

Ferrous and Non-ferrous Metals

Chinese Steel Exports Reach 9-Year High

Summary

During Nov-24, Indian steel prices decreased by 0.6% MoM to Rs47,700/tonne while, Chinese steel prices decreased by 4.9% MoM to \$485/tonne. Coking coal prices remained flat MoM at \$170/tonne due to weakness in demand. In Oct-24, Indian steel production increased by 6.8% to 12.5 mn tonnes. Also, estimated Chinese steel production increased by 6.2% MoM to 82 mn tonnes and global steel production decreased by 5.9% MoM to 152 mn tonnes. Furthermore, Chinese steel exports increased by 10.1% MoM and 40.8% YoY to 11.2 mn tonnes, reaching the highest level in last 9 years, due to weak Chinese demand despite several stimulus packages introduced by China. We believe elevated exports from China to global markets remains a concern for steel sector.

Key Highlights

- **Steel Input prices declined:** In Nov-24, domestic iron ore prices decreased by 2.0% MoM to Rs7,250/tonne while, international iron ore prices increased by 1.8% MoM to \$97/tonne. Furthermore, manganese price fell by 3.0% MoM to Rs15,560/tonne.
- **Correction in Non-ferrous metals:** In Nov-24, aluminium prices decreased by 0.6% MoM to \$2,577/tonne, while Copper prices fell by 5.2% MoM to \$9,011/tonne due to disappointing demand prospects in China. Zinc prices decreased 2.6% MoM to \$3,109/tonne due to weak Chinese demand driven by subdued real estate market.
- **Outlook:** In Oct'24, China continued to post record level of steel exports to the rest of the world, driven by rising steel production in China, indicating weak domestic demand due to slowdown in Chinese economy. In Nov'24, Indian HRC prices remained under pressure in along with a drop in domestic iron ore prices, while coking coal prices remained flat. This could aid margins for some of the Indian steel companies in the next quarter. Additionally, Steel ministry proposed a 25% duty on certain steel imports, which could support domestic prices. Nevertheless, Domestic demand in India remains firm and is projected to grow by 8%-9% in FY25. Despite this, the rich valuations of steel companies limit potential upside. Accordingly, we maintain a neutral outlook on the steel sector.

Valuation snapshot

Companies	Reco	Mkt Cap	CMP	TP	Upside	EV/EBITDA	
		Rs bn	(Rs)	(Rs)	(%)	FY25E	FY26E
Tata Steel	HOLD	1,791	143	155	8.1	8.7	6.1
JSW Steel	HOLD	2,332	954	867	-4.9	12.5	9.7
JSPL	HOLD	915	897	921	2.7	9.6	7.7
SAIL	HOLD	480	116	113	-2.8	7.6	6.0

Source: IDBI Capital Research

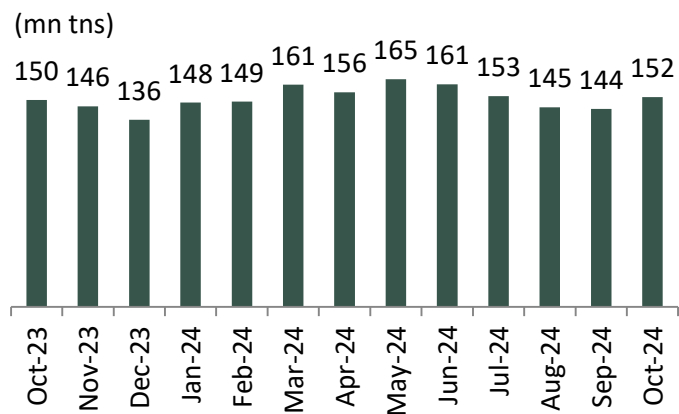
Ajit Sahu

Ajit.sahu@idbicapital.com
+91-22-4069 1849

Mohd Sheikh Sahil

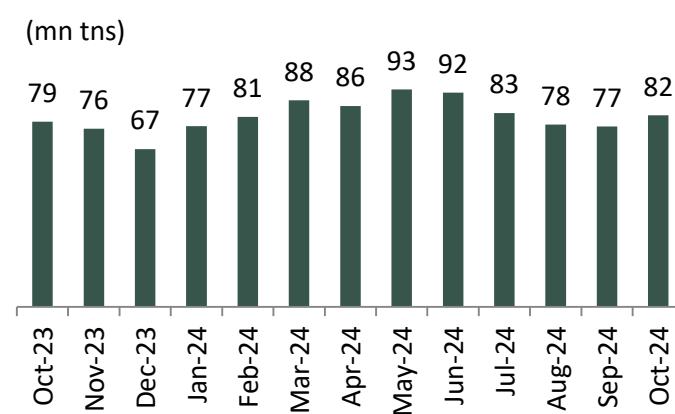
sahil.sheikh@idbicapital.com
+91-22-4069 1854

Exhibit 1: Global steel production trend



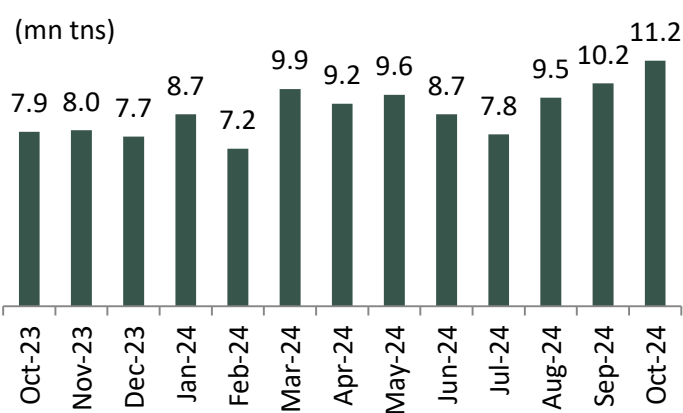
Source: Company; IDBI Capital Research

Exhibit 2: Chinese steel production trend



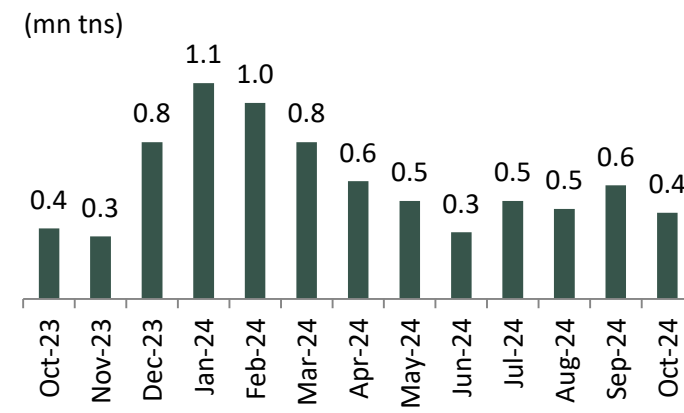
Source: Company; IDBI Capital Research

Exhibit 3: Chinese steel exports trend



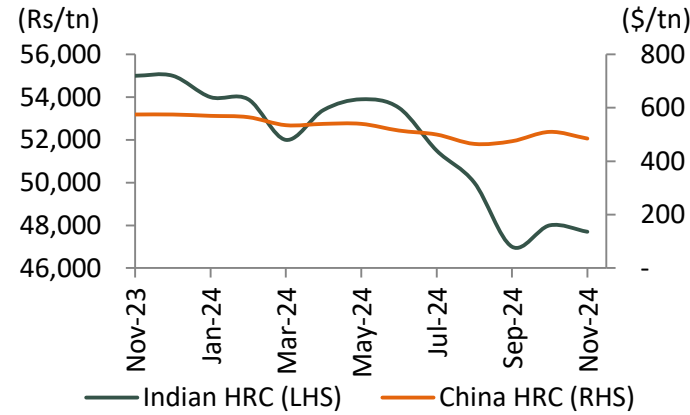
Source: Company; IDBI Capital Research

Exhibit 4: Indian steel exports trend



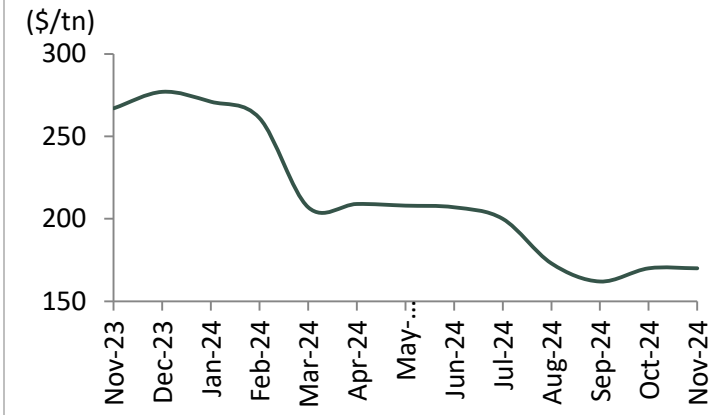
Source: Company; IDBI Capital Research

Exhibit 5: Indian & Chinese HRC price trend



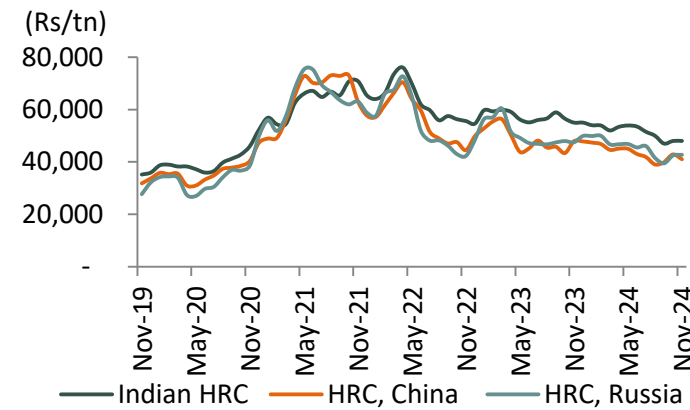
Source: Company; IDBI Capital Research

Exhibit 6: Coking coal price trend



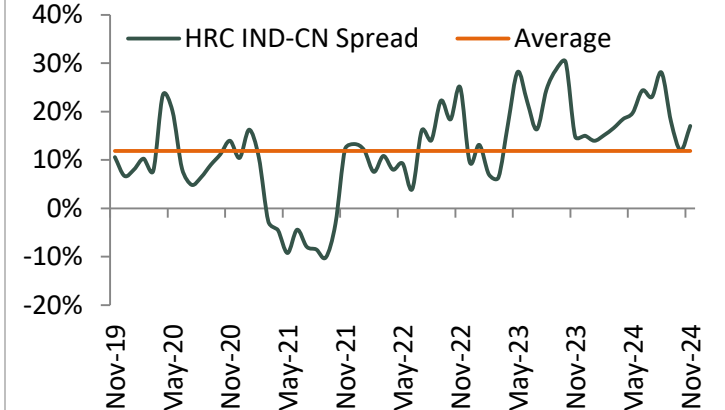
Source: Company; IDBI Capital Research

Exhibit 7: HRC price trend



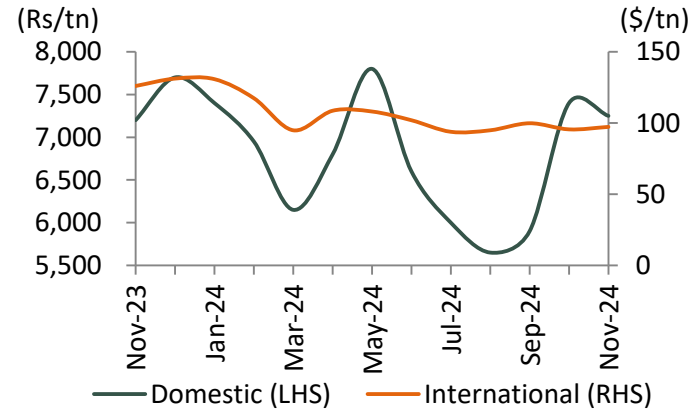
Source: Company; IDBI Capital Research

Exhibit 8: Indian HRC vs. Chinese HRC premium



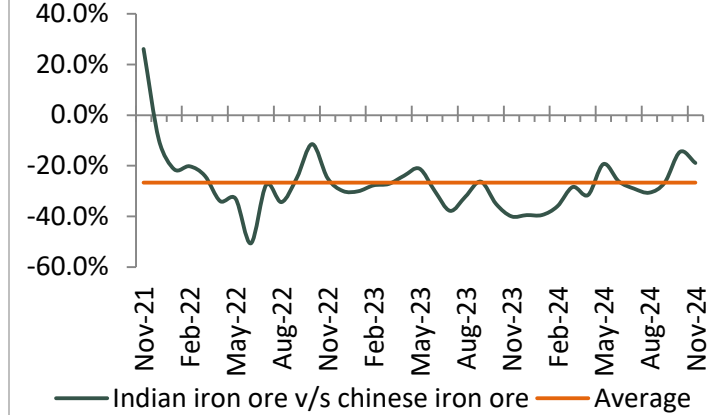
Source: Company; IDBI Capital Research

Exhibit 9: Iron ore price trend



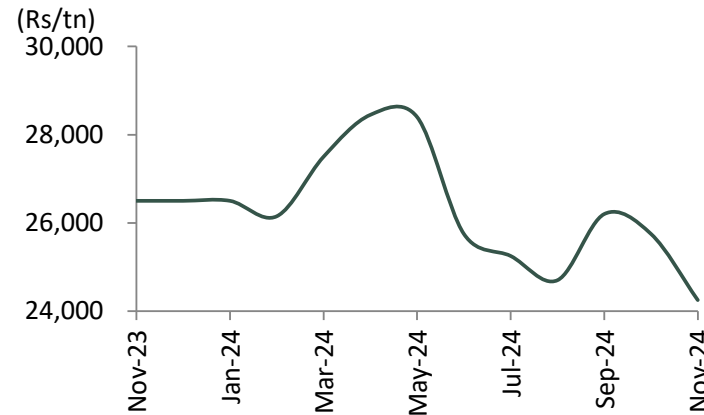
Source: Company; IDBI Capital Research

Exhibit 10: Indian iron ore vs. Chinese iron ore



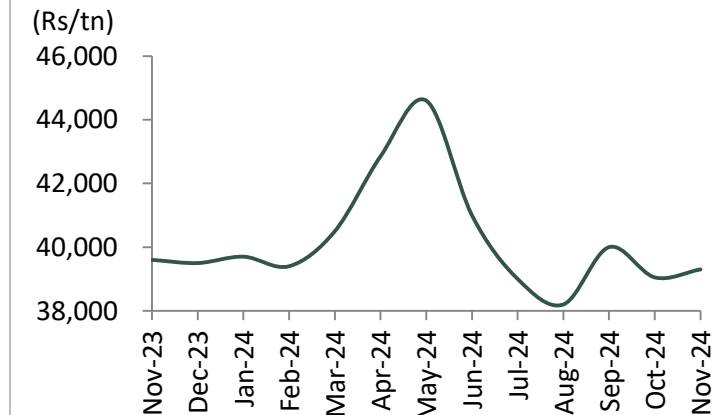
Source: Company; IDBI Capital Research

Exhibit 11: Domestic Sponge iron price trend



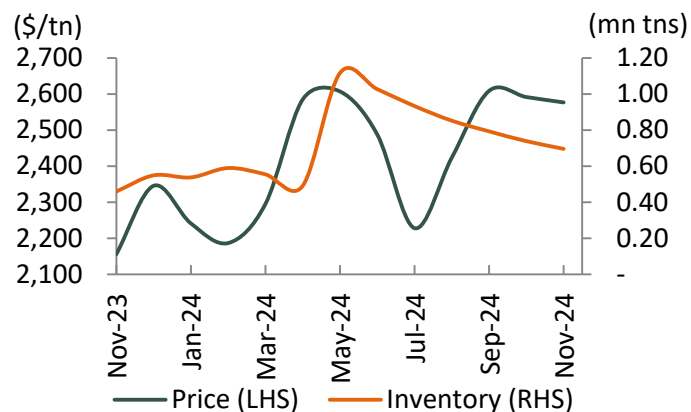
Source: Company; IDBI Capital Research

Exhibit 12: Domestic Billet price trend



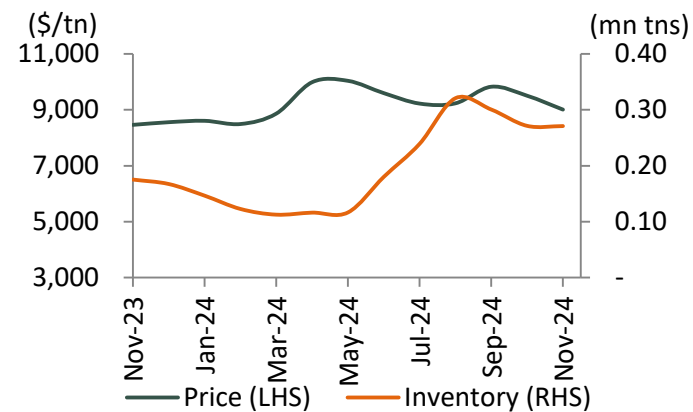
Source: Company; IDBI Capital Research

Exhibit 13: LME aluminium price vs. inventories



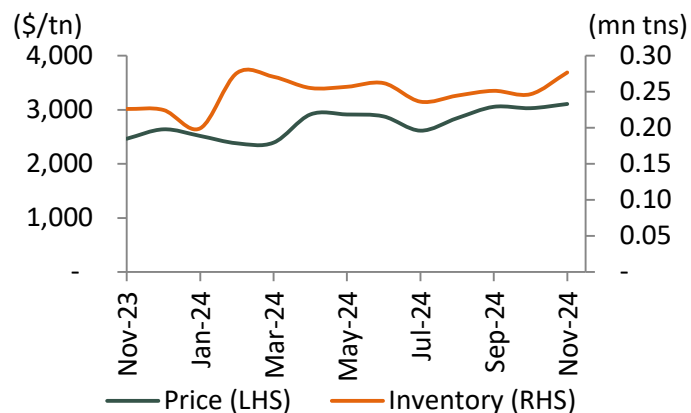
Source: Company; IDBI Capital Research

Exhibit 14: LME copper price vs. inventories



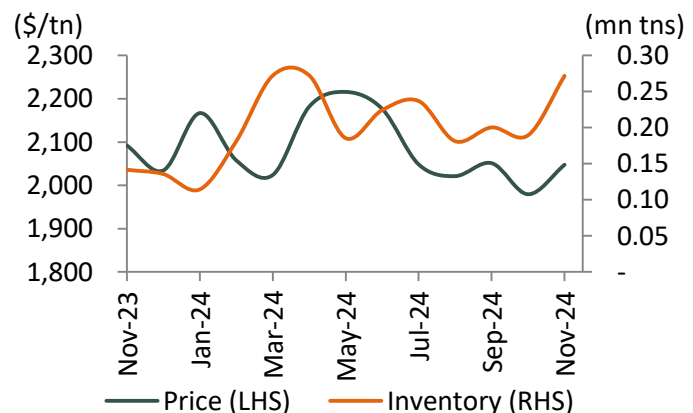
Source: Company; IDBI Capital Research

Exhibit 15: LME zinc price vs. inventories



Source: Company; IDBI Capital Research

Exhibit 16: LME lead price vs. inventories



Source: Company; IDBI Capital Research

Dealing

(91-22) 6836 1111

dealing@idbicapital.com

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