

## Metal Sector Update

### Steel (\$/t)

Prices	Current	YTD-12*	YTD-11*	% yoy
<b>Benchmark</b>	<b>651</b>	<b>646</b>	<b>743</b>	<b>-13.1</b>
China Export	645	638	713	-10.5
EU Domestic	733	709	831	-14.7
Indian HRC (Rs/t)	37172	35844	35817	-
Iron Ore	148	148	185	-20.0
Met Coke	375	379	409	-7.3
Thermal Coal	103	106	122	-13.1

\* Avg prices

### Inventory Position – China

mn tonne	Current	Apr-12	Apr-11	% yoy
Iron ore	92.9	92.9	82.3	12.9
Steel	22.9	22.9	27.8	-17.6

### Base Metals (\$/t)

Prices	Current	YTD-12*	YTD-11*	% yoy
<b>Copper</b>	<b>8537</b>	<b>8318</b>	<b>9599</b>	<b>-13.4</b>
Aluminium	2082	2151	2542	-15.4
Zinc	2047	2382	2389	-0.3
Lead	2173	2088	2628	-20.6

\* Avg prices

### LME Inventory Position

mn tonne	Current	Apr-12	Apr-11	% yoy
Copper	0.24	0.25	0.46	-46.4
Aluminium	5.0	5.0	4.6	8.9
Zinc	0.91	0.9	0.8	11.2
Lead	0.37	0.36	0.31	9.3

### BSE Metal Vs Sensex Chart



### Steel Sector News

- World steel association, in its April-2012 short range outlook, has come out with steel consumption estimates for CY-12 and CY-13. WSA estimates that world apparent steel consumption to increase by 3.6% yoy in CY12 and 4.5% yoy in CY-13. During the same period China is estimated to see consumption growth of 4.0% each year, while India's steel consumption is expected to increase by 6.9% and 9.4% during CY12 and CY-13, respectively.
- Chinese finished steel inventory levels, since Feb-12, have continuously been witnessing decline and are currently running at last two year's low. Though the pace of inventory decline has been slow, nevertheless falling inventory levels is indicating gradual pick-up in demand when seen in context of ever increasing Chinese crude steel production.
- Domestic steel prices; both long and flat, remained fairly stable and we expect them to remain so for next couple of months as domestic prices now are at parity with landed steel which is largely aided by rupee depreciation and increase in excise duty.
- World HRC prices remained flat as demand is yet to see meaningful pick up in major steel consuming sectors. Lower or stable raw material prices have further aided in supporting stable steel prices. **With Europe yet to show any meaningful signs of revival and expected lower consumption growth in China are likely to limit significant jump in steel prices and thus we expect steel prices to stabilise at current levels.**
- Iron ore prices declined marginally from recent levels of US \$150/t amid a shaky outlook for steel. Notably price decline has come on the back of declining iron ore inventories. **We expect iron ore price to remain stable at current levels due to fairly stable; though falling, iron ore inventories and incremental demand coming from higher crude steel production.**

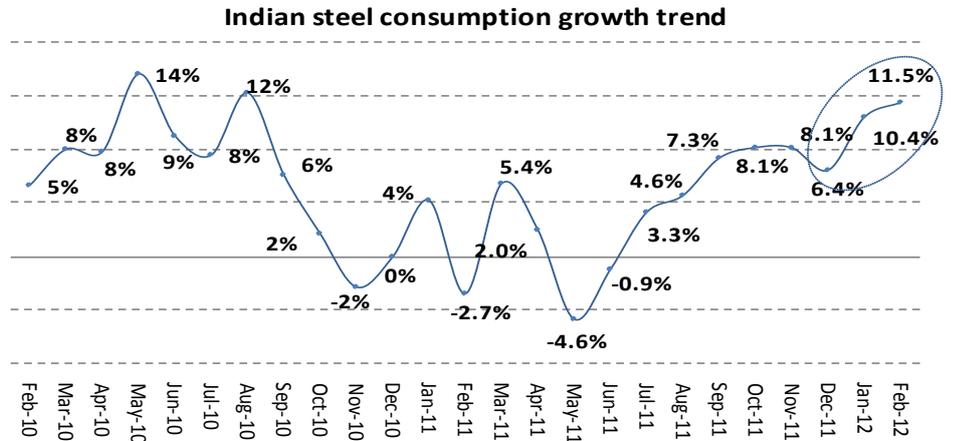
### Base Metal News

- Base metal prices gained during the last fortnight on the back of positive economic data coming in from the US and China. China reported fifth consecutive month of manufacturing expansion enticing buying interest in base metals. Copper, lead, zinc and aluminium gained 6.0%, 4.2%, 2.9% and 2.7% respectively, on LME during last fortnight.
- We expect base metal prices to remain volatile as they look to take cues from uncertainty surrounding European debt issues and economic data outcome from countries like China and the US.**



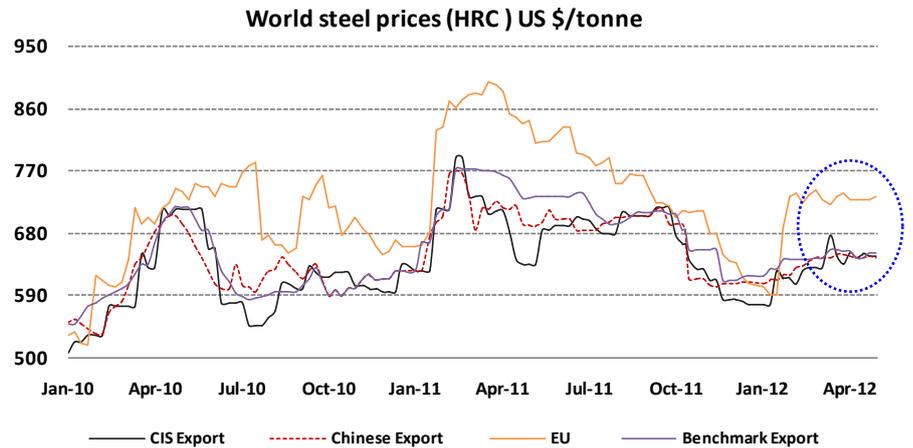
Ferrous Sector:

Apparent steel consumption between April-Feb-12 has gone up by 4.4% yoy.



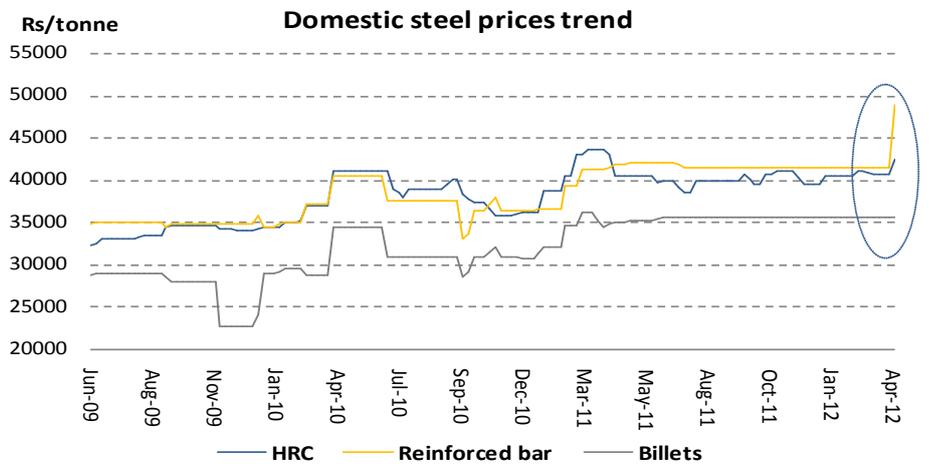
Source: Bloomberg, Arihant Research

HRC prices world over remained flat on mom basis.



Source: Bloomberg, Arihant Research

Long steel prices continue to hold strong and are now trading at premium to flat steel.

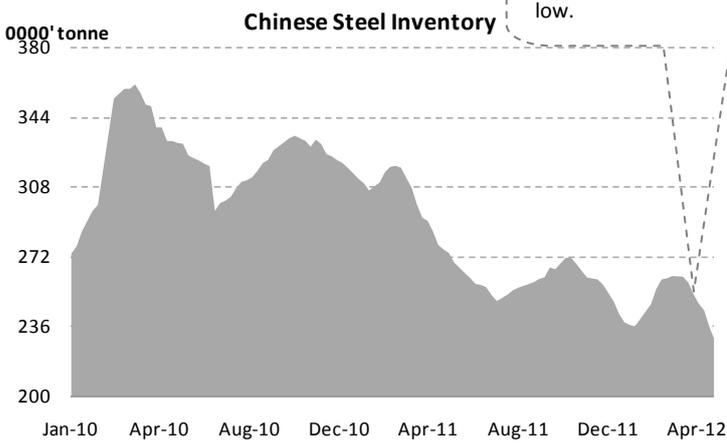
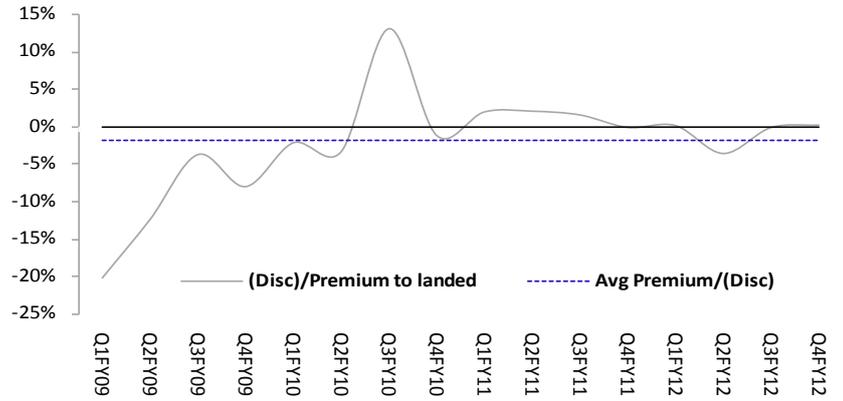


Source: Bloomberg, Arihant Research



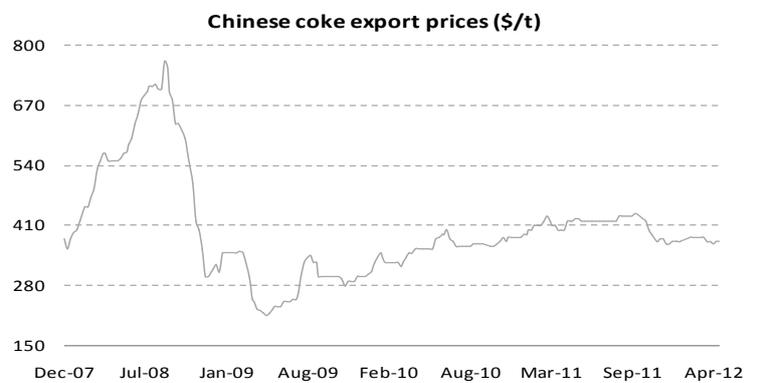
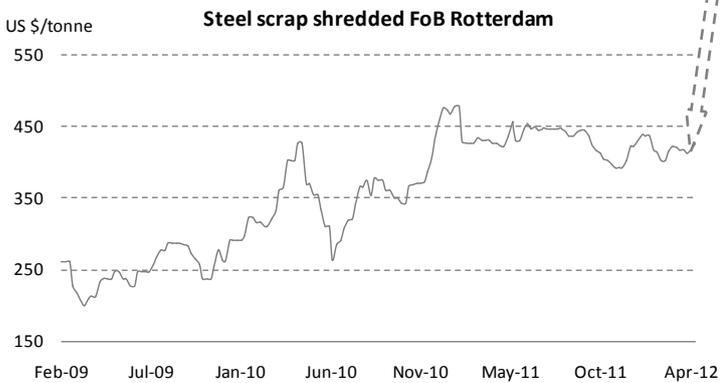
Domestic priced are at par with landed prices thus will not result into further price hike by domestic players.

Domestic Vs landed steel prices– Premium/ (discount)



Source: Bloomberg, Arihant research

Scrap prices have seen marginal improvement.



Source: Bloomberg, Arihant research

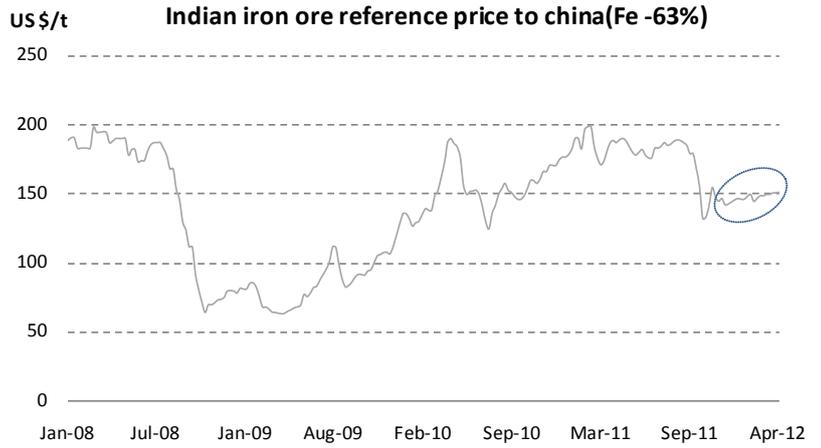


**Iron ore**

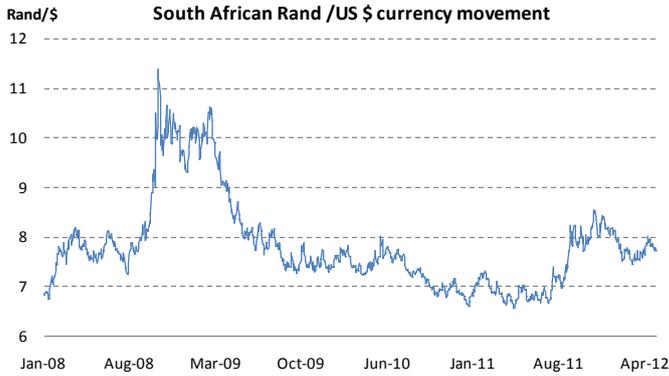
Iron ore prices declined marginally from recent levels of US \$150/t amid a shaky outlook for steel

**Ferrochrome Prices**

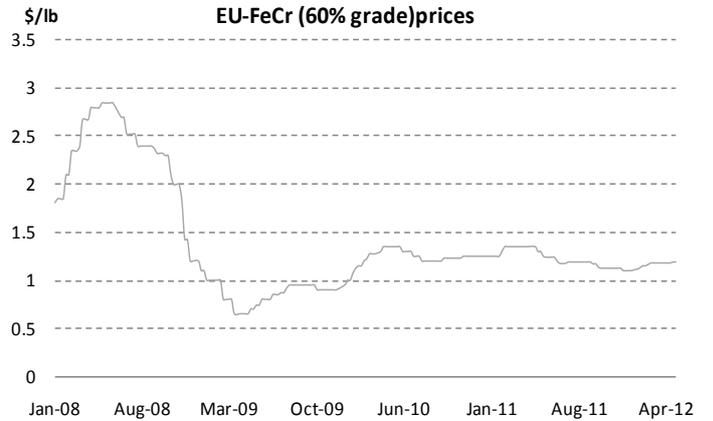
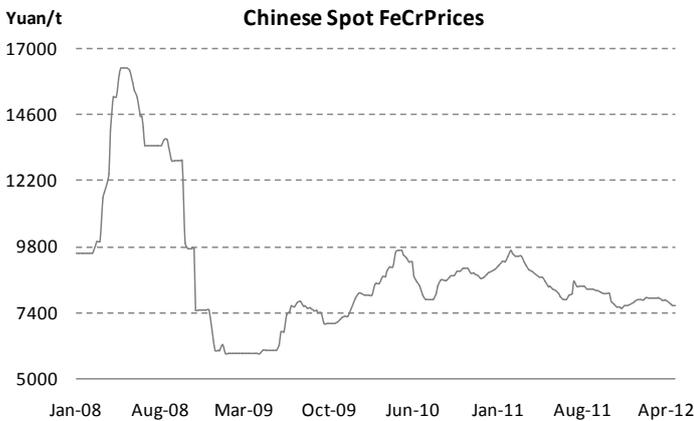
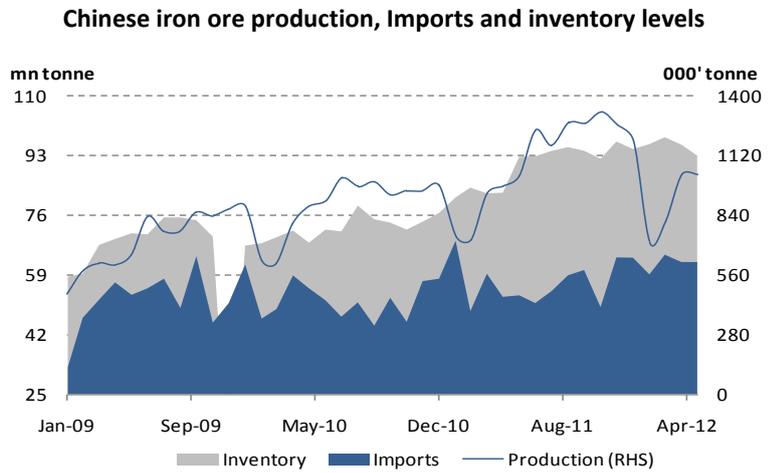
Chinese ferro chrome prices declined ~4% in last one month on expectation of lower stainless steel demand.



Source: Bloomberg, Arihant Research



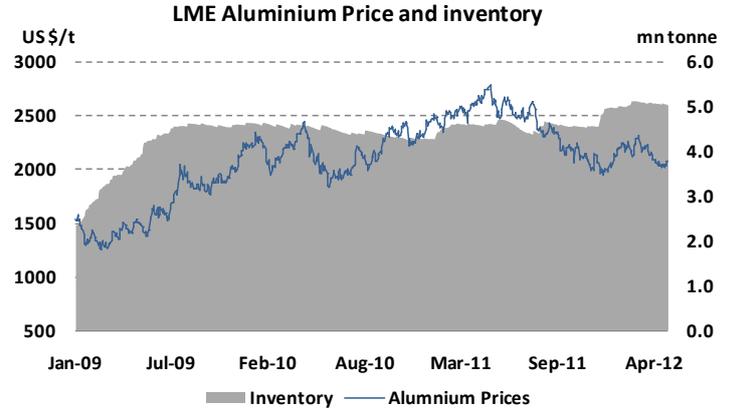
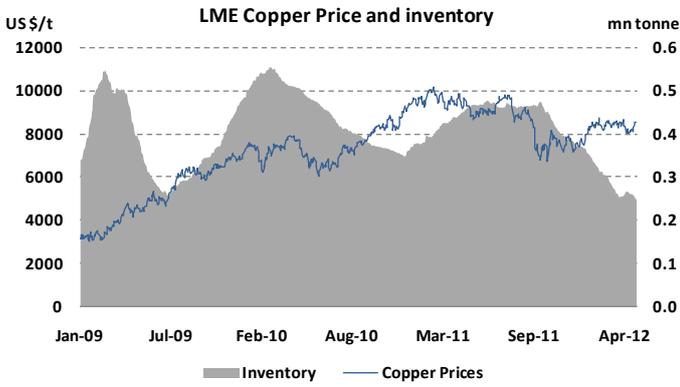
Source: Bloomberg, Arihant Research



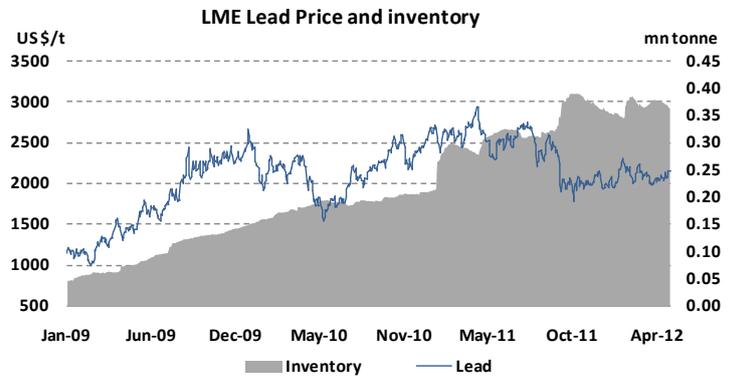
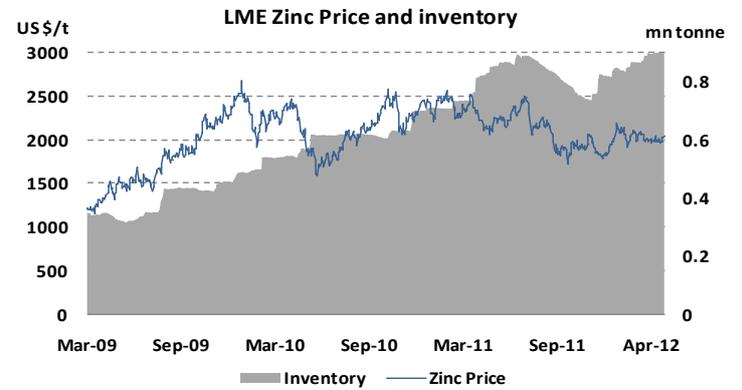
Source: Bloomberg, Arihant research



Non-Ferrous Sector



Base metal prices gained during last fortnight on the back of positive economic data coming in from the US and China.



Source: Bloomberg, Arihant research



### Corporate News

- ✓ *Tata steel has secured a contract worth more than £100mn for its Hartlepool site.*
- ✓ *Steel Authority of India may get a slice of a magnetite mine in Rajasthan's Bhilwara district soon.*
- ✓ *Adhunik Metaliks Limited, sold its forging subsidiary, Neepaz V Forge, to Nagpur Automotive Industries Private Limited.*
- ✓ *JSW Steel's crude steel production in March was down 3% at 5.92 lakh tonnes against 6.1 lakh tonnes achieved in February.*
- ✓ *The Power Ministry may not accept Coal India's minimum penalty clause in the fuel supply agreement and may seek Prime Minister Office's intervention on the issue.*

*Source: Economic Times, Business Standard, Business line.*



Arihant Research Desk

For queries:

E. research@arihantcapital.com

**Head Office**

3<sup>rd</sup> Floor, Krishna Bhuvan,  
67 Nehru Road, Vile Parle (East),  
Mumbai - 400057  
Tel: (91-22) 42254800  
Fax: (91-22) 42254880

**Registered Office**

Arihant House  
E-5 Ratlam Kothi  
Indore - 452003, (M.P.)

**Stock Rating Scale**

**Absolute Return**

BUY	:	>20%
ACCUMULATE	:	12-20%
HOLD	:	5-12%
REDUCE	:	< 5%

Disclaimer: Arihant Capital Markets Limited is not soliciting any action based upon it. This document has been prepared and issued on the basis of publicly available information, internally developed data and other sources believed to be reliable. However we do not represent that it is accurate or complete and it should not be relied upon such. Whilst meticulous care has been taken to ensure that the facts stated are accurate and opinions given are fair and reasonable, neither the analyst nor any employee of Arihant is in any way responsible for its contents. The firm or its employees may trade in investments, which are the subject of this document or in related investments and may have acted upon or used the information contained in this document or the research or the analysis on which it is based. Before its publication the firm, its owners or its employees may have a position or be otherwise interested in the investment referred to in this document. This is just a suggestion and the firm or its employees will not be responsible for any profit or loss arising out of the decision taken by the reader of this document. No matter contained in this document may be reproduced or copied without the consent of the firm.