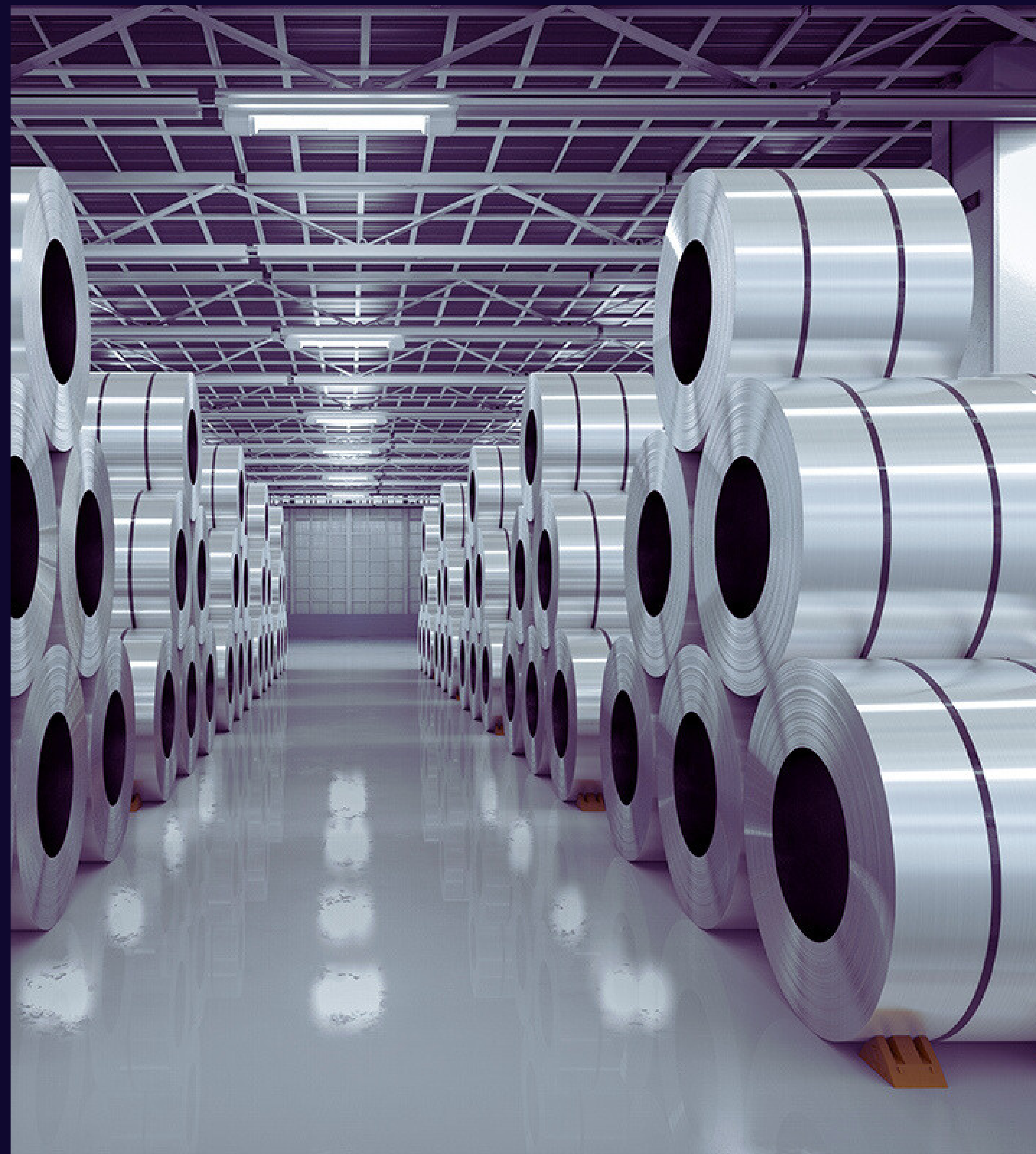


STEEL SECTOR OUTLOOK

APRIL, 2023





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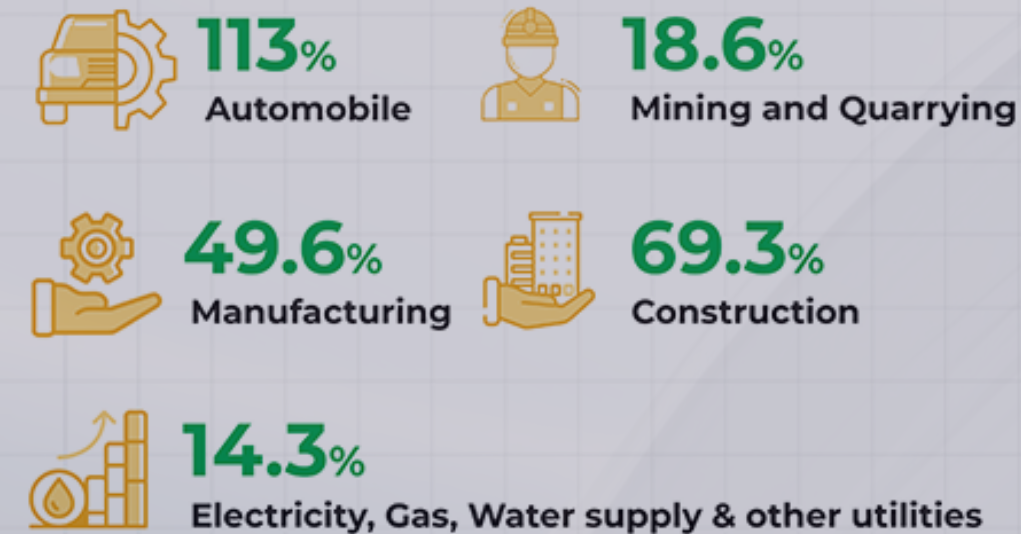


INDUSTRY OUTLOOK

Global steel experts led by the world steel association have predicted that India is going to be the epicentre of the global steel growth. India's finished steel production has increased by over 6%, whereas globally steel production declined by 4.2% in calendar year 2022.

OVERALL OUTLOOK OF STEEL SECTOR **POSITIVE**

SECTORS WITNESSING DOUBLE DIGIT GROWTH IN INDIA



CRUDE PRODUCTION

- India's crude steel production rose by 4.18 per cent to 125.32 million tonnes (MT) in 2022-23.
- Steel consumption including exports is expected to be around 132 million tonnes to 135 million tonnes in FY 2024.
- India is a net exporter during FY 2022-23.

GDP GROWTH RATE

- When the major economies around the world are facing conservative growth due to inflationary and geo political issues & tensions, India's GDP is predicted to be fastest growing economy among all the major economies of the world registering to about more than 6.3% as per IMF, ADB, World Bank, RBI in 2023-24.

POLICY SUPPORT

- Production linked incentive (PLI) scheme for specialty steel has been brought to attract committed investment of Rs. 42,500 Crore with a downstream capacity addition of 26 million tonne. 67 applications from 30 companies already selected.
- Export duty Cut.
- **Revoking of Anti dumping duty**

OPTIMISTIC TRENDS

- Top 10 steel companies in India are showing an optimistic trend for steel industry.
- Steel companies, have announced a record production in the March quarter despite volatile domestic demand.
- **EBITDA/Ton is declined due to fallen steel price outweighing benefits of fall in raw material costs.**

BRAND INDIA LABELING

- Govt proposes to rope in local steel manufacturers to start promoting Brand India steel
- Products to set benchmarks for credibility and quality, strengthen domestic manufacturing

DEMAND

- Govt. impetus on Infrastructure. In Union Budget 2023-24, the total capital outlay is ₹10-lakh crore, a 33 per cent rise over the previous allocation.
- Indigenisation and export of defence sector is growing rapidly.
- Currently, eight CPSEs projects of steel are under implementation with total estimated outlay of Rs.30,070 crore.

INDUSTRY OVERVIEW



TRENDS

- India is currently **2nd largest** steel **producer** in the world. and has become the **2nd largest consumer** of finished steel in the world
- Domestic Demand is showing positive trend as demand is poised to close the year with a growth of 7-8 % for FY 2022-23.



PRODUCTION

- India's crude steel production rose by 5.80 per cent to 125.32 million tonne (MT) in 2023, according to Steel Mint.
- The consumption of finished steel rose to 132 MT in 2023, as against 106.48 MT in 2022, a year-on-year rise of 8 per cent.

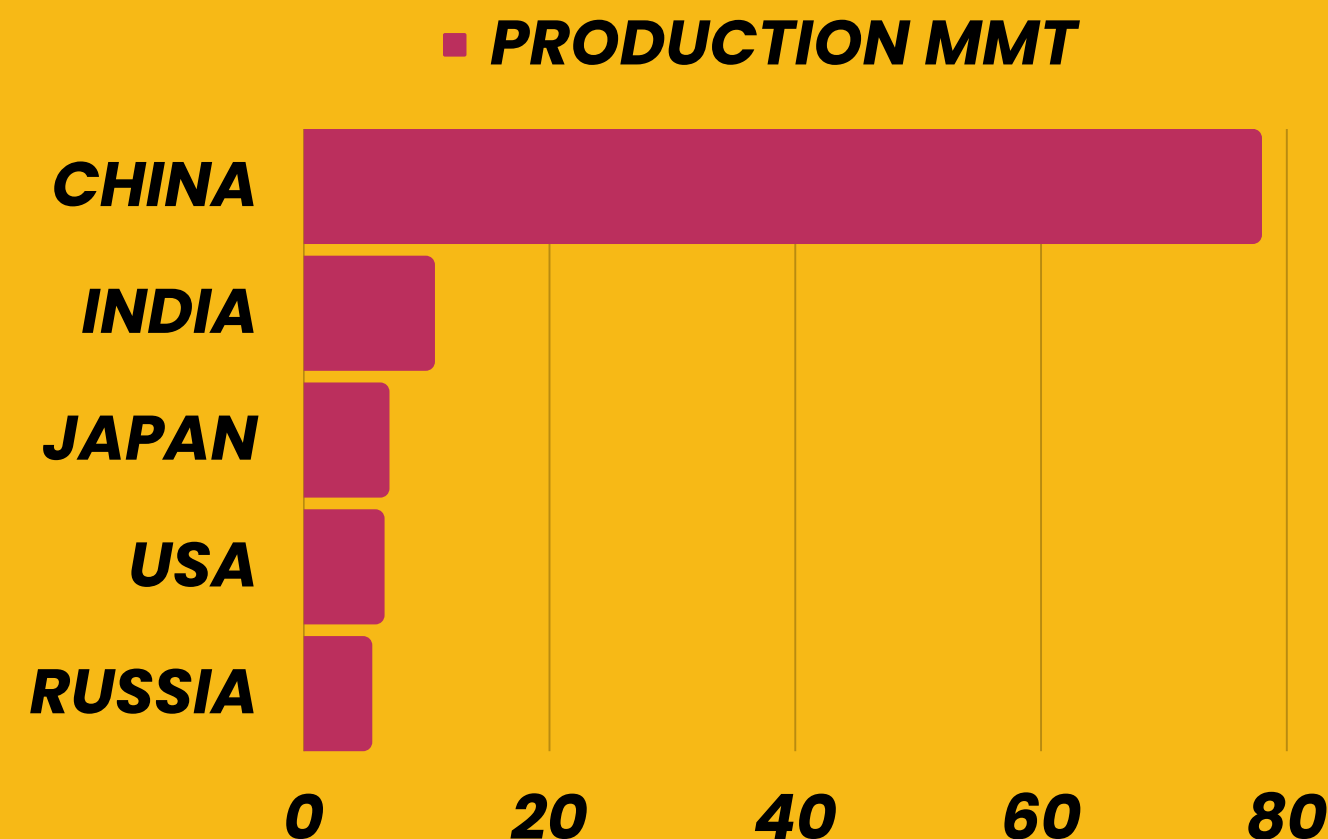


CAPACITY

- Production of 300 MT of steel is expected by 2030, will entail raw material movement of over 900 MT. While multiple projects have been unveiled towards infrastructure creation and upgradation, these need to be expedited for faster growth of the country.

LATEST TRENDS

- Steel sector PLI may include capital goods
- Industry bodies seek Steel Ministry's intervention on issue of iron ore shortage



PRICE FLUCTUATION

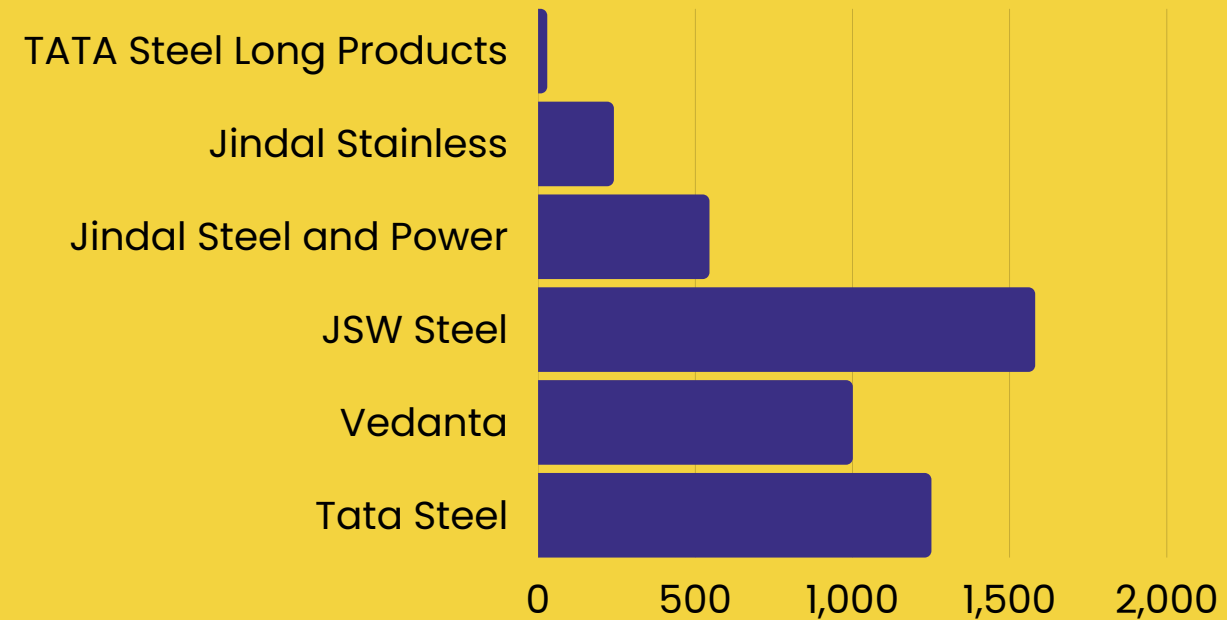
Global steel prices are set to stabilize in calendar 2023 on-year, after falling over 40% to \$570-590 per tons in December 2022 from the early-April peaks of \$1,000 per tons on tepid steel demand.

During FY23, a sharp fall in steel prices would outweigh benefits of a fall in coking coal and iron ore costs thereby resulting in a decline in EBITDA/tonne of steel companies (during FY23).

KEY MARKET INDICATORS

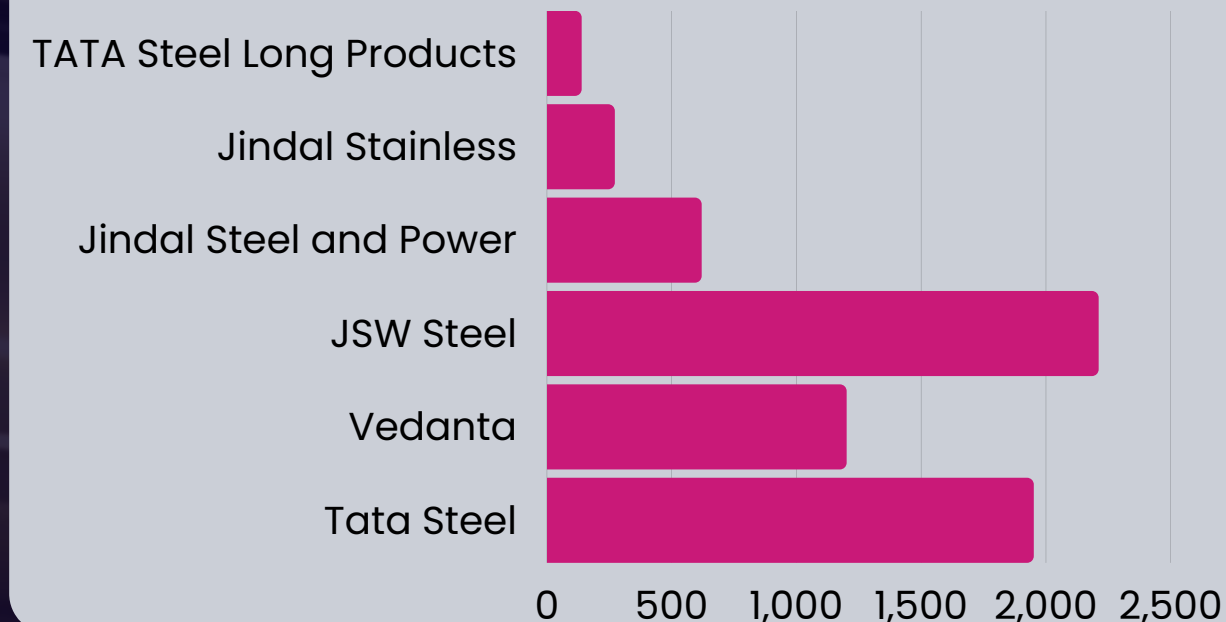
MARKET CAP

TATA, VEDANTA and JSW are the 3 major largest player in the Indian steel industry. Market Cap shown in the below graph.



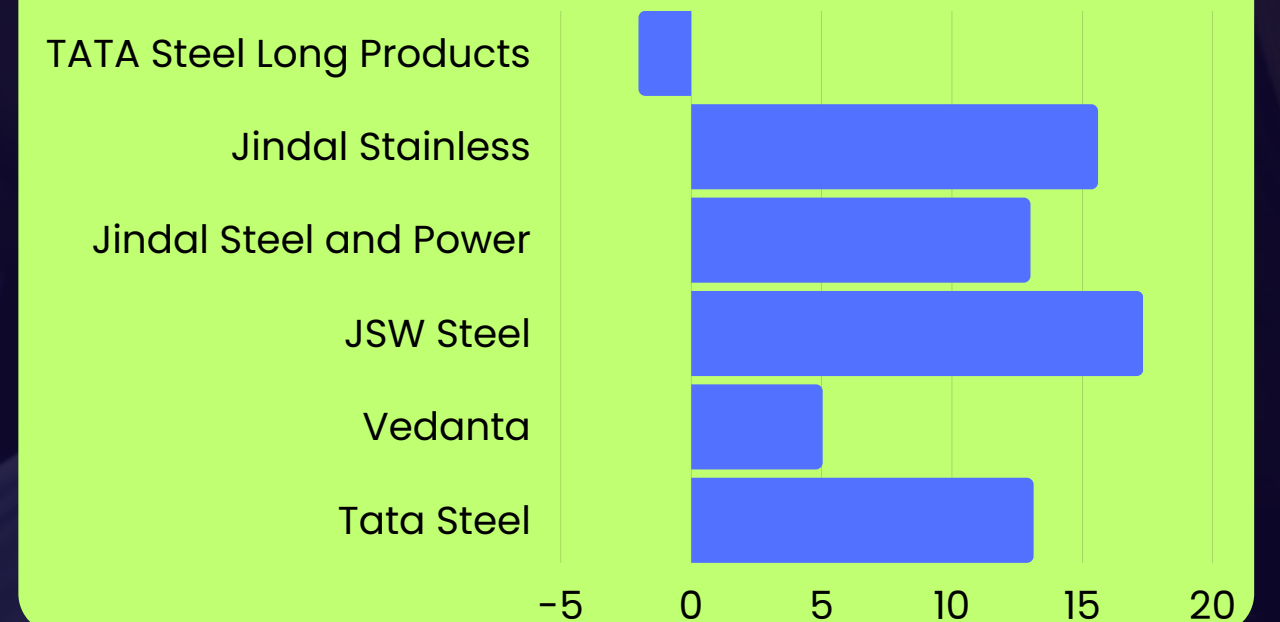
ENTERPRISE VALUE (BN)

Enterprise Value of top 6 players are shown in the below graph.



FORWARD PE

Forwarded price to earning ratio of top six players are shown in the below graph.



COMPETITOR ANALYSIS

Driven by rising infrastructure development and growing demand from sectors like automotive, construction, consumer durables & capital goods, India's per capita consumption of steel grew from 46 kgs. in FY08 to around 77 Kgs now. Consumption of total Finished Steel stands at 105.75 MT in FY2021-22 showing a growth of 11.4% over previous fiscal.



EXPECTED CAGR %

It is expected that the industry will be growing at a CAGR of 3.7 % in the upcoming years.

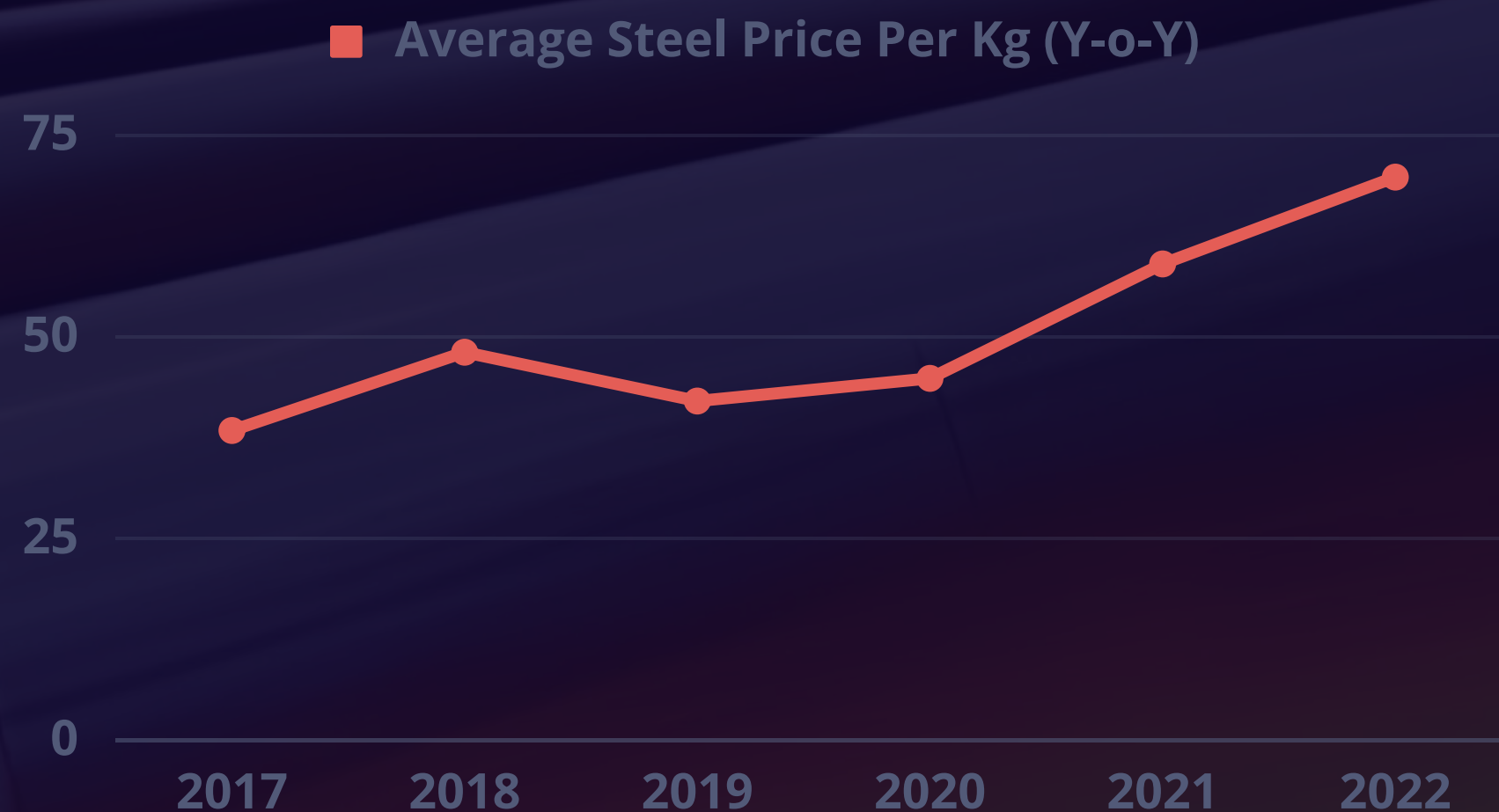


FORWARD PE

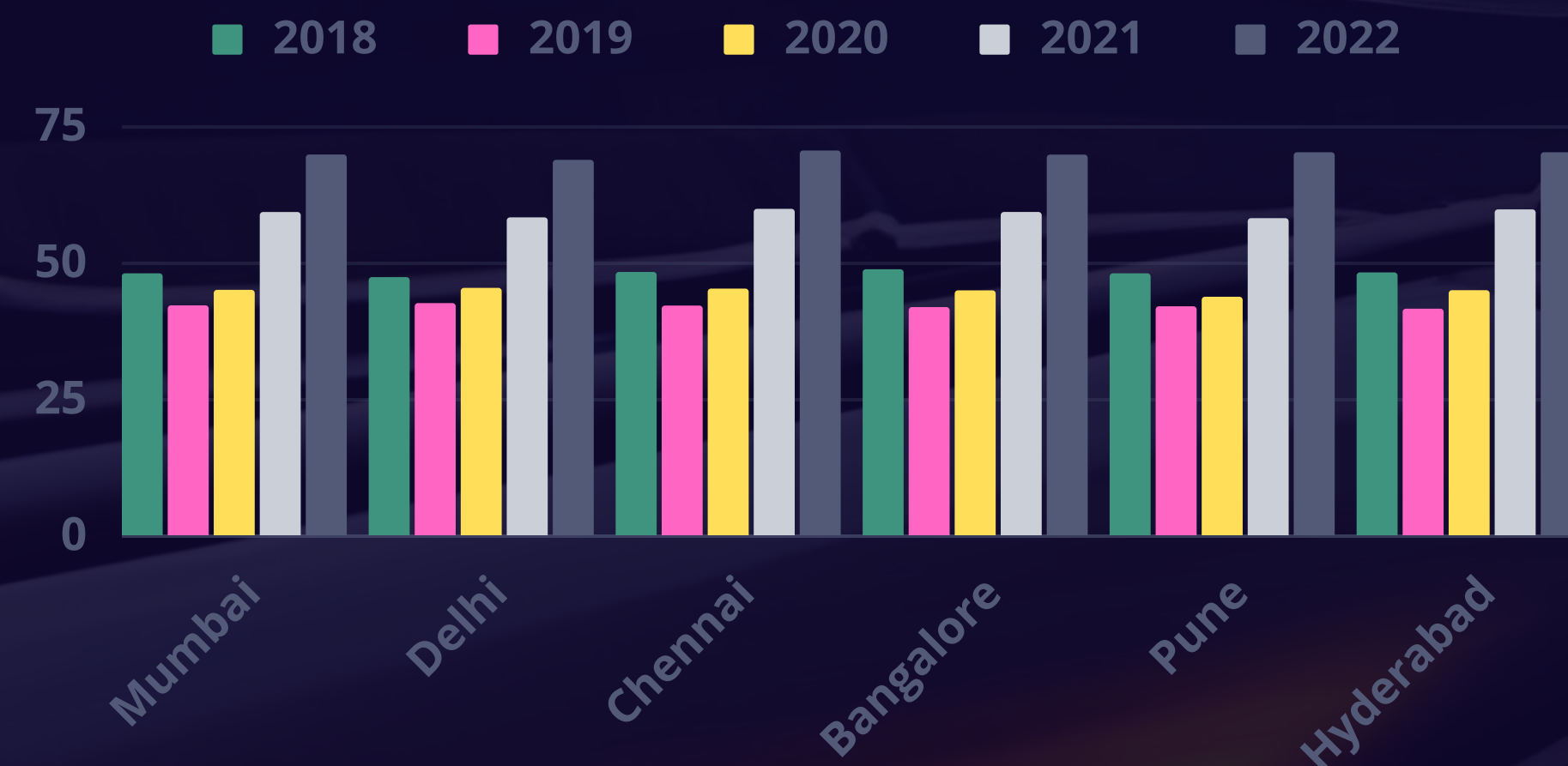
As per the trends analysis of the industry, the estimated Forwarded Price to Earning P/E multiple would be 13.62x.

STEEL PRICING TRENDS

Average Steel Price Per Kg Y-o-Y basis has increased from INR 38.39 per kg in FY 2017 to INR 69.79 Per kg in FY 2022. As the demand is expected to increase in the upcoming years due to post covid recovery, the trend is likely to continue.



CITY WISE PRICES OF STEEL IN INDIA



As per the above graph steel price are on increasing trend from FY 2018 to FY 2022 Y-o-Y basis, in all the major cities of India considered for the pricing trends analysis.

Profitability of domestic steelmakers is expected to improve sequentially in the March quarter 2022-23, aided by higher prices and sales volumes that more than offset the impact of rising input cost. As per Steel mint, prices of steel were 3-5% higher during the quarter compared with the preceding quarter.

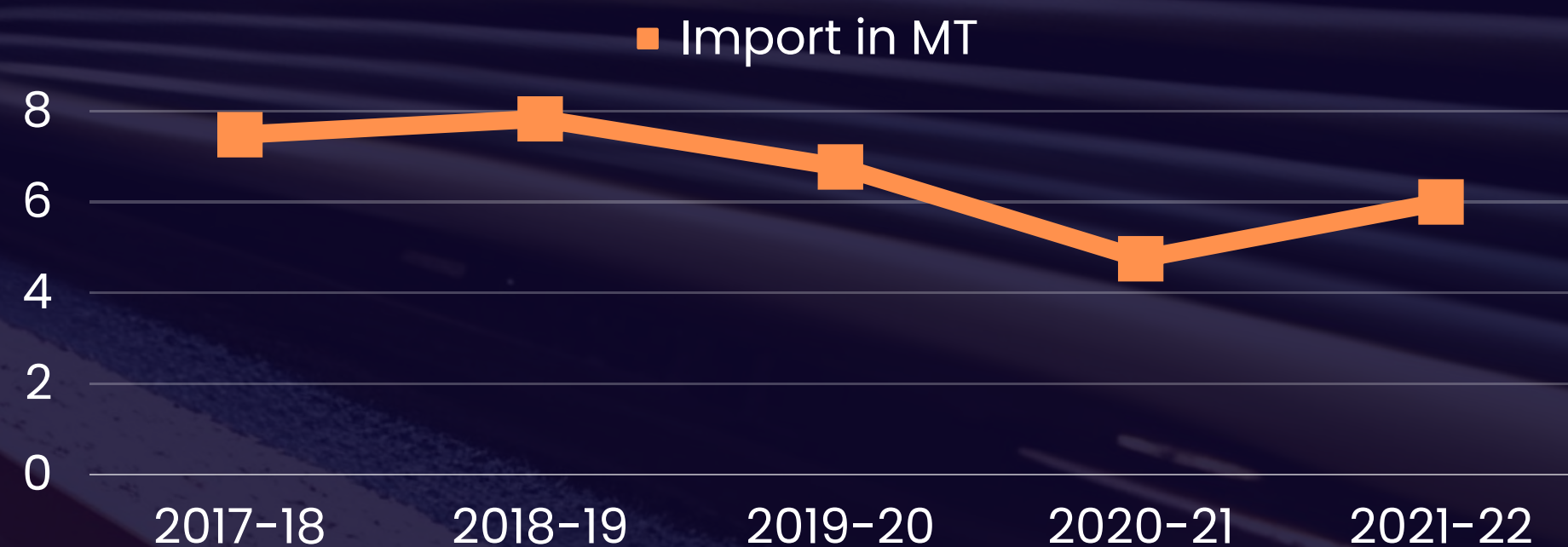
INDIAN IMPORT EXPORT SCENARIO

AS PER THE ANALYSES AND MARKET TRENDS, INDIA IS A NET EXPORTER OF FINISHED STEEL.

Indian steel industry: Import of Total Finished Steel (in million tonnes)

Category	2017-18	2018-19	2019-20	2020-21	2021-22
Quantity	7.48	7.83	6.77	4.75	6.00

Source: Joint Plant Committee

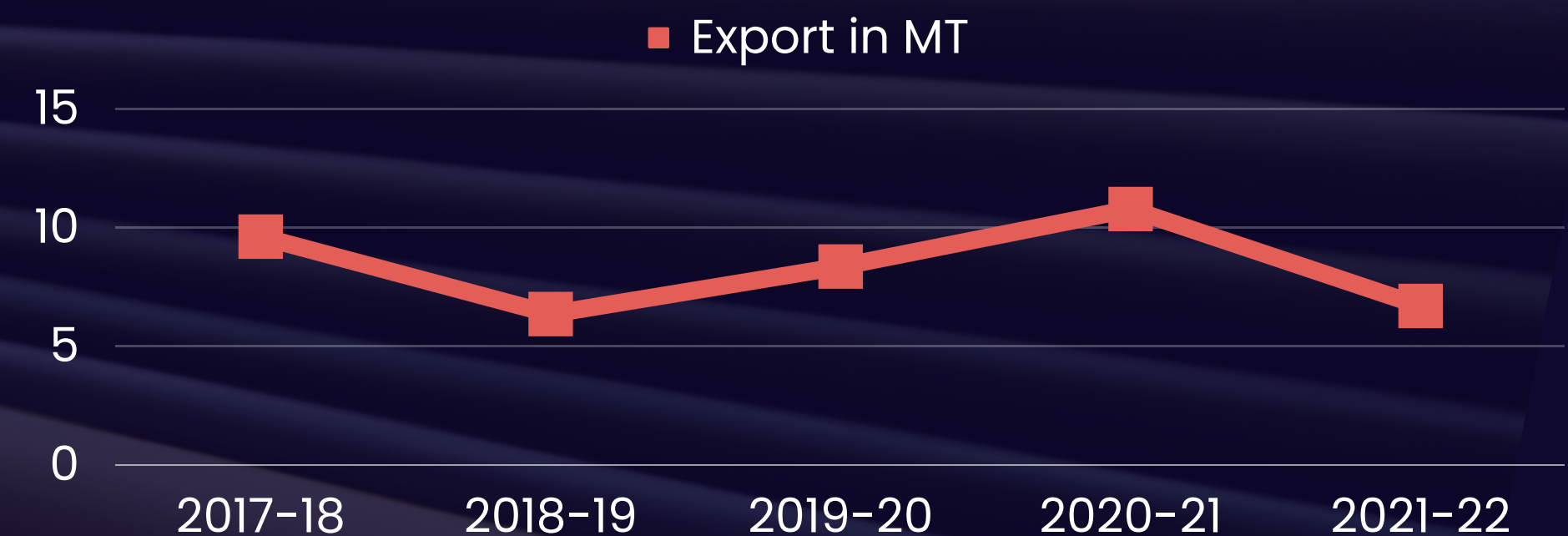


Finished and semi-finished offerings increased by over 45 per cent year-on-year to **7 million tonnes, among the highest increases in the last three years.** The increase came on the back of a sharp 500 per cent jump in shipments for semi-finished offerings; finished steel imports rose by **30-odd per cent**, as per a report of the Steel Ministry. Over the last few years, since India became net exporter of steel the highest import was in FY20 at 7.20 mt. It had since declined to 5.04 mt in FY21 and 4.80 mt in FY22. For FY23, semi-finished steel offerings coming into India stood at 1 mt (against 0.2 mt in FY22), while it was 6 mt (4.7 mt) for finished steel.

Indian steel industry: Export of Total Finished Steel (in million tonnes)

Category	2017-18	2018-19	2019-20	2020-21	2021-22
Quantity	9.62	6.36	8.36	10.78	6.70

Source: Joint Plant Committee



As per provisional estimates, India's steel exports slumped to a five-year low in the financial year that ended in March, as slowing global demand and an export tax hampered shipments. India, the world's second-biggest producer of crude steel, shipped 6.7 million tonnes of finished steel in 2022/23, a decline of 50.2% on the year and the lowest since 2018/19, the data showed.

INDIA'S PRODUCTION SCENARIO

INDIA'S TOTAL STEEL PRODUCTION

TOTAL PRODUCTION

113.6 MT

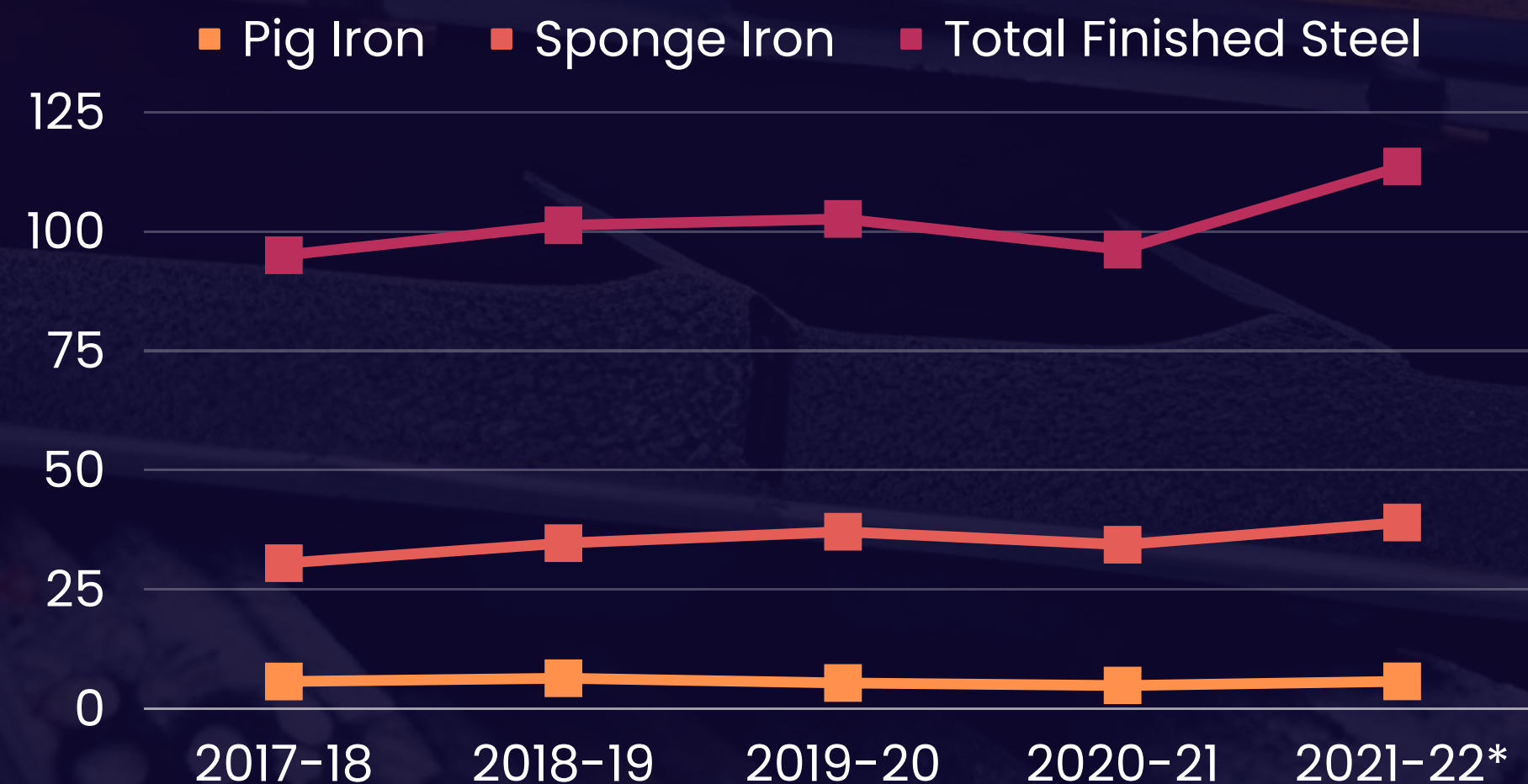
FORWARDED PE MULTIPLE

13.62X









Last five years data on production of Pig Iron, Sponge Iron and Total Finished Steel (alloy/stainless + non-alloy) are given below. The government has cut the export duty on steel products and iron ore to nil with effect from November 19, 2022.

(IN MILLION TONS)

Indian steel industry: Export of Total Finished Steel (in million tonnes)					
Category	2017-18	2018-19	2019-20	2020-21	2021-22*
Pig Iron	5.73	6.41	5.42	4.88	5.76
Sponge Iron	30.51	34.71	37.10	34.38	39.03
Total Finished Steel	95.01	101.29	102.62	96.2	113.6
Source: Joint Plant Committee; *provisional					



KEY PLAYERS IN INDIA

LOGO	COMPANY	PRODUCTS	CAPCITY
	TATA STEEL LIMITED	Finished Steel (non-alloy steel)	34 MTPA
	STEEL AUTHORITY OF INDIA LIMITED	Finished Steel (non-alloy steel)	20.63MTPA
	JSW STEEL LIMITED	Hot-rolled coils, strips and sheetd	12 MTPA
	Arcelor-Nippon JV (Essar Steel)	Hot Rolled, Cold Rolled, Galvaized, Colour-Coated	10 MTPA
	RINL Powergrid TLT Pvt Ltd.	Products, Extra wide plates ad pipes	7 MTPA
	Jindal Steel and Power Ltd.	Iron and Steel	3.6 MTPA
	Welspun-Gujarat Stahi Rohren Ltd.	Tubes and Pipes	1 MTPA
	Visa Steel Ltd.	Ferro Chrome, Coke and Special Steel	1 MTPA

State-owned SAIL has produced a record 18.28 million tonnes (MT) of crude steel during financial year 2022-23, registering a year-on-year rise of 5.3 per cent. Tata Steel announced its provisional 4QFY2023 and FY2023 production and delivery volumes as per which it recorded the highest-ever annual crude steel output of 19.9 million tonnes. JSW has reported its highest ever quarterly consolidated crude steel production at 6.58 million tonnes for March quarter FY23, registering a growth of 13 per cent YoY. JSPL to double rail manufacturing capacity to 2.2 mn tn with new Odisha plant



KEY CONSTRAINTS

01

Government has announced on a temporary suspension of anti-dumping duties on a number of steel products as on 31 January 2022 to contain high metal prices, small players are seeking a re-imposition of anti-dumping duties on select popular products

02

Steel prices have fallen sharply in comparison to steel raw material prices. Steel prices peaked in June 2021 and have been decreasing sharply since then, which are erasing most of their 2021 gains. Profit margins are getting squeezed and it stand at historic lows in 2022.

03

World crude steel production decreased sharply during the first half of 2022, falling to 158.1 million metric tons in June 2022, a 5.9% decrease compared to June 2021.

04

Factors contributing to weaker prospects include the global economic slowdown, Russia-Ukraine war, high energy prices and accelerating inflation, supply chain disruptions, and a sharp downturn in the China due to an indisposed real estate sector and strict COVID lockdown policies.

05

Iron ore prices and scrap prices have followed a similar trajectory, whereas coking coal prices remained high. Hence Steel prices have fallen. CO2 emission, while producing steel is the biggest challenge with increased production of steel for meeting domestic and global demands.

GOVERNMENT'S INITIATIVES

RECENT POLICY ANNOUNCEMENT

01	THE NATIONAL STEEL POLICY, 2017 ASPIRED TO ACHIEVE 300 MT OF STEELMAKING CAPACITY BY 2030-31. THIS WOULD TRANSLATE INTO ADDITIONAL INVESTMENTS OF RS.10 LAKH CRORE.
02	THE NEW INDUSTRIAL POLICY OPENED UP THE INDIAN IRON AND STEEL INDUSTRY FOR PRIVATE INVESTMENT.
03	IN OCTOBER 2021, THE GOVERNMENT ANNOUNCED GUIDELINES FOR THE APPROVED SPECIALTY STEEL PRODUCTION-LINKED INCENTIVE (PLI) SCHEME.
04	FDI UP TO 100% IS PERMITTED UNDER THE AUTOMATIC ROUTE TO EXPLORE AND EXPLOIT ALL NON-FUEL AND NONATOMIC MINERALS AND PROCESS ALL METALS AS WELL AS FOR METALLURGY. FDI CAP IN THE MINING AND EXPLORATION OF METAL AND NON-METAL ORES HAVE BEEN INCREASED TO 100% UNDER THE AUTOMATIC ROUTE.
05	IN FEBRUARY 2022, GOVERNMENT ANNOUNCED REVOKING OF ANTI-DUMPING DUTIES ON STAINLESS STEEL PRODUCTS IMPORTED FROM CHINA, A MOVE AIMED AT CONTAINING HIGH PRICES OF METALS.
06	THE GOVERNMENT HAS CUT THE EXPORT DUTY ON STEEL PRODUCTS AND IRON ORE TO NIL WITH EFFECT FROM NOVEMBER 19, 2022.

RECENT DEVELOPMENTS INVESTMENT/ DEALS



In one of the largest post-pandemic M&A deals in India, Essar announced signing definitive agreements with Arcelor Mittal Nippon Steel (AM/NS) for \$2.4bn for certain Ports and Power infrastructure assets which are primarily captive to Hazira steel plant operations. Other recent deals in the sector are described below.

- TATA Steel begins hydrogen gas injection trial in blast furnace in Jamshedpur first of its kind in the country.
- As per the Steel Ministry, there is no freeze on the disinvestment process of Rashtriya Ispat Nigam Ltd (RINL). The disinvestment process is in progress and efforts are on to keep the company “as a going concern”
- Jindal Steel and Power Ltd (JSPL), the country’s third largest private steelmaker, planned to double the firm’s rail manufacturing capacity to 2.2 million tonnes by commissioning a new rail mill in Angul, Odisha.
- Recently Jindal Saw has proposed to pay 694 crore to acquire Sathavahana Ispat okayed.
- Jindal Stainless to invest INR 1,290 crore in nickel pig iron JV in Indonesia.
- AM/NS India parent seals \$5bn loan for Hazira plant expansion

DEMAND DRIVERS OF INDUSTRY

INFRASTRUCTURE RISE

The Government's thrust towards infrastructure projects is majorly contributing to translate into a 6.7 percent jump in steel demand to around 120 million tons in 2023, according to the World Steel Association, the highest growth among major economies.

GOVERNMENT INITIATIVES

Ministry of Finance estimating \$1.4 trillion of funding will be needed for the National Infrastructure Pipeline through 2025. Global steel demand seen rising 2.3% in 2023, 1.7% in 2024

MAKE IN INDIA

Government's vision and mission to make India a global manufacturing hub and making India \$ 5 trillion economy by 2024-25, will boost the demand of steel sector along with inter dependent sectors.

GROWING ECONOMY

With increased government spending towards various infrastructure sectors such as roads, railways, airports, ports, mass transport, waterways and logistic infra, an increase in capex allocation by 38% y-o-y by central public sector enterprises.

ANALYSIS OF INDIAN STEEL DATA (000' TONS) APRIL-FEB, 2022 TO 2023

Finished steel comprises alloyed and non-alloyed steel.

Particular	Feb-23	Feb-22	± %	Apr-Feb 2023	Apr-Feb 2022	± %
Finished Steel						
Production	9,873	9,590	2.9	1,09,352	1,02,999	6.2
Consumption	10,095	9,085	11.1	1,07,195	96,052	11.6
Exports	575	1,157	-50.3	5,904	12,299	-52
Imports	593	411	44.2	5,592	4,318	29.5
Crude Steel production						
SAIL	1,477	1,408	4.9	16,539	15,712	5.3
TATA Steel	1,550	1,602	-3.3	18,055	17,547	2.9
AM/NS + JSW + JSPL	2,815	2,958	-4.9	31,185	29,558	5.5
RINL	398	387	2.8	3,739	4,880	-23.4
Others	3,659	3,793	-3.5	43,925	41,481	5.9
Total	9,898	10,149	-2.5	1,13,443	1,09,177	3.9
Source: JPC						

- Finished steel production during April-February was up by 6.2pc during the year to 109.4 mn Ton, while consumption rose by 12% to 107.2 mn Ton during the same period.
- Crude steel production fell by 2.5% during the year. India's crude steel output was up by 3.9% during the year at 112.4 mn t during April-February.

- Imports rose by 30% during the year to 5.59 mn ton during April-February, while exports were down by 52% to 5.9mn ton during the period.
- Exports were mainly hit by a 15% tax that the government imposed between May and November last year. Shipments have improved since the removal of the duties, although weaker international demand, especially from Europe, has kept exports in check.

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Exposure to
Steel Industry**

Name of the Account	Name of the Promoters	Location	Facilities	Total Capacity (mTPA)
Jindal Steel & Power Limited	Jindal Steel & Power Limited	Angul, Orrisa	MBF, DRI, SMS, PM, RM, OP, SP, FAS, LDP, CPP, CCM, CW	5
Jindal Steel & Power Limited	Jindal Steel & Power Limited	Raigarh, Chattisgarh	MBF, DRI, SMS, PM, RM, OP, SP, FAS, LDP, CPP, CCM, CW	3
Jindal Steel & Power Limited	Jindal Steel & Power Limited	Patratu, Jharkhand	WM, PM	1.6
Jindal Steel & Power Limited	Jindal Steel & Power Limited	Barbil, Orrisa	Pelletization Unit	9
Jindal Steel & Power Limited	Jindal Steel & Power Limited	Raipur, Chattisgarh	Heavy Machinery Division	0.05
Jindal Steel & Power Limited	Jindal Steel & Power Limited	Punjipatra, Chattisgarh	Structural Steel Division	0.09



Name of the Account	Name of the Promoters	Location	Facilities	Total Capacity (mTPA)
Jindal United Steel Limited	Jindal Stainless Limited	Jajpur, Orrisa	Hot Strip Mill	1.6
Jindal Coke Limited	Jindal Stainless Limited	Jajpur, Orrisa	Coke Oven	0.43
Jindal Stainless Hisar Limited	Jindal Stainless Limited	Hisar, Haryana	HRD, CRD	0.8
Jindal Stainless Hisar Limited	Jindal Stainless Limited	Vizag, Andhra Pradesh	Ferro Alloys	0.04
Adhunik Metaliks Limited	Adhunik Group	Sundergarh, Orrisa	MBF, DRI, SMS, RM, OP, SP, FAS, LDP, CPP, CCM, CW, Pellet Plant, Coke Oven	0.55
Zion Steel Limited	Adhunik Group	Sundergarh, Orrisa	Rolling Mill	0.12

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Associates
Exposure to
Steel Industry**

Name of the Account	Name of the Promoters	Location	Facilities	Total Capacity (mTPA)
Concast Steel & Power Limited	Concast Group	Bankura, West Bengal	DRI, SMS, Rolling, CPP	0.162
Concast Steel & Power Limited	Concast Group	Jharsuguda, Orrisa	MBF, DRI, SMS, RM, SP, FAS, LDP, CPP, CCM, CW, Coke Oven	0.264
Concast Steel & Power Limited	Concast Group	Srikakulam, Andhra Pradesh	SP, MBF, Slag Cement, CPP	0.597
Concast Steel & Power Limited	Concast Group	Sodepur, West Bengal	Rolling Mill	0.15
MSP Metaliks	MSP Group	Jharsuguda, Orrisa	MBF, DRI, SMS, RM, OP, SP, FAS, LDP, CPP, CCM, CW, Pellet Plant, Coke Oven	0.2
Uttam Galva	Uttam Galva Group	Wardha, Maharashtra	BF, SP, Coke Oven, CPP	0.6
Maithan Ispat Ltd.	Maithan Ispat Ltd.	Jajpur, Odhisha	SMS, Ferro Alloys, DRI	-



Name of the Account	Name of the Promoters	Location	Facilities	Total Capacity (mTPA)
Visa Steel Ltd.	Visa Group	JAIPUR, ORISSA	Sponge Iron, SMS, Blast Furnace	-
Gallant Ispat Ltd.	Gallant Group	Gorakhpur, UP	Sponge Iron, Mild Steel Billets, Re-Rolled products (TMT bars)	0.5
Shyam Steel	Shyam Steel Group	Duragapur, West Bengal	DRI, SMS, Continuous Billet Casting Unit, Rolling Mill	0.225
BRG Steels	BRG Steel	DHENKANAL, ODISHA	Stainless Steel, Sponge Iron, Ferro Alloys	0.4
Topworth Urja and Metals Limited	Topworth Urja and Metals Limited	Nagpur, Maharashtra	Direct Reduced Iron (Sponge Iron) Unit, Co-generation, Billets/Ingots/Blooms Unit and TMT Rolling Mill	0.29
Kohinoor Steels Limited	Kohinoor Steels	KARSAVAN, JHARKHAND	Sponge Iron, Billets, TMT bars	0.13

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Steel Mining	Cement	Real Estate/ Group Housing/ Townships
Petrochemicals	Heavy Engineering/ Manufacturing Industries	Tourism
Food Processing	Textiles	Shipyards & Ports
IT & Electronics	Bank & FII	Pharma & Healthcare

CONTACT US



ADDRESS

D-39, 2nd Floor, Sector-2,
Noida-2013001 (Delhi NCR)



EMAIL US:

valuers@rkassociates.org
valuers.mum@rkassociates.org
asm@rkassociates.org



PHONE NUMBER

(0120) 4110117, 4324647,
+91-9958632707

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