

# Steel stocks may take time to shine

**STRONG BASE.** Analysts remain bullish for long term, but see sideways movement in short term

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Analysts expect further consolidation of steel stocks, as the domestic steel sector is one of the fastest growing. Though it was hobbled by Covid-19 and global export/import circumstances, it regained its glory thanks to the government's infrastructure push.

Many analysts remain bullish about the sector's prospects, but stocks, such as Tata Steel, JSW Steel, Jindal Stainless, NMDC Steel, and SAIL, were yo-yoing for the past two weeks.

On Tuesday, Tata Steel edged up 0.82 per cent to close at ₹110.75 on the BSE. Jindal Steel & Power was up 2.5 per cent to ₹581.95, while JSW Steel moved up 1.83 per cent to ₹762.5. In the March quarter, retail investors have increased

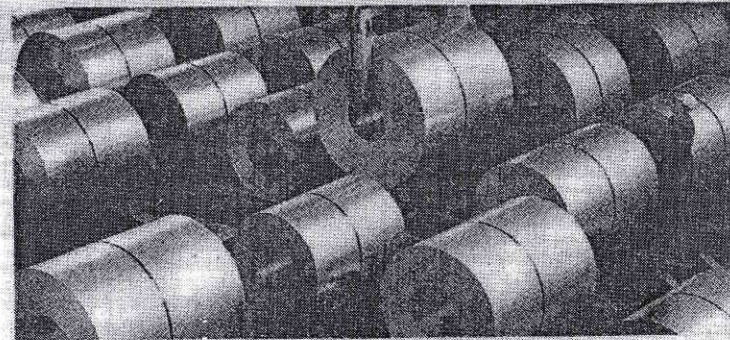
holdings from 23.72 per cent to 23.91 per cent.

Gaurav Bissa, VP, InCred Equities, said, "Steel stocks have been trading in a range for the last few months. Though there were small periods of outperformance, the overall trend has been subdued."

With almost 125 million tonnes (mt) production, India is the No 2 producer of crude steel after China. According to the World Steel Association, the steel industry growth rate is estimated to be about 6.7 per cent in 2023.

Boosted by rising demand from the domestic construction, railways, and capital goods sectors, steel demand is expected to be 128.9 mt during FY24 - up from 119.9 mt during the previous year, said the Indian Steel Association.

However, the onset of monsoon and approaching Lok Sabha elections may



**BET ON FUNDAMENTALS.** Analysts recommend purchasing stocks with strong fundamentals and a capable management team during challenging times

cause a temporary blip to the demand.

## PRICING MECHANISM

The price of steel is dynamic — in February 2023, there was a 5 per cent increase in steel prices. Multiple factors, including rise of raw material prices (iron ore and coking coal) and rise in infra projects, have impacted steel prices.

Abhishek Jain, Head of Research, Arihant Capital,

said, "Global prices have been recovering since May, following China's announcement of a rate cut. Although demand was initially low, it is now showing signs of picking up. Steel companies in China have recently increased their prices. We hold a positive view of Indian steel companies. However, given the recent rally in some stocks, it would be prudent to accumulate them gradually, tak-

ing advantage of dips in the market," he said.

## CONSOLIDATION PHASE

Bissa added, "The steel space is expected to trade in a consolidation manner for now, as the heavyweights themselves are not showing any signs of a major upside.

Tata Steel is trading below its two-year descending trendline resistance, whereas JSW Steel has reversed from its 18-month hurdle, which is likely to keep the stock as well as the steel space under some pressure.

The sector is likely to witness time correction rather than price correction in the coming weeks."

Jain said, "We maintain an optimistic long-term outlook on Indian steel companies and recommend purchasing those with strong fundamentals and capable management during market crisis."