

Jan-Mar'24 Earnings Preview

April 12, 2024

Exhibit 1: PL Universe

Companies	Rating	CMP (Rs)	TP (Rs)
Hindalco Industries	BUY	603	658
Jindal Stainless	Hold	698	705
Jindal Steel & Power	BUY	898	980
JSW Steel	BUY	884	1,017
National Aluminium Co.	Sell	183	141
NMDC	Acc	241	253
Steel Authority of India	Reduce	153	138
Tata Steel	Acc	165	170

Source: PL Acc=Accumulate

Top Picks

Hindalco Industries

Jindal Steel & Power

Quarter affected by weak NSR & higher RM

We expect our metals coverage universe to report weak performance in 4QFY24 with Revenue/EBITDA/PAT growth of ~8%/1%/-4% QoQ (-3%/-4%/-17% YoY) given falling steel prices and higher coking coal prices. Domestic demand improved sequentially in this quarter, however imports inched up again in January which affected steel pricing. Average NSR for domestic companies declined 3-5% QoQ while input costs such as coking coal and iron ore inched up in this quarter. Flat Steel prices continue to remain sluggish while Long product prices have improved from early March. Coking coal prices have declined sharply (-28%) from early March which is expected to benefit steel player from June onwards. Companies are expected to attempt smaller price hikes in flat steel as well however, it would depend on import intensity. Imports have reduced since January. Key monitorables to watch out are 1) Govt's stand on rising imports, 2) sustenance of coking coal prices at lower levels, 3) progress on capex and 4) demand indicators from China & developed countries. Our top picks are Hindalco and Jindal Steel & Power.

Weak sequential performance for steel: Steel companies are expected to deliver weak sequential performance despite strong volume growth as 1) EBITDA per ton stands impacted by sharp drop in NSR, and 2) RM prices continue to remain higher. We expect average realization to decline 3-5% QoQ for 4QFY24. Flat steel products have declined 4.3% QoQ, while long steel products have declined 6.7% QoQ. A recent sharp decline in coking coal prices may aid steel margins in 2QFY25. Currently, domestic steel prices are at marginal discount on import parity basis and this may restrain imports in near term.

LME prices flat but alumina up 10% QoQ: Performance of non-ferrous companies under our universe are expected to improve on stable LME aluminium prices (flat QoQ), better volumes and lower operating costs. Novelis's volume is expected to improve 4% QoQ while Hindalco India volume is largely flat. NALCO's alumina and metal volumes are expected to improve 5-6% QoQ on 100% capacity utilization; while ramping up of Utkal-D mine and higher alumina prices (10% QoQ) is expected to benefit 4Q EBITDA.

Key changes in estimates/ratings:

Ferrous companies: We raise our FY25/26E EBITDA estimates for steel companies under coverage given sharp 28% fall in coking coal prices. For **SAIL**, we have raised FY25/26E EBITDA by 13%/15% respectively. We cut our rating to **Reduce** from Hold with revised TP of Rs138 (earlier Rs108) due to sharp run up in the stock price along with other PSU stocks. For **NMDC**, we have cut our FY25/26E volume estimates from 51/53.5mt to 48.1/52.4mt owing to delay in Kumaraswamy approvals. We downgrade the stock to **Accumulate** at revised TP of Rs253 (earlier Rs261) due to limited upside. For **JDSL**, we have cut FY24/25E EBITDA by 8%/1% due to near term weakness in Stainless steel prices affected by sharp decline in Nickel prices and increase FY26E EBITDA by 7% on NPI & Rathi contribution. We downgrade the rating from **Accumulate** to **Hold** with revised TP of Rs705 (from earlier Rs660) due to limited upside.

Non-ferrous companies: We raise our FY25/26E EBITDA estimates for aluminium companies under coverage given recent 10% jump in LME aluminium prices. For every USD100/t increase in LME price assumption, NACL's EPS gets upgraded by 10.4% while HNDL's EPS gets upgraded by 5.6%. We have raised our FY25/26E EBITDA estimates for **NACL** by 31%/25% respectively on higher assumption of alumina/ metal prices and faster ramp up of captive coal mines. We cut our rating to **Sell** from **Accumulate** earlier with revised TP of Rs141 (earlier Rs101) as stock has run up ahead of fundamentals and appear expensive despite considering recent sharp uptick in aluminium prices. For **Hindalco**, we have raised our FY25/26E EBITDA estimates by ~5%/7% on higher aluminium price assumption.

Top Picks:

Hindalco Industries: We believe HNDL is well placed amongst metals space as a) Novelis is expected to witness gradual improvement in per ton EBITDA over next few quarters (given resilient developed economies and gradual improvement in consumer demand from China); b) softer thermal coal prices and opening of captive coal mines to benefit India business; and c) rising focus on high margin value added products.

Jindal Steel & Power: We remain positive on JSP given 1) strong 15%+ CAGR in steel volumes over FY24-26E led by ongoing Angul capacity expansion, 2) recent commissioning of 5.5mtpa Hot Strip Mill to improve product mix, and 3) margin improvement projects such as 12mtpa pellet plant, 18mtpa slurry pipeline and four coal blocks to drive profitability.

Exhibit 2: Volumes to improve QoQ on weak base and demand improvement

	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24E	YoY gr.	QoQ gr.
TATA India	4,070	4,910	4,740	5,150	4,790	4,820	4,880	5,410	5%	11%
JSW	4,030	5,010	4,950	5,680	4,930	5,410	5,200	5,708	0%	10%
SAIL	3,150	4,210	4,151	4,680	3,884	4,770	3,810	4,636	-1%	22%
JSP	1,740	2,010	1,900	2,030	1,840	2,010	1,810	1,900	-6%	5%
NMDC	7,801	8,432	9,580	12,410	10,975	9,571	11,394	12,510	1%	10%
JDSL	356	433	468	508	549	544	512	560	10%	9%

Source: Company, PL

Exhibit 3: NSR to witness sharp decline QoQ on weak steel prices during 4QFY24

Realisations (Rs/t)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24E	YoY gr.	QoQ gr.
TATA India	78,676	70,556	71,581	66,554	72,427	70,924	71,069	69,151	4%	-2.7%
JSW	77,184	64,858	62,495	65,410	66,513	62,362	64,058	62,473	-4%	-2.5%
SAIL	76,281	62,343	60,327	62,245	62,713	58,625	61,274	59,130	-5%	-3.5%
JSP	73,842	65,209	62,275	65,972	66,905	60,108	63,624	60,252	-9%	-5.3%
NMDC	6,049	3,890	3,826	4,669	4,851	4,145	4,679	5,053	8%	8.0%
JDSL	2,25,584	1,97,606	1,92,385	1,86,046	1,82,776	1,78,808	1,77,486	1,66,837	-10%	-6.0%

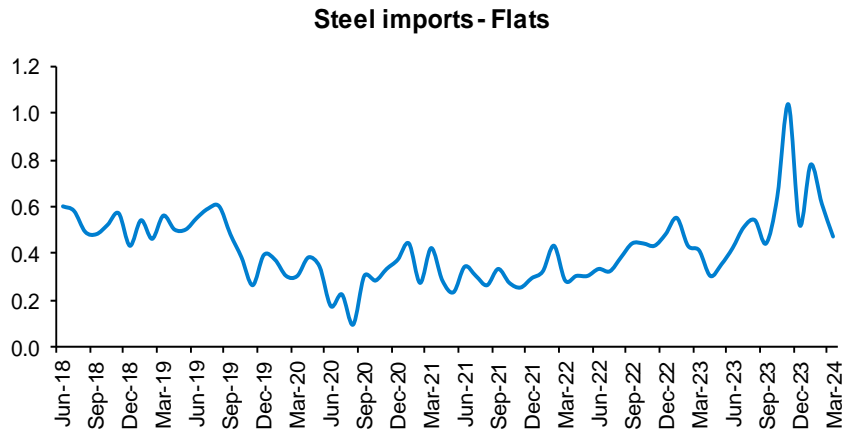
Source: Company, PL

Exhibit 4: EBITDA per ton to decline sequentially on weak NSR and higher input prices

EBITDA/ton (Rs)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24E	YoY gr.	QoQ gr.
TATA India	23,509	9,503	10,835	15,787	13,808	14,248	16,905	13,988	-11%	-17%
JSW	8,318	3,477	8,141	10,998	9,860	12,750	11,113	8,945	-19%	-20%
SAIL	7,304	1,740	5,003	6,226	4,241	4,444	5,617	4,385	-30%	-22%
JSP	19,147	9,183	11,864	10,594	14,496	11,632	15,184	12,536	18%	-17%
NMDC	2,436	1,009	1,191	1,742	1,816	1,244	1,762	1,944	12%	10%
JDSL	23,261	16,045	20,246	21,611	20,375	19,679	19,937	16,176	-25%	-19%

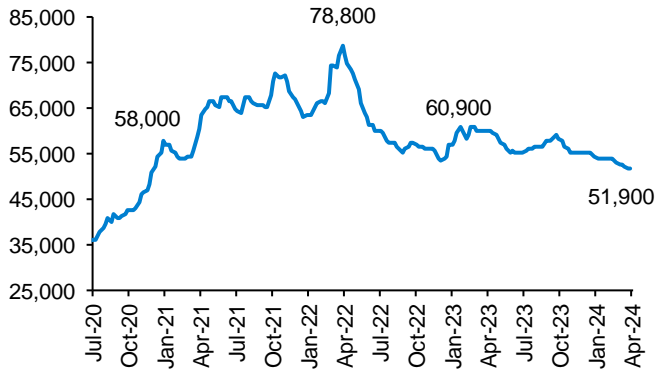
Source: Company, PL

Exhibit 5: Imports have declined post recent uptick in Jan'24



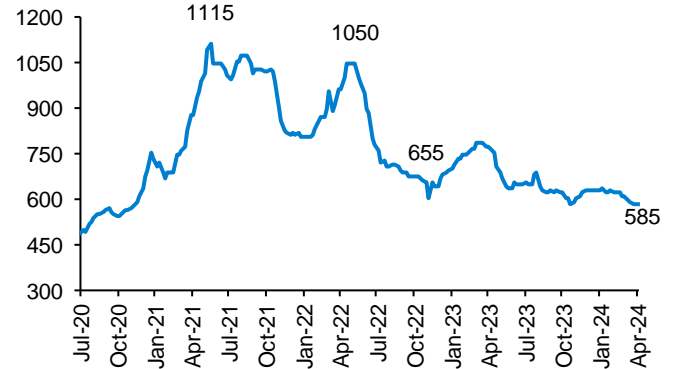
Source: SteelMint, PL

Exhibit 6: Avg. Indian HRC prices declined 4.3% QoQ (Rs/t)



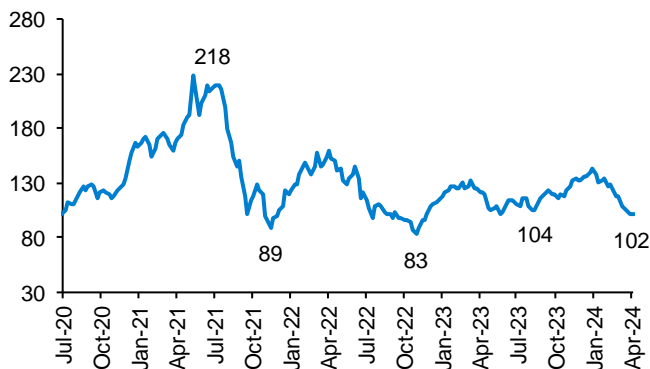
Source: SteelMint, PL

Exhibit 7: Avg. China HRC prices increased 1% QoQ (USD/t)



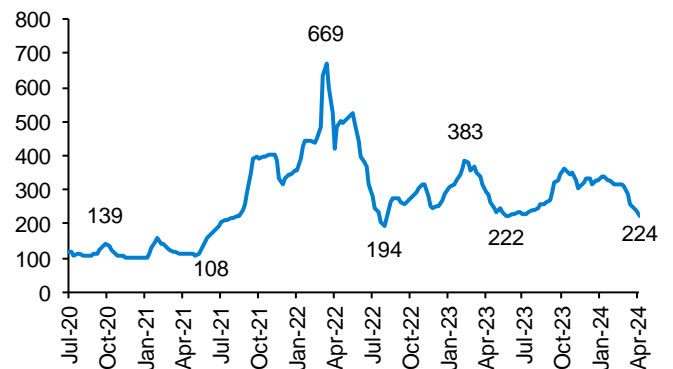
Source: SteelMint, PL

Exhibit 8: Iron Ore Fines (62%) declined 3.1% QoQ (USD/t)

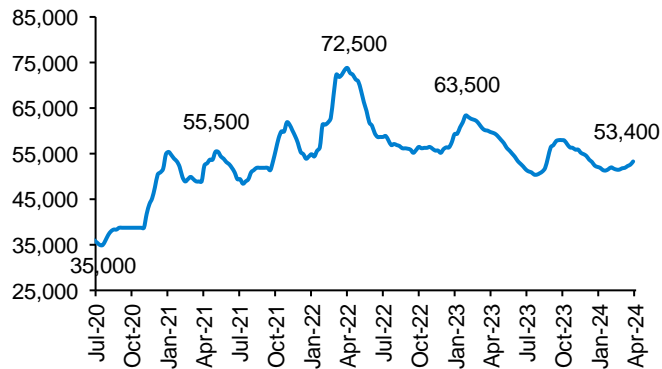


Source: SteelMint, PL

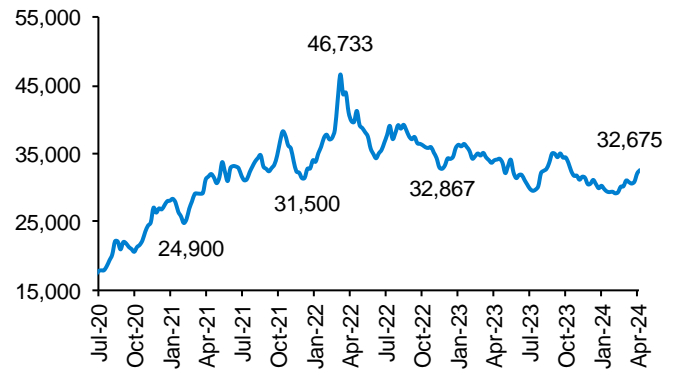
Exhibit 9: Coking Coal prices declined 8% QoQ (USD/t)



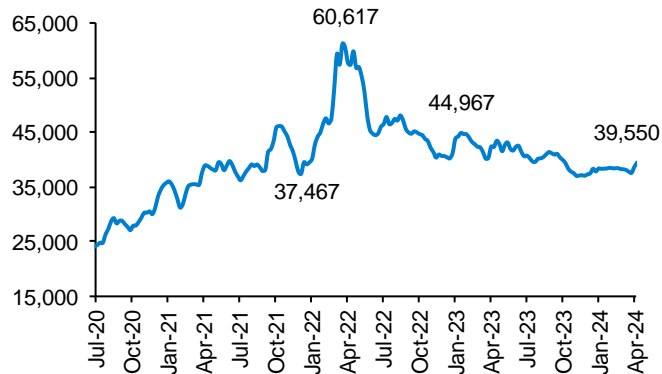
Source: SteelMint, PL

Exhibit 10: Exhibit 8: Rebar prices declined 6.5% QoQ (Rs/t)

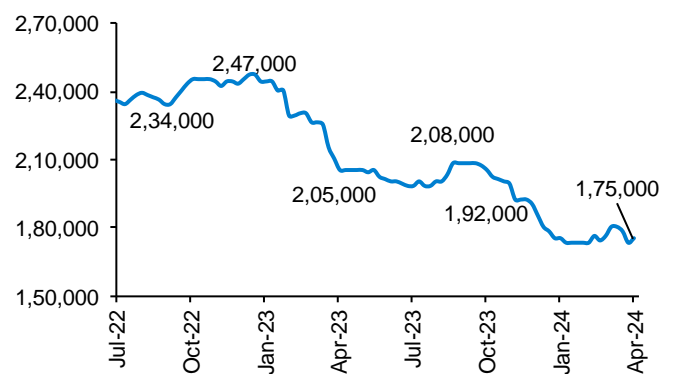
Source: SteelMint, PL

Exhibit 11: Sponge iron avg. prices declined ~5% QoQ (Rs/t)

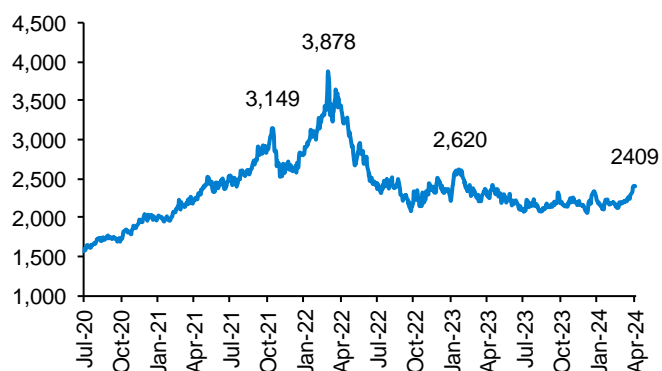
Source: SteelMint, PL

Exhibit 12: Avg. Pig iron prices increased 1% QoQ (Rs/t)

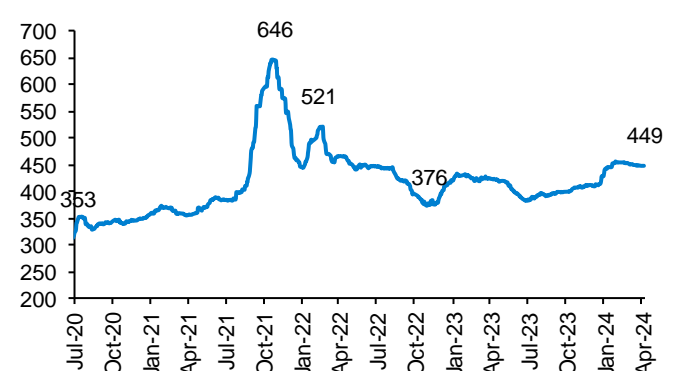
Source: SteelMint, PL

Exhibit 13: SS 304 grade prices declined ~9% QoQ (Rs/t)

Source: SteelMint, PL

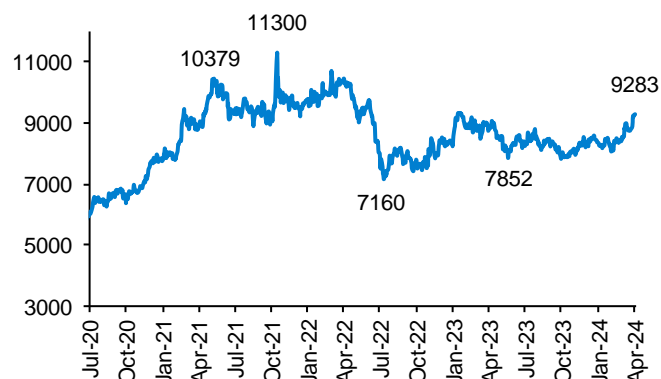
Exhibit 14: LME Aluminium prices flat QoQ at USD 2,200/t

Source: PL

Exhibit 15: Spot Alumina (E. China) grew ~10% QoQ (USD/t)

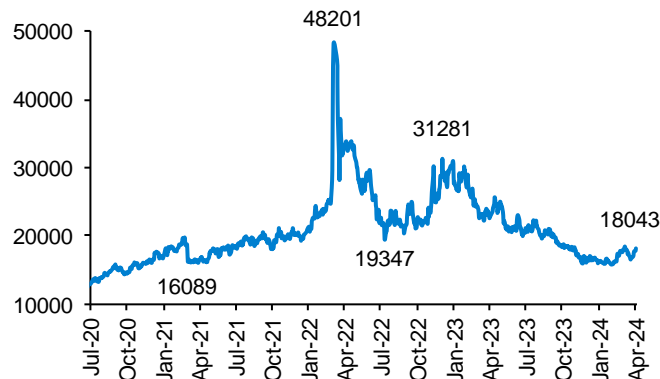
Source: PL

Exhibit 16: LME Copper prices increased ~3% QoQ (USD/t)



Source: PL

Exhibit 17: LME Nickel prices declined ~4% QoQ (USD/t)



Source: PL

Exhibit 18: Q4FY24 Result Preview (Rs bn)

Company Name		Q4FY24E	Q4FY23	YoY gr. (%)	Q3FY24	QoQ gr. (%)	Remark
Hindalco Industries	Sales	554.7	558.6	(0.7)	528.1	5.0	LME AL is flat QoQ and with 22% hedges AL business to perform better in 4Q led by lower operating costs; copper volumes assumed to grow 1% QoQ to 121kt while AL volumes remain flattish at 345kt. Novelis performance to improve QoQ on 4% volume growth at 950kt & 5% QoQ improvement in EBITDA/t at ~USD525/t.
	EBITDA	71.0	53.3	33.2	58.7	21.0	
	Margin (%)	12.8	9.5	326 bps	11.1	169 bps	
	PBT	46.1	28.4	62.4	33.3	38.5	
	Adj. PAT	32.2	24.1	33.6	23.3	38.1	
Jindal Stainless	Sales	97.8	97.7	0.2	91.3	7.2	Expect volumes to grow at 10.3% YoY to ~560kt; weak export volume contribution & higher imports affected realisation in this quarter to ~Rs167k/t (-6% QoQ); expect standalone EBITDA/t in the range of Rs16k-16.5k for 4QFY24; and ~11% QoQ decline in consolidated EBITDA.
	EBITDA	11.1	11.4	(3.3)	12.5	(11.2)	
	Margin (%)	11.3	11.7	-40 bps	13.7	-234 bps	
	PBT	8.1	9.2	(11.6)	9.0	(10.3)	
	Adj. PAT	6.2	7.7	(19.0)	6.9	(10.4)	
Jindal Steel & Power	Sales	116.5	136.9	(14.9)	117.0	(0.4)	Expect ~5.3% QoQ decline in NSR as long product prices slumped in 4QFY24; steel volumes to improve ~5% QoQ to 1.9mt as demand improved in domestic market sequentially; EBITDA/t to see decline of ~Rs2600 QoQ to ~Rs12,536. HSM operating at 60% CU of CTO capacity of 3.1mtpa.
	EBITDA	25.0	21.9	14.5	28.4	(11.9)	
	Margin (%)	21.5	16.0	551 bps	24.3	-281 bps	
	PBT	14.9	9.6	55.0	19.3	(22.8)	
	Adj. PAT	10.7	4.7	130.0	19.3	(44.5)	
JSW Steel	Sales	456.3	469.6	(2.8)	419.4	8.8	Expect ~2.5% QoQ decline in NSR as steel prices declined during the quarter; std volume to grow 10% QoQ to ~5.7mt (incl. BPSL 6.47mt); EBITDA/t to decline by Rs2,169 QoQ to ~Rs8,945 on account of weak NSR and higher raw material costs.
	EBITDA	62.0	79.4	(22.0)	71.8	(13.7)	
	Margin (%)	13.6	16.9	-332 bps	17.1	-354 bps	
	PBT	25.0	42.6	(41.4)	33.2	(24.8)	
	Adj. PAT	16.0	36.6	(56.4)	24.1	(33.9)	
National Aluminium Co.	Sales	34.6	36.7	(5.7)	33.5	3.4	Expect alumina and metal volumes to grow ~5% & 6% YoY to ~357kt & 121kt respectively; EBITDA to grow 25% QoQ on higher alumina prices & lower operating cost aided by captive coal.
	EBITDA	9.7	7.7	26.8	7.7	25.7	
	Margin (%)	28.1	20.9	719 bps	23.1	498 bps	
	PBT	7.6	5.7	35.0	6.7	14.4	
	Adj. PAT	5.7	5.2	9.8	4.9	17.3	
NMDC	Sales	63.8	58.5	9.1	54.1	18.0	Iron ore volume of 12.51mt (+10% QoQ); expect realisation to improve ~8% QoQ (+8% YoY) to Rs 5,053/t as NMDC had taken price hikes. We factor in EBITDA/t to increase 10% QoQ to Rs1,944/t.
	EBITDA	24.3	21.6	12.5	20.1	21.2	
	Margin (%)	38.1	37.0	115 bps	37.1	101 bps	
	PBT	24.1	20.5	17.5	22.3	7.9	
	Adj. PAT	16.6	14.2	16.9	16.6	0.1	

Company Name		Q4FY24E	Q4FY23	YoY gr. (%)	Q3FY24	QoQ gr. (%)	Remark
Steel Authority of India	Sales	274.1	291.3	(5.9)	233.5	17.4	Expect ~3.5% QoQ decline in NSR as long product prices declined sharply in 4QFY24; expect volumes to improve 22% QoQ to 4.5mt (flat YoY) on improvement in demand in 4Q; EBITDA/t to see decline of Rs1,232 QoQ to ~Rs4,385.
	EBITDA	20.3	29.1	(30.2)	21.4	(5.0)	
	Margin (%)	7.4	10.0	-259 bps	9.2	-175 bps	
	PBT	3.6	15.2	(76.6)	3.8	(7.5)	
	Adj. PAT	2.6	10.5	(75.6)	3.3	(22.8)	
Tata Steel	Sales	603.6	629.6	(4.1)	553.1	9.1	Expect ~2.7% QoQ decline in NSR at TSI; volumes grew 11% QoQ to 5.41mt; EBITDA/t to see decline of Rs2,917 QoQ to ~Rs14,000. TSE contribution to improve QoQ on higher volumes from TSN & higher NSR at TSUK; expect TSE EBITDA loss of ~USD 78/t.
	EBITDA	61.6	72.2	(14.6)	62.6	(1.6)	
	Margin (%)	10.2	11.5	-126 bps	11.3	-111 bps	
	PBT	19.2	32.1	(40.3)	21.9	(12.4)	
	Adj. PAT	10.1	17.0	(40.5)	5.9	70.1	

Source: Company, PL

Exhibit 19: Valuation Summary

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)			
					FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E
Hindalco Industries	C BUY	603	658	1,338.8	2,232.0	2,171.1	2,306.9	2,481.5	228.9	242.7	276.8	302.1	101.0	101.7	122.0	135.7	45.5	45.8	55.0	61.1	11.7	10.2	11.1	11.1	13.3	13.2	11.0	9.9
Jindal Stainless	C Hold	698	705	575.1	357.0	399.7	460.0	561.9	35.9	47.9	60.9	111.2	21.1	27.3	37.7	84.6	25.7	33.1	45.8	102.7	19.4	20.5	22.8	40.4	27.2	21.1	15.2	6.8
Jindal Steel & Power	C BUY	898	980	902.2	527.1	494.3	524.9	666.7	99.3	103.4	126.0	161.4	45.2	60.9	68.5	89.0	45.0	60.6	68.1	88.6	12.2	14.6	14.4	16.1	20.0	14.8	13.2	10.1
JSW Steel	C BUY	884	1,017	2,135.6	1,659.6	1,747.3	2,012.2	2,467.6	185.5	283.6	367.4	425.6	35.5	91.0	158.9	184.1	14.7	37.6	65.7	76.2	5.3	13.0	19.4	18.9	60.1	23.5	13.4	11.6
National Aluminium Co.	S Sell	183	141	335.6	142.5	131.5	141.2	155.6	24.5	27.2	39.3	44.8	15.6	16.6	25.2	29.3	8.5	9.0	13.7	15.9	12.1	12.1	16.7	17.2	21.5	20.2	13.3	11.5
NMDC	S Acc	241	253	705.7	176.7	211.7	235.0	265.4	60.5	75.9	86.3	104.3	46.4	57.8	65.7	79.4	15.8	19.7	22.4	27.1	22.8	23.8	23.7	25.0	15.2	12.2	10.7	8.9
Steel Authority of India	S Reduce	153	138	632.2	1,044.5	1,030.8	1,126.7	1,253.2	80.2	79.4	134.2	150.9	17.2	9.5	50.1	61.1	4.2	2.3	12.1	14.8	3.3	1.8	9.1	10.3	36.8	66.6	12.6	10.3
Tata Steel	C Acc	165	170	2,015.7	2,433.5	2,311.1	2,643.1	2,974.5	323.0	219.8	371.3	464.0	87.1	29.7	162.8	227.6	7.1	2.4	13.3	18.6	8.0	3.0	16.1	19.6	23.1	67.8	12.4	8.9

Source: Company, PL

S=Standalone / C=Consolidated / Acc=Accumulate

Exhibit 20: Change in Estimates

	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	658	597	10.1%	2,171.1	2,179.7	-0.4%	2,306.9	2,307.8	0.0%	101.7	99.3	2.4%	122.0	114.1	6.9%	45.8	44.7	2.4%	55.0	51.4	6.9%
Jindal Stainless	Hold	Acc	705	660	6.9%	399.7	404.0	-1.1%	460.0	469.4	-2.0%	27.3	30.2	-9.6%	37.7	38.2	-1.3%	33.1	36.6	-9.6%	45.8	46.4	-1.3%
Jindal Steel & Power	BUY	BUY	980	842	16.3%	494.3	538.2	-8.2%	524.9	571.4	-8.1%	60.9	61.3	-0.6%	68.5	65.3	4.8%	60.6	61.0	-0.6%	68.1	65.0	4.8%
JSW Steel	BUY	BUY	1,017	958	6.2%	1,747.3	1,816.2	-3.8%	2,012.2	2,131.9	-5.6%	91.0	121.5	-25.1%	158.9	153.5	3.6%	37.6	50.3	-25.1%	65.7	63.5	3.6%
National Aluminium Co.	Sell	Acc	141	101	39.0%	131.5	129.2	1.8%	141.2	134.7	4.8%	16.6	14.8	12.1%	25.2	17.1	46.8%	9.0	8.1	12.1%	13.7	9.3	46.8%
NMDC	Acc	BUY	253	261	-3.3%	211.7	220.7	-4.1%	235.0	251.4	-6.5%	57.8	58.9	-1.8%	65.7	66.0	-0.3%	19.7	20.1	-1.8%	22.4	22.5	-0.3%
Steel Authority of India	Reduce	HOLD	138	108	27.0%	1,030.8	1,043.3	-1.2%	1,126.7	1,157.1	-2.6%	9.5	20.7	-54.1%	50.1	40.7	23.1%	2.3	5.0	-54.1%	12.1	9.8	23.1%
Tata Steel	Acc	Acc	170	137	24.2%	2,311.1	2,428.5	-4.8%	2,643.1	2,694.7	-1.9%	29.7	53.1	-44.1%	162.8	135.9	19.8%	2.4	4.4	-44.1%	13.3	11.1	19.8%

Source: Company, PL

C=Current / P=Previous / Acc=Accumulate

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ACC	BUY	3,516	2,582
2	Ambuja Cement	Hold	600	629
3	Dalmia Bharat	Accumulate	2,235	2,011
4	Hindalco Industries	BUY	597	510
5	Jindal Stainless	Accumulate	660	581
6	Jindal Steel & Power	BUY	842	755
7	JSW Steel	BUY	958	816
8	National Aluminium Co.	Accumulate	101	131
9	NMDC	BUY	261	247
10	Nuvoco Vistas Corporation	Accumulate	376	316
11	Shree Cement	BUY	28,966	25,949
12	Steel Authority of India	Hold	108	123
13	Tata Steel	Accumulate	137	134
14	Ultratech Cement	BUY	11,332	9,864

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

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