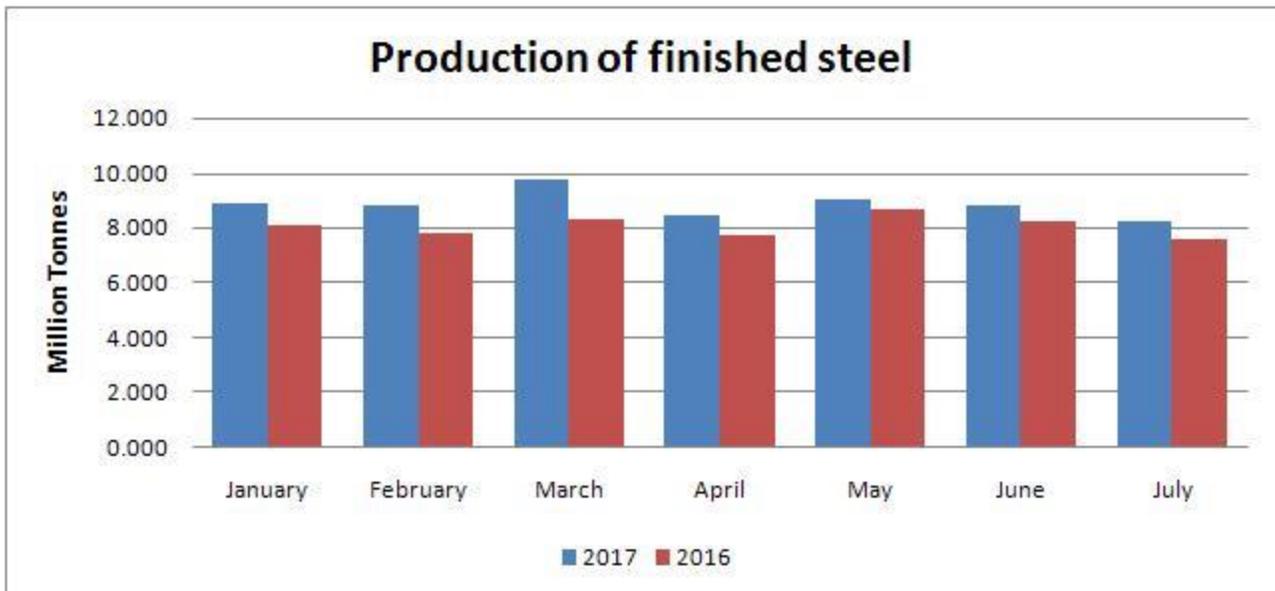


Steel has emerged as one of the important products in the modern era and help in forming the backbone to any industrial economy. India is the third largest steel producer in world and is poised to become second largest producer, putting Indian steel significantly on the map of the global industry. Being one of the fastest growing economies in the world, steel is finding extensive demand from areas like construction, infrastructure, power, aerospace, industrial machinery and consumer products. The growth in the Indian steel sector has been driven by domestic availability of raw materials such as iron ore and cost-effective labour, making the steel sector a major contributor to India's manufacturing output.

Production

Production of total finished steel stood at 34.430 million tonnes (mt) during April-July 2017, registering a growth of 6.9% over same period of last year. SAIL, RINL, TSL, Essar, JSWL & JSPL together produced 20 mt during April-July 2017 which was a growth of 14% over same period of last year. The rest came from the Other Producers, which was a growth of 0.2% over same period of last year. Overall production of total finished steel in July 2017 (8.256 mt) was down by 5% over June 2017 but was up by 9% over July 2016.

During April-July 2017, crude steel production was 33.011 mt, a growth of 3.8% over same period of last year. Overall crude steel production in July 2017 (8.45 mt) was up by 4% over June 2017 and was up by 4.6% over July 2016. Hot metal production stood at 21.397 mt during April-July 2017, a growth of 1.8% over same period of last year, while overall hot metal production in July 2017 (5.526 mt) was up by 6.1% over June 2017 and was up by 3.5% over July 2016. Further, pig iron production for sale stood at 3.043 mt during April-July 2017, a decline of 3.2% over same period of last year. Overall production for sale of pig iron in July 2017 (0.758 mt) was up by 0.5% over June 2017 but was down by 4.2% over July 2016.



Consumption

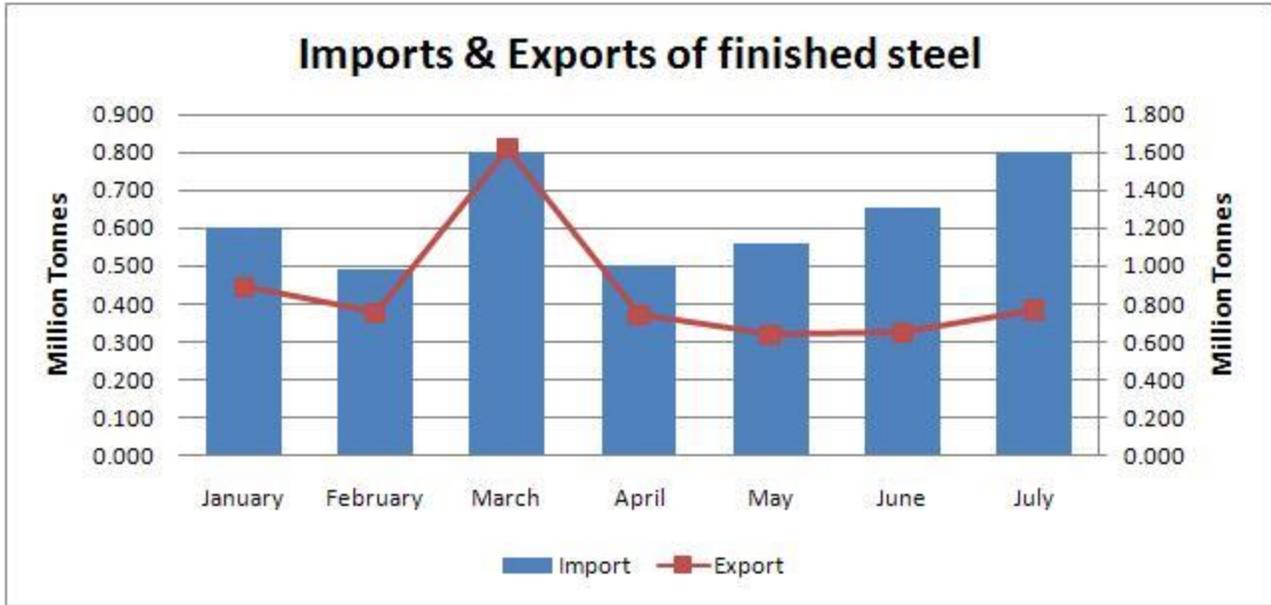
India's consumption of total finished steel saw a growth of 4.4% in April-July 2017 (27.911 mt) over same period of last year, under the influence of rising production for sale and imports. Overall consumption in July 2017 (6.905 mt) was down by 4.2% over June 2017 but was up by 3.7% over July 2016.



Imports & Exports

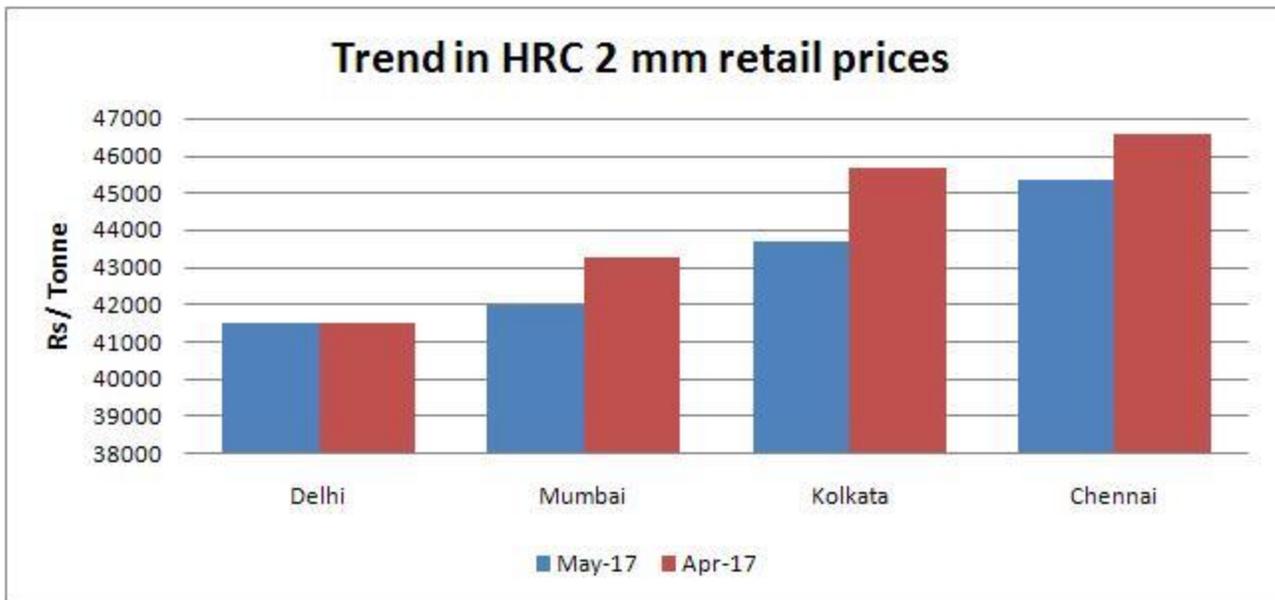
Export of total finished steel was up by 65.5% in April-July 2017 (2.807 mt) over same period of last year. Overall exports in July 2017 (0.77 mt) was up by 19% over June 2017 and was up by 64% over July 2016.

Meanwhile, import of total finished steel was 2.505 mt in April-July 2017, up by 4.7% over same period of last year. Overall imports in July 2017 (0.798 mt) was up by 24% over June 2017 and was up by 42.2% over July 2016. India was a net importer of total finished steel in July 2017 but maintained its net exporter status for the cumulative period, i.e. during April-July 2017.



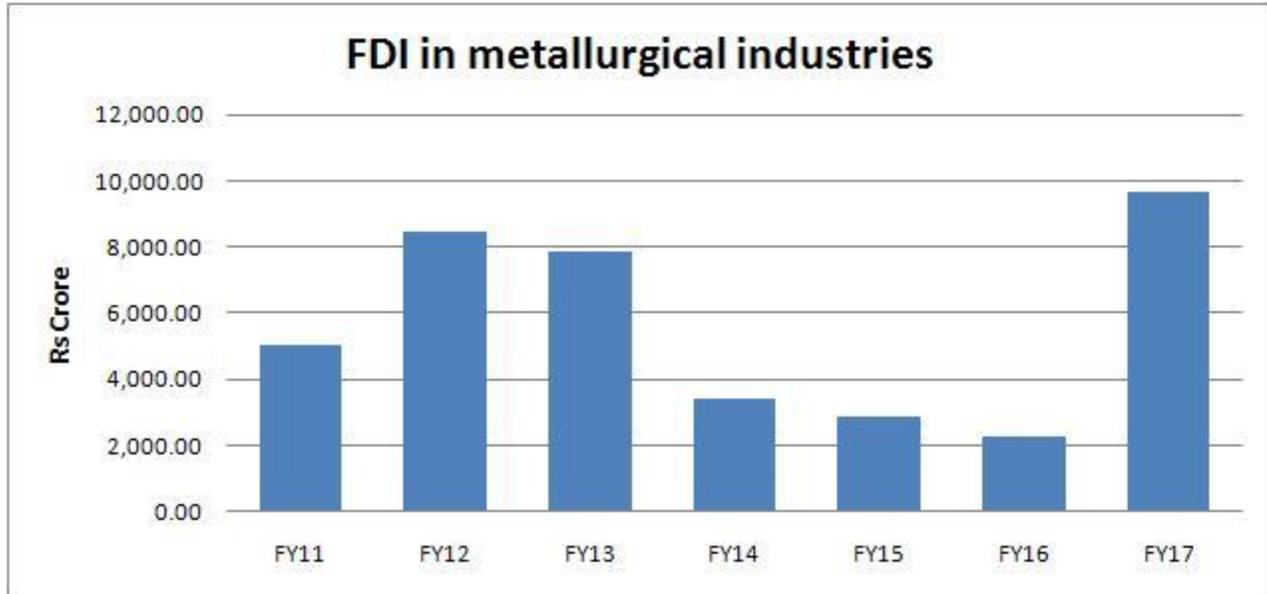
Domestic steel prices

Compared to May 2016, average (retail) market prices in May 2017 increased for both long products (represented by TMT 10 mm) and flat products (represented by HRC 2 mm) in all metro cities i.e. Delhi, Mumbai, Kolkata and Chennai, largely in response to domestic demand-supply conditions and global influences. However, compared to April 2017, the trend showed decline across markets for TMT as well for HRC in all markets except Delhi (where it showed very little movement). TMT prices were highest in the Chennai market (Rs 40,607/ tonne) and lowest in the Mumbai market (Rs 38,452/ tonne) while HRC prices were highest in the Chennai market (Rs 45,325/ tonne) and lowest in the Delhi market (Rs 41,500/ tonne) during May 2017.



FDI in the sector

The Indian metallurgical industries attracted foreign direct investments (FDI) (Equity Inflows) to the tune of Rs 9,646.73 crore or \$1,440.19 million in FY17, as compared to Rs 2,280.49 crore or \$343.61 million in FY16. The sector attracted 3% of total FDI Equity Inflows in FY17.



Cabinet approves National Steel Policy 2017

The Government has given its approval for National Steel Policy (NSP) 2017. The new Steel Policy enshrines the long term vision of the Government to give impetus to the steel sector. It seeks to enhance domestic steel consumption and ensure high quality steel production and create a technologically advanced and globally competitive steel industry. The policy projects crude steel capacity of 300 million tonnes (MT), production of 255 MT and a robust finished steel per capita consumption of 158 Kgs by 2030 - 31, as against the current consumption of 61 Kgs. The policy also envisages to domestically meet the entire demand of high grade automotive steel, electrical steel, special steels and alloys for strategic applications and increase domestic availability of washed coking coal so as to reduce import dependence on coking coal from about 85% to around 65% by 2030-31.

Key features of the NSP 2017:

- Create self-sufficiency in steel production by providing policy support & guidance to private manufacturers, MSME steel producers, CPSEs.
- Encourage adequate capacity additions.
- Development of globally competitive steel manufacturing capabilities.
- Cost-efficient production.
- Domestic availability of iron ore, coking coal & natural gas.
- Facilitating foreign investment.
- Asset acquisitions of raw materials.
- Enhancing the domestic steel demand.

Recent developments

Government imposes five-year countervailing duty on stainless steel products

The government has imposed a five-year countervailing duty on certain stainless steel products in a move that is tipped to rein in cheaper imports and hopefully, boost production of the metal within the country. As part of the decision, imports from China would be subjected to 18.95 per cent countervailing duty on the landed value of stainless steel flat products. This duty will remain effective for a period of five years. The duty would be imposed on both hot and cold rolled stainless steel products in any form. The finance ministry notification said the designated authority (DGAD) had in its final findings found that the domestic industry has suffered material injury due to subsidisation of the subject goods (certain hot rolled and cold rolled stainless steel products) and that the material injury has been caused by the subsidised imports of the subject goods originating in or exported from the subject country (China).

Govt initiates anti-dumping probe on import of select steel bar, rod from China

Following complaints from the domestic steel industry, the government has initiated an anti-dumping probe on imports of straight length bars and rods of alloy steel from China. Six domestic companies, including JSW Steel, Sunflag Iron and Steel, Usha Martin and Gerdau Steel India, had submitted an application with the Directorate General of Anti-dumping and Allied Duties (DGAD) for initiation of anti-dumping investigation and imposition of the duty on these steel items exported from China. The commerce ministry's investigation arm - DGAD, at first glance, said that it has found sufficient evidence of dumping of these products from China. DGAD in its notification stated that the Authority has started investigating the alleged dumping and consequent damage to the domestic industry. In its investigation, the directorate will determine existence, degree and effect of alleged dumping and recommend the amount of anti-dumping duty, which if levied would be adequate to remove the injury to the domestic industry.

US initiates antidumping probe on imports of stainless steel flanges from India, China

Based on petitions filed by the Coalition of American Flange Producers and its individual members, Core Pipe Products and Maass Flange Corporation, the US government has initiated new anti-dumping and countervailing duty probe to determine whether imports of stainless steel flanges from India and China are being dumped in the US. According to the US Commerce Department, it will act swiftly, while assuring a full and fair assessment of the facts, to ensure that everyone trades on a level playing field. In the anti-dumping investigation, the Commerce Department will determine whether imports of stainless steel flanges from China and India are being dumped in the US market at less than fair value. The department will determine whether Chinese and Indian producers of stainless steel flanges are receiving unfair government subsidies. The products covered by these investigations are certain forged stainless steel flanges, whether unfinished, semi-finished, or finished (certain forged stainless steel flanges). In 2016, imports of stainless steel flanges from China and India were valued at an estimated \$16.3 million and \$32.1 million, respectively.

Outlook

Indian steel industry is sensing some revival after last year's stressful run, which it got fending off Chinese imports. The government's focus on infrastructure and affordable housing has helped increase in demand while anti-dumping moves have helped the local industry. The government

has initiated anti-dumping probe on import of select steel bar, rod from China and also imposed five-year countervailing duty on stainless steel products. To provide assistance to the steel sector, the Indian government came up with National Steel Policy (NSP) 2017. With the implementation of the new policy, the government will be able to create a suitable environment for promoting domestic steel and ensure that production meets the anticipated pace of growth in demand.

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Companies Financial Data In Industry

Company Name	CMP	MCAP	BOOK VALUE	DIV. YIELD %	TTM EPS	TTM PE
APL Apollo Tubes Ltd.	1866.30	4402.59	321.81	0.64	60.75	30.72
Rajratan Global Wire Ltd.	565.75	246.20	210.66	0.27	40.77	13.88
Technocraft Industries (India) Ltd.	410.20	1078.83	250.55	0.00	33.06	12.41
Kalyani Steels Ltd.	410.35	1791.30	177.04	1.22	31.28	13.12
Sarda Energy & Minerals Ltd.	451.85	1628.88	348.41	0.89	28.60	15.80
Shankara Building Products Ltd.	1512.15	3455.16	327.54	0.18	26.38	57.33
Maharashtra Seamless Ltd.	445.25	2983.16	345.12	1.12	23.71	18.78
Beekay Steel Industries Ltd.	214.95	409.95	129.74	0.47	22.88	9.39
Gallantt Ispat Ltd.	192.25	542.84	143.67	0.26	14.20	13.54
Kridhan Infra Ltd.	84.55	626.45	39.22	0.19	13.30	6.36
JSW Steel Ltd.	257.20	62170.91	95.92	0.87	12.81	20.08
Jindal Stainless (Hisar) Ltd.	174.50	4117.06	39.69	0.00	10.30	16.94
Jindal Saw Ltd.	121.05	3870.62	176.01	0.83	9.57	12.65

Sorted with TTM EPS (High to Low)

Source – Ace Equity

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