

Low coal prices, the only silver lining

We maintain our cautious outlook on the domestic steel industry due to weaker-than-expected demand recovery post the festival season, subdued steel prices, limited export opportunities, and a lukewarm response to China's stimulus. The potential impact of actions by the newly elected US President, Donald Trump, may influence China's indirect metal exports, marring domestic demand and leading to aggressive export strategies. However, the domestic steel industry may benefit from lower coking coal prices and potential safeguard duty on steel imports. In contrast, we are positive on the non-ferrous sector, expecting higher aluminium and alumina prices and lower thermal coal prices to support near-term performance. Our top pick in the space is APL Apollo Tubes.

Ferrous – Lower cost to ease realization woes: After witnessing a QoQ drop in Q2FY25, efforts were made to raise steel prices in Q3FY25. However, while prices for long products recovered, flat steel prices were under pressure, primarily due to the absence of any relief from cheap imports and cautious buying. So, flat steel prices dropped in the range of 13-15% YoY and ~5% QoQ. Prices for long and semi-finished products fell in the range of ~3-4% YoY but rose in the range of ~3-5% QoQ.

Expect blended realization for Elara Steel universe to dip by INR 0-4,700 per tonne QoQ. We expect volume growth in the range of 3-12% YoY and ~1-6% QoQ across firms. YoY, EBITDA/tonne may contract by ~INR 850-4,300. However, QoQ, Jindal Steel & Power is likely to be the only company to post a QoQ improvement on EBITDA/tonne within our steel universe. For Jindal Stainless, we expect volume to grow ~13% YoY and ~2% QoQ, with a dip of ~16% YoY and ~2% QoQ in consolidated EBITDA/tonne.

NMDC to report strong margin recovery on price hikes: NMDC's sales volume is set to rise ~5% YoY and ~23% QoQ. In Q3FY25, it took two price hikes of: 1) INR 400 per tonne each for lumps and fines on 1 October, and 2) INR 600 per tonne for lumps and INR 400 per tonne for fines on 23 October. So, realization is likely to improve ~11% YoY and ~6% QoQ, leading to a rise in EBITDA per tonne by ~15% YoY and ~39% QoQ.

Hindalco Industries – Firm aluminum price to mitigate impact of softer margin at Novelis: While aluminum prices softened QoQ in Q2FY25, it has scripted a strong recovery in Q3FY25, up by ~17% YoY and ~8% QoQ. Despite the expected rise in operating costs and muted performance of its subsidiary, Novelis, Hindalco Industries is expected to benefit from higher aluminium prices. Novelis is likely to report ~14% YoY and ~13% QoQ drop in EBITDA per tonne. So, while we expect consolidated EBITDA margin to improve ~240bps YoY, it may decline ~10bps QoQ.

Mixed quarter for pipes: APL Apollo Tubes may report a strong volume growth of ~37% YoY and ~9% QoQ. Further, EBITDA per tonne may contract ~9% YoY but surge ~131% QoQ. For Ratnamani Metals and Tubes, expect revenue to grow by ~2% YoY and ~32% QoQ.

Price performance

(%)	3M	6M	12M
Nifty	(4.4)	(2.5)	9.2
JSW Steel	(10.6)	(4.5)	9.8
Tata Steel	(18.8)	(23.7)	(0.2)
Hindalco Industries	(20.1)	(16.4)	(0.4)
Jindal Steel & Power	(5.9)	(10.4)	28.0
NMDC	(13.5)	(21.6)	(11.1)
Jindal Stainless	(12.0)	(19.3)	10.1
SAIL	(15.7)	(28.4)	(4.7)
APL Apollo Tubes	1.9	1.5	4.6
Ratnamani Metals	(10.9)	(12.1)	(6.9)

Note: Pricing as on 7 January 2025; Source: Bloomberg

Company	Revenue (INR mn)		
	FY25E	FY26E	FY27E
JSW Steel	1,769,235	2,010,329	2,233,941
Tata Steel	2,240,483	2,463,309	2,625,170
Hindalco Industries	2,301,228	2,370,369	2,531,184
Jindal Steel & Power	525,661	612,969	735,464
NMDC	246,877	266,648	282,678
Jindal Stainless	426,175	510,497	588,127
SAIL	1,032,114	1,148,123	1,264,773
APL Apollo Tubes	199,579	258,800	318,577
Ratnamani Metals	57,296	70,368	83,091

Company	Adj. PAT (INR mn)		
	FY25E	FY26E	FY27E
JSW Steel	85,862	121,306	148,395
Tata Steel	47,527	185,699	231,404
Hindalco Industries	155,662	137,701	149,657
Jindal Steel & Power	55,184	79,976	106,620
NMDC	69,278	78,570	83,304
Jindal Stainless	30,067	41,779	51,812
SAIL	26,135	39,908	46,531
APL Apollo Tubes	7,420	13,570	17,555
Ratnamani Metals	6,986	9,191	12,431

Source: Elara Securities Estimate

Ravi Sodah

Cement, Metals & Mining
+91 22 6164 8517
ravi.sodah@elaracapital.com

Associates
Saurabh Mitra
Bhavi Shah



Key financials

Company	Revenue (INR mn)					EBITDA (INR mn)					Adjusted net profit (INR mn)				
	Q3FY25E	Q2FY25	Q3FY24	QoQ (%)	YoY (%)	Q3FY25E	Q2FY25	Q3FY24	QoQ (%)	YoY (%)	Q3FY25E	Q2FY25	Q3FY24	QoQ (%)	YoY (%)
JSW Steel	407,240	396,840	419,400	2.6	(2.9)	50,203	54,370	71,800	(7.7)	(30.1)	4,756	6,784	24,150	(29.9)	(80.3)
Tata Steel	516,488	539,047	553,119	(4.2)	(6.6)	45,322	61,413	62,636	(26.2)	(27.6)	(9,591)	8,199	7,640	-	-
Hindalco Industries	566,672	582,030	528,080	(2.6)	7.3	76,297	78,830	58,650	(3.2)	30.1	36,755	42,688	23,310	(13.9)	57.7
Jindal Steel and Power	113,585	112,133	117,013	1.3	(2.9)	22,172	21,243	28,016	4.4	(20.9)	9,151	8,039	18,976	13.8	(51.8)
NMDC	62,686	48,066	54,099	30.4	15.9	24,509	14,404	20,297	70.2	20.8	20,261	12,692	16,693	59.6	21.4
Jindal Stainless	98,793	97,768	91,275	1.0	8.2	11,901	11,865	12,462	0.3	(4.5)	6,201	6,113	6,923	1.4	(10.4)
Steel Authority of India	243,581	246,747	233,455	(1.3)	4.3	20,333	29,043	21,402	(30.0)	(5.0)	1,357	8,335	2,779	(83.7)	(51.2)
APL Apollo Tubes	50,160	47,739	41,778	5.1	20.1	3,489	1,381	2,796	152.7	24.8	2,116	538	1,655	293.2	27.8
Ratnamani Metals & Tubes	12,853	9,713	12,573	32.3	2.2	2,036	1,535	2,003	32.6	1.7	1,385	1,004	1,329	38.0	4.3

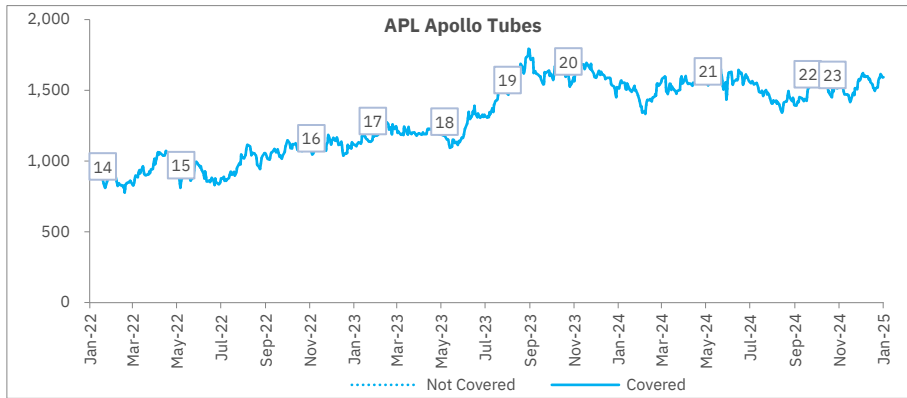
Source: Company, Elara Securities Estimate

Coverage matrix

Company	Ticker	Rating	Mcap	CMP*	Target	Upside	EV/EBITDA (x)			ROE (%)		
			(INR bn)	(INR)	(INR)	(%)	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
JSW Steel	JSTL IN	Reduce	2,227	911	909	(0.2)	10.3	8.6	7.5	10.7	13.6	14.2
Tata Steel	TATA IN	Accumulate	1,665	133	166	24.5	9.6	5.6	4.8	5.2	18.5	19.4
Hindalco Industries	HNDL IN	Accumulate	1,314	585	734	25.6	5.5	6.0	5.6	13.7	10.8	10.6
Jindal Steel and Power	JSP IN	Accumulate	960	941	1,102	17.1	9.3	6.9	5.3	11.7	14.9	17.0
NMDC	NMDC IN	Accumulate	580	66	89	34.9	5.1	4.2	3.6	24.9	23.6	21.0
Jindal Stainless	JDSL IN	Accumulate	550	668	852	27.6	11.4	8.9	7.7	19.9	25.0	28.5
Steel Authority of India	SAIL IN	Reduce	460	111	115	3.2	7.1	6.0	5.6	4.7	6.9	7.7
APL Apollo Tubes	APAT IN	Accumulate	442	1,593	1,682	5.6	36.3	21.8	16.8	19.0	28.3	28.3
Ratnamani Metals & Tubes	RMT IN	Accumulate	222	3,166	3,856	21.8	21.5	16.7	12.3	20.2	22.0	23.9

Note: *Pricing as on 7 January 2025; TP and ratings as per our last published reports; Source: Elara Securities Estimate

Coverage History



	Date	Rating	Target Price	Closing Price
14	25-Jan-2022	Buy	INR 1,051	INR 862
15	13-May-2022	Buy	INR 1,101	INR 871
16	9-Nov-2022	Accumulate	INR 1,245	INR 1,061
17	2-Feb-2023	Buy	INR 1,421	INR 1,184
18	12-May-2023	Buy	INR 1,459	INR 1,180
19	7-Aug-2023	Accumulate	INR 1,599	INR 1,477
20	30-Oct-2023	Accumulate	INR 1,679	INR 1,604
21	10-May-2024	Accumulate	INR 1,628	INR 1,535
22	26-Sep-2024	Accumulate	INR 1,736	INR 1,517
23	29-Oct-2024	Accumulate	INR 1,682	INR 1,510

Guide to Research Rating

BUY	Absolute Return >+20%
ACCUMULATE	Absolute Return +5% to +20%
REDUCE	Absolute Return -5% to +5%
SELL	Absolute Return < -5%

Disclosures & Confidentiality for non U.S. Investors

The Note is based on our estimates and is being provided to you (herein referred to as the "Recipient") only for information purposes. The sole purpose of this Note is to provide preliminary information on the business activities of the company and the projected financial statements in order to assist the recipient in understanding / evaluating the Proposal. Nothing in this document should be construed as an advice to buy or sell or solicitation to buy or sell the securities of companies referred to in this document. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved) and should consult its own advisors to determine the merits and risks of such an investment. Nevertheless, Elara Securities (India) Private Limited or any of its affiliates is committed to provide independent and transparent recommendation to its client and would be happy to provide any information in response to specific client queries. Elara Securities (India) Private Limited or any of its affiliates have not independently verified all the information given in this Note and expressly disclaim all liability for any errors and/or omissions, representations or warranties, expressed or implied as contained in this Note. The user assumes the entire risk of any use made of this information. Elara Securities (India) Private Limited or any of its affiliates, their directors and the employees may from time to time, effect or have effected an own account transaction in or deal as principal or agent in or for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for or solicit investment banking or other business from any company referred to in this Note. Each of these entities functions as a separate, distinct and independent of each other. This Note is strictly confidential and is being furnished to you solely for your information. This Note should not be reproduced or redistributed or passed on directly or indirectly in any form to any other person or published, copied, in whole or in part, for any purpose. This Note is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject Elara Securities (India) Private Limited or any of its affiliates to any registration or licensing requirements within such jurisdiction. The distribution of this document in certain jurisdictions may be restricted by law, and persons in whose possession this document comes, should inform themselves about and observe, any such restrictions. Upon request, the Recipient will promptly return all material received from the company and/or the Advisors without retaining any copies thereof. The Information given in this document is as of the date of this report and there can be no assurance that future results or events will be consistent with this information. This Information is subject to change without any prior notice. Elara Securities (India) Private Limited or any of its affiliates reserves the right to make modifications and alterations to this statement as may be required from time to time. However, Elara Securities (India) Private Limited is under no obligation to update or keep the information current. Neither Elara Securities (India) Private Limited nor any of its affiliates, group companies, directors, employees, agents or representatives shall be liable for any damages whether direct, indirect, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. This Note should not be deemed an indication of the state of affairs of the company nor shall it constitute an indication that there has been no change in the business or state of affairs of the company since the date of publication of this Note. The disclosures of interest statements incorporated in this document are provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. Elara Securities (India) Private Limited generally prohibits its analysts, persons reporting to analysts and their family members from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

Any clarifications / queries on the proposal as well as any future communication regarding the proposal should be addressed to Elara Securities (India) Private Limited. It is important to note that any dispute with respect to this research report, would not have access to stock exchange investor redressal forum or arbitration mechanism.

Elara Securities (India) Private Limited was incorporated in July 2007 as a subsidiary of Elara Capital (India) Private Limited.

Elara Securities (India) Private Limited is a SEBI registered Stock Broker in the Capital Market and Futures & Options Segments of National Stock Exchange of India Limited [NSE], in the Capital Market Segment of BSE Limited [BSE] and a Depository Participant registered with Central Depository Services (India) Limited [CDSL].

Elara Securities (India) Private Limited's business, amongst other things, is to undertake all associated activities relating to its broking business.

The activities of Elara Securities (India) Private Limited were neither suspended nor has it defaulted with any stock exchange authority with whom it is registered in last five years. However, during the routine course of inspection and based on observations, the exchanges have issued adverse letters or levied minor penalties on Elara Securities (India) Private Limited for minor operational deviations in certain cases. Elara Securities (India) Private Limited has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has the certificate of registration been cancelled by SEBI at any point of time.

Elara Securities (India) Private Limited offers research services primarily to institutional investors and their employees, directors, fund managers, advisors who are registered or proposed to be registered.

Details of Associates of Elara Securities (India) Private Limited are available on group company website www.elaracapital.com

Elara Securities (India) Private Limited is maintaining arms-length relationship with its associate entities.

Research Analyst or his/her relative(s) may have financial interest in the subject company. Elara Securities (India) Private Limited does not have any financial interest in the subject company, whereas its associate entities may have financial interest. Research Analyst or his/her relative does not have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report. Elara Securities (India) Private Limited does not have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report. Associate entities of Elara Securities (India) Private Limited may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report. Research Analyst or his/her relative or Elara Securities (India) Private Limited or its associate entities does not have any other material conflict of interest at the time of publication of the Research Report.

Research Analyst or his/her relative(s) has not served as an officer, director or employee of the subject company.

Research analyst or Elara Securities (India) Private Limited have not received any compensation from the subject company in the past twelve months. Associate entities of Elara Securities (India) Private Limited may have received compensation from the subject company in the past twelve months. Research analyst or Elara Securities (India) Private Limited or its associate entities have not managed or co-managed public offering of securities for the subject company in the past twelve months. Research analyst or Elara Securities (India) Private Limited or its associates have not received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months. Research analyst or Elara Securities (India) Private Limited or its associate entities may have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company or third party in connection with the Research Report in the past twelve months.

Disclaimer & Standard warning

Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Disclaimer for non U.S. Investors

The information contained in this note is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

Disclaimer for U.S. Investors

This material is based upon information that we consider to be reliable, but Elara Capital Inc. does not warrant its completeness, accuracy or adequacy and it should not be relied upon as such.

This material is not intended as an offer or solicitation for the purchase or sale of any security or other financial instrument. Securities, financial instruments or strategies mentioned herein may not be suitable for all investors. Any opinions expressed herein are given in good faith, are subject to change without notice, and are only correct as of the stated date of their issue. Prices, values or income from any securities or investments mentioned in this report may fall against the interests of the investor and the investor may get back less than the amount invested. Where an investment is described as being likely to yield income, please note that the amount of income that the investor will receive from such an investment may fluctuate. Where an investment or security is denominated in a different currency to the investor's currency of reference, changes in rates of exchange may have an adverse effect on the value, price or income of or from that investment to the investor. The information contained in this report does not constitute advice on the tax consequences of making any particular investment decision. This material does not take into account your particular investment objectives, financial situations or needs and is not intended as a recommendation of particular securities, financial instruments or strategies to you. Before acting on any recommendation in this material, you should consider whether it is suitable for your particular circumstances and, if necessary, seek professional advice.

Certain statements in this report, including any financial projections, may constitute "forward-looking statements." These "forward-looking statements" are not guarantees of future performance and are based on numerous current assumptions that are subject to significant uncertainties and contingencies. Actual future performance could differ materially from these "forward-looking statements" and financial information.

India

Elara Securities (India) Private Limited
One International Center, Tower 3,
21st Floor, Senapati Bapat Marg,
Elphinstone Road (West)
Mumbai – 400 013, India
Tel : +91 22 6164 8500

Europe

Elara Capital Plc.
6th Floor, The Grove,
248A Marylebone Road,
London, NW1 6JZ,
United Kingdom
Tel : +44 20 7486 9733

USA

Elara Securities Inc.
230 Park Avenue, Suite 2415,
New York, NY 10169, USA
Tel: +1 212 430 5870
Fax: +1 212 208 2501

Asia / Pacific

Elara Capital (Asia) Pte.Ltd.
One Marina Boulevard,
Level 20,
Singapore 018989
Tel : +65 6978 4047



Managing Director

Harendra Kumar | harendra.kumar@elaracapital.com | +91 22 6164 8571



Head of Research

Dr Bino Pathiparampil | bino.pathiparampil@elaracapital.com | +91 22 6164 8572

Sales Team



India

Hitesh Danak - hitesh.danak@elaracapital.com - +91 22 6164 8543
Ashok Agarwal - ashok.agarwal@elaracapital.com - +91 22 6164 8558



India, APAC & Australia

Sudhanshu Rajpal - sudhanshu.rajpal@elaracapital.com - +91 22 6164 8508
Joshua Saldanha - joshua.saldanha@elaracapital.com - +91 22 6164 8541
Shraddha Shrikhande - shraddha.shrikhande@elaracapital.com - +91 22 6164 8567



India & UK

Prashin Lalvani - prashin.lalvani@elaracapital.com - +91 22 6164 8544



India & US

Karan Rathod - karan.rathod@elaracapital.com - +91 22 6164 8570



Corporate Access, Conference & Events

Anita Nazareth - anita.nazareth@elaracapital.com - +91 22 6164 8520
Tina D'souza - tina.dsouza@elaracapital.com - +91 22 6164 8595

Access our reports on Bloomberg: Type **RESP ESEC <GO>**

Also available on **Thomson & Reuters**

Elara Securities (India) Private Limited

Registered Office Address: One International Center, Tower 3, 21st Floor, Senapati Bapat Marg, Elphinstone Road (West) Mumbai – 400 013, India Tel : +91 22 6164 8500
CIN: U74992MH2007PTC172297 | SEBI Research Analyst Registration No.: INH000000933
Member of BSE Limited and National Stock Exchange of India Limited | SEBI REGN. NO.: INZ 000 238236
Member of Central Depository Services (India) Limited | SEBI REGN. NO.: IN-DP-370-2018
Investor Grievance Email ID: investor.grievances@elaracapital.com - Tel. +91 22 6164 8509
Compliance Officer: Mr. Anand Rao - Email ID: anand.rao@elaracapital.com - Tel. +91 22 6164 8509