

Metals & Mining

India

Sector View: **Cautious**

NIFTY-50: **25,961**

December 08, 2025

Iron ore security set to flip from 2030; JSTL best placed

The expiry of captive iron ore mines from FY2030 is set to reverse the iron ore security among private steel companies. Majority of TATA's operating iron ore leases will expire and we estimate a potential erosion of ~30-40% of its steel operating margins post-FY2030E. We find JSTL best placed, followed by JSPL and TATA with existing iron ore leases covering ~59%/51%/31% of iron ore requirements post-FY2030E. We continue to see better risk-reward in non-integrated steel producers—JSPL/JSTL. Maintain SELL on SAIL and TATA.

Mine expiry cliff to reset TATA's cost advantages

The expiry of captive mines in FY2030, according to the MMDR Act would significantly increase TATA's raw material costs from FY2031. Auctions of iron ore mines in the past 10 years have seen a weighted average bid premium of ~120% (Exhibit 4). In various scenarios of blended bid premium (60-120%) for TATA's iron ore supply from FY2031E, we estimate that 20-40% of steel EBITDA is under risk. TATA's steel margins could potentially reset below the private listed peers JSW/JSPL from FY2031, a risk that is not factored in at current valuations.

Iron ore security post-FY2030—JSTL leads the pack

JSTL has been the most aggressive among the private trio in securing iron ore through auctions. The company has 24 active leases versus a mere 2/3 for TATA/JSPL. We estimate that JSTL is best placed, followed by JSPL and TATA, with existing iron ore leases covering ~59%/51%/31% of iron ore requirements from FY2031E. The total estimated reserves for JSTL stand at ~1.6 bn tons, while the number is substantially lower at ~430/520 mn tons for JSPL/TATA. The weighted average price paid through auctions is fairly high across names at 99%/118%/132% for JSTL/JSPL/TATA.

Policy inaction on safeguard duty puts earnings under risk

The provisional safeguard duty of 12% on steel expired on November 7, 2025. The Finance Ministry's assent on DGTR's recommendation for a three-year extension is awaited. The extension of safeguard duty is widely expected by all industry stakeholders and built into our FY2026E estimates. Domestic HRC prices are at 10%/0% discounts to import parity with/without safeguard duty. Steel prices are gradually declining ((-)/3/(-)6% in the past 1/2 months) and pricing no extension of SFD. The FY2026E EBITDA estimates for us/consensus would be cut by 4-5%, according to the current trend.

Prefer non-integrated steel companies on constructive medium-term outlook

We remain constructive on the steel sector from a medium-to-long-term perspective, despite the near-term earnings risk from the withdrawal of SFD. We continue to see better risk-reward in non-integrated steel producers—JSPL/JSTL. Maintain SELL on SAIL and TATA.

Company data and valuation summary

Ticker	Mcap (Rs Bn)	CMP(Rs)	FV (Rs)	Upside	Rating
JSP	1,018	998	1,250	25%	BUY
JSTL	2,737	1,119	1,280	14%	ADD
TATA	2,041	163	145	-11%	SELL
SAIL	536	130	90	-31%	SELL
NMDC	656	75	70	-6%	SELL

Ticker	P/B (x)		P/E (x)		EV/EBITDA (x)	
	2027E	2028E	2027E	2028E	2027E	2028E
JSP	1.7	1.4	12.0	8.7	6.9	5.1
JSTL	2.5	2.1	16.1	12.7	8.7	7.5
TATA	1.9	1.7	12.9	11.0	7.0	6.5
SAIL	0.9	0.8	15.5	12.6	6.9	6.3
NMDC	1.8	1.6	9.9	9.6	6.8	6.6

Source: Bloomberg, Company data, Kotak Institutional Equities estimates

Prices in this report are based on the market close of December 08, 2025

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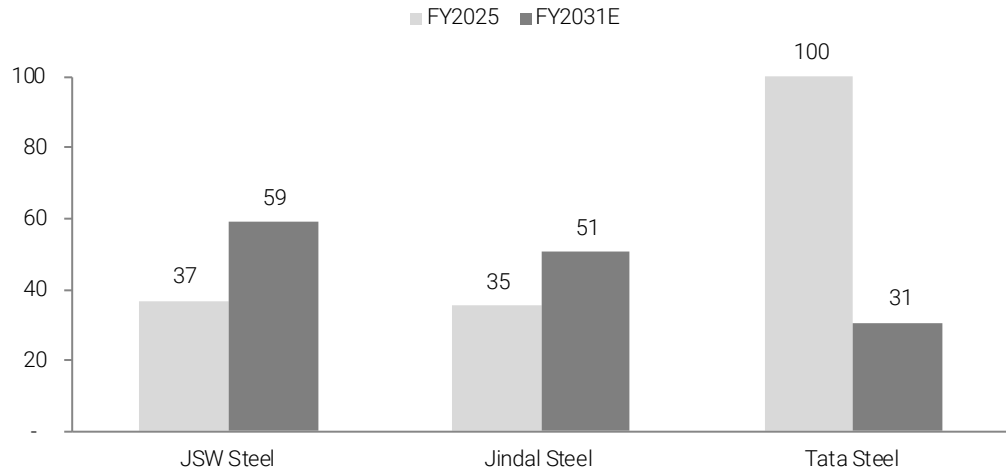
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TATA's iron ore integration to flip from FY2031E

Exhibit 1: Captive iron ore as proportion of total requirements for private trio (%)



Note:

(1) For FY2025, we have used iron ore consumed by the respective companies. For FY2031E, we have estimated EC capacities based on reserves of mining leases wherever the details are not available in public domain.

(2) Tata Steel has non-auction mines through Usha Martin/NINL acquisitions in the form of Vijaya II/Koida mines. We estimate ~120 mn ton of reserves from these mines.

(3) Jindal Steel has non-auction Tensa mines, with an EC of 3.11 mn mtpa. Incrementally, we estimate only a minor contribution from this mine, given most reserves have already been utilized.

Source: Kotak Institutional Equities estimates

Current reserve levels leave TATA exposed to market iron ore prices post-FY2030

Exhibit 2: Iron ore security for private trio, post-FY2030

FY2031E	EC capacity of auctioned mines (mtpa)	Iron ore requirements (mn tons)	% via auctioned mines	% via non-auctioned mines	% iron ore security	External ore volumes required	Market price linked ore (%)	
							Current	Post FY2030
JSW Steel	38.00	64.4	59%	0%	59%	26.4	100	100
Jindal Steel	10.50	25.7	51%	0%	51%	12.7	91	100
Tata Steel	13.00	46.7	22%	8%	31%	32.3	0	92

Source: Kotak Institutional Equities estimates

TATA: We estimate ~20-40% impact on EBITDA due to higher bid premia for auctioned mines

Exhibit 3: Impact of higher iron ore premia on margins under various scenarios for TATA

		Scenario 1	Scenario 2	Scenario 3	Scenario 4
Average bid premium		60%	80%	100%	120%
Blended Iron ore cost	Rs/ton	3,600	4,300	5,000	5,700
Increase in cost of iron ore	Rs/ton	2,100	2,800	3,500	4,200
Increase in cost of steel	Rs/ton	3,360	4,480	5,600	6,720
Increase in cost/ton of steel	Rs/ton	115	153	192	230
Mid-cycle Steel EBITDA	Rs/ton	16,000	16,000	16,000	16,000
Impact on EBITDA	%	21%	28%	35%	42%

Iron ore price assumptions

Seaborne Iron Ore (CFR China)	US\$/ton	80
Domestic Price	Rs/ton	3,500
Mining cost	Rs/ton	1,500
Cost benefit	Rs/ton	2,000

Source: Kotak Institutional Equities estimates

Premia for auctioned mines remains elevated

Exhibit 4: Annual details of iron ore auctions, FY2016-26E

Fiscal Year (FY)	Reserves (MT)	Average bid(%)
2016	100	44
2017	154	95
2018	175	94
2019	153	103
2020	1,938	107
2021	4	95
2022	945	123
2023	716	134
2024	309	78
2025	1,200	157
2026	126	118
Total	5,820	120

Source: Kotak Institutional Equities estimates

JSW Steel has the highest reserves among privately listed trio

Exhibit 5: Details of auctioned mines with listed private steel companies, 1HFY26E

Company	# Leases	Reserves (MT)	Weighted avg bid (%)
JSW	24	1,574	99
TATA	2	407	132
JSPL	3	434	118
AMNS	6	497	111

Source: Kotak Institutional Equities estimates

Jindal Steel has secured ~430 mn tons of iron ore reserves through auctions

Exhibit 6: Jindal Steel—details of auctioned mines, 1HFY26E

State	Name of Block	Date of Auction	Area (Ha)	Reserves (MT)	Final Bid (%)	Company
Odisha	Kasia Iron Ore & Dolomite Block	Sep-21	194.2	278.0	118.1	JSPL
Rajasthan	Dhulkhera-Jipiya Block	Sep-22	868.7	30.4	117.0	JSPL
Odisha	Roida-I	Jul-25	104.8	126.1	117.5	JSPL
Total				434.5	118	

Source: Company, Kotak Institutional Equities estimates

JSW Steel has secured the highest quantity of iron ore reserves through auctions

Exhibit 7: JSW Steel—details of auctioned mines, 1HFY26E

State	Name of Block	Date of Auction	Area (Ha)	Reserves (MT)	Final Bid (%)	Company
Karnataka	ML No. 262, Ramgad, Bellary	Oct-16	33.8	31.5	90.8	JSW
Karnataka	ML No. 2366, Ittanahalli, Bellary	Oct-16	33.2	6.9	58.9	JSW
Karnataka	ML No. 2365, Ittanahalli, Bellary	Oct-16	130.5	33.9	81.1	JSW
Karnataka	ML No. 2313, Malgolla, Bellary	Oct-16	21.6	10.0	100.1	JSW
Karnataka	ML No. 2290, Sandur, Bellary	Oct-16	100.5	28.6	102.5	JSW
Odisha	Netrabandha	May-17	139.2	82.0	87.2	JSW
Karnataka	ML No. 995	Sep-18	32.9	9.7	95.2	JSW
Karnataka	ML No. 2346	Jul-19	93.6	60.7	67.1	JSW
Karnataka	ML No. 2239	Jul-19	43.6	12.2	97.5	JSW
Karnataka	ML No. 1602	Jul-19	107.5	22.3	102.7	JSW
Odisha	Nuagaon Iron Ore Block	Jan-20	777.0	789.1	95.2	JSW
Odisha	Narayanposhi Iron Ore & Manganese Block	Feb-20	347.0	185.1	98.6	JSW
Odisha	Ganua Iron Ore Block	Feb-20	88.5	118.9	132.0	JSW
Maharashtra	Ajgaon Block	Mar-22	840.0	-	25.0	JSW
Karnataka	Jaisinghpura South Block	Mar-23	297.4	32.1	145.8	JSW
Karnataka	Vyasanakere Block	Mar-23	405.4	27.2	114.3	JSW
Goa	Block VI- Cudnem-Cormolem Mineral Block	Apr-23	38.5	9.8	96.7	JSW
Goa	Block IX-Surla-Sonshi Mineral Block	Apr-23	254.5	65.7	109.8	JSW
Maharashtra	Surjagad – 4 Iron Ore Block	May-23	397.0	—	131.1	JSW
Andhra Pradesh	Lakshmakapalle (North)	Jul-23	—	—	17.1	JSW
Andhra Pradesh	Lakshmakapalle (South)	Jul-23	—	—	16.2	JSW
Andhra Pradesh	Addankivariipalem	Jul-23	—	—	14.4	JSW
Karnataka	Jaisinghpura North Block	Aug-23	298.6	—	17.7	JSW
Goa	Codli Mineral Block-XII	Nov-24	377.1	48.5	92.6	JSW
Total				1,574.2	99	

Source: Company, Kotak Institutional Equities estimates

Tata Steel has secured ~410 mn tons of iron ore reserves through auctions

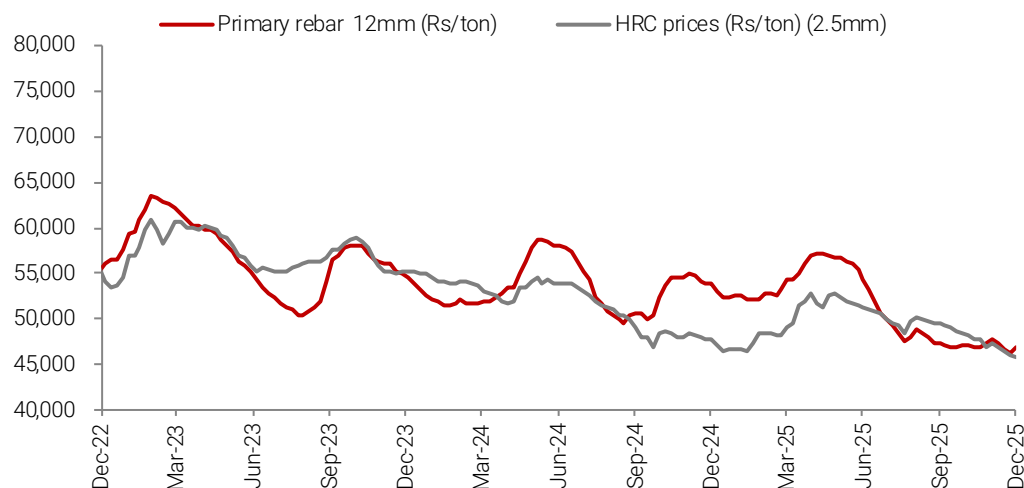
Exhibit 8: Tata Steel—details of auctioned mines, 1HFY26E

State	Name of Block	Date of Auction	Area (Ha)	Reserves (MT)	Final Bid (%)	Company
Odisha	Kalamang West (Northern part)	May-17	92.9	92.9	100.1	TATA
Odisha	Gandhalpada Iron Ore Block	Sep-21	241.1	314.4	141.3	TATA
Total				407.2	132	

Source: Company, Kotak Institutional Equities estimates

Spot HRC prices declined 3% in November 2025 on expiry of safeguard duty

Exhibit 9: Domestic prices of HRC and rebar (primary), Dec 2022-25 (Rs/ton)



Source: Steelmint, Kotak Institutional Equities estimates

Spot domestic HRC prices are at 10% discount to import parity levels with 12% SFD

Exhibit 10: Spot domestic, China export HRC prices, December 2025

Import Parity Calculation: Inclusive of safeguard duty

Japan/South Korea export - CNF India.....a)	US\$/ton	566
China export - CNF India	US\$/ton	500
Import duty	%	7.50
Safeguard duty	%	12.00
China Export - CNF India.....b)	US\$/ton	602
Landed import costLower (a,b)	US\$/ton	566
Price at port gate	US\$/ton	566
FX		90.0
Price at port gate - from China	Rs/ton	54,159
Price at port gate - from Japan/S Korea	Rs/ton	50,884
India domestic price (Mumbai HRC)	Rs/ton	45,700
Premium/(Discount) to import parity - China	Rs/ton	(8,459)
Premium/(Discount) to import parity - China	%	(15.6)
Premium/(Discount) to import parity - Japan/S Korea	Rs/ton	(5,184)
Premium/(Discount) to import parity - Japan/S Korea	%	(10.2)

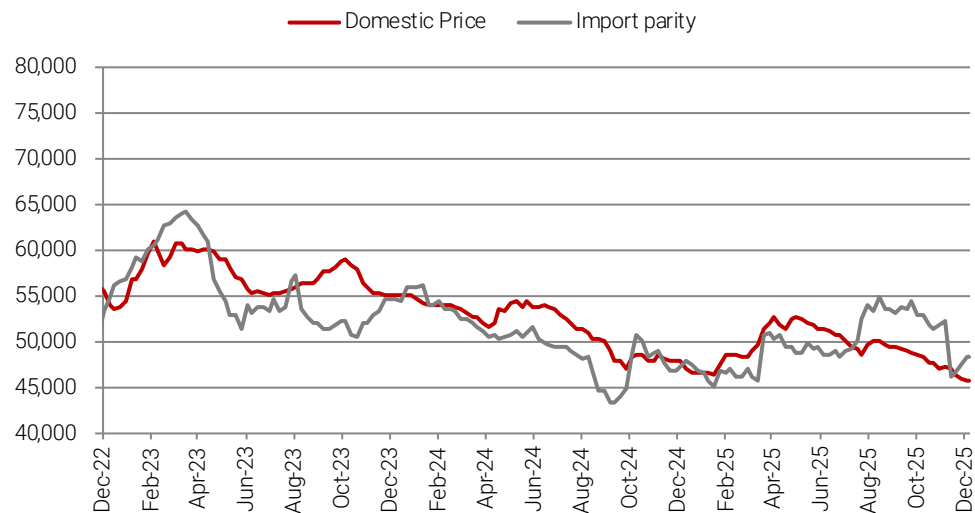
Notes:

(a) Calculations include safeguard duty for landed price of imports.

Source: Steelmint, Kotak Institutional Equities estimates

Spot domestic HRC prices are at 5.5% discount to China import parity levels after removal of SFD

Exhibit 11: India HRC prices, import parity and domestic, Dec 2022-25 (Rs/ton)



Notes:

(a) Calculations include safeguard duty for landed price of imports.

Source: Steelmint, Kotak Institutional Equities estimates

Spot domestic HRC prices are at parity to import parity levels assuming no SFD

Exhibit 12: Spot domestic, China export HRC prices, December 2025

Import Parity Calculation: Ex - safeguard duty

Japan/South Korea export - CNF India.....a)	US\$/ton	505
China export - CNF India	US\$/ton	500
Import duty	%	7.50
Safeguard duty	%	-
China Export - CNF India.....b)	US\$/ton	538
Landed import costLower (a,b)	US\$/ton	505
Price at port gate	US\$/ton	505
FX		90.0
Price at port gate - from China	Rs/ton	48,356
Price at port gate - from Japan/S Korea	Rs/ton	45,432
India domestic price (Mumbai HRC)	Rs/ton	45,700
Premium/(Discount) to import parity - China	Rs/ton	(2,656)
Premium/(Discount) to import parity - China	%	(5.5)
Premium/(Discount) to import parity - Japan/S Korea	Rs/ton	268
Premium/(Discount) to import parity - Japan/S Korea	%	0.6

Notes:

(a) Calculations assume expiry of safeguard duty for landed price of imports.

Source: Steelmint, Kotak Institutional Equities estimates

We expect global demand to decline, led by China in CY2025

Exhibit 13: Global steel demand-supply, calendar year-ends, 2016-27E

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E
Capacity (mtpa)												
China steel capacity	1,089	1,048	1,073	1,123	1,188	1,188	1,188	1,188	1,188	1,188	1,188	1,188
World ex-China capacity	1,178	1,190	1,197	1,203	1,213	1,219	1,224	1,238	1,254	1,270	1,282	1,294
World steel capacity	2,281	2,251	2,270	2,326	2,401	2,407	2,412	2,426	2,442	2,458	2,470	2,482
China demand-supply (mn tons)												
China steel capacity	1,089	1,048	1,073	1,123	1,188	1,188	1,188	1,188	1,188	1,188	1,188	1,188
Crude steel production	870	894	949	998	1,054	1,029	1,010	1,011	991	961	959	962
Utilization (%)	80	85	88	89	89	87	85	85	83	81	81	81
Demand (apparent)	709	806	871	945	1,021	977	953	927	887	852	860	873
Growth yoy (%)	1	14	8	9	8	(4)	(2.5)	(2.6)	(4.4)	(4.0)	1.0	1.5
China Exports	96	62	56	52	33	53	57	84	104	109	99	89
Exports as % of world ex-China demand	10	7	6	6	4	6	6	9	11	12	10	9
World ex-China demand-supply (mn tons)												
Crude steel production	820	858	883	871	789	888	818	815	833	837	862	888
Growth yoy (%)	0	5	3	(1)	(9)	12.5	(7.9)	(0.4)	2.1	0.5	3.0	3.0
Utilization (%)	70	72	74	72	65	73	67	66	66	66	67	69
Demand (apparent)	916	920	939	923	822	941	875	899	937	946	961	977
Growth yoy (%)	0	0	2	(2)	(11)	14	(7)	2.7	4.2	1.0	1.6	1.6
World (mn tons)												
Crude steel production	1,690	1,752	1,832	1,869	1,843	1,917	1,828	1,826	1,824	1,798	1,821	1,850
Utilization (%)	74	78	81	80	77	80	76	75	75	73	74	75
Growth yoy (%)	4.3	3.7	4.6	2.0	(1.4)	4.0	(4.7)	(0.1)	(0.1)	(1.4)	1.3	1.6
Global Demand	1,625	1,726	1,810	1,868	1,843	1,917	1,828	1,826	1,824	1,798	1,821	1,850
Growth yoy (%)	0.6	6.2	4.9	3.2	(1.3)	4.0	(4.7)	(0.1)	(0.1)	(1.4)	1.3	1.6

Source: Kotak Institutional Equities estimates

We expect domestic utilizations to remain elevated

Exhibit 14: India steel demand-supply, March fiscal year-ends, FY2020-28E

	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Crude steel capacity - Gross (end of year)	128.3	128.3	134.3	136.1	147.1	160.6	171.6	178.2	185.7
Finished steel capacity - Effective (during the year)	120.2	120.6	123.6	127.1	133.4	145.0	156.4	164.6	171.3
Production	102.6	96.2	113.6	123.2	139.2	146.6	161.2	172.5	184.6
Less: Double counting									
Net production	102.6	96.2	113.6	123.2	139.2	146.6	161.2	172.5	184.6
Imports	6.8	4.8	4.7	6.0	8.3	9.6	7.0	7.0	6.0
Exports	8.4	10.8	13.5	6.7	7.5	4.9	6.0	6.5	7.0
Add: Net Imports	(1.6)	(6.0)	(8.8)	(0.7)	0.8	4.7	1.0	0.5	(1.0)
Assumed consumption	101.0	90.2	104.8	122.5	140.0	151.3	162.2	173.0	183.6
Stock change	0.9	(4.7)	(1.0)	2.6	3.7	(0.7)	—	—	—
Consumption	100.2	94.9	105.8	119.9	136.3	152.0	162.2	173.0	183.6
Capacity utilization (%)	80.0	75.0	84.6	90.5	94.6	91.3	94.0	96.8	99.4
Growth (%)									
Production	6.9	(6.3)	18.1	8.5	13.0	5.3	10.0	7.0	7.0
Consumption	1.5	(5.3)	11.4	13.4	13.7	11.5	6.7	6.6	6.1

Source: Kotak Institutional Equities estimates

Steel spreads declined qoq in 2QFY26 on lower realizations

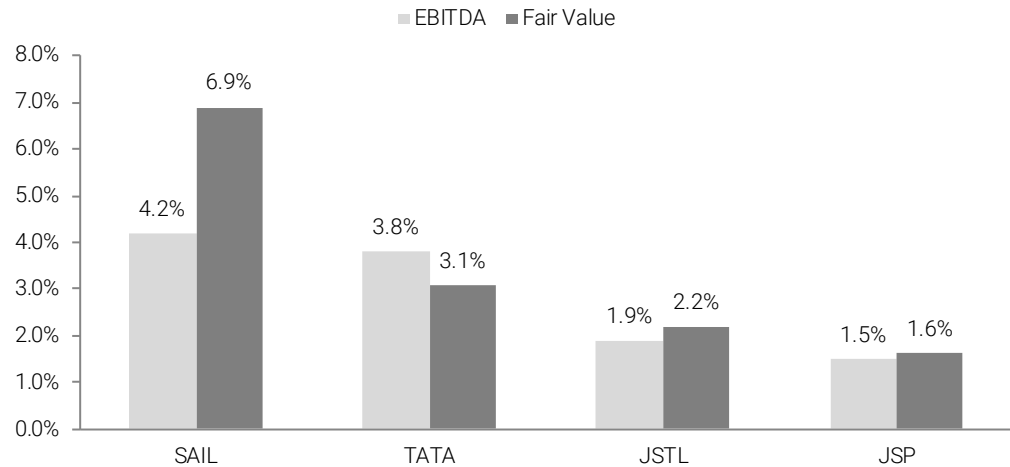
Exhibit 15: TATA, JSTL, JSP, SAIL, volumes, EBITDA/ton, March fiscal year-ends, 2QFY25-26, 2025-28E ('000 tons, Rs/ton)

	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	Growth (%)		2025	2026E	2027E	2028E
						yoy	qoq				
Volumes (000 tons)											
JSW Steel - India	6,040	6,540	7,270	6,430	7,070	17.1	10.0	25,810	28,416	27,714	30,485
Tata Steel - India	5,110	5,290	5,600	4,750	5,550	8.6	16.8	20,940	22,440	24,440	24,940
Jindal Steel	1,850	1,900	2,130	1,900	1,870	1.1	(1.6)	7,973	8,446	11,196	13,529
SAIL	4,100	4,450	4,970	4,180	4,610	12.4	10.3	17,895	18,440	18,940	19,440
Realisation/ton (Rs)											
JSW Steel	58,072	56,886	56,276	60,101	56,556	(2.6)	(5.9)	57,810	58,176	59,788	60,728
Tata Steel - India	63,404	61,929	61,427	65,293	62,486	(1.4)	(4.3)	73,183	75,816	70,785	63,284
Jindal Steel	60,612	61,846	61,893	64,708	62,491	3.1	(3.4)	62,419	65,536	64,528	65,181
SAIL	56,190	55,033	57,604	61,598	57,926	3.1	(6.0)	57,195	58,913	61,153	62,609
EBITDA/ton (Rs)											
JSW Steel - India	9,076	8,235	8,972	11,988	10,618	17.0	(11.4)	8,789	11,392	12,081	12,724
Tata Steel - India	12,016	11,317	12,477	14,938	14,431	20.1	(3.4)	13,307	14,609	14,663	14,888
Jindal Steel	11,482	11,226	11,651	15,709	10,027	(12.7)	(36.2)	12,004	12,393	14,549	15,292
SAIL	3,091	4,551	5,622	8,471	5,479	77.2	(35.3)	5,877	6,163	6,651	7,252

Source: Companies, Kotak Institutional Equities estimates

SAIL EBITDA is most sensitive to changes in HRC prices

Exhibit 16: Sensitivity of steel players to change in HRC price, September 2027E basis (%)



Source: Kotak Institutional Equities estimates

Valuation summary of KIE's Indian ferrous metal coverage

Exhibit 17: Indian ferrous metal coverage—valuation snapshot

Company	CMP (Rs) 8-Dec	Fair value (Rs)	Rating	EV/EBITDA (X)				P/E (X)				P/B (X)				RoACE (%)				RoE (%)			
				2025	2026E	2027E	2028E	2025	2026E	2027E	2028E	2025	2026E	2027E	2028E	2025	2026E	2027E	2028E	2025	2026E	2027E	2028E
Jindal Steel	998	1,250	BUY	11.9	11.1	6.9	5.1	24.7	21.7	12.0	8.7	2.2	2.0	1.7	1.4	5.9	8.6	13.1	16.7	6.2	10.0	15.3	18.0
JSW Steel	1,119	1,280	ADD	15.3	9.3	8.7	7.5	71.4	21.6	16.1	12.7	3.4	2.9	2.5	2.1	7.1	11.4	11.3	12.7	4.9	14.7	16.5	17.9
Tata Steel	163	145	SELL	12.2	8.1	7.0	6.5	84.5	17.2	12.9	11.0	2.2	2.1	1.9	1.7	6.3	10.3	11.2	11.3	2.6	12.5	15.2	15.9
SAIL	130	90	SELL	7.7	7.3	6.9	6.3	20.6	16.8	15.5	12.6	1.0	0.9	0.9	0.8	5.0	4.4	5.9	6.6	4.5	5.4	5.6	6.6

Source: Companies, Kotak Institutional Equities estimates

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Ratings and other definitions/identifiers

Definitions of ratings

BUY. We expect this stock to deliver more than 15% returns over the next 12 months.

ADD. We expect this stock to deliver 5-15% returns over the next 12 months.

REDUCE. We expect this stock to deliver -5+5% returns over the next 12 months.

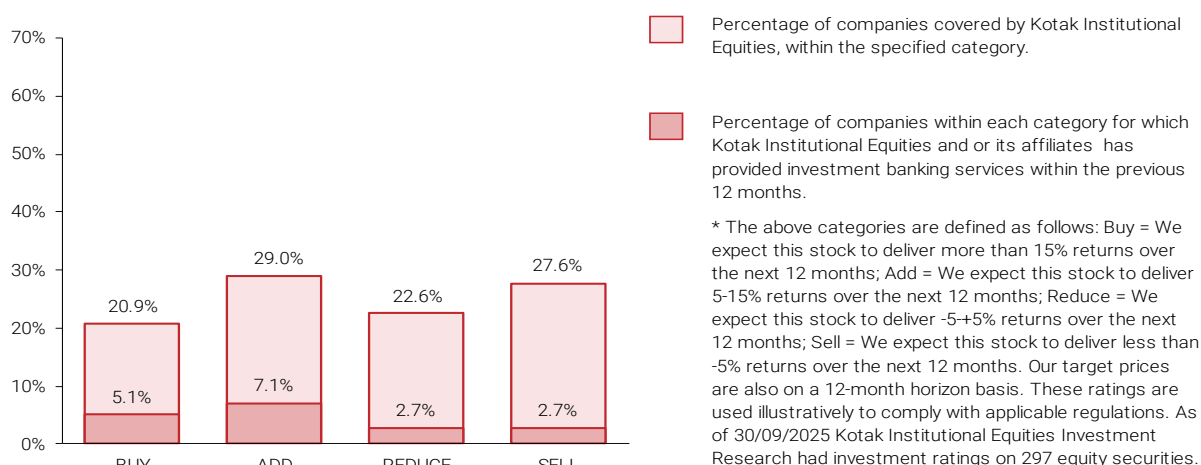
SELL. We expect this stock to deliver <-5% returns over the next 12 months.

Our Fair Value estimates are also on a 12-month horizon basis.

Our Ratings System does not take into account short-term volatility in stock prices related to movements in the market. Hence, a particular Rating may not strictly be in accordance with the Rating System at all times.

Distribution of ratings/investment banking relationships

Kotak Institutional Equities Research coverage universe



Source: Kotak Institutional Equities

As of September 30, 2025

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