

Jun-Sep'23 Earnings Preview

October 7, 2023

Exhibit 1: PL Universe

Companies	Rating	CMP (Rs)	TP (Rs)
Hindalco Industries	BUY	473	557
Jindal Stainless	BUY	476	484
Jindal Steel & Power	BUY	683	812
JSW Steel	BUY	765	925
National Aluminium Co.	Acc	95	97
NMDC	Acc	146	147
Steel Authority of India	Acc	89	95
Tata Steel	BUY	126	144

Source: PL Acc=Accumulate

Strong quarter due to lower RM & weak base

We expect our metals coverage universe to report healthy performance in 2QFY24, owing to lower raw material and energy prices, continued strong demand momentum despite seasonally weak monsoon quarter and weak base of 2QFY23. We expect overall EBITDA/ PAT growth of ~48%/ 179% YoY (2%/-5% QoQ) for our coverage universe (ex-JDSL). Key monitorables would be rising coking coal prices, progress on capex, outlook on demand from China & developed countries. Our top picks are Hindalco, Jindal Steel & Power, and Tata Steel.

Sharp fall in steel prices to negate benefit of lower coking coal prices: Steel companies under our universe are expected to witness sequential improvement in EBITDA (~Rs 700-1,700/t QoQ) in Q2FY24E as most of the benefit of lower coking coal prices will be seen in this quarter due to prior period inventory; while steel realization is expected to be down 3-5% QoQ. Long product prices declined sharply post March 2023 (-8% QoQ) which would have affected realization while flat product prices were also on a decline (-3% QoQ). Iron ore cost is likely to be soft sequentially (down 4% QoQ) however sharp jump in coking coal prices in September can lead to significant margin erosion in 2HFY24. JDSL is expected to deliver stable shipments QoQ and EBITDA/t sustaining in the range of Rs19k-20k/t. NMDC has delivered 9.68mt volumes while taking price hikes from mid-August which is leading to upward revision of FY24/25E EBITDA by 2/8% respectively.

LME prices remains weak but lower energy costs to drive EBITDA: Revenue of non-ferrous companies under our universe are expected to be impacted by weakness in LME prices during the quarter. However, prior period inventory of thermal coal may benefit Hindalco, while NALCO is likely to benefit from the commencement of Utkal D operations. Hindalco's standalone operations are going to witness strong volume growth and better TcRc margins in copper business while cost of production is expected to see decline of 3-5% QoQ.

Top Picks:

Hindalco: We believe HNDL is well placed amongst the space as a) Novelis is expected to witness gradual improvement in per ton EBITDA over next few quarters, led by resilient developed economies and gradual improvement in consumer demand from China; b) fall in thermal coal prices and opening of captive coal mines to benefit India business; and c) rising focus on high margin Value added products. Maintain Buy with TP of Rs557.

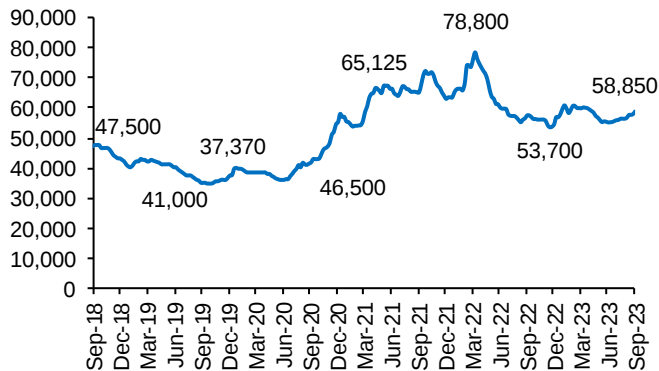
Jindal Steel & power: We remain positive on JSP given 1) strong 16% CAGR in steel volumes over FY23-26E led by ongoing Angul capacity expansion, 2) commissioning of 5.5mtpa Hot Strip Mill to improve product mix, and 3) its margin improvement projects such as 12mtpa pellet plant, 18mtpa slurry pipeline and four coal blocks to drive margins. Maintain Buy with TP of 812.

Tata Steel: TATA's 2QFY24E performance is expected to be weakest among peers due to further drag on TSE EBITDA losses led by lower NSR, poor volumes and TSUK operating losses. We remain positive given 1) strong double digit volume growth potential for TSI post commissioning of 5mtpa KPO II by 1QFY25, 2) better clarity on TSUK with GBP 500mn grant from the UK govt. for 3mtpa EAF and reduction of losses from TSUK, and 3) focused deleveraging to keep balance sheet healthy. Maintain Buy with TP of Rs144.

Tushar Chaudhari

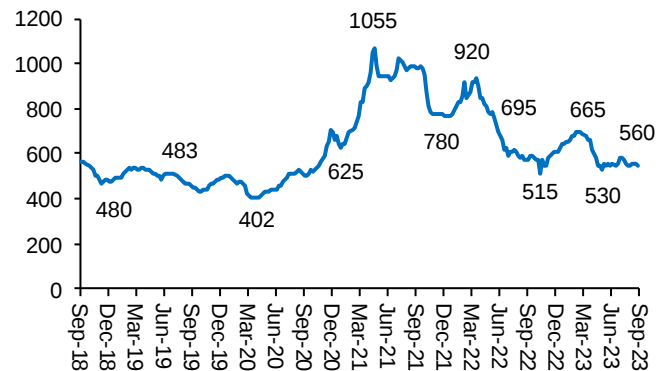
tusharchaudhari@plindia.com | 91-22-663222391

Exhibit 2: Indian HRC Prices ex-Mumbai (Rs/t)



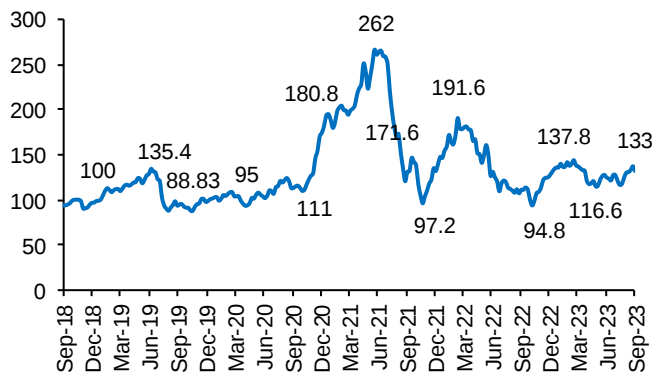
Source: SteelMint, PL

Exhibit 3: China HRC Prices FOB Rizhao (USD/t)



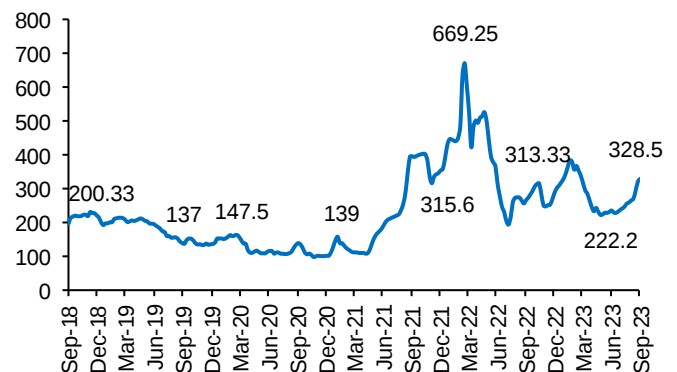
Source: SteelMint, PL

Exhibit 4: Iron Ore Lumps CNF Rizhao (USD/t)



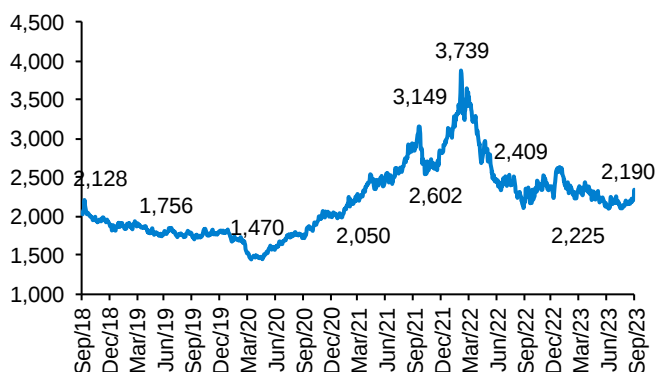
Source: SteelMint, PL

Exhibit 5: Coking Coal Prices FOB Australia (USD/t)



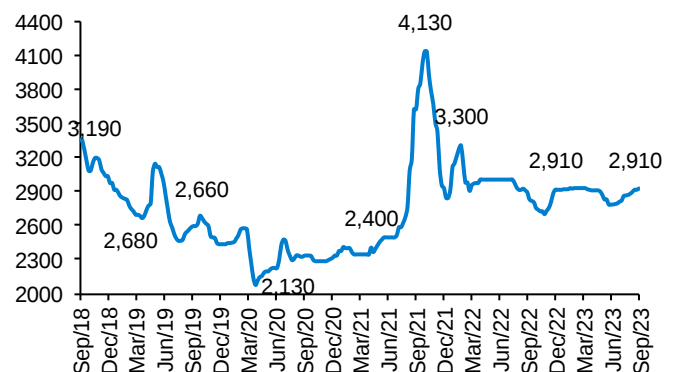
Source: SteelMint, PL

Exhibit 6: LME Aluminium spot Prices (USD/t)



Source: Bloomberg, PL

Exhibit 7: Alumina Prices (CNY/t)



Source: Bloomberg, PL

Exhibit 8: Q2FY24 Result Preview (Rs mn)

Company Name		Q2FY24E	Q2FY23	YoY gr. (%)	Q1FY24	QoQ gr. (%)	Remark
Hindalco Industries	Sales	5,54,246	5,61,760	(1.3)	5,29,910	4.6	LME aluminium is -5% QoQ but HNDL standalone ops to benefit from fall in cost of production 3-5% QoQ led by coal; better TcRc, higher copper & AL volumes. Novelis volumes to remain weak YoY (-4% to ~940kt) but QoQ improvement is expected with EBITDA/t of USD462 (up 3% QoQ)
	EBITDA	61,044	53,620	13.8	57,140	6.8	
	Margin (%)	11.0	9.5		10.8		
	PBT	36,485	30,980	17.8	33,270	9.7	
	Adj. PAT	27,004	22,030	22.6	24,760	9.1	
Jindal Stainless	Sales	1,06,136	56,045	89.4	1,01,840	4.2	Expect flattish volume growth QoQ at ~554kt; weak export volumes & contribution to keep realisation flat; expect EBITDA/t in the range of Rs19k-20k for 2QFY24; and 4% QoQ jump in consolidated EBITDA. YoY numbers are not comparable due to merger of Jindal Stainless Hisar.
	EBITDA	12,427	3,583	246.9	11,924	4.2	
	Margin (%)	11.7	6.4		11.7		
	PBT	9,868	1,987	396.6	9,481	4.1	
	Adj. PAT	7,302	1,591	359.0	7,458	(2.1)	
Jindal Steel & Power	Sales	1,27,535	1,35,214	(5.7)	1,25,883	1.3	Expect ~5% QoQ decline in NSR as long product prices had fallen sharply post 4QFY23; volume to grow 7% QoQ to 1.97mt; EBITDA/t to see decline of Rs2,600 QoQ to ~Rs11,800 as 1Q had benefits of LT contracted volumes at higher prices
	EBITDA	22,904	19,314	18.6	26,280	(12.8)	
	Margin (%)	18.0	14.3		20.9		
	PBT	14,194	9,528	49.0	17,667	(19.7)	
	Adj. PAT	10,283	2,193	368.9	16,920	(39.2)	
JSW Steel	Sales	4,33,551	4,17,780	3.8	4,22,130	2.7	Expect ~3-4% QoQ decline in NSR as steel prices had fallen sharply post 4QFY23; India volume to grow 6% YoY to 5.3mt; EBITDA/t to see improvement of Rs1,700 QoQ to ~Rs11,605. Expect weak performance from overseas subsidiaries mainly led by US
	EBITDA	75,512	17,520	331.0	70,460	7.2	
	Margin (%)	17.4	4.2		16.7		
	PBT	45,712	-13,880	NA	35,140	30.1	
	Adj. PAT	29,215	-12,434	NA	23,380	25.0	
National Aluminium Co.	Sales	31,790	34,896	(8.9)	31,784	0.0	Expect alumina volumes to improve sharply QoQ to 334kt; metal volumes flat QoQ at 116kt; lower LME price (-5% QoQ) to keep EBITDA flat QoQ. Cut FY24 EPS by 3-4% on lower LME but higher output from Utkal D block to improve margins going forward.
	EBITDA	5,854	3,344	75.1	5,943	(1.5)	
	Margin (%)	18.4	9.6		18.7		
	PBT	4,872	2,459	98.2	4,709	3.5	
	Adj. PAT	3,654	1,701	114.8	3,494	4.6	
NMDC	Sales	46,366	33,285	39.3	53,947	(14.1)	Volume of 9.68mt (15% YoY) is higher than our earlier est. of 9.3mt; NMDC raised prices from mid-August which is going to drive EBITDA growth. Expect realisation to decline 1% QoQ (+21% YoY) Vs earlier exp of ~4% decline. We raise FY24/25E EBITDA est by 2%/8% on sharp price hikes undertaken.
	EBITDA	13,333	8,542	56.1	19,935	(33.1)	
	Margin (%)	28.8	25.7		37.0		
	PBT	13,185	11,882	11.0	22,123	(40.4)	
	Adj. PAT	9,889	8,888	11.3	16,612	(40.5)	
Steel Authority of India	Sales	2,66,132	2,62,463	1.4	2,43,576	9.3	Expect ~4-5% QoQ decline in NSR as long product prices had fallen sharply post 4QFY23; volume to grow 5% YoY to 4.4mt; EBITDA/t to see improvement of Rs1,517 QoQ to ~Rs5,800. Cutting FY24 EBITDA by ~5% on lower steel prices
	EBITDA	25,451	7,326	247.4	16,471	54.5	
	Margin (%)	9.6	2.8		6.8		
	PBT	10,608	-5,156	NA	2,021	424.8	
	Adj. PAT	7,744	-3,858	NA	1,498	416.9	
Tata Steel	Sales	5,27,693	5,98,775	(11.9)	5,94,897	(11.3)	Expect ~4% QoQ decline in NSR as steel prices had fallen sharply post 4QFY23; volume to remain flattish QoQ at 4.82mt ; EBITDA/t to see improvement of Rs700 QoQ to ~Rs14,200. TSE contribution to deteriorate QoQ as European prices has fallen 7-8% QoQ and weak volumes (-11% QoQ); TSUK to drag subsidiaries EBITDA loss QoQ to over USD150/t
	EBITDA	47,789	60,603	(21.1)	51,739	(7.6)	
	Margin (%)	9.1	10.1		8.7		
	PBT	13,263	25,227	(47.4)	21,132	(37.2)	
	Adj. PAT	337	13,063	(97.4)	6,289	(94.6)	

Source: Company, PL

Exhibit 9: Valuation Summary - Metals

Company Names	S/C Rating	CMP (Rs)	TP (Rs)	MCAp (Rs bn)	Sales (Rs bn)				EBITDA (Rs bn)				PAT (Rs bn)				EPS (Rs)				RoE (%)				PE (x)			
					FY22	FY23	FY24E	FY25E	FY22	FY23	FY24E	FY25E	FY22	FY23	FY24E	FY25E	FY22	FY23	FY24E	FY25E	FY22	FY23	FY24E	FY25E	FY22	FY23	FY24E	FY25E
Hindalco Industries	C BUY	473	557	1,049.2	1,950.6	2,232.0	2,129.6	2,309.1	286.6	228.9	213.6	260.6	136.2	100.6	85.1	111.6	61.3	45.3	38.3	50.3	18.8	11.6	8.6	10.4	7.7	10.4	12.3	9.4
Jindal Stainless	C BUY	476	484	392.3	327.3	357.0	425.1	483.7	50.9	35.9	53.5	61.1	30.8	21.1	31.0	37.2	58.6	25.7	37.7	45.2	47.3	19.4	23.1	22.2	8.1	18.6	12.6	10.6
Jindal Steel & Power	C BUY	683	812	686.9	510.9	527.1	557.0	664.2	155.1	99.3	108.6	133.1	86.6	45.2	54.7	73.1	85.7	45.0	54.4	72.7	25.7	12.2	13.2	15.4	8.0	15.2	12.6	9.4
JSW Steel	C BUY	765	925	1,849.7	1,463.7	1,659.6	1,834.9	2,085.0	390.1	185.5	329.1	400.8	214.1	35.5	143.2	187.0	88.6	14.7	59.3	77.4	37.5	5.3	19.8	21.3	8.6	52.1	12.9	9.9
National Aluminium Co.	S Acc	95	97	174.4	141.8	142.3	129.9	136.2	45.2	24.3	26.9	31.3	29.5	15.6	16.4	18.9	16.1	8.5	8.9	10.3	25.4	12.1	12.0	12.8	5.9	11.2	10.6	9.2
NMDC	S Acc	146	147	427.3	258.8	176.7	218.1	225.8	125.8	60.6	68.8	68.6	93.9	46.4	51.8	51.6	32.1	15.8	17.7	17.6	39.2	22.8	21.5	19.4	4.5	9.2	8.2	8.3
Steel Authority of India	S Acc	89	94	367.0	1,034.7	1,044.5	1,101.1	1,237.8	213.2	80.2	112.9	125.6	123.7	16.5	37.2	45.7	29.9	4.0	9.0	11.1	25.9	3.2	7.0	8.1	3.0	22.3	9.9	8.0
Tata Steel	C BUY	126	144	1,537.5	2,439.6	2,433.5	2,476.5	2,635.3	634.9	323.0	306.0	411.0	402.9	86.5	75.7	171.6	33.0	7.1	6.2	14.1	42.7	8.0	7.2	15.3	3.8	17.8	20.3	9.0

Source: Company, PL

S=Standalone / C=Consolidated / Acc=Accumulate

Exhibit 10: Change in Estimates - Metals

	Rating		Target Price			Sales						PAT						EPS					
						FY24E			FY25E			FY24E			FY25E			FY24E			FY25E		
	C	P	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.
Hindalco Industries	BUY	BUY	557	557	0.0%	2,129.6	2,158.4	-1.3%	2,309.1	2,309.1	0.0%	85.1	90.8	-6.3%	111.6	111.6	0.0%	38.3	50.3	-0.2	50.3	50.3	0.0%
Jindal Stainless	BUY	BUY	484	484	0.0%	425.1	425.1	0.0%	483.7	483.7	0.0%	31.0	31.0	0.0%	37.2	37.2	0.0%	37.7	45.2	-0.2	45.2	45.2	0.0%
Jindal Steel & Power	BUY	BUY	812	812	0.0%	557.0	558.7	-0.3%	664.2	666.2	-0.3%	54.7	54.5	0.4%	73.1	69.1	5.8%	54.4	68.7	-0.2	72.7	68.7	5.8%
JSW Steel	BUY	BUY	925	926	-0.2%	1,834.9	1,827.1	0.4%	2,085.0	2,086.0	-0.1%	143.2	135.1	6.0%	187.0	184.3	1.5%	59.3	76.3	-0.2	77.4	76.3	1.5%
National Aluminium Co.	Acc	Acc	97	97	0.0%	129.9	132.5	-1.9%	136.2	139.1	-2.1%	16.4	17.3	-5.0%	18.9	18.7	1.0%	8.9	10.2	-0.1	10.3	10.2	1.0%
NMDC	Acc	Acc	147	136	8.0%	218.1	211.8	3.0%	225.8	218.7	3.2%	51.8	50.8	1.9%	51.6	47.6	8.3%	17.7	16.3	0.1	17.6	16.3	8.3%
Steel Authority of India	Acc	Acc	95	95	0.0%	1,101.1	1,119.7	-1.7%	1,237.8	1,243.1	-0.4%	37.2	43.0	-13.3%	45.7	45.4	0.8%	9.0	11.0	-0.2	11.1	11.0	0.8%
Tata Steel	BUY	BUY	144	144	0.0%	2,476.5	2,476.5	0.0%	2,635.3	2,635.3	0.0%	75.7	75.7	0.0%	171.6	171.6	0.0%	6.2	14.1	-0.6	14.1	14.1	0.0%

Source: Company, PL

C=Current / P=Previous / Acc=Accumulate



Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Hindalco Industries	BUY	557	450
2	Jindal Stainless	BUY	484	422
3	Jindal Steel & Power	BUY	812	634
4	JSW Steel	BUY	926	773
5	National Aluminium Co.	Accumulate	97	88
6	NMDC	Accumulate	136	119
7	Steel Authority of India	Accumulate	95	86
8	Tata Steel	BUY	144	132

PL's Recommendation Nomenclature

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

ANALYST CERTIFICATION

(Indian Clients)

We/I Mr. Tushar Chaudhari- MMS-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.

(US Clients)

The research analysts, with respect to each issuer and its securities covered by them in this research report, certify that: All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities; and No part of his or her or their compensation was, is or will be directly related to the specific recommendation or views expressed in this research report.

DISCLAIMER

Indian Clients

Prabhudas Lilladher Pvt. Ltd, Mumbai, India (hereinafter referred to as "PL") is engaged in the business of Stock Broking, Portfolio Manager, Depository Participant and distribution for third party financial products. PL is a subsidiary of Prabhudas Lilladher Advisory Services Pvt Ltd. which has its various subsidiaries engaged in business of commodity broking, investment banking, financial services (margin funding) and distribution of third party financial/other products, details in respect of which are available at www.plindia.com.

This document has been prepared by the Research Division of PL and is meant for use by the recipient only as information and is not for circulation. This document is not to be reported or copied or made available to others without prior permission of PL. It should not be considered or taken as an offer to sell or a solicitation to buy or sell any security.

The information contained in this report has been obtained from sources that are considered to be reliable. However, PL has not independently verified the accuracy or completeness of the same. Neither PL nor any of its affiliates, its directors or its employees accepts any responsibility of whatsoever nature for the information, statements and opinion given, made available or expressed herein or for any omission therein.

Recipients of this report should be aware that past performance is not necessarily a guide to future performance and value of investments can go down as well. The suitability or otherwise of any investments will depend upon the recipient's particular circumstances and, in case of doubt, advice should be sought from an independent expert/advisor.

Either PL or its affiliates or its directors or its employees or its representatives or its clients or their relatives may have position(s), make market, act as principal or engage in transactions of securities of companies referred to in this report and they may have used the research material prior to publication.

PL may from time to time solicit or perform investment banking or other services for any company mentioned in this document.

PL is a registered with SEBI under the SEBI (Research Analysts) Regulation, 2014 and having registration number INH000000271.

PL submits that no material disciplinary action has been taken on us by any Regulatory Authority impacting Equity Research Analysis activities.

PL or its research analysts or its associates or his relatives do not have any financial interest in the subject company.

PL or its research analysts or its associates or his relatives do not have actual/beneficial ownership of one per cent or more securities of the subject company at the end of the month immediately preceding the date of publication of the research report.

PL or its research analysts or its associates or his relatives do not have any material conflict of interest at the time of publication of the research report.

PL or its associates might have received compensation from the subject company in the past twelve months.

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

PL or its associates might have received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months.

PL or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months

PL or its associates might have received any compensation or other benefits from the subject company or third party in connection with the research report.

PL encourages independence in research report preparation and strives to minimize conflict in preparation of research report. PL or its analysts did not receive any compensation or other benefits from the subject Company or third party in connection with the preparation of the research report. PL or its Research Analysts do not have any material conflict of interest at the time of publication of this report.

It is confirmed that Mr. Tushar Chaudhari- MMS-Finance Research Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months

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

The Research analysts for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

The research analysts for this report has not served as an officer, director or employee of the subject company PL or its research analysts have not engaged in market making activity for the subject company

Our sales people, traders, and other professionals or affiliates may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest.

PL and its associates, their directors and employees may (a) from time to time, have a long or short position in, and buy or sell the securities of the subject company or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company or act as an advisor or lender/borrower to the subject company or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

US Clients

This research report is a product of Prabhudas Lilladher Pvt. Ltd., which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution by Prabhudas Lilladher Pvt. Ltd. only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor.

In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, Prabhudas Lilladher Pvt. Ltd. has entered into an agreement with a U.S. registered broker-dealer, Marco Polo Securities Inc. ("Marco Polo").

Transactions in securities discussed in this research report should be effected through Marco Polo or another U.S. registered broker dealer.

Prabhudas Lilladher Pvt. Ltd.

3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

www.plindia.com