

Metals and Mining

1QFY26 preview: Steel prices, benign raw material costs to drive earnings

We estimate operating profits across our metals coverage universe to expand by ~3% QoQ in 1QFY26, driven by improved realisations and lower input costs. Indian steel prices improved sequentially in 1Q - flat product prices increased by ~INR3k/t while long product prices improved by INR0.6k/t. Steel companies have guided for a ~USD10-15/t reduction in coking coal consumption cost for 1QFY26. Consequently, spreads for Indian steel producers are likely to expand by ~INR2k/t in 1Q, driven largely by improved realisations and lower coking coal consumption costs partially offset by high iron ore prices and lower scale. Volumes are expected to remain soft given a seasonally higher base in 4Q. However, spot spreads for steel players remain weak with spot HRC and rebar prices trending down in Jun'25 and Jul'25. Although, with China HRC prices witnessing a recent uptrend, Indian steel prices are expected to follow – hinting towards a strong 2H for steel players. Non-ferrous players are expected to witness a subdued quarter with LME prices witnessing a downtrend compared to 4Q given macroeconomic uncertainty. Average LME Aluminium came in at ~USD2.46k/t in 1QFY26, down by ~USD160/t compared to 4Q. A slowdown in global demand might impact Novelis margins in the near-term but the long-term outlook for Hindalco continues to remain buoyant. Within our coverage, JSPL (lowest leverage, highest projected volume growth), Hindalco and Tata Steel remain our preferred picks.

- **China steel prices remain muted amid weak demand:** China's domestic HRC and rebar prices declined ~4% QoQ in 1Q to USD448/t and USD466/t, respectively, driven by continued demand weakness in the real estate sector. China's CY24 steel exports surged 22% YoY to 111mn tonnes, with Apr'25 exports at 10.5mn tonnes (+13% YoY). Despite on-going stimulus, subdued domestic demand and rising exports may weigh on global steel prices. While China has announced intentions to curtail domestic production, any material impact could lend support to prices.
- **Global steel-making raw material prices remain soft:** Coking coal prices currently trade at USD180/t, down USD4/t from 1QFY26 average of USD184/t. Iron ore CFR prices declined 4% QoQ to USD92/t, with spot levels currently lower at USD89/t. The soft raw material environment continues to be supportive for steel margins globally.
- **Indian steel players to witness improved spreads in 1Q:** Realisations for Indian steel players are expected to witness an uptrend in 1Q with the recently imposed 12% safeguard duty on flat products in April. Average domestic HRC prices came in at INR51.8k/t, an increase of ~INR3k/t compared to 4Q. Longs prices increased to ~INR43.4k/t, up ~INR0.6k/t compared to 4Q. NMDC announced a price hike (INR440/t) and a price cut (INR150/t) in May'25 and Jun'25 respectively. Steel companies guided for a ~USD10-15/t decline in coking coal consumption cost for 1Q. Consequently, Indian ferrous players are likely to witness an EBITDA/t expansion to the tune of ~INR 2k/t in 1Q given higher realisations and lower coking coal costs, partially offset by high iron ore prices and lower scale. Operating leverage is usually lower in 1Q compared to a seasonally strong 4Q. JSPL (low leverage, high volume growth over next few years), Hindalco and Tata Steel remain our top picks in the space.
- **Non-Ferrous players to witness a subdued quarter:** Non-ferrous players are expected to witness a subdued quarter with LME prices witnessing a downtrend compared to 4Q given macroeconomic uncertainty. Average LME Aluminium came in at USD2.46k/t, down by ~USD160/t compared to 4Q. A slowdown in global demand might impact Novelis margins in the near-term but the long-term outlook for Hindalco continues to remain buoyant. Hindustan Zinc is also expected to witness a soft quarter given lower LME Zinc prices (down ~USD200/t QoQ in 1Q) and lower refined metals volume reported in 1Q.
- **China landed steel prices at a discount to domestic prices; spot spreads remain weak:** The recently imposed 12% provisional safeguard duty reduced the price differential between domestic HRC and imported material. Landed HRC from China now stands at ~INR49.8k/t, reflecting a discount of INR1k/t compared to a discount of INR1.2k/t earlier in 4Q. Spot spreads remain weak with spot HRC and rebar prices down by ~INR1k/t and ~INR3.5k/t compared to 1Q average.

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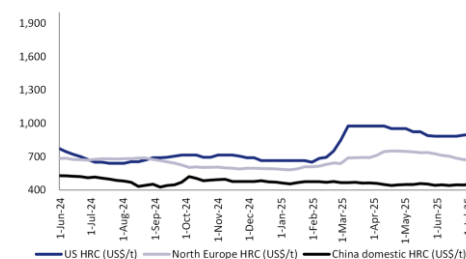
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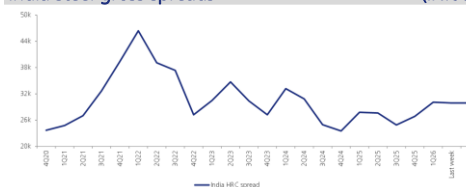
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Divergence in China & US, Europe HRC prices (US\$/t)



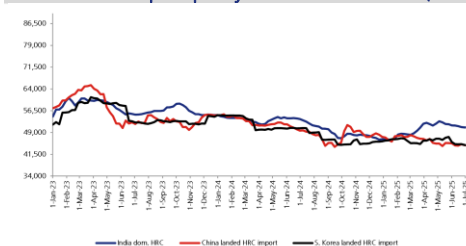
Source: Bloomberg, JM Financial

India steel gross spreads (INR/t)



Source: BigMint, Bloomberg, JM Financial

Steel landed import parity trend (INR/t)



Source: BigMint, Bloomberg, JM Financial

JM Financial Research is also available on:
Bloomberg - JMFR <GO>,
Thomson Publisher & Reuters,
S&P Capital IQ, FactSet and Visible Alpha

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

Exhibit 1. Metal Companies Preview (1QFY26)

(INR bn)

Company	Net Sales	YoY (%)	QoQ (%)	EBITDA	YoY (%)	QoQ (%)	PAT	YoY (%)	QoQ (%)	Remarks
Tata Steel	542	-1.1%	-3.6%	70	1.0%	7.9%	18	85%	36%	We estimate blended realizations to improve by ~INR2.5k/t QoQ led by sequentially higher flats prices. Standalone volumes came in at 4.75mn tons (-15% QoQ). We estimate blended EBITDA/ton to increase sequentially to INR14,565 (up by ~INR1,304 QoQ) led by higher realizations
Jindal Steel and Power	123	-9.8%	-6.8%	24	-14.3%	7.1%	9	-31%	4%	We expect standalone volumes to decline 10% QoQ at 1.91 mn tons. We estimate EBITDA/ton to increase sequentially by ~INR2.4k/t to INR12,522 (+25 QoQ) led by higher realizations during the quarter.
SAIL	273	13.9%	-6.7%	38	69.1%	7.8%	13	242%	5%	We estimate realizations to improve by ~INR2k/t QoQ. We estimate volumes to decrease by ~10% QoQ to 4.8 mn tons EBITDA/ ton is expected at INR7,827 (up by ~INR1.3k/t QoQ).
Shyam Metalics and Energy	42	15.0%	0.5%	5.4	6.7%	1.0%	2.4	-18%	3%	We estimate blended realization to increase QoQ by INR1500/t to ~INR61.5k/t and volumes to increase sequentially by ~2% to 0.70 mn tons. We estimate EBITDA/t to improve by ~INR236/t in 1Q
Welspun Corp	42	31.0%	5.0%	4.7	25.5%	2.0%	2.5	-33%	-45%	We estimate EBITDA to witness marginal growth sequentially (+2% QoQ)
Hindalco Industries	573	0.6%	-11.6%	83	9.8%	-13.3%	42	38%	-20%	We estimate India EBITDA (standalone + Utkal) at INR48 bn (-16% QoQ) led by lower aluminium realization (-7% QoQ). We estimate Novelis realization to be down ~5% QoQ to 4,553. Novelis EBITDA is expected at USD433mn (-18%QoQ) with EBITDA/t of USD447/t, down by USD47/t..
Hindustan Zinc	77	-5.2%	-15.2%	38	-4.8%	-22.1%	20	-13%	-32%	We estimate blended realization to decline by ~USD148/ ton led by lower zinc prices. Zinc production came in at 202k/t (down ~7% QoQ) while Lead/ Silver production witnessed decline by ~14% and 16% in 1Q respectively We estimate EBITDA to be down to INR37.6bn (-22% QoQ) mainly led by lower volumes and lower zinc prices
Kirloskar Ferrous	17	12.2%	-0.7%	1.9	1.1%	-6.3%	0.8	20%	-9%	We estimate blended realization to improve sequentially by ~2% to ~INR74k/t on the back of higher price trends. We estimate consol. EBITDA at ~INR1.9bn (-6% QoQ).)
NMDC	65	20.2%	-7.1%	23	-2.3%	11.4%	18	-9%	21%	We estimate blended realization to increase by INR100/ ton QoQ. Sales volume for the quarter reported at 11.6mn tons (-9% QoQ) for 1QFY26. We estimate EBITDA/ ton at INR1,970 (+22% QoQ)
Lloyds Metals & Energy	29	19.6%	142.3%	8	5.2%	189.6%	6	-1%	175%	We estimate EBITDA/ ton to grow to INR1,891/t (up by ~INR0.3k/t QoQ) We estimate iron ore realizations to grow by ~4% QoQ to INR5.9k/t
Jindal Stainless	101	7.0%	-1.1%	11	-5.9%	7.5%	5.9	-7%	0%	We estimate realizations to improve marginally by ~2% QoQ We estimate volumes to decrease by ~3% QoQ in 1Q given higher seasonal base in 4Q. We estimate EBITDA/t at ~INR18.3k/t for 1QFY26, up by ~INR1.8k/t QoQ.
Total	2367	4.7%	-3.7%	385	12.1%	2.5%	161	25.2%	-1.7%	

Source: Company, JM Financial

Exhibit 2. WSA crude steel production data summary

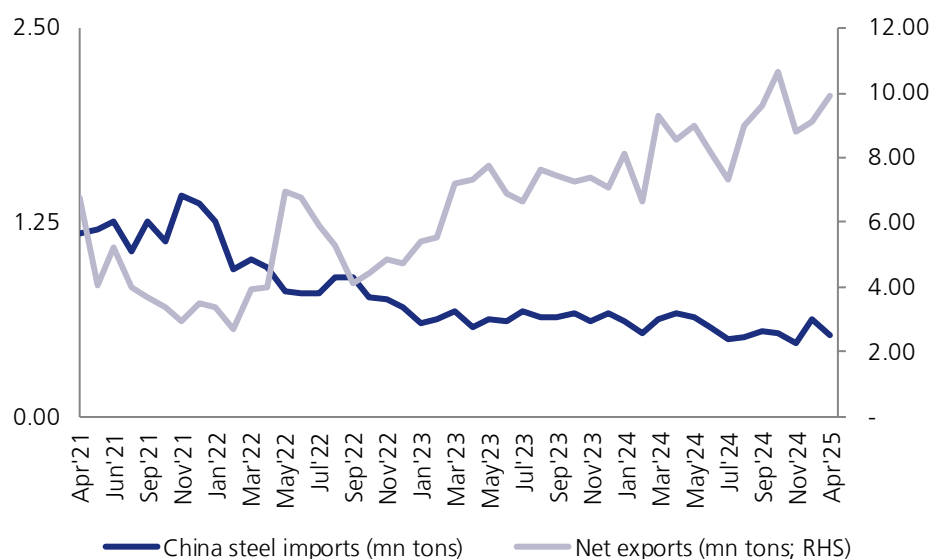
Geography	CYTD25 (mn tons)	(%) YoY	May'25 (mn tons)	YoY (%)	MoM (%)
Global	776.7	-0.3	158.8	-3.8	2.0
China	426.2	0.2	86.6	-6.8	0.7
India	66.5	8.5	13.5	10.7	4.7
World (ex-China)	350.5	-0.8	72.2	0.0	3.6
Japan	33.8	-5.6	6.8	-5.6	3.0
US	32.9	-2.7	7.0	1.4	6.1
EU 27	54.6	-1.4	11.4	-2.6	2.7
CIS	34.7	-5.7	7.0	-9.1	1.4

Source: WSA, JM Financial Note: CYTD is till May'25

Exhibit 3. WSA finished steel demand forecast – Oct'24 outlook

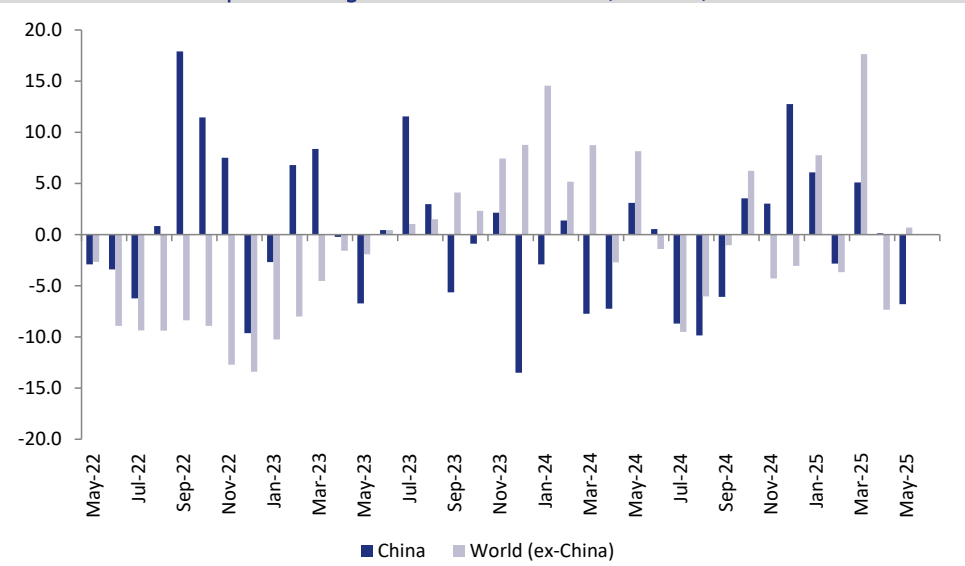
Regions	2023	YoY	2024F	YoY	2025F	YoY
EU (28)	139	(8.7)	137	(1.5)	141	3.5
Other Europe	45	14.7	43	(4.9)	42	(0.7)
CIS	60	11.5	61	0.3	60	(0.8)
USMCA	133	(0.3)	131	(0.9)	133	1.6
Cen. & S. America	46	1.0	46	(0.2)	48	4.8
Africa	35	0.5	37	4.8	39	4.8
Middle East	54	4.2	57	5.0	59	3.3
Asia & Oceania	1,256	(1.2)	1,241	(1.2)	1,249	0.7
World	1,767	(0.8)	1,751	(0.9)	1,772	1.2
China	896	(3.3)	869	(3.0)	860	(1.0)
% of total	51%		50%		49%	
World (excluding China)	871	2.0	882	1.2	911	3.3
India	133	14.4	143	8.0	156	8.5

Source: WSA, JM Financial

Exhibit 4. China Steel net exports

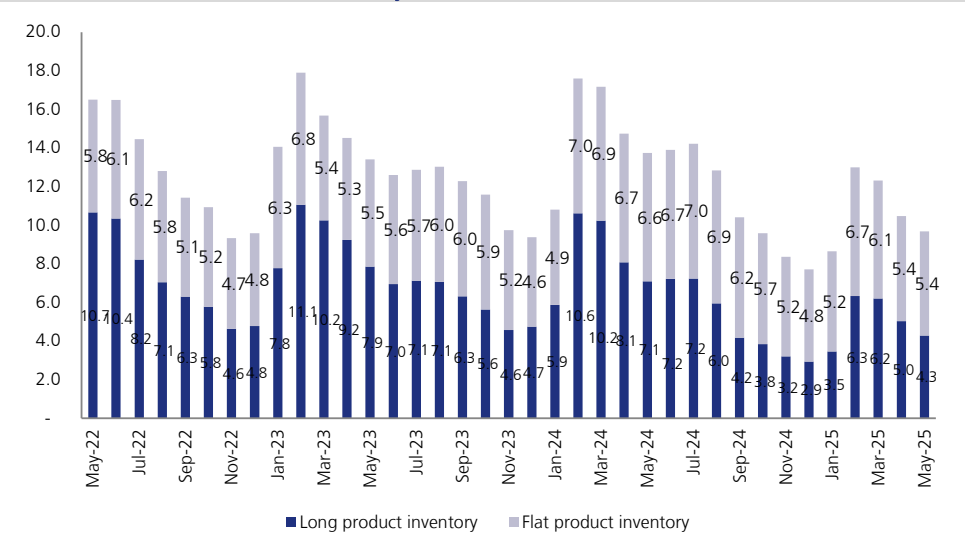
Source: GACC, JM Financial

Exhibit 5. Crude steel production growth - China vs World (ex-China)



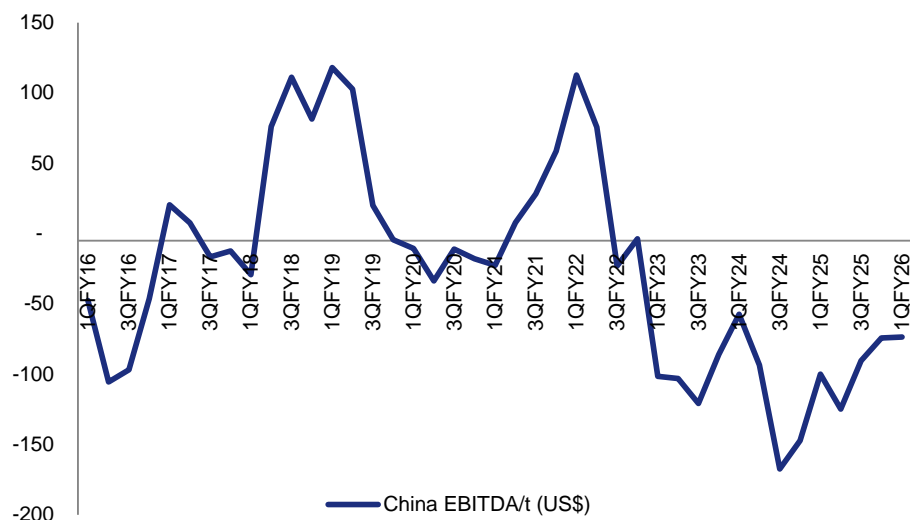
Source: WSA, JM Financial

Exhibit 6. China finished steel inventory in market (with middleman; mn tons)



Source: Bloomberg, JM Financial

Exhibit 7. China EBITDA/t performance over the years



China margins improve in recent time

Source: JM Financial

Exhibit 8. China steel demand indicators

China Construction Summary	2023	2024	Feb-25	Mar-25	Apr-25	May-25
Total Real estate Floor space started this year (YTD mn sq mtrs)	954	739	66	130	178	232
YTD YoY(%)	-21%	-23%	-30%	-25%	-24%	-23%
Commercialized Residential Floor space started this year (YTD mn sq mtrs)	693	537	48	95	132	171
YTD YoY(%)	-21%	-23%	-29%	-24%	-23%	-21%
Total real estate Floor space under construction (YTD mn sq mtrs)	8,384	7,333	6,060	6,137	6,203	6,250
YTD YoY(%)	-7%	-13%	-9%	-10%	-10%	-9%
Total Commercial building Floor space sold (YTD mn sq mtrs)	1117	974	107	219	283	353
YTD YoY(%)	-18%	-13%	-5%	-4%	-3%	-4%
Commercialized Residential Floor space under construction (YTD mn sq mtrs)	5,899	5,133	4,214	4,272	4,319	4,354
YTD YoY(%)	-8%	-13%	-10%	-10%	-10%	-10%
Commercialized Residential building sold (YTD mn sq mtrs)	948	815	92	185	239	297
YTD YoY(%)	-17%	-14%	-4%	-2%	-3%	-3%
China Consumer demand – Summary			-	-	-	May-25
Total vehicle sales ('000 units)	30,046	31,426	2,129	2,915	2,590	2,686
YoY%	12%	31%	34%	8%	10%	11%
China Macro Summary						May-25
GDP growth %			-	5.4	-	-
IIP	6.8	6.2	-	7.7	6.1	5.8
Manufacturing PMI	49.0	50.1	50.2	50.5	49.0	49.7
New Loan YoY growth (YTD)	6.7	-20.5	-3.6	3.3	-1.3	-4.1

Source: Bloomberg, JM Financial, Xinhuanet.com

Exhibit 9. Crude Steel capacities in India**(in mnt)**

Particulars	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Tata Steel	19.6	20.6	21.6	21.6	26.6	27.4	27.4
JSPL	8.6	9.6	9.6	10.0	16.3	16.3	16.3
AM/NS (Essar Steel)	9.6	9.6	9.6	9.6	9.6	15.0	15.0
SAIL	21.4	21.4	21.4	21.4	21.4	21.4	21.4
RINL	7.3	7.3	7.3	7.3	7.3	7.3	7.3
NMDC	-		3.0	3.0	3.0	3.0	3.0
Others*	55.0	55.0	57.0	59.0	61.0	63.0	63.0
India's total crude steel capacity	142.0	150.5	157.2	165.1	182.2	190.4	190.4

Source: Industry, JM Financial

Exhibit 10. India finished steel production and consumption

Particulars ('000 tons)	May'25	MoM(%)	YoY(%)	YTD '25	YoY (%)
Production	12,992	4%	8%	25,457	7%
Import	428	-18%	-41%	947	-28%
Export	391	4%	-9%	766	-18%
Change in inventory	-83			492	
Apparent steel consumption	13,113	9%	6%	25,145	7%
Finished steel inventory	13,030	3%	6%	25,637	6%

Source: JPC, JM Financial; Note – YTD is till May'25

Exhibit 11. India finished steel production by key players

Particulars ('000 tons)	Apr'25	May'25	YoY%	MoM%
SAIL	1,294	1,346	4%	10%
RINL	356	325	-9%	78%
TSL	1,454	1,712	18%	-9%
ESSAR	583	653	12%	-2%
JSPL	2,177	615	12%	-2%
OTHERS	6,051	6,389	6%	14%
Total production	12,464	12,992	4%	8%

Source: JPC, JM Financial

Exhibit 12. Steel volume trend

(mn tons)	4QFY25	3QFY25	2QFY25
JSPL			
Production (Std.)	2.11	1.99	1.97
YoY (%)	2.9%	2.58%	4%
MoM/QoQ (%)	6%	1.02%	-4%
Sales (Std.)	2.13	1.90	1.85
YoY (%)	6%	4.97%	7.96%
MoM/QoQ (%)	12%	2.70%	-11%
Tata Steel India			
Production	5.44	5.68	5.28
YoY (%)	1%	6.17%	7.5%
MoM/QoQ (%)	4%	7.57%	0.19%
Sales	5.6	5.29	5.11
YoY (%)	3.32%	8.40%	6%
MoM/QoQ (%)	5.9%	3.52%	3.44%
SAIL			
Production	5.09	4.63	4.76
YoY (%)	7.8%	0.65%	-1%
MoM/QoQ (%)	9.9%	-2.73%	2%
Sales	5.33	4.43	4.10
YoY (%)	16.9%	16.58%	-14%
MoM/QoQ (%)	20.3%	8.05%	2%

Source: Company, JM Financial

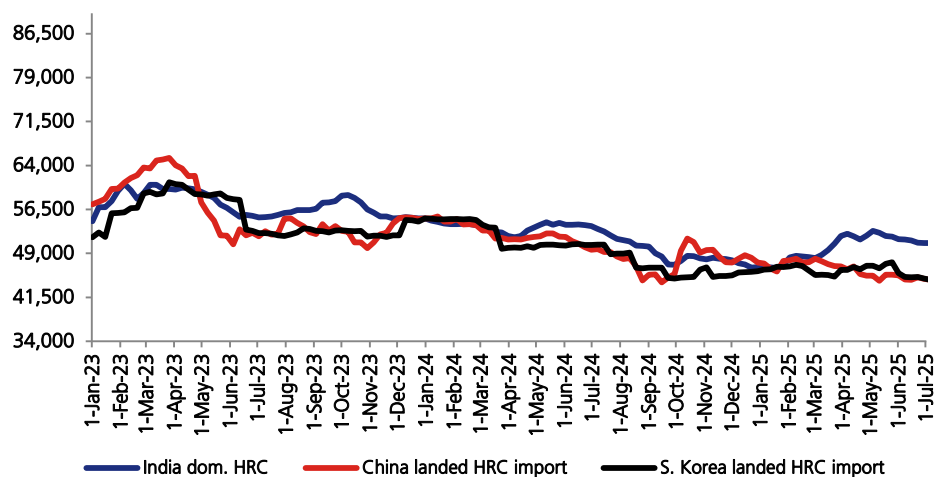
Exhibit 13. Steel landed import parity

Particulars	Unit	Spot China	Spot S.Korea
HRC export prices	(US\$/ton)	445	485
Add: Freight & other import costs	(US\$/ton)	35	35
HRC prices (CIF)	(US\$/ton)	480	520
Add: Basic Custom duty (7.5% / 12% safeguard duty)	(US\$/ton)	94	-
Add: Social Welfare Surcharge (10% on basic custom duty)	(US\$/ton)	9	-
Landed cost of imports (before protectionist duties)	(US\$/ton)	583	520
Add: Anti-dumping duty	(US\$/ton)	-	-
Steel price as per anti-dumping duty notification	(US\$/ton)	489	489
Landed cost of imports (Post protectionist duties)	(US\$/ton)	583	520
INR/USD	(INR/USD)	85.4	85.4
Cost of steel imports –HRC	(INR/ton)	49,785	44,408
Domestic Steel prices	(INR/ton)	50,800	50,800
Domestic Less Landed import price	(INR/ton)	1,015	6,392

Source: BigMint, Bloomberg, JM Financial, updated as of: 7th July'25

Exhibit 14. Steel landed import parity trend

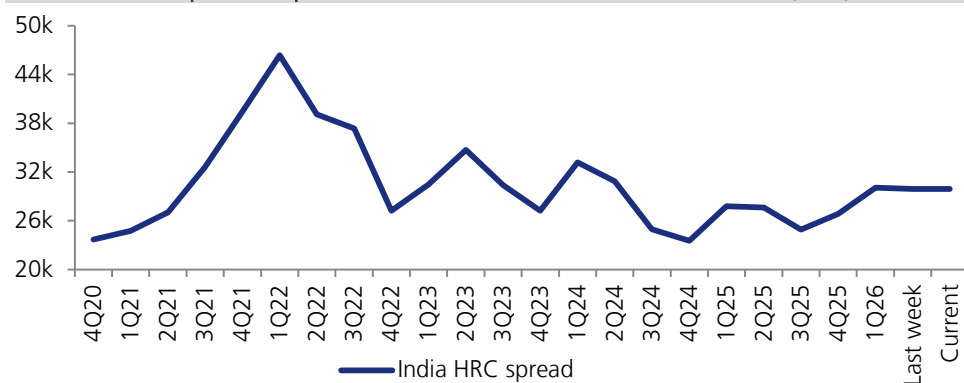
(INR/t)



Source: BigMint, Bloomberg, JM Financial

Exhibit 15. India spot steel spreads near 24k levels

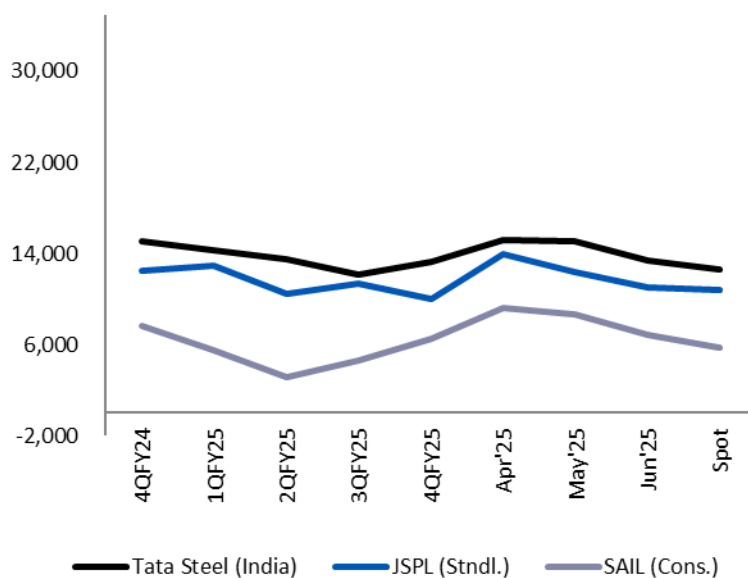
(INR/t)



Source: BigMint, Bloomberg, JM Financial

Exhibit 16. Spreads across steel companies

(INR/t)



Source: JM Financial

Exhibit 17. Metal price trend

Particulars	Cur.	CMP	last week	4Q25	3Q25	2Q25	1Q25	4Q24
Steel								
India dom HRC	INR	50,800	50,750	48,431	47,765	50,331	53,510	53,600
India dom Rebar	INR	39,700	40,400	42,850	42,968	41,939	46,804	43,053
India exp HRC	USD	495	495	560	560	560	561	594
China dom HRC	USD	454	447	467	485	469	527	549
China dom Rebar	USD	459	459	485	508	493	529	565
South Korea exp HRC	USD	485	485	498	504	534	568	613
China exp HRC	USD	445	445	470	501	482	534	561
Japan exp HRC	USD	450	460	481	503	525	563	601
North European HRC	USD	674	686	636	598	671	686	783
USA HRC	USD	900	895	794	696	669	778	957
Stainless Steel (304)	INR	1,84,000	1,82,000	1,78,308	1,80,308	1,79,692	1,77,385	1,75,154
FerroChrome	INR	99,800	1,00,000	99,742	1,08,256	1,07,187	1,08,188	1,16,715
Iron ore China CFR	USD	89	88	96	95	93	104	116
NMDC iron ore fines	INR	4,008	4,421	4,206	4,377	4,017	4,420	4,299
Pellets	INR	7,900	7,900	8,229	8,177	7,248	8,504	8,627
Coking Coal	USD	180	173	185	203	211	243	305
India spread	INR	29,921	29,922	27,327	25,087	27,771	27,826	23,620
Global spread (on China HRC)	INR	11,730	12,171	11,495	11,785	10,027	11,031	6,458
Landed cost of HRC imports								
China	INR	49,785	49,841	45,752	48,394	46,482	51,298	53,321
South Korea	INR	44,408	44,458	44,649	44,991	47,235	50,238	53,550
Aluminium	USD	2,605	2,595	2,625	2,604	2,421	2,565	2,241
LME Al - Scrap spread	USD	885	875	871	911	776	795	654
Zinc	USD	2,751	2,779	2,871	3,060	2,830	2,877	2,475
Silver	INR/kg	1,07,340	1,04,819	91,003	85,603	85,168	71,517	71,859
Copper	USD	9,955	9,878	9,419	9,318	9,340	9,873	8,540
Dollar index		97	97	107	105	103	105	104
Baltic dry index		1,434	1,521	1,118	1,465	1,871	1,848	1,824
Richard bay index		97	91	96	110	110	108	96

Source: BigMint, Bloomberg, JM Financial; updated as of 7th July 2025

Exhibit 18. NMDC Chhattisgarh iron ore prices have increased sequentially

(INR/t)

Particulars (INR/t)	Apr 23	May 24	Jun 24	Aug 24	Oct 24	Oct 24	Jan 25	May 25	Jun 25	Jul 25
Lumps	5,124	5,331	4,917	4,421	4,752	5,248	4,959	5,322	5,207	4711
Fines	4,347	4,636	4,223	3,810	4,140	4,471	4,182	4,545	4,521	4008
Change (vs. previous price)										
Lumps	331	207	(413)	(496)	331	496	(289)	364	(116)	(496)
Fines	165	289	(413)	(413)	331	331	(289)	364	(124)	(413)

Source: Company, JM Financial, Note: The prices are excluding Royalty, DMF and NMET

Exhibit 19. Metal companies - target price

(INR/sh)

Company	Rating	TP
Tata Steel	BUY	178
Jindal Steel and Power	BUY	1020
SAIL	SELL	90
Shyam Metals and Energy	BUY	900
Welspun Corp	BUY	980
Hindalco Industries	BUY	800
Hindustan Zinc	BUY	550
Kirloskar Ferrous	BUY	610
Lloyds Metals and Energy	BUY	1600
Jindal Stainless	BUY	720
NMDC	HOLD	72

Source: JM Financial

Exhibit 20. Comparative valuations

	EV/EBITDA (x)		P/E (x)		RoE (%)		P/B (x)		Net Debt/EBITDA (x)	
	CY24E/ FY25E	CY25E/ FY26E	CY24E/ FY25E	CY25E/ FY26E	CY24E/ FY25E	CY25E/ FY26E	CY24E/ FY25E	CY25E/ FY26E	CY24E/ FY25E	CY25E/ FY26E
Steel players	9.1	6.8	15.8	9.7	9.0	9.5	1.5	1.0	0.5	0.5
Tata Steel	11.0	8.3	9.7	0.0	16.0	0.0	1.6	0.0	3.3	2.5
SAIL	8.6	8.6	20.6	23.2	4.6	4.0	0.9	0.9	2.8	3.4
Jindal Steel and power	11.7	8.8	23.8	14.8	8.6	12.2	2.0	1.8	1.3	1.1
Shyam Metals	12.2	7.3	25.6	14.0	8.6	13.7	2.2	1.9	-0.3	-0.2
	44.1	14.1	55.5	17.2	22.6	35.4	12.6	6.1	0.0	-0.1
Nippon	4.2	4.2	7.0	7.0	7.4	7.4	0.5	0.5	0.1	0.1
JFE	5.5	5.5	7.1	7.1	6.1	6.1	0.4	0.4	0.1	0.1
Maanshan	11.7	11.7	7.7	7.7	6.8	6.8	0.5	0.5	0.1	0.0
Angang	11.4	11.4	64.0	NA	0.3	0.3	0.4	0.4	0.1	0.1
Baosteel	5.6	5.6	11.5	11.5	6.3	6.3	0.7	0.7	0.1	0.1
POSCO	5.1	5.1	11.4	11.4	3.9	3.9	0.4	0.4	0.1	0.1
Arcelor Mittal	4.3	4.3	6.2	6.2	7.2	7.2	0.4	0.4	0.1	0.1
Salzgitter	3.1	3.1	6.4	6.4	4.9	4.9	0.3	0.3	0.1	0.1
Thyssenkrupp	2.2	2.2	8.9	8.9	6.7	6.7	0.6	0.6	0.0	0.0
BHP	5.6	5.6	12.6	12.6	20.1	20.1	2.2	2.2	0.5	0.5
Rio Tinto	4.5	4.5	9.4	9.4	16.7	16.7	1.4	1.4	0.4	0.4
US Steel	7.7	7.7	17.4	17.4	6.4	6.4	1.0	1.0	0.1	0.1
Gerdau	3.4	3.4	5.9	5.9	8.2	8.2	0.5	0.5	0.1	0.2
NMDC	6.7	5.4	4.7	3.4	19.0	22.8	0.9	0.8	-1.1	-1.2
Hindalco	8.3	7.8	14.6	14.2	10.8	9.9	1.6	1.4	1.2	1.2
Hindustan Zinc	10.2	12.9	16.9	22.9	81.3	51.1	13.8	11.7	0.0	-0.1

Source: Bloomberg, JM Financial; Note Valuations at close of 10th July 2025

APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

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Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
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