सेल SAIL
Business Planning Deptt.
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Business Analysis Report for November - 2021

1. Introduction

A Business Analysis Report for November'21 has been prepared which covers the business trends in international and domestic steel markets. Latest developments in domestic steel market and SAIL's competitors' activities have been captured. Item wise production levels of domestic steel majors and item wise details of India's steel trade have been captured. An attempt has been made to capture the overall domestic economic outlook. Trends in stock markets have been analysed.

In the international market, current status of major economies, steel price trends and other important trends in the steel market have been recorded.

A conclusion to the report attempts to highlight the emerging signals.

2. Domestic Economic Scenario

2. (A) Indian Economy

- **Indian economy grew by 8.4%** during Q2 of FY'21-22 as the pace of vaccination rose and Covid-induced restrictions were eased. However, growth was largely on account of the low base as GDP had contracted by 7.4% during the same period last year.

  Thus, GDP remained almost flat, barely managing to expand by 0.3% over the pre-Covid period of Q2 of FY'19-20. This implies that though the economy is in recovery mode, the pace is yet to accelerate.

  Services sector, constituting about 57% of the economy, recorded sluggish growth. Of the three broad categories of economy, it was the only sector that contracted during Q2 of FY' 21-22 over the corresponding period of FY'19-20. This was largely due to contraction in trade, hotels, transport and communication services which fell by 9.2% during this period as this was the last sector where Covid induced lockdowns were removed.

GDP DATA FOR JULY-SEPTEMBER 2021-22

	% change over July-September 2020-21	% change over July-September 2019-20
Agriculture, forestry, fishing	4.5	7.7
Manufacturing	5.5	3.9
Electricity, gas, water supply	8.9	11.4
Construction	7.5	-0.3
Trade, hotels, transport	8.2	-9.2
Private Final Consumption Expenditure	8.6	-3.5

Source: NSO, MoSPI

- **India's business optimism for the fourth quarter** of this calendar year is the highest since the second quarter of the calendar year 2014 with the construction sector most optimistic on the level of the selling prices, inventory levels and hiring of employees.

  The Dun & Bradstreet Composite Business Optimism Index (BOI) for Q4' 2021 stands at 94.6, up by 27.4% as compared to the previous quarter. Data shows that five out of six optimism indices registered an increase as compared to Q3.

  The survey shows that around 79% of the respondents expect the volume of sales to increase in Q4, as compared to 67% in Q3. 62% of the respondents expect an increase in net profits in Q4, as compared to 48% in Q3.

  The consumption boost to India Inc. from easing lockdown restrictions, pent-up and festive demand, arrears payment of dearness allowances along with improving consumer confidence levels, are quite evident from the optimism for new orders which climbed to the highest level since Q3' 2014.

  49% of the respondents expect an increase in the size of their workforce during Q4 while 45% anticipate no change. 6% of the respondents expect their workforce size to decline.

  Some other key findings:

  – Optimism for the volume of sales stands at 79%, highest in three quarters
  – Optimism for new orders stands at 79%, highest since Q3'2014
  – Optimism level for net profit stands at 62%, highest in three quarters

- Optimism for the level of inventory stands at 38%, lowest in three quarters
- Optimism for selling price stands at 49%, highest since Q2' 2012

- **As per the Japanese brokerage firm Nomura, India's business resumption surged to a new high** despite the fears of the newly discovered Omicron variant. The Nomura India Business Resumption Index, a weekly tracker which compares activity with the pre-COVID week, inched up to 114.5 for the week ended Nov.'28 as against 114 in the previous reporting week.

  Despite the uncertainty triggered by Omicron, high frequency data suggested that the economy remained on a recovery path while inflationary pressures were building up.

  The brokerage said that the border reopening will likely be slow, as the discovery of the Omicron variant globally, has prompted the Indian Government to review and tighten its international travel guidelines and several states were on alert.

  For the reporting week, Google workplace and retail and recreation mobility rose by 3.6% and 1.6% respectively while the Apple driving index eased marginally by 0.5%. The labour participation rate improved to 40.5% from 39.8% while power demand recovered by 1.2% over the previous week.

- **Valuations of Indian equities seem stretched** by most conventional yardsticks, such as price to earnings multiples and yield differentials with benchmark bonds, as per a report by RBI.

  India's equity indices have outperformed peers so far this year as the country rebounded from the second Covid wave stronger and more quickly than initially anticipated. Wall Street financial firms and leading brokerages such as Goldman Sachs, Morgan Stanley, Nomura, CLSA and UBS, have lately been rather circumspect about the prospect of Indian equities, broadly highlighting downside risks to investment returns due to stretched valuations and potentially inflationary pressures.

  Traditional valuation gauges such as price-to-book value ratio, price to earnings ratio and market capitalisation to GDP ratio, stayed above their historic averages. The yield gap or the difference between 10 year G-Sec yield and 12 month forward earnings yield of the BSE Sensex, stood at 2.47% which outstripped its historic long term average at 1.65%.

- **Indian Automobile Sector -**

Domestic Sales(No.)	**Oct.'21**	***% Change y-on-y***
Passenger vehicles	2,26,353	*(-)27.1%*
Commercial vehicles	NA	*NA*
Two wheelers	15,41,621	*(-)24.9%*
Three wheelers	31,774	*19.1%*
Total	**17,99,750**	**(-)24.7%**

(Source – SIAM)

Normally, the festive season sales account for about 40% of the annual vehicle sales. But this year the unprecedented supply chain disruptions, fuel price hikes, semiconductor shortage, increase in input costs & consequent vehicle price rise and the economic slowdown after the COVID second wave, marred the September and October sales.

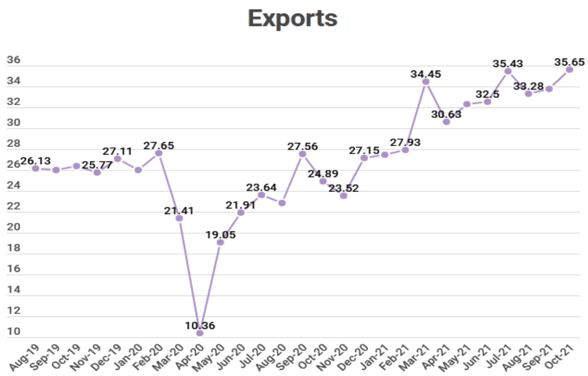
– Sales of Passenger vehicles declined by 27.1% in October'21 to 2,26,353 units, primarily due to semiconductor shortage.
– Two-wheeler sales were down by 24.94% at 15,41,621 units as compared to October' 20.
– Bucking the trend, 3 wheeler sales saw a growth of 19.07% to 31,774 units in October' 21.
– The overall sales slipped by 24.73% to 17,99,750 units in October' 21.

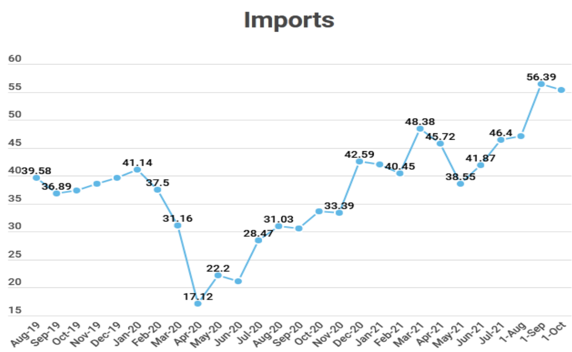
- **India's external Merchandise Trade :**

	Oct.'21 *(US$ bn.)*	***% change over CPLY***	**(Apr.-Oct.)'21** *(US$ bn.)*	***% change over CPLY***
Exports	35.65	*43.05%*	233.54	*55.13%*
Imports	55.37	*62.51%*	331.39	*78.16%*
Trade Balance	(-)19.73	*(-)115.5%*	(-)97.85	*(-)175.90%*
Oil Imports	14.43	*140.47%*	87.42	*129.96%*
Non Oil imports	40.94	*45.85%*	243.98	*64.85%*

– India's exports rose by 43% to US$ 35.65 bn. in October. Merchandise exports grew for the eleventh consecutive month, as external demand continued to remain robust.
– Imports rose by 62.51% to US$ 55.37 bn. widening the trade deficit to US$ 19.73 bn. during the month.

– Oil imports in October’21 were US$ 14.43 bn. which were 140.47% higher over last year. In this connection it is mentioned that the global Brent price has increased by 106.70% in October’ 2021 vis-à-vis October’ 2020 as per data available from World Bank.
– Non oil imports in October’21 were US$ 40.94 bn. which were up by 45.85% over last year.





- **Growth in Infrastructure Sector Industries :**

(% change y-on-y)

Sector	**Weight (%)**	**Oct.’21**	**Oct.’20**	**(Apr.-Oct.)’21-22**	**(Apr.-Oct.)’20-21**
Coal	10.335	14.6%	11.7%	12.2%	(-)3.6%
Crude Oil	8.983	(-)2.2%	(-)6.2%	(-)2.8%	(-)6.1%
Natural Gas	6.876	25.8%	(-)8.6%	22.6%	(-)12.5%
Refinery Products	28.037	14.4%	(-)17.0%	11.7%	(-)16.4%
Fertilizers	2.627	0.04%	6.3%	(-)1.1%	4.1%
Steel	17.916	0.9%	5.9%	28.6%	(-)20.9%
Cement	5.372	14.5%	3.2%	33.6%	(-)21.2%
Electricity	19.853	2.8%	11.2%	11.3%	(-)5.5%
Overall Infrastructure Index	**100.00**	**7.5%**	**(-)0.5%**	**15.1%**	**(-)12.6%**

- The eight-industry core sector grew by 7.5% in October in response to the increased demand during the festival season and on the back of appreciable increases in the production of cement, coal, refinery products and natural gas.
- Production of cement, coal, natural gas and refinery products increased by 14.5%, 14.6%, 25.8% and 14.4% respectively while production of crude oil declined by 2.2% year-on-year in October.
- This presents a better outlook for the industry in the third quarter if the trend persists and the issue of chip shortage for the automotive sector is addressed and Omicron virus does not multiply.
- In the first seven months of FY'21-22, the sectors' output rose by 15.1% as compared with a contraction of 12.6% in the same period last year.

- **US Dollar & Euro Movement :**

	1/11	**8/11**	**15/11**	**22/11**	**29/1**
Exchange Rate (Rs./US $)	74.83	73.93	74.38	74.40	74.94
Exchange Rate (Rs./Euro)	86.7	85.69	84.93	83.78	84.60
Brent Crude oil fob (US$/Bbl)	84.71	83.43	82.05	79.70	73.44*

**Oil prices dropped as a fresh surge in COVID-19 cases in Europe threatened to slow the economic recovery while many countries released crude reserves to cool energy prices.*

2. (B) Industrial Production

Table 1
INDEX OF INDUSTRIAL PRODUCTION : SECTORAL
(Base: 2011-12=100)

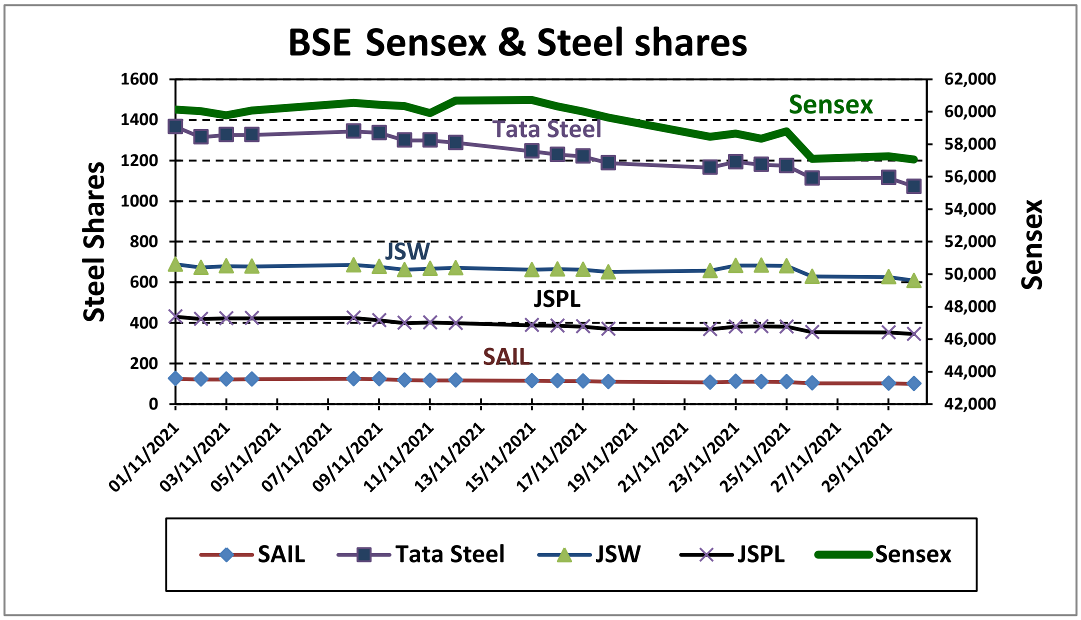
	Mining (Weight – 14.37)		**Manufacturing (Weight-77.63)**		**Electricity (Weight-7.994)**		**General (Weight-100)**	
	2021-22	**20-21**	**2021-22**	**20-21**	**2021-22**	**20-21**	**2021-22**	**20-21**
% Growth over the corresponding period of previous year								
Sep.	8.6%	1.4%	2.7%	0.4%	0.9%	4.9%	3.1%	1.0%
Apr.-Sep.	22.3%	(-)15.2%	25.3%	(-)23.3%	12.8%	(-)8.0%	23.5%	(-)20.8%

Table 2
INDEX OF INDUSTRIAL PRODUCTION: USE-BASED
(Base: 2011-12=100)

	Primary Goods (Weight – 34.05)		**Capital goods (Weight – 8.22)**		**Intermediate Goods (Weight – 17.22)**	
	2021-22	**20-21**	**2021-22**	**20-21**	**2021-22**	**20-21**
% Growth over the corresponding period of previous year						
Sep.	4.6%	(-)1.5%	1.3%	(-)1.2%	4.9%	(-)0.4%
Apr.-Sep.	15.8%	(-)14.2%	44.9%	(-)40.2%	32.4%	(-)22.8%
	Infrastructure/ construction Goods (Weight-12.34)		**Consumer Durables (Weight- 12.84)**		**Consumer Non durables(Weight- 15.33)**	
	2021-22	**20-21**	**2021-22**	**20-21**	**2021-22**	**20-21**
Sep.	7.4%	4.0%	(-)2.0%	5.3%	(-)0.5%	2.4%
Apr.-Sep.	36.9%	(-)24.8%	38.4%	(-)39.0%	8.3%	(-)8.2%

- Industrial growth moderated sharply to a seven-month low of 3.1% in September from over 12% in August, hit by strong monsoon that dented economic activity, component shortages that hit the automobile sector and the waning base effect that had boosted growth in recent months. The major setbacks were in the area of automobiles and electronics where growth was negative. Revival of industrial output will remain a challenge in the near term, as per ICRA.
- Mining output rose by 8.6% in September while Manufacturing output rose by 2.7% and Electricity generation was up by 0.9%.
- Production of capital goods increased by only 1.3% in September while that of consumer durables contracted 2%, reflecting the impact of the chip shortage.
- Industrial production grew by 23.5% in first half of FY22, helped by the strong base effect of (-)20.8% in the year-ago period.

2. (C) Sensex and Steel Shares



On 3rd November'2021, Sensex closed at 59,771 lower by 257 points, a day ahead of the muhurat trading session on Diwali.

On 11th, Sensex went down by 433 points on the day of weekly F&O expiry, to end at 59,920.

On 12th, Sensex gained 767 points to settle at 60,686 mark. A total of 25 stocks out of 30 stocks in the Sensex ended in the green.

On 22nd, Sensex was down by 1170 points, dragged lower by index heavyweights Reliance Industries, Bajaj Finance and Kotak Bank.

On 25th, Sensex added 454 points to close at 58,795 mark. Reliance Industries was the top Sensex gainer, surging by 6.1%.

On 26th, Sensex tanked 1,687 amid a global sell off in equities as investors gauged the impact of a new covid-19 variant.

Sensex ended the month, lower by 3,073 points as compared to the beginning of the month.

3. International Economic Scenario

- **OECD in its latest economic outlook said that the global GDP is projected** to grow by 5.6% in 2021 and the world's second largest economy, China, is set to grow by 8.1%, both slightly down from previous forecasts.

  It said that the inflation "could continue to surprise on the upside". Consumer price inflation is projected to peak in the majority of advanced and emerging-market economies by the first quarter of 2022, before moderating gradually.

OECD area, unless noted otherwise

	Average 2013-2019	2020	2021	2022	2023	2021 Q4	2022 Q4	2023 Q4
				Per cent				
Real GDP growth[1]								
World[2]	3.3	-3.4	5.6	4.5	3.2	3.8	3.9	3.2
G20[2]	3.5	-3.1	5.9	4.7	3.3	4.1	3.8	3.3
OECD[2]	2.2	-4.7	5.3	3.9	2.5	4.4	3.3	2.2
United States	2.4	-3.4	5.6	3.7	2.4	5.1	3.0	2.3
Euro area	1.9	-6.5	5.2	4.3	2.5	4.9	3.3	2.1
Japan	0.8	-4.6	1.8	3.4	1.1	0.0	3.1	0.9
Non-OECD[2]	4.3	-2.2	5.8	4.9	3.8	3.2	4.3	4.0
China	6.8	2.3	8.1	5.1	5.1	3.9	5.5	5.0
India[3]	6.8	-7.3	9.4	8.1	5.5			
Brazil	-0.3	-4.4	5.0	1.4	2.1			
Unemployment rate[4]	6.5	7.1	6.2	5.5	5.2	5.7	5.4	5.1
Inflation[1,5]	1.7	1.5	3.5	4.2	3.0	4.9	3.4	3.1
Fiscal balance[6]	-3.2	-10.4	-8.4	-5.2	-3.7			
World real trade growth[1]	3.4	-8.4	9.3	4.9	4.5	6.1	5.2	4.2

  It believes that the global economy will rise by 4.5% in 2022, unchanged from previous projections and gave a prediction of 3.2% global growth for 2023.

  Projection for China's economic growth in 2021 was downgraded from 8.5% to 8.1% but was still higher than the country's target of 6% growth.

  The outlook for the world's biggest economy, the United States, has cooled down as well. OECD estimated the U.S. economy to grow 5.6% this year which is 0.4% lower than the previous projections.

- **Last year the global economy came to a halt.** This year it got moving again, only to become stuck in one of history's biggest traffic jams. New indicators developed by Bloomberg Economics explain the extremity of the problem.

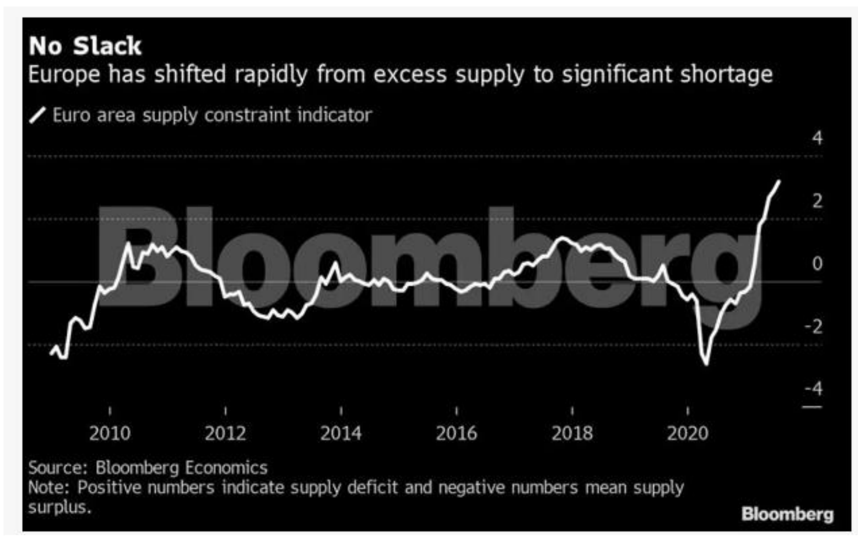
  Behind the logjams lies a mix of overloaded transportation networks, shortages of labor at key chokepoints and demand in the U.S. that's been bolstered by pandemic stimulus.

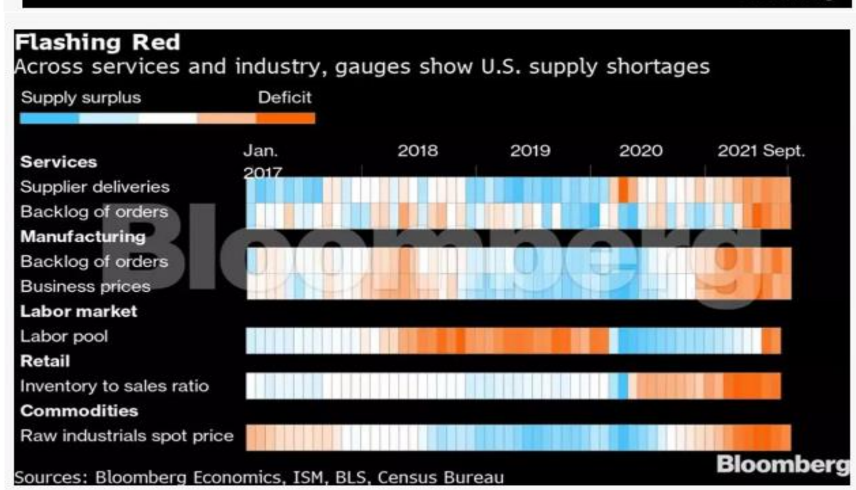
It's not just a problem of transportation. There is shortage of products, too. Producers have been caught off-guard by this year's rebound after they cut down orders of materials last year.

The gauges developed by Bloomberg show an abrupt shift from excess supply before the Covid crisis to today's significant shortages.

Ports are congested with vessels and truckers and more trailers are required to ship the products.

All of this is giving rise to inflation which is running high enough to be outside the comfort zone for monetary policy makers. In the U.S., it's at 5.4% and could stay lodged in the 4 - 5% range next year if supply constraints don't ease.





- **Europe's already fragile economic recovery** is at risk of being undermined by a fourth wave of coronavirus infections as Governments impose increasingly stringent health restrictions that could reduce foot traffic in shopping centers, discourage travel and crowds in restaurants, bars and ski resorts.

  Last year, many markets were completely shut down and so sellers and buyers were looking forward to this year.

  Austria has imposed the strictest measures, mandating vaccinations and imposing a nationwide lockdown. But economic activity will also be dampened by other safety measures — from vaccine passports in France and Switzerland to a requirement to work from home four days a week in Belgium.

  The Czech Republic and Slovakia have also imposed new restrictions. In Germany, some States have introduced partial lockdowns and will require that the unvaccinated will be required to show a negative Covid-19 test before going to work.

  France, Europe's second-largest economy, has decided not to impose shutdowns again despite the threat of virus.

- **China's economy is slowing to the lows seen way back in 1990** — a price President Xi Jinping seems willing to pay to reduce its dependence on the property sector.

  Beijing's squeeze on the real estate sector will continue into next year and beyond, a development many didn't see coming and that has now prompted banks like Goldman Sachs Group Inc., Nomura Holdings Inc. and Barclays Plc to cut their growth forecasts in 2022 to below 5%.

  Officials say that excess supply of housing is a threat to economic stability and want investment to go to prioritized sectors like hi-tech manufacturing rather than more apartments.

  Weak consumer spending is another drag on the economy, with China's zero tolerance to sporadic corona virus outbreaks and stringent lockdown measures affecting consumers and forcing business to shut.

  China's property sector is huge as more than 900 million square meters of apartments are constructed each year.

  That investment, plus the output of related sectors like steel and cement production, accounts for anything between 20% and 25% of China's GDP.

Any slowdown or decline in real estate development would leave a gap in the economy that expansion in no other sector could easily fill.

- **Japan's economy contracted much faster than expected in Q3** as global supply disruptions hit exports and business spending while new Covid-19 cases soured the consumer mood.

The economy shrank at an annualised 3.0% rate in July-September, as compared with a median market forecast for a 0.8% contraction.

Analysts polled by Reuters had expected Japan's economy to expand at an annualised 5.1% rate in the current quarter.

Japan's Cabinet has approved a record US$ 490 bn. stimulus package, including cash handouts and aid to ailing businesses, to help the economy out of the doldrums worsened by the corona virus pandemic. The package has more than enough content and scale to deliver a sense of security and hope to the people.

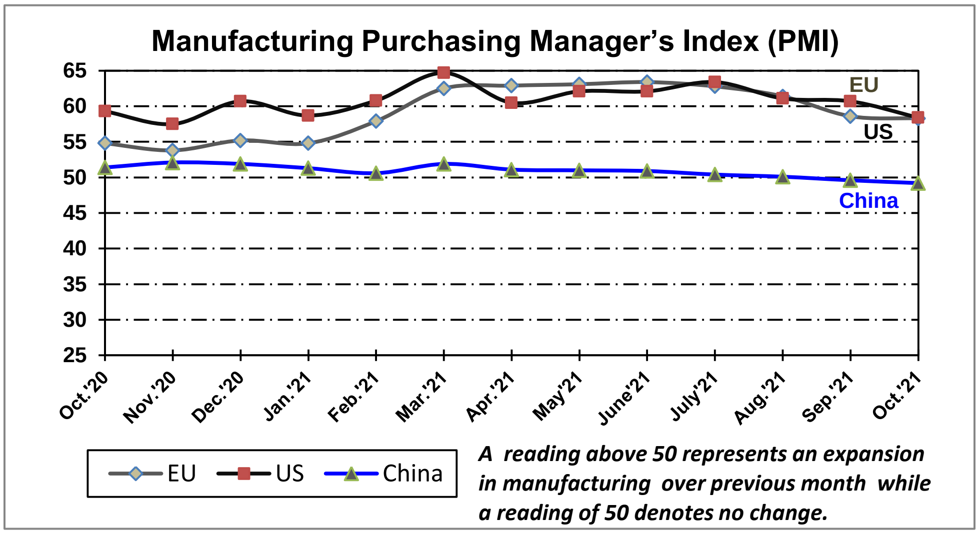
The plan includes doling out 100,000 yen (US$ 880) in monetary assistance to those 18 years or younger and aid for businesses whose sales plummeted because of coronavirus measures.

Japan has never had a full lockdown during the pandemic and infections remained relatively low. However, shortage of computer chips and other auto parts, has hurt production at Japan's automakers.

The world's third largest economy was already stagnating before the pandemic hit. So while the U.S. and many other countries are looking for ways to cut back on emergency support for their economies, Japan is looking for ways to revive its economy.

	1/11	**8/11**	**15/11**	**22/11**	**29/11**
Exchange Rate (Euro/US$)	0.86	0.86	0.87	0.88	0.88
Exchange Rate (Yen/US$)	114.19	113.14	113.97	114.64	113.62
Exchange Rate (GBP/US$)	0.73	0.73	0.74	0.74	0.75

Car sales (nos.)	**Oct.'21**	***% change y-on-y***
China	20,10,000	*(-)4.88%*
US *(avg. monthly rate)*	11,16,666	*(-)20.7%*
EU *(registrations)*	6,65,001	*(-)30.3%*
Japan	2,79,341	*(-)31.3%*



4. Domestic Steel Scenario

Tata Steel

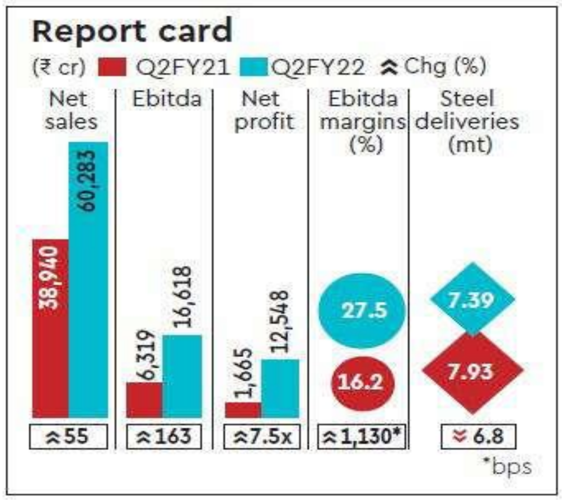
– Tata Steel reported a 7.5-times jump in its consolidated net profit for Q2' 21-22. The sharp increase in profits was supported by higher realisations and sale of Singapore entity NatSteel Holdings, even as steel deliveries declined in a seasonally-weak quarter.

Its consolidated net profit for Q2'21-22 was Rs. 11,918 cr. This is an increase of 661% from Rs. 1,565 cr. in the CPLY.

The company's net sales for the period increased by 55% year-on-year to Rs. 60,283 cr. Steel deliveries declined by nearly 7% y-o-y to 7.39 MT. Sales volume of the automotive segment, however, increased by 18% sequentially, despite the semiconductor shortage.

Its India crude steel production increased by 3% y-on-y to 4.73 MT during Q2 while India deliveries surged by 11% QoQ to 4.58 MT.

Export volumes stood at 0.71 MT in Q2'21-22 as against 1.19 MT in Q2 last year.



Company's gross debt decreased to Rs. 78,163 cr. with repayments of Rs. 11,424 cr. in H1. The net debt declined to Rs. 68,860 cr.

– The Board of Tata Steel BSL at its meeting held on 02 November' 2021 has taken on record the order dated 29 October' 2021 of the NCLT, Mumbai sanctioning the scheme of amalgamation of Bamnipal Steel and Tata Steel BSL into and with Tata Steel.

  In accordance with the Scheme of Amalgamation, Tata Steel will issue and allot to those shareholders of the Company whose names would appear in the Register of Members on the Record Date, 1 (one) fully paid-up equity share of Rs 10/- (Rupees Ten) each of Tata Steel, for every 15 (fifteen) equity shares of the face value of Rs 2/- (Rupees Two) each held by such member in the Company.

– Tata Steel BSL has exported 9000 T of LD slag to Bangladesh market from its unit located in Dhenkanal district of Odisha. This endeavour is India's first export of LD slag to Bangladesh.

  Cemcoa Limited, a Hong Kong based trade house and an existing buyer of Tata Steel BSL, showed keen interest in the market development of LD Slag in the cement-making process in Bangladesh and facilitated the export.

Test and trial of LD slag has already been done in the concerned plant in Bangladesh. The proposed plan is to export 100 KT of LD slag per annum.

Jindals

– Several residents marched from Dhinkia to Patana village in Odisha's Jagatsinghpur district on November 10, 2021 raising slogans against a proposed industrial plant to be built by JSW Ltd.

  The villagers also organised a meeting against the decision of the Odisha Government to grant land for the proposed integrated steel, cement and captive power plant. They vowed to oppose its construction.

  The plant will be built over 2,900 acres of land in the Dhinkia, Nuagaon and Gadakujang Gram Panchayats.

– Industrial gases major Linde India, formerly BOC India has concluded the sale of its oxygen-making joint venture to JSW Steel.

  The deal sees Linde divest the Bellary Oxygen Company which houses an 855 Tpd air separation unit and other related assets, to JSW for a consideration of Rs. 50 cr.

  In view of the expiry of the gas supply contract with JSW Steel on 14th November 2021, Bellary Oxygen Company signed and executed the asset sale agreement with JSW Steel.

– JSPL saw its consolidated net profit grow almost three-fold during Q2'21-22 at Rs. 2,584 cr. as against Rs. 836 cr. in the year-ago period.

  JSPL in Q2' 21-22, reported its highest ever quarterly sales (including pig iron) at 2.13 MT, up by 32% q-o-q as against 1.61 MT in the previous quarter. Crude steel production stood at 1.93 MT in Q2'21-22, down by 4% as against 2.01 MT in Q1.

  Company's export sales comprised more than 40% of total sales in Q2' FY22. Export volumes increased due to subdued demand in the domestic market during the seasonally weak second quarter.

  JSPL is expecting first shipment of coking coal from its Russel Vale mine in Australia, which will provide relief from the rising coal prices.

– Jindal SAW Limited, a leading manufacturer and supplier of iron and steel pipe products, announced its financial results for Q2 FY'22. The company achieved a consolidated revenue of Rs. 3,006 cr. and EBITDA of Rs. 411 cr.

It has won new orders worth Rs. 2,100 cr., primarily from the water and industrial sectors.

The HSAW sector which has a thin margin market, was the worst hit because of rise in steel prices, EPC contractors putting projects on hold and Government also deferring the contracts.

Going forward, the company sees good visibility in terms of pent-up demand and stability in prices.

- **Spot prices of hot-rolled coil in India's domestic** market fell on Nov. 17, amid weak downstream demand and greater market uncertainty.

  Platts assessed 2.5-10 mm thick HRC delivered to Mumbai at Rs. 71,000/T, down by Rs. 1,500/T on the week. This is the first time prices fell since Sep. 22nd, with the market remaining stable for the past few weeks.

  Demand was lower than expected as buyers were having mixed sentiments and were cautious in making any purchasing decisions amid expectations of price falls.

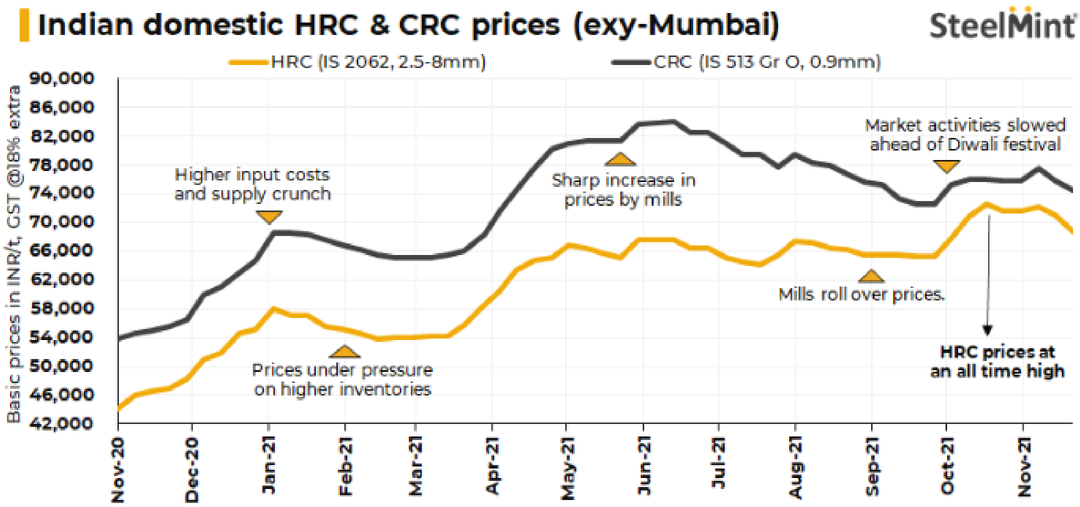
  Spot prices of domestic HRC dropped again on Nov. 24 for the second week in a row, as end-users remained sidelined in a falling market and shot down any further possibility of accepting higher prices in coming months. Prices went down to Rs. 69,000/T.

  Domestic demand was never good in the past few months, but supply was even lesser and so prices remained higher. Now with supplies increasing from JSW Dolvi and SAIL's Rourkela unit, prices came down.

  Exports were slower than anticipated because of price going down in the Far East markets and China making its presence in the Vietnamese market.

  Global HRC market also tumbled with a fall in export prices from major exporters vis. Japan and South Korea. Furthermore, a continual decline in prices from Chinese HRC also affected the domestic market sentiments.

  Prices of iron ore fines in India dropped by about Rs. 900/T in Nov.'21 while prices of Australian premium coking coal also came down by around US$ 94/T during the month which also affected the HRC prices.



Source: SteelMint Research

- **India's steel prod., cons., imports and exports :**

Finished Steel				
	Nov.'21	***% chng y-on-y***	**(Apr.- Nov.)'21**	***% chng y-on-y***
Gross Production (MT)	9.18	*1.7%*	72.06	*25.5%*
Imports (MT)	0.31	*(-)11.1%*	3.06	*13.5%*
Exports (MT)	0.72	*20.7%*	9.53	*23.8%*
Consumption(MT)	8.46	*(-)8.0%*	66.36	*20.4%*

(Source – JPC)

- **Production of domestic steel majors :**

	Hot Metal Prod. (MT)		**Crude Steel Prod.(MT)**		**Fin. Steel Prod. (MT)**	
	Oct.'21	*% chng. y-on-y*	**Oct.'21**	*% chng. y-on-y*	**Oct.'21**	*% chng. y-on-y*
SAIL	1.65	*4.4%*	1.54	*6.4%*	1.22	*10.7%*
Tata Steel	1.67	*4.1%*	1.65	*7.5%*	1.69	*8.0%*
JSW	1.30	*3.0%*	1.40	*6.3%*	1.34	*5.4%*
JSPL	0.47	*(-)2.8%*	0.61	*15.3%*	0.42	*17.7%*

AMNS	0.28	*(-)9.8%*	0.62	*(-)1.4%*	0.64	*11.6%*
RINL	0.39	*(-)4.0%*	0.34	*(-)7.8%*	0.31	*44.9%*

(Source – JPC)

- **Itemwise Steel Imports-Exports :**

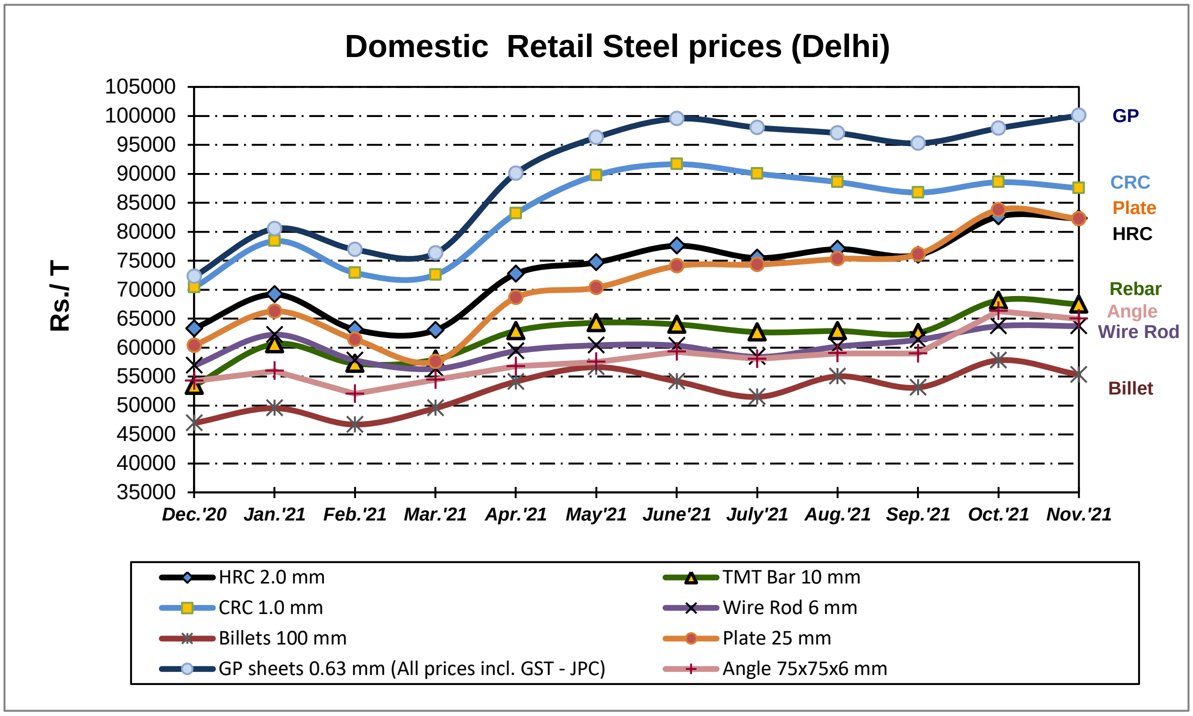
		Imports		**Exports**	
		(Apr.-Oct.)'21 ('000 T)	*% chng. y-on-y*	**(Apr.-Oct.)'21 ('000 T)**	*% chng. y-on-y*
Carbon Steel					
Semis		**71.7**	*(-)48.2%*	**3508.2**	*(-)27.3%*
of which	Slabs	1.2	*(-)33.3%*	347.7	*(-)15.1%*
	Billets	7.7	*(-)71.7%*	2163.4	*(-)32.7%*
Longs		**102.8**	*7.3%*	**1509.8**	*137.5%*
of which	Plain Rounds	10.3	*1.0%*	60.7	*148.8%*
	Rebars	16.7	*0.6%*	707.7	*106.5%*
	Wire Rods	18.4	*(-)2.6%*	606.1	*214.5%*
	Structurals	8.6	*(-)49.3%*	125.7	*114.3%*
	Rly. Matl.	48.6	*52.5%*	0.4	*(-)97.0%*
Flats		**1612.2**	*8.3%*	**6630.1**	*10.7%*
of which	Plates	130.2	*(-)46.8%*	526.7	*72.2%*
	HRC	446.5	*17.6%*	3971.8	*(-)16.9%*
	CRC	174.9	*67.4%*	748.8	*129.1%*
	GP/GC	335.2	*41.7%*	1098.1	*167.7%*
	Colour Coated	55.1	*(-)8.3%*	162.1	*165.3%*
	Elec.sheets	256.7	*16.1%*	20.1	*(-)2.2%*
	Tin plates	50.7	*(-)14.1%*	26.6	*190.3%*
	Pipes	87.2	*5.4%*	72.2	*15.2%*
Alloy/SS		**106.7**	*37.5%*	**676**	*30.7%*

(Source – JPC)

- **Itemwise Finished Steel production of domestic steel producers:**

	Production (MT) (Carbon Steel) - (Apr.-Oct.)'21							
Category	SAIL	Tata	RINL	AM/NS	JSPL	JSW	Others	**Total**
Longs	**2.91**	**1.92**	**2.08**	**0**	**1.61**	**1.91**	**18.9**	**29.37**
of which Plain Rounds	*0*	*0.04*	*0.34*	*0*	*0*	*0.51*	*1.79*	*2.69*
Wire Rods	*0.43*	*0.50*	*0.32*	*0*	*0.22*	*0.68*	*1.68*	*3.84*
Rebars	*1.22*	*1.38*	*0.99*	*0*	*0.90*	*0.69*	*12.23*	*17.42*
Structurals	*0.56*	*0*	*0.20*	*0*	*0.41*	*0*	*2.71*	*3.88*
Rly. Matl.	*0.69*	*0*	*0*	*0*	*0.08*	*0*	*0.007*	*0.785*
Flats	**4.7**	**8.59**	**0**	**4.31**	**1.15**	**6.68**	**4.07**	**29.51**
of which **Plates**	*1.81*	*0*	*0*	*0.45*	*0.66*	*0*	*0.06*	*2.99*
HRC	*2.88*	*8.59*	*0*	*3.86*	*0.49*	*6.68*	*4.01*	*26.52*
of which HSM Plate/Sheet	*0.07*	*0.07*	*0*	*1.21*	*0.08*	*0.22*	*0*	*1.65*
CRC/Sheets	*0.71*	*2.03*	*0*	*0.94*	*0*	*4.59*	*2.76*	*11.05*
GP/GC	*0.09*	*0.60*	*0*	*0.57*	*0*	*1.16*	*1.41*	*3.84*
Color Coated	*0*	*0.11*	*0*	*0.22*	*0*	*0.51*	*0.51*	*1.36*
Galvalume	*0*	*0.12*	*0*	*0*	*0*	*0.49*	*0.15*	*0.76*
Electrical	*0.03*	*0*	*0*	*0*	*0*	*0.10*	*0.11*	*0.24*
Tin plates	*0*	*0*	*0*	*0*	*0*	*0.11*	*0.21*	*0.32*
Pipes(large dia)	*0.03*	*0.17*	*0*	*0.14*	*0*	*0*	*1.53*	*1.87*

(Source – JPC)



5. International Steel Scenario

USA

US domestic prices of HRC decreased from a level of US$ 1,890/s.T. at the end of October'21 to a level of US$ 1,760/s.T. at the end of November'21.

US hot-rolled coil prices dropped due to weaker market fundamentals and limited buying activity. Market sources noted mounting pressure on pricing due to wider availability and shorter lead times.

Rising imports and limited domestic deals pressured spot price levels. There was plenty of imports coming into the US with some East Coast ports running out of indoor storage for coils. Increase in foreign arrivals coincided with domestic lead times shrinking and an abundance of overall availability. Average HRC lead time reduced by 0.2 weeks to 5.9 weeks.

In the longs section, US domestic prices of rebar went up from a level of US$ 970/s.T. at the end of October'21 to a level of 1,005/s.T. at the end of November'21.

Commercial Metals Co. and Steel Dynamics both announced a price hike of US$ 40/s.T. for rebar at the end of October. Those were the first price increases in the US rebar market since mid-July. In November, Nucor raised its wire rod prices by US$ 80/s.T., the largest since June.

The moves follow the US domestic market scrap price increase of US$ 60/l.T. for November.

Looking ahead, US$ 1.2 trillion infrastructure bill that was passed by the US House of Representatives for roads, bridges and port improvements, is forecast to boost steel demand by 3 to 4%, as per American Iron and Steel Institute.

Europe

N.Europe domestic prices of HRC came down from a level of Euro 1,020/T at the end of October'21 to a level of Euro 967/T at the end of November'21.

European lead times were getting noticeably shorter as buying activity eased and the sluggishness in automotive demand created more steel availability. With consumer demand still weak, mills were desperate to keep prices afloat by exporting steel to Turkey, Egypt and the US.

Automobile sector was still limiting production, mostly small car model lines. With automotive demand on the decline, producers reported a resurgence in available stock, with lead times shortening to as little as three weeks. Some major mills were searching for warehouse space to store HRC material not consumed by automakers. Mills struggled to pass the volumes from cancelled orders by the automotive industry on to other buyers.

Purchasing activity remained weak. A number of producers switched to night-time and weekend working, to mitigate energy cost hikes. Others brought forward maintenance programmes, in response to falling order intake.

Looking ahead, some sources have speculated that automotive demand would return once the semiconductor shortage issue is alleviated by the H1 next year. Bullish outlook on European HRC prices also intensified following a decision by the US and EU to replace the US Section 232 tariffs on European steel imports with a tariff-rate quota (TRQ) effective Jan. 1' 2022 which will increase European exports to USA.

In the longs section, N.Europe's domestic prices of rebar came down from a level of Euro 802/T at the end of October'21 to a level of Euro 790/T at the end of November'21.

Market was quiet because end-users held back orders and expected prices to decrease further.

China

China's export prices of HRC went down heavily from a level of US$ 880/T fob at the end of October'21 to a level of US$ 769/T fob at the end of Novemebr'21.

Prices fell amid bearish market sentiment and weaker demand. Buying activity declined further when the market kept falling and raw materials prices also dropped. Market sentiment was also dampened by a weaker real estate sector.

There was continued bearish outlook in Asian market due to drastic falls in the Chinese market led by futures. Prices were down so sharply which was beyond market expectations.

The market confidence was weak as buyers didn't want to buy when market was falling. Chinese futures and spot prices continued to decline.

On Nov.'24 Asian HRC prices rose for the first time in two weeks amid a strong rally in the Chinese market led by rise in raw material prices on expectations that some mills would resume production from December after reaching the yearly output control targets.

In the longs section, China's export prices of rebar came down from a level of US$ 748/T fob at the end of October'21 to a level of US$ 732/T fob at the end of November '21.

China's largest privately owned steelmaker Jiangsu Shagang Group lowered its domestic long list prices by Yuan 600/T for Nov. 1-10 period and further by Yuan 200-300/T for Nov. 21-30 period which was interpreted as its lack of confidence in the market. Prices dropped due to sluggish demand as buyers continued to be in wait-and-see mode.

Chinese steel prices are expected to stay range-bound in the coming term after their substantial fall in October, as both demand and supply remain weak with winter approaching, according to the latest monthly report of the CISA.

CIS

Black Sea export prices of HRC went down from a level of US$ 850/T fob at the end of October'21 to a level of US$ 820/T fob at the end of November'21.

Black Sea flat steel market took a hit from softer Asian and Turkish markets but the impact was offset by the US-EU deal on Section 232 tariffs. CIS mills expected liberalization of the US steel imports from the EU which would in turn help more slab exports to Europe.

Russian flat steel mills received a glut of orders for November deliveries, with active buying interest among stockists which pushed up prices for HRC in the country's Central Federal District around Moscow.

In the longs section, Black Sea export prices of rebar went up from a level of US$ 685/T fob at the end of October'21 to a level of US$ 700/T fob at the end of November '21.

Developments in International Steel Industry :-

- **US and EU have reached an agreement** to replace the former's Section 232 tariffs on steel and aluminium imports from EU with a tariff-rate quota. Under the tariff-rate quota arrangement, historically-based volumes of EU steel and Aluminium would enter the US without the application of the Section 232 tariffs.

  The import tariffs of 25% on steel and 10% on Aluminium were introduced by former President Donald Trump in March' 2018 using a national security justification under Section 232 of the Trade Expansion Act of 1962.

  The aggregate annual import volume under the TRQ is set at 3.3 MT under 54 product categories and allocated on an EU member state basis.

  As a result of the agreement, EU will suspend the additional duties imposed on US goods and both have agreed to suspend the disputes they have initiated against each other regarding the US Section 232 tariffs.

  EU and USA would also try to restrict access of dirty steel to their markets, from countries like China.

  Germany and Netherlands have gained rights to substantial steel export quotas to the US. Germany will have the right to export a total 0.907 MT of steel. Netherland got a quota of 0.507 MT. Italy, the EU's second biggest steel producer got total quota of 0.36 MT.

- **US House of Representative has passed US$ 1 trillion** bipartisan infrastructure bill, seen as a boost for domestic steel demand.

Among the steel-intensive funding in the legislation, is US$ 100 billion for roads, bridges and major projects, US$ 66 billion for passenger and freight rail, US$ 39 billion for public transit and US$ 7.5 billion for electric vehicles.

The American Iron and Steel Institute estimates that for every US$ 100 billion of new investment in infrastructure, domestic steel demand will increase by as much as 5 million st.

The bill will provide for construction of modern, efficient and safe roads, bridges, seaports, airports, waterways and energy distribution systems.

- **ArcelorMittal has concluded the buyout** of its partners in Spanish steel tubing producer Condesa Tubos after receiving antitrust approval.

  As a result of the purchase AM will take full control of manufacturing facilities in Lesaka, Berrioplano and Alava, Spain as well as Altensteig-Walddorf in Germany, all belonging to Condesa.

  AM already held a 33% stake in Condesa, which specializes in steel tubes and shaped soldered steel.

  The unit will now be incorporated into ArcelorMittal Europe Tubular Products which makes tubes and pipes for energy, building, engineering and transport sectors in Czechia, France, Poland and Romania. It will make AM Tubular the largest producer of steel tubes in Europe.

  AM bought the minority stake in Condesa in 2016 as part of a restructuring while a banking consortium took 67% stake of the company.

- **Thyssenkrupp Germany's sales and orders** recovered in Jul.-Sept. quarter helped by the rise in steel prices.

  Sales rose to Euro 9.44 billion in the quarter from Euro 7.95 billion in the same period last year.

  Adjusted earnings before interest and taxes were Euro 232 million as compared with a negative EBIT of Euro 530 million last year.

  Net profit dropped to Euro 116 mn., from Euro 11.58 bn. last year, though 2020's figure included gains from the sale of Thyssenkrupp's elevator business.

- **Japanese steelmaker Kobe Steel Ltd.** has issued its financial results for H1'21-22, ended on Sept. 30' 21-22.

  For the given period, KSL reported a net profit of US$ 303 mn. as compared to a net loss of US$ 136 mn. in the same period last year. Company's consolidated net sales for H1 amounted to US$ 8.55 bn., rising by 25.2% year on year.

  Kobe Steel produced 3.35 MT of crude steel during the period, up by 25.2% y-on-y.

Towards Green Steel :-

- **About 390 MTpa of DRI capacity and 278 MTpa of additional EAF steel capacity** would be required globally by 2030 to put the global steel sector on a trajectory compatible with the 1.5 degrees Celsius standard in the Paris climate agreement, according to a study presented by the Agora Industry think tank on Nov. 3 during the Cop26 climate summit in Glasgow.

  According to Agora, the best strategy is to stop reinvestment into new blast furnaces but instead prolong the lives of old BFs by 2-5 years and then after 2025 invest directly into DRI.

  The study shows that 70% of existing coal-based steelmaking capacity in Europe will require reinvestment before 2030. The share is 76% in Japan and 72% in South Korea. For China, which is responsible for more than half of global steel emissions, the share is 78%. In the US, the share is close to 97%.

  During the summit, major steel heavyweights that account for more than 30% of global steel production, desired to produce zero emissions steel by 2030.

- **EU is backing seven large-scale industrial** decarbonization projects through its Innovation Fund of over Euro 1.1 billion, to support breakthrough technologies in energy-intensive industries, Hydrogen, carbon capture use and storage and renewable energy.

  The grants will support projects in Belgium, Italy, Finland, France, Netherlands, Spain and Sweden which were selected for their greenhouse gas reduction potential.

  The selected projects were in the chemical, steel, cement, refining, power and heat sectors.

  The already successful projects included Hybrit in Sweden that aims to eliminate GHG emissions from steel production by using renewable Hydrogen. A demonstration project in Finland will produce clean Hydrogen at a refinery in Porvoo with Carbon Capture Storage.

- **ArcelorMittal Mining, Canada** will invest US$ 165.38 mn. in its Port-Cartier pellet plant to convert the facility's 10 MTpa pellet production to DRI pellets by the end of 2025.

  The investment, announced by the company and the Government of Quebec at a COP26 event, includes an electricity rebate of up to C$ 80 million to be provided by Quebec's Government.

  The project will make the Port-Cartier plant one of the world's largest producers of DRI pellets.

  The investment is expected to result in an annual reduction of carbon dioxide equivalent emissions of 200,000 T.

- **Algoma Steel, Canada will** construct two electric arc furnaces to replace its existing blast furnace and basic oxygen steelmaking operations by 2024, a move that will increase its overall raw steel capacity and lower its carbon emissions.

  The transition to EAF steelmaking in Ontario will increase Algoma's raw steel production to 3.7 million sT. from 2.8 million sT. and reduce its carbon emissions by about 70%.

  Once complete, the transition is projected to deliver 3 MTpa of annual CO_2 reduction, placing the project among the highest impact investments in greenhouse gas reduction in Canada.

  It will invest about C$ 700 mn. (US$ 555.8 mn.) in the project.

- **Hyundai Steel has signed an MoU** with Brazil's Vale, one of the world's leading mining companies, to seek ways to cooperate, including greenhouse gas emissions reductions and low carbon raw materials development.

  This MoU was made as both the companies interests coincided in greenhouse gas reduction and the need to secure competitive low carbon raw materials as the business environment changes with growing social demand for carbon emission reduction.

  Hyundai Steel is aiming to reduce carbon emissions by 20% by 2030 and realize carbon neutrality by 2050.

  The two companies are planning to cooperate in finding ways to reduce greenhouse gas emissions and conducting feasibility study for low carbon solutions.

POSCO has also signed an MoU with Vale to jointly work on decarbonisation initiatives to reduce carbon emissions. The companies are discussing how to use Vale's products, such as pellets and briquettes, to curb emissions.

- **China's State Council has formally issued the 'Carbon Peaking Action Plan by 2030'** which aims to promote smooth low-carbon transition in China. The Plan proposes that by 2030, the proportion of non-fossil energy consumption will reach about 25% and CO2 emissions per unit of GDP will be reduced by more than 65% in comparison with 2005.

  Energy-saving projects in key industries will be implemented and power, steel, non-ferrous metals, building materials, petrochemical and chemical industries will carry out carbon-reduction transformation which will drive green steel demand.

  For urban and rural construction projects, the focus will be on new types of buildings, prefabricated buildings and promoting steel structural housing which will promote demand for long steel products.

  The 'Carbon Peaking Action Plan by 2030' will restrict the addition of new steel capacity and optimise and adjust the present capacity structure. Demand for quality steel will re-shape the downstream demand structure of steel.

- **China Baowu Steel Group has set up a Global Low-Carbon** Metallurgical Innovation Alliance with 62 partners to tackle climate change and to cut greenhouse emissions in China.

  Members of the alliance come from 15 countries and include ArcelorMittal, BHP Group, Rio Tinto, Vale, Fortescue Metals Group, Tata Steel, Thyssenkrupp, Angang Group, HBIS Group and Shagang Group.

  Baowu Steel also announced a fund to support basic research of low-carbon metallurgy, with US$ 5.5 million funding per year.

  The group aims to reach peak carbon by 2023 and carbon neutrality by 2050.

- **Brazilian Govt. has granted iron ore producer and miner Vale** licence to produce green pig iron product.

  Tecnored, a subsidiary of Vale, uses a low carbon pig iron process to produce the product using corn biomass. The plant which will also include a biomass processing facility will produce 0.5 MTpa of low carbon pig iron known as 'green pig iron'.

The plant is expected to commence production by 2025-26.

- **The Governments of UK, India, Germany and Canada,** under the new Industrial Deep Decarbonization Initiative (IDDI), announced a pledge that sends a clear message to heavy industry – "If you make low-carbon steel and concrete, we'll buy it".

  At the UN Climate Change Conference in Glasgow, the group announced its intention to buy low-carbon steel and concrete, with specific interim targets to be announced later. Right now, the public procurement of steel and cement in the five countries represents 25 to 40% of the domestic market for such materials.

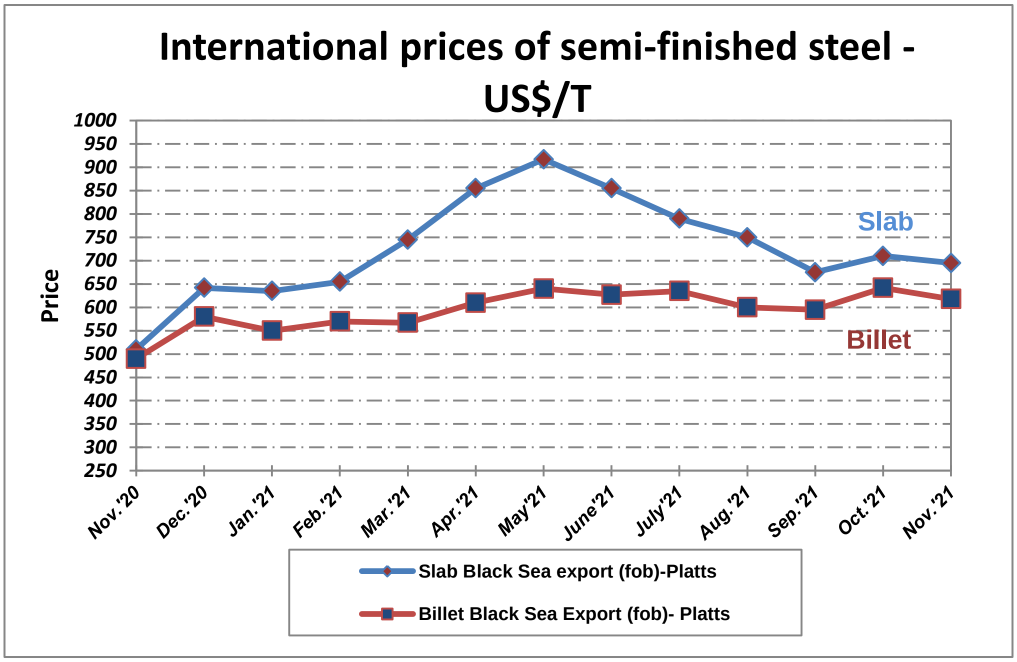
  The group want companies to feel confident about investing to make low-carbon steel and concrete viable products. The idea is to use Governments' purchasing power to ultimately trigger a thriving market for greener steel and concrete. To help achieve this, the pledge also includes requirements to disclose carbon embodied in public construction projects by 2025 and an agreement to align procurement plans with net zero 2050 targets.

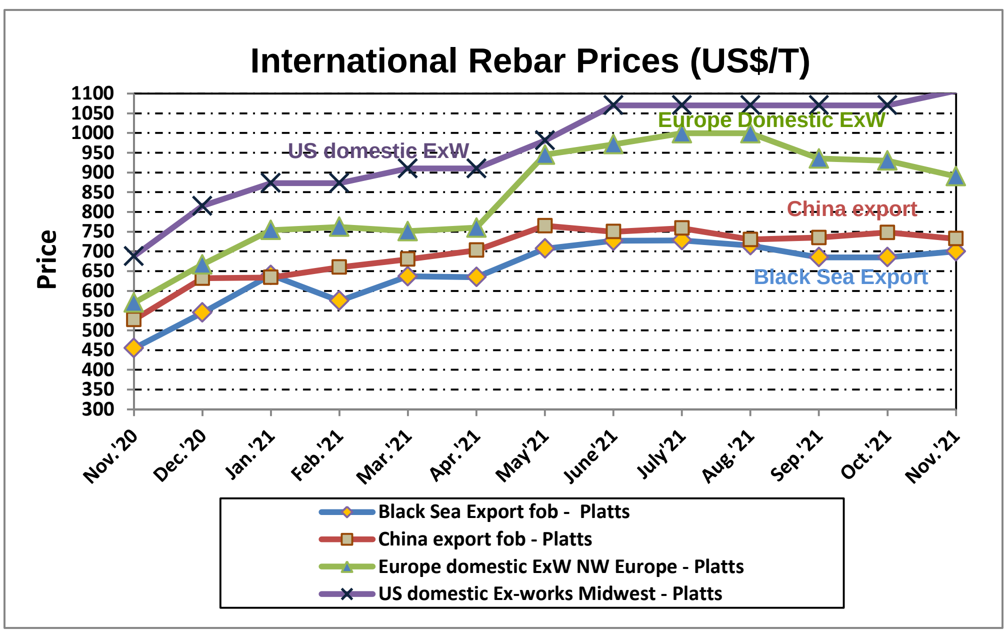
  Within the next three years, the IDDI aims to have at least 10 countries committing to purchasing low-carbon concrete and steel. The initiative is also helping countries to align their public procurement policies to purchase low carbon steel and concrete.

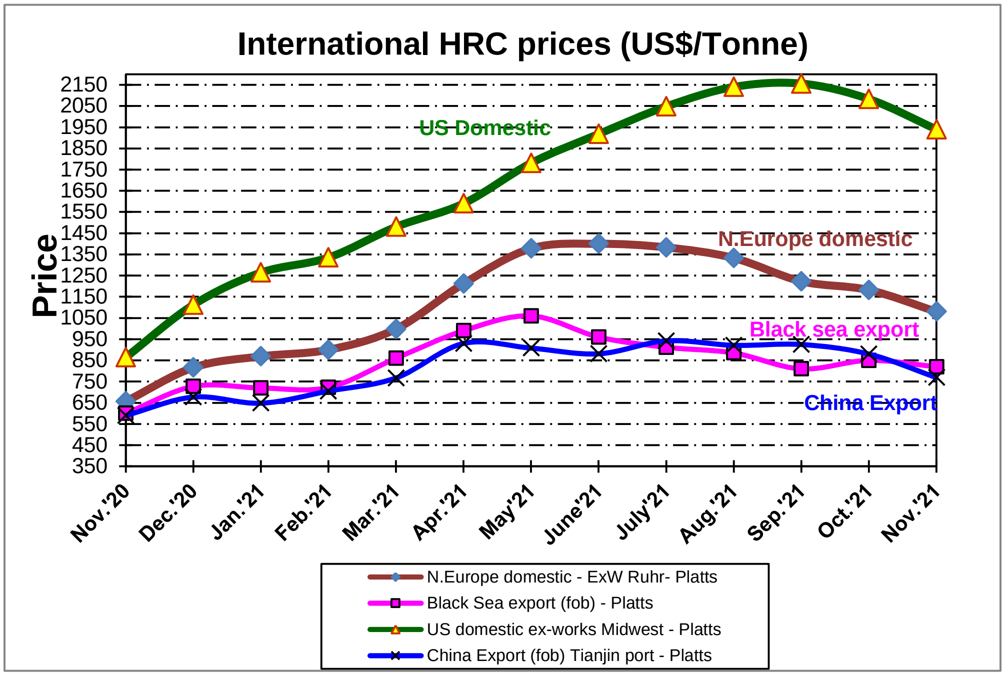
World Crude Steel Production *(Source –WSA)*

	Oct.'21 (MT)	***% change y-on-y***	**(Jan.-Oct.)'21 (MT)**	***% change y-on-y***
China	71.6*	*(-)23.3%*	877.1	*(-)0.7%*
EU27	13.4	*6.4%*	128.4	*18.4%*
India	9.8	*2.4%*	96.9	*20.6%*
CIS(6)	8.3	*(-)0.2%*	87.3	*5.8%*
Japan	8.2	*14.3%*	80.4	*17.5%*
USA	7.5	*20.5%*	71.7	*19.6%*
World	145.7	*(-)10.6%*	1607.1	*5.9%*

**China's crude steel output in October fell to the lowest since December' 2017 as mills cut production due to power shortages, shrinking profits and Beijing's push to control steel output growth.*







6. <u>Steel Making Raw Materials</u>

Iron Ore

Price of China's imported iron ore fines 62% Fe, went down from a level of US$ 107/dmt cfr at the end of October'21 to a level of US$ 98/dmt cfr at the end of November'21.

Prices had descended to a level of US$ 85.35/T during the middle of the month which was 18 month low. However, the same recovered later.

With steel production cuts in place and power restrictions in China limiting blast furnace operations, demand uncertainty remained which kept buying interests for iron ore poor. Average blast furnace utilization rates in Hebei's Tangshan and Handan cities, two major steelmaking hubs in China, were at below 65% and 70%, respectively. Iron ore also suffered amid prolonged turbulence in China's property sector.

In the meantime, shipments from major miners in Australia and Brazil were stable at relatively high levels. As a result, stocks of imported iron ore at China's ports increased.

However in the later half of the month, iron ore prices increased on hopes that pressure on China's steel production was easing. Some provinces in China had met the steel production cut targets which lifted market expectations of rising steel output in the coming weeks.

Coking Coal

Australia's export prices of Premium Low Vol. Hard Coking Coal went down from a level of US$ 402/T fob at the end of October'21 to a level of US$ 315/T fob at the end of November'21.

Coal prices plunged as demand for raw materials ex-China weakened on bearish sentiment.

Chinese market continued to see lacklustre demand amid bearish sentiment and a falling domestic coking coal market, as China continued to restrict steel output to cut pollution. On Nov. 18th, China's imported coking coal prices plunged by US$ 50/T at US$ 414/T, its biggest-ever one-day drop. Simultaneously, supply of Chinese domestic coal increased following increased production. China's imported coking coal market was gradually shifting to a buyer's market with the temporary increase in supply from the release of stranded Australian coking coals as well as Government efforts to increase production.

Some purchasers had been receiving more US coking coal offers originally meant for China which created downward pressure on the Australia coking coal prices.

Scrap

Turkey's import prices of scrap came down slightly from a level of US$ 497/T cfr at the end of October '21 to a level of US$ 490/T cfr at the end of November'21.

The weak Euro against the Dollar was causing Baltic Eurozone exporters to accept lower export prices to Turkey, though US scrap sellers were not willing to go below US$ 500/T levels.

With continuous depreciation of Turkish Lira, market sentiment for steel demand weakened in Turkey and this further affected the price for scrap.

- **BHPB has signed a deal of US$ 1.35 bn.** to divest its stake in metallurgical coal assets in Australia, as part of the world's largest miner's retreat from fossil fuels.

The company is selling its entire 80% stake in BHP Mitsui Coal, (BMC) which operates South Walker Creek and Poitrel coking coal mines in Queensland, to Stanmore Resources.

The remaining stake in the joint venture is owned by Japan's Mitsui.

Poitrel and South Walker Creek have a combined metallurgical coal production capacity of about 10 MTpa and marketable reserves of more than 135 MT.

The deal will increase Stanmore's metallurgical coal production by a multiple of 5.6 while its coal reserves will increase by a multiple of 4.2.

The deal includes US$ 1.1 billion cash payment immediately, US$ 100 million in cash six months later and a possible up-to US$ 150 million payout in the 2024 calendar year.

BHP remains Australia's largest producer and exporter of metallurgical coal as an equal partner in a separate alliance with Mitsubishi Corp. That joint venture operates seven mines and owns and operates the Hay Point Coal Terminal in Australia, one of the world's largest coal-export ports.

- **Iron ore prices are forecast to remain** in a multi-year downtrend for longer term as China's demand is seen slowing and supply from key miners improving.

  Fitch Solutions has revised down its price forecast for iron ore imports to China Qingdao Port, to US$ 155/T in 2021, from the earlier US$ 170/T. In 2022, iron ore prices are estimated to average US$ 110/T, down from previous forecast of US$ 130/T.

  Fitch Solutions said that Chinese iron ore demand which stemmed from the country's economic recovery and Beijing's major stimulus plan in supporting the construction industry, has peaked in the first half of 2021.

  While China's energy crunch has started to ease and production curbs on steel are also being lifted gradually, Fitch does not expect the strong demand to return in 2022. This is because construction projects have reached completion and less number of new projects are in the pipeline. In addition, the Chinese Government is focusing on tightening credit lines. On top of that, Fitch saw rising risks to the Chinese property market following debt crisis faced by Chinese property firm, Evergrande.

  China has also been limiting carbon-intensive steel production as it is seeking to decarbonise the economy.

- **Supplies of scrap steel in China are expected to be about 338** MT by 2025 which will significantly promote the development of electric arc furnace-based steelmaking in the country, according to China Metallurgical Industry Planning and Research Institute.

As China aims to peak carbon dioxide emissions by 2030 and realize carbon neutrality by 2060, production technologies with lower carbon emissions, such as electric arc furnace-based steelmaking, will be greatly promoted.

In 2020, electric arc furnace steel only accounted for about 10% of China's total output, while worldwide the figure was 30% and in the United States, the same was about 70%.

In 2017, country's IF production capacity of substandard steel, about 140 MT, was completely banned which led to significant increases in availability of scrap. From 2018 to 2020, as China's steel reserves continued to rise, supplies of scrap steel also increased steadily with annual growth of about 20 MT.

- **Tata Steel has set up 8 MTpa crushing and washing plant** at its captive Khondbond Iron and Manganese Mine near Joda in Keonjhar district of Odisha.

  The iron ore processing plant will cater to the rapidly growing raw material requirements of Tata Steel and will provide raw material security. The modern facility incorporates latest technology for ore processing and thus enabling efficient resource usage and reduced wastage.

  The plant design includes three stage crushing and screening. To reduce the inherent alumina from the ore, two rotary drum scrubbers have been installed which can reduce the alumina of the incoming ore, thereby improving the ore quality.

- **Indian iron ore prices are most likely** to witness a correction in Dec'21, as per Steelmint. SteelMint's Odisha iron ore fines (Fe 63%) index fell by Rs. 400/T on 27th Nov.'21 to Rs. 5,600/T ex-mines. The index has dropped by over 40% as compared to Jun-Jul.

  Domestic iron ore prices have come under pressure due to a combination of factors.

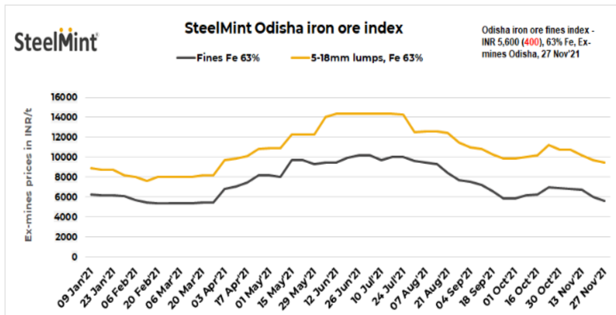
  Additional supplies of iron ore are expected in the market as the leases auctioned in 2020 in Odisha, are being allowed to liquidate inventory.

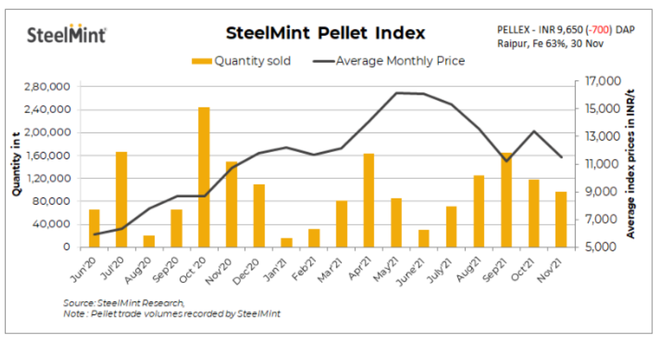
  India's iron ore production has rebounded in Oct. with production from Odisha, increasing by 85% year-on-year.

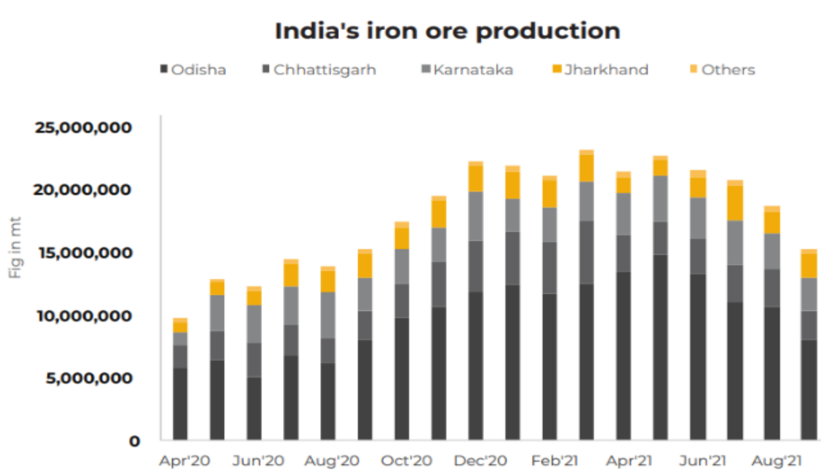
  Moreover, new production is about to commence at the operational leases that were auctioned in Odisha in Aug-Sep'21. JSPL has started operations at the Kasia iron ore block which it won at the second round of Odisha mine auctions.

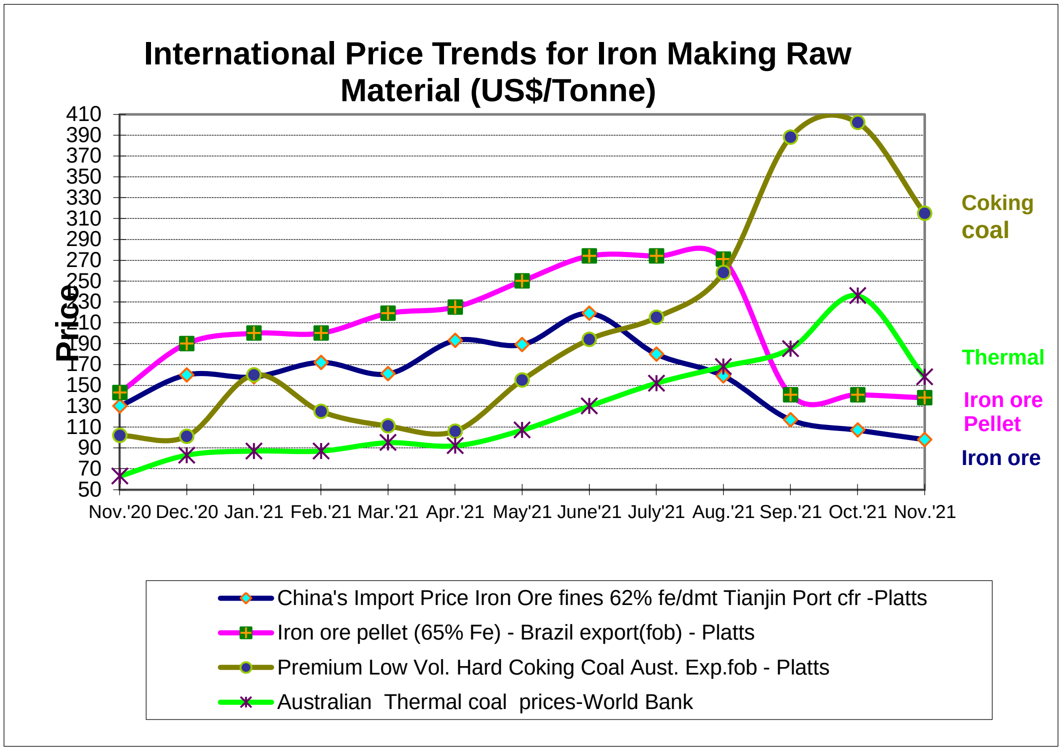
Odisha recorded merchant iron ore despatches of 3.9 MT in Oct., an increase of 16% over Sep.

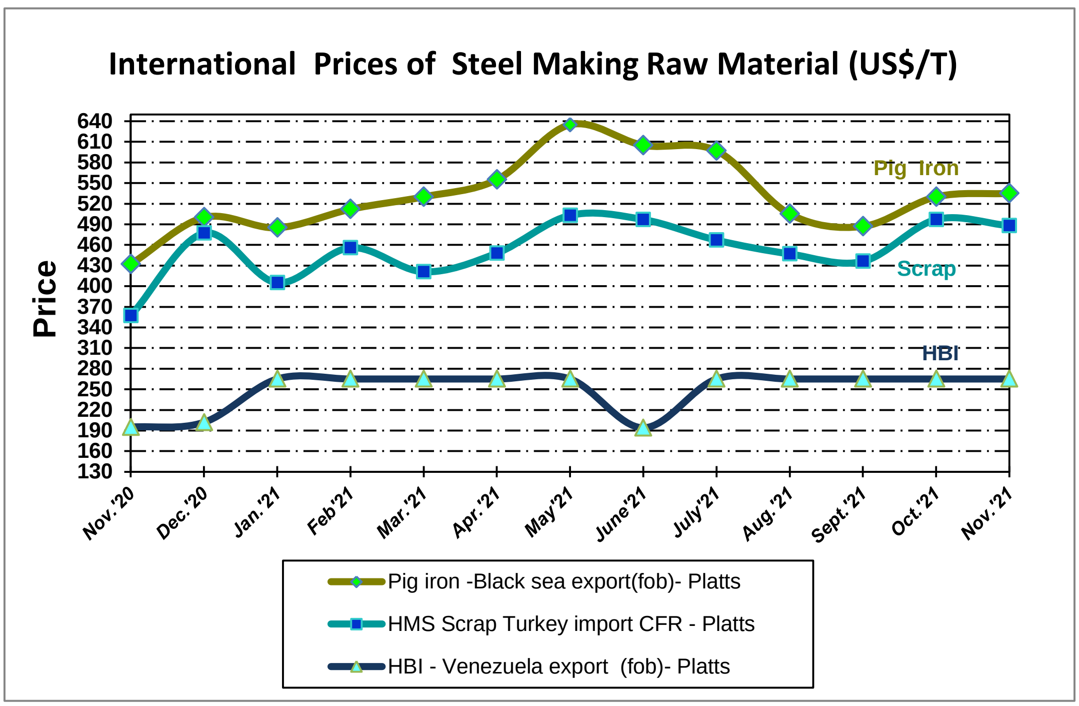
Domestic iron ore prices may head further south as imports have become viable on the back of a sharp correction in global iron ore prices. Rampant steel production cuts and power rationing in China have driven down benchmark iron ore fines (Fe 62%) prices to below US$ 100/T.








International Price Trends for Iron Making Raw Material (US$/Tonne)
Price
410
390
370
350
330
310
290
270
250
230
210
190
170
150
130
110
90
70
50
Nov.'20 Dec.'20 Jan.'21 Feb.'21 Mar.'21 Apr.'21 May'21 June'21 July'21 Aug.'21 Sep.'21 Oct.'21 Nov.'21
Coking coal
Thermal
Iron ore Pellet
Iron ore
China's Import Price Iron Ore fines 62% fe/dmt Tianjin Port cfr -Platts
Iron ore pellet (65% Fe) - Brazil export(fob) - Platts
Premium Low Vol. Hard Coking Coal Aust. Exp.fob - Platts
Australian Thermal coal prices-World Bank


International Prices of Steel Making Raw Material (US$/T)
Price
640
610
580
550
520
490
460
430
400
370
340
310
280
250
220
190
160
130
Nov.'20 Dec.'20 Jan.'21 Feb'21 Mar.'21 Apr.'21 May'21 June'21 July'21 Aug.'21 Sept.'21 Oct.'21 Nov.'21
Pig Iron
Scrap
HBI
Pig iron -Black sea export(fob)- Platts
HMS Scrap Turkey import CFR - Platts
HBI - Venezuela export (fob)- Platts

- **China's steel exports and iron ore imports :**

	Oct.'21 (MT)	*% change over CPLY*
China's finished steel exports	4.5	*11.3%*
China's iron ore imports	91.61	*(-)14%*

Summary & Conclusion

Indian economy grew by 8.4% during Q2 of FY'21-22. However, growth was largely on account of the low base as GDP had contracted by 7.4% during the same period last year. GDP remained almost flat, barely managing to expand by 0.3% over the pre-Covid period of Q2 of FY'19-20.

The Dun & Bradstreet Composite Business Optimism Index for Q4' 2021 stood at 94.6 which was the highest since the Q2 of calendar year 2014.

Due to unprecedented supply chain disruptions, fuel price hikes, semiconductor shortage, increase in input costs and economic slowdown, overall sales of automobiles slipped by 24.73% to 17,99,750 units in October' 21, despite the festive season.

India's exports rose by 43% to US$ 35.65 bn. in October. Merchandise exports grew for the eleventh consecutive month, as external demand continued to remain robust.

The eight-industry core sector grew by 7.5% in October, in response to increased demand during the festival season.

Index of Industrial Production in September moderated sharply to a seven-month low of 3.1%. Manufacturing sector grew by only 2.7% during the month. Revival of industrial output will remain a challenge in the near term, as per ICRA.

Sensex ended the month, lower by 3,073 points as compared to the beginning of the month.

India's GDP growth in Q2 was almost flat if compared with pre-covid period. India's industrial production has also failed to pick-up. Sensex came down by 3,073 points during the month.

OECD in its latest economic outlook said that the global GDP is projected to grow by 5.6% in 2021, 4.5% in 2022 and 3.2% in 2023.

Europe's already fragile economic recovery is at risk of being undermined by a fourth wave of coronavirus infections as various Governments impose increasingly stringent health restrictions.

Beijing's squeeze on the real estate sector will continue into next year and beyond and that has now prompted banks like Goldman Sachs Group Inc. to cut their growth forecasts in 2022 to below 5%.

Japan's economy contracted much faster than expected in Q3. The economy shrank at an annualised 3.0% rate in July-September, as compared with a median market forecast for a 0.8% contraction. Japan's Cabinet has approved a record US$ 490 bn. stimulus package to revive the economy.

Oil prices dropped as a fresh surge in COVID-19 cases in Europe threatened to slow the economic recovery while many countries released crude reserves to cool energy prices.

The world economy is in disarray, unable to shake off the coronavirus crisis amid persisting supply disruptions, soaring inflation and resurgent outbreaks.

Tata Steel reported a consolidated net profit of Rs. 11,918 cr. in Q2' 21-22. This is an increase of 661% from Rs. 1,565 cr. in the CPLY. However, steel deliveries declined by nearly 7% y-o-y during the quarter to 7.39 MT.

NCLT, Mumbai has sanctioned the scheme of amalgamation of Bamnipal Steel and Tata Steel BSL into and with Tata Steel. Tata Steel BSL has exported 9000 T of LD slag to Bangladesh, the first such export.

Several residents in Odisha's Jagatsinghpur district protested against a proposed industrial plant to be built by JSW Ltd.

JSPL saw its consolidated net profit grow almost three-fold during Q2'21-22 at Rs. 2,584 cr. as against Rs. 836 cr. in the year-ago period.

Spot prices of HRC in India's domestic market fell in November to Rs. 69,000/T from a high of Rs. 72,500/T, amid weak downstream demand, greater market uncertainty, falling raw material prices and falling international steel price.

India's finished steel consumption in November'21 came down by 8.0% y-on-y to 8.46 MT while exports were only 0.72 MT as compared to 1.05 MT in the preceding month.

Domestic steel companies recorded exceptional financial performance in Q2 on the back of strong steel prices. Spot prices of HRC in India's domestic market fell in November by Rs. 3,500/T. India's steel consumption continues to be weak while exports have also started to come down.

US domestic prices of HRC decreased from a level of US$ 1,890/s.T. at the end of October'21 to a level of US$ 1,760/s.T. at the end of November'21, due to weaker market fundamentals and wider availability. N.Europe domestic prices of HRC came down from a level of Euro 1,020/T at the end of October'21 to a level of Euro 967/T at the end of November'21, as buying activity eased and the sluggishness in automotive demand created more steel availability. China's export prices of HRC went down heavily from a level of US$ 880/T fob at the end of October'21 to a level of US$ 769/T fob at the end of Novemebr'21, amid bearish market sentiment and weaker demand.

US and EU have reached an agreement to replace the Section 232 tariffs imposed on EU Steel and Aluminium imports into USA with a tariff-rate quota.

US House of Representative has passed US$ 1 trillion bipartisan infrastructure bill, seen as a boost for domestic steel demand.

At the UN Climate Change Conference in Glasgow, the Governments of UK, India, Germany and Canada, announced their intention to buy low-carbon steel and concrete.

Algoma Steel, Canada will construct two electric arc furnaces to replace its existing blast furnace and basic oxygen steelmaking operations by 2024, to reduce GHG emissions.

Brazilian Govt. has granted iron ore producer and miner Vale licence to produce green pig iron product, using corn biomass instead of coke.

China's crude steel production in October'21 was 71.6 MT, the lowest since December' 2017 as mills cut production due to power shortages, shrinking profits and Beijing's push to control steel output growth.

Worldwide steel prices have started to come down due to wider availability and moderating demand. China's crude steel production in October'21 was 71.6 MT, the lowest since December' 2017.

Price of China's imported iron ore fines 62% Fe, went down from a level of US$ 107/dmt cfr at the end of October'21 to a level of US$ 98/dmt cfr at the end of November'21, due to steel production cuts in China and wider availability of iron ore. Australia's export prices of

Premium Low Vol. Hard Coking Coal went down from a level of US$ 402/T fob at the end of October'21 to a level of US$ 315/T fob at the end of November'21. Coal prices plunged as demand for raw materials ex-China weakened on bearish sentiment.

BHPB has signed a deal of US$ 1.35 bn. to divest its entire 80% stake in BHP Mitsui Coal, (BMC) which operates South Walker Creek and Poitrel coking coal mines in Queensland, to reduce its exposure to coal segment.

Fitch has said that iron ore prices are forecast to remain in a multi-year downtrend for longer term as China's demand is seen slowing and supply from key miners improving. Fitch Solutions has revised down its price forecast for iron ore imports to China to US$ 155/T in 2021, from the earlier US$ 170/T.

Indian iron ore prices are steadily coming down and are expected to come down further in December due to additional supplies from domestic mines and falling international iron ore prices.

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