

## Weekly Update

December 13, 2023

*China's blast furnace capacity utilization drops to 85.75% in 1st week of December, lowest since mid-Feb'23, as maintenance stoppages increased. Expect lower production for couple of months.*

*Government of Panama has ordered the closure of First Quantum's Cobre Panama copper mine on account of threat to the natural environment in the adjoining areas. The mine had a capacity of ~400ktpa.*

*Anglo American cuts its copper output guidance for CY23 as Los Bronces mine in Chile as the company is struggling with hard ores there which contains low grade of the metal. The copper concentrate market surplus is expected to reduce as large mines are cutting outputs.*

### Indian HRC prices continue to remain soft

- Indian benchmark HRC prices (ex-Mumbai) decreased 0.2% WoW to Rs 55,100/t from Rs 55,200/t. Domestic spot spread declined to Rs 19,138/t from Rs 19,405/t WoW on rising coking coal prices and iron ore prices.
- Chinese and European HRC prices remained flat over past two weeks at USD 575/t and USD 630/t respectively despite a run up in input prices. Chinese and Europe spot spreads narrowed to USD 74/t and 129/t respectively.
- On import parity basis, domestic discount to Chinese prices increased further to ~Rs 1,100/t as domestic prices declined.
- Coking coal continued its upward trend by rising 1% WoW to USD 335/t while iron ore increased 3% WoW as hopes of China stimulus resurfaced last week.
- Steel Ministry has notified Quality Control Order on 145 Indian Standards on iron and steel products to ensure substandard steel products do not enter the domestic markets. This along with lower domestic prices should ideally aid in reducing imports in near term. We believe domestic steel companies would start taking price hikes gradually as we are entering strong construction season. Top picks: JSP, JDLS & HNDL.

### Exhibit 1: Weekly Metal Prices

| Particulars                                 | Metric  | CMP<br>12-Dec-23 | Weekly performance |                | Monthly performance |                | Qtrly Performance |                | Yearly Performance |                |
|---|---------|------------------|--------------------|----------------|---------------------|----------------|-------------------|----------------|--------------------|----------------|
|   |         |                  | 05-Dec-23          | WoW gr.<br>(%) | 08-Nov-23           | MoM gr.<br>(%) | 13-Sep-23         | QoQ gr.<br>(%) | 14-Dec-22          | YoY gr.<br>(%) |
| HRC, ex-Mumbai (250 grade 2.5-8mm)          | Rs/t    | 55,100           | 55,200             | (0.2)          | 55,300              | (0.4)          | 57,700            | (4.5)          | 53,500             | 3.0            |
| HRC, CNF West Europe                        | USD/t   | 630              | 630                | -              | 605                 | 4.1            | 625               | 0.8            | 680                | (7.4)          |
| HRC, FOB Rizhao, China                      | USD/t   | 575              | 575                | -              | 545                 | 5.5            | 555               | 3.6            | 590                | (2.5)          |
| Rebar Ex- Mumbai, 12-32mm, BF Route         | Rs/t    | 54,600           | 55,000             | (0.7)          | 56,400              | (3.2)          | 56,500            | (3.4)          | 56,100             | (2.7)          |
| Stainless Steel 304 Grade, HRC ex-Mumbai    | Rs/t    | 1,85,000         | 1,90,000           | (2.6)          | 1,99,000            | (7.0)          | 2,08,000          | (11.1)         | 2,45,000           | (24.5)         |
| Sponge Iron, DRCL0, ex-Raipur, India        | Rs/t    | 31,325           | 30,683             | 2.1            | 31,258              | 0.2            | 34,575            | (9.4)          | 34,317             | (8.7)          |
| Pig Iron, ex-Durgapur, India (Steel grade)  | Rs/t    | 37,400           | 37,383             | 0.0            | 37,083              | 0.9            | 41,000            | (8.8)          | 40,500             | (7.7)          |
| Iron Ore Fines Fe 62%, CNF Rizhao (Aus)     | USD/t   | 137              | 133                | 3.0            | 127                 | 7.7            | 122               | 12.7           | 111                | 23.4           |
| Iron Ore Lumps Fe 63% Odisha, India         | Rs/t    | 7,300            | 7,200              | 1.4            | 7,200               | 1.4            | 7,400             | (1.4)          | 7,450              | (2.0)          |
| Coking Coal, FOB Hay Point, Australia       | USD/t   | 335              | 331                | 1.1            | 327                 | 2.4            | 292               | 14.6           | 253                | 32.6           |
| Thermal Coal, FOB Richards Bay, SA RB1 6000 | USD/t   | 109              | 108                | 0.5            | 116                 | (6.7)          | 117               | (7.4)          | 232                | (53.2)         |
| Melting Scrap, CFR Nhava Sheva, Shredded    | USD/t   | 421              | 413                | 1.9            | 402                 | 4.8            | 428               | (1.6)          | 442                | (4.8)          |
| LME Aluminium Spot                          | USD/t   | 2,075            | 2,122              | (2.2)          | 2,249               | (7.7)          | 2,177             | (4.7)          | 2,402              | (13.6)         |
| Alumina Spot 99% in East China              | USD/t   | 410              | 412                | (0.4)          | 410                 | 0.0            | 400               | 2.5            | 410                | 0.1            |
| LME Copper Spot                             | USD/t   | 8,260            | 8,253              | 0.1            | 8,059               | 2.5            | 8398              | (1.6)          | 8478               | (2.6)          |
| LME Nickel Spot                             | USD/t   | 16,297           | 15,940             | 2.2            | 17,858              | (8.7)          | 19858             | (17.9)         | 28143              | (42.1)         |
| LME Zinc Spot                               | USD/t   | 2,425            | 2,414              | 0.5            | 2,606               | (6.9)          | 2497              | (2.9)          | 3262               | (25.6)         |
| LME Lead Spot                               | USD/t   | 2,002            | 2,020              | (0.9)          | 2,191               | (8.6)          | 2259              | (11.4)         | 2172               | (7.8)          |
| Exchange Rate                               | USD/INR | 83.39            | 83.39              | (0.0)          | 83.28               | (0.1)          | 82.99             | (0.5)          | 82.45              | (1.1)          |

Source: SteelMint, PL

## Exhibit 2: China Data Points

| Particulars                               | Metric       | CMP        |           | Weekly performance |            | Monthly performance |            | Quarterly Performance |            | Yearly Performance |  |
|---|--------------|------------|-----------|--------------------|------------|---------------------|------------|-----------------------|------------|--------------------|--|
|   |              | 11-Dec -23 | 04-Dec-23 | WoW gr. (%)        | 06-Nov -23 | MoM gr. (%)         | 04-Sep -23 | QoQ gr. (%)           | 05-Dec -22 | YoY gr. (%)        |  |
| China weekly steel inventory              | (10,000 ton) | 284        | 286       | (0.7)              | 305        | (6.9)               | 361        | (21.4)                | 318        | (10.6)             |  |
| China iron ore inventory                  | (10,000 ton) | 10,606     | 10,318    | 2.8                | 10,012     | 5.9                 | 10,754     | (1.4)                 | 12,246     | (13.4)             |  |
| China weekly iron ore imports             | (mn ton)     | 10.1       | 10.8      | (6.0)              | 8.0        | 27.3                | 7.5        | 34.6                  | 14.1       | (27.9)             |  |
| China aluminium spot inventory            | (mn ton)     | 0.52       | 0.56      | (7.5)              | 0.65       | (19.7)              | 0.48       | 9.0                   | 0.50       | 4.8                |  |
| China I&S Products exports (Oct; monthly) | (mn ton)     | 7.1        |           |                    | 7.1        | (0.6)               | 6.4        | 11.1                  | 4.6        | 52.0               |  |
| China I&S Products imports (Oct; monthly) | (mn ton)     | 0.50       |           |                    | 0.46       | 8.5                 | 0.50       | 0.4                   | 0.58       | (13.7)             |  |
| China Mfg. PMI (Nov; monthly)             | Points       | 49.4       |           |                    | 49.5       |                     | 49.7       |                       | 48         |                    |  |
| New Housing start (Oct; monthly)          | (in %)       | -23.6      |           |                    | -23.9      |                     | -25        |                       | -38.5      |                    |  |

Source: PL; \* I&S – Iron and Steel

Indian Manufacturing and Mining sector output grew by 10.4% & 13.1% YoY respectively in Oct'23.

## Exhibit 3: Economic Indicators (in %)

| Particulars | Apr-23 | May-23 | Jun-23 | Jul-23 | Aug-23 | Sep-23 | Oct-23 |
|-------------|--------|--------|--------|--------|--------|--------|--------|
| India IIP   | 4.6    | 5.7    | 4.0    | 6.2    | 10.3   | 6.2    | 11.7   |
| China IIP   | 5.6    | 3.5    | 4.4    | 3.7    | 4.5    | 4.5    | 4.6    |
| USA IIP     | 0.35   | 0.14   | -0.37  | 0.13   | 0.06   | -0.16  | -0.68  |
| UK IIP      | -1.2   | -2.0   | 1.8    | 1.1    | 1.5    | 1.5    | NA     |
| Russia IIP  | 4.9    | 6.7    | 5.8    | 4.9    | 5.4    | 5.6    | 5.3    |
| Japan IIP   | -0.7   | 4.2    | 0      | -2.3   | -4.4   | -4.4   | 0.9    |

Source: PL

## Exhibit 4: Region-wise monthly production (mt)

| Region                    | Oct-22       | Nov-22       | Dec-22       | Jan-23       | Feb-23       | Mar-23       | Apr-23       | May-23       | Jun-23       | Jul-23       | Aug-23       | Sep-23       | Oct-23     | YoY gr.     | MoM gr.     |
|---------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|------------|-------------|-------------|
| Africa                    | 1.4          | 1.3          | 1.1          | 1.2          | 1.1          | 1.4          | 1.3          | 1.3          | 1.3          | 1.4          | 1.5          | 1.3          | 1.9        | 35.7%       | 46.2%       |
| Asia & Oceania            | 107.3        | 101.4        | 104.9        | 107.5        | 106.6        | 124.8        | 121.1        | 119.5        | 119.7        | 119.9        | 115.7        | 110.7        | 108.8      | 1.4%        | -1.7%       |
| CIS                       | 6.7          | 6.5          | 6.2          | 6.5          | 6.4          | 7.6          | 7.5          | 7.9          | 6.8          | 7.4          | 7.5          | 7.3          | 7.4        | 10.4%       | 1.4%        |
| EU (27)                   | 11.3         | 10.5         | 9.2          | 10.3         | 10.5         | 11.9         | 11.1         | 11.6         | 10.6         | 10.3         | 9.1          | 10.6         | 10.6       | -6.2%       | 0.0%        |
| Other Europe              | 3.7          | 3.2          | 3.4          | 3.3          | 2.7          | 3.5          | 3.5          | 3.7          | 3.7          | 3.6          | 3.4          | 3.5          | 3.6        | -2.7%       | 2.9%        |
| Middle East               | 4.0          | 4.0          | 3.7          | 3.8          | 3.5          | 3.1          | 4.2          | 4.4          | 4.2          | 3.1          | 2.8          | 3.6          | 5.0        | 25.0%       | 38.9%       |
| North America             | 9.2          | 8.9          | 8.8          | 9.1          | 8.3          | 9.3          | 9.2          | 9.6          | 9.2          | 9.4          | 9.2          | 9.0          | 9.3        | 1.1%        | 3.3%        |
| South America             | 3.7          | 3.4          | 3.3          | 3.6          | 3.2          | 3.5          | 3.6          | 3.6          | 3.3          | 3.4          | 3.4          | 3.4          | 3.4        | -8.1%       | 0.0%        |
| <b>Total 64 countries</b> | <b>147.3</b> | <b>139.2</b> | <b>140.6</b> | <b>145.3</b> | <b>142.3</b> | <b>165.1</b> | <b>161.5</b> | <b>161.6</b> | <b>158.8</b> | <b>158.5</b> | <b>152.6</b> | <b>149.4</b> | <b>150</b> | <b>1.8%</b> | <b>0.4%</b> |

Source: World Steel Association, PL

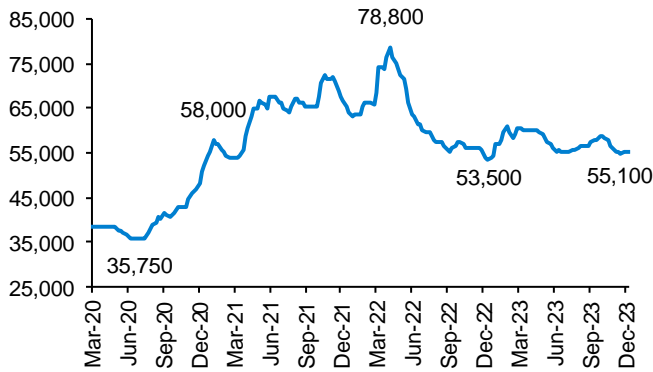
## Exhibit 5: Top 10 Crude Steel Producing Countries (mt)

| Countries               | Oct-22       | Nov-22       | Dec-22       | Jan-23       | Feb-23       | Mar-23       | Apr-23     | May-23       | Jun-23       | Jul-23       | Aug-23       | Sep-23       | Oct-23       | YoY gr.     | MoM gr.      |
|-------------------------|--------------|--------------|--------------|--------------|--------------|--------------|------------|--------------|--------------|--------------|--------------|--------------|--------------|-------------|--------------|
| China                   | 79.8         | 74.5         | 77.9         | 79.5         | 80.1         | 95.7         | 92.6       | 90.1         | 91.1         | 90.8         | 86.4         | 82.1         | 79.1         | -0.9%       | -3.7%        |
| India                   | 10.5         | 10.4         | 10.6         | 10.9         | 10.0         | 11.4         | 10.7       | 11.2         | 11.2         | 11.5         | 11.9         | 11.6         | 12.1         | 15.2%       | 4.3%         |
| Japan                   | 7.3          | 7.2          | 6.9          | 7.2          | 6.9          | 7.5          | 7.2        | 7.6          | 7.3          | 7.4          | 7.1          | 7.0          | 7.5          | 2.7%        | 7.1%         |
| USA                     | 6.7          | 6.4          | 6.5          | 6.5          | 6.0          | 6.7          | 6.6        | 6.9          | 6.8          | 6.9          | 7.0          | 6.7          | 6.8          | 1.5%        | 1.5%         |
| Russia                  | 5.8          | 5.6          | 5.5          | 5.8          | 5.6          | 6.6          | 6.4        | 6.8          | 5.8          | 6.3          | 6.4          | 6.2          | 6.3          | 8.6%        | 1.6%         |
| South Korea             | 5.1          | 4.8          | 5.2          | 5.5          | 5.2          | 5.8          | 5.7        | 5.8          | 5.5          | 5.7          | 5.6          | 5.5          | 5.5          | 7.8%        | 0.0%         |
| Germany                 | 3.1          | 2.8          | 2.7          | 2.9          | 3.0          | 3.3          | 3.2        | 3.2          | 2.9          | 3.0          | 2.8          | 2.9          | 2.9          | -6.5%       | 0.0%         |
| Turkey                  | 2.9          | 2.4          | 2.7          | 2.6          | 2.1          | 2.7          | 2.7        | 2.9          | 2.9          | 2.9          | 2.8          | 2.9          | 3.0          | 3.4%        | 3.4%         |
| Brazil                  | 2.8          | 2.6          | 2.5          | 2.8          | 2.5          | 2.7          | 2.8        | 2.8          | 2.6          | 2.7          | 2.7          | 2.6          | 2.6          | -7.1%       | 0.0%         |
| Iran                    | 2.9          | 2.9          | 2.7          | 2.7          | 2.4          | 2.2          | 3.1        | 3.3          | 3.2          | 2.0          | 1.6          | 2.4          | 3.1          | 6.9%        | 29.2%        |
| <b>Top 10 Countries</b> | <b>126.9</b> | <b>119.6</b> | <b>123.2</b> | <b>126.4</b> | <b>123.8</b> | <b>144.6</b> | <b>141</b> | <b>140.6</b> | <b>139.3</b> | <b>139.2</b> | <b>134.3</b> | <b>129.9</b> | <b>128.9</b> | <b>1.6%</b> | <b>-0.8%</b> |

Source: World Steel Association, PL

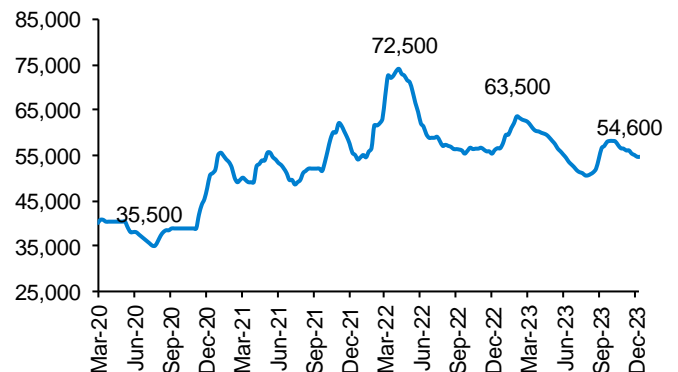
## India Snapshot

**Exhibit 6: HRC ex-Mumbai, 2.5-8mm (Rs/t)**



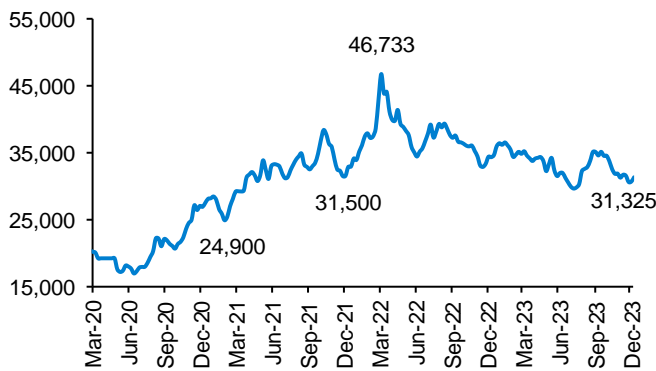
Source: SteelMint, PL

**Exhibit 7: Rebar ex-Mumbai, 12-32mm, BF Route (Rs/t)**



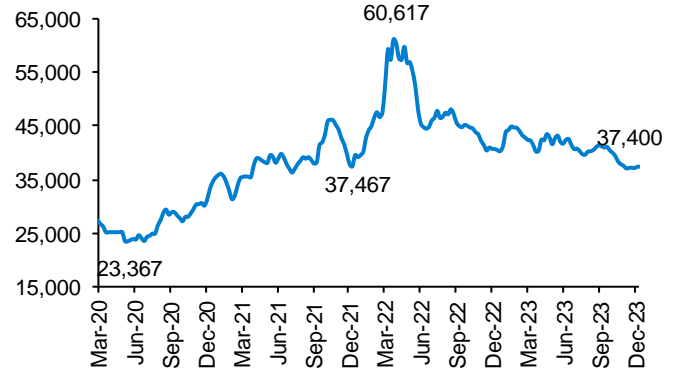
Source: SteelMint, PL

**Exhibit 8: Sponge iron, ex-Raipur (Rs/t)**



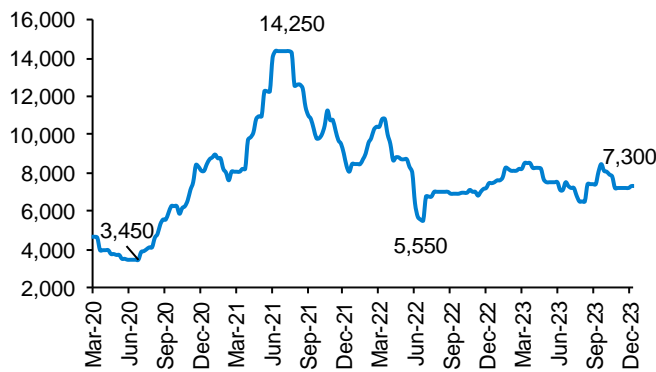
Source: SteelMint, PL

**Exhibit 9: Pig Iron, steel grade, ex-Bhilai (Rs/t)**



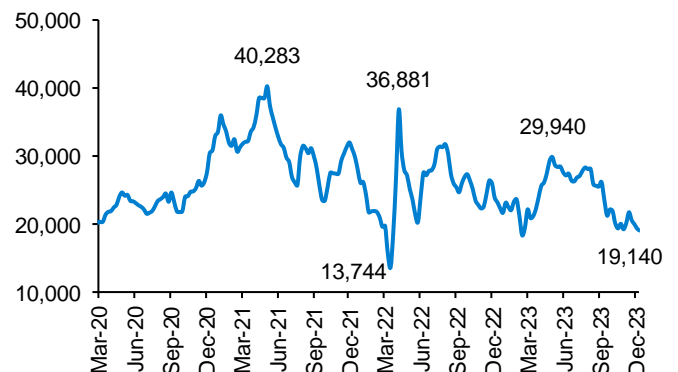
Source: SteelMint, PL

**Exhibit 10: Iron ore Lumps Fe 63%, DR grade, Odisha (Rs/t)**



Source: SteelMint, PL

**Exhibit 11: Mumbai HRC Spot Spreads (Rs/t)**

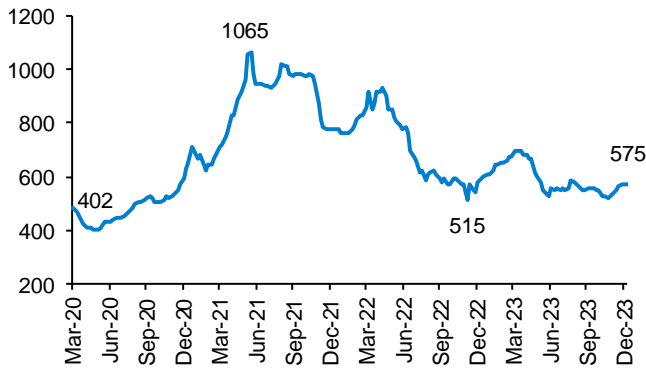


Source: SteelMint, PL

**Inference:** Rebar declined 0.7% WoW to Rs 54,600/t while Pig iron prices remained flat WoW at Rs 37,400/t. DRI prices increased 2% WoW to Rs 31,325/t. Iron ore lumps Fe 63% grade at Odisha increased 1.4% WoW to Rs 7,300/t.

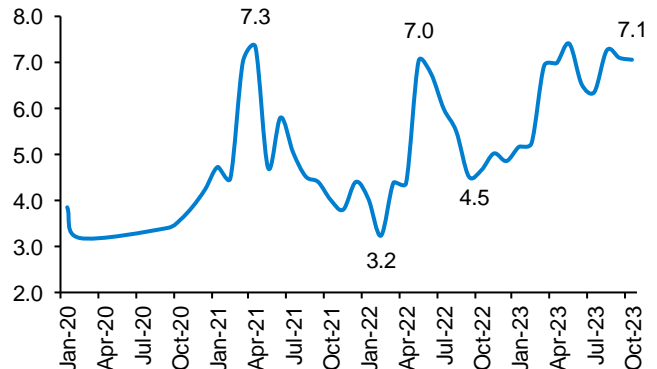
## China Snapshot

**Exhibit 12: China HRC, FOB Rizhao, 3-12mm (USD/t)**



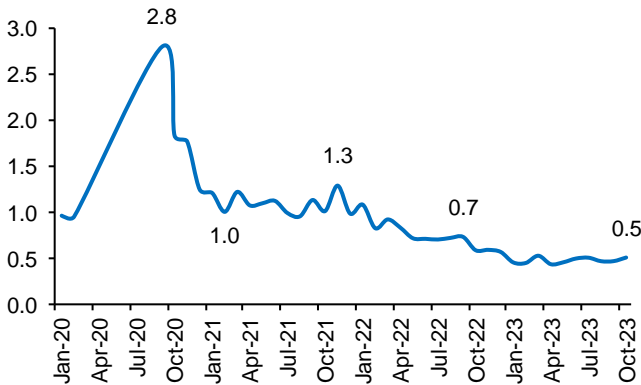
Source: SteelMint , PL

**Exhibit 13: China iron and steel products exports (mt)**



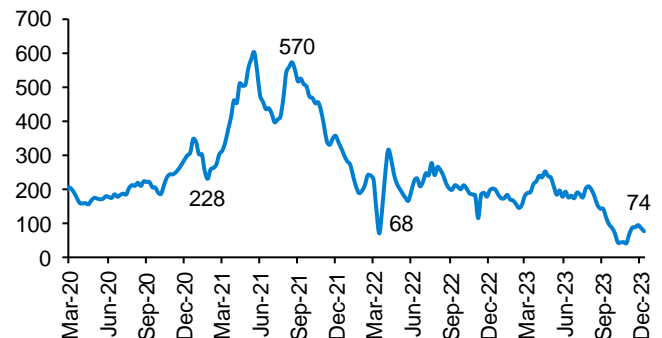
Source: PL

**Exhibit 14: China iron and steel products imports (mt)**



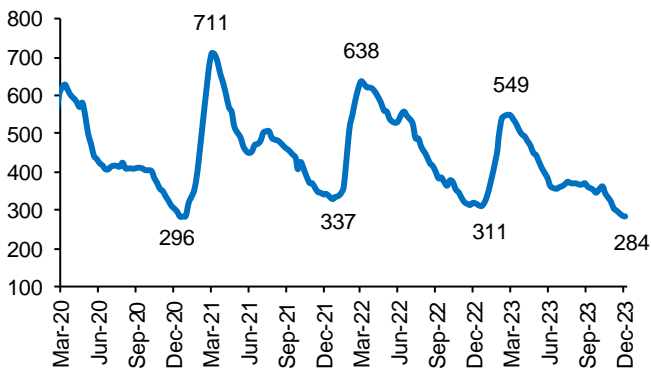
Source: PL

**Exhibit 15: China HRC Spot Spreads (USD/t)**



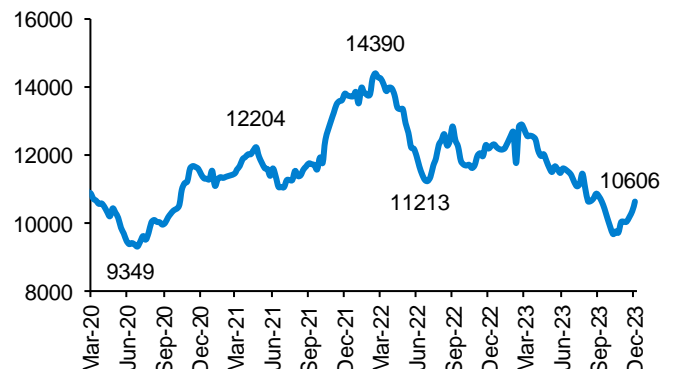
Source: SteelMint , PL

**Exhibit 16: China weekly steel inventory ('10kt)**



Source: PL

**Exhibit 17: China weekly iron ore inventory ('10kt)**

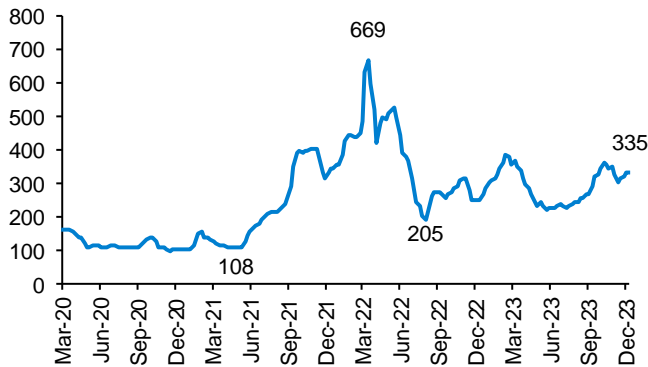


Source: PL

**Inference:** Chinese HRC prices remained flat WoW for the second straight week. China weekly steel inventory decreased 0.7% WoW to 2.84mt while iron ore inventory increased 3% WoW to 106.1mt.

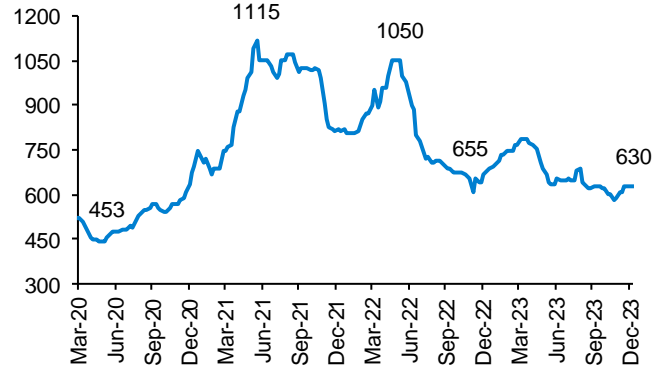
## Others

**Exhibit 18: HCC Premium Coking coal, FOB, Aus. (USD/t)**



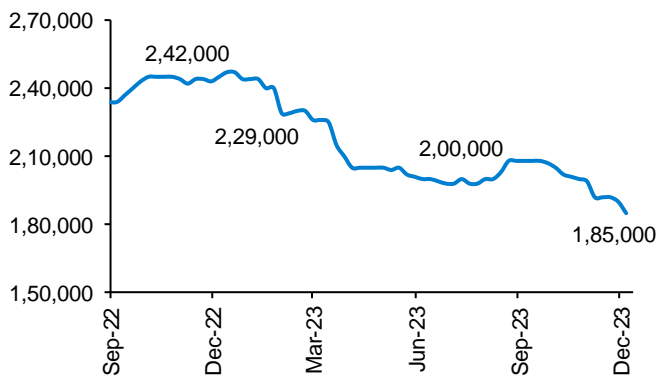
Source: SteelMint, PL

**Exhibit 19: HRC, CNF West Europe (USD/t)**



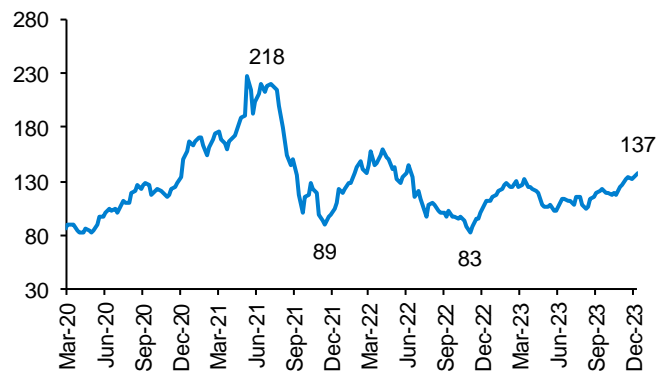
Source: SteelMint, PL

**Exhibit 20: Stainless Steel 304 Grade, ex-Mumbai (Rs/t)**



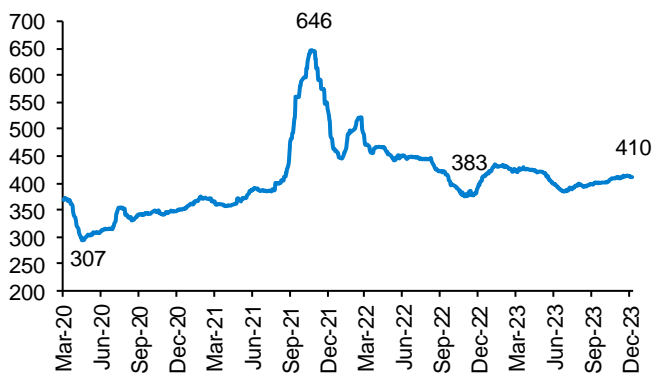
Source: SteelMint, PL

**Exhibit 21: China Iron Ore 62% Fines, CNF Rizhao (USD/t)**



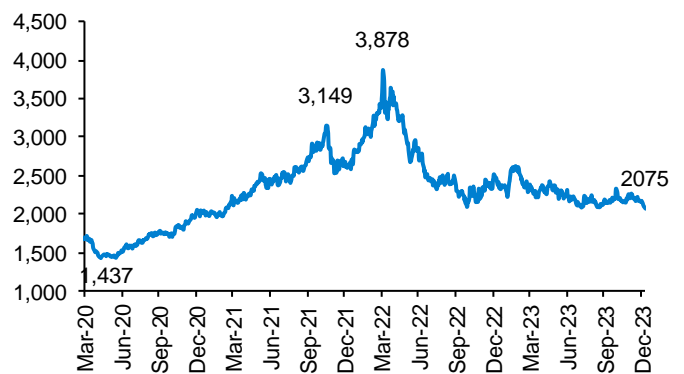
Source: SteelMint, PL

**Exhibit 22: East China Alumina price, 99% spot (USD/t)**



Source: PL

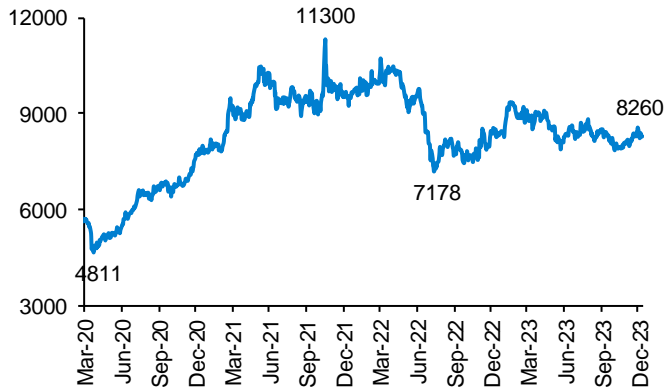
**Exhibit 23: LME Aluminium spot price (USD/t)**



Source: PL

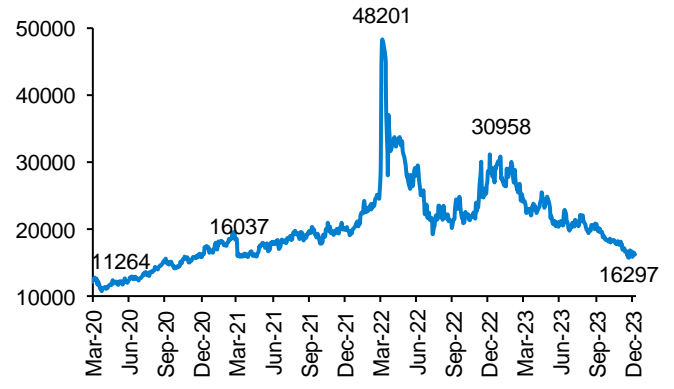
**Inference:** European HRC prices remained flat at USD 630/t. LME Aluminium prices declined 2% WoW to USD 2,075/t. LME Nickel prices increased 2% WoW to USD 16,297/t. Stainless steel prices (grade 304; ex-Mumbai) continued its downward journey and declined 2.6% WoW to Rs 185k/t.

**Exhibit 24: LME Copper spot price (USD/t)**



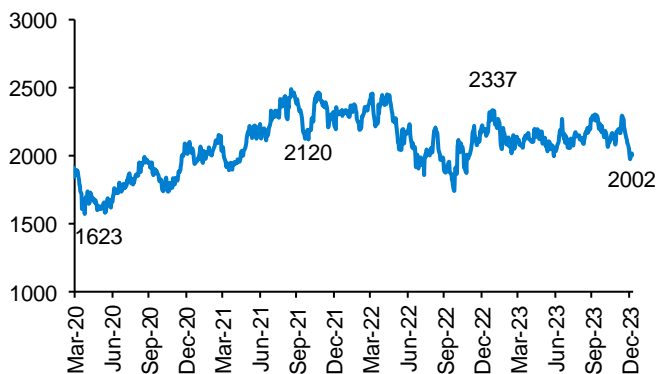
Source: PL

**Exhibit 25: LME Nickel spot price (USD/t)**



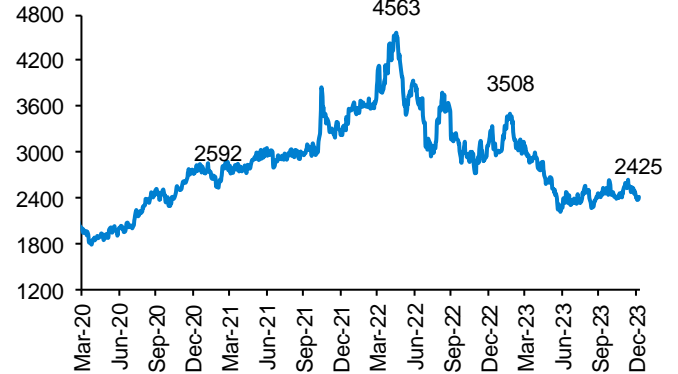
Source: PL

**Exhibit 26: LME Lead spot price (USD/t)**



Source: PL

**Exhibit 27: LME Zinc spot price (USD/t)**



Source: PL

**Exhibit 28: Valuation Summary**

| Company Name         | M Cap (Rs bn) | CMP (Rs) | TP (Rs) | Rating | Net Debt (Rs bn) | BV FY23 (Rs) | EBITDA (Rs bn) |       |       | EPS (Rs) |       |       | EV/EBITDA (x) |       |       | ROCE (%) |       |       |
|----------------------|---------------|----------|---------|--------|------------------|--------------|----------------|-------|-------|----------|-------|-------|---------------|-------|-------|----------|-------|-------|
|                      |               |          |         |        |                  |              | FY24E          | FY25E | FY26E | FY24E    | FY25E | FY26E | FY24E         | FY25E | FY26E | FY24E    | FY25E | FY26E |
| Tata Steel           | 1,589         | 130      | 138     | BUY    | 610              | 84           | 299            | 388   | 414   | 6.2      | 13.1  | 14.9  | 7.5           | 5.7   | 5.2   | 11.0     | 15.4  | 15.9  |
| JSW Steel            | 2,067         | 855      | 903     | BUY    | 597              | 272          | 300            | 370   | 415   | 50.7     | 68.1  | 77.0  | 8.9           | 7.2   | 6.2   | 14.7     | 17.1  | 17.6  |
| Jindal Steel & Power | 752           | 748      | 751     | BUY    | 70               | 385          | 99             | 123   | 143   | 49.6     | 62.9  | 76.8  | 8.5           | 6.9   | 5.8   | 14.0     | 16.5  | 17.9  |
| SAIL                 | 413           | 100      | 95      | ACC.   | 341              | 126          | 108            | 123   | 122   | 7.3      | 10.6  | 10.2  | 6.5           | 5.8   | 5.6   | 7.9      | 9.2   | 8.7   |
| Jindal Stainless     | 446           | 542      | 532     | ACC.   | 26               | 145          | 52             | 62    | 71    | 37.2     | 46.7  | 56.0  | 9.5           | 7.3   | 6.0   | 24.8     | 25.1  | 26.7  |
| NMDC                 | 536           | 183      | 176     | ACC.   | -57              | 77           | 68             | 75    | 92    | 17.5     | 19.1  | 23.5  | 6.8           | 6.0   | 4.6   | 28.6     | 28.9  | 32.2  |
| Hindalco             | 1,171         | 527      | 583     | BUY    | 371              | 427          | 226            | 264   | 281   | 41.9     | 51.8  | 56.7  | 6.8           | 5.6   | 4.7   | 10.4     | 12.1  | 12.5  |
| Nalco                | 178           | 97       | 100     | ACC.   | -21              | 72           | 25             | 30    | 36    | 8.4      | 10.0  | 11.9  | 6.6           | 5.4   | 4.6   | 14.4     | 16.7  | 18.4  |

Source: Company, PL

**Analyst Coverage Universe**

| Sr. No. | Company Name             | Rating     | TP (Rs) | Share Price (Rs) |
|---------|--------------------------|------------|---------|------------------|
| 1       | Hindalco Industries      | BUY        | 583     | 482              |
| 2       | Jindal Stainless         | Accumulate | 532     | 523              |
| 3       | Jindal Steel & Power     | BUY        | 751     | 634              |
| 4       | JSW Steel                | BUY        | 903     | 769              |
| 5       | National Aluminium Co.   | Accumulate | 100     | 91               |
| 6       | NMDC                     | Accumulate | 176     | 169              |
| 7       | Steel Authority of India | Accumulate | 95      | 88               |
| 8       | Tata Steel               | BUY        | 138     | 118              |

**PL's Recommendation Nomenclature**

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



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