequential increase in EBITDA/tonne of ~₹ 1850 to ₹ 2250/tonne, primarily aided by an uptick in steel prices. On a QoQ basis, for the quarter, blended steel realisations are expected to increase by ~₹ 2000-3000/tonne. On the cost side, for Q4FY23E, coking coal prices are expected to be stable on a sequential basis. For Q4FY23E, coking coal consumption cost is expected to be flattish (+/- US\$ 10/tonne), compared to Q3FY23. For Q4FY23E, EBITDA/tonne of Tata Steel (standalone operations) is expected to come in at ₹ 13250/tonne (₹ 11350/tonne in Q3FY23). For Q4FY23E, standalone operations of JSW Steel are likely to post an EBITDA/tonne of ₹ 10000/tonne (₹ 8141/tonne in Q3FY23). SAIL's EBITDA/tonne for Q4FY23E is likely to come in at ₹ 7250/tonne (₹ 5003/tonne in Q3FY23). For Tata Steel, while standalone EBITDA/tonne is expected to witness an improvement on a QoQ basis, muted performance from Tata Steel European operations is expected to result in limited uptick in consolidated EBITDA margins. On the volume front, for the quarter, steel firms (except JSW Steel) under our coverage universe are likely to report flattish volumes on a YoY basis. JSW Steel, on the other hand, is likely to post double-digit volume growth for the quarter. On a sequential basis, steel firms are likely to report volume growth in the range of ~ 8-13% QoQ.

### Base metal prices to witness marginal uptick QoQ

During Q4FY23E, base metal prices are likely to witness an uptick of ~2-11% on a sequential basis. During the quarter, average zinc prices on the LME were at US\$3132/tonne, up 4% QoQ but down 16% YoY. During the quarter, average lead prices were at US\$2137/tonne, up 2% QoQ but down 8% YoY. For the quarter, average aluminium prices on the LME were at US\$2401/tonne, up 3% QoQ but down 26% QoQ. Average copper prices for the quarter on LME were at US\$8941/tonne, up 11% QoQ but down 11% YoY.

### For Q4FY23E, aggregate EBITDA margin likely to increase QoQ

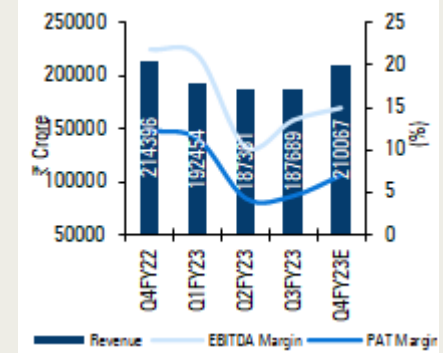
For Q4FY23E, we expect the aggregate topline of coverage companies to increase 12% QoQ to ₹ 210067 crore. Aggregate EBITDA of the coverage universe is expected to increase 24% QoQ to ₹ 31336 crore. The aggregate EBITDA margin of the coverage universe is likely to come in at 14.9% (up 140 bps QoQ).

Exhibit 1: Estimates for Q4FY23E: (Metals and Mining) (₹ crore)

Company	Revenue		Change (%)		EBITDA		Change (%)		PAT		Change (%)	
	Q4FY23E	YoY	QoQ	Q4FY23E	YoY	QoQ	Q4FY23E	YoY	QoQ	Q4FY23E	YoY	QoQ
Coal India	38,635	18	10	10,625	17	2	8,062	20	4			
Graphite India	729	-14	4	84	-5	16	85	-11	60			
Hindalco #	19,423	-1	0	2,510	-43	9	917	-54	-23			
JSW Steel	46,340	-1	18	6,125	-33	35	1,758	-47	271			
NMDC	5,603	-16	51	2,085	-22	82	1,628	-10	83			
SAIL	29,023	-6	16	3,408	-21	64	1,281	-47	176			
Jindal Stainless *	9,336	42	47	958	14	82	601	101	83			
Tata Steel	59,854	-14	5	5,364	-66	32	443	-95	LP			
Ratnamani Metals & Tube	1,126	16	7	179	6	-8	121	8	-9			
<b>Total</b>	<b>2,10,067</b>	<b>-2</b>	<b>12</b>	<b>31,336</b>	<b>-33</b>	<b>24</b>	<b>14,894</b>	<b>-44</b>	<b>70</b>			

Source: Company, ICICI Direct Research, Note - # - Hindalco results are for India Business (i.e., Hindalco Standalone + Utkal)  
Note - \* - Jindal Stainless - Due to merger, Jindal Stainless (JSL) numbers are not comparable both on QoQ as well as YoY

### Topline & Profitability (Coverage Universe)



### Movement of base metal prices on LME

US\$/t	Q4FY23	Q4FY22	YoY %	Q3FY23	QoQ %
Zinc	3132	3738	-16	3009	4
Lead	2137	2325	-8	2104	2
Alum.	2401	3262	-26	2335	3
Copper	8941	9997	-11	8020	11

Source: Bloomberg, ICICI Direct Research,

₹/tonne	Q4FY23	Q4FY22	YoY %	Q3FY23	QoQ %
Zinc	257626	281256	-8	247398	4
Lead	175753	174960	0	172965	2
Alum.	197530	245410	-20	192006	3
Copper	735500	752144	-2	659455	12

Source: Bloomberg, ICICI Direct Research,

### Top Pick

Hindalco  
Coal India

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

Company	Remarks
Tata Steel	For Q4FY23E, we expect Tata Steel's standalone operations to report an EBITDA/tonne of ₹ 13250/tonne compared to ₹ 11350/tonne in Q3FY23. For Q4FY23E, Tata Steel's standalone operations are expected to report steel sales volume of ~4.85 million tonne (MT), up 8% YoY, 13% QoQ, while European operation steel sales are likely to come in at ~2.13 MT, up 7% QoQ. For Q4FY23E, we expect European operations to report a loss at the EBITDA/tonne level. For Q4FY23E, European operations are likely to report negative EBITDA/tonne of US\$110/tonne. For Q4FY23E, on a consolidated basis, topline is expected to decline 14% YoY but rise 5% QoQ to ₹ 59854 crore. Tata Steel's consolidated EBITDA for Q4FY23E is expected to increase 32% QoQ to ₹ 5364 crore. Consolidated EBITDA margins for Q4FY23E are likely to come in at 9.0% compared to 7.1% in Q3FY23. Ensuing consolidated PAT for Q4FY23E is likely to come in at ₹ 443 crore
JSW Steel	For Q4FY23E, we expect JSW Steel's standalone sales volume to come in at 5.6 MT, up 10% YoY, 13% QoQ. For the quarter, we expect JSW Steel to report a consolidated topline of ₹ 46340 crore, up 18% QoQ but down 1% YoY. Consolidated EBITDA is likely to come in at ₹ 6125 crore, up 35% QoQ. For Q4FY23E, for standalone operations, JSW Steel is likely to report an EBITDA/tonne of ₹ 10000/tonne (₹ 8141/tonne in Q3FY23). Consolidated EBITDA margin for Q4FY23E is likely to come in at 13.2% (11.6% in Q3FY23). Ensuing consolidated PAT for Q4FY23E is likely to come in at ₹ 1758 crore
SAIL	For Q4FY23E, we expect SAIL to report sales volume of 4.7 million tonnes (MT), up 12% QoQ. The topline is expected to come in at ₹ 29023 crore, up 16% QoQ. EBITDA is likely to come in at ₹ 3408 crore, up 64% QoQ. EBITDA/tonne for Q4FY23E is likely to come in at ₹ 7250/tonne compared to ₹ 5003/tonne in Q3FY23. Ensuing PAT is likely to come in at ₹ 1281 crore
Hindalco	For Q4FY23E, we expect Hindalco's domestic operations (standalone operations + Utkal) to report aluminium sales volume of ~340000 tonnes (349000 tonnes in Q3FY23) and copper volumes of ~105000 tonnes (109000 tonnes in Q3FY23). We expect Hindalco's domestic operations (standalone operations + Utkal) topline to come in at ₹ 19423 crore (down 1% YoY, flattish QoQ). EBITDA margin is likely to come in at 12.9% (11.8% in Q3FY23). The subsequent EBITDA of Hindalco's domestic operations (standalone operations + Utkal) is likely to come in at ₹ 2510 crore, up 9% QoQ. Novelis is likely to report sales volume of 950 KT and EBITDA/tonne of US\$425/tonne
Jindal Stainless	Due to the completion of merger between Jindal Stainless (JSL) and Jindal Stainless (Hisar) (JSHL), JSL's numbers for Q4FY23 are not comparable both QoQ as well as YoY. With respect to operational performance for Q4FY23, combined shipments (with JSHL) are expected to come in at 485000 tonnes while EBITDA/tonne is likely to come in at ₹ 19750/tonne
Ratnamani Metals & Tubes (RMTL)	We expect RMTL to report a steady performance in Q4FY23E. Topline is likely to increase 16% YoY to ₹ 1126 crore. EBITDA is likely to increase 6% YoY to ₹ 179 crore. For Q4FY23E, RMTL is likely to report an EBITDA margin of 15.9% (17.4% in Q4FY22 and 18.4% in Q3FY23). Ensuing PAT for the quarter is likely to come in at ₹ 121 crore, up 8% YoY

Source: Company, ICICI Direct Research

JSW Steel: Sales Volume; EBITDA/tonne....					
	Q4FY23	Q4FY22	YoY %	Q3FY23	QoQ %
Sales Vol.	5.6	5.1	10%	5.0	13%
EBITDA/tonne	10000	13517	-26%	8141	23%

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

Tata Steel: Sales Volume; EBITDA/tonne....					
	Q4FY23	Q4FY22	YoY %	Q3FY23	QoQ %
<b>Sales Vol.</b>					
India Stand.	4.9	5.0	-3%	4.5	8%
Europe Op.	2.1	2.4	-11%	2.0	7%
<b>EBITDA/tonne</b>					
India Stand.	13250	23690	-44%	11350	17%
Europe	-110	241	PL	-95	16%

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 Q4FY23E, on a consolidated basis, we expect Graphite India (GIL) to report capacity utilisation of 60% (76% in Q4FY22 and 42% in Q3FY23). For the quarter, we expect Graphite India to report a consolidated topline of ₹ 729 crore, up 4% QoQ. For the quarter, we expect GIL to report consolidated EBITDA of ₹ 84 crore, up 16% QoQ and consolidated net profit of ₹ 85 crore, down 11% YoY</p>
Coal India	<p>For Q4FY23E, Coal India (CIL) reported coal offtake of 187 million tonne (MT), up 4% YoY. For the quarter, we expect CIL's consolidated topline to increase 18% YoY to ₹ 38635 crore. Consolidated EBITDA margin is likely to come in at 27.5% for Q4FY23E compared to 27.8% in Q4FY22 and 29.5% in Q3FY23. For Q4FY23E, we expect Coal India to clock an EBITDA/tonne of ₹ 568/tonne compared to ₹ 504/tonne in Q4FY22 and ₹ 590/tonne in Q2FY23. Ensuing consolidated PAT for the quarter is likely to come at ₹ 8062 crore, up 20% YoY and 4% QoQ</p>
NMDC	<p>For Q4FY23E, we expect NMDC to report sales volume of 12.5 million tonnes (MT), up 1% YoY. Topline is expected to come in at ₹ 5603 crore, up 51% QoQ. EBITDA is expected to come in at ₹ 2085 crore, up 82% QoQ. EBITDA margin for Q4FY23E is likely to come in at 37.2% (40.1% in Q4FY22 and 30.7% in Q3FY23). Ensuing PAT for Q4FY23E is likely to come in at ₹ 1628 crore, up 83% QoQ</p>

Source: Company, ICICI Direct Research

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