

Monthly Update - Metaliks

GLOBAL METAL DYNAMICS

Ferrous

- Chinese steel (HRC) export price were flattish in Sep'21 ~\$938/tonne (up by 0.5% MoM). The prices are expected to remain rangebound with slowdown in demand and lower output.
- China Crude steel output down by 4.1% on monthly premises to 83.2mn tonne in Aug'21 and down by 12% on yearly premises owing to curtailed production to control air pollution and prevent excess steel output. Slowing demand and falling exports offset some impact of the significant decrease in production.
- Iron ore prices (CFR China 62% Fe) decreased further substantially by 20.6% on MoM basis to \$127/tonne on lower demand among steel players.
- Australian coking coal (HCC Premium) jumped significantly by 40.6% MoM to \$350/tonne due to tight supply and steady demand in the ex- China market.
- India crude steel production de-grew by 2.3% MoM but increased by 5.6% YoY to 9.6mnt. Domestic consumption decreased by 3.2% on MoM basis to 7.8 mnt
- Domestic steel prices fell in the month of Sep'21 due to a dull auto sector and lower export demand. HRC prices witnessed a decline by 1.5% MoM to Rs 65,620/tonne due to tepid demand and increased selling pressure to suppliers. Rebar price increased by 39% YoY to Rs 46,400/t in Sep'21 on lower base but fell by 5.2% MoM due to decline in raw material prices and sluggish demand.
- Domestic iron ore prices in India declined in the month of September. Prices of iron ore lumps as well as fines fell by Rs 1000/tonne to Rs 6,150/tonne & Rs 5,160/tonne MoM respectively.

Non-Ferrous

- Key metals Aluminium and Zinc rose by 9.2%, and 1.9% to \$2844/t, and \$3054/t respectively, whereas, Copper was flattish at \$9381/t. Lead declined by 3.2% MoM to \$2245/t as on Sep'21.

Outlook:

Performance of Indian metal companies has fallen in the past two months due to higher coking coal price and raw material price taking a dip in Aug-Sep'21. Domestic consumption of steel slumped to 7.8 mnt in Aug'21, a decline of 3% MoM as Auto players opted for production cut owing to shortage of semi-conductor. Exports were also lower and will continue to remain sideways in the short term as Indian mills do not have much order bookings for October shipments on account of European quotas being exhausted and South East Asia still in Covid throes. Indian primary mills, however, will be looking to increase prices in coming months as the monsoon season which is relatively a weak season for steel producers has ended. Although, whether the prices will be able to sustain or not will depend on its demand. The impact of higher coking coal prices may not be visible in Q2 results due to higher inventories and will only be seen from Q3 onwards. With China focusing more on its domestic market due to production curbs, export disincentives and a strict inspections regime, we believe such measures will help to boost Indian steel exports in the medium-to-long term.

Aluminium soared to a 13-year high of \$3,000 per tonne in Sep'21 in London Metal Exchange (LME) on supply concerns. The price surge was triggered by the political turmoil in Guinea, a major producer of bauxite that goes into the making of aluminium, and a cut in production by China, the largest aluminium producer, to control carbon emission from mines. Though aluminium prices have fallen to about \$2,850 per tonne, they remain over 60% higher than a year ago. We believe the outlook is positive for aluminium producers as the prices will sustain given the demand for aluminium is increasing globally.

Monthly Update - Metaliks

Changes In Key Variables

Key Snapshots		Unit				
Ferrous						
		Sep-21	Aug-21	MoM (%)	Sep-20	YoY (%)
Chinese HRC Export Price	USD/Tonne	938	933	0.5	513	82.8
Chinese Iron Ore Price (CFR, 62%)	USD/Tonne	127	160	-20.6	124	2.4
Primehard Coking coal (FoB)	USD/Tonne	350	249	40.6	134	161.2
India HRC - Mumbai	INR/Tonne	65,620	66,600	-1.5	41,138	59.5
India Rebar - Mumbai	INR/Tonne	46,400	48,967	-5.2	33,371	39.0
Scrap prices	USD/Tonne	525	533	-1.7	321	63.3
		Aug-21	Jul-21	MoM (%)	Aug-20	YoY (%)
Global Crude Steel Production	Mn Tonnes	156.8	161.7	-3.0	159.0	-1.4
Chinese Crude Steel Production	Mn Tonnes	83.2	86.8	-4.1	94.5	-12.0
Chinese Net Steel Exports	Mn Tonnes	4.0	4.6	-13.6	1.4	177.1
Indian Crude Steel Production	Mn Tonnes	9.6	9.8	-2.3	9.1	5.6
Indian Finished Steel Consumption	Mn Tonnes	7.8	8.1	-3.2	8.2	-4.4
India Net Finished Steel Export	Mn Tonnes	0.94	1.1	-15.2	0.88	6.5
Chinese Iron Ore Inventory	Mn Tonnes	129.4	128.3	0.9	115.8	11.7
Non-Ferrous						
		Sep-21	Aug-21	MoM (%)	Sep-20	YoY (%)
LME Aluminium Price	USD/Tonne	2,844	2,605	9.2	1,776	60.1
LME Zinc Price	USD/Tonne	3,054	2,996	1.9	2,311	32.2
LME Lead Price	USD/Tonne	2,245	2,319	-3.2	2,077	8.1
LME Copper Price	USD/Tonne	9,381	9,371	0.1	5,783	62.2
LME Aluminium Inventory	Mn Tonnes	1,322	1,332	-0.8	912	45.0
LME Zinc Inventory	Mn Tonnes	229	240	-4.6	64	257.8
LME Lead Inventory	Mn Tonnes	53	58	-8.6	75	-29.3
LME Copper Inventory	Mn Tonnes	239	244	-2.0	298	-19.8

Source: Bloomberg, SteelMint, Nirmal Bang Research

Note: All Production figures end in Aug'21;. All MoM prices figures, growth rates are on daily average basis.

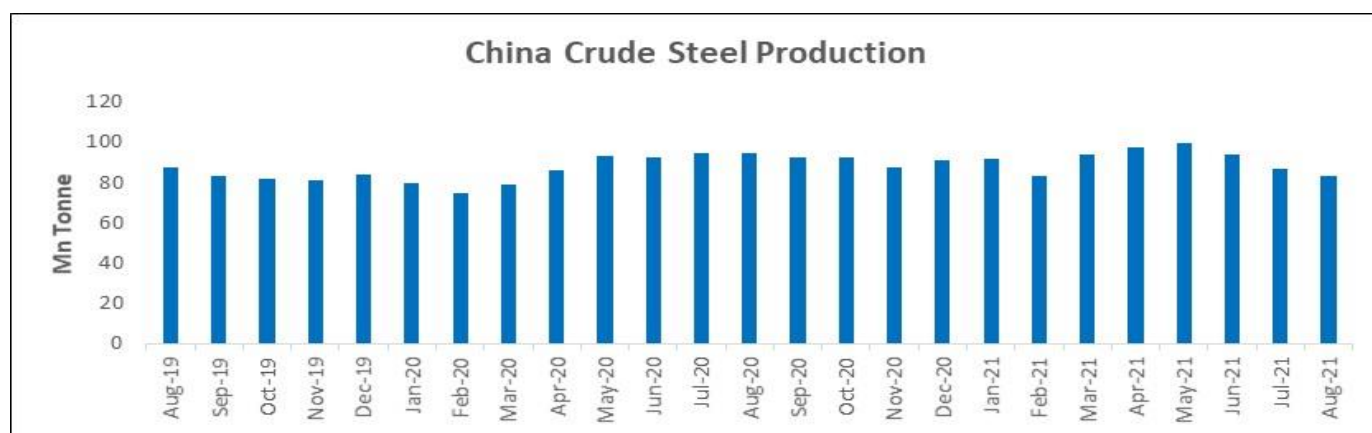
Monthly Update - Metaliks

SECTION A: FERROUS

I: China

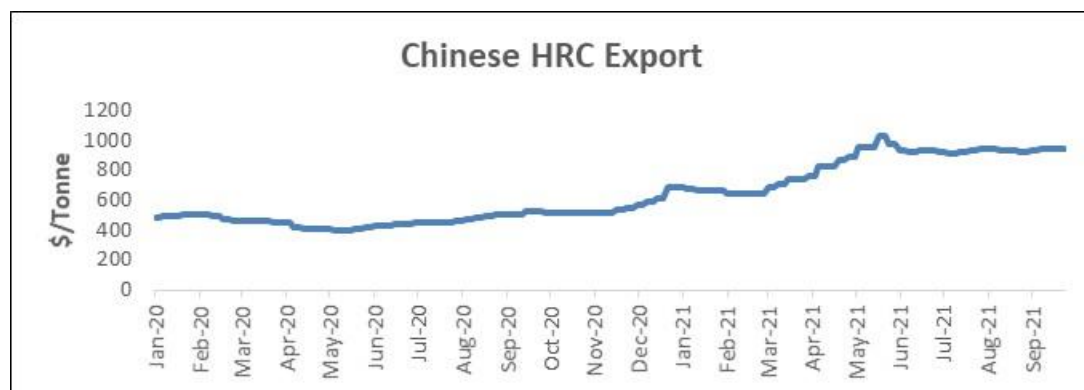
China Crude Steel output was down by 4.1% on monthly premises to 83.2 mn tonne in Aug'21 and down by 12% on yearly premises owing to curtailed production to control air pollution and prevent excess steel output. Slowing demand and falling exports offset some impact of the significant decrease in production. Production cut by the Chinese government and removal of tax rebates on exports to curb steel output and utilise the material domestically may lend some support to steel prices.

China Crude Steel output downtrend continued on monthly premises and declined on yearly basis for 2nd consecutive month since April 2020.



Source: WSA

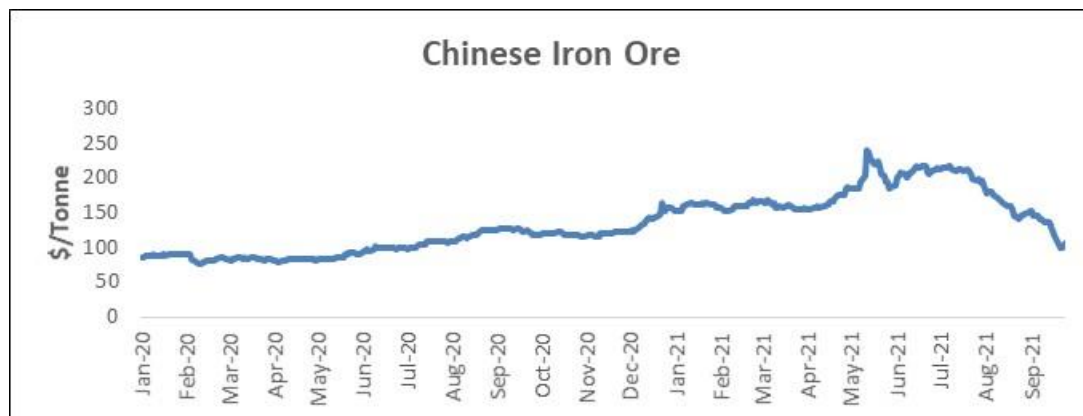
The Chinese HRC export observed a marginal increase in price by 0.5% in September 2021 on MoM basis to \$938/tonne.



Source: Bloomberg, Nirmal Bang Research

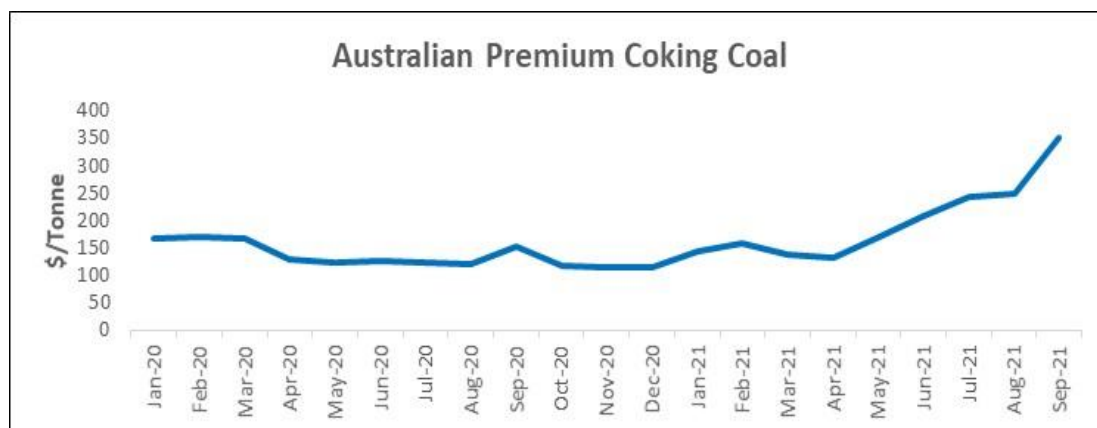
Monthly Update - Metaliks

Iron ore prices (CFR China 62% Fe) decreased substantially by 21% on MoM basis to \$127/tonne due to lower demand among steel players.



Source: Bloomberg, Nirmal Bang Research

Australian coking coal (HCC Premium) increased significantly by 41% MoM to \$350/tonne due to strong demand from Asian countries ex- China. Limited availability of prompt coking coal cargoes for near-term deliveries due to logistical issues, including freight and container unavailability and high freight rates, could support coking coal prices over the near term.



Source: Bloomberg, Nirmal Bang Research

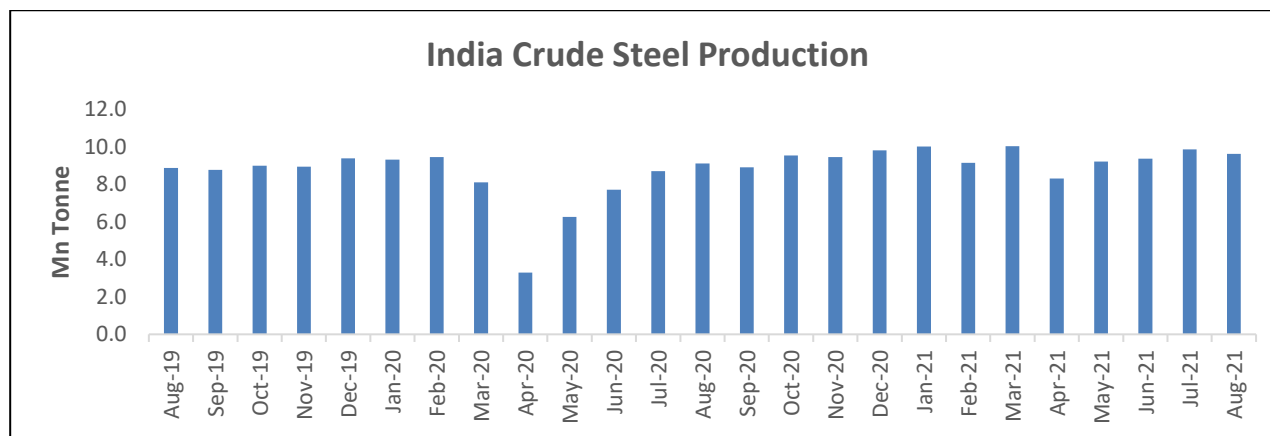
Monthly Update - Metaliks

II: India

India crude steel production de-grew on monthly premises to 9.6 mnt due to building up of inventories at mills with sluggish demand in the domestic and overseas market. Buying interest amongst end-users and other downstream industries remained subdued due to the higher prices.

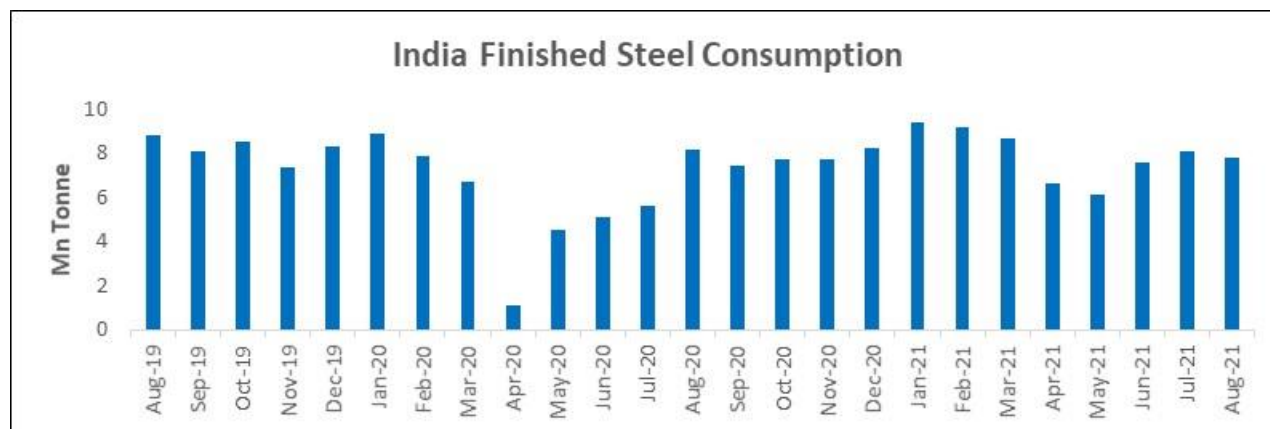
Availability of cheaper options and stringent lockdown regarding Covid-19 cases weighed on demand from the Vietnamese importers. Meanwhile, summer breaks and exhausted quarterly quotas led to reduced trade in the European market. Moreover, some key Indian mills were under maintenance in Aug-Sept, which further reduced export allocations. With China focusing more on its domestic market, with production curbs, export disincentives and a strict inspections regime, we believe such measures will help boost Indian steel exports in the medium-to-long term. But in the short term, exports are likely to be lesser compared to what we have seen in the last few months.

Domestic steel production fell by 5.2% on mom basis to 9.6mnt



Source: Bloomberg, Nirmal Bang Research

Domestic consumption registered a decline in the month of Aug'21 by 3.2% as compared to Jul'21 to 7.8 mn tonne, due to sluggish demand and some key Indian mills being shut for maintenance.



Source: steel.gov.in, Nirmal Bang Research

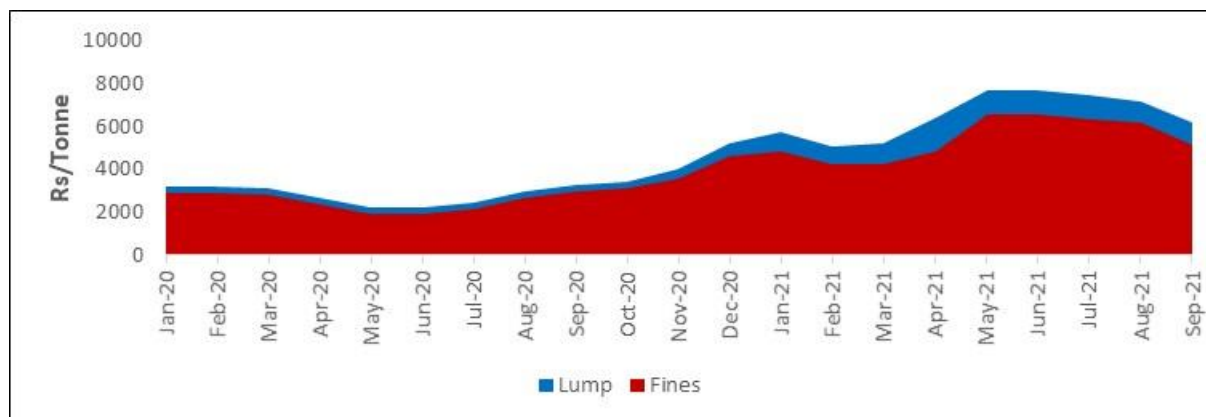
Monthly Update - Metaliks

Net Exports were down by 12% MoM in Aug'21 due to mills being shut for maintenance purpose and lower demand from Vietnam due to covid restrictions.



Source: steel.gov.in, Nirmal Bang Research

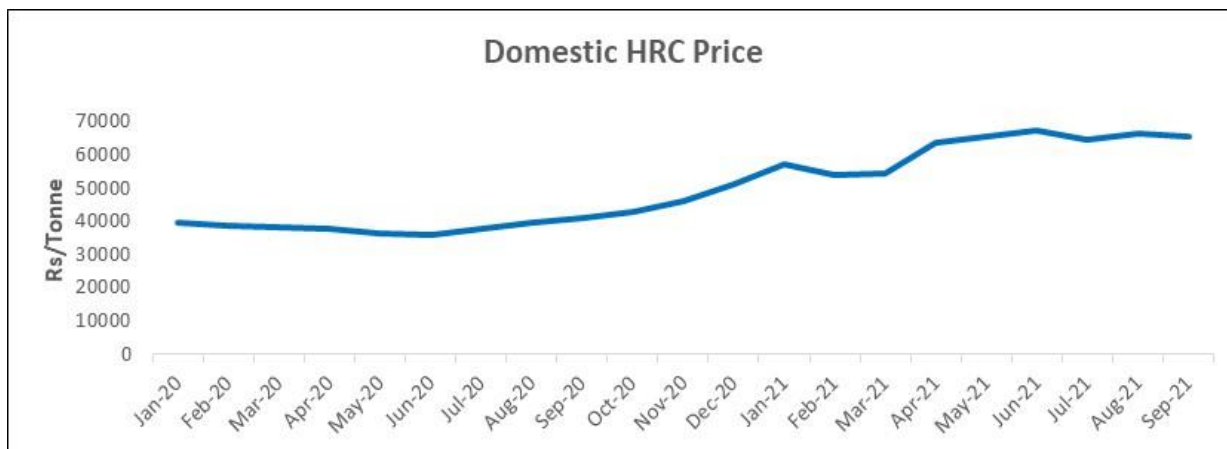
Prices of iron ore lumps as well as fines decreased to Rs 6,150/tonne & Rs 5,160/tonne respectively, during the month of Sep'21.



Source: SteelMint, Nirmal Bang Research

Monthly Update - Metaliks

HRC prices witnessed a rise by 59.5% YoY to Rs 65,620/tonne but fell by 1.5% MoM in Sep'21 due to tepid demand and increased selling pressure to suppliers.



Source: SteelMint, Nirmal Bang Research

Rebar price increased by 39% YoY to Rs 46,400/t in Sep'21. However, Rebar price dropped by 5.2% MoM due to decline in raw material prices and sluggish demand.



Source: SteelMint, Nirmal Bang Research

Note: All the above mentioned prices are on monthly average basis.

Monthly Update - Metaliks

III: Global

The global steel industry is prioritising “green” steel and decarbonisation. The shift in approaches to the steel industry is intended to target emissions and take climate action across the globe. World crude steel production has shown the impact of the shift as the output in the month of Aug'21 fell by 1.4% YoY and 3% MoM to 156.8 Mn tonne, led by China production which clocked at 83.2 Mn tonne, down by 12.3% YoY due to ongoing production curbs. India, the second largest steel producing nation, produced 9.9 Mn tonne, up 16.8% YoY in Aug'21. Japan marked an annual increase of 22.6% and churned out 7.9 Mn tonne in Aug'21.

Top major steel producing Countries and Growth Rates

Top Steel Producing Countries	Aug-21	Jul-21	MoM (%)	Aug-20	YoY (%)
China	83.2	86.8	-4.1	94.8	-12.3
India	9.9	9.8	1.0	8.5	16.8
Japan	7.9	8.0	-1.3	6.4	22.6
U.S	7.5	7.5	-	5.6	34.2
Russia	6.3	6.7	-6.0	5.6	13.5
South Korea	6.1	6.1	-	5.8	5.2
Germany	3.0	3.0	-	2.8	6.0
Turkey	3.5	3.2	9.4	3.2	8.1
Brazil	3.1	3.0	3.3	2.7	14.8
Iran	2.5	2.6	-3.8	2.4	4.2

Source: WSA

SECTION B: NON FERROUS

Aluminium prices are up by 9.2% and 60.1% on MoM and YoY basis respectively at \$2844/tonne.



Source: Bloomberg, Nirmal Bang Research

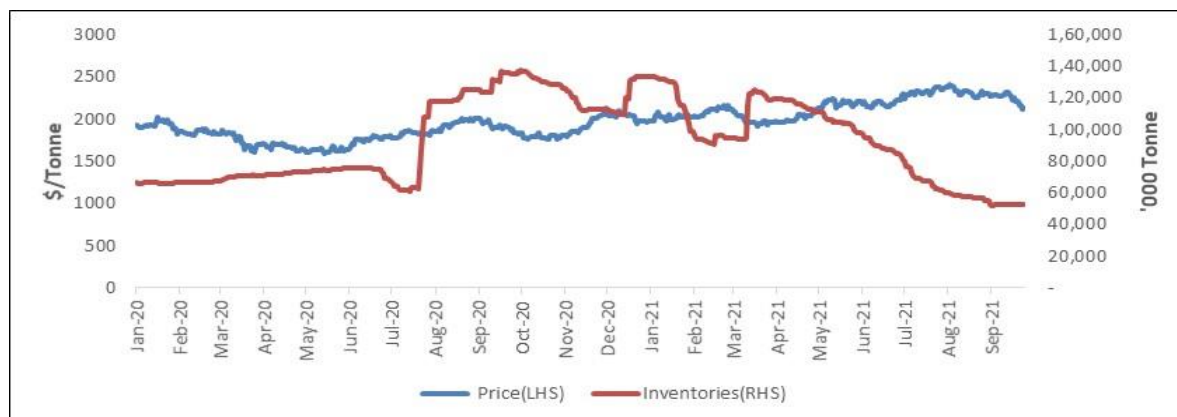
Monthly Update - Metaliks

Zinc prices are up by 1.9% and 32.2% on MoM and YoY basis respectively at \$3054/tonne.



Source: Bloomberg, Nirmal Bang Research

Lead prices are down by 3.2% MoM but up by 8.1% on YoY basis at \$2245/tonne.



Source: Bloomberg, Nirmal Bang Research

Copper prices are flattish MoM but up by 62.2% on YoY basis at \$9381/tonne.

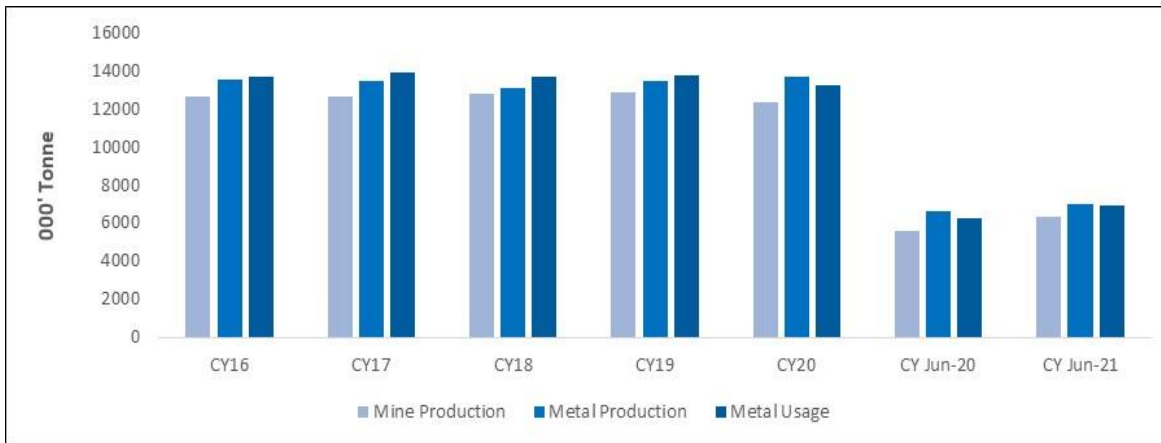


Source: Bloomberg, Nirmal Bang Research

Note: All the above mentioned prices are on daily average basis.

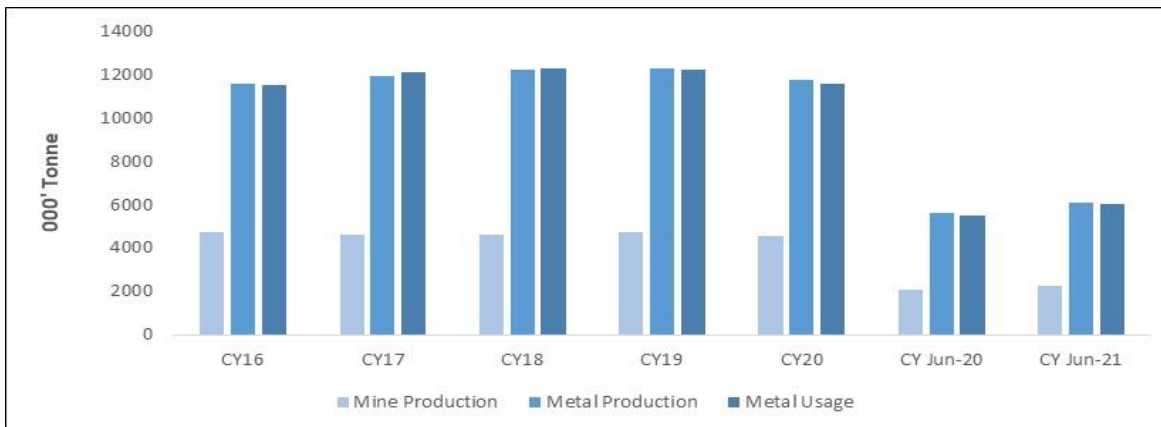
Monthly Update - Metaliks

Zinc Production and usage has improved by 5% and 10% YoY in CY Jun'21



Source: ilzsg.org.

Lead Production and usage has improved by 8% and 10% YoY in CY Jun'21



Source: ilzsg.org.

Aluminium Production in Aug'21 was down by 1% MoM but up 3% YoY.



Source: world-aluminium.org

Monthly Update - Metaliks

Alumina Production in Aug'21 declined by 1% MoM but improved by 2% YoY.



Source: world-aluminium.org

Monthly Update - Metaliks

Disclosure:

This Report is published by Nirmal Bang Securities Private Limited (hereinafter referred to as "NBSPL") for private circulation. NBSPL is a registered Research Analyst under SEBI (Research Analyst) Regulations, 2014 having Registration no. INH000001766. NBSPL is also a registered Stock Broker with National Stock Exchange of India Limited and BSE Limited in cash and derivatives segments. It is also a registered Portfolio Manager having registration no as INP000002981.

NBSPL has other business divisions with independent research teams separated by Chinese walls, and therefore may, at times, have different or contrary views on stocks and markets.

NBSPL or its associates have not been debarred / suspended by SEBI or any other regulatory authority for accessing / dealing in securities Market. NBSPL, its associates or analyst or his relatives do not hold any financial interest in the subject company. NBSPL or its associates or Analyst do not have any conflict or material conflict of interest at the time of publication of the research report with the subject company. NBSPL or its associates or Analyst or his relatives hold / do not hold beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of this research report.

NBSPL or its associates / analyst has not received any compensation / managed or co-managed public offering of securities of the company covered by Analyst during the past twelve months. NBSPL or its associates have not received any compensation or other benefits from the company covered by Analyst or third party in connection with the research report. Analyst has not served as an officer, director or employee of Subject Company and NBSPL / analyst has not been engaged in market making activity of the subject company.

Analyst Certification: I, **Avish Jain**, the Research Associate and author of this report, hereby certify that the views expressed in this research report accurately reflects my/our personal views about the subject securities, issuers, products, sectors or industries. It is also certified that no part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views in this research. The analyst(s) principally responsible for the preparation of this research report and has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations.

Monthly Update - Metaliks

Disclaimer:

This report is for the personal information of the authorized recipient and does not construe to be any investment, legal or taxation advice to you. NBSPL is not soliciting any action based upon it. Nothing in this research shall be construed as a solicitation to buy or sell any security or product, or to engage in or refrain from engaging in any such transaction. In preparing this research, we did not take into account the investment objectives, financial situation and particular needs of the reader.

This research has been prepared for the general use of the clients of NBSPL and must not be copied, either in whole or in part, or distributed or redistributed to any other person in any form. If you are not the intended recipient you must not use or disclose the information in this research in any way. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. NBSPL will not treat recipients as customers by virtue of their receiving this report. This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject NBSPL & its group companies to registration or licensing requirements within such jurisdictions.

The report is based on the information obtained from sources believed to be reliable, but we do not make any representation or warranty that it is accurate, complete or up-to-date and it should not be relied upon as such. We accept no obligation to correct or update the information or opinions in it. NBSPL or any of its affiliates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. NBSPL or any of its affiliates or employees do not provide, at any time, any express or implied warranty of any kind, regarding any matter pertaining to this report, including without limitation the implied warranties of merchantability, fitness for a particular purpose, and non-infringement. The recipients of this report should rely on their own investigations.

This information is subject to change without any prior notice. NBSPL reserves its absolute discretion and right to make or refrain from making modifications and alterations to this statement from time to time. Nevertheless, NBSPL is committed to providing independent and transparent recommendations to its clients, and would be happy to provide information in response to specific client queries.

Before making an investment decision on the basis of this research, the reader needs to consider, with or without the assistance of an adviser, whether the advice is appropriate in light of their particular investment needs, objectives and financial circumstances. There are risks involved in securities trading. The price of securities can and does fluctuate, and an individual security may even become valueless. International investors are reminded of the additional risks inherent in international investments, such as currency fluctuations and international stock market or economic conditions, which may adversely affect the value of the investment. Opinions expressed are subject to change without any notice. Neither the company nor the director or the employees of NBSPL accept any liability whatsoever for any direct, indirect, consequential or other loss arising from any use of this research and/or further communication in relation to this research. Here it may be noted that neither NBSPL, nor its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profit that may arise from or in connection with the use of the information contained in this report.

Copyright of this document vests exclusively with NBSPL.

Our reports are also available on our website www.nirmalbang.com

Nirmal Bang Research (Division of Nirmal Bang Securities Pvt. Ltd.)

B-2, 301/302, Marathon Innova,
 Opp. Peninsula Corporate Park
 Off. Ganpatrao Kadam Marg
 Lower Parel (W), Mumbai-400013
 Board No. : 91 22 6723 8000/8001
 Fax. : 022 6723 8010