

# Indian Steel Stocks Get a Chinese Stimulus

Stability in Chinese economy to support demand, and boost raw materials market

## Our Bureau

**Mumbai:** Shares of domestic steel producers are set to reverse their recent underperformance to the broader market as an expected pick-up in demand in China is likely to have a ripple effect on pricing, imports and margins of steel-makers, said analysts.

Brokerage Morgan Stanley has upgraded shares of JSW Steel and Jindal Steel and Power to 'overweight' from 'equal-weight', while Tata Steel is now rated 'equal-weight' as compared to 'underweight' earlier. Nomura India has also initiated coverage on both JSW Steel and Jindal Steel with a 'buy' rating.

This optimism from analysts helped steel producers buck the over-

all weakness in the market, with shares of JSW Steel, Jindal Steel and Tata Steel ending flat to 1% higher, compared to the benchmark indices falling over 2% each.

China, last week, announced measures to prop up demand for real estate in the country. These include lowering existing interest rates for home loans and easing restrictions for buying property. China is the world's largest consumer of steel and a slowdown in its real estate sector had led to the country selling its surplus steel across the world at discounted rates.

"Potential stabilisation of the economy, especially the property market, may support steel demand in China, thereby boosting not just sentiment but also steel/steelmaking raw material markets, we believe," Rahul Gupta of Morgan Stanley said in a report on Tuesday.

As compared to a 4% gain in the Nifty 50 over a three-month period, shares of Tata Steel and Steel Authority of India are in the red, while Jindal Steel and Power has been flat. Shares of JSW Steel have gained more than 9% in the same pe-

## Ready for Surge

Company	Rating	Target Price (₹)
<b>Morgan Stanley</b>		
Jindal Steel	Overweight	1,200
JSW Steel	Overweight	1,150
Tata Steel	Equalweight	175
<b>Nomura India</b>		
Jindal Steel	Buy	1,220
JSW Steel	Buy	1,200



riod. While imports of steel into India could remain elevated over the next few months, there are green shoots visible for the near term, as local steel prices are similar to import prices, he said.

Earnings of steel companies are expected to remain weak in the September quarter weighed down by both weaker prices and demand.

"Preliminary data suggests some weakness in 2QFY25, but it was more seasonal than structural," Jashandeep Singh Chadha of No-

mura India said. He expects the strong consumption of steel in the country to continue through 2026-27 (Apr-Mar).

Even through 23 million tonne of capacity will be added in the country between 2023-27, the industry is set to remain in a "sweet spot" because the addition in capacity will lag the growth in demand, he said.

The next phase of growth for Indian steelmakers is set to come from the brownfield route, which can boost return ratios, he said.