

Metal & Mining Stocks to Face Headwinds as China's Export Glut Weighs on Prices

Lower prices to dent realisations and margins; Tata Steel, JSW Steel, Hindalco still top picks

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Mumbai: Investors must brace for limited gains in shares of metal and mining companies as earnings could come under pressure in the coming quarters on weakening prices, said analysts.

With Chinese steelmakers flooding the global market, analysts expect prices to be under pressure for now. Tata Steel, JSW Steel, Hindalco, and Vedanta remain top picks though analysts warn against sharp upside in the near term.

Nomura said Indian steel mills cut HRC (hot rolled coil) prices for August by ₹3,500 per tonne to ₹58,500 from the previous month and CRC (cold rolled coil) by ₹2,500 per tonne to ₹66,000. The government in May had slapped an export duty of 15% on various steel products and imposed a 45% duty on iron ore pellets to rein in the prices.

Feeling the Heat

Stock	CMP (₹)	1 Month Return (%)	YTD Return (%)	PE
JSW Steel	669.85	16.11	0.41	10.38
Tata Steel	109.25	19.70	-4.43	3.42
Hindustan Zinc	272.80	0.48	-14.64	10.74
Hindalco Industries	440.05	23.54	-7.92	7.20
Vedanta	256.64	11.87	-27.42	5.02
Jindal Steel	396.30	12.91	2.84	5.25
NMDC	116.05	6.47	-14.23	4.45
SAIL	79.84	10.12	-27.45	2.69
APL Apollo Tubes	1,051.15	18.31	10.74	50.88
NALCO	79.90	8.49	-22.46	4.97

"Lower steel and iron ore prices are expected to severely impact realisation and margins of steel and iron ore companies and resultantly would put pressure on earnings in

FY23," said Abhijeet Bora, analyst at Sharekhan. "Weak earnings would in turn impact growth capex and valuations."

The Nifty Metal index rallied 20% in

the last one month compared to an 8% rise in the Nifty index. Stocks such as Hindalco, Tata Steel, JSW Steel, and Hindustan Copper have gained more than 20% in one month. Reports of the government mulling a partial withdrawal of export duty on steel contributed to the improved sentiment in steel stocks.

Edelweiss Securities said sustained high levels of steel and aluminium exports from China are concerning. This could add pressure to metal prices globally.

"Robust steel and aluminium exports from China are cause of concern," said Amit Dixit, analyst, Edelweiss Securities.

"While regional steel prices are already at their lowest level since November 2020 and the LME aluminium price has remained range-bound, we remain circumspect of the ferrous space owing to the twin-trouble of higher export volume and lower prices from China."