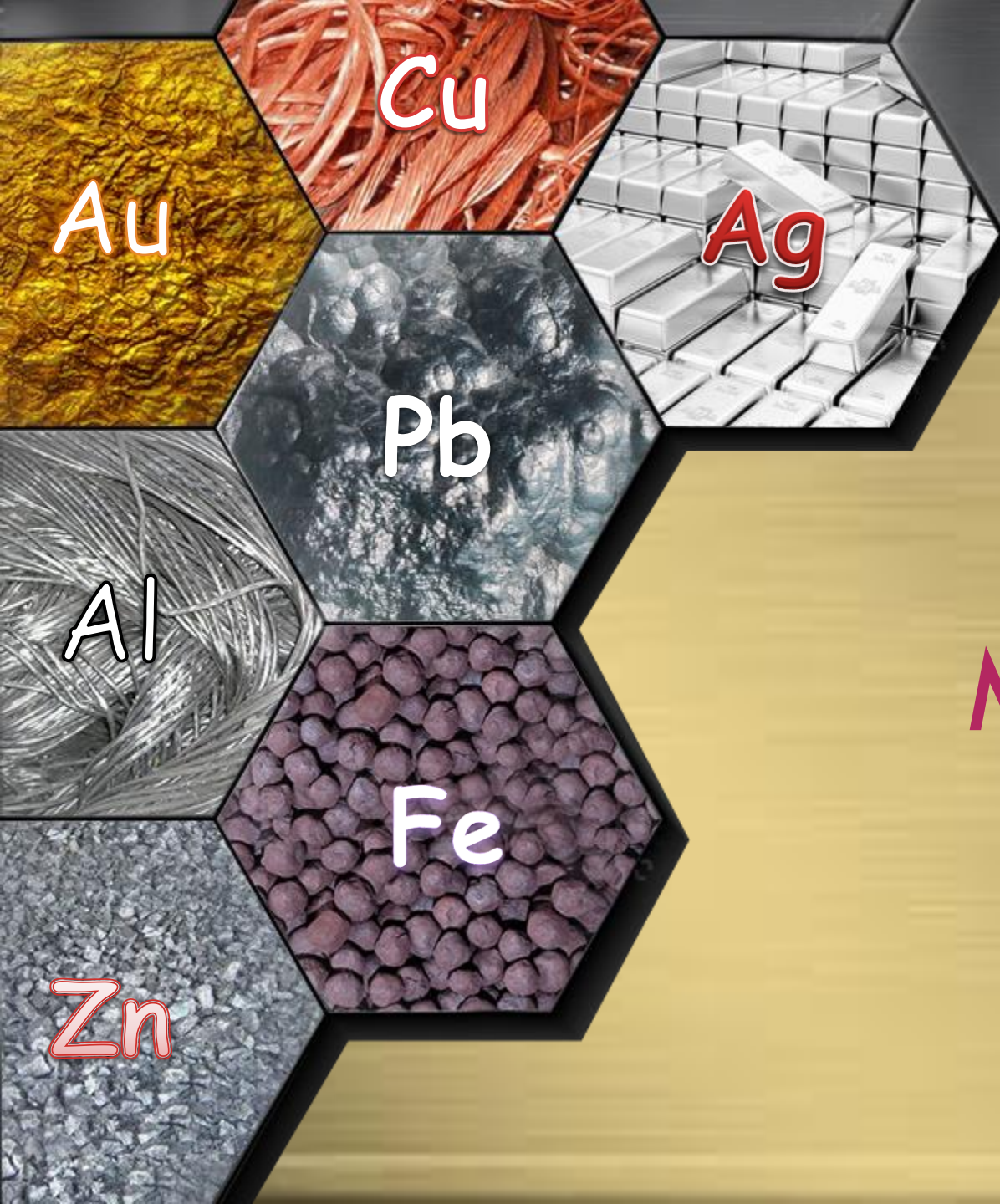


07 DEC 2017



Cu

Au

Ag

Pb

Al

Fe

Zn

Metals – Nov 2017  
**Monthly Smelter**



## Contents

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**Monthly Smelter** is a comprehensive wrap that provides key data and insights on metals. This includes metal price movement and key drivers, insights into Chinese metal industry, summary of our research notes during the month, global comparative valuation and much more.

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◆ Key highlights in November	3-4
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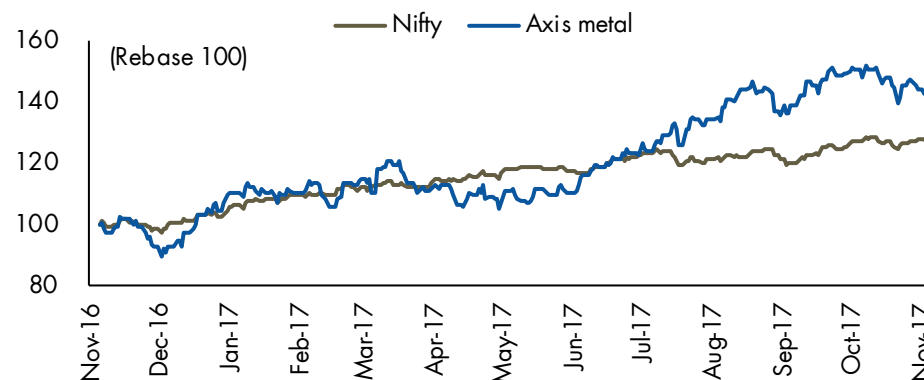
## November: Key highlights

- ◆ **Non-ferrous weakened, ferrous steady:** Prices of non-ferrous metals declined on lower-than-expected output cuts in China during first month of the winter season. Alumina price corrected 10% to USD 430/ton, but still significantly higher YoY. However, steel prices were steady due to cost push, particularly that of coking coal
- ◆ **Insights on China's metal market:** Implementation of environmental protection policy in October was weaker-than-expected with aluminium production maintained at 3 mn and alumina at 6 mnt in October (higher than that in September). At the same time, domestic demand slowed down due to seasonal factors. This pushed aluminium inventory up, resulting in drop in aluminium and alumina prices. Zinc concentrate production remained muted (YTD down 7%), supporting zinc prices.

### Commodity/currency price movement

Commodity	Units	CMP	Price change			
			1 month	3 month	6 month	1 year
LME Copper	USD/t	6,776	0%	2%	20%	16%
LME Aluminium	USD/t	2,088	-3%	1%	7%	20%
LME Zinc	USD/t	3,178	-2%	4%	21%	10%
LME Lead	USD/t	2,415	0%	5%	15%	-4%
LME Nickel	USD/t	11,290	-2%	-1%	25%	-3%
China HRC Domestic	USD/t	636	2%	2%	29%	17%
Iron ore (CFR China)	USD/t	63	0%	-19%	-9%	-12%
Coking coal	USD/t	202	13%	-3%	35%	-35%
Thermal coal	USD/t	93	-5%	-7%	27%	-7%
INR/USD	INR	64	1%	-1%	0%	7%
Dollar index	USD	93	-2%	1%	-4%	-8%

### Nifty vs. Axis metal index



## November: Key highlights

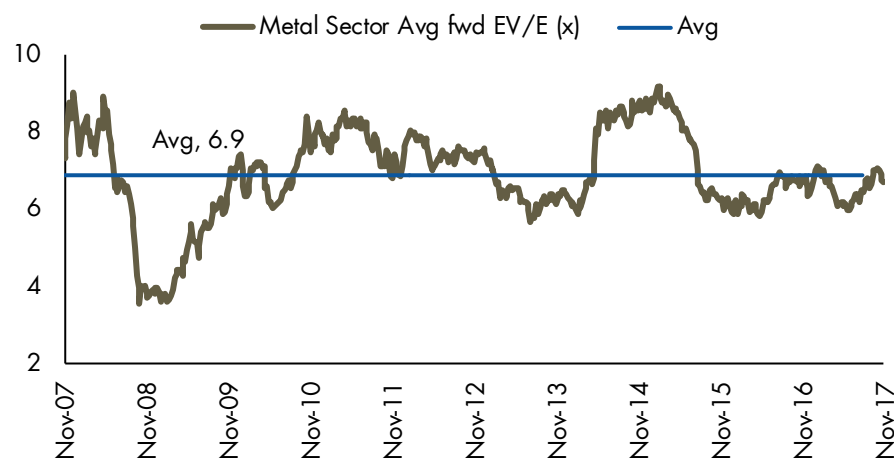
- ◆ **Stock price performance:** Globally, stock prices of steel companies moved up on strong steel prices. Stock prices of aluminum and zinc companies corrected on drop in LME prices. Stock price of Alcoa and Chinalco corrected 14% and 18% MoM. Stock prices of Indian non-ferrous metal companies declined 8-15% MoM
- ◆ **Consensus upgrade/downgrade:** EPS downgrade of 8% for Coal India due to finalization of wage agreement and no price hike so far
- ◆ **Our view:** Though impact of supply-side reforms in China was below expectations, metals still have bullish tailwinds:
  - (1) Synchronized global economic recovery including in US and Europe. Even some of the smaller countries in South East Asia like Vietnam are witnessing infra boom
  - (2) No material supply-side response yet from the mining industry, as no large mining projects are taken up by top global mining companies
  - (3) Cost push is supporting metal prices (after the recent drop in aluminum price, production cost is higher than aluminum price for Chinese smelters). We remain positive and recommend adding stocks of metal companies in this correction.

## FY18 consensus EPS change over different time periods

	1 month	3 month	6 month	12 month
Coal India	-8%	-10%	-22%	-36%
Hindalco	6%	9%	9%	17%
Hindustan Zinc	0%	5%	3%	13%
JSPL	8%	0%	43%	NM
JSW Steel	-4%	-4%	-4%	7%
Tata Steel	-1%	3%	25%	43%
Vedanta	-3%	-8%	13%	13%

Source: Bloomberg

## Metal sector's 1-year forward EV/EBITDA



Source: Bloomberg, Axis Capital

# Global comparative valuation, price performance

## Monthly Smelter

Metals

# Global comparative valuation and price performance ...

Companies	Mcap (USD bn)	Net Debt/ Mcap (x)	Absolute perf (%)					OPM (%)		EV/ EBITDA (x)		P/ E (x)		P/ BV (x)		ROE (%)	
			1m	3m	6m	12m	YTD	CY17/ FY18	CY18/ FY19	CY17/ FY18	CY18/ FY19	CY17/ FY18	CY18/ FY19	CY17/ FY18	CY18/ FY19	CY17/ FY18	CY18/ FY19
<b>Iron Ore</b>																	
FMG	11	0.2	(1)	(24)	(6)	(22)	(22)	49	44	3.9	4.3	8	10	1.1	1.0	12	10
Kumba	7	(0.1)	16	48	101	90	99	43	35	5.4	7.4	11	17	3.2	3.4	33	20
CVRD	58	0.4	12	2	29	31	43	45	42	5.4	6.0	8	10	1.2	1.1	16	12
BHP Billiton	105	0.2	3	(0)	14	12	9	53	50	5.9	6.3	15	17	1.8	1.8	13	11
South32 Ltd	13	(0.1)	(3)	12	24	21	19	30	29	5.2	5.5	12	13	1.2	1.2	10	9
Rio Tinto	86	0.1	1	4	12	22	18	47	44	5.5	6.1	11	13	2.2	2.1	19	15
Cliffs Natural	2	1.0	8	(23)	9	(27)	(24)	21	20	6.7	7.0	9	7	(2.4)	(3.6)	(27)	(51)
NMDC	6	(0.0)	(0)	1	15	5	4	50	49	6.6	6.5	11	11	1.6	1.5	15	14
<b>Average</b>								<b>41</b>	<b>38</b>	<b>5.4</b>	<b>6.1</b>	<b>11</b>	<b>12</b>	<b>1.2</b>	<b>1.0</b>	<b>11</b>	<b>4</b>
<b>Steel</b>																	
Nippon Steel	23	0.8	1	4	16	11	5	11	12	8.3	7.7	12	11	0.8	0.7	7	7
POSCO	27	0.4	3	(2)	19	35	30	13	13	5.6	5.5	10	10	0.6	0.6	7	7
Arcelor Mittal	31	0.3	4	15	33	20	22	12	12	5.5	5.4	8	9	0.9	0.8	12	9
THYSSENKRUPP AG	17	0.3	1	(8)	(2)	8	2	7	8	5.7	5.5	14	12	3.6	2.9	29	26
JFE Holdings	15	0.8	9	22	43	58	51	11	11	7.3	6.9	10	10	0.8	0.7	9	8
CSN	3	2.3	(11)	(13)	10	(40)	(31)	26	28	7.4	6.7	17	9	1.2	1.5	9	12
Gerdau	6	0.8	1	(6)	16	(18)	3	11	13	7.7	6.4	22	15	0.8	0.7	4	5
US Steel	5	0.3	13	8	37	(11)	(13)	9	10	5.7	4.8	16	12	1.8	1.5	12	12
Nucor Corp	18	0.1	(1)	4	(1)	(8)	(4)	14	15	7.8	7.1	15	13	2.2	1.9	14	15
Usiminas	4	0.4	1	29	124	114	117	20	20	9.1	8.0	37	23	0.8	0.7	2	2
China Steel Corp	13	0.6	(1)	(4)	(1)	(2)	(1)	19	20	10.4	9.9	23	20	1.2	1.2	6	6
Angang Steel	8	0.5	14	15	49	77	69	12	13	7.3	6.9	10	10	1.0	0.9	10	9
Maanshan Iron	5	0.7	5	(7)	39	88	69	14	14	5.7	5.6	7	7	1.0	0.9	17	15
Baoshan Iron	32	0.2	23	15	49	48	49	12	12	7.7	7.2	13	12	1.4	1.3	11	11
Tata Steel	11	1.1	0	10	40	70	80	15	16	7.7	6.7	13	10	2.1	1.7	17	19
JSW Steel	10	0.7	(1)	(0)	31	47	57	19	19	7.7	6.7	17	14	2.4	2.1	15	16
<b>Average</b>								<b>14</b>	<b>15</b>	<b>7.2</b>	<b>6.7</b>	<b>15</b>	<b>12</b>	<b>1.3</b>	<b>1.2</b>	<b>11</b>	<b>11</b>

## Monthly Smelter

Metals

### ... Global comparative valuation and price performance

Companies	Mcap (USD bn)	Net Debt/ Mcap (x)	Absolute perf (%)					OPM (%)		EV/ EBITDA (x)		P/ E (x)		P/ BV (x)		ROE (%)	
			1m	3m	6m	12m	YTD	CY16/ FY17	CY17/ FY18	CY17/ FY18	CY18/ FY19	CY17/ FY18	CY18/ FY19	CY17/ FY18	CY18/ FY19	CY17/ FY18	CY18/ FY19
<b>Zinc</b>																	
Glencore PLC	66	0.5	(6)	(4)	21	25	26	7	8	6.4	6.1	12	13	1.4	1.3	11	11
Teck Resources	13	0.4	11	(6)	21	(14)	8	47	41	3.9	4.7	7	9	0.9	0.8	13	9
Boliden AB	9	0.1	(8)	(3)	13	13	13	26	27	6.1	6.0	11	11	2.1	1.9	21	19
Nyrstar	1	1.2	(12)	0	10	(8)	(22)	6	9	7.0	4.7	-	27	1.1	1.1	(8)	3
Lundin Mining	5	0.1	(9)	(5)	20	36	40	52	49	4.0	4.3	-	-	1.5	1.4	11	10
<b>Hindustan Zinc</b>	<b>20</b>	<b>(0.2)</b>	<b>(3)</b>	<b>3</b>	<b>27</b>	<b>18</b>	<b>30</b>	<b>61</b>	<b>62</b>	<b>7.7</b>	<b>6.5</b>	<b>13</b>	<b>11</b>	<b>3.4</b>	<b>2.9</b>	<b>30</b>	<b>28</b>
<b>Average</b>								<b>33</b>	<b>33</b>	<b>5.9</b>	<b>5.4</b>	<b>11</b>	<b>14</b>	<b>1.7</b>	<b>1.6</b>	<b>13</b>	<b>13</b>
<b>Aluminium</b>																	
			<b>-4</b>	<b>-1</b>	<b>5.4</b>	<b>19</b>	<b>21</b>										
Alcoa	8	0.1	(14)	(6)	25	42	47	20	20	4.3	4.3	13	12	1.3	1.2	10	10
Aluminum Corp	10	1.2	(18)	(11)	42	49	61	9	12	10.2	7.0	0	12	1.6	1.4	7	13
Yunnan Alum	4	0.4	(22)	(32)	44	25	40	13	15	13.5	8.8	34	16	2.5	2.1	8	17
Century Aluminium	1	0.1	(6)	(33)	(9)	42	53	11	13	7.4	5.4	33	0	1.4	1.3	5	13
Norsk Hydro	15	(0.0)	(6)	6	30	47	43	17	15	6.9	5.4	16	13	1.4	1.3	9	10
Anglo American	24	0.3	(3)	(2)	33	16	19	34	32	4.2	4.5	8	9	1.1	1.0	14	11
Alumina Ltd	5	0.0	(4)	6	17	35	22	60	37	33.6	40.0	14	14	2.2	2.1	16	14
United Co RUSAL Plc	9	0.9	(6)	(12)	24	47	45	21	23	8.2	7.4	7	5	2.1	1.5	35	33
Nalco	2	(0.0)	(16)	12	20	42	25	19	20	7.2	6.5	16	13	1.4	1.4	9	10
Vedanta	17	0.1	(11)	(4)	24	29	37	30	31	4.2	3.3	12	9	1.9	1.6	15	19
Hindalco	9	0.8	(8)	3	22	39	58	13	13	6.8	5.8	10	9	1.6	1.4	16	17
<b>Average</b>								<b>18</b>	<b>18</b>	<b>6.9</b>	<b>5.7</b>	<b>12</b>	<b>9</b>	<b>1.5</b>	<b>1.3</b>	<b>14</b>	<b>15</b>
<b>Aluminium Extruder</b>																	
Arconic Inc	12	0.5	(4)	(5)	(12)	25	30	14	16	9.2	8.1	21	16	1.8	1.8	12	12
Constellium NV	1	1.6	(8)	(9)	53	69	75	8	8	7.3	6.7	16	10	(3.0)	(4.5)	(7)	(25)
<b>Average</b>								<b>11</b>	<b>12</b>	<b>8.2</b>	<b>7.4</b>	<b>18</b>	<b>13</b>				

Source: Bloomberg, Axis Capital

## Monthly Smelter

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### Axis Capital coverage stocks: Valuation and recommendation

Company	Price (Rs)	Mkt cap (USD mn)	Period	Net Sales (Rs mn)	EBITDA (Rs mn)	Adj. PAT (Rs mn)	FDEPS (Rs)	FDEPS YoY gwth (%)	ROCE (%)	ROE (%)	PE (x)	Net Debt (Rs mn)	EV/E (x)	PB (x)	Div Yld (%)	Payout (%)	Net Debt/ Eqty (x)
<b>Hindustan Zinc</b> Target Price : 336 TP Upside (%) : 11 Year End - March	300	19,607	FY16	137,951	66,519	82,044	19	-	21	20	15.4	(352,740)	13.4	3.4	1.2	18.6	(0.9)
			FY17	169,406	97,384	83,156	20	1	29	24	15.2	(242,553)	10.2	4.1	17.8	270.7	(0.7)
			FY18E	211,379	129,402	101,878	24	23	39	30	12.4	(281,740)	7.4	3.4	2.5	31.0	(0.8)
			FY19E	236,636	146,582	113,589	27	11	40	28	11.1	(326,925)	6.2	2.8	2.8	31.0	(0.8)
<b>Vedanta</b> Target Price : 366 TP Upside (%) : 23 Year End - March	296	13,719	FY16	635,698	151,516	215,143	73	-	5	54	4.1	107,318	6.4	2.0	1.4	(9.8)	0.1
			FY17	714,644	213,319	56,266	15	(79)	8	11	19.5	105,571	4.0	1.8	0.7	14.2	0.1
			FY18E	878,855	263,382	90,419	24	61	9	15	12.2	94,813	3.3	1.8	8.4	102.4	0.1
			FY19E	1,019,497	313,182	121,741	33	35	11	19	9.0	6,405	2.6	1.6	2.7	24.2	0.0
<b>Tata Steel</b> Target Price : 795 TP Upside (%) : 12 Year End - March	695	10,455	FY16	1,013,080	79,683	(18,333)	(19)	-	3	(7)	-	734,120	13.2	1.8	1.2	(203.0)	2.5
			FY17	1,115,621	170,078	39,476	41	LP	9	11	17.1	746,953	7.5	2.1	1.2	(18.3)	2.1
			FY18E	1,232,914	190,882	54,078	56	37	11	17	12.5	790,955	7.6	2.0	0.6	28.8	2.3
			FY19E	1,292,416	211,155	70,023	72	29	12	19	9.6	738,082	6.7	1.7	0.6	5.5	1.9
<b>JSW Steel</b> Target Price : 271 TP Upside (%) : 6 Year End - March	255	9,527	FY16	408,575	64,010	17,900	7	-	5	9	34.4	442,830	15.3	3.2	0.3	(56.7)	2.1
			FY17	546,282	121,742	35,231	15	97	13	17	17.5	429,393	8.2	2.7	1.0	17.8	2.1
			FY18E	651,453	124,458	36,711	15	4	13	15	16.8	429,418	7.7	2.4	0.8	13.2	1.8
			FY19E	725,211	136,191	44,020	18	20	14	16	14.0	418,896	6.7	2.1	0.9	12.1	1.5
<b>Hindalco Inds</b> Target Price : 272 TP Upside (%) : 10 Year End - March	240	8,355	FY16	981,376	88,149	6,469	3	-	6	3	72.7	554,130	11.9	2.2	0.4	(82.8)	2.6
			FY17	995,987	124,474	28,357	13	303	10	11	18.0	465,482	7.9	1.9	0.5	12.9	1.8
			FY18E	1,155,766	146,408	50,298	23	77	12	16	10.2	448,461	6.7	1.6	0.5	5.5	1.4
			FY19E	1,255,777	162,747	60,220	27	20	14	17	8.5	397,584	5.7	1.4	0.6	5.2	1.1

Note: Price as on 30-November-2017

Source: Axis Capital, Bloomberg Note : VOI adjusted for PE w herever applicable

# Our research notes on metals in Nov'17

## SG/HK Fund Managers' views on India Materials

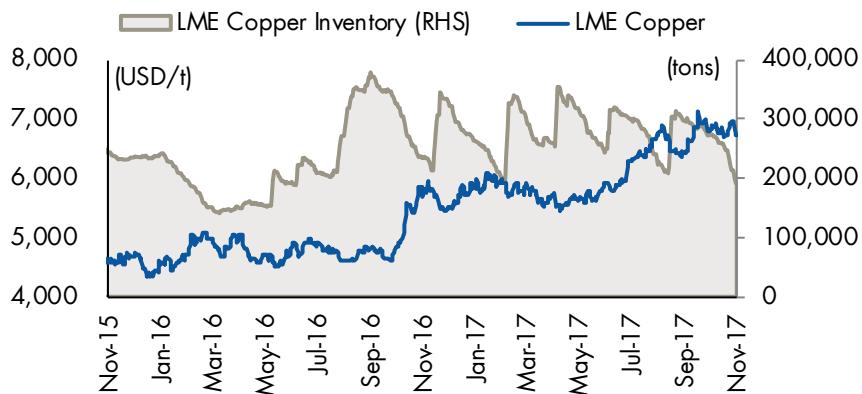
November 21, 2017

- ◆ During a week-long trip, we interacted with investors in SG/HK to discuss Indian cement and metal sectors. Below is the quick summary of our meetings
- ◆ **Investors' view on markets**  
 Investors were generally bearish on Indian markets largely due to relative attractiveness (valuation + growth) of other regional markets like China, Vietnam and Philippines etc. Growth slowdown, rising crude oil prices, and bond yields were key concerns for Indian markets. Chinese H share index is up 35% YTD and funds OW China and UW India have outperformed peers. Within China, technology sector has been a big performer this year.
- ◆ **Investors' view on metal sector**  
 Most investors were bearish due to volatility led by global factors. Bond yield in China crossing 4% mark was also a concern.
- ◆ **Our view**  
 We pitched our bullish view on metal sector and top picks Tata Steel, and JSW Steel. A solid 4-year anti-dumping protection for Indian steel sector will benefit Tata Steel and JSW Steel the most. No new steel project is coming on stream for next 3 years, which will provide pricing power to domestic mills. **Unlike cement, selling is least of a problem in case of metals. When local demand is weak, metal companies can always export additional volumes.** China macro fundamentals have turned out to be much stronger than many expected. It is astounding to note that aluminum demand growth in China during first 9 months of this year is 8% on a base of 30 mnt aluminium! Metal stocks are still under-owned and outperformance will continue in our view.

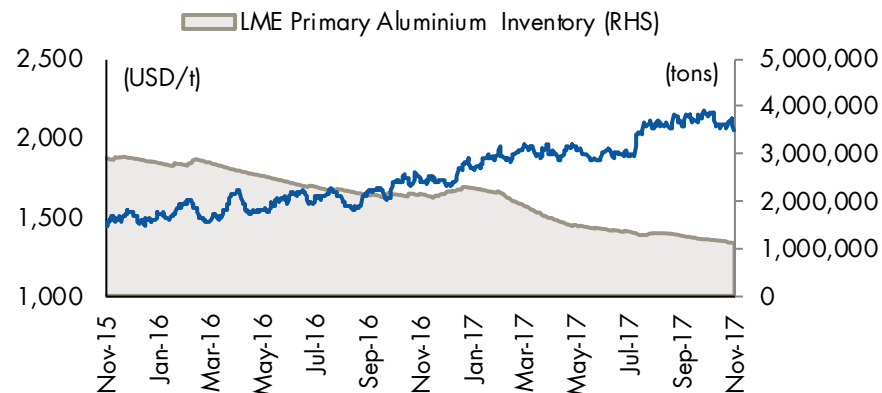
# Metal price round-up

# LME: Price, inventory trends

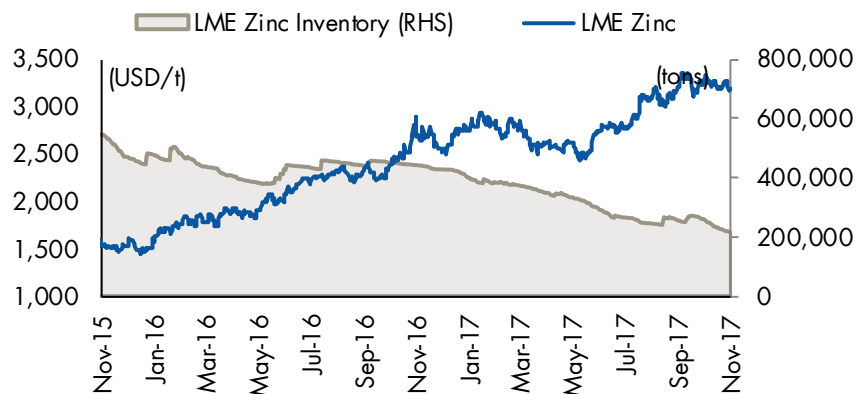
## Copper



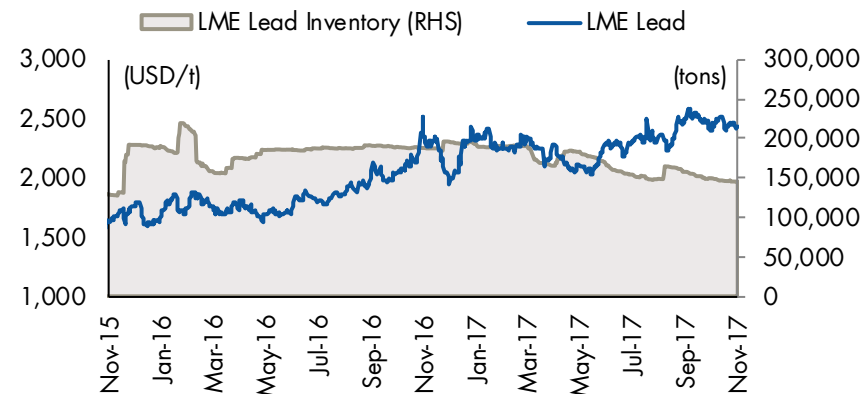
## Aluminium



## Zinc



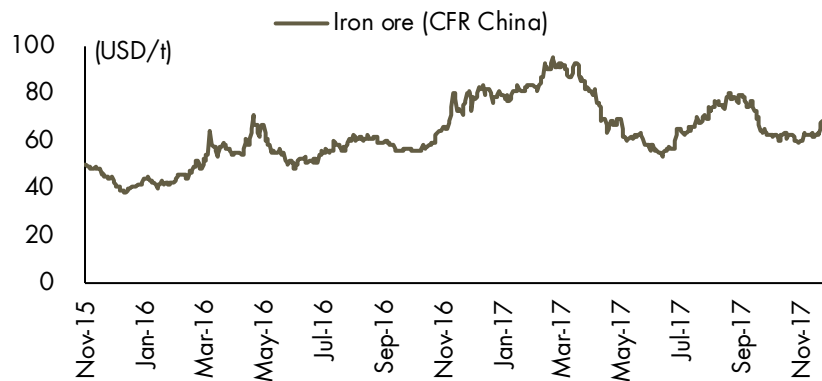
## Lead



**Aluminium inventory at LME continue to decline**

## Steel, raw material prices

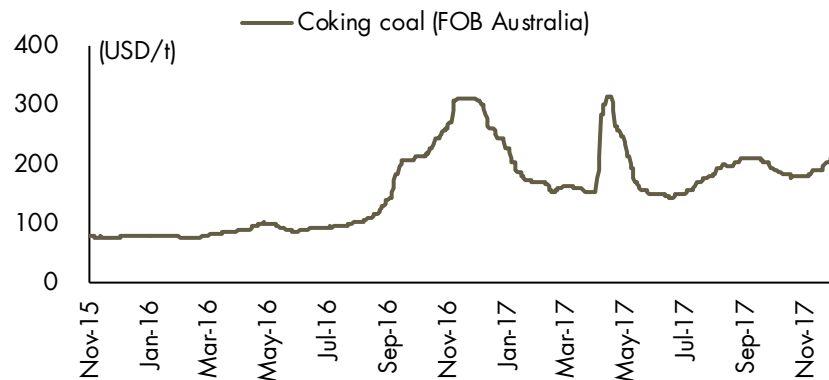
### Iron ore



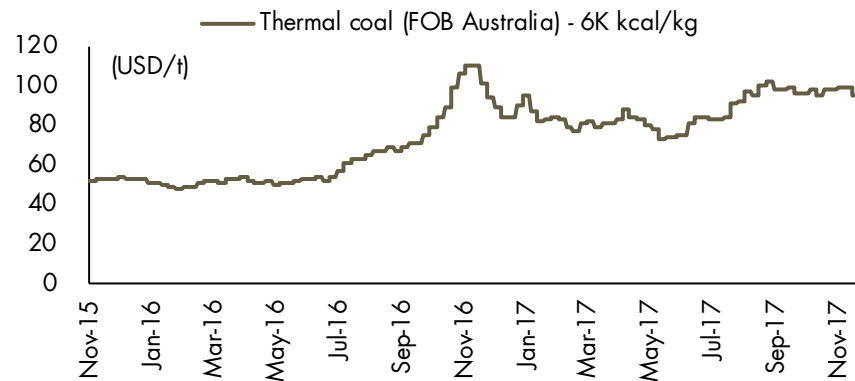
### China HRC export (FOB)



### Coking coal



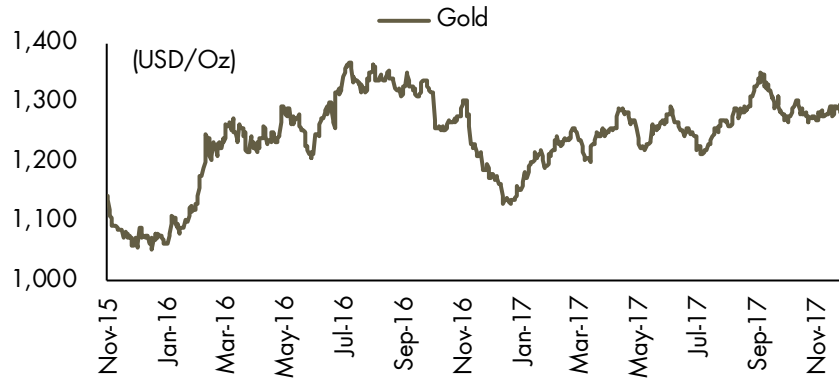
### Thermal coal



Steel prices remained firm on the back of higher RM prices

## Precious metals

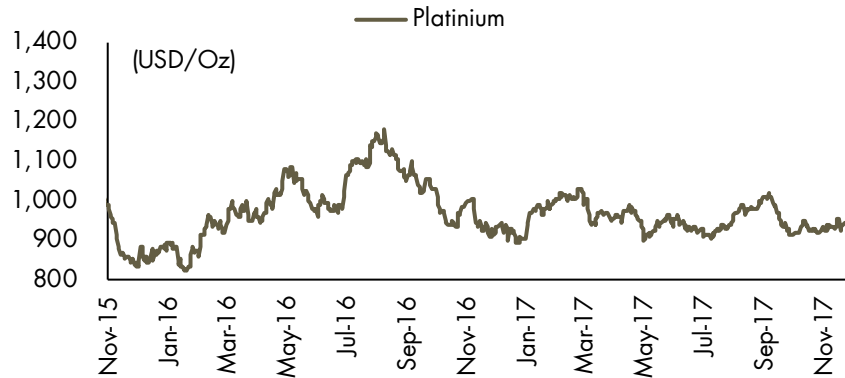
### Gold



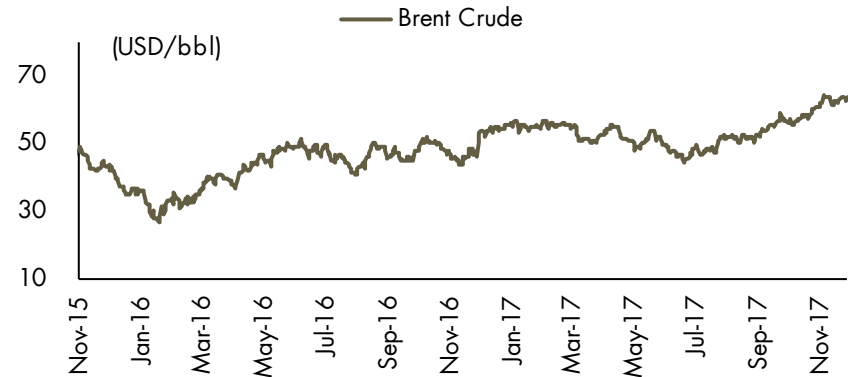
### Silver



### Platinum

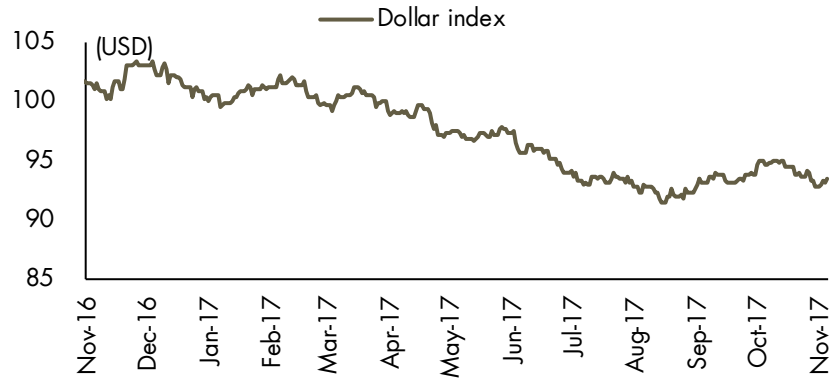


### Brent crude

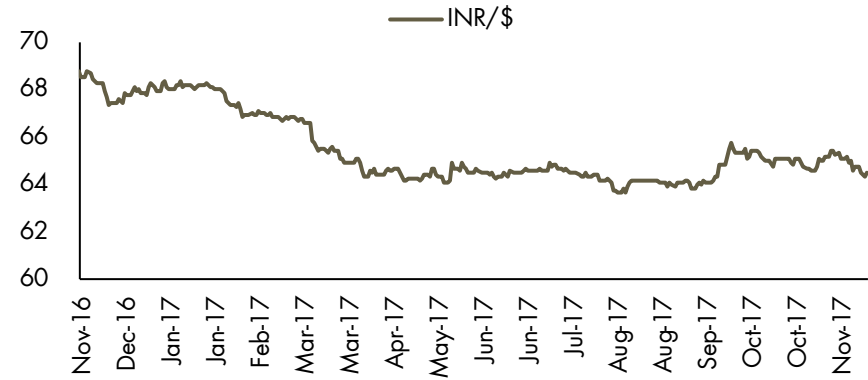


## Commodity: currencies vs. USD

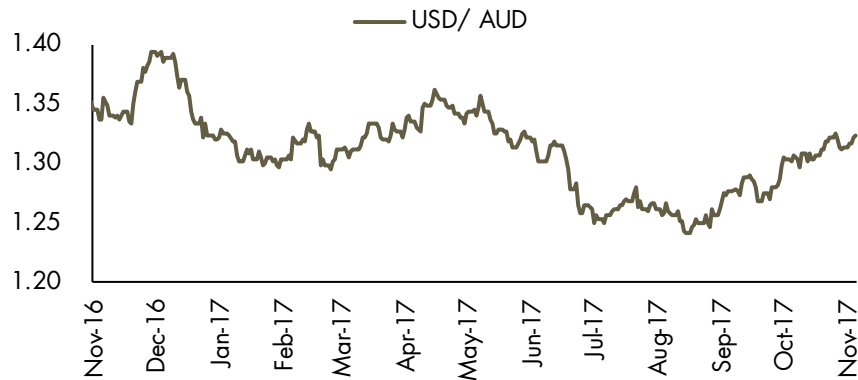
### Dollar Index



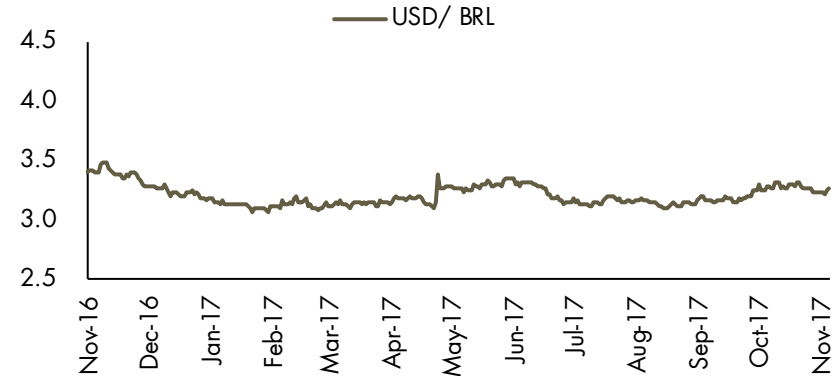
### INR/ USD



### USD/ AUD



### USD/ BRL



## Monthly Smelter

Metals

### Indicative steel spread in Europe

USD/ton	Iron ore	Coking coal	Total RM	Europe steel	Spread	% Spread
28-Jun-13	138	135	370	550	181	33%
30-Sep-13	154	149	411	632	221	35%
31-Dec-13	152	133	391	611	220	36%
31-Mar-14	122	109	316	599	283	47%
30-Jun-14	102	116	290	570	280	49%
30-Sep-14	96	113	276	538	262	49%
31-Dec-14	77	113	244	490	246	50%
31-Mar-15	68	102	218	434	217	50%
30-Jun-15	72	91	213	436	223	51%
30-Sep-15	67	81	195	405	210	52%
31-Dec-15	50	78	163	342	179	52%
31-Mar-16	65	87	197	389	192	49%
30-Jun-16	50	92	177	479	302	63%
30-Sep-16	60	213	315	506	191	38%
30-Dec-16	72	226	348	585	237	40%
31-Mar-17	87	152	300	604	304	50%
30-Jun-17	67	150	264	554	290	52%
30-Sep-17	69	201	318	648	330	51%
31-Oct-17	62	178	283	630	346	55%
30-Nov-17	63	210	317	638	321	50%

Source: Bloomberg, Axis Capital

## India steel operational data

('000 tons)	Crude Steel		Finished Steel (non-alloy)						
	Production	YoY % change	Import	YoY % change	Export	YoY % change	Consumption	YoY % change	Inventory
Apr-17	8,228	7%	367	-27%	644	135%	5,727	9%	7,718
May-17	8,210	3%	340	-16%	552	64%	6,902	2%	7,754
Jun-17	8,123	1%	495	-3%	583	16%	6,548	7%	7,834
Jul-17	8,330	3%	667	59%	710	65%	6,374	6%	7,805
Aug-17	8,474	4%	794	101%	855	36%	6,852	7%	7,816
Sep-17	8,401	7%	582	25%	1,014	70%	6,725	2%	7,481
Oct-17	8,629	5%	415	9%	700	44%	6,644	4%	7,635

Source: Industry, Axis Capital

Steel inventory continues to be elevated

## Monthly Smelter

Metals

# India: Steel-making raw material price trend

## Raw Material

Particular/Delivery	Size/Grade	Taxes	Prices	Change	Oct'17 Avg	Sep'17 Avg
<b>Iron Ore</b>						
Serajuddin	5-18 mm, Fe 63%	Inclusive of Royalty, DMF & NMET. GST @ 5% extra	3,200	0	3,200	3,200
Serajuddin	Fines, Fe 63%	Inclusive of Royalty, DMF & NMET. GST @ 5% extra	1,400	0	1,400	1,400
NMDC	6-40 mm, Fe 65%	Excluding Royalty, DMF & NMET. GST @ 5% extra	2,300	0	2,300	2,400
NMDC	Fines, Fe 64%	Excluding Royalty, DMF & NMET. GST @ 5% extra	2,060	0	2,100	2,200
<b>Pellets</b>						
Ex-Barbil	6-20 mm, Fe 63%	GST @ 5% extra	5,150	+ 150	4,900	5,300
Ex-Raipur	6-20 mm, Fe 63%	GST @ 5% extra	5,800	+ 300	5,400	5,600
Ex-Bellary	6-20 mm, Fe 63%	GST @ 5% extra	6,300	- 50	6,300	6,300
Ex-Durgapur	6-20 mm, Fe 63%	GST @ 5% extra	5,800	+ 400	5,300	5,100
<b>Melting Scrap</b>						
Ex-Mandi Gobindgarh	HMS(80:20)	Basic Prices, GST @ 18% Extra	21,600	- 100	20,900	19,400
Ex-Alang	HMS(80:20)	Basic Prices, GST @ 18% Extra	22,000	+ 100	21,500	20,700
Ex-Mumbai	HMS(80:20)	Basic Prices, GST @ 18% Extra	22,000	+ 200	21,100	20,200
Ex-Chennai	HMS(80:20)	Basic Prices, GST @ 18% Extra	21,100	+ 100	20,800	20,500
<b>Sponge Iron</b>						
Ex-Raipur	Mix, FeM 80%, +/-1	Basic Prices, GST @ 18% Extra	19,500	0	18,400	16,900
Ex-Rourkela	Mix, FeM 80%, +/-1	Basic Prices, GST @ 18% Extra	18,100	+ 100	17,300	16,000
Ex-Durgapur	Mix, FeM 78%, +/-1	Basic Prices, GST @ 18% Extra, Local Freight Included	18,800	+ 100	18,100	17,200

Source: SteelMint

## Monthly Smelter

Metals

# India: Steel products price trend

## Steel

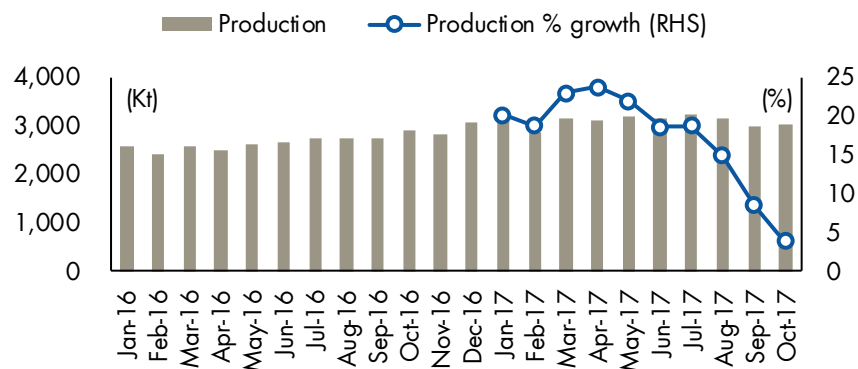
Particular/Delivery	Size/Grade	Taxes	Prices	Change	Oct'17 Avg	Sep'17 Avg
<b>Rebar</b>						
Ex-Raipur	12MM, IS 1786- 415/500 Fe	Basic Prices, GST @ 18% Extra	30,700	0	29,900	29,000
Ex-Delhi/NCR	12MM, IS 1786- 415/500 Fe	Basic Prices, GST @ 18% Extra	34,000	0	33,500	32,500
Ex-Mumbai	12MM, IS 1786- 415/500 Fe	Basic Prices, GST @ 18% Extra	32,900	+ 300	31,200	29,800
Ex-Chennai	12MM, IS 1786- 415/500 Fe	Basic Prices, GST @ 18% Extra	32,300	+ 500	31,400	31,300
Ex-Hyderabad	12MM, IS 1786- 415/500 Fe	Basic Prices, GST @ 18% Extra	32,000	0	31,000	29,500
Ex-Durgapur	12MM, IS 1786- 415/500 Fe	Basic Prices, GST @ 18% Extra	31,300	0	30,700	29,600
Ex-Delhi/NCR	12MM, IS 1786 Fe 500D	Large Producers, Basic Prices, GST @ 18% Extra	34,750	0	34,800	34,900
Ex-Mumbai	12MM, IS 1786 Fe 500D	Large Producers, Basic Prices, GST @ 18% Extra	34,250	0	34,300	34,400
<b>HRC</b>						
Mumbai	2.5MM-8MM, IS2062	Basic Prices, GST @ 18% extra	38,500	- 500	38,500	38,000
Chennai	2.5 mm-8 mm, IS2062	Basic Prices, GST @ 18% extra	39,000	- 500	39,600	39,500
Kolkata	2.5 mm-8 mm, IS2062	Basic Prices, GST @ 18% extra	36,000	0	35,500	36,000
Delhi	2.5 mm-8 mm, IS2062	Basic Prices, GST @ 18% extra	39,000	0	38,000	38,500
<b>CRC</b>						
Mumbai	0.90 mm, IS 513 Gr O	Basic Prices, GST @ 18% extra	43,000	- 1,000	43,000	42,500
Delhi	0.90 mm, IS 513 Gr O	Basic Prices, GST @ 18% extra	44,000	0	44,300	44,500
<b>HR Plate</b>						
Ex-Works	5-10 mm, IS 2062	Excluding GST @ 18%	36,000	- 1,000	37,500	37,500
Ex-Works	10-20 mm, IS 2062	Excluding GST @18%	36,500	0	37,000	37,000

Source: SteelMint

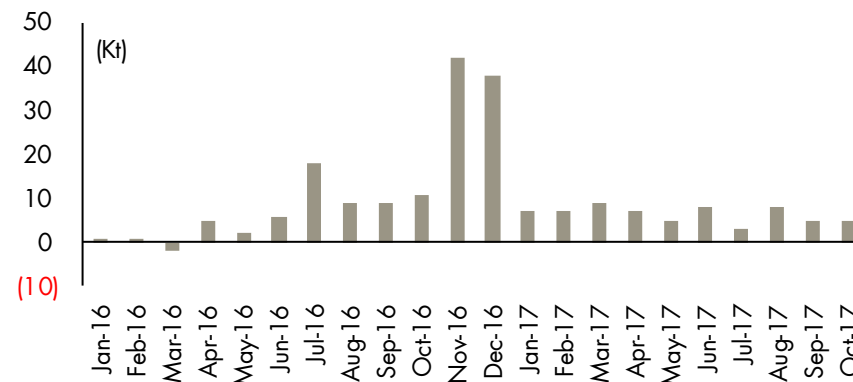
# Deep dive into China metal markets

# Chinese aluminium industry

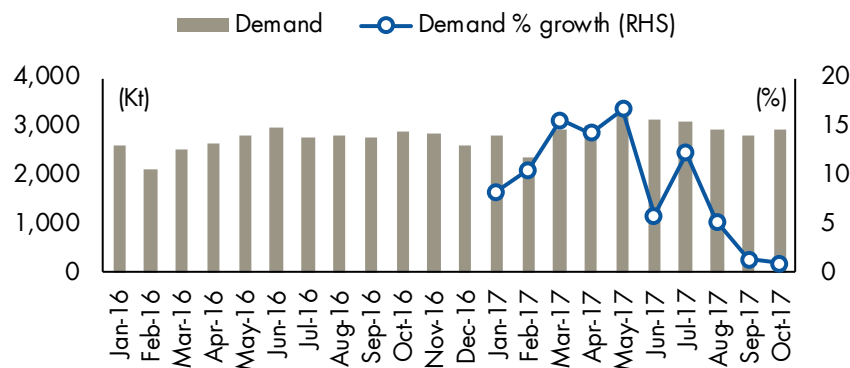
## Production



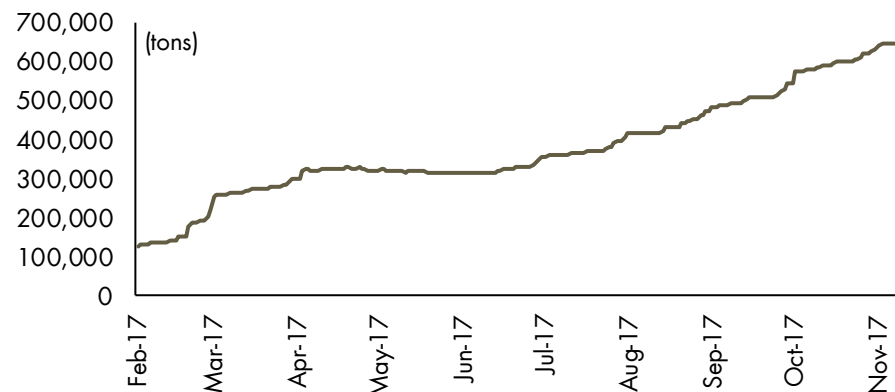
## Net import



## Demand



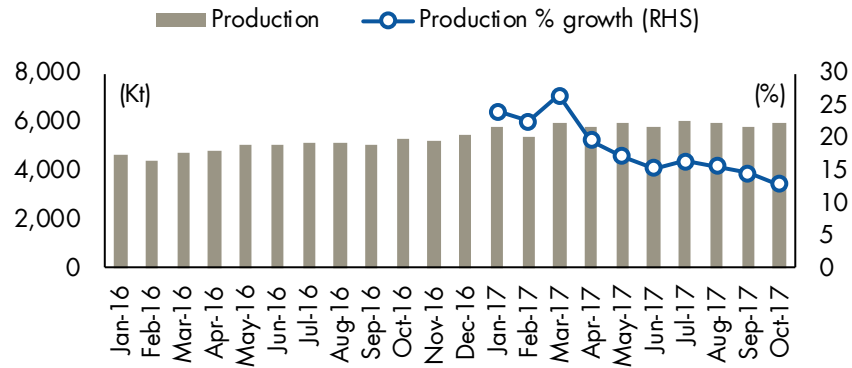
## Shanghai aluminium inventory



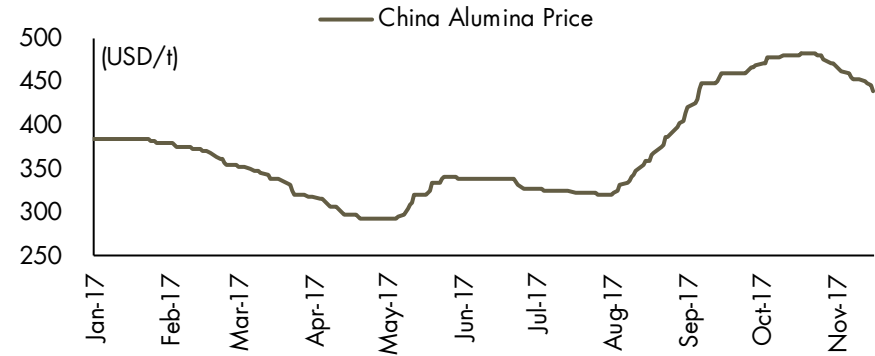
While production growth has declined, absolute level of production remain elevated

# Chinese alumina industry

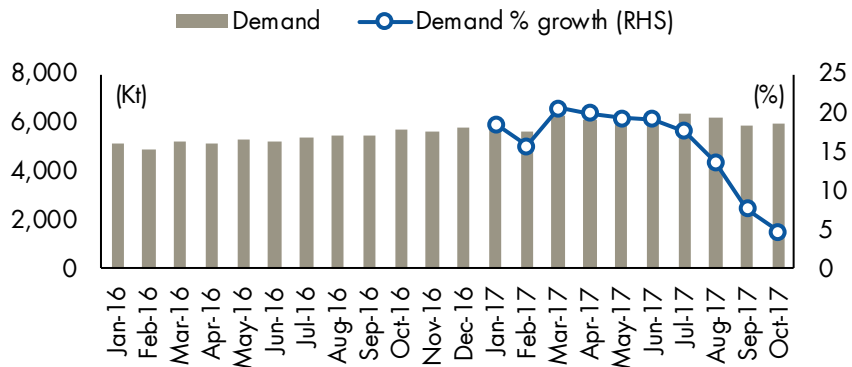
## Production



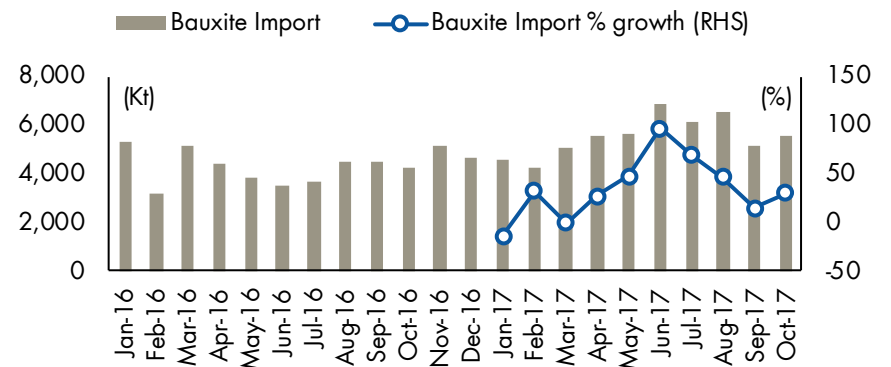
## Alumina price trend



## Demand



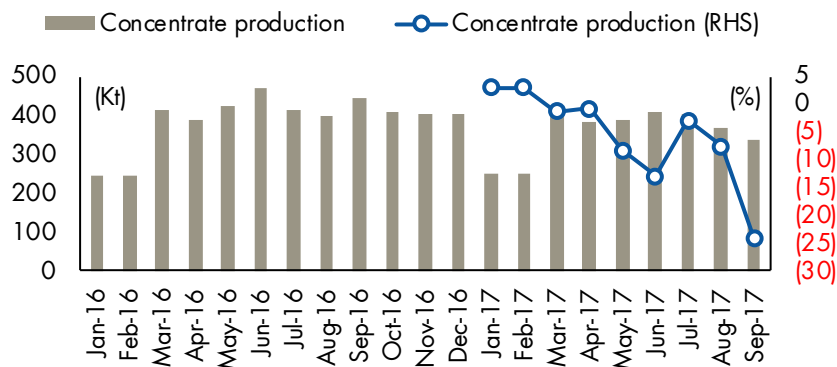
## Bauxite import



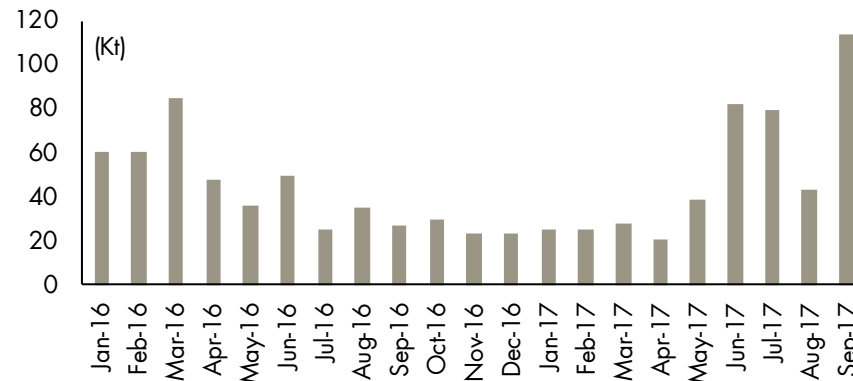
Alumina price corrected 10% to USD 430/ton, but still significantly higher YoY

# Chinese zinc market

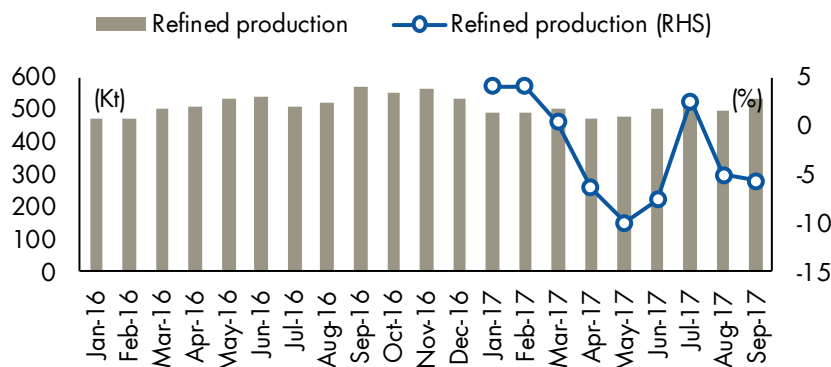
## Concentrate production



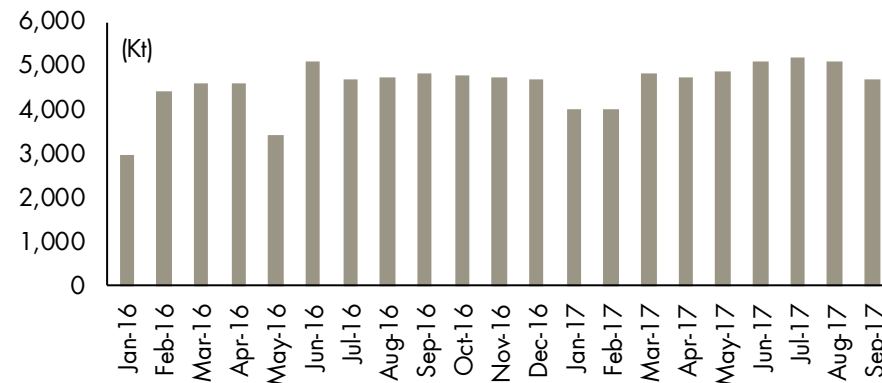
## Refined zinc import



## Refined zinc production



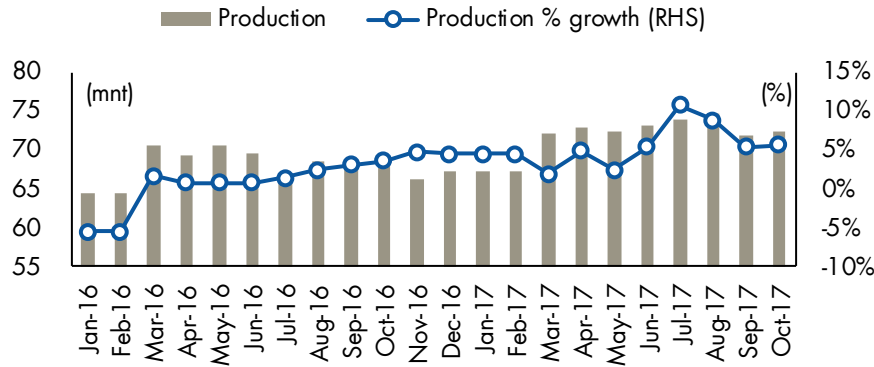
## Galvanized steel output (zinc demand driver)



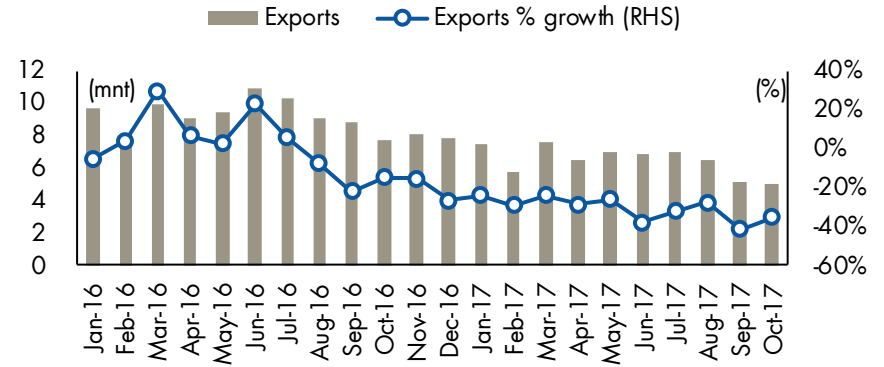
YTD concentrate production declined 7% YoY due to environment-related issues

# Chinese crude steel market

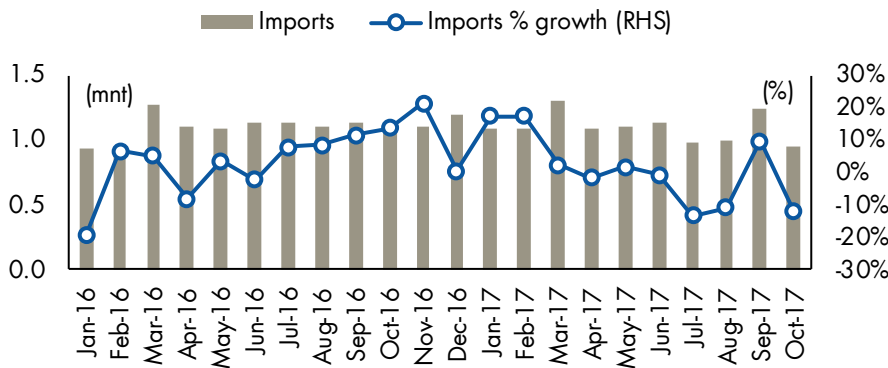
## Production



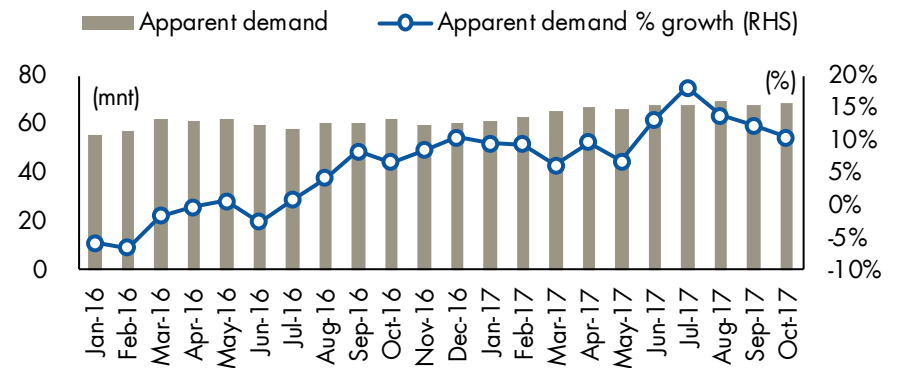
## Exports



## Imports



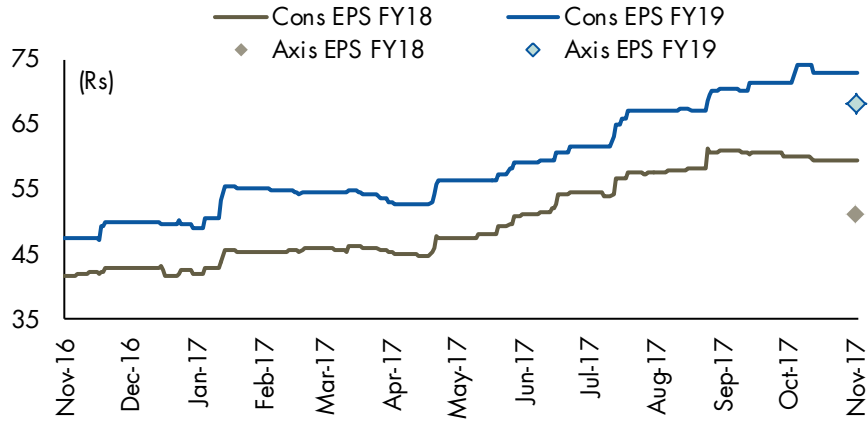
## Apparent demand



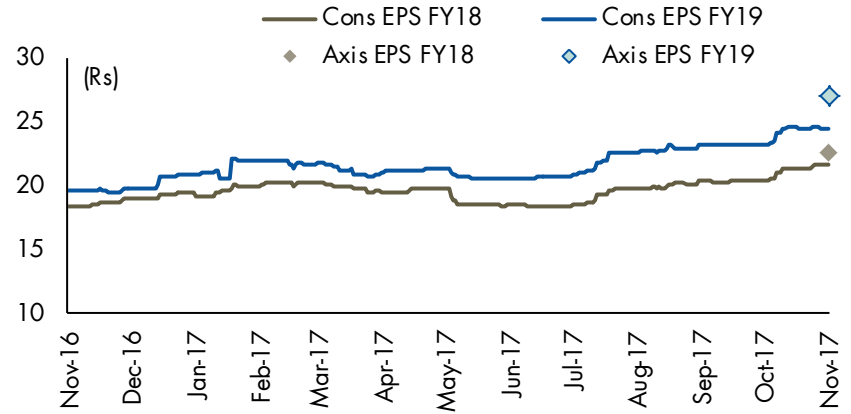
# Consensus EPS movement

## Metal stocks – consensus EPS movement

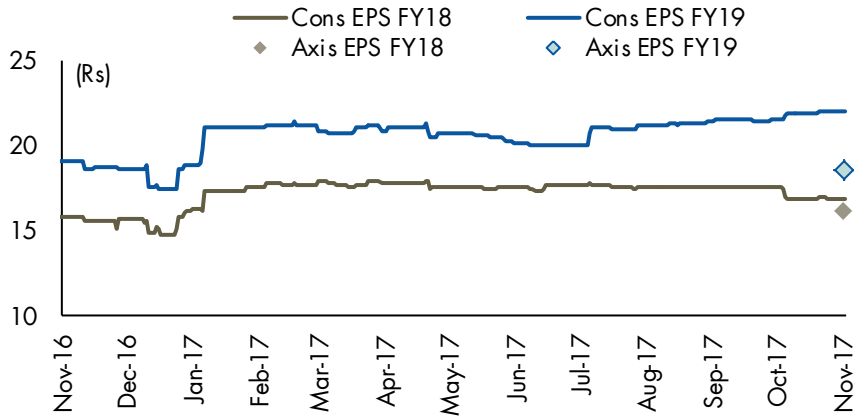
### Tata Steel



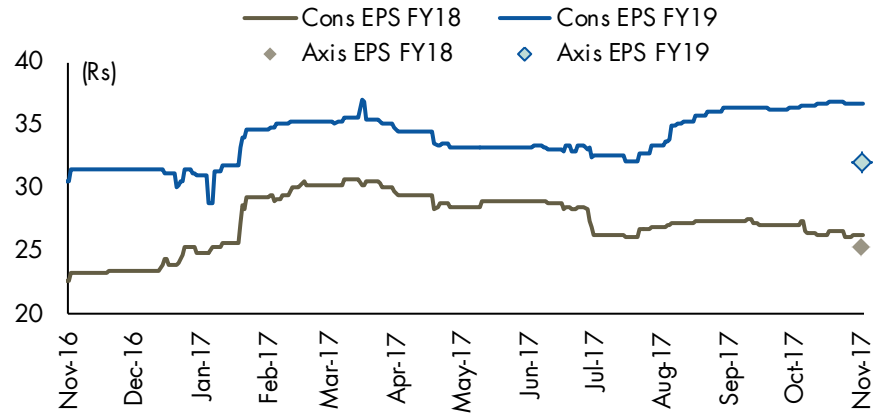
### Hindalco



### JSW Steel

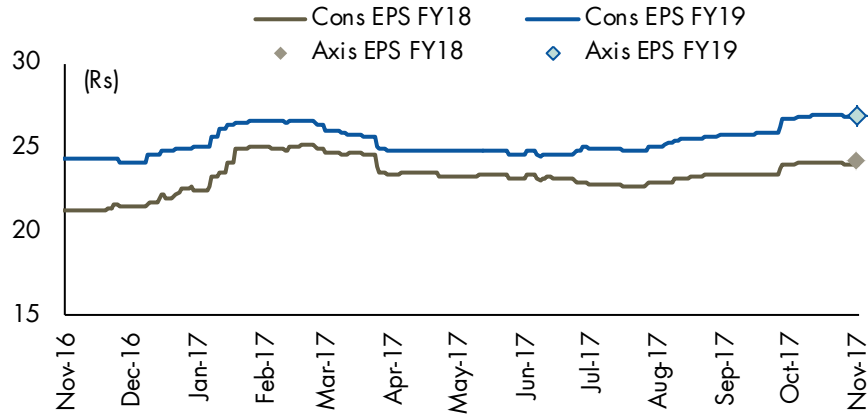


### Vedanta

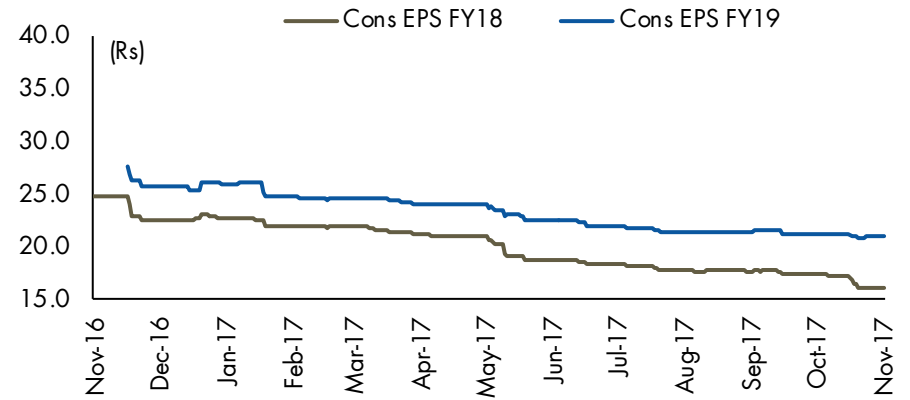


## Metal stocks – consensus EPS movement

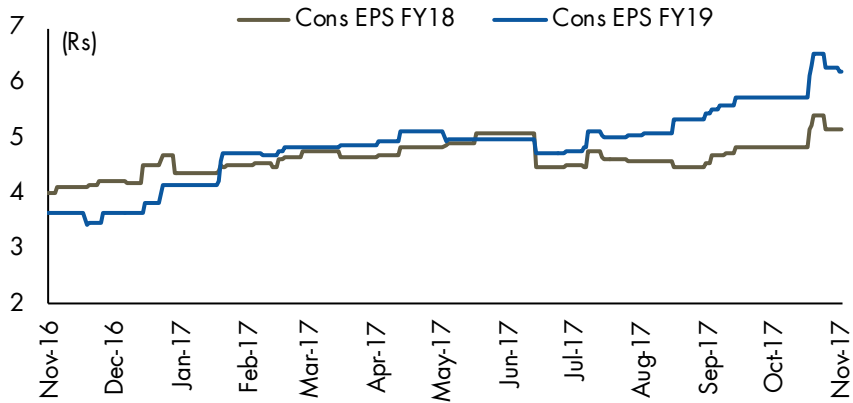
### Hindustan Zinc



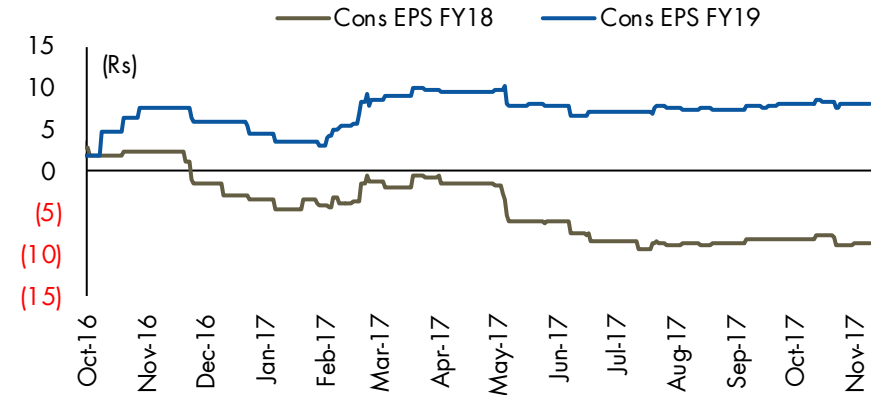
### Coal India



### Nalco

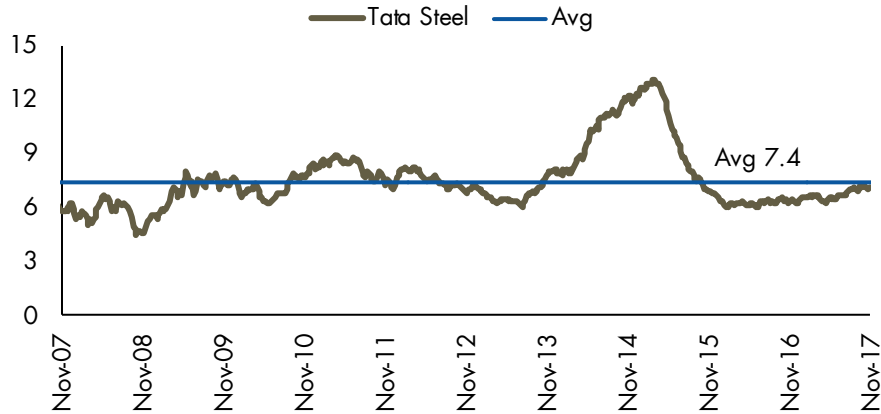


### JSPL

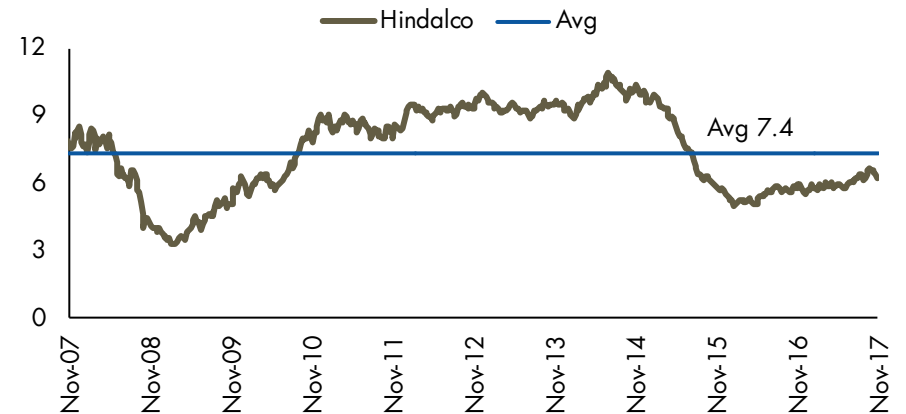


# 1-year forward EV/EBITDA

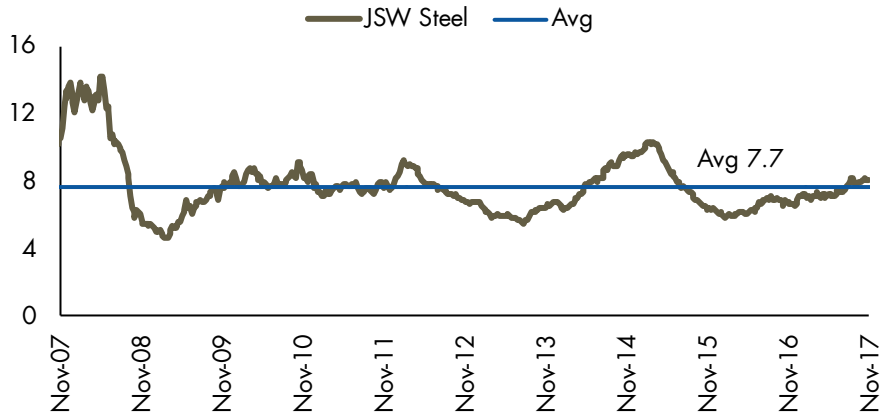
## Tata Steel



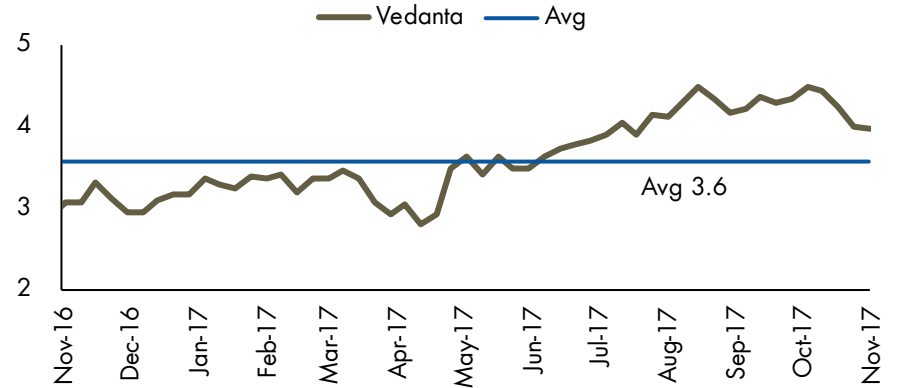
## Hindalco



## JSW Steel

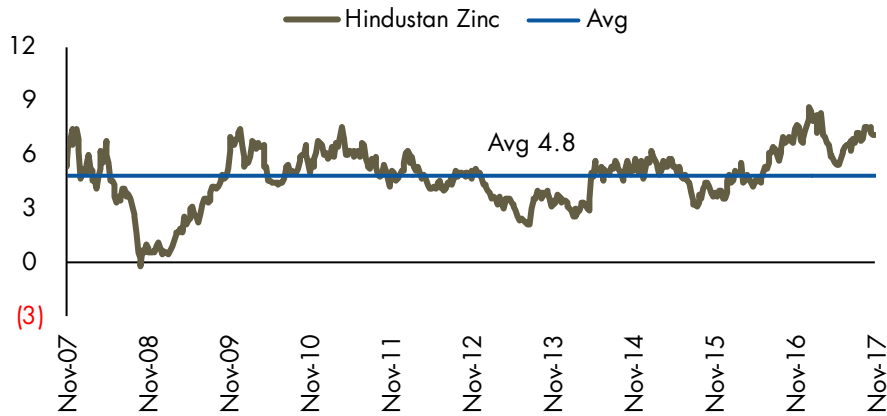


## Vedanta

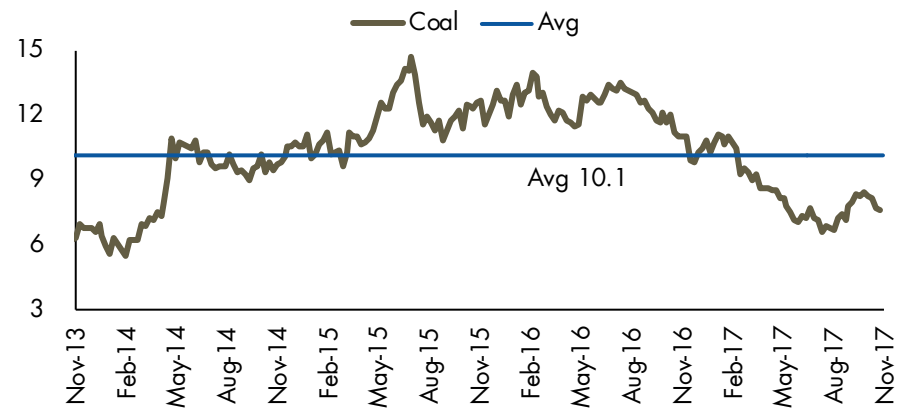


# 1-year forward EV/EBITDA

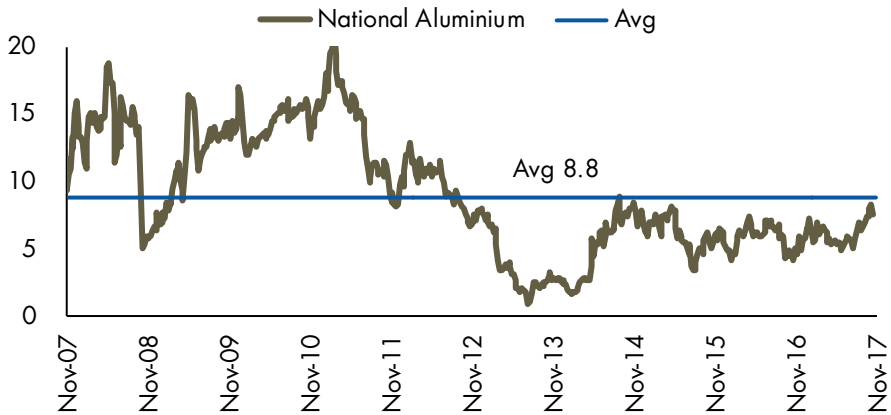
## Hindustan Zinc



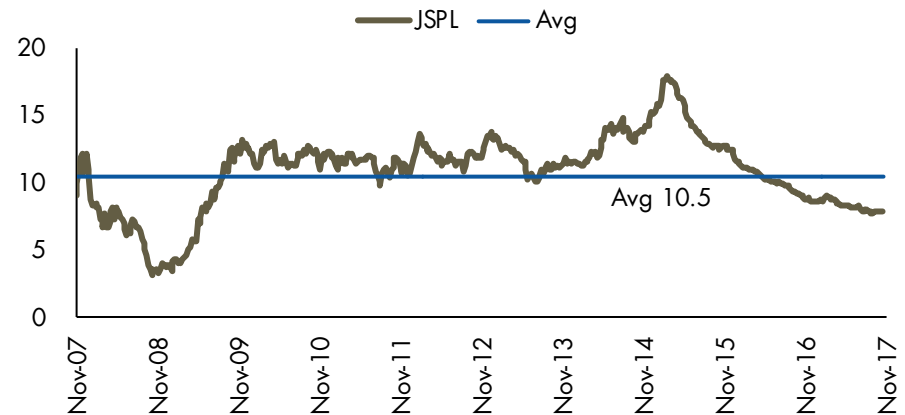
## Coal India



## Nalco



## JSPL



# Key news flow

## Key news flow

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### Odisha state committee recommends expansion of Vedanta's alumina refinery ([Reuters](#))

- ◆ Odisha state committee on Thursday recommended the expansion of Vedanta Ltd's Lanjigarh Alumina refinery from 1 million tonnes to 6 million tonnes, an investment that would cost the company 64.83 billion Indian rupees (\$993 million).
- ◆ Vedanta has sought over 1,600 acres of land for the expansion of the refinery
- ◆ The project will now require final nod from a "high level clearance authority" chaired by the CM, the state government said in a statement, adding it had also recommended an increase in the capacity of the company's captive power plant from 90 megawatts (MW) to 340 MW.

### China's Top Aluminum Maker Mulls Moving Plants to Indonesia ([Bloomberg](#))

- ◆ The nation's top producer of the metal, China Hongqiao Group Ltd., is considering whether to physically relocate shuttered plants to other countries, with Indonesia top of the list of possibilities, according to Chief Executive Officer Zhang Bo.
- ◆ Hongqiao, also the world's biggest smelter, has been forced this year to cut capacity as part of Xi's drive to curb oversupply and reduce pollution. Zhang said Wednesday that moving idled facilities to the Southeast Asian nation, already a big supplier of raw materials to China and where Hongqiao has alumina operations, could be preferable to scrapping them. It would also match up with Indonesia's policy of wringing more wealth from its abundant resources by processing them at home.
- ◆ Relocating to Indonesia "would be in line with the Chinese government's push on overseas expansion," Zhang. "We are optimistic on the outlook for aluminum demand in Indonesia, just as we are familiar with their local society," he said.

### L&T Gets Rs 3,572 Cr Worth Of Orders From BIAL, JSW Steel, Saudi Electricity ([Energy Infrapost](#))

- ◆ SW Steel Ltd. has awarded L&T a prestigious order to build India's largest Blast Furnace and Steel Melt Shop that forms the backbone of their expansion plan of the 5 MTPA steel plant at Dolvi.
- ◆ "L&T has been associated with JSW in their previous endeavours of capacity augmentation across the country and this prominent order reveals the Confidence Customers have in L&T's Capability to deliver projects within demanding time schedules," it said.

## Key news flow

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### Same bidders chasing Essar Steel, Bhushan *(DNA India)*

- ◆ Essar Steel and Bhushan Steel are attracting the same set of bidders, according to a top executive of a leading consultancy firm. ArcelorMittal, Tata Steel, JSW Steel and Vedanta have shown interest in both Bhushan Steel and Essar Steel, the executive said.
- ◆ "With competition fierce in the steel sector, there is an acquisition interest, but there are not too many bidders. Essar Steel and Bhushan Steel have good assets. Banks can hope to get a good price if a discount is given," the official said.
- ◆ "Officials from these companies are already inspecting the plants of Essar Steel and Bhushan Steel," a banker said.

### Pig iron, scrap, steel trade hit by electrode shortage *(S&P Platts)*

- ◆ The steel industry's current hot topic, tight electrode supply and higher pricing, threatens to cut steel output and raise mill costs. This is leading traders to debate the impact across various steel mills and applications.
- ◆ A cut in steel output due to shortages of the raw material is a real fear, while higher costs are already being reflected in spot electrode pricing, up over tenfold in some cases. A beneficiary may be merchant pig iron, and direct-reduced iron/hot-briquetted iron, used as a supplement to aid steelmaking at furnaces, and reduce impurities in scrap. Interest in how pig iron supply could help bridge iron output and potentially cut electrode consumption rates, especially at scrap-fed mini mills, was debated last week in Germany at an industry event.
- ◆ The US pig iron imports are the highest since the 2007-08 financial crisis, and over that time Russia and Ukraine have replaced Brazil as the largest seaborne pig iron suppliers. There is a temporary shortage of electrodes. While the steel industry has yet to be convinced it is purely down to Chinese coal mines being shut or idled, a crucial piece of overall steelmaking raw materials is coming into focus.

### Facing coal shortage, Nalco closes captive power plant *(India Today)*

- ◆ Nalco is faced with coal shortage leading to closure of three units of the company's captive power plant and curtailment of production.
- ◆ While the aluminium major required at least 17,500 MT of coal everyday, it is getting only 13,000 MT from Bharatpur mines of Mahanadi Coalfields Ltd. The company had to close down three units of its captive power plant, a Nalco official said adding that each of the units has a production capacity of 120 MW. "The coal crunch is affecting Nalco and its profitability," Nalco CMD Tapan Kumar Chand said.
- ◆ The company is able to run its refinery by borrowing 120 MW power from GRIDCO.

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HOLD	Between 10% and -10%
SELL	Less than -10%

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