

Metal Sector Update

Steel (\$/t)

Prices	Current	YTD-12*	YTD-11*	% yoy
Benchmark	645	645	745	-13.4
China Export	645	636	715	-11.0
EU Domestic	728	707	829	-14.6
Indian HRC (Rs/t)	37172	35579	35880	-0.8
Iron Ore	151	147	185	-20.5
Met Coke	375	379	409	-7.3
Thermal Coal	103	106	121	-12.4

* Avg prices

Inventory Position – China

mn tonne	Current	Apr-12	Apr-11	% yoy
Iron ore	95.8	95.8	83.0	15.4
Steel	24.4	24.4	29.0	-15.9

Base Metals (\$/t)

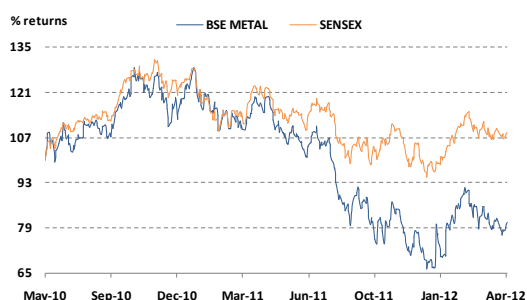
Prices	Current	YTD-12*	YTD-11*	% yoy
Copper	8050	8325	9617	-13.4
Aluminium	2025	2168	2525	-14.2
Zinc	1997	2025	2399	-15.6
Lead	2067	2088	2632	-20.7

* Avg prices

LME Inventory Position

mn tonne	Current	Apr-12	Apr-11	% yoy
Copper	0.26	0.26	0.45	-42.0
Aluminium	5.0	5.0	4.6	8.7
Zinc	0.9	0.9	0.76	18.4
Lead	0.37	0.37	0.29	27.6

BSE Metal Vs Sensex Chart



Steel Sector News

- China reported 61.6mn tonne crude steel production during March-12, reporting 10% mom and 3.9% yoy jump. Daily crude steel production during March was at 1.986mn tonne; highest since June last year. Improved prices due to increased construction activities post winter season has resulted into higher production.
- Domestic steel prices and long steel in particular jumped 4-10% due to seasonally peak consumption season as construction and investment activities typically picks up during summer. Flat steel prices have gone up by 4.4% while those of long steel by 10% in recent times.
- 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 rose marginally as Chinese crude steel production showed improvement during March-12. **We expect iron ore price to remain stable at current levels as combination of higher crude steel production and higher inventories will restrict significant jump in prices.**

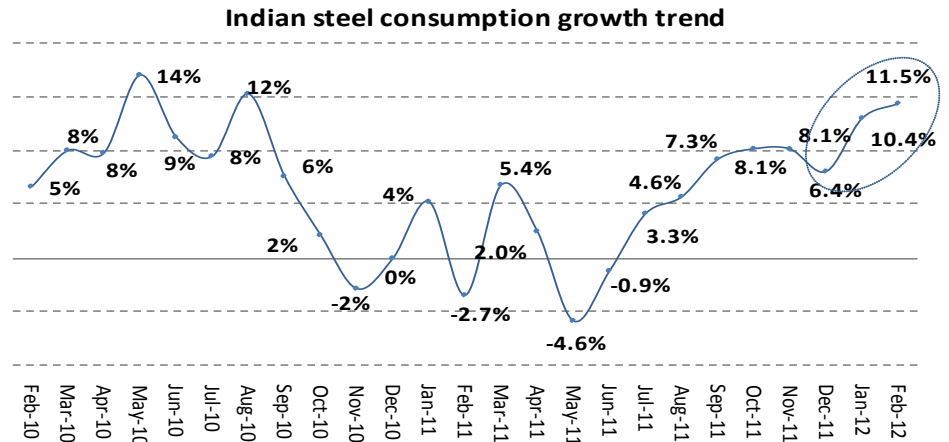
Base Metal News

- Base metal prices corrected 3-10% from their recent highs due to re-emergence of European debt issues which was followed by lower than estimated 1QCY12 GDP growth in China. Within base metals aluminium was a major loser with decline of 9.4% from recent highs followed by copper, zinc and lead which declined by 6.4% , 3% and 2.6% respectively.
- Inventory levels at LME are more or less remained flat with aluminium and copper showing marginal deep in inventory levels compared to last month.
- We expect base metal prices to remain volatile as they look to take cues from uncertainty surrounding European debt issues and expectation of sluggish demand in China.**



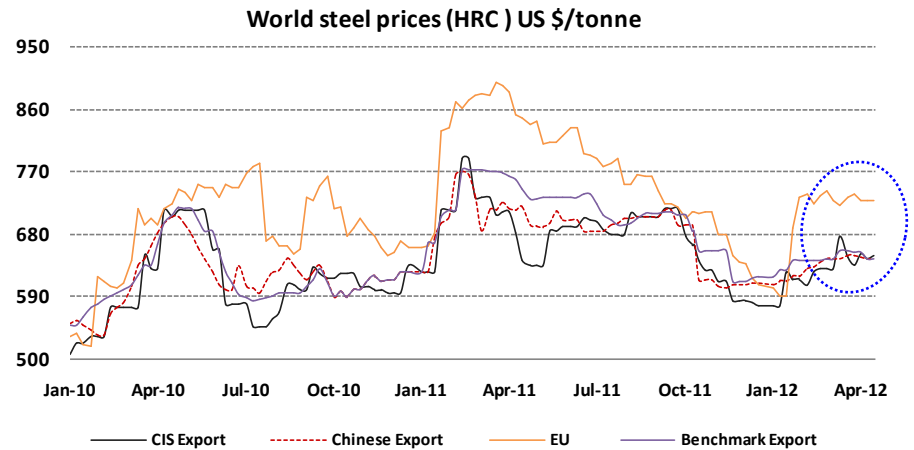
Ferrous Sector:

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



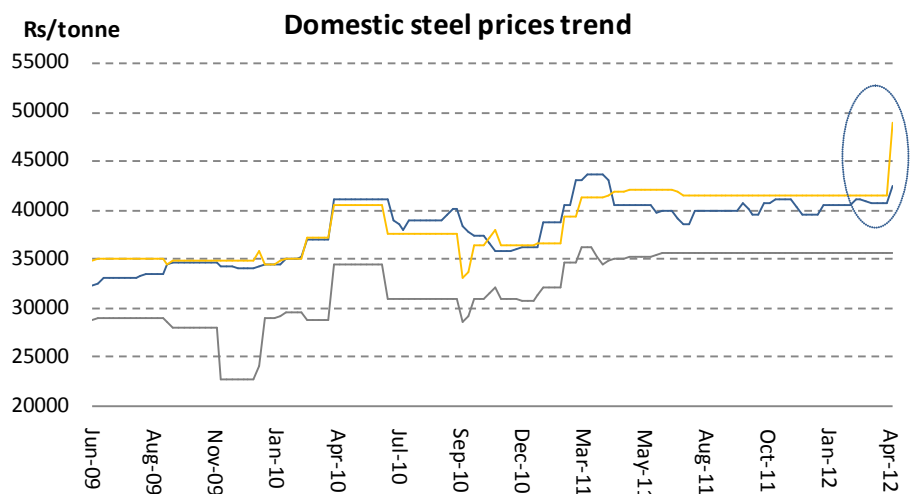
Source: Bloomberg, Arihant Research

HRC prices world over remained flat on mom basis.



Source: Bloomberg, Arihant Research

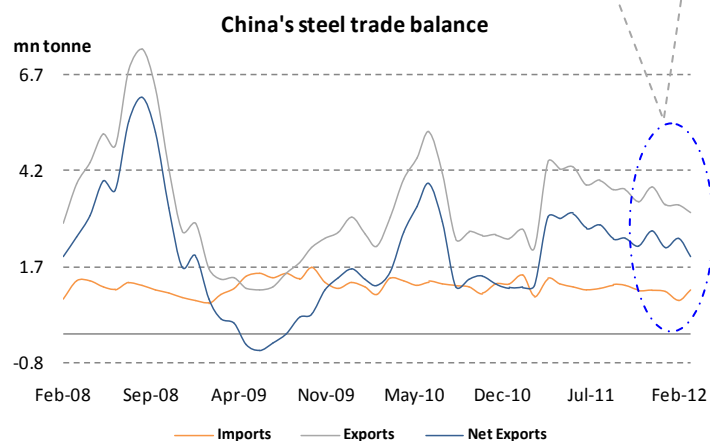
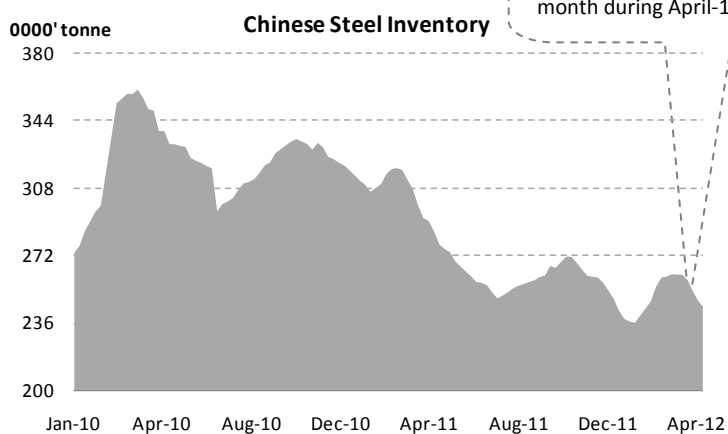
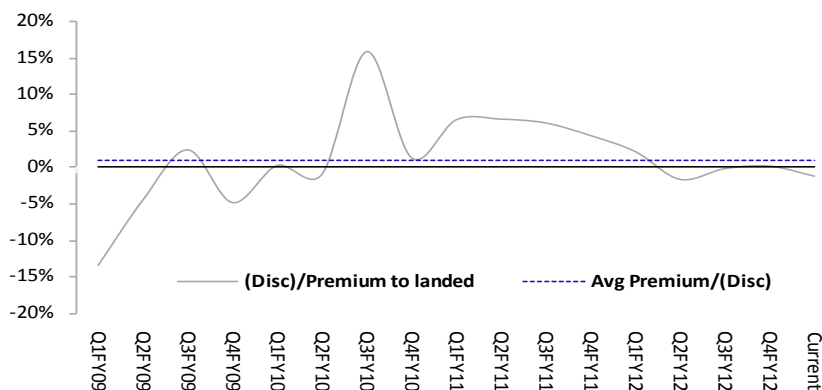
Long steel prices have gone up by 8-10% over last one month.



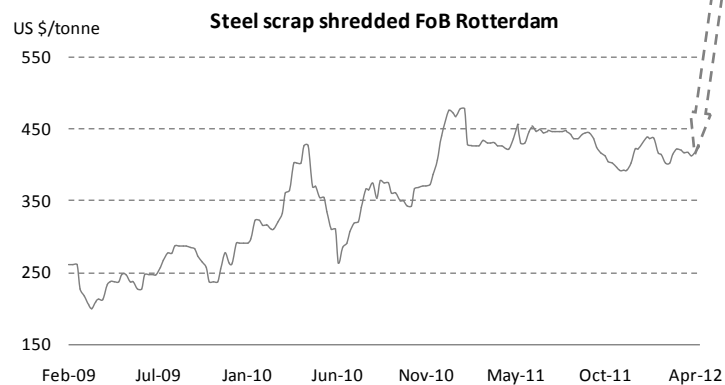
Source: Bloomberg, Arihant Research

Domestic steel prices still are at marginal discount to landed prices.

Domestic Vs landed steel prices– Premium/ (discount)



Source: Bloomberg, Arihant research



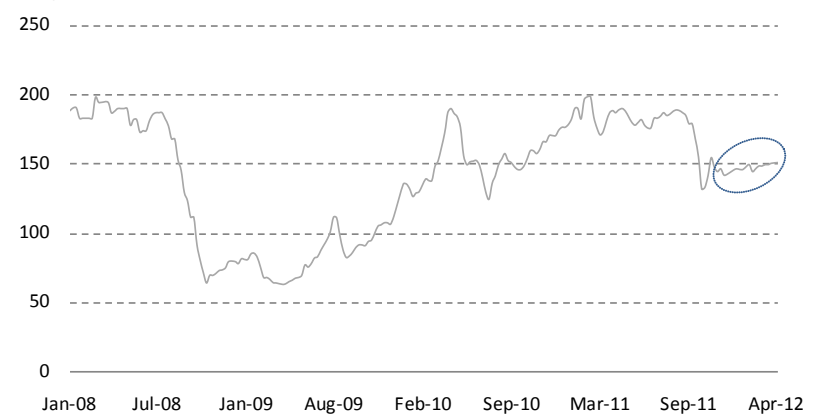
Source: Bloomberg, Arihant research

**Iron ore**

Iron ore prices witnessed marginal uptick as crude steel production in china showed sign of improvement in March.

Ferrochrome Prices

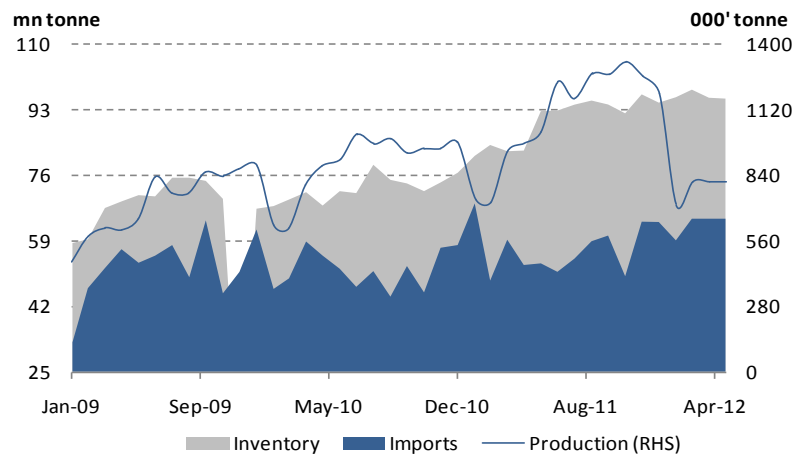
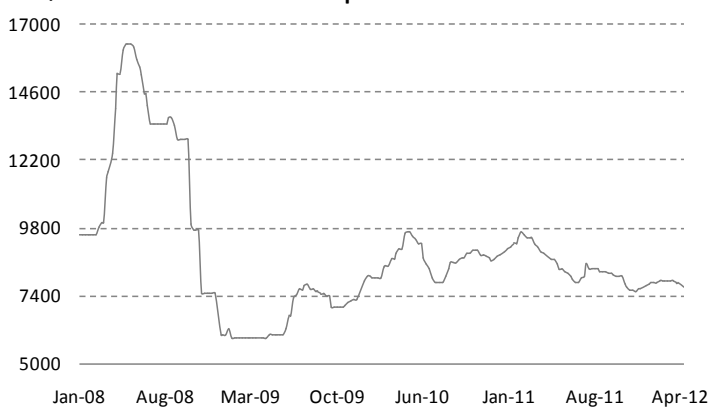
South African FeCr producers have signed 2QCY12 contracts 17% higher qoq at \$1.35/lb with European stainless steel producers.

Indian iron ore reference price to china(Fe -63%)

Source: Bloomberg, Arihant Research

South African Rand /US \$ currency movement

Source: Bloomberg, Arihant Research

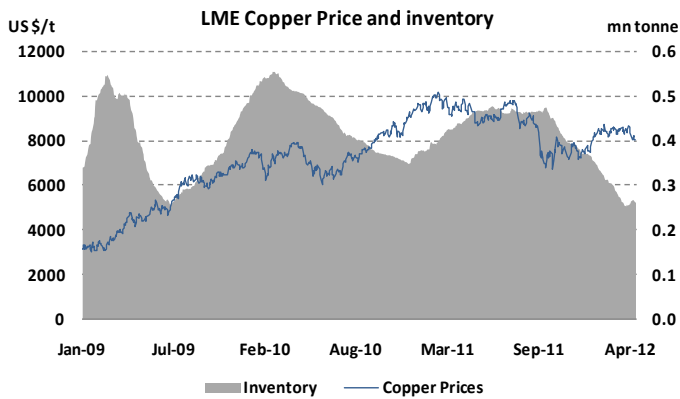
Chinese iron ore production, Imports and inventory levels**Chinese Spot FeCr Prices**

Source: Bloomberg, Arihant research

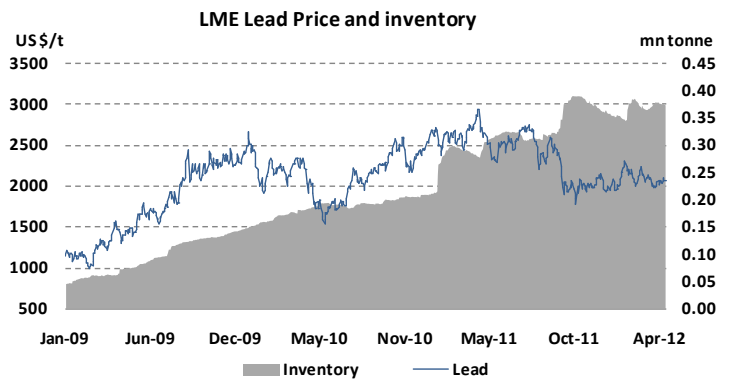
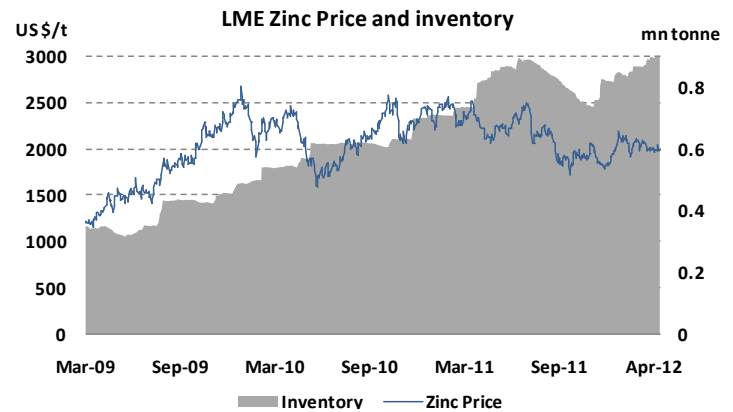
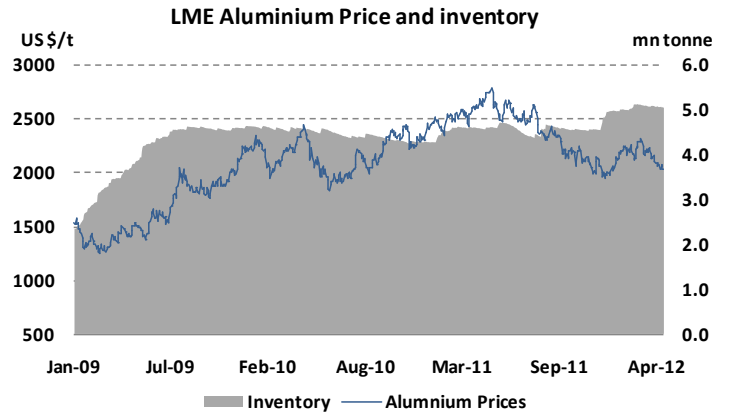
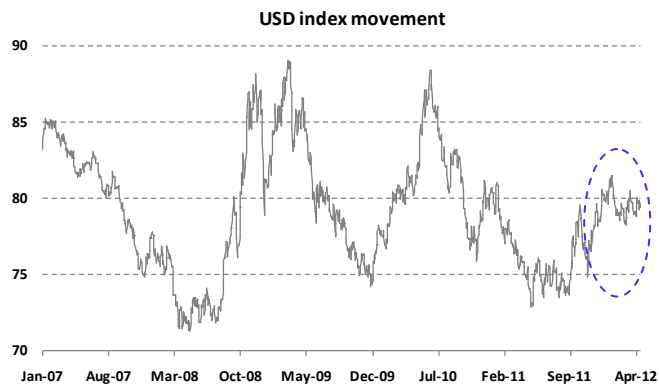
EU-FeCr (60% grade) prices



Non-Ferrous Sector



Base metal prices corrected 3-10% from recent highs due to re-emergence of European debt issues which was followed by lower than estimated 1QCY12 GDP growth in China.



Source: Bloomberg, Arihant research



Corporate News

- ✓ *HC asks Australian coal firms to pay \$ 159mn to SAIL.*
- ✓ *Tata Steel has got shareholders' approval to increase its borrowing limit by 25% to Rs 50,000cr to part-finance several ongoing expansion activities.*
- ✓ *Tata Steel India FY'12 sales up 3.4% to 6.6mn tonne.*
- ✓ *Tata Steel plans to invest up to 800mn pounds (\$ 1.3bn) in its facilities in Wales over the next five years*
- ✓ *Govt directs Coal India to sign supply pacts with power producers.*
- ✓ *CIL achieves 435mn tonne coal production during 2011-12*
- ✓ *Steel consumption to grow by 4-5 pc in FY'13: JPC*

Source: Economic Times, Business Standard, Business line.



Arihant Research Desk

For queries:

E. research@arihantcapital.com

Head Office

3rd 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.