Metals and Mining

BUY miners and SELL steel makers

- Unabated steel output in China and Australia's inability to increase coking-coal exports will lead to a fall in global steel prices and a rise in costs, respectively.
- India's metallic balance indicates that iron ore will have tailwinds from lower supply. Increased regulatory cost is another support factor for Indian iron ore.
- Given NMDC's inability to raise production steeply and unviable mining bids, production is unlikely to top 330mt by FY29F. Iron ore prices may remain firm.

Indian iron ore prices to remain firm; export ban risk is off the table

Steel scrap usage is rising in India as domestic scrap availability has improved significantly. We expect steel scrap usage to rise to 53mt by FY29F. We also expect India's iron ore production to rise by 50mt to 330mt by FY29F. A major portion of this rise will be driven by PSUs like NMDC, SAIL, etc. This will ensure that mine head inventory will start rising, which will eliminate the risk of export ban. Private miners who bid for mines at exorbitant premiums (almost more than 100% in all cases) will not be able to make money even via exports if CIF Chinese prices remain below US$140/t (making money from domestic sales is simply out of question) and hence, an increase in their output is unlikely. However, the increased usage of scrap will come to the rescue of electric arc furnaces or EAFs as they can shift away from costly sponge iron. Given that scrap prices are at US$400/t, our equilibrium analysis indicates that Odisha iron ore lump prices can rise to Rs7,000-7,500/t. Even in a worst-case scenario, NMDC may maintain its Rs1,800-2,000/t EBITDA. However, volume growth (after 53mt) will remain a risk for NMDC as it doesn't have the required environmental clearances or ECs to raise production (it will take two years to get new ECs).

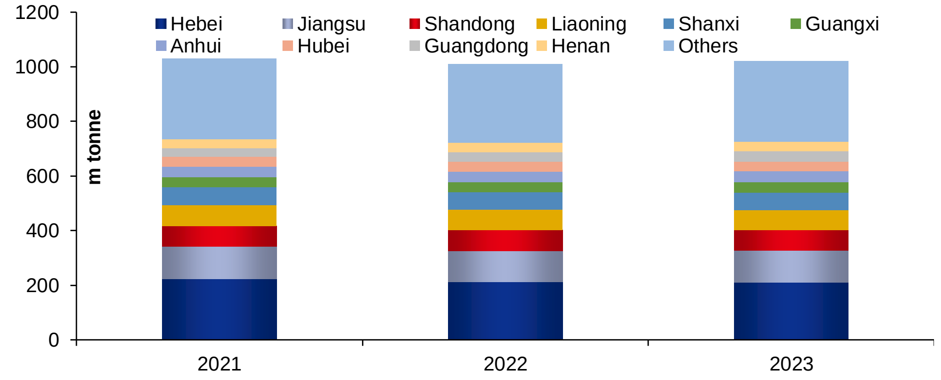
Coking coal to remain firm; China is unlikely to reduce steel exports

Over the last three years, Australia (the biggest exporter of coking coal) has been missing its export target. In CY24F, Australia expects to export 171mt of coking coal, which is a 14% increase over CY23. Given the country's miniscule investment in mining, we have doubts over its ability to meet the export target. India, being the biggest importer of coking coal, will be at the receiving end as its prices are likely to rise. Any unforeseen weather conditions relating to mining are also a risk for steel companies as they can easily lead coking coal to rise beyond US$400/t. On the other hand, despite repeated promises, China is not cutting its production. Even the Hebei province, where pollution is the highest, is not cutting production significantly. Higher Chinese exports pose a risk for global steel prices.

BUY miners like NMDC and SELL steel makers

For the first time in so many years, Indian iron ore miners have the pricing power and NMDC, being at the forefront, is an obvious choice. NMDC's volume growth (after hitting 53mt) will begin only from FY27F as ECs are not available for increased production but its pricing power will make up for the volumes. BUY NMDC and SELL SAIL & Tata Steel. Come 2030, and Tata Steel will lose all advantages of captive iron ore mines. Please note that Tata Steel's captive mines have 67% grade lumps and hence, assuming that apart from Tata Steel no one else will bid for these mines is wishful thinking.

Figure 1: Steel production is not falling even in Hebei (most polluting state in China)



SOURCE: INCRED RESEARCH, COMPANY REPORTS

India

Underweight *(no change)*

Highlighted Companies

Steel Authority of India

REDUCE, TP Rs77, Rs134 close

The working capital release-led debt reduction is behind us. Low profitability and continued capex will increase the debt on SAIL's books. We value SAIL at 6.5x EV/EBITDA to arrive at a target price of Rs77. We retain our REDUCE rating on the stock.

Tata Steel

REDUCE, TP Rs82, Rs156 close

In the foreseeable future, the steel market may witness sustained downward pressure, resulting in no improvement in steel spreads. We value Tata Steel at 6.5x EV/EBITDA to arrive at our target price (TP) of Rs.82. The rise in TP is due to a higher P/E multiple (vs. 6x earlier). We retain our REDUCE rating on the stock.

NMDC

ADD, TP Rs220, Rs202 close

Iron ore prices are rising & may stay above the above current levels. The uptrend is likely to result in higher FY24F/25F realization of ~Rs5,000-5,250/t. We value the stock at 4.6x Sep FY25F EV/EBITDA (10% discount to its mean) and retain our ADD rating on it.

Summary Valuation Metrics

P/E (x)	Mar24-F	Mar25-F	Mar26-F
Steel Authority of India	24.3	23.92	22.13
Tata Steel	28.46	28.73	28.84
NMDC	9	7.89	6.97

P/BV (x)	Mar24-F	Mar25-F	Mar26-F
Steel Authority of India	1.02	0.98	0.94
Tata Steel	1.77	1.71	1.65
NMDC	2.19	1.84	1.55

Dividend Yield	Mar24-F	Mar25-F	Mar26-F
Steel Authority of India	0%	0%	0%
Tata Steel	1.28%	1.28%	1.28%
NMDC	3.34%	3.81%	4.31%

Research Analyst(s)

Satish KUMAR
T (91) 22 4161 1562
E satish.kumar@incredresearch.com

Abbas PUNJANI
T (91) 22 4161 1598
E abbas.punjani@incredresearch.com

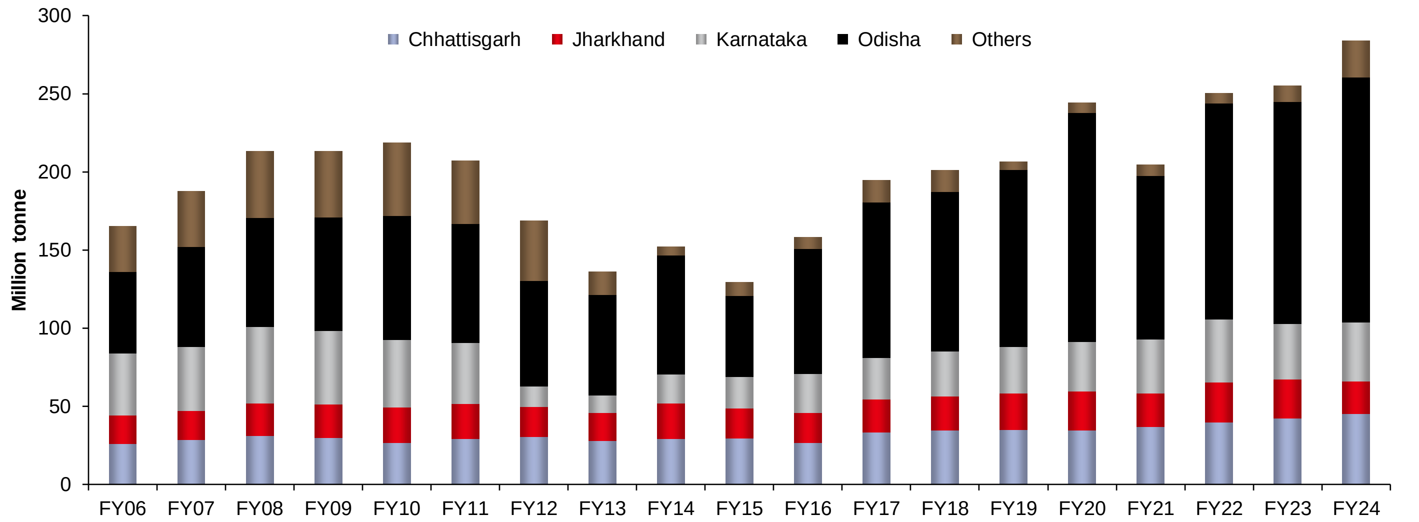
BUY miners and SELL steel makers

Indian iron ore is in a sweet spot as the export ban risk is off the table

Indian iron ore will remain in short supply in the coming years. While its prices can correct a bit more in sympathy with international prices, higher pellet exports from the country will not let them fall much. Given the rise in iron ore production and multiple new mines being auctioned, we expect the iron ore mine head inventory to also rise. Indian iron ore is probably entering a new era when its prices will be determined by scrap availability. We are unlikely to see the prices below Rs4,000/t for NMDC's fines for a sustained period. The risk of mining ban also appears to be off the table. BUY NMDC and SELL Indian steel makers. The only drawback for NMDC is the likely anaemic volume growth

India's iron ore production was limping but picked up pace in FY24 ›

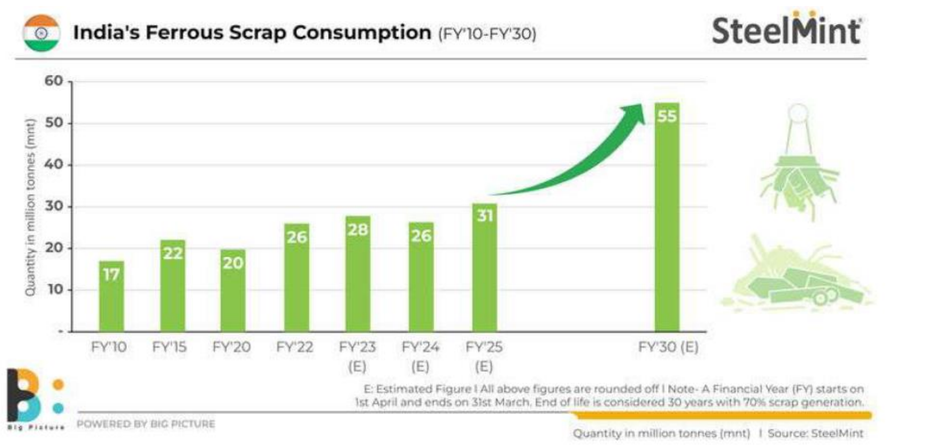
Figure 2: India had topped the 200mt production mark in FY09, but multiple scams and the resultant ban led to stagnant production for around a decade



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Meanwhile, India's scrap consumption has started to increase ›

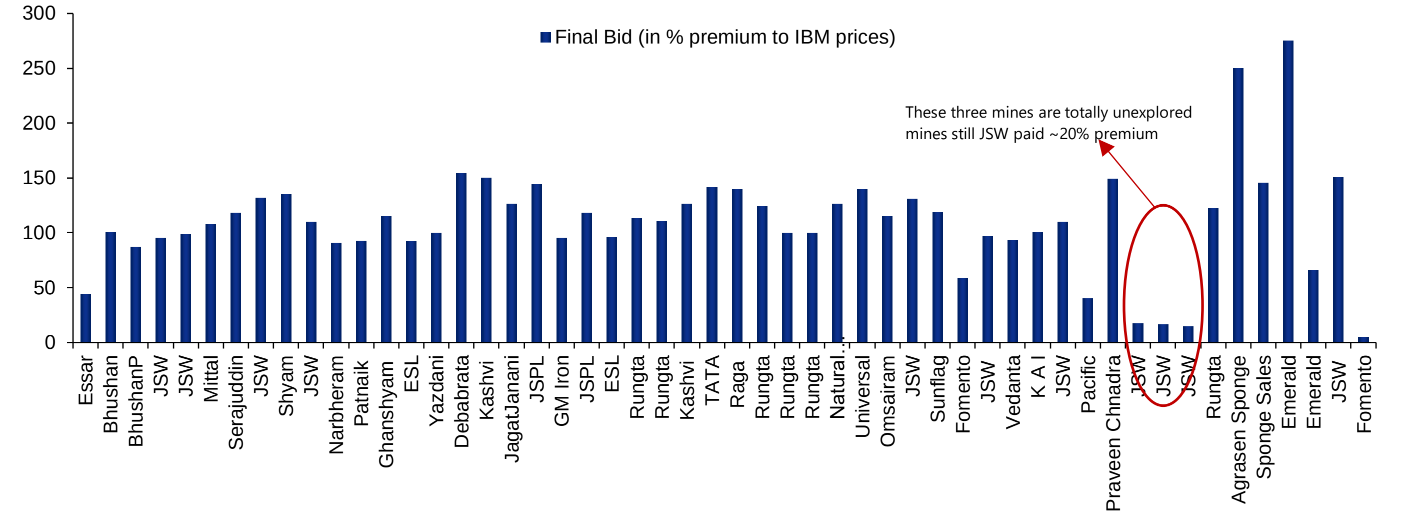
Figure 3: India's ferrous scrap consumption is likely to increase, which will lead to less pressure on miners to raise iron ore production



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Recent iron ore mine auctions are obnoxiously high priced

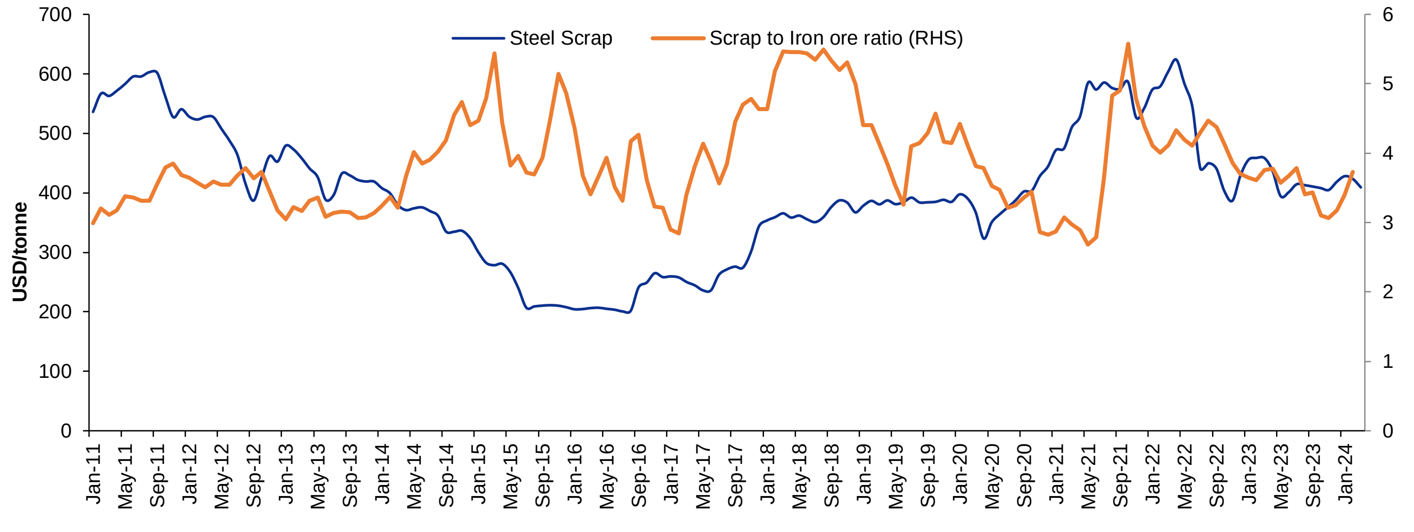
Figure 4: The competition to get mines is intense as memories of the mining ban in 2012-14 loom large over the companies; paying 200-300% premium to IBM prices as royalty is insane in practical terms; however, this matter needs to be looked at with the insurance spectacle for steel production to continue



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Domestic and intenrational scrap prices have been highly stable and given current scrap prices in the international market, lump prices can rise to Rs7,000-7,500/t

Figure 5: Global steel scrap prices have been stable vis-à-vis iron ore



SOURCE: COMPANY REPORTS, INCRED RESEARCH

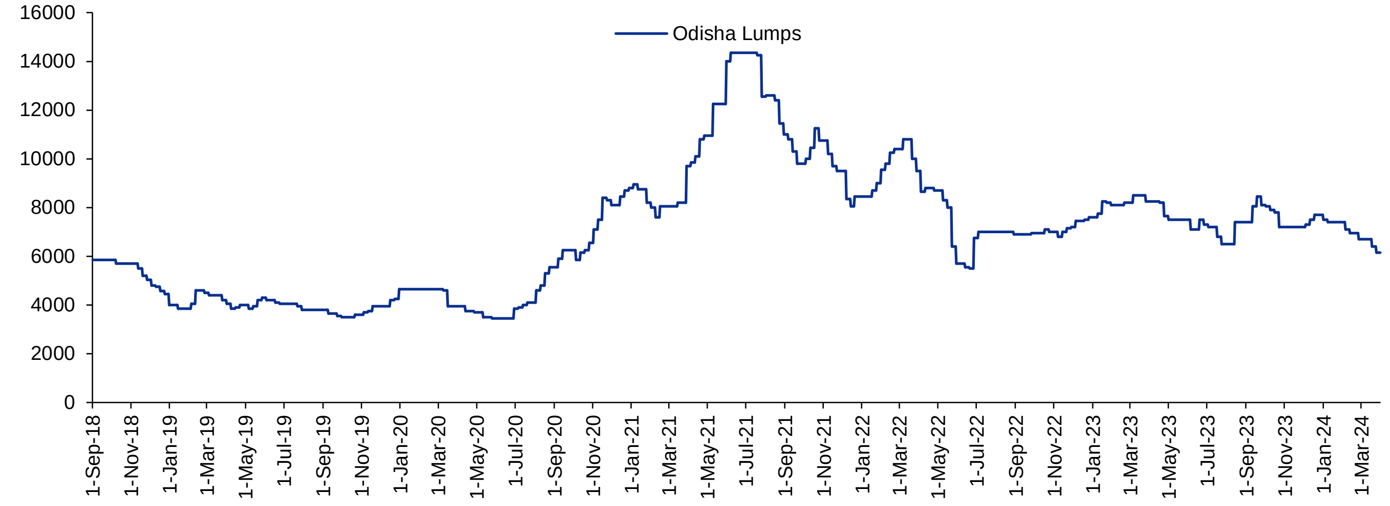
Figure 6: The equilibrium ratio for Indian iron ore and scrap is at least 4:1; scrap prices in India are still determined by imports and thus given the imported scrap prices currently, Indian lump prices should be around Rs7,000-7,500/t (ex-mines level)

Costing Thru Scrap Route	Value	Costing Thru Sponge Iron route	Value
Scrap needed per tonne of crude steel	1.1	Sponge iron needed per tonne of steel	1.51
Power needed (KwHr/t steel)	500.0	Iron ore needed in sponge iron	2.02
Power cost (US cents/ unit)	0.04	Coal needed to make sponge iron (t/t of sponge)	1.20
Overheard (US$/t crude steel)	150.0	Coal cost (US$/t)	120.00
Scrap prices (US$/t)	440.0	Sponge iron cost (raw material cost in US$/t)	375.79
Total HRC steel cost (US$/t)	655.1	Iron ore prices in India (Rs/t)	9,600
		Iron ore prices in India (US$/t)	114.97
		Electricity needed (KwHr/t)	700
		Power cost (US cents/unit)	0.04
		Overhead (US$/t of crude steel)	250
		Overall costing per tonne of HRC (US$/t)	655.31

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Odisha lump prices are already hovering around these levels

Figure 7: Odisha lumps are trading at some discount to equilibrium prices, but steel demand has been weak, which is the primary reason for this discount

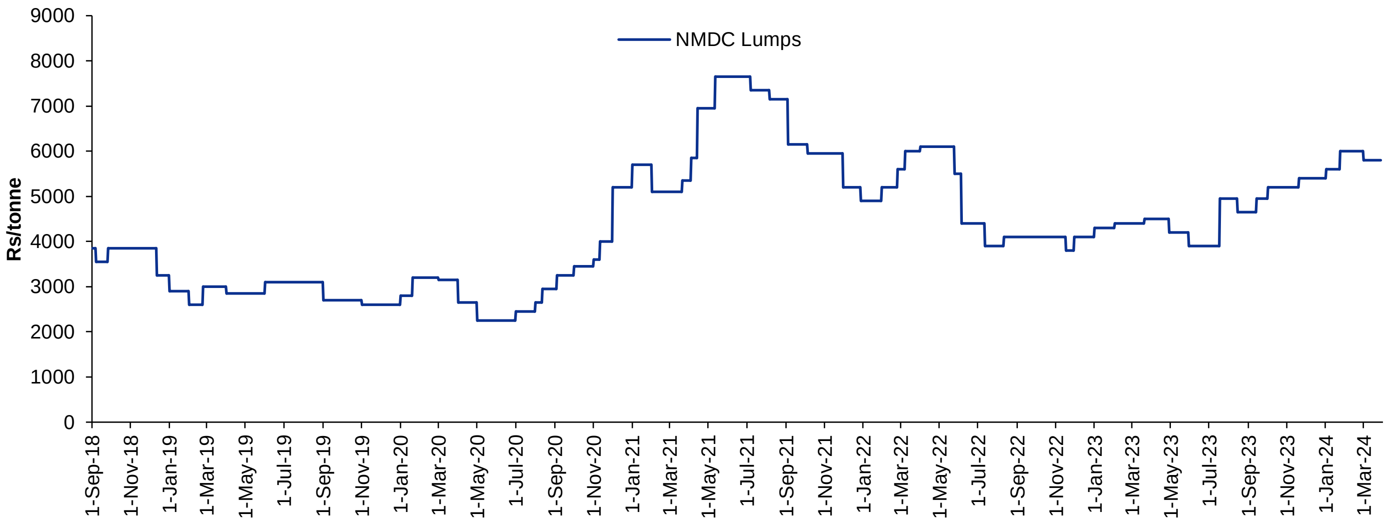


SOURCE: INCRED RESEARCH, COMPANY REPORTS

NMDC's lump prices can fall a bit in the near term as the tumbler index of NMDC lumps demands a discount to Odisha lumps

The tumbler index denotes brittleness of iron ore lumps. Odisha's iron ore lumps have a higher tumbler index and hence, lumps don't become fine particles while they are being transported. However, approximately 25% of NMDC lumps are lost in breakage and they are sold at a deep discount to the prices of standard iron ore fines. That's why NMDC's iron ore trades at a discount to Odisha iron ore prices.

Figure 8: Given the prices of Odisha lumps, NMDC lumps cannot sustain at Rs6,000/t and a correction of Rs1,000/t is likely in the near term; if Odisha iron ore prices recover, even then we don't expect any recovery in NMDC lump prices



SOURCE: INCRED RESEARCH, COMPANY REPORTS

India's metallic balance and high cost of production in new mines means that scrap is critical for the country's steel production

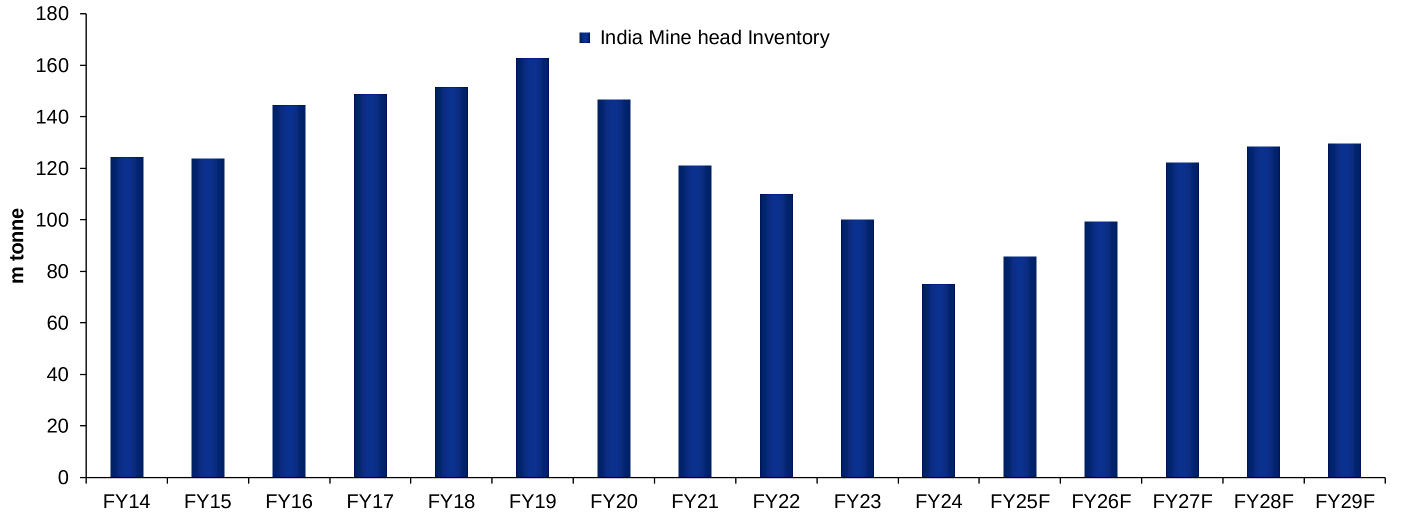
Figure 9: India's steel industry may need to better government of India's target of usage of 55mt scrap by 2030F; still it will not be enough and the iron ore industry needs to ramp up production by 50mt in the next five years

Serial Number	All data in Million tonnes		FY20	FY21	FY22	FY23	FY24	FY25F	FY26F	FY27F	FY28F	FY29F
A	Indian crude steel production (mt)		108.6	102.1	119.9	125.5	140.0	151.22	163.31	176.38	190.49	205.73
B	Indian iron ore production		244.1	204.5	250.3	255.0	284.0	284.0	300.00	320.00	320.00	330.00
	Required Indian iron ore production							273.37	286.29	297.20	313.84	328.78
C	Indian iron ore exports		25.2	46.4	15.3	15.0	36.3	36.00	36.00	36.00	36.00	36.00
D	Pellet exports		12.5	13.7	11.1	6.3	12.0	12.00	12.00	12.00	12.00	12.00
E	Iron ore in pellets	E=D*1.1	13.8	15.1	12.3	7.0	13.2	13.20	13.20	13.20	13.20	13.20
F	Indian mine head inventory		146.7	121.0	110.0	100.0	75.0	85.63	99.34	122.15	128.31	129.53
G	Change in mine head inventory	G	15.9	25.7	11.0	10.0	25.0					
H	Indian scrap imports	H	5.5	4.2	3.6	10.1	10.5	12.49	14.49	16.49	18.49	20.49
I	Scrap imports in terms or iron ore	I=H*1.9	10.4	8.0	6.8	19.1	19.9	23.72	27.52	31.32	35.12	38.92
J	Domestic scrap generation	J	14.5	15.8	22.4	17.9	15.5	17.00	20.00	25.00	28.00	33.00
K	Domestic scrap in terms or iron ore	K=J*1.9	27.6	30.0	42.6	34.1	29.5	32.30	38.00	47.50	53.20	62.70
L	Domestic consumption of iron ore	L=B-C-E-G-I-K	183.0	130.7	184.3	189.9	210.0					
N	Total iron ore equivalent consumption	N=L+K+I	221.0	168.7	233.7	243.1	259.4	280	303	327	353	381
O	Iron ore equivalent per tonne of steel	O=N/A	2.04	1.65	1.95	1.94	1.85	1.85	1.85	1.85	1.85	1.85

SOURCE: INCRED RESEARCH, COMPANY REPORTS

India's mine head inventory appears to have seen the worst in FY24 and its likely to go up in the coming years. Hence, an export ban is unlikely

Figure 10: After falling for the last couple of years, Indian mine head inventory to start rising from FY25F

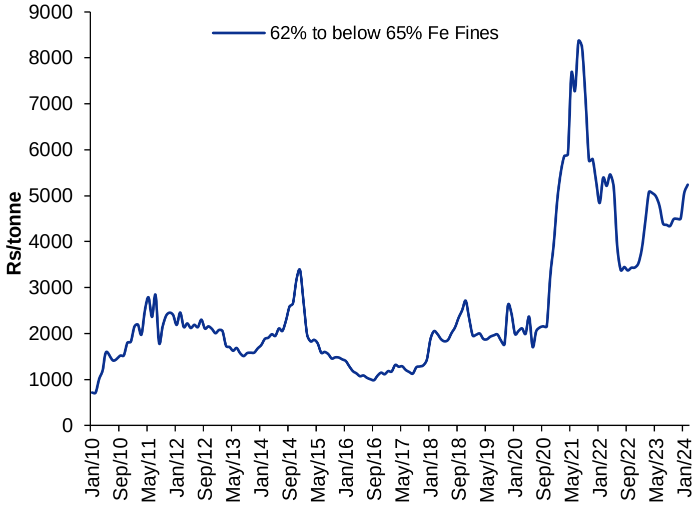


SOURCES: INCRED RESEARCH, COMPANY REPORTS

Production ramp-up by Odisha base bid winners is unlikely

On an average, Odisha-based miners have bid at a 100% premium to IBM prices. At these prices, domestic supply to users is out of question. Even exports won't be viable unless CIF China prices recover to more than US$140/t.

Figure 11: As of now, average IBM prices for 62-65% Fe fines are ~Rs5,000/t



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 12: At this price, only exports from Odisha will be viable and that too at more than US$140/t CIF China prices

Profitability of a new miner in Odisha	Unit	Amount
China iron ore 62% Fe	US$/t	140
Wastage & moisture	%	5
China iron ore 62% Fe DMT price	US$/t	133
Sea freight	US$/t	6
FOB realization	US$/t	127
Export duty @ 30%	US$/t	38.1
Value at port	US$/t	88.9
Exchange rate	US$/Rs	83.5
Value at port	Rs/t	7,423
Internal freight & port charges	Rs/t	1,700
Ex-mine realization	Rs/t	5,723
Mining + royalty	Rs/t	5600
Cash Margin	**Rs/t**	**123**

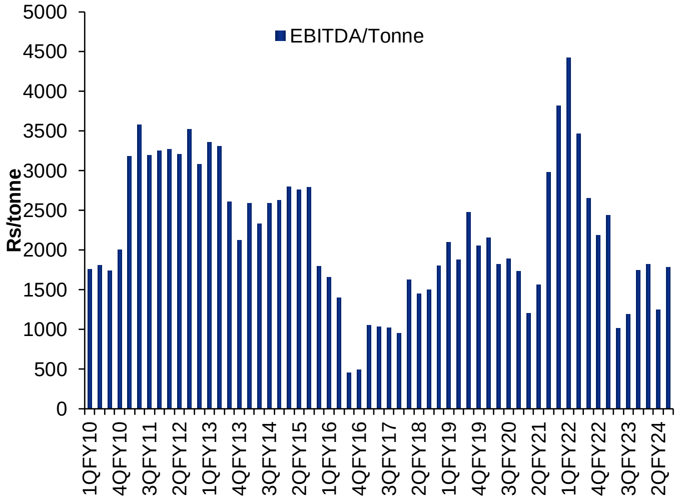
SOURCE: INCRED RESEARCH, COMPANY REPORTS

At the same time, the deadline of 2030 in terms of mine lease, means that structurally Indian iron ore prices will go up

2030 is going to be a watershed year for the Indian steel industry as the existing captive leases for all big companies (like Tata Steel, etc.) and all leases which were extended before 2015 will expire that year. It will remain a huge challenge to ramp up production for high-cost mines. This means that structurally India's iron ore prices will only go up.

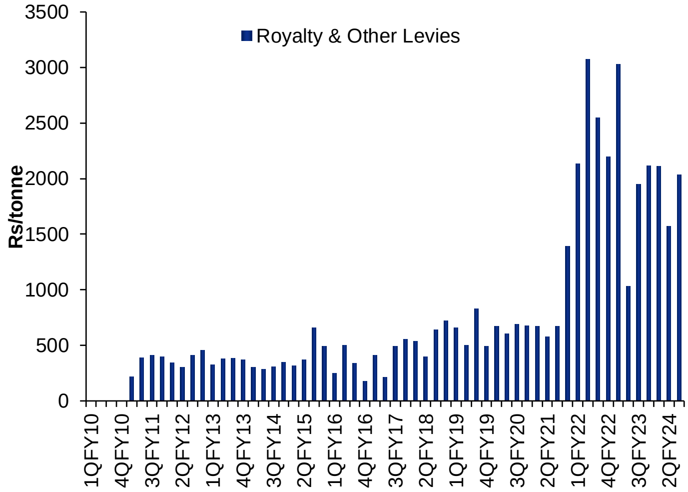
In this scenario, NMDC is unlikely to make an EBITDA of less than Rs1,700-1,800/t

Figure 13: Given the trajectory of iron ore prices is up, it's unlikely that EBITDA/t will fall to Rs1,700-1,800 on a sustained basis



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 14: Forget private sector miners, even NMDC is facing escalation in royalty and other levies - from Rs0/t in FY10, it has reached Rs2,200/t in FY24

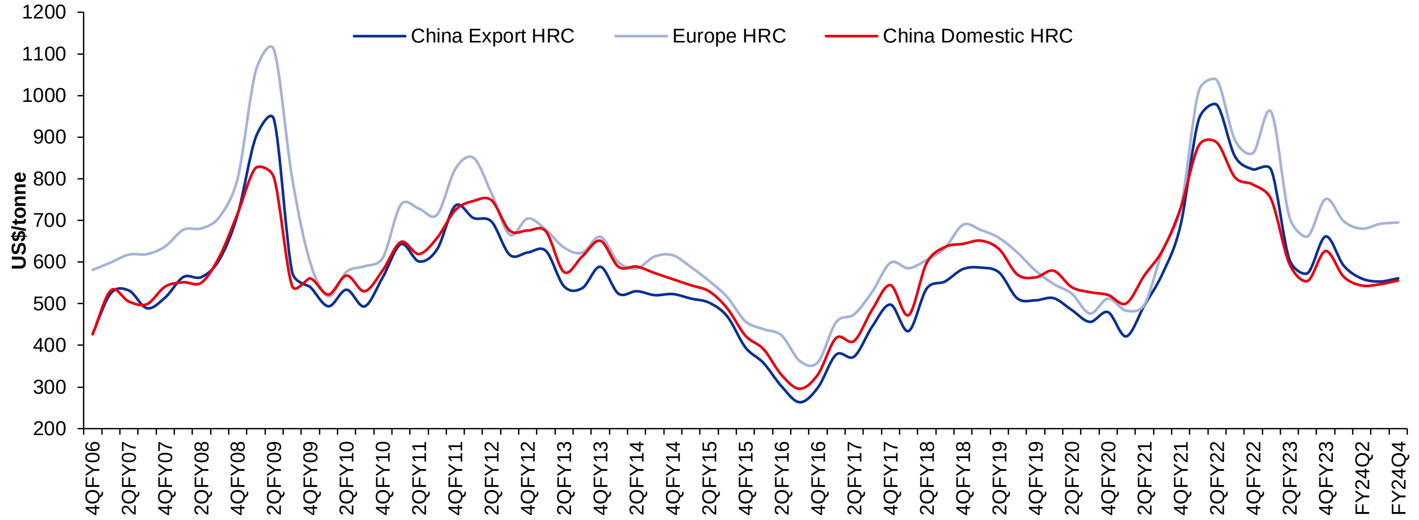


SOURCE: INCRED RESEARCH, COMPANY REPORTS

Steel makers have to contend with rising raw material prices and imports from China

Global steel prices have remained rangebound over the last 15 years ➤

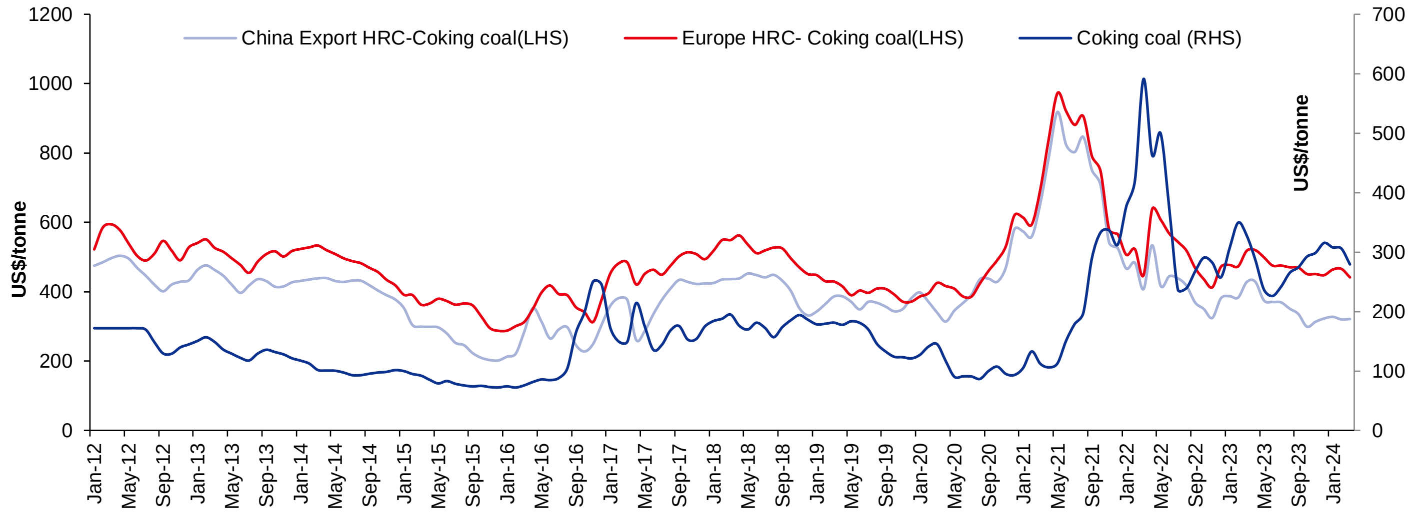
Figure 15: The last 18 years indicate steel prices revert to their mean; forget cost inflation, it's the falling cost of capital which keeps reducing EBITDA/t



SOURCE: INCRED RESEARCH, COMPANY REPORTS

However, in the recent past, coking coal appears to have delinked itself from steel prices ➤

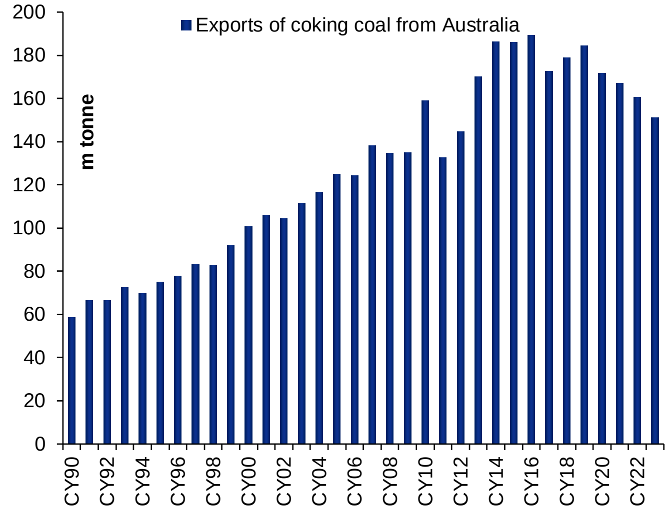
Figure 16: In the last couple of years, steel prices and coking-coal prices have delinked quite a bit



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Australia, the largest coking-coal exporter, is struggling to keep its exports up to the historical level

Figure 17: Australia's coking-coal exports have been declining



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 18: 2024 is also dependent on Australia to keep up to its chief economist's forecast; if it fails, like earlier years, then we are looking at US$400/t for coking coal

Million tonnes	2023	2024F	2025F	2026F	2027F
Metallurgical coal imports					
China	64	59	51	53	53
India	73	77	81	84	86
Japan	40	40	40	39	39
European Union	36	36	36	36	36
South Korea	34	34	34	33	32
Metallurgical coal exports					
Australia	151	173	176	181	180
United States	43	42	43	44	44
Canada	29	28	28	27	27
Russia	44	41	41	42	42
Mongolia	48	40	35	35	35
Mozambique	4	4	4	4	4
World trade	**349**	**334**	**335**	**340**	**339**

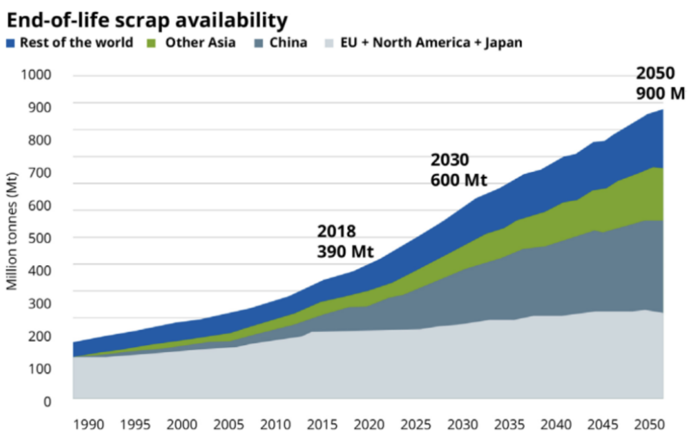
SOURCE: INCRED RESEARCH, HTTPS://WWW.INDUSTRY.GOV.AU/PUBLICATIONS/RESOURCES-AND-ENERGY-QUARTERLY-MARCH-2024

Is green hydrogen a viable alternative? No, it's not

Theoretically, the technology to produce steel using green hydrogen is available and one can save costs using green hydrogen. However, it requires a total change in blast furnaces, which is costly and time consuming

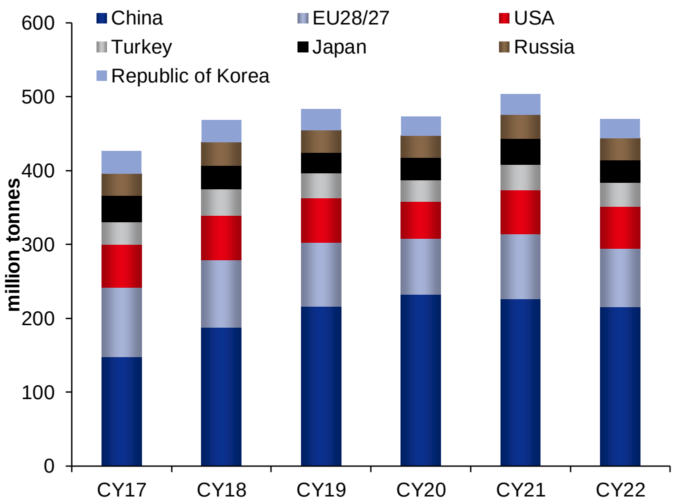
Rising scrap availability and closure of blast furnaces is the only hope to control coking-coal prices, but that's not working out currently

Figure 19: End-of-life scrap availability is not likely to increase much in the next five years



SOURCE: COMPANY REPORTS, INCRED RESEARCH

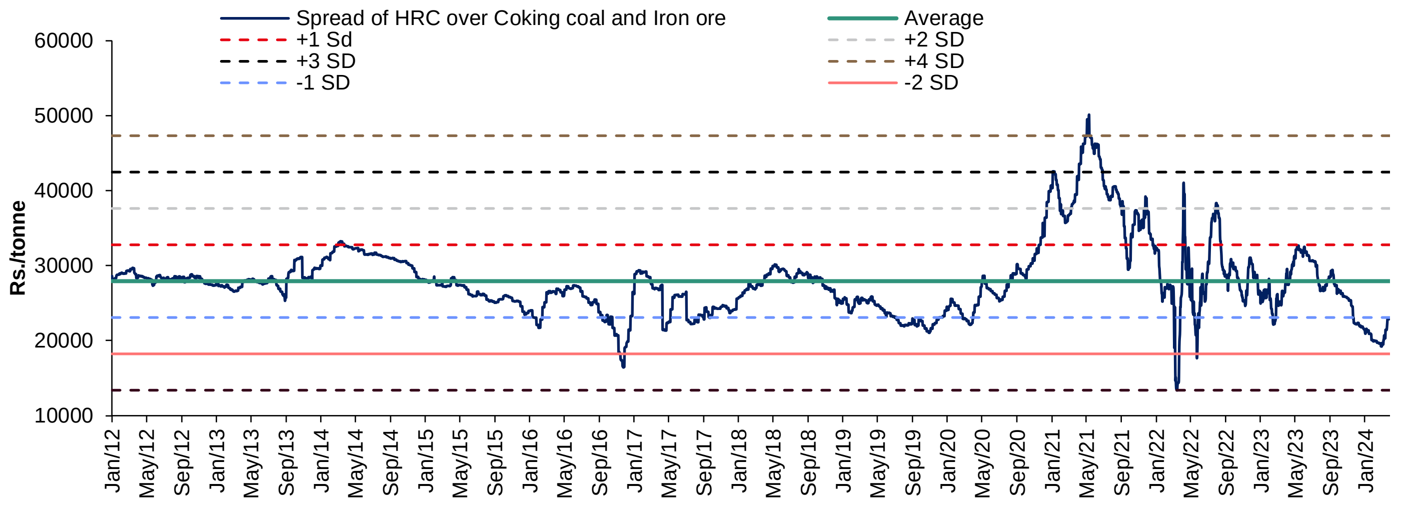
Figure 20: Mostly countries are using process scrap and hence, the usage is stagnant



SOURCE: COMPANY REPORTS, INCRED RESEARCH

Soon, Indian steel's spreads over coking coal + iron ore are unlikely to top long-term averages in a meaningful way

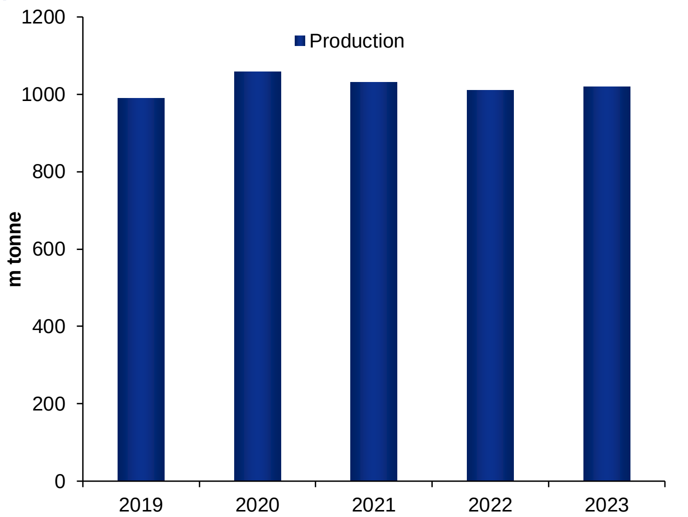
Figure 21: India's steel spreads over coking coal and iron ore are unlikely to top the long-term average in a meaningful way



SOURCE: COMPANY REPORTS, INCRED RESEARCH

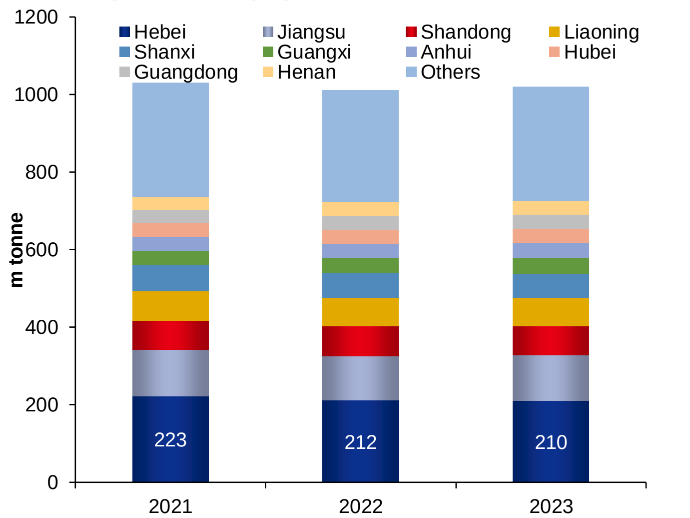
As we don't believe that China is going to reduce its production in a significant manner, pressure from imports will continue for India

Figure 22: We don't see any reduction in China's steel production…



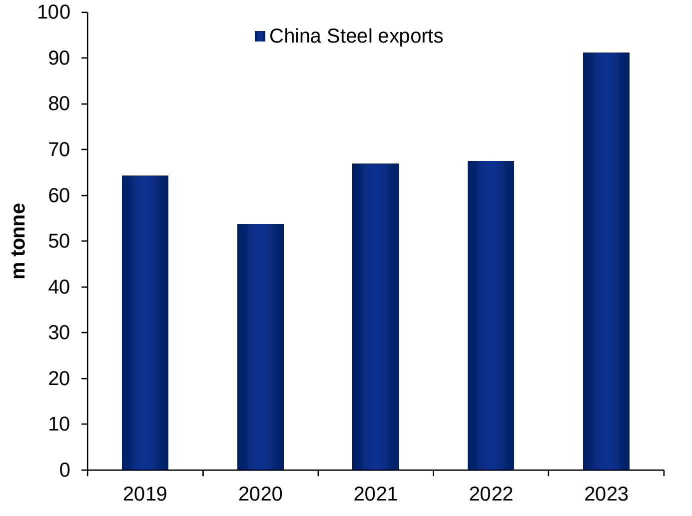
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 23: …as despite all talk on closure of polluting furnaces, the Hebei province keeps producing 200mt of steel



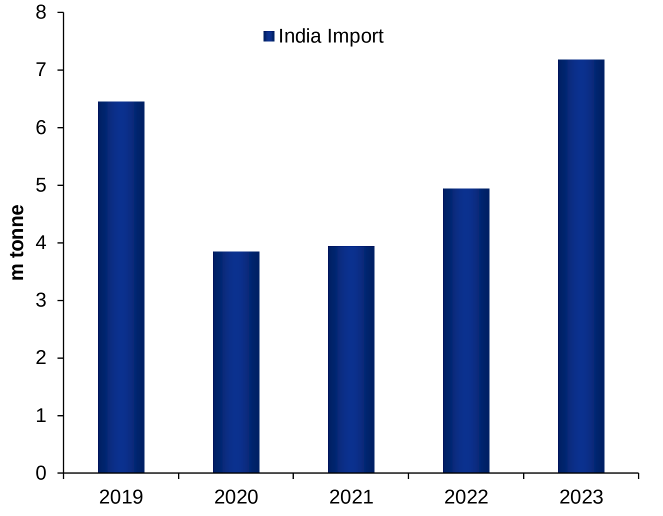
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 24: As a result, China's steel exports are on the rise…



SOURCE: INCRED RESEARCH, COMPANY REPORTS

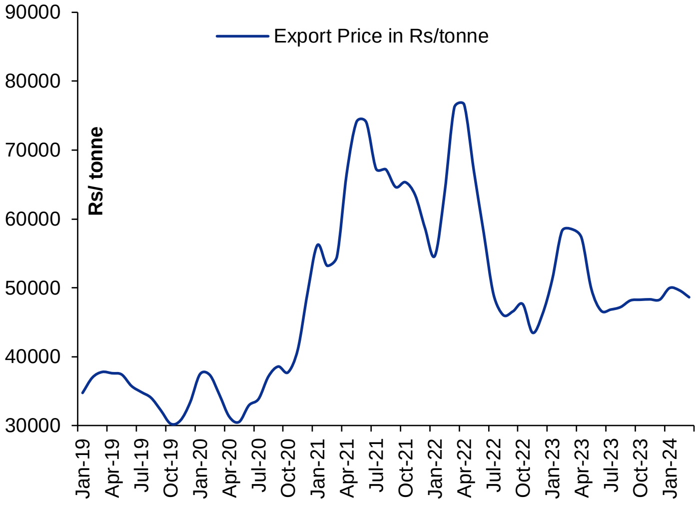
Figure 25: ….which is leading to higher imports by India



SOURCE: INCRED RESEARCH, COMPANY REPORTS

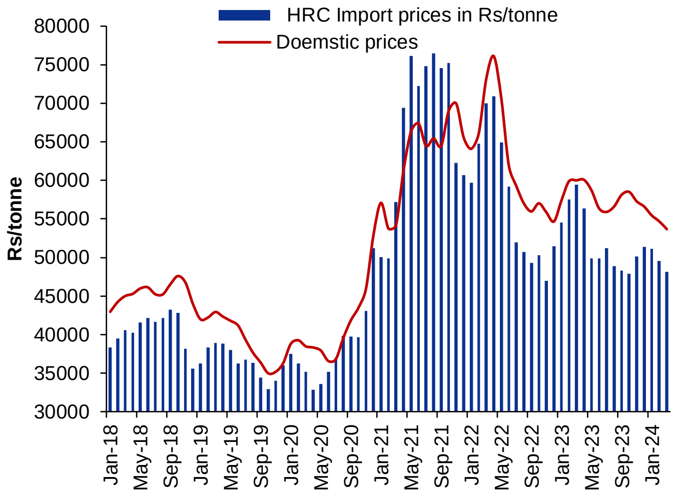
India's exports and imports as well as domestic prices are falling

Figure 26: India's export prices have fallen by 35% from their peak…



SOURCE: INCRED RESEARCH, COMPANY REPORTS

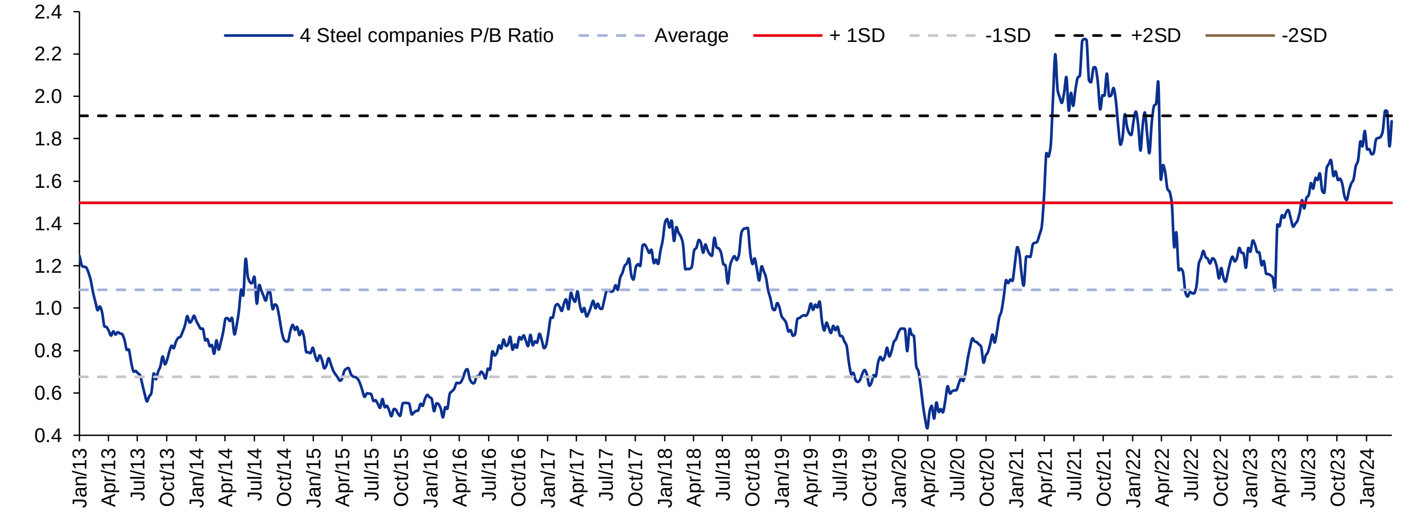
Figure 27: …and so is the case with India's imported and domestic steel prices



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Steel companies' valuations are still quite high

Figure 28: Steel companies are back to the 2021 level with minimal accretion in book value



SOURCE: INCRED RESEARCH, COMPANY REPORTS

InCred Equities

4QFY24 results to be bad for steel companies

While we do not understand why steel stocks rallied in the recent past, we predict that 4QFY24 results will be bad for Indian steel companies. Tata Steel and JSW Steel as well as SAIL will be hit by higher coking-coal costs.

In a most likely scenario, SAIL will be barely profitable in 4QFY24F

Figure 29: SAIL will struggle to make profits in 4QFY24F

	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24F
Net Revenue	**2,40,286**	**2,62,463**	**2,50,419**	**2,91,306**	**2,43,591**	**2,79,642**	**2,33,455**	**2,80,939**
Total Cost of Goods Sold	1,14,832	1,64,182	1,35,252	1,55,044	1,30,711	1,55,336	1,11,902	1,54,491
Employee Cost	30,150	28,326	27,730	34,331	28,491	31,251	29,382	33,382
Other Expenses	72,297	62,629	66,669	72,793	67,901	71,858	70,770	74,328
Total Expenses	**2,17,278**	**2,55,137**	**2,29,651**	**2,62,167**	**2,27,103**	**2,58,445**	**2,12,053**	**2,62,202**
EBITDA	**23,008**	**7,326**	**20,768**	**29,139**	**16,488**	**21,197**	**21,402**	**18,737**
Other Income	3,054	4,412	1,208	4,875	4,637	1,737	1,785	1,785
Operating Profit	26,062	11,738	21,975	34,013	21,126	22,934	23,187	20,523
Depreciation	11,939	11,832	12,210	13,644	12,752	13,263	13,206	13,206
EBIT	14,123	-94	9,765	20,369	8,374	9,671	9,981	7,317
Interest Expenses	3,740	5,062	6,403	5,170	6,126	6,052	6,139	6,139
Extraordinary Items	0	0	2,984	-404	0	-4,150		
Profit Before Tax	10,383	-5,156	6,347	14,795	2,248	-531	3,843	1,178
Total Tax Expenses	**2,620**	**-1,298**	**1,712**	**4,305**	**757**	**4,555**	**1,294**	**295**
Profit After Tax	**7,763**	**-3,858**	**4,635**	**10,490**	**1,491**	**-5,086**	**2,549**	**884**

SOURCE: INCRED RESEARCH, COMPANY REPORTS

What is key for SAIL to make profit is a higher volume. Less than 4.7mt in sales will result in a loss.

JSW Steel- flattish QoQ performance likely in 4QFY24F

Figure 30: Higher sales in volume terms (we assume that JSW Steel will meet its guidance of 25mt in sales in FY24F) will drive a minor rise in EBITDA (QoQ rise by 3% and YoY decline by 8%)

	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24F
Net Sales	**3,75,000**	**4,11,220**	**3,86,780**	**4,63,460**	**4,17,710**	**4,38,340**	**4,13,370**	4,72,500
Other Operating Income	5,860	6,560	4,560	6,160	4,420	7,500	6,030	6,030
Net Revenue	**3,80,860**	**4,17,780**	**3,91,340**	**4,69,620**	**4,22,130**	**4,45,840**	**4,19,400**	**4,78,530**
Total Cost of Goods Sold	**1,96,070**	**2,77,360**	**2,14,760**	**2,45,150**	**2,13,700**	**2,43,650**	**2,03,800**	2,52,000
Employee Cost	9,250	9,640	10,190	10,070	11,610	10,970	11,820	11,820
Power & Fuel Cost	44,330	46,020	43,250	40,920	37,810	38,240	38,320	40,000
Other Expenses	88,120	67,240	77,670	94,090	88,550	74,120	93,660	1,00,000
Total Expenses	**3,37,770**	**4,00,260**	**3,45,870**	**3,90,230**	**3,51,670**	**3,66,980**	**3,47,600**	**4,03,820**
EBITDA	**43,090**	**17,520**	**45,470**	**79,390**	**70,460**	**78,860**	**71,800**	**74,710**
Depreciation	17,780	18,050	18,820	20,090	19,000	20,190	20,590	20,590
EBIT	25,310	-530	26,650	59,300	51,460	58,670	51,210	54,120
Other Income	1,890	1,880	1,880	4,650	3,310	2,370	1,940	1,940
Interest Expenses	14,220	15,230	18,190	21,380	19,630	20,840	19,960	19,960
Extraordinary Items		5,910	0			5,890		
Profit Before Tax	12,980	-7,970	10,340	42,570	35,140	46,090	33,190	36,100
Total Tax Expenses	**4,420**	**620**	**5,040**	**5,080**	**10,520**	**18,120**	**8,530**	9,025
Profit After Tax	**8,560**	**-8,590**	**5,300**	**37,490**	**24,620**	**27,970**	**24,660**	27,075

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Tata Steel- flattish Indian biz performance, losses in Europe

Figure 31: we expect Indian operations' EBITDA to remain flattish QoQ but decline by 12% YoY

	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24F
Net Sales	**3,16,866**	**3,18,608**	**3,01,211**	**3,37,981**	**3,19,559**	**3,27,936**	**3,41,990**	**3,56,616**
Other Operating Income	3,345	3,842	3,442	4,772	3,857	4,296	4,829	4,829
Net Revenue	**3,20,211**	**3,22,450**	**3,04,653**	**3,42,753**	**3,23,416**	**3,32,232**	**3,46,819**	**3,61,445**
Expenses								
Total Cost of Goods Sold	**1,27,735**	**1,78,343**	**1,50,493**	**1,46,797**	**1,41,903**	**1,46,023**	**1,25,298**	**1,41,314**
Employee Cost	15,402	16,468	16,098	18,195	15,655	17,749	18,665	18,665
Other Expenses	81,394	79,198	86,466	96,459	1,01,268	1,00,953	1,20,360	1,20,360
Total Expenses	**2,24,531**	**2,74,010**	**2,53,056**	**2,61,450**	**2,58,826**	**2,64,724**	**2,64,323**	**2,80,339**
EBITDA	**95,680**	**48,440**	**51,597**	**81,302**	**64,591**	**67,508**	**72,496**	**71,106**
Depreciation	13,440	13,489	13,705	13,712	13,323	14,257	15,076	15,076
EBIT	82,241	34,951	37,892	67,591	51,268	53,251	57,420	56,029
Other Income	7,356	10,176	9,070	6,653	16,421	8,498	3,286	3,286
Interest Expenses	7,224	9,582	10,733	10,384	10,156	11,245	10,579	10,579
Extraordinary Items	-548	-194	-56	-6,990	-112	-1,29,610	101	
Profit Before Tax	81,825	35,351	36,173	56,870	57,420	-79,106	50,227	48,736
Total Tax Expenses	**20,684**	**8,802**	**9,122**	**16,661**	**14,713**	**5,972**	**13,697**	**12,282**
Profit After Tax	**61,142**	**26,550**	**27,051**	**40,209**	**42,707**	**-85,078**	**36,530**	**36,455**

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 32: European business will suffer EBITDA loss, but the loss is likely to be lower QoQ

Tata Steel Europe (Rs m)

	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24F
Liquid Steel production (mt)	2.7	2.6	2.6	2.3	2.4	2.4	2.2	2.3	1.8	2.0	1.9	2.3
Deliveries (mt)	**2.3**	**2.1**	**2.2**	**2.4**	**2.1**	**1.9**	**2.0**	**2.2**	**2.0**	**2.0**	**1.9**	**2.3**
Total Revenue From Operations	1,94,410	2,14,240	2,27,688	2,63,890	2,59,610	2,15,588	2,07,446	2,20,360	2,13,350	2,02,490	1,92,170	2,27,830
Expenses												
Total Cost of Goods Sold	**83,270**	**81,400**	**84,150**	**1,02,660**	**85,990**	**96,900**	**1,14,800**	**1,12,800**	**1,10,579**	**1,11,400**	**99,600**	**1,24,982**
Employee Cost	35,880	37,620	36,730	38,550	39,290	31,140	31,960	34,480	38,200	36,570	42,780	42,780
Other Expenses	60,010	62,220	77,470	79,390	74,150	69,720	76,290	89,420	80,630	79,630	78,500	78,500
Total Expenses	**1,79,160**	**1,81,240**	**1,98,350**	**2,20,600**	**1,99,430**	**1,97,760**	**2,23,050**	**2,36,700**	**2,29,409**	**2,27,600**	**2,20,880**	**2,46,262**
EBITDA	**15,250**	**33,000**	**29,338**	**43,290**	**60,180**	**17,828**	**-15,604**	**-16,340**	**-16,059**	**-25,110**	**-28,710**	**-18,432**
EBITDA/t	*6545*	*15421*	*13582*	*18038*	*28121*	*9533*	*-7841*	*-7565*	*-8070*	*-12811*	*-14799*	*-8014*

SOURCE: COMPANY REPORTS, INCRED RESEARCH

JSPL- PAT growth unlikely to be significant

Figure 33: Standalone EBITDA to increase YoY but decline QoQ

	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24F
Net Revenue	**1,03,846**	**1,32,612**	**1,19,548**	**1,38,308**	**1,28,485**	**1,31,071**	**1,18,323**	**1,33,923**	**1,23,106**	**1,20,818**	**1,15,159**	**1,18,082**
Expenses												
Total Cost of Goods Sold	**28,733**	**52,832**	**52,887**	**66,179**	**53,279**	**68,421**	**54,144**	**67,964**	**56,195**	**60,080**	**49,664**	**54,620**
Employee Cost	1,778	1,777	1,909	1,782	2,025	2,228	2,231	2,258	2,106	2,271	2,218	2,218
Other Expenses	28,291	32,931	33,270	42,380	41,739	43,018	41,755	42,411	38,967	36,299	37,015	37,015
Total Expenses	**58,609**	**87,423**	**87,873**	**1,10,043**	**95,377**	**1,12,694**	**95,878**	**1,12,521**	**96,572**	**97,697**	**87,971**	**92,926**
EBITDA	**45,237**	**45,189**	**31,675**	**28,266**	**33,108**	**18,377**	**22,445**	**21,402**	**26,533**	**23,121**	**27,189**	**25,156**
Depreciation	5,560	5,623	5,634	5,505	5,395	5,445	5,443	5,376	5,399	5,545	5,595	5,595
EBIT	39,678	39,567	26,041	22,760	27,713	12,933	17,002	16,025	21,134	17,576	21,594	19,561
Other Income	306	192	237	285	208	81	97	103	140	259	295	295
Interest Expenses	4,443	3,501	3,253	2,951	2,579	3,198	3,435	3,646	2,579	2,579	1,952	1,700
Extraordinary Items	0	0	0	-3,237	58,047	-16,639	-72,526	-1,464				
Profit Before Tax	35,541	36,257	23,026	16,857	83,389	-6,824	-58,863	11,018	18,696	15,256	19,937	18,156
Total Tax Expenses	**8,934**	**9,144**	**5,889**	**4,880**	**17,158**	**-2,092**	**-13,740**	**3,126**	**4,701**	**4,170**	**5,101**	**4,575**
Profit After Tax	**26,607**	**27,114**	**17,136**	**11,977**	**66,231**	**-4,732**	**-45,123**	**7,892**	**13,995**	**11,086**	**14,837**	**13,581**

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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