

Metals Weekly

Valuations: Indian companies

	Price (INR)	EV/EBITDA FY13E	EV/EBITDA FY14E	P/BV FY13E
Steel				
Tata Steel	397	7.9	6.4	1.5
SAIL	83	8.5	7.4	0.8
JSW Steel	745	6.8	7.3	1.0
JSPL	431	9.4	8.9	2.0
NMDC	160	5.5	4.7	2.2
Sesa Goa	188	6.8	4.9	1.1
Non-ferrous				
Sterlite Inds.	113	4.1	3.9	0.8
HZL	142	6.0	4.7	1.9
Nalco	47	15.1	6.5	1.0
Hindalco	120	7.3	6.5	1.2

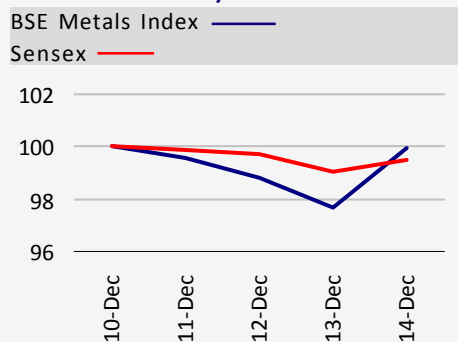
Note: Detailed table on pg 23 Source: MOSL

Valuations: Global companies

	Price	EV/EBITDA CY11	EV/EBITDA CY12	P/BV CY11
Mining				
BHP	AUD 35.0	7.1	6.2	2.6
FMG	AUD 4.1	6.8	4.6	2.7
Rio Tinto	AUD 61.3	7.0	5.7	2.0
Vale	USD 18.4	4.9	4.5	1.2
Teck Res.	USD 35.8	6.7	6.1	1.1
Xstrata	GBp 1032.5	7.8	6.3	1.0
Steel				
A. Mittal	EUR 12.3	7.4	6.3	0.4
Posco	k KRW 337	5.8	5.2	0.7
US Steel	USD 21.9	6.3	5.3	0.9
Nucor	USD 40.8	9.5	6.9	1.7
JFE	JPY 1307	9.2	6.9	0.5
Gerdau	BRL 18.7	9.2	7.4	1.1
Bao Steel	CNY 4.7	5.4	5.5	0.8
Non-ferrous				
Alcoa	USD 8.6	9.9	6.7	0.7
Norsk Hyd.	NOK 26.9	10.5	6.9	0.8
Rusal	HKD 4.9	19.8	14.3	0.9

Detailed on pg 23 Source: Bloomberg

BSE Metals Index v/s Sensex



Source: Bloomberg

Note: Indexed to 100 on 10 December 2012
Stock performance table on pg 24

Investors are advised to refer through disclosures made at the end of the Research Report.

Metal Prices

	CMP 17-Dec	%	Week 10-Dec	%	Quarter 1-Oct	%	YTD FY13 2-Apr
STEEL							
TMT- Mumbai (INR/ton)	34,400	-1	34,600	-5	36,300	-14	39,900
HRC- Mumbai (INR/ton)	35,036	2	34,306	5	33,383	-7	37,742
HRC (USD/ton) fob CIS	533	0	533	-1	540	-16	635
METALLICS							
Sponge iron - Raipur (INR/ton)	20,100	-1	20,400	-9	22,050	-17	24,200
Pig iron - Raipur (INR/ton)	25,000	0	25,000	-4	26,000	-2	25,385
Iron ore spot (USD/ton) cfr China	130	5	123	20	108	-14	150
Coke (USD/ton) fob	335	2	330	5	320	-9	370
Shred. scrap (USD/ton) Rotterdam	375	1	372	8	349	-11	420
ALUM.							
LME inventories ('000 ton)	5,174	0	5,177	2	5,059	2	5,077
LME Spot (USD/ton)	2,132	3	2,078	3	2,068	2	2,098
Indian prices (INR '000/ton)	116	3	113	5	110	8	108
ZINC							
LME inventories ('000 ton)	1,227	0	1,229	23	996	37	896
LME Spot (USD/ton)	2,058	4	1,988	1	2,037	3	2,003
Indian prices (INR '000/ton)	112	4	108	3	109	8	103
COPPER							
LME inventories ('000 ton)	273	4	262	22	224	6	258
LME Spot (USD/ton)	8,047	1	7,965	-2	8,191	-5	8,480
Indian prices (INR '000/ton)	442	1	438	1	437	2	431
OTHERS							
Gold (INR/10gms)	30,885	0	30,983	-1	31,301	10	28,075
Sliver (INR/1kg)	60,040	-1	60,800	-1	60,915	7	55,950
Lead Spot LME (USD/ton)	2,293	5	2,179	2	2,238	13	2,020
FC 6-8% C basis 60% Cr (USD/lb Cr)	0.99	3	0.97	-6	1.05	-16	1.2
MISC							
INR/USD	54.5	0	54.4	4	52.5	7	50.9
BDI	784	-16	937	1	777	-16	934

Source: Metal Bulletin, Bloomberg, Steel Mint, MOSL

Base metals improve further; iron ore prices stronger but met coke is surplus

- TMT, Mumbai (long) prices decreased 0.6% WoW while HRC, Mumbai (flat) increased 2.1% WoW. Steel intermediaries prices continued their downtrend as sponge iron, scrap and pellet prices declined by 1.5%, 1.1% and 2.6% WoW respectively. Most secondary steel manufactures are resorting to production cuts/shutdowns due to thin margins.
- Steel prices were flat in Europe, N. America, CIS and Turkey. Chinese flat steel prices increased 0.2% WoW while long steel prices declined 0.5% WoW. China flat steel prices have shown uptrend however long steel prices remain subdued due to poor demand from infrastructure sector.
- Iron ore prices increased 5%WoW to USD130/t (USD134/t on Monday) while coking coal prices declined by USD4 WoW to USD158/t. China has scrapped 40% export tax on coke, a move aimed at aligning itself to WTO norms and to get rid of surplus production.
- Al, Cu, Zn and Pb prices increased 3%, 1%, 4% and 5% WoW respectively.
- Although iron ore market is stronger due to improved sentiments, a surplus coke/coking coal market will continue to pin down Chinese steel prices. This situation is good for Indian steel mills, but domestic demand is not supporting. We have **Buy** on **NMDC, Hindalco** and **Sesa-Sterlite**.

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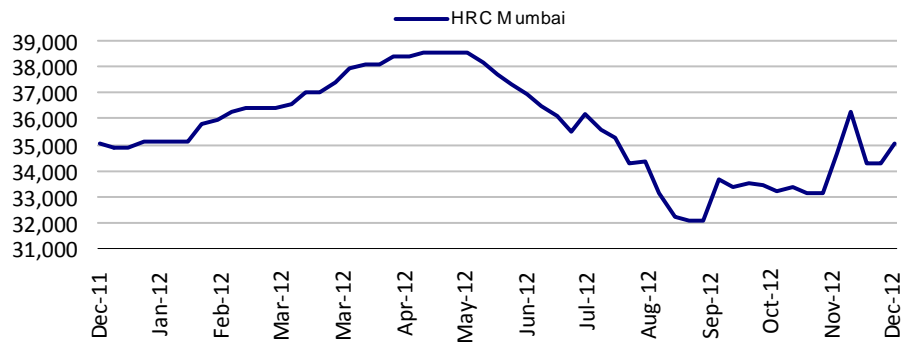
Ferrous

Ferrous

INDIA

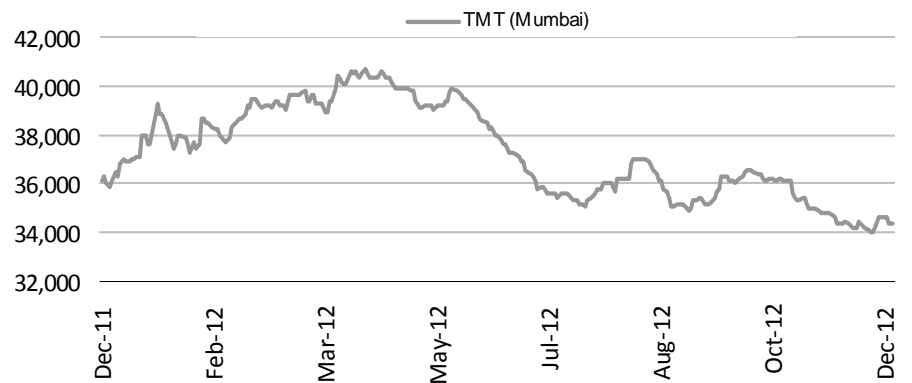
HRC Mumbai (import parity) prices increased 2.1% WoW to INR 35,036/t

Indian flat steel prices (INR/T, excl. ED & VAT)



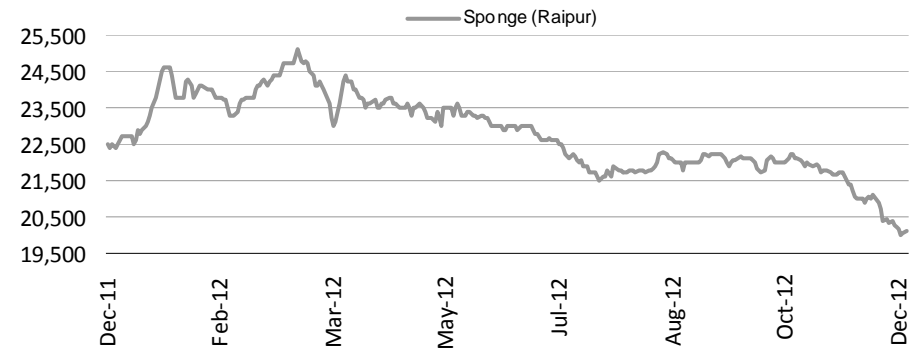
TMT Mumbai prices decreased 0.6% WoW to INR 34,400/t

Indian long steel price (INR/T, excl. ED & VAT)

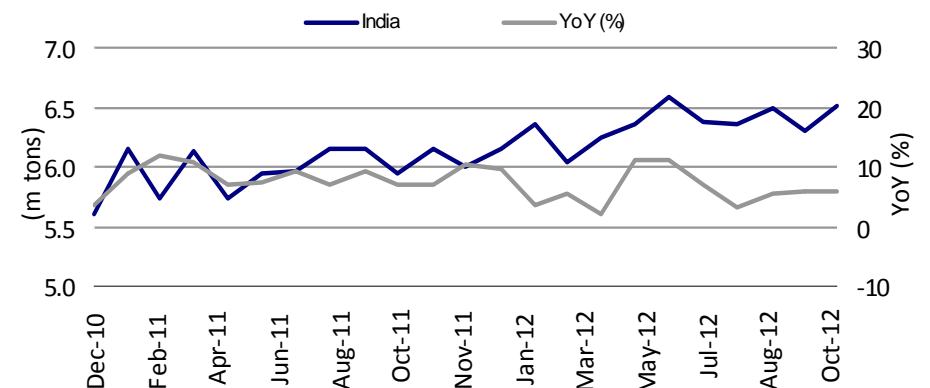


Sponge iron prices decreased 1.5% WoW to INR 20,100/t

Steel intermediates prices (INR/T, excl. ED & VAT)



India: Monthly crude steel production



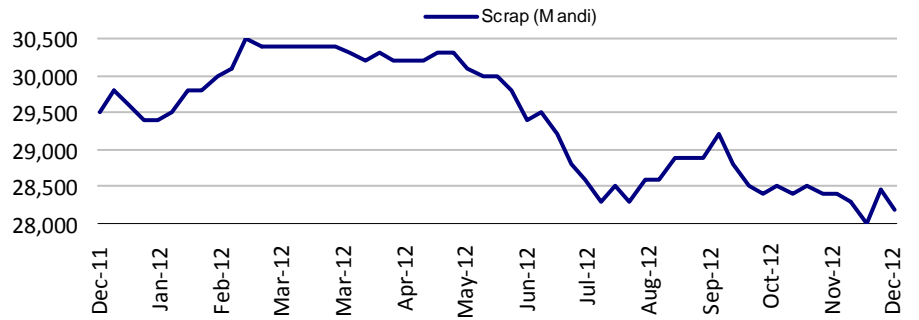
Source: SteelMint, WSA, MOSL

Ferrous

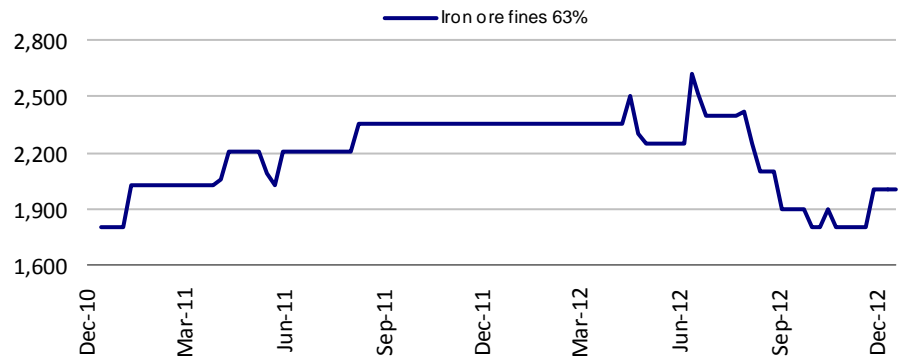
INDIA

Scrap Mandi (INR/t)

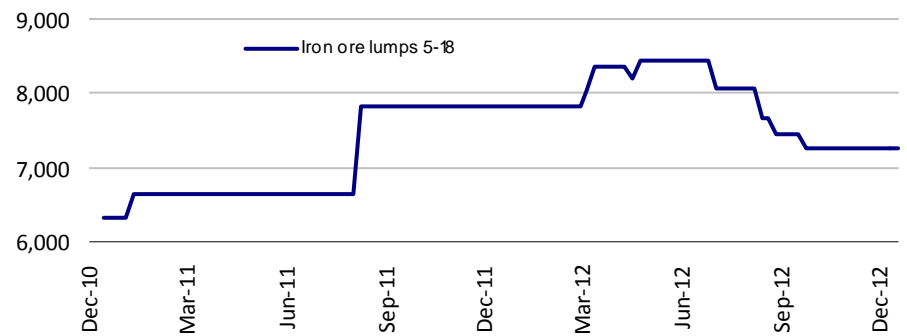
Scrap (Mandi) prices decreased 1.1% WoW to INR28,200/t



Iron ore fines 63% (INR/t) ex mine

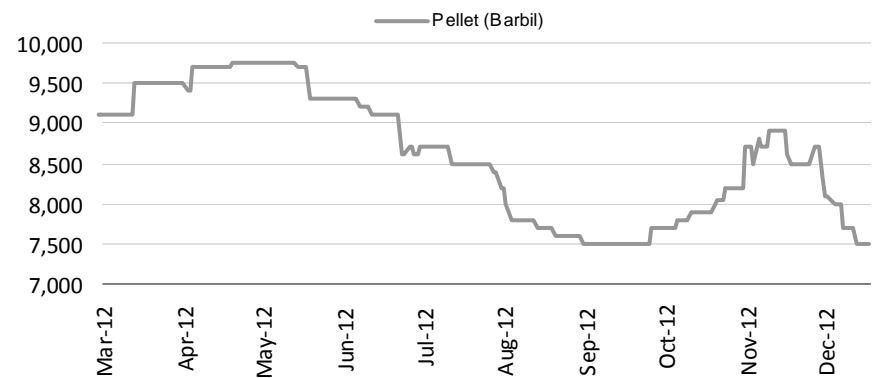


Iron ore lumps 63% 5-18 (INR/t)



Pellet (Barbil) INR/t

Pellet prices decreased 2.6% WoW at INR7,500/t due to lower demand from sponge iron manufacturers

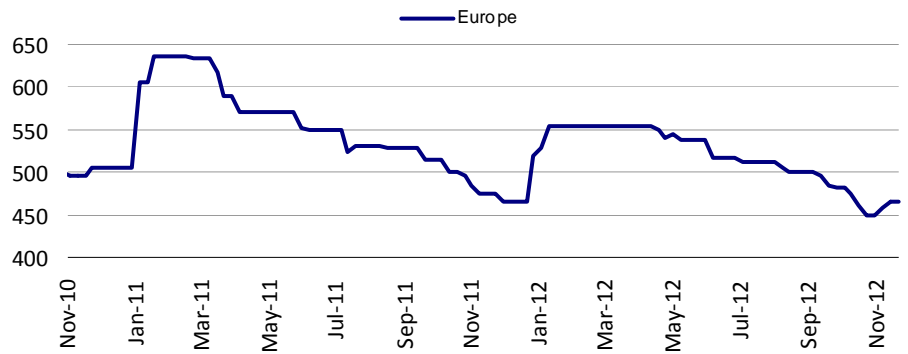


Source: SteelMint, WSA, MOSL

European Union

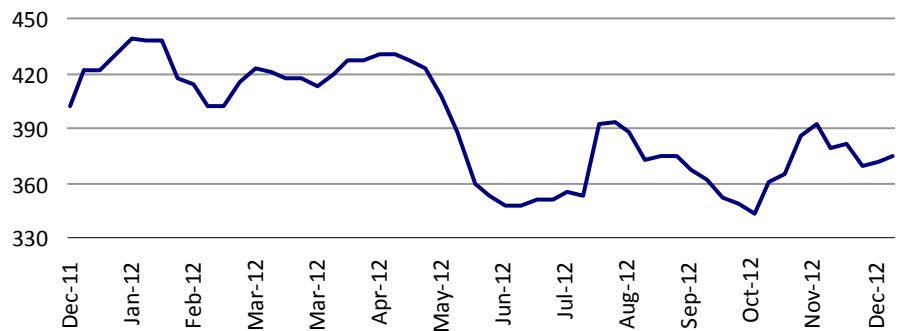
European HRC prices (EUR/ton)

European HRC prices were flat WoW at Euro465/t

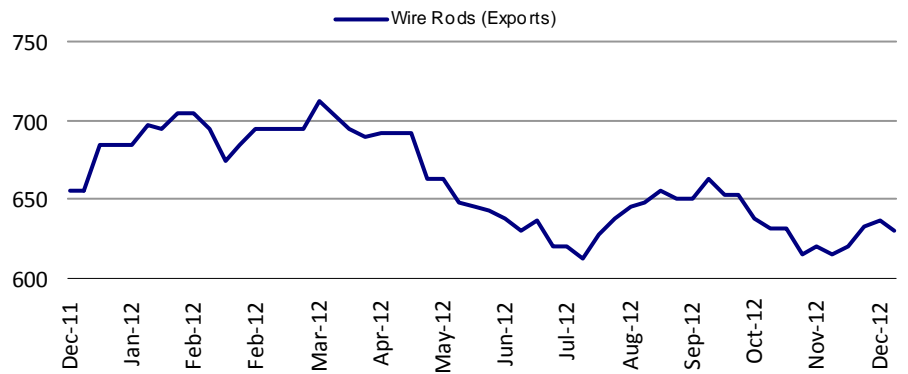


Rotterdam: shredded scrap prices (USD/t)

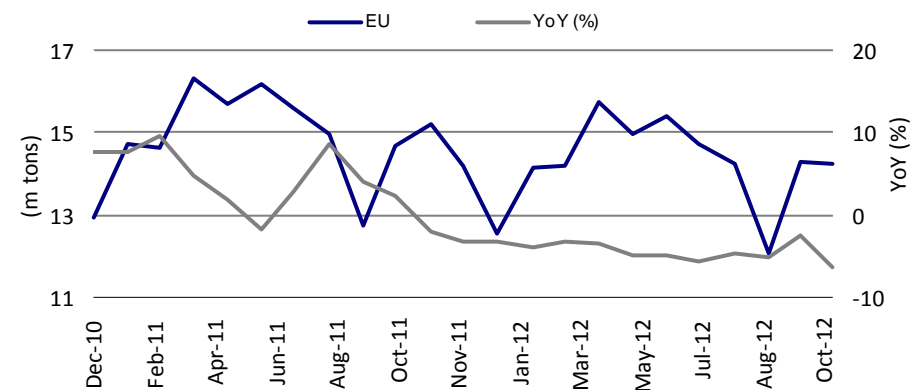
Rotterdam Shredded scrap prices increased 0.8% WoW to USD375/t



European wire rods prices (USD/ton)



European Union: Monthly crude steel production

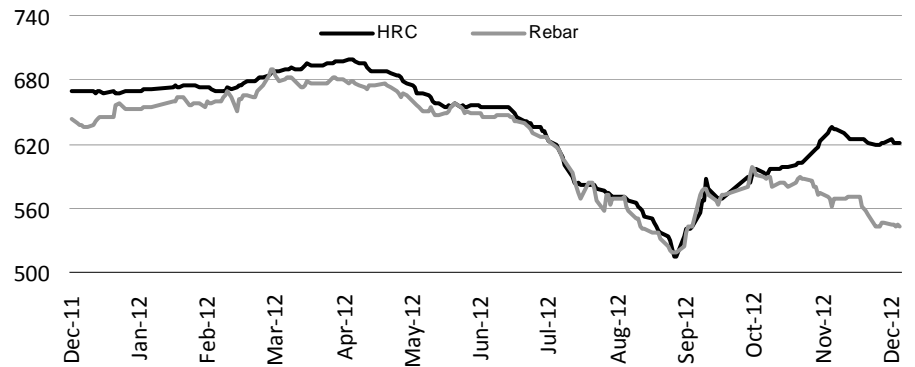


Source: Metal Bulletin, Bloomberg, WSA, MOSL

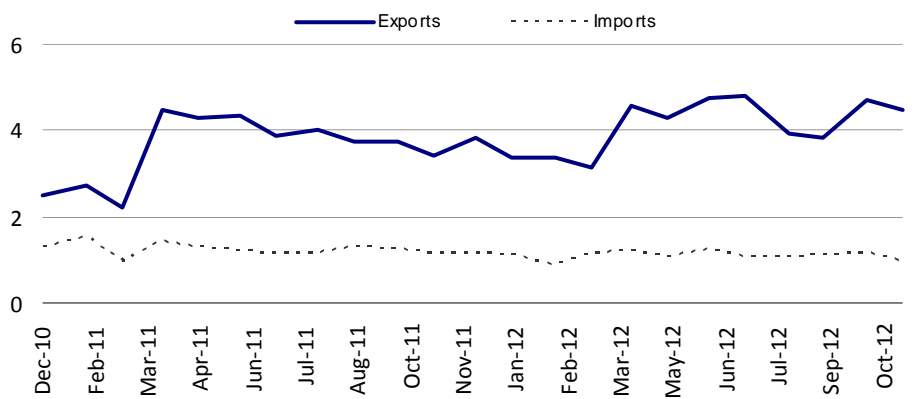
China HRC prices increased 0.2% WoW to USD622/t while rebar prices decreased 0.5% WoW to USD543/t. Differential premium of USD79/t between HRC and Rebar prices continue to remain at yearly high levels

China

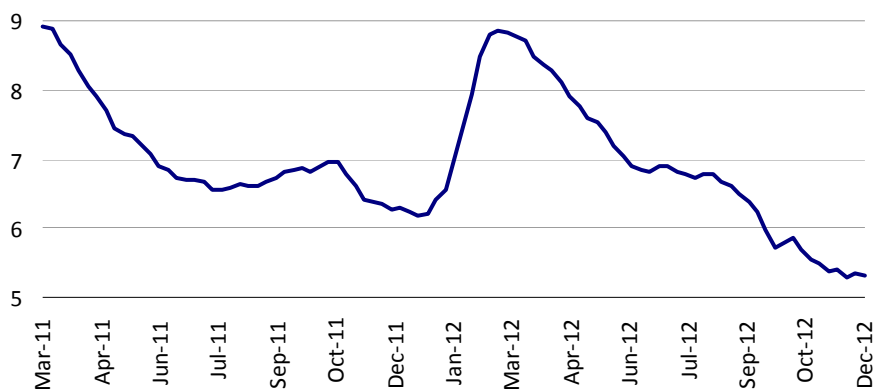
China domestic prices (USD/ton)



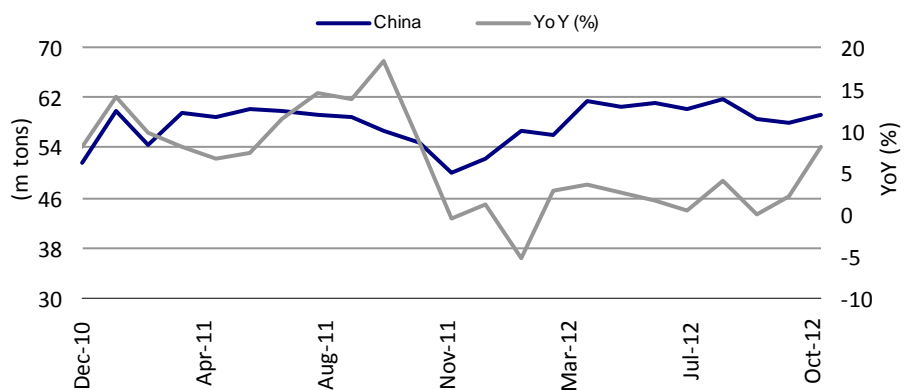
Steel trade (m ton)



Steel inventories (m tons)



Monthly crude steel production

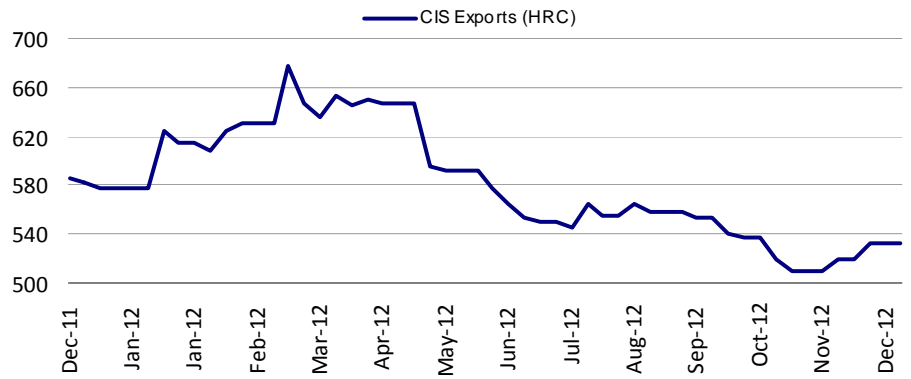


Source: Metal Bulletin, Bloomberg, WSA, MOSL

Other regions

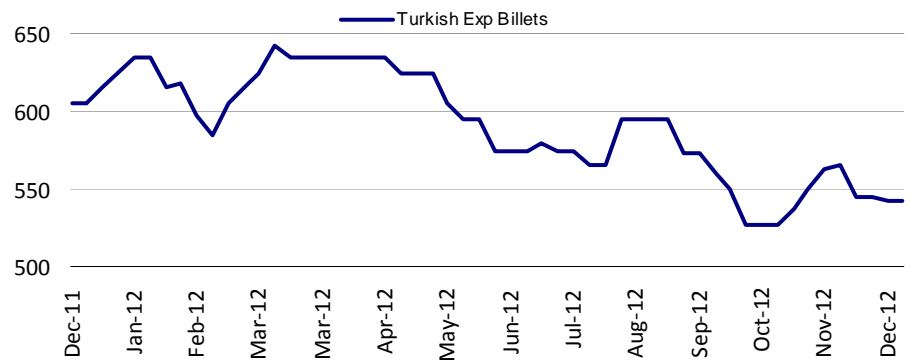
CIS HRC export prices (USD/ton)

CIS export HRC prices were flat WoW at USD533/t



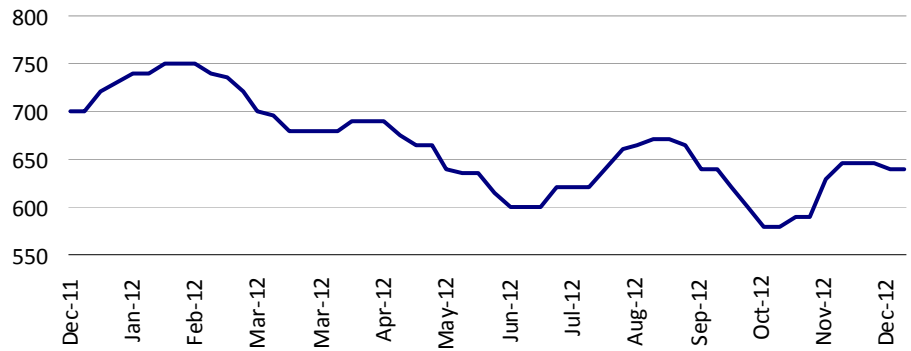
Turkish export billets (USD/ton)

Turkish export billet prices were flat WoW at USD543/t

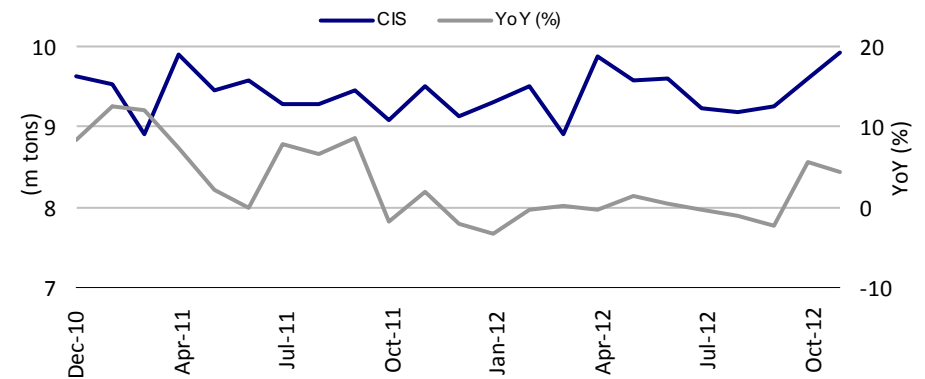


North America HRC prices (USD/ton)

North American local HRC prices were flat WoW at USD640/t



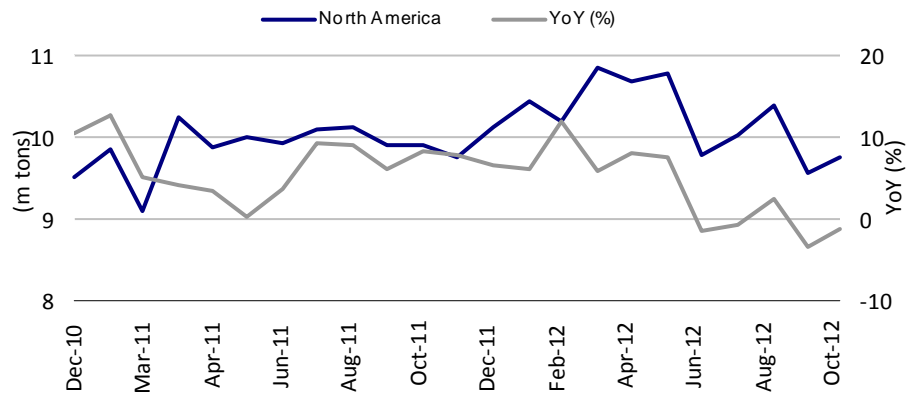
CIS: Monthly crude steel production



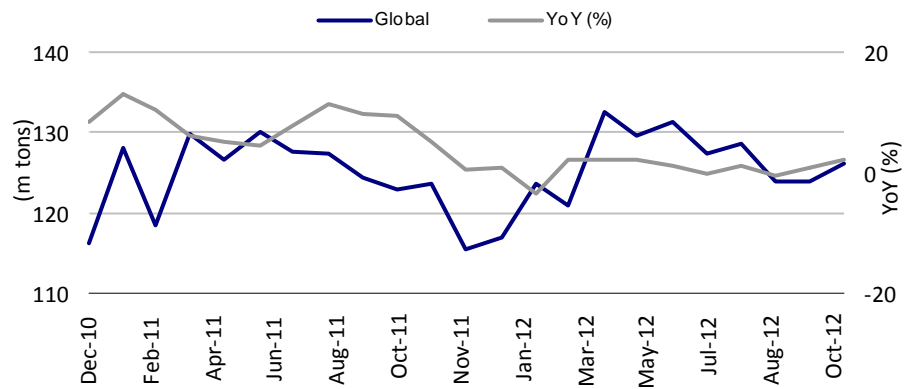
Source: Metal Bulletin, WSA, Bloomberg, MOSL

Other regions

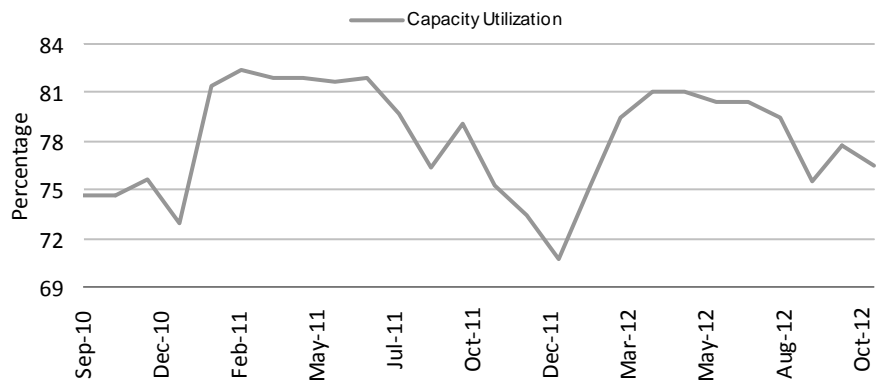
North America: Monthly crude steel production



Global: Monthly crude steel production



Global: Monthly crude steel capacity utilization

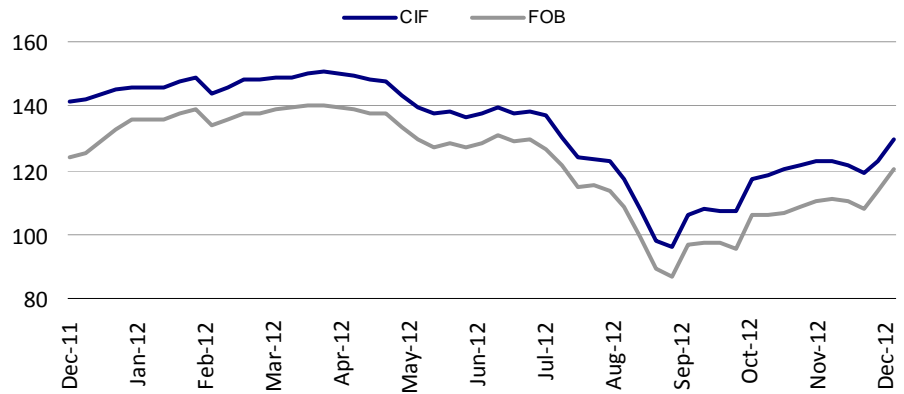


Source: Bloomberg, WSA, MOSL

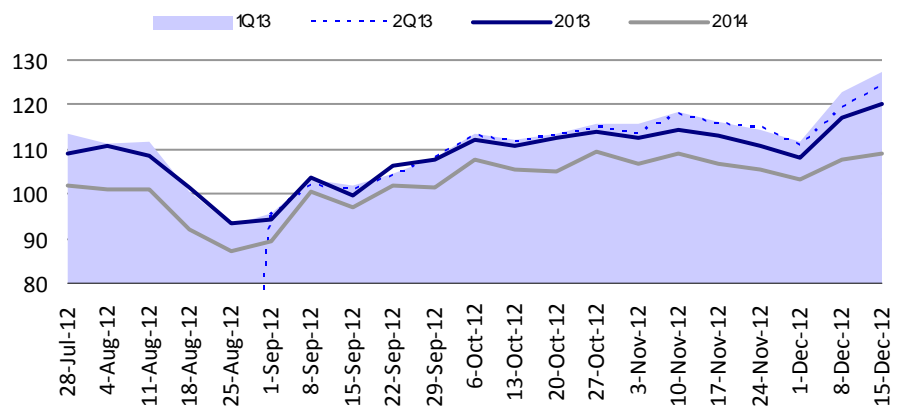
Steel raw materials

Indian 63.5% grade iron-ore fines in China (USD/ton)

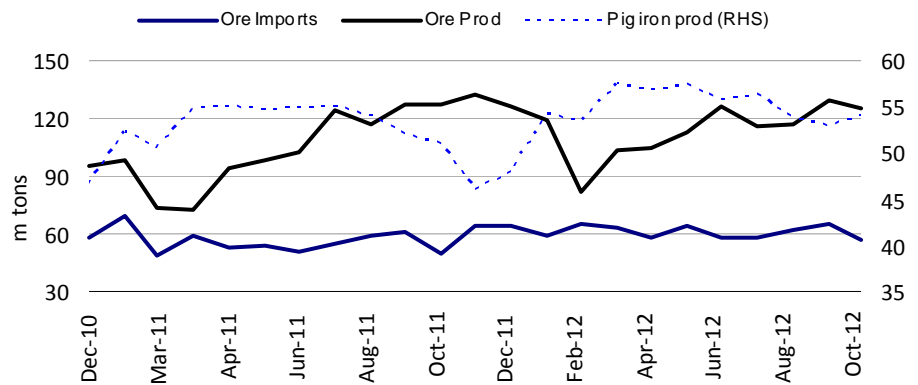
China spot CFR iron ore prices increased 5% WoW to USD130/ton DMT



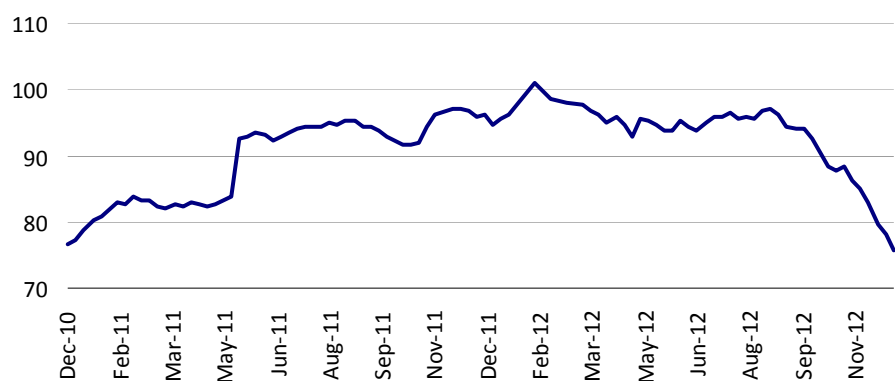
OTC iron-ore swaps (USD/ton)



China iron-ore production and imports (m tons)



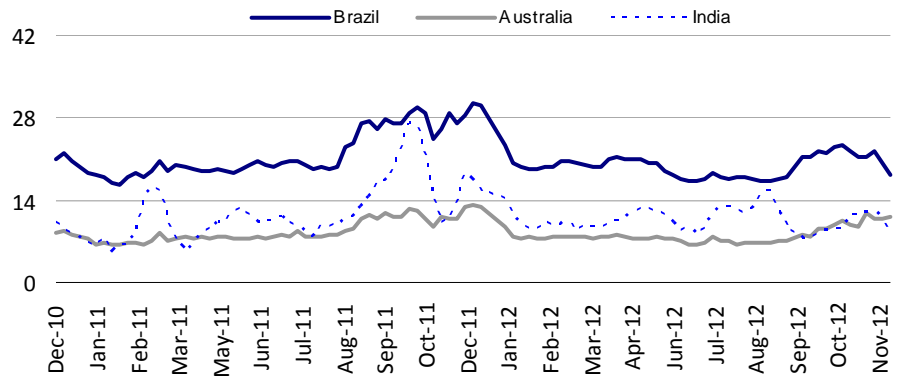
China iron-ore inventories (m tons)



Source: Metal Bulletin, Bloomberg, MOSL

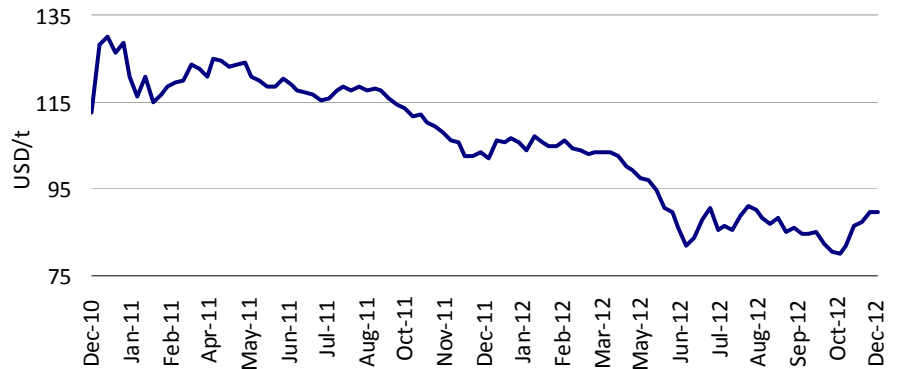
Steel raw material

Freight rates to China (USD/ton)



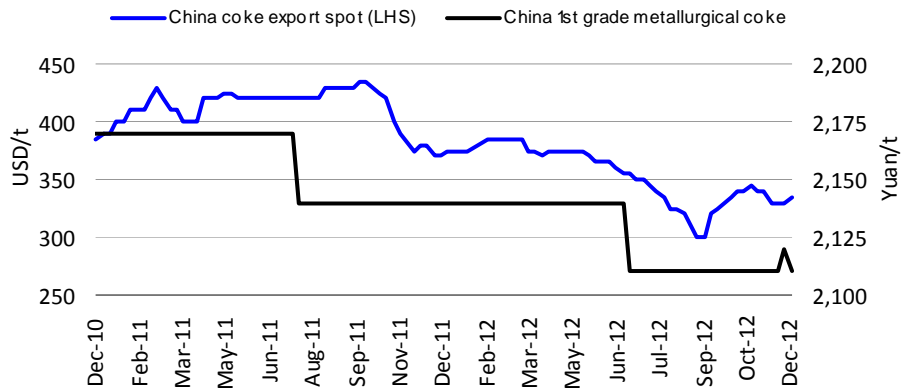
Coal price index

Richards Bay Steam Coal

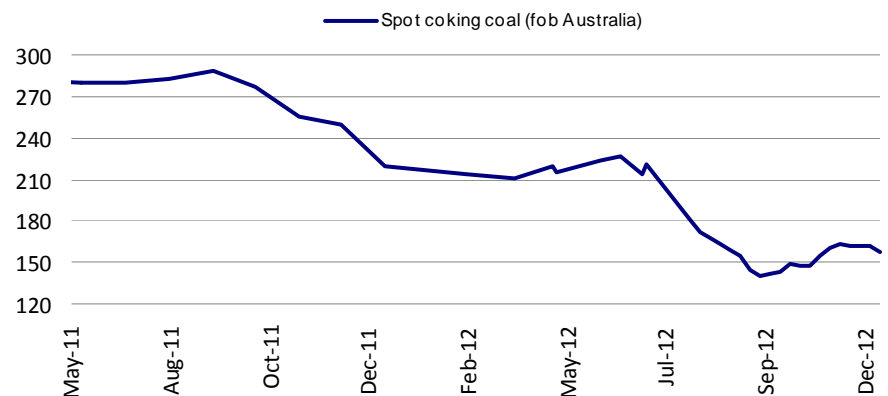


Richard bay steam coal price was flat WoW at USD90/ton

Coke price index



Coking coal (USD/t)

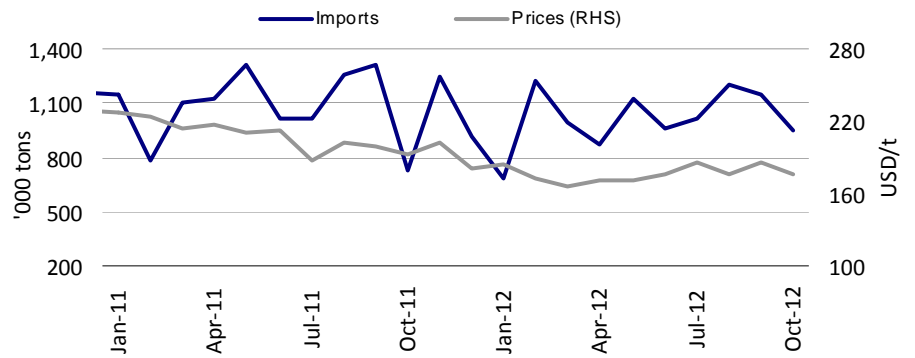


Spot coking coal FOB Australia decreased USD4 WoW to USD158/t

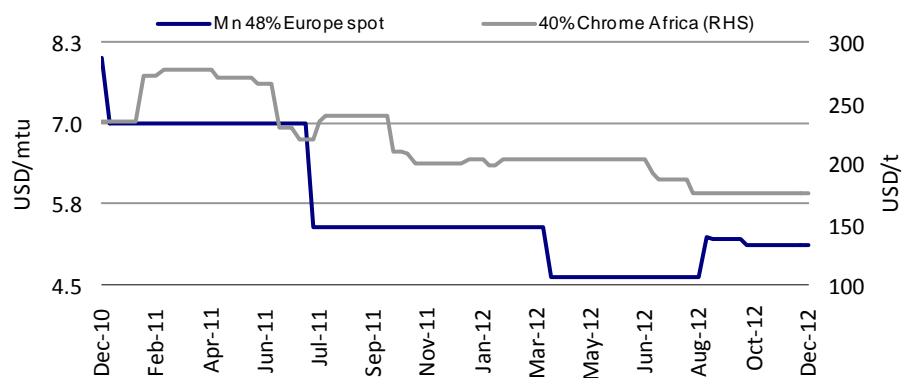
Source: Metal Bulletin, Bloomberg, MOSL

Ferro alloys

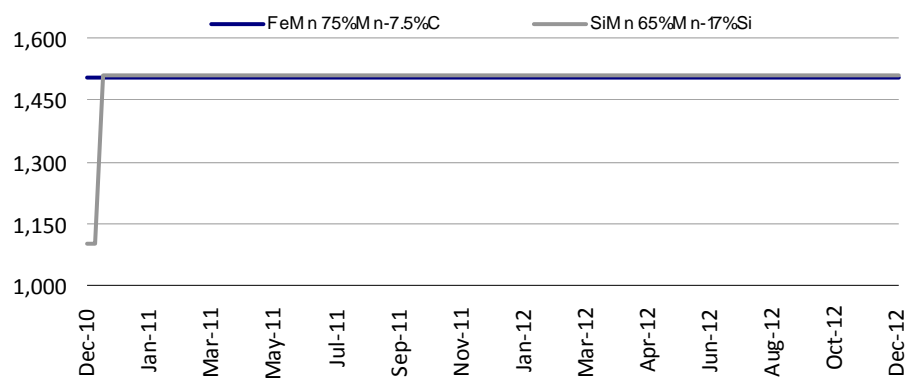
China's imports of manganese ore and conc



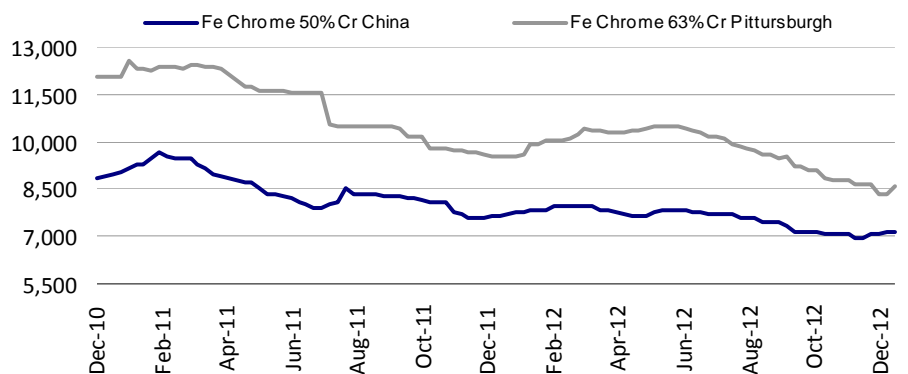
Manganese and chrome ore FOB spot prices



Ferro and silico manganese prices (USD/t)



Ferro chrome CIF prices (CNY/t)



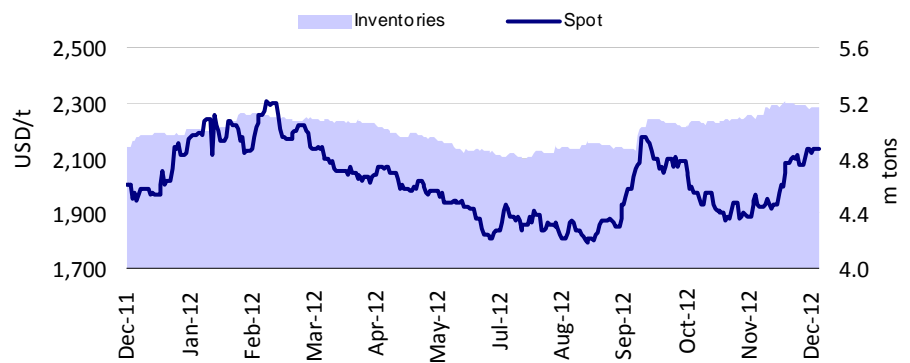
Source: Metal Bulletin, Bloomberg, MOSL

Non-ferrous

Non-ferrous

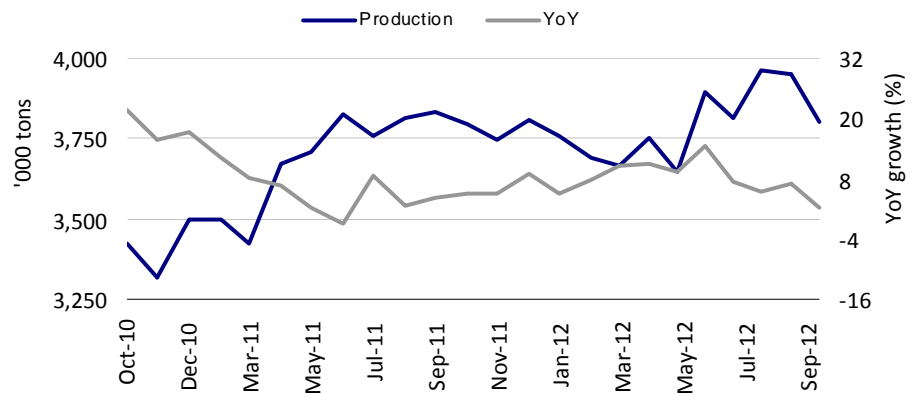
Aluminum

LME inventories and prices

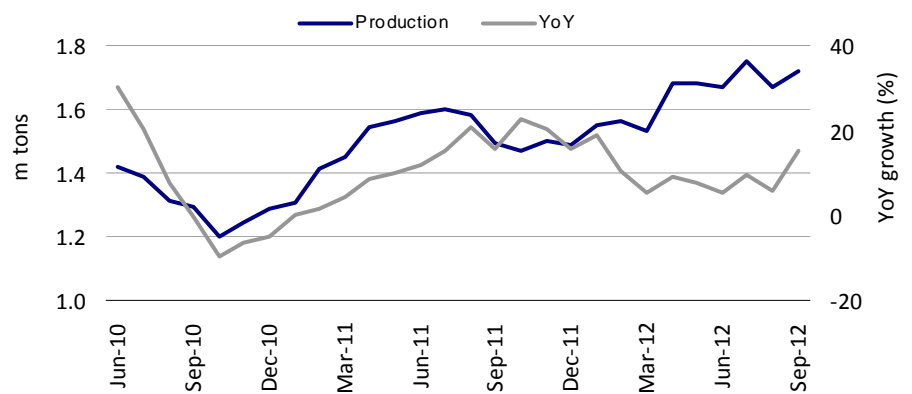


Aluminum spot prices increased 3% WoW to 2,132/ton

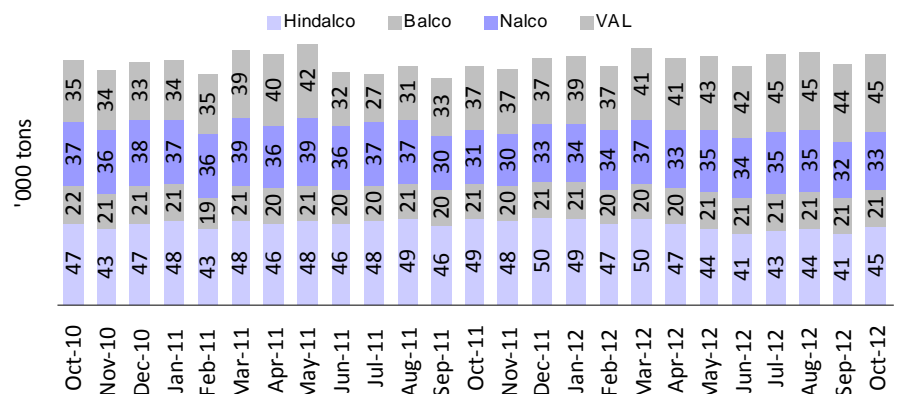
Global primary aluminum monthly production and YoY growth



China primary aluminum monthly production and YoY growth



India: Company-wise primary aluminum monthly production



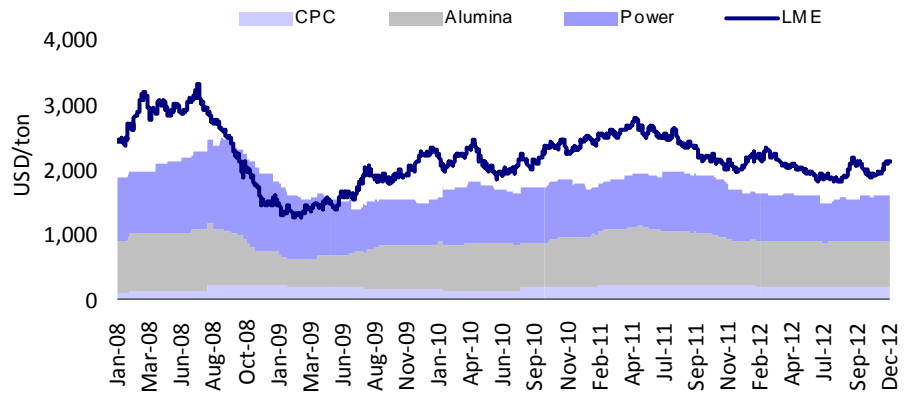
Domestic Aluminum production increased 5% YoY to 144kt in October

Source: Metal Bulletin, Bloomberg, MOSL

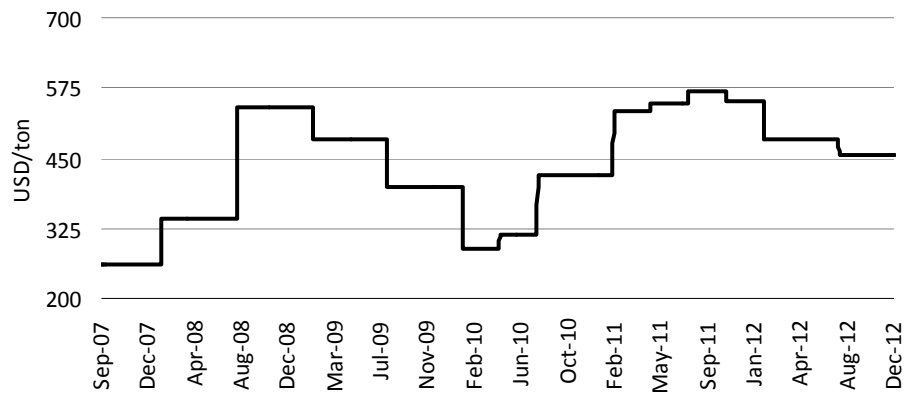
Non-ferrous

Aluminum

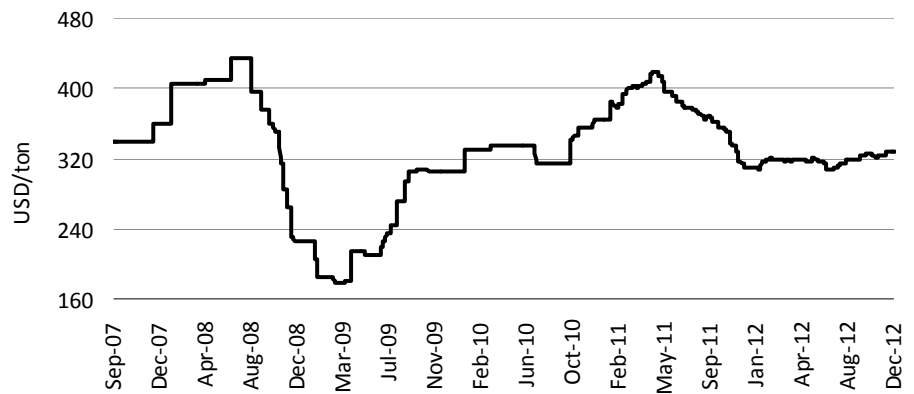
Aluminum raw material and power cost for marginal producer in US



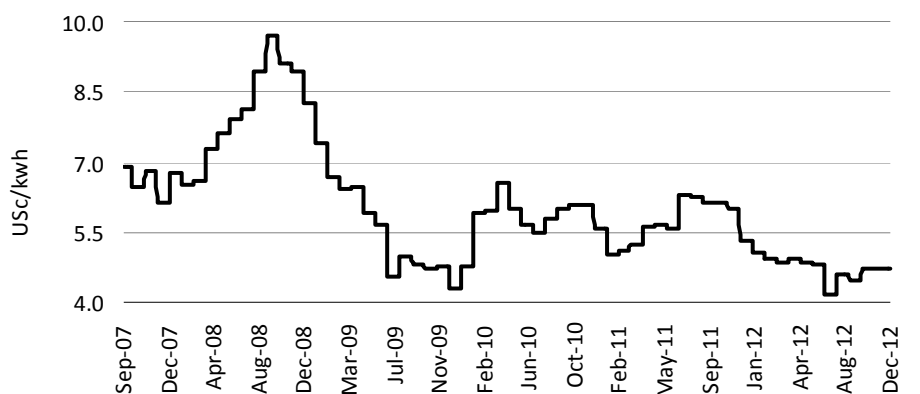
CPC US



Alumina



Industrial power US (Louisiana)



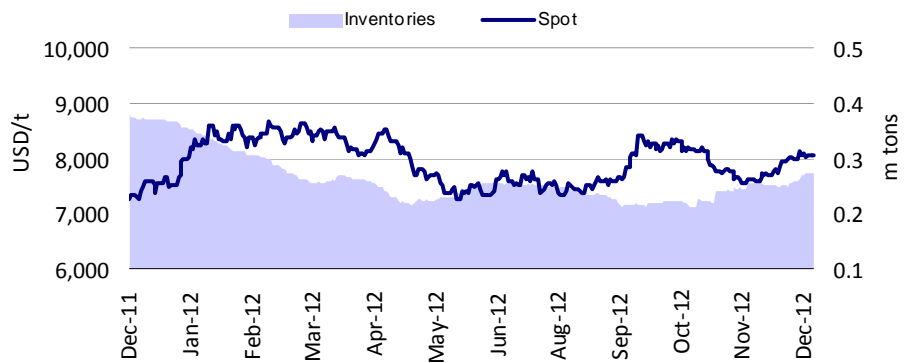
Source: Metal Bulletin, Bloomberg, Industry, MOSL

Non-ferrous

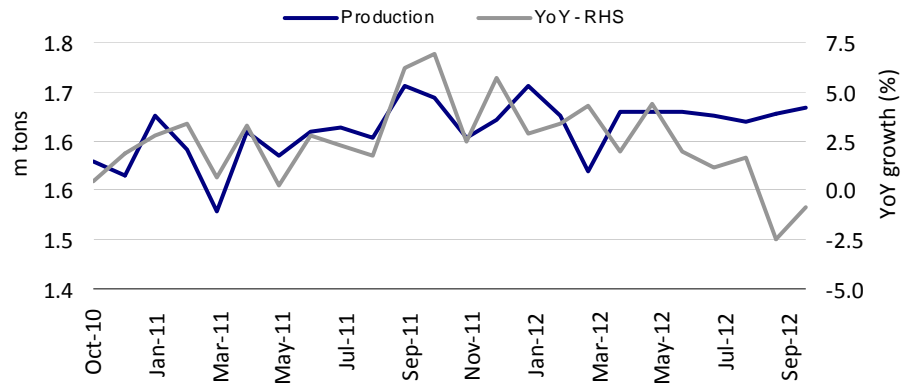
Copper

LME inventories and prices

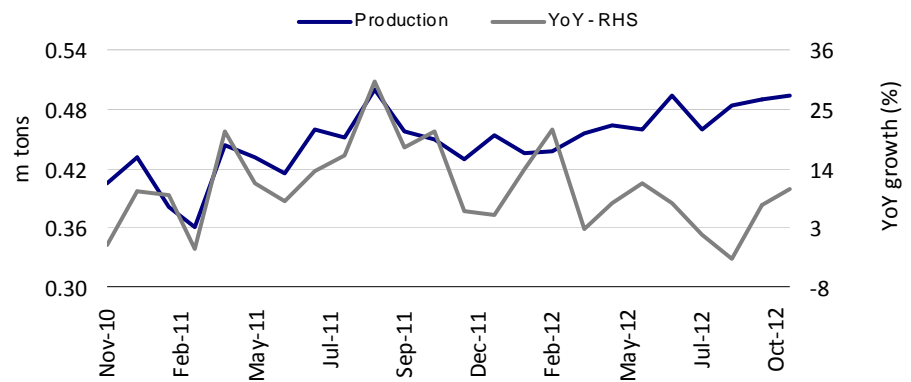
Copper spot prices increased 1% WoW to USD8,047/ton



Global refined copper monthly production and YoY growth

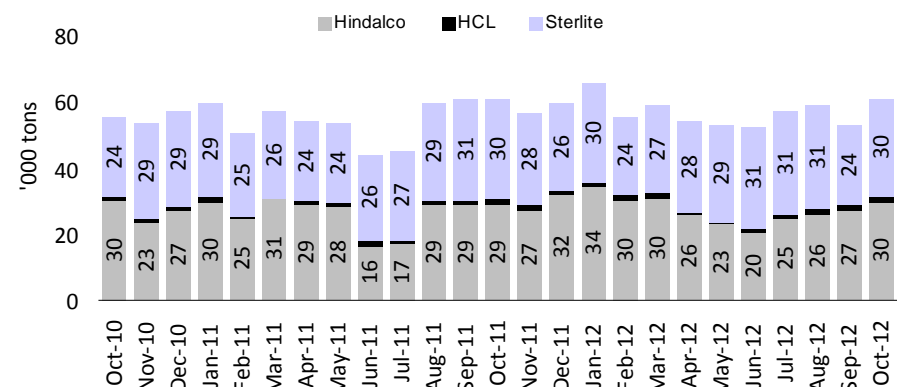


China: Refined copper monthly production and YoY growth



India: Company-wise refined copper monthly production

Domestic Copper production was flat YoY at 61kt in October



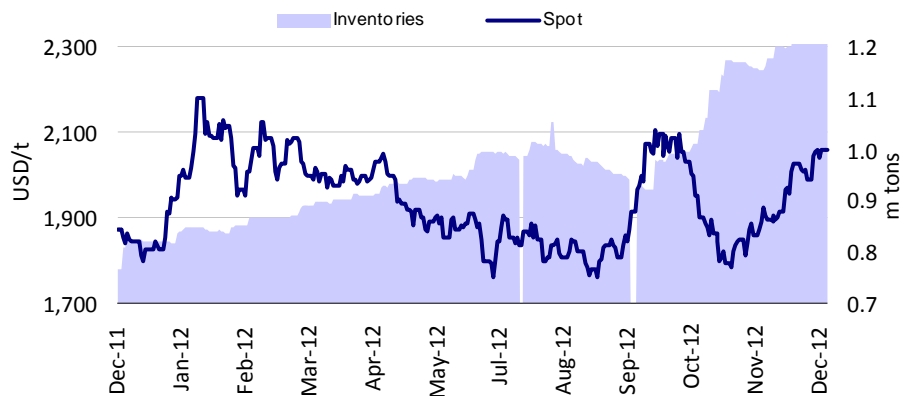
Source: Metal Bulletin, Bloomberg, MOSL

Non-ferrous

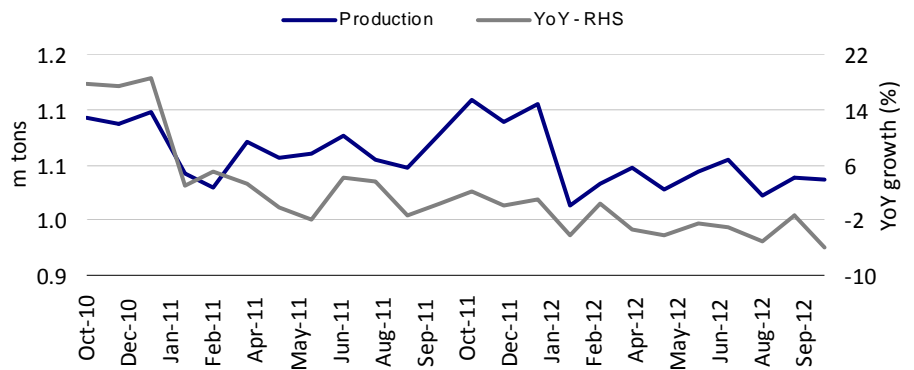
Zinc

LME inventories and prices

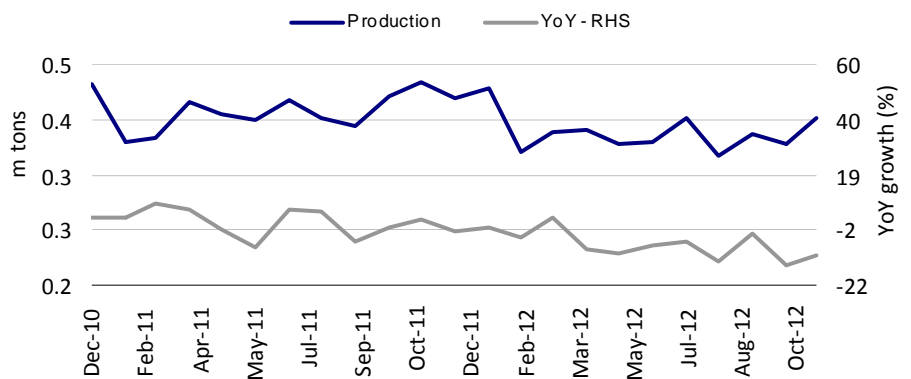
Zinc spot prices increased 4% WoW to USD2,058/ton



Global refined zinc monthly production and YoY growth

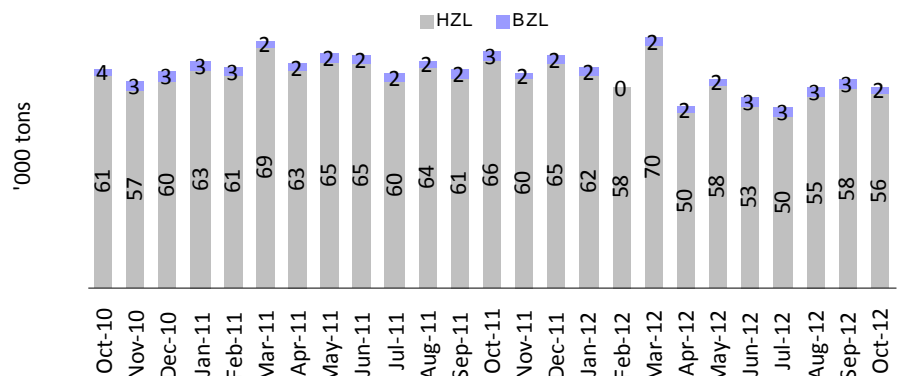


China: Refined zinc monthly production and YoY growth



India: Company-wise refined zinc monthly production

Domestic Zinc production declined 15% YoY to 58kt in October



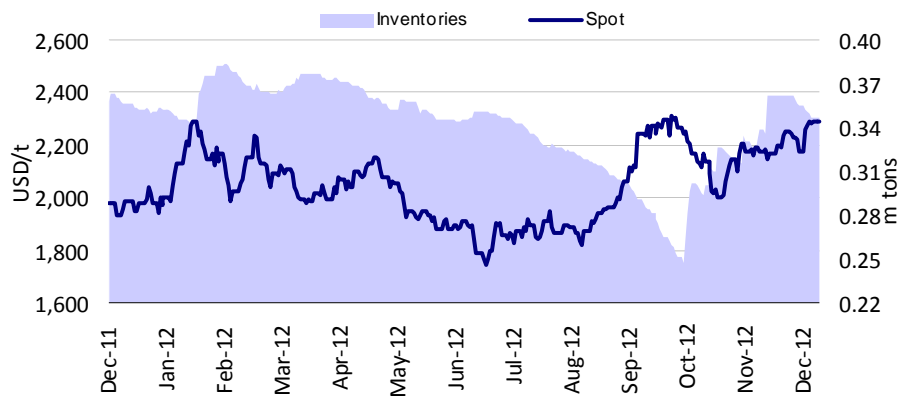
Source: Metal Bulletin, Bloomberg, MOSL

Non-ferrous

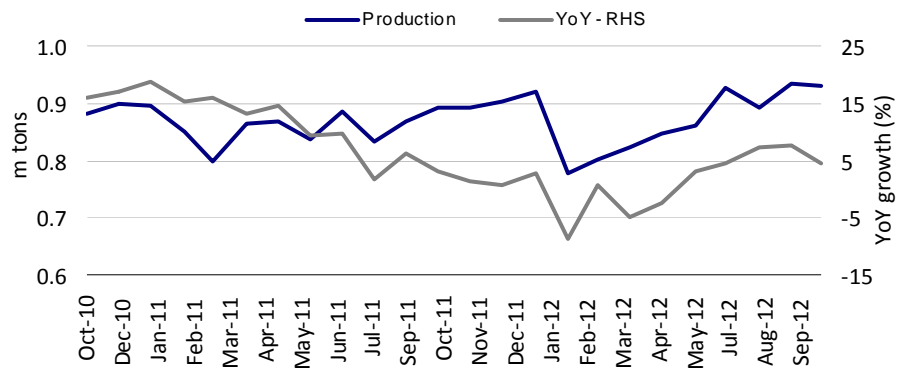
Lead

LME inventories and prices

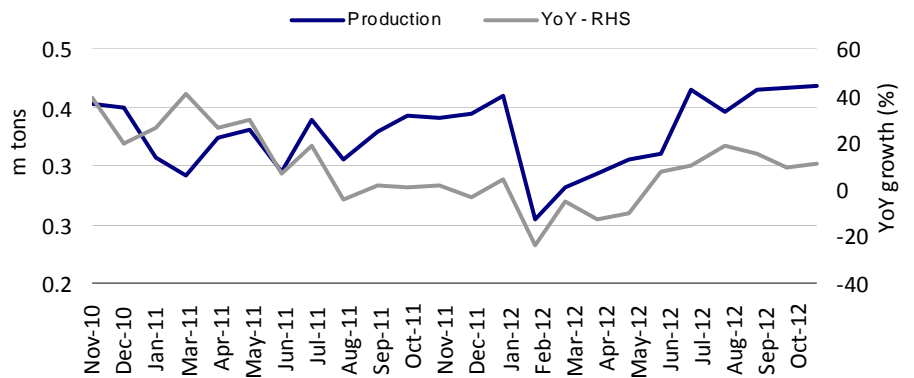
Lead spot prices increased 5% WoW to USD2,293/ton



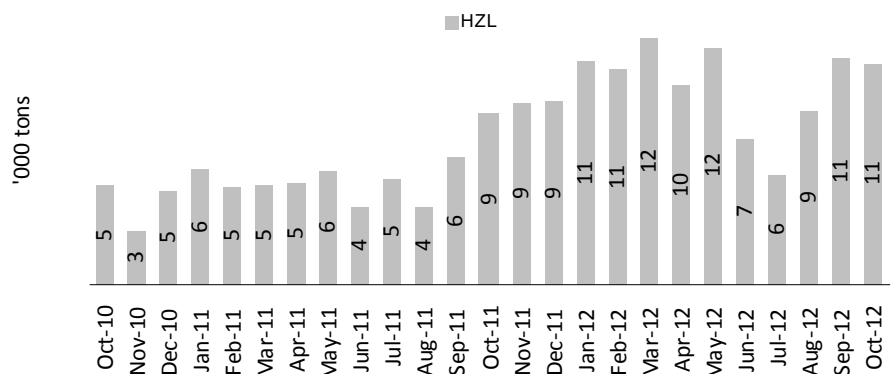
Global refined lead monthly production and YoY growth



China: Refined lead monthly production and YoY growth



India: Company-wise refined lead monthly production

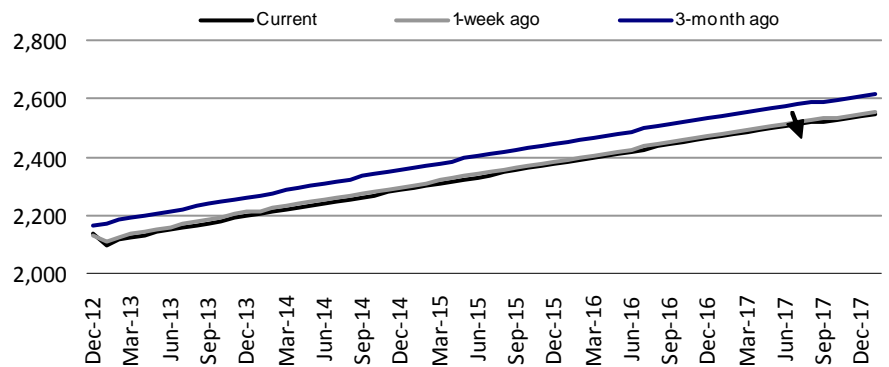


Domestic Lead production increased 29% YoY to 11kt in October

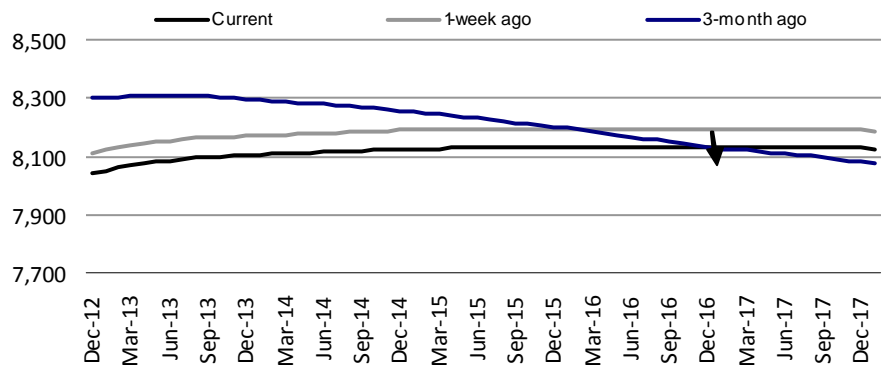
Source: Metal Bulletin, Bloomberg, MOSL

Commodity forward curves

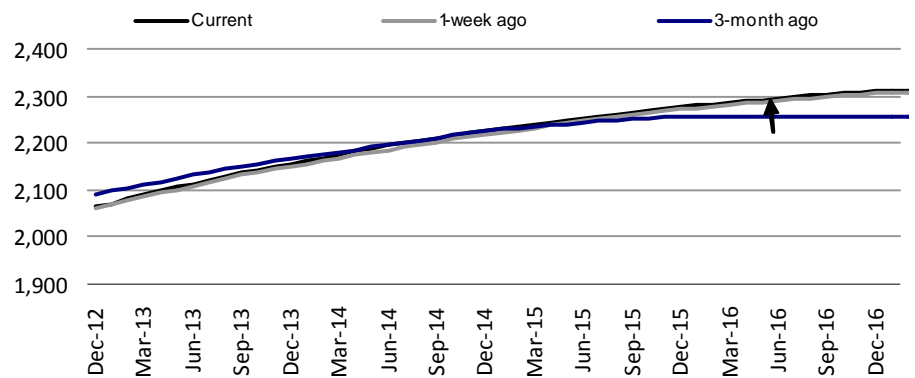
LME aluminum (USD/ton)



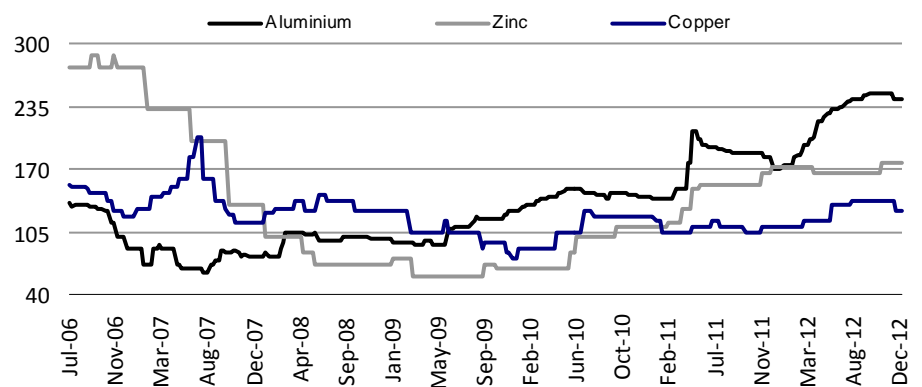
LME copper (USD/ton)



LME zinc futures (USD/ton)



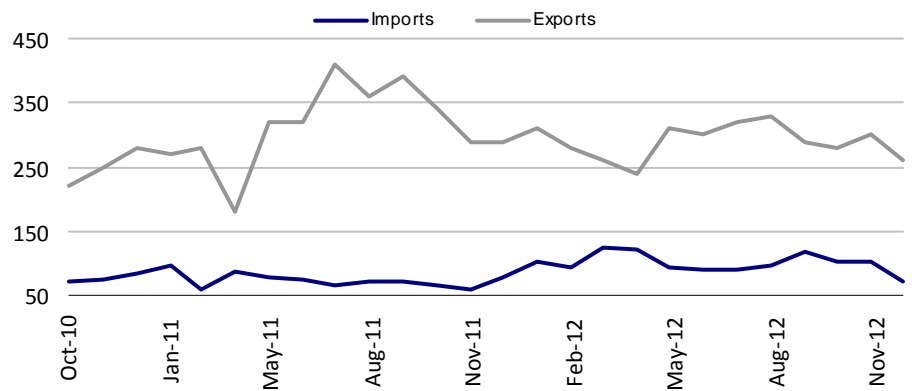
Base metals US spot premium (USD/ton)



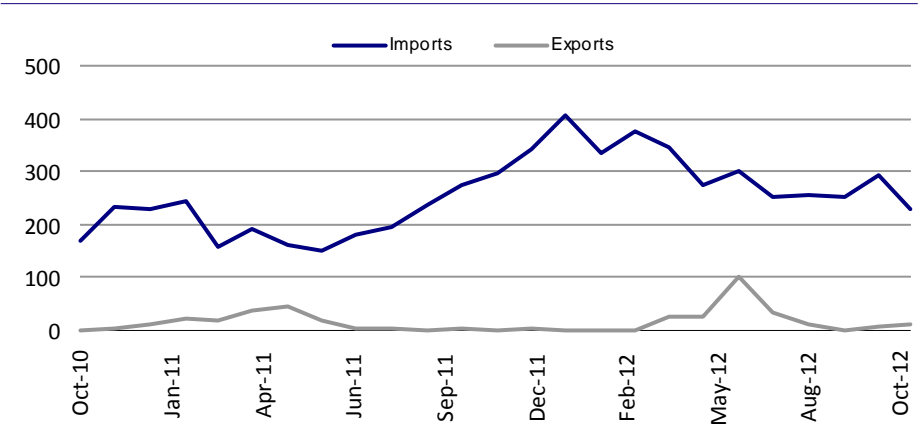
Source: Metal Bulletin, Bloomberg, MOSL

China non-ferrous trade data

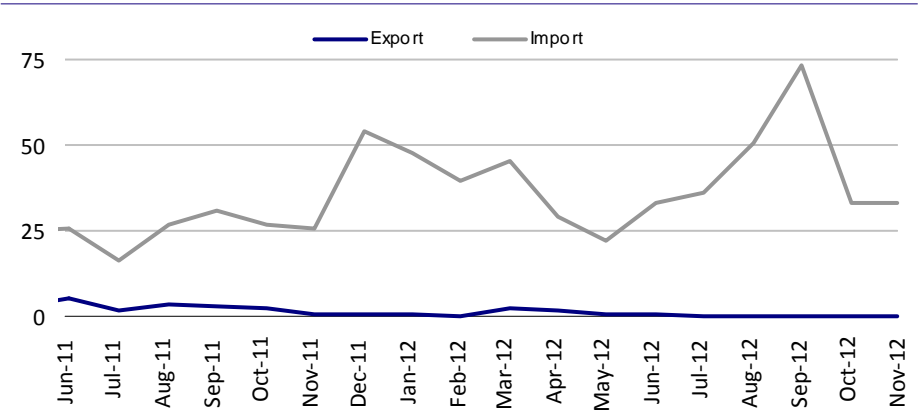
China's aluminum trade ('000 tons)



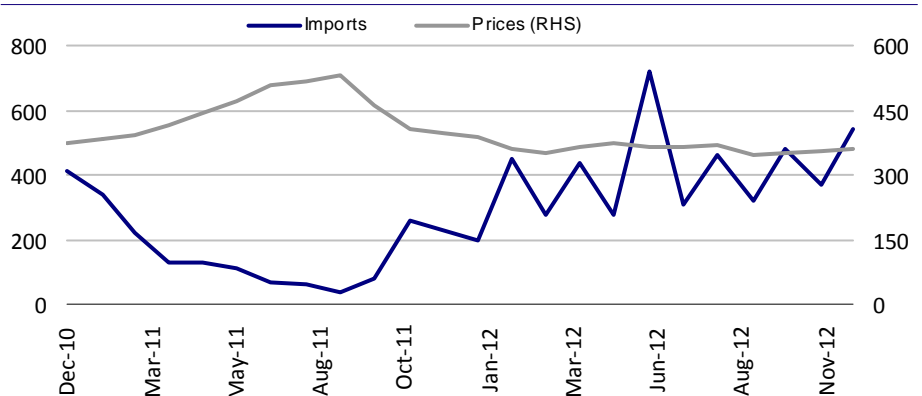
China's refined copper trade ('000 tons)



China's refined zinc trade ('000 tons)



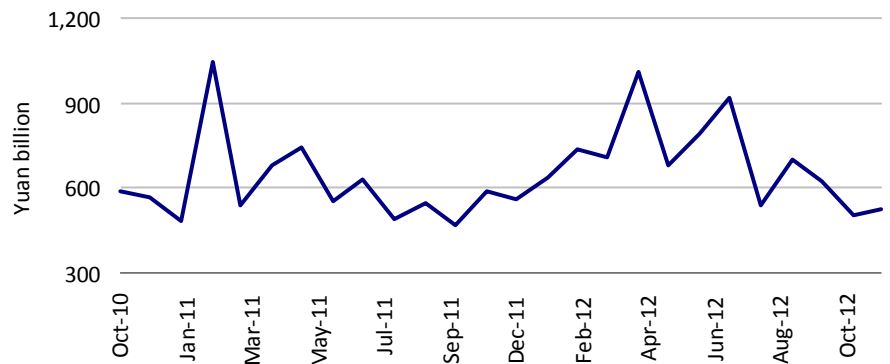
China's alumina imports ('000 tons) and prices (USD/ton)



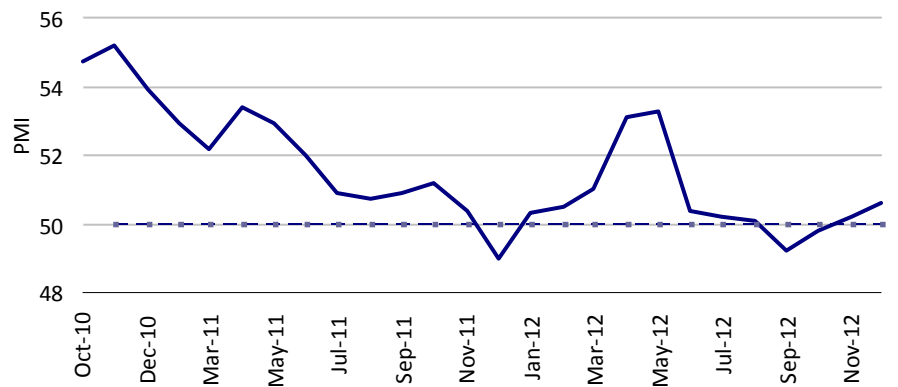
Source: Metal Bulletin, Bloomberg, MOSL

Key indicators

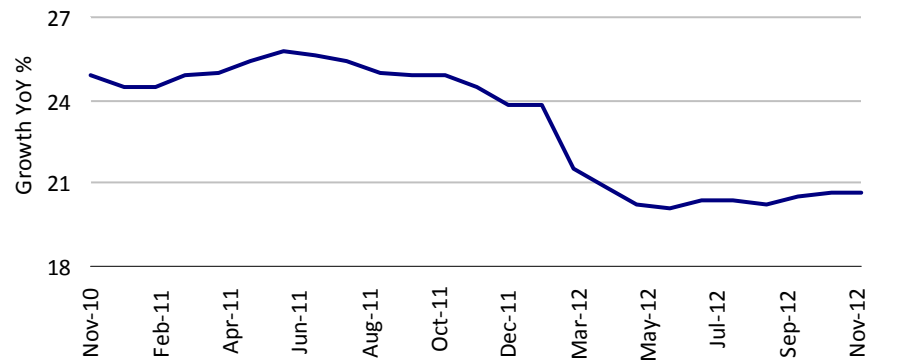
China new loan growth



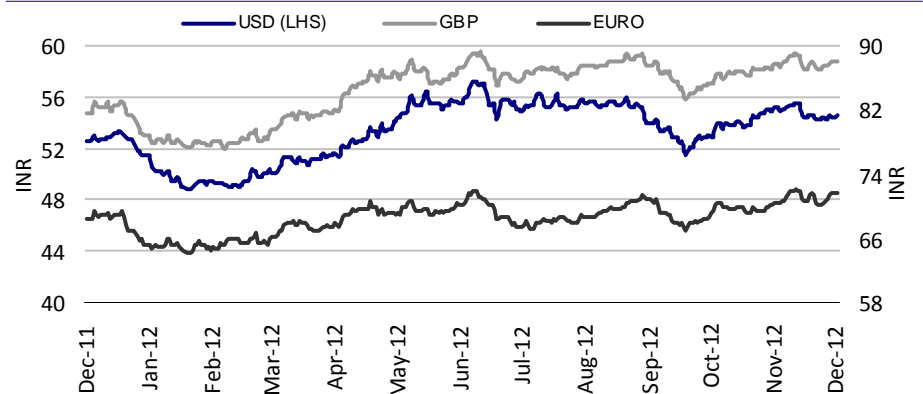
China PMI



China: Fixed asset investment



Currency movement with respect to the rupee

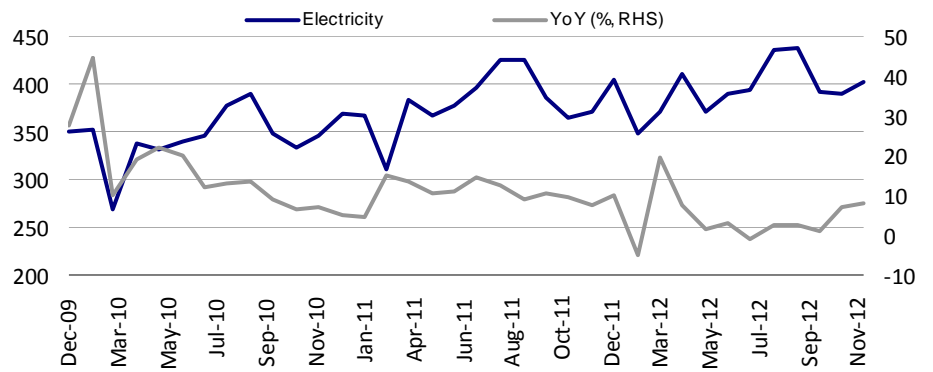


The rupee increased 0.3% WoW against the US dollar and was trading at INR54.52/USD

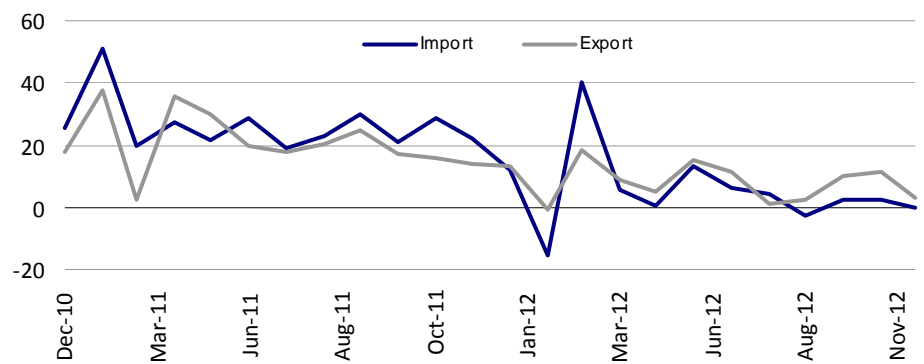
Source: Bloomberg, MOSL

Key indicators (Contd..)

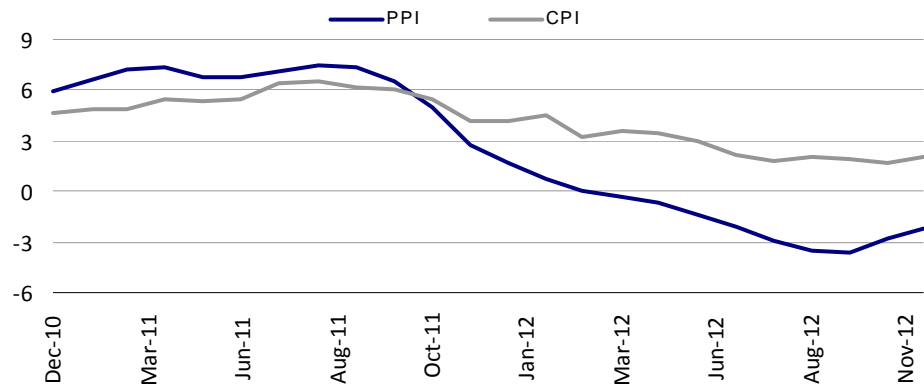
China Energy Production Electricity (b kwh)



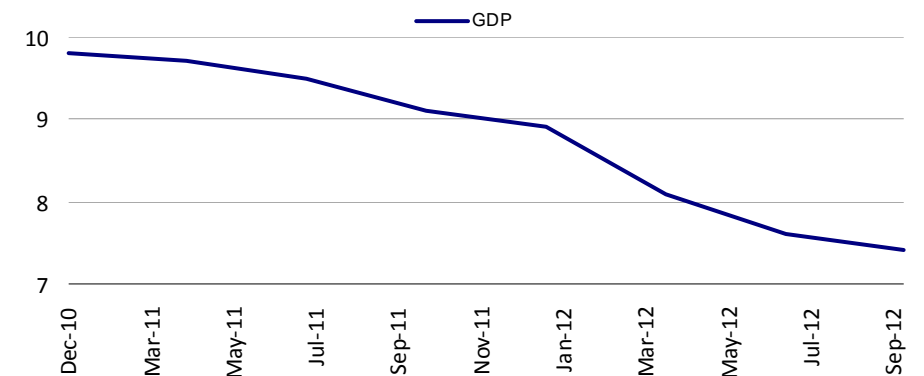
China Monthly Trade YoY (%)



China Price Index YoY (%)



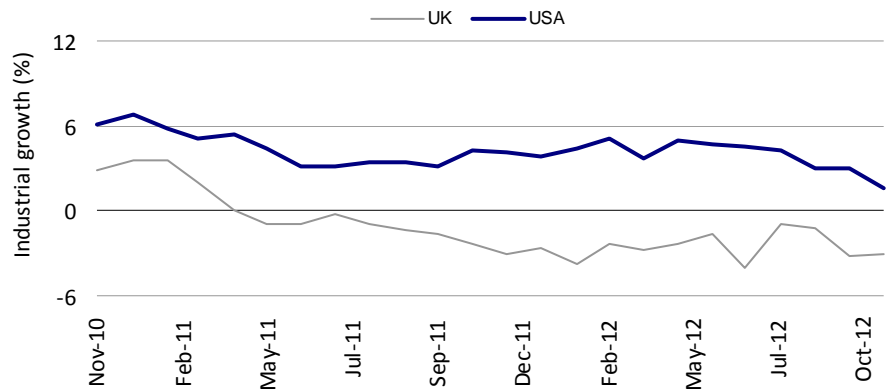
China GDP YoY (%)



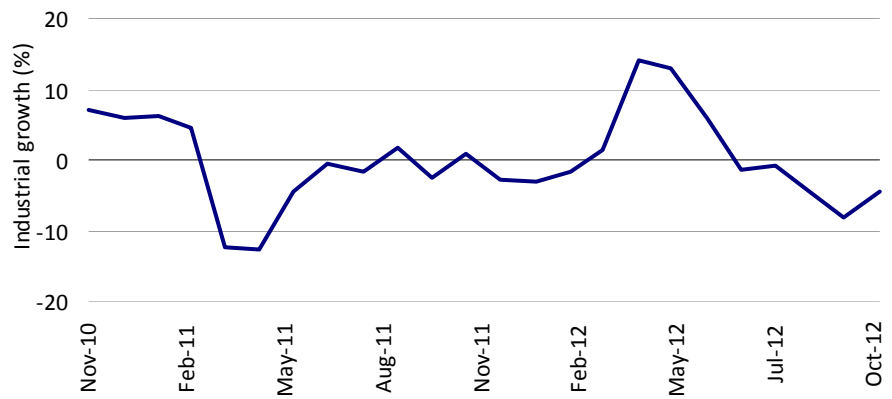
Source: Bloomberg, MOSL

Industrial production growth

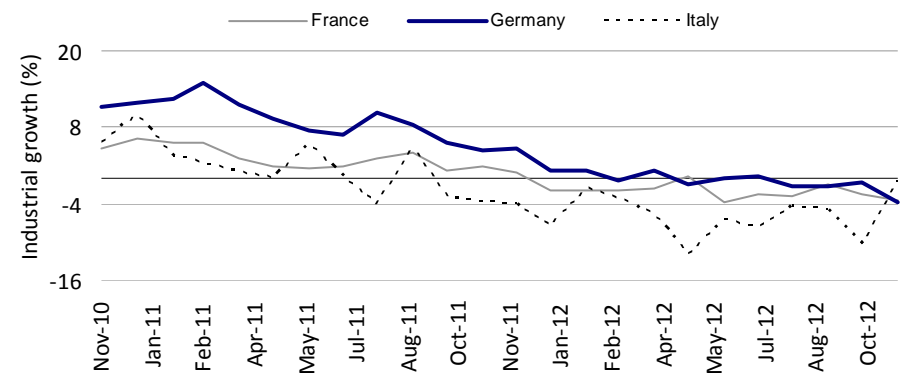
The UK and the US



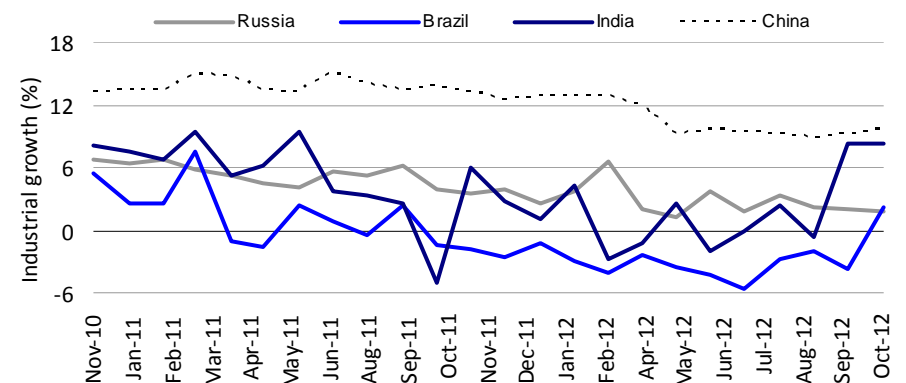
Japan



European Union



BRIC



Source: Bloomberg, MOSL

Stock Exchange announcements

- **NALCO** has terminated the services of Shri Abhay Kumar Srivastava as Chairman-Cum-Managing Director (under suspension) from December 11, 2012 vide order dated December 11, 2012 of Ministry of Mines, Government of India.
- **JSW Steel** reported monthly crude steel production of 0.6mt, 21% MoM decline owing to shutdown of one of the Corex furnaces and acute shortage and inferior quality of iron ore in e-auction.
- **Tata Steel** has announced the appointment of Mr. Cyrus P. Mistry as the Chairman of the Board with effect from December 28, 2012 on retirement of Mr. R. N. Tata on that date. The Board conferred on Mr. Tata the honorary title of Chairman Emeritus.
- **Tata Sponge Iron** has appointed Mr. Sundararamam Dwaraka Bhamidipati as Additional Director (Non-executive and Non-independent) replacing Mr. Arun Misra.
- **Adhunik Metaliks** has proposed a resolution to shift registered office from state of West Bengal to Odisha.

Metals Valuation Matrix

Valuations: Indian companies

	Rating	Price (INR)	Mkt Cap (USD M)	EPS (INR)			P/E (X)		EV/EBITDA (X)		P/B (X)	
				FY12	FY13E	FY14E	FY13E	FY14E	FY13E	FY14E	FY13E	FY14E
Steel												
Tata Steel	Sell	397	7,044	18.6	11.7	48.3	34.1	8.2	7.9	6.4	1.5	1.4
SAIL	Sell	83	6,278	9.1	5.9	8.4	14.2	9.9	8.5	7.4	0.8	0.8
JSW Steel	Sell	745	3,078	66.5	40.2	25.8	18.5	28.8	6.8	7.3	1.0	0.9
JSPL	Neutral	431	8,001	42.4	40.4	38.5	10.7	11.2	9.4	8.9	2.0	1.8
NMDC	Buy	160	11,650	18.5	16.6	18.6	9.7	8.6	5.5	4.7	2.2	1.9
Sesa Goa	Buy	188	3,054	31.8	33.9	34.5	5.5	5.5	6.8	4.9	1.1	1.0
Non-Ferrous												
Sterlite Inds.	Buy	113	7,072	16.7	17.3	17.5	6.5	6.5	4.1	3.9	0.8	0.7
Hindustan Zinc	Buy	142	11,407	13.2	14.8	15.9	9.6	9.0	6.0	4.7	1.9	1.6
Nalco	Neutral	47	2,235	3.4	1.7	3.3	26.7	14.0	15.1	6.5	1.0	1.0
Hindalco	Buy	120	4,387	17.1	19.2	20.5	6.2	5.8	7.3	6.5	1.2	1.0

CMP=current market price

Source: MOSL

Valuations: Global companies

	BBG Code	Currency	Price	Mkt Cap (USD M)	P/E (X)		EV/EBITDA(X)		P/BV
					CY12	CY13	CY12	CY13	CY12
Mining									
BHP-Billiton	BHP AU	AUD	35.0	187,871	14.1	11.9	7.1	6.2	2.6
FMG	FMG AU	AUD	4.1	13,740	10.6	6.4	6.8	4.6	2.7
Rio Tinto	RIO AU	AUD	61.3	102,584	12.7	11.2	7.0	5.7	2.0
Vale	Vale US	USD	18.4	97,918	8.8	8.1	4.9	4.5	1.2
Teck Resources	TCK US	USD	35.8	20,998	14.8	12.4	6.7	6.1	1.1
Xstrata	XTA LN	GBp	1,032.5	49,851	13.3	11.6	7.8	6.3	1.0
Steel									
Arcelor Mittal	MT NA	EUR	12.3	24,807	79.9	16.6	7.4	6.3	0.4
Posco	005490 KS	k KRW	337.0	27,752	10.9	9.5	5.8	5.2	0.7
US Steel	X US	USD	21.9	3,153	26.8	14.4	6.3	5.3	0.9
Nucor	NUE US	USD	40.8	12,953	24.6	14.0	9.5	6.9	1.7
JFE	5411 JT	JPY	1,307.0	9,854	23.0	9.1	9.2	6.9	0.5
Gerdau	GGBR4 BZ	BRL	18.7	14,579	18.0	13.7	9.2	7.4	1.1
Bao Steel	600019 CH	CNY	4.7	13,277	7.6	11.4	5.4	5.5	0.8
Non-Ferrous									
Alcoa	AA US	USD	8.6	9,146	33.1	12.9	9.9	6.7	0.7
Norsk Hydro	NHY NO	NOK	26.9	9,823	105.9	22.8	10.5	6.9	0.8
Rusal	486 HK	HKD	4.9	9,547	19.6	9.8	19.8	14.3	0.9

Source: Bloomberg

Metals Stock Performance

Among large-cap companies, JSPL has outperformed and NMDC has underperformed over the last one month

Among mid-cap companies, Adhunik outperformed and Bhushan has underperformed the BSE Sensex over the last one month

Among global mining companies, Vale was the best performer while Vedanta was the worst performing stock over the last one month

Among global steel majors, JFE Holdings was the best performer while Gerdau was the worst performing stock over the last one month

Metals stock performance on absolute and relative basis (%)

Months	Absolute Perf (%)				Relative Perf to Sensex (%)			
	1	3	6	12	1	3	6	12
Steel								
Tata Steel	5.7	-1.6	-3.9	8.9	1.1	-6.2	-17.9	-15.8
SAIL	5.0	-1.2	-9.9	11.5	0.5	-5.8	-23.9	-13.2
JSW Steel	0.9	4.6	14.5	46.1	-3.6	0.0	0.5	21.4
JSPL	16.7	15.6	-1.5	-16.6	12.2	11.0	-15.5	-41.3
NMDC	-5.7	-16.1	-4.6	4.2	-10.3	-20.7	-18.5	-20.5
Sesa Goa	10.2	11.2	1.4	16.3	5.6	6.5	-12.5	-8.4
Non-ferrous								
Sterlite Inds.	14.6	14.7	12.9	26.6	10.0	10.1	-1.0	1.9
Hindustan Zinc	6.6	4.2	21.5	21.4	2.0	-0.4	7.5	-3.3
Nalco	3.0	-14.0	-19.9	-6.9	-1.6	-18.6	-33.8	-31.6
Hindalco	7.9	1.6	-2.8	-4.5	3.3	-3.0	-16.7	-29.2
Mid Caps								
Monnet Ispat	5.1	0.5	-12.2	-12.4	0.5	-4.1	-26.1	-37.1
Godawari	0.9	0.5	1.3	21.5	-3.7	-4.1	-12.6	-3.2
Sarda Energy	-8.5	10.7	4.4	56.7	-13.1	6.1	-9.5	32.0
Tata Sponge	-3.3	-1.4	-0.2	12.7	-7.9	-6.0	-14.1	-12.0
Adhunik Metaliks	24.9	46.5	27.9	11.7	20.3	41.9	14.0	-13.0
Bhushan Steel	-8.8	-4.1	-2.3	47.8	-13.4	-8.7	-16.2	23.1
Jai Balaji	2.1	-0.6	3.4	-0.1	-2.5	-5.2	-10.5	-24.8
Rain Commodities	-2.7	-2.4	1.2	32.4	-7.3	-7.0	-12.7	7.7
Prakash Industries	1.8	-3.0	-0.7	62.4	-2.8	-7.6	-14.7	37.7
SENSEX	4.6	4.6	14.0	24.7	-	-	-	-

■ Best performer ■ Worst performer

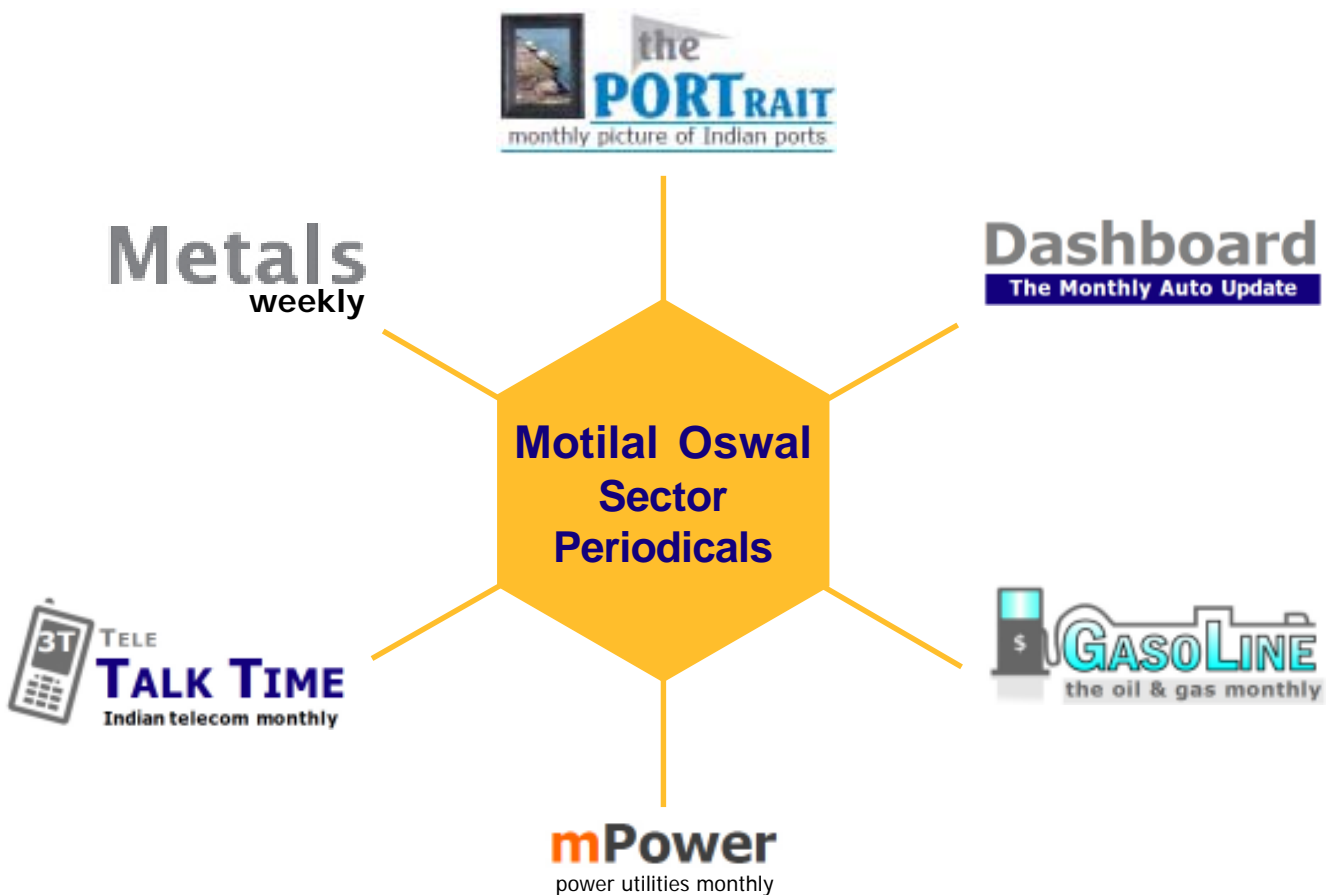
Source: MOSL, Bloomberg

Global metals stock performance on absolute basis (%)

	Absolute Perf (%)				
	1week	1month	3 months	6 months	12 months
Mining					
Rio Tinto	4.1	13.0	3.3	15.5	10.8
BHP Billiton	3.8	8.9	8.3	13.3	2.5
Vale	9.6	13.9	1.8	1.5	-6.6
FMG	13.7	8.8	44.1	-9.8	-6.3
Xstrata	1.4	9.6	-1.0	19.0	10.8
Anglo American	0.9	8.0	-12.4	-14.2	-20.5
Vedanta	-0.5	4.2	1.4	15.1	1.8
Steel					
US Steel	9.6	18.4	6.7	25.4	-7.8
Nucor	3.8	7.4	3.8	12.4	8.4
Arcelor Mittal	4.9	9.3	-4.7	10.4	-3.0
Bao Steel	3.2	5.0	5.0	9.7	3.0
Posco	3.6	10.1	-7.9	-6.7	-9.4
JFE Holdings	4.9	20.2	17.4	6.8	-4.6
Nippon	1.1	8.0	6.8	8.0	-1.1
Thyssen Krupp	9.4	7.0	-3.7	46.8	3.9
Voest Alpine	4.4	13.6	0.1	23.3	30.1
Gerdau	-1.6	3.2	-15.8	0.6	18.6
Aluminium					
Alcoa	2.8	8.6	-11.2	-0.9	-0.8
Rusal	1.1	7.8	5.0	1.3	-1.4
Chalco	6.2	11.1	7.1	11.1	6.2

■ Best performer ■ Worst performer

Source: MOSL, Bloomberg



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None

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