Metals - Steel

Steel price rally to offset cost inflation; margin sustainability hinges on pricing discipline

- Steel prices remained firm during 2QFY27 despite seasonal demand weakness, mainly supported by lean channel inventories, maintenance-led supply constraints and rising input costs. Domestic HRC prices have climbed up 7% MoM to a four-year high of INR62,000/t in Sep'26, while CRC prices have increased 8% MoM to INR70,500/t. Rebar prices have also recovered sharply to INR56,800/t from INR48,850/t in Jun'26. This rally signals a broad-based pricing strength across both flat and long products.
- The improvement in steel prices is majorly attributed to the cost pass-through. Input costs (coking coal, iron ore and pellet) have simultaneously increased, raising the cost base for steelmakers. Premium Australian coking coal price has risen to USD300/t from USD260/t in Jun'26, implying that every USD10/t increase in coking coal adds ~USD7-8/t to input costs, creating a margin headwind. Iron ore and pellets prices also remained firm during the muted demand cycle.
- Domestic steel volumes remained fundamentally healthy. India produced ~67.4mt of finished steel during Apr-Aug'26, up 3.7% YoY, while finished-steel consumption grew by a stronger 7.2% YoY to 70.3mt. The faster growth in consumption relative to production has kept the domestic market relatively tight. The global volume backdrop is equally supportive from a supply perspective. Global crude steel production declined 0.6% YoY to ~1.08bt during Jan-Jul'26, with China's output falling 3.1% YoY to ~577mt. The structural decline in Chinese steel output is important for global market balance given China's major role in global steel production and exports.

Our View

- In the near term, we remain constructive on domestic steel pricing as we believe the domestic steel cycle is transitioning from volume-led recovery to pricing- and cost-led earnings growth.
- Lean inventories, constrained supply, resilient underlying consumption and global cost inflation provide the foundation for higher steel prices. If post-monsoon demand normalizes as expected, the sector could enter 2HFY27 with a considerably stronger realization environment than the current consensus assumptions imply.
- We believe the immediate earnings trajectory will be supported by positive realization momentum, while margin sustainability will depend on mills' ability to pass through further price increases as the impact of cost inflation will be evident steadily in the coming quarters. Companies with stronger cost positions, captive raw materials and greater downstream/value-added exposure should be better positioned to defend margins.
- **Top picks:** JSW Steel and Tata Steel.

Valuation metrics

	Rating	Price (INR)	M-cap (INR b)
Steel			
TATA	BUY	220	2,336
JSTL	BUY	1,340	3,058
JINDALST	Buy	1,200	1,148
SAIL	BUY	195	723

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Investors are advised to refer through important disclosures made at the last page of the Research Report.
Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

VALUATION MATRIX

Exhibit 1: Ferrous coverage - Valuation snapshot

Company	M-Cap USD mn	P/E (x) FY26	P/E (x) FY27E	P/E (x) FY28E	EV/EBITDA (x) FY26	EV/EBITDA (x) FY27E	EV/EBITDA (x) FY28E	P/B(x) FY26	P/B(x) FY27E	P/B(x) FY28E	RoE % FY26	RoE % FY27E	RoE % FY28E
India													
TATA	24,370	20.8	17.7	13.2	9.2	7.7	6.9	2.3	2.1	1.8	11.6	12.3	14.7
JSTL	31,947	33.6	20.9	14.8	11.2	9.5	7.6	3.1	2.7	2.3	10.1	13.7	16.7
JINDALST	11,997	33.9	19.1	12.3	14.4	9.8	7.2	2.3	2.1	1.8	7.0	11.4	15.6
SAIL	7,534	19.6	10.9	10.6	8.8	7.1	7.0	1.2	1.1	1.0	6.2	10.6	10.0

Source: MOFSL

Exhibit 2: Ferrous Global - Valuation snapshot

Company	M-Cap USD mn	P/E (x) CY25	P/E (x) CY26E	P/E (x) CY27E	EV/EBITDA (x) CY25	EV/EBITDA (x) CY26E	EV/EBITDA (x) CY27E	P/B(x) CY25	P/B(x) CY26E	P/B(x) CY27E	RoE % CY25	RoE % CY26E	RoE % CY27E
Japan													
JFE	7,787	15.5	9.3	8.8	7.4	7.0	6.8	0.5	0.4	0.4	3.3	4.8	5.0
Nippon Steel	24,261	NA	12.6	10.2	9.5	4.1	3.7	0.7	0.7	0.6	-0.7	5.5	6.6
Kobe Steel	5,352	8.3	8.7	9.0	5.9	5.5	5.2	0.7	0.6	0.6	8.3	7.3	6.7
Korea													
POSCO	18,676	12.7	10.2	8.6	6.2	5.5	5.0	0.4	0.4	0.4	3.5	4.3	4.9
Hyundai Steel	3,285	40.4	13.4	10.9	6.3	5.5	5.1	0.2	0.2	0.2	0.6	1.6	1.9
US													
Nucor	59,142	13.7	13.3	13.9	8.1	7.7	7.6	2.4	2.1	1.9	18.8	17.1	13.5
Steel Dynamics	34,145	13.7	11.9	12.9	9.0	7.3	7.6	3.3	2.7	2.3	25.2	23.8	18.4
Europe													
AM	57,803	16.6	10.8	9.8	8.2	6.3	5.9	1.0	0.9	0.8	6.2	9.1	8.9
SSAB	10,967	14.3	11.1	11.5	7.2	6.3	6.6	1.5	1.3	1.3	10.6	12.5	11.1
TKA	11,047	NA	13.6	11.2	4.1	3.2	3.0	1.0	1.0	0.9	-2.6	6.9	7.9
VOE	9,460	21.0	12.3	9.0	6.8	5.5	4.5	1.1	1.0	0.9	5.1	8.1	10.1
China													
Baosteel	18,575	12.0	10.2	9.0	4.8	4.3	4.0	0.6	0.6	0.6	4.9	5.5	6.0

Source: Bloomberg

SNAPSHOT

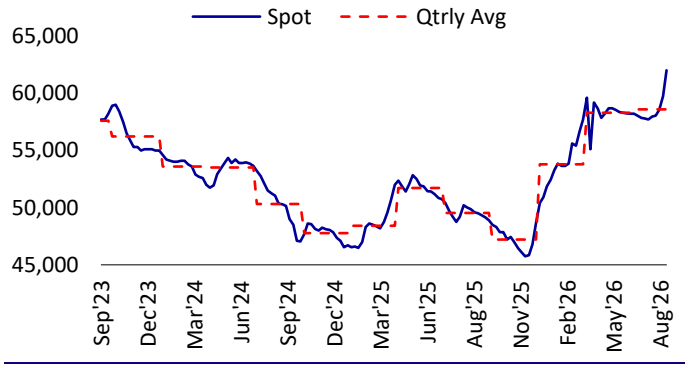
Commodity	UoM	1QFY27	Jun'26	Jul'26	Aug'26	Sep'26
Ferrous- International Prices						
China HRC domestic	USD/t	489	497	486	487	500
China TMT domestic	USD/t	468	485	471	464	470
China HRC FoB	USD/t	498	518	501	495	500
Korea HRC FoB	USD/t	591	505	555	613	620
North Europe HRC domestic	EUR/t	702	689	693	707	710
North America HRC domestic (USD/short ton)	USD/st	1,171	1,100	1,149	1,184	1,200
India HRC Export FoB (USD/t)	USD/t	528	551	540	516	535
India steel and metallics prices						
India HRC ex-Mumbai 5-10mm	INR/t	58,590	58,275	57,975	58,400	62,000
Dom HRC prem to India export FoB price	INR/t	8,210	6,072	6,265	9,156	11,161
CRC ex-Mumbai - 0.9mm	INR/t	65,845	65,200	65,038	65,560	70,500
Galvanized plain - 120 GSM	INR/t	75,160	75,725	73,975	75,180	79,800
Color coated /PPGI ex-Mumbai 90GSM	INR/t	85,310	85,275	84,975	85,180	87,300
Wire rod - Primary Producers	INR/t	57,500	61,877	58,690	56,361	55,800
TMT primary - Mumbai	INR/t	51,583	52,863	48,850	52,725	56,800
TMT secondary - Mumbai	INR/t	45,596	45,581	43,989	47,238	49,600
Domestic scrap-HMS(80:20) - Mumbai	INR/t	32,631	33,287	31,730	33,533	35,300
Sponge iron (DRI)	INR/t	24,689	23,623	23,257	26,121	29,000
Domestic pellet prices- Barbil - 63% Fe	INR/t	8,380	8,031	7,925	8,500	9,600
Pellet Export Prices - FoB 64%Fe	USD/t	101	99	101	100	102
Domestic ferrous spreads						
Primary HRC v/s primary TMT	INR/t	7,008	5,413	9,125	5,675	5,200
Primary TMT v/s secondary TMT	INR/t	5,986	7,282	4,861	5,488	7,200
Secondary TMT v/s domestic Scrap	INR/t	12,965	12,294	12,259	13,704	14,300
Hot rolled v/s cold rolled	INR/t	7,255	6,925	7,063	7,160	8,500
Hot rolled - galvanized Plan	INR/t	16,570	17,450	16,000	16,780	17,800
Hot rolled - color coated	INR/t	26,720	27,000	27,000	26,780	25,300
Sponge iron -NMDC lumps spread	INR/t	15,566	13,933	13,992	17,196	19,820
Coking coal						
India premium HCC CNF	USD/t	262	265	251	254	302
India 64 mid vols coking coal CNF	USD/t	218	222	211	224	259
India Met Coke Import - CNF	USD/t	282	280	286	274	305
NMDC iron ore - Chhattisgarh						
64% Bailadila fines	INR/t	4,567	4,850	4,700	4,500	4,500
Iron ore lump	INR/t	5,367	5,700	5,450	5,250	5,400
Australia Fe 62% iron ore CNF	USD/t	106	102	105	107	111

STEEL PRICE | Domestic

Steel price rally amid lean inventory coincides with high cost

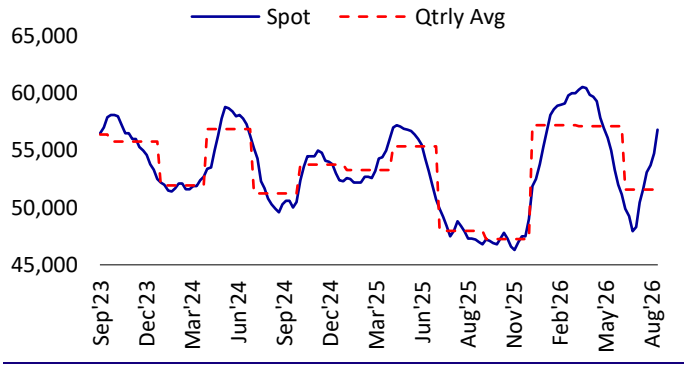
- Steel prices have remained resilient in a seasonally weak quarter, supported by tightening supply chain across the industry during Aug'26. The combination of lower inventories, due to maintenance shutdown in 1Q, and rising raw material costs has provided mills with greater pricing power than typically expected during the monsoon period.
- Domestic HRC prices hit a four-year high of INR62,000/t in Sep'26 (+7% vs. Aug'26 avg. price and vs. INR58,590/t in 1QFY27) as buyers begun replenishing inventories ahead of anticipated price increases despite witnessing a seasonally softer demand cycle. Value-added flat steel prices have followed the broader uptrend, with CRC (ex-Mumbai and ex-GST) increasing to INR70,500/t in Sep'26 (up 8% vs. Aug'26 avg. price).
- Long-steel prices have also staged a meaningful recovery. BF-route rebar prices have rebounded from INR48,850/t in Jun'26 to INR56,800/t in Sep'26 (vs. INR57,120/t in 1QFY27) as gradual construction demand has normalized with receding monsoon and as supply tightness improved market sentiment.
- **Our view:** Our near-term stance on domestic steel prices remains constructive. Lean channel inventories, maintenance-related supply constraints, improving domestic consumption and broad-based raw-material inflation should continue to provide a supportive pricing backdrop. We expect steel prices to remain firm in the near term, with another INR1,000-1,500/t increase possible in the coming months, subject to downstream demand and market ability to absorb incremental prices.

Exhibit 3: Domestic HRC prices (ex-Mum | INR/t)



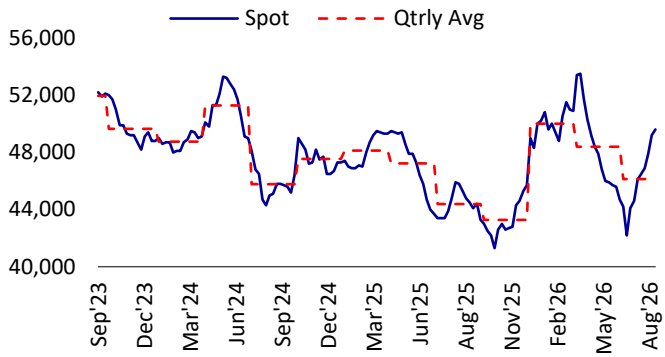
Source: MOFSL, BigMint

Exhibit 4: Rebar Primary (BF Route | Ex-Mumbai | INR/t)



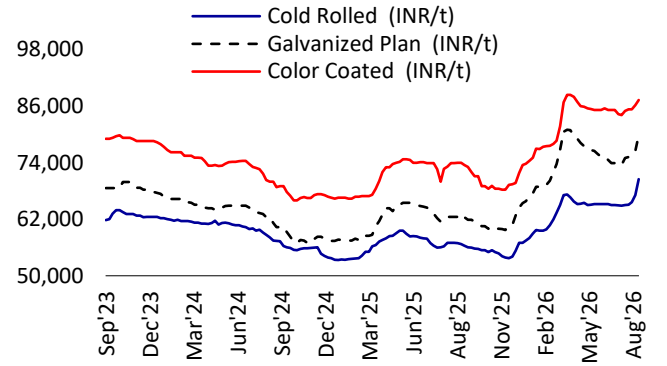
Source: MOFSL, BigMint

Exhibit 5: Rebar Secondary (IF Route - Exw-Mumbai – INR/t)



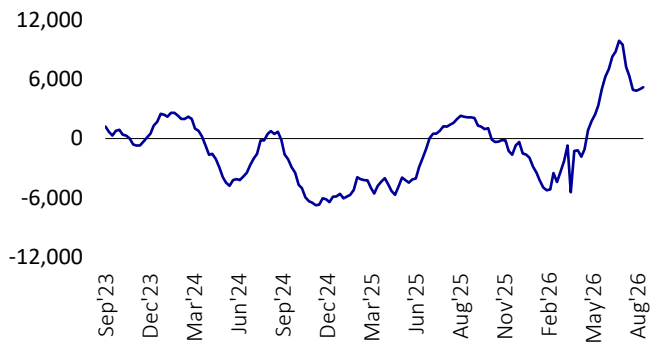
Source: MOFSL, BigMint

Exhibit 6: Domestic Value-Added prices (INR/t)



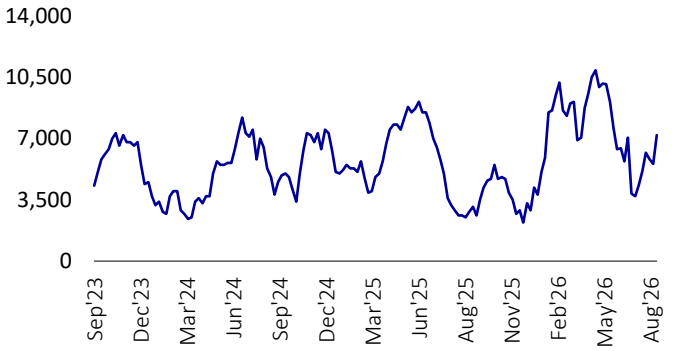
Source: MOFSL, BigMint

Exhibit 7: Primary HRC vs Primary Rebar (INR/t)



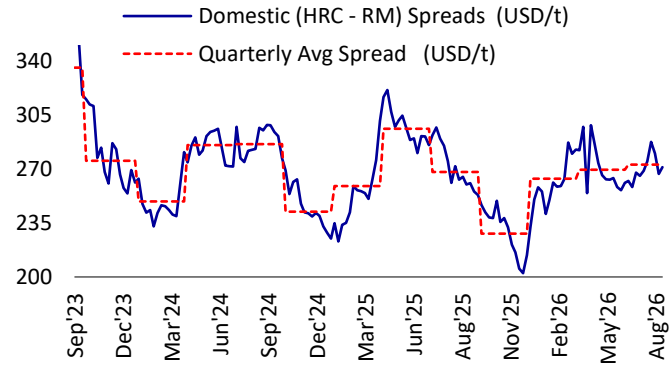
Source: MOFSL, BigMint

Exhibit 8: Primary Rebar vs Secondary Rebar (INR/t)



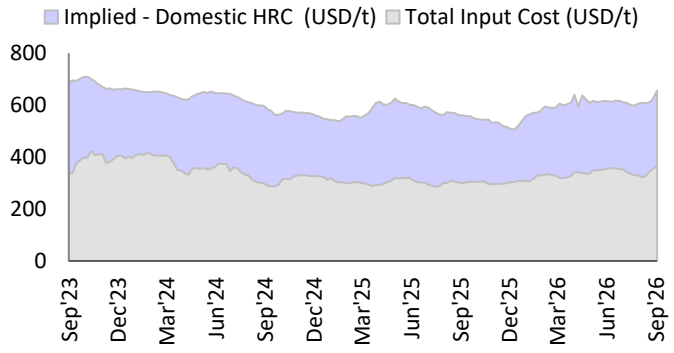
Source: MOFSL, BigMint

Exhibit 9: India HRC Spreads (USD/t)



Source: MOFSL

Exhibit 10: India HRC prices vs cost movement (USD/t)



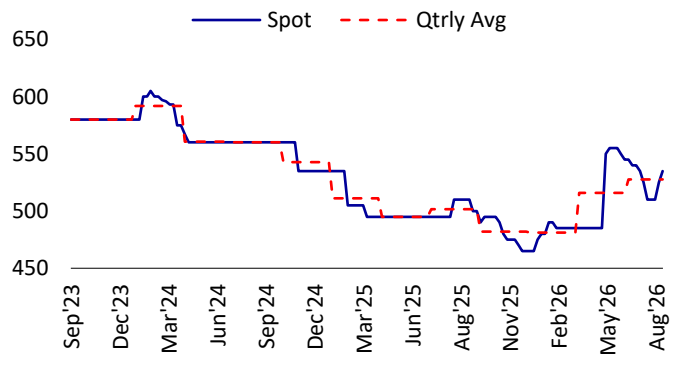
Source: MOFSL

STEEL PRICES | Global

Global steel prices recover as supply discipline and tighter trade flows improve pricing power

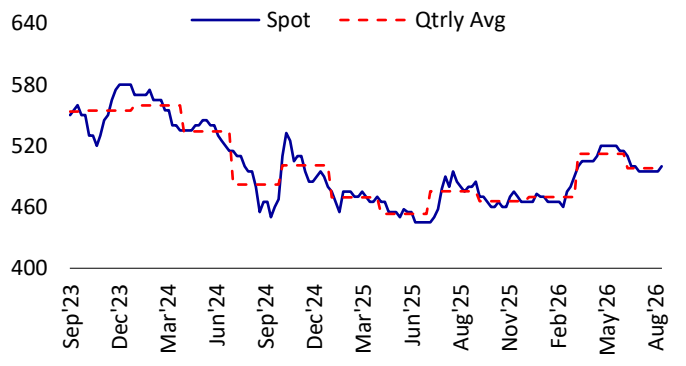
- Global HRC prices have continued their gradual recovery from the lows since late CY25-early CY26. China FOB HRC prices reached USD500/t in Sep'26 (vs. avg. price of USD495/t in Aug'26) from the low of USD465/t during Oct'25-Feb'26.
- The recovery in Chinese export prices is underpinned by cost support. Higher iron ore and coking coal prices have lifted the marginal cost of steel production, while improving restocking activity in key overseas markets (including Vietnam) has provided demand support.
- Indian HRC export prices surged to USD535/t FOB in Sep'26 (vs. avg. price of USD516/t in Aug'26) from the low of USD470/t recorded in Dec'25. The export price to the Middle East and Vietnam rose ~USD10/t MoM, while EU prices remained broadly stable amid the summer holiday slowdown.
- European market availability is becoming increasingly constrained by trade restrictions. EU's Oct-Dec quota is already fully booked, implying that incremental volumes would attract out-of-quota duties and make fresh bookings economically unattractive.
- **Our view:** Declining Chinese output, coupled with global trade restriction and input material inflation, has improved the global steel benchmark, keeping India's Domestic HRC prices at INR2,000-4,300/t discount to estimated landed cost of FTA imports of INR63,700/t and non-FTA imports of INR66,000/t. However, the narrowing gap with import parity, followed by the rally in domestic steel price, could limit additional price hike unless 1) increases in import parity, 2) cost pressures, or 3) supply constraints strengthen further.

Exhibit 11: India HRC prices (FOB - USD/t)



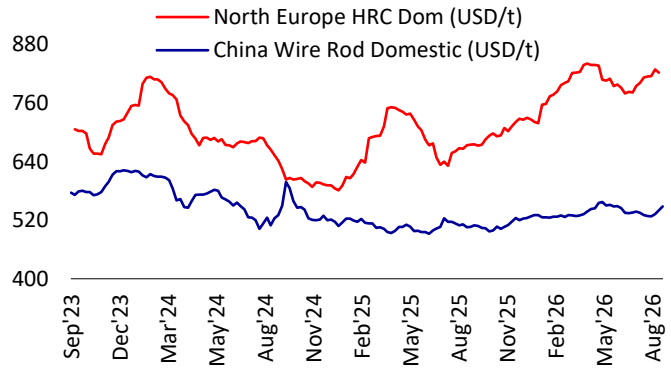
Source: MOFSL, BigMint

Exhibit 12: China HRC prices (FOB - USD/t)



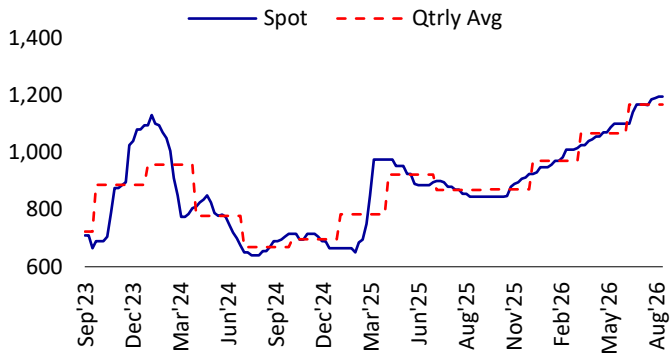
Source: MOFSL, BigMint

Exhibit 13: EU domestic prices (USD/t)



Source: MOFSL, Bloomberg

Exhibit 14: US HRC domestic prices (USD/s.ton)



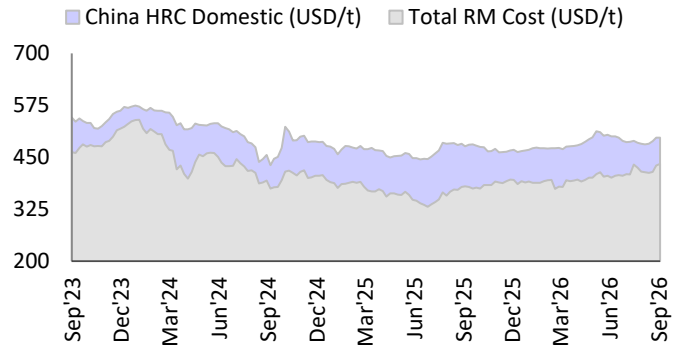
Source: MOFSL, Bloomberg

Exhibit 15: China HRC Spreads (USD/t)



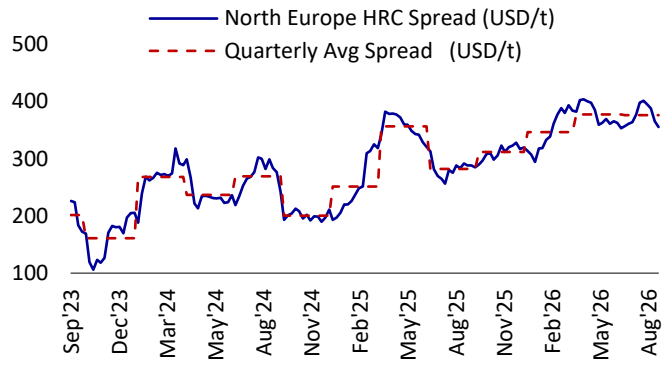
Source: MOFSL

Exhibit 16: China HRC prices vs cost movement (USD/t)



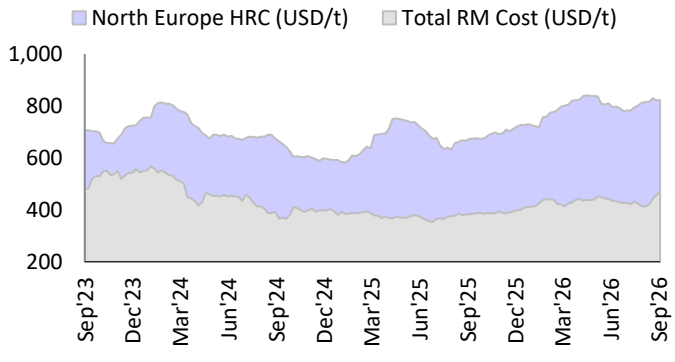
Sources: MOFSL

Exhibit 17: EU HRC Spreads (USD/t)



Source: MOFSL

Exhibit 18: EU HRC prices vs cost movement (USD/t)



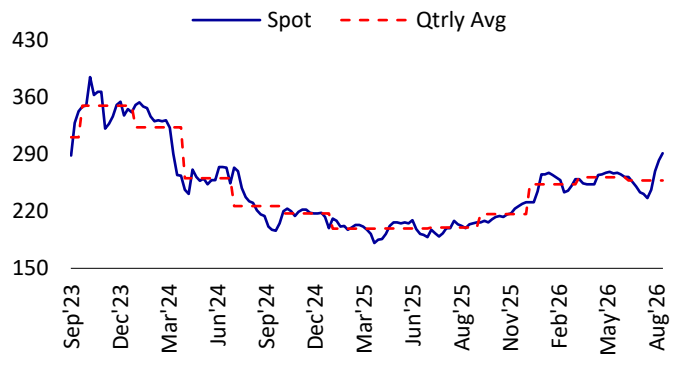
Source: MOFSL

RAW MATERIAL | Energy

Coking coal emerges as the key margin swing factor for BF steelmakers

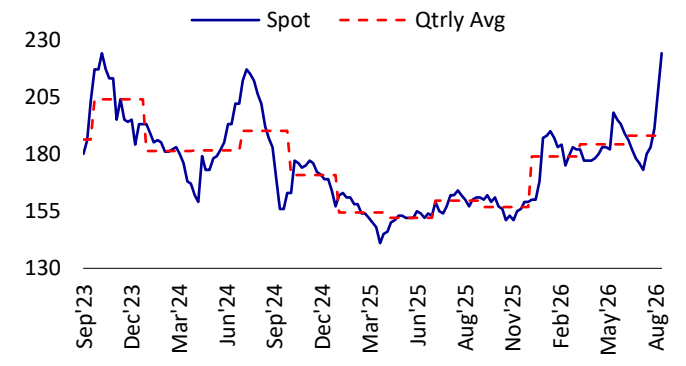
- The sharp escalation in coking coal prices is increasingly becoming the principal downside risk to BF-route steel margins. Premium Australian hard coking coal prices have risen to a 2.5-year high of USD300/t (CNF India) from USD260/t in Jun'26. Australian low-vol PCI prices have jumped to USD224/t, indicating supply constraint is extended beyond premium coking coal with rising demand from China.
- For BF-based steelmakers, cost sensitivity is material. On every USD10/t increase in coking coal prices, steelmaking costs rise by ~USD7-8/t. Therefore, sustaining the recent steel price rally will be vital for mills to offset cost inflation or else we could likely see a margin compression in the coming quarter.
- This metallurgical coal inflation was primarily driven by China's constrained coking coal output followed by mine accidents, safety inspections and slower-than-expected restarts in Shanxi and other producing regions.
- The supply tightness was further compounded by lower Mongolian coal inflows, which accounts majority in China's metallurgical coal imports. This supply tightness has encouraged Chinese mills/traders to secure Australian seaborne cargos, transmitting the tightness into the international market.
- Meanwhile, Indian mills are diversifying (Russian, US, Mozambican and Canada coal) their sourcing basket against high Australian prices. India's coking coal imports declined 20% MoM to 5.4mt in Aug'26, whereas Australian shipments fell to 2.2mt from 3.5mt in July'26.
- **Our view:** We believe the current environment creates a clear divergence between steel price and cost momentum. While higher steel prices provide near-term support, a continued acceleration in coking coal could progressively erode the margin benefit unless mills maintain pricing discipline. This makes the next few months particularly important for assessing the durability of current EBITDA/t levels.

Exhibit 19: Coking coal (HCC, CNF India, USD/t)



MOFSL, BigMint

Exhibit 20: Low Vol PCI (Australia-origin) - CNF India (USD/t)



Source: MOFSL, BigMint

Exhibit 21: Premium HCC FOB Australia (USD/t)



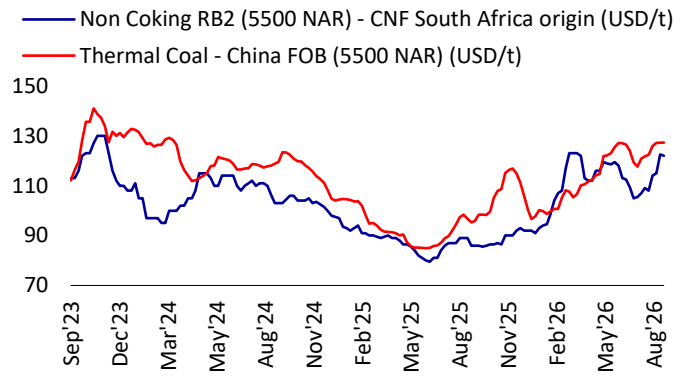
MOFSL, BigMint

Exhibit 22: China Domestic Coke - ex-Foundry (USD/t)



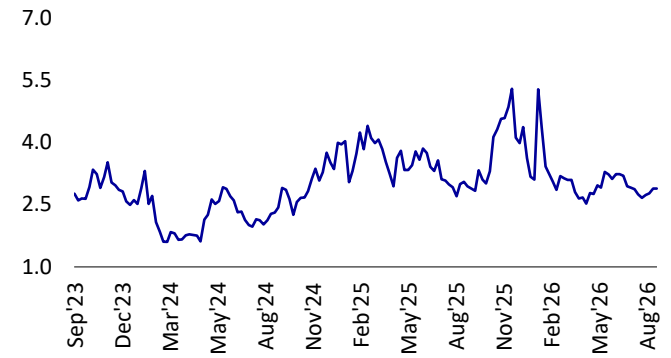
MOFSL, Bloomberg

Exhibit 23: Thermal coal (USD/t)



MOFSL, BigMint

Exhibit 24: Natural Gas (USD/MMBtu)



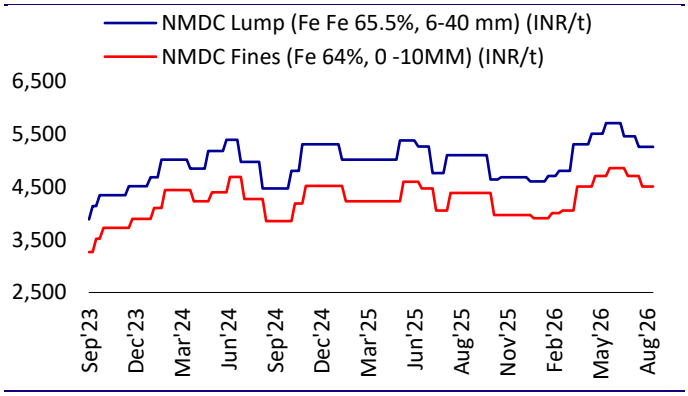
MOFSL, Bloomberg

RAW MATERIAL | Iron Ore

Iron ore prices remain elevated amid limited availability

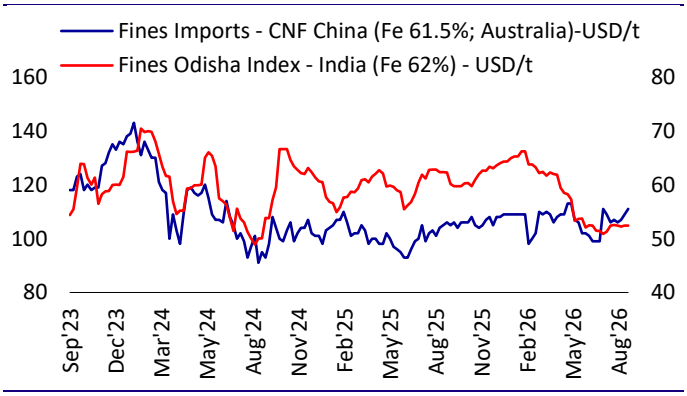
- Domestic iron ore prices have remained elevated in a seasonal weak quarter, reflecting the healthy market conditions with limited availability amid monsoon-led muted mining and reduced auction volume.
- NMDC lump price was flat at INR5,400/t (Fe 65.5%) as of 9th Sep'26 vs. 1QFY27 avg. prices, whereas fines prices were broadly unchanged. Similarly, Odisha fines index (Fe 62%) rose by INR90/t MoM in Aug'26.
- International iron ore prices have remained supportive. Iron ore fines (Fe 61.5%, Australia origin) averaged USD107/dmt (CNF China) in Aug'26, with spot rising toward USD111/dmt in Sep'26. Expectations of restocking demand, coupled with resilient ferrous prices, have provided a floor to global iron ore prices.
- Pellet prices have seen an even sharper recovery domestically. Raipur pellet (Fe 62.5%) prices have increased to INR9,600/t in Sep'26 vs. INR8,500/t average in 1QFY27. The combination of firm finished-steel prices and broader input cost inflation has improved buyers' willingness to absorb higher pellet prices.
- This rise in raw material prices reinforces our view that the steel price hike is a prerequisite for maintaining margins rather than merely an upside earnings catalyst.
- **Our view:** The major structural change in global iron ore trade is expected to be led by Guinea's Simandou project, with projected shipments expected to reach 120mtpa (~6% of global seaborne trade) as mining, rail, and port infrastructure are progressively ramped up. However, India's iron ore demand-supply structure is well balanced, with incremental steel demand and capacity additions expected to absorb domestic ore production well ahead of any seaborne overhang.

Exhibit 25: NMDC Iron ore (INR/t) - Fines vs Lumps



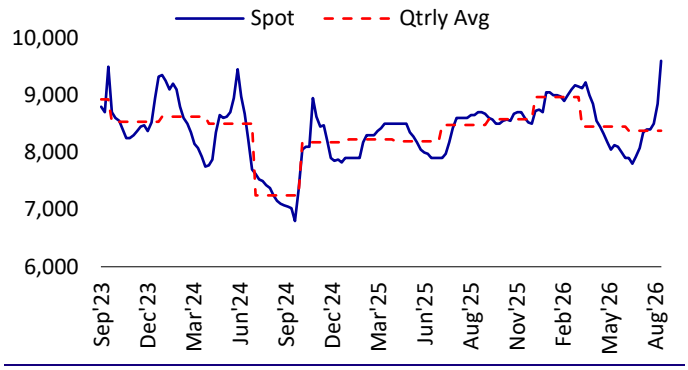
Exclusive of Royalty & taxes; Source: MOFSL, BigMint

Exhibit 26: Domestic vs Global Iron ore Prices (USD/t)



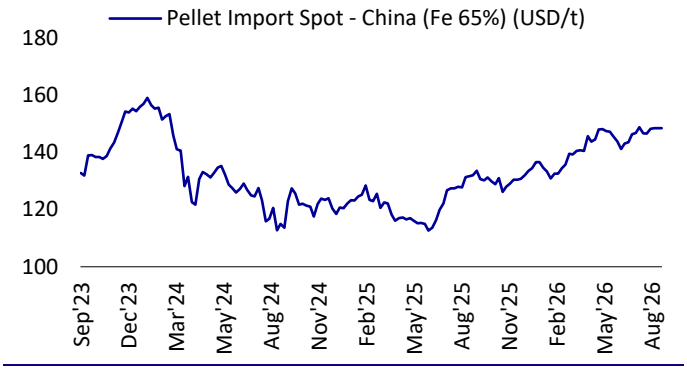
Inclusive of Royalty & taxes; Source: MOFSL, BigMint

Exhibit 27: Domestic Pellet Prices (INR/t)



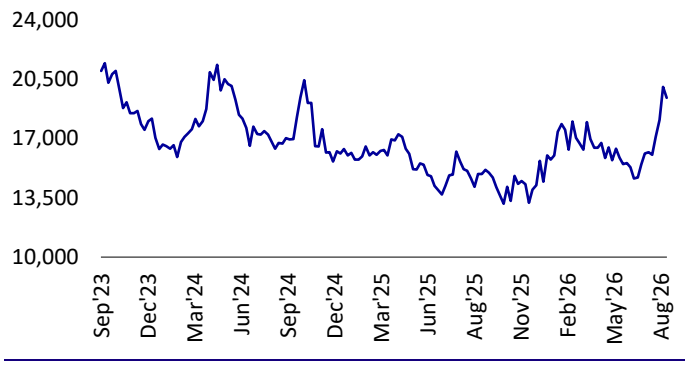
Source: MOFSL, BigMint

Exhibit 28: China Pellet Prices (USD/t)



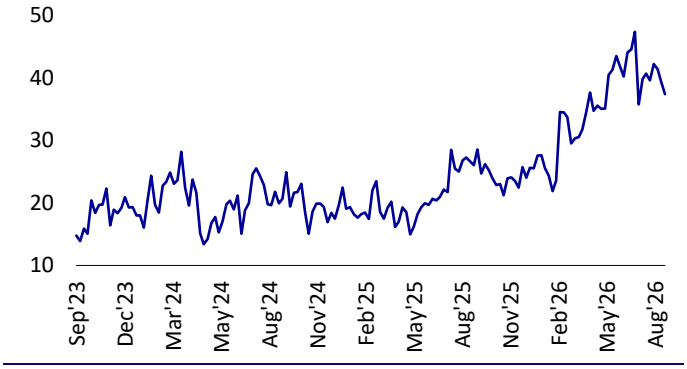
Source: MOFSL, Bloomberg

Exhibit 29: Domestic - DRI vs Pellet (INR/t)



Source: MOFSL

Exhibit 30: China - DRI vs Pellet (INR/t)



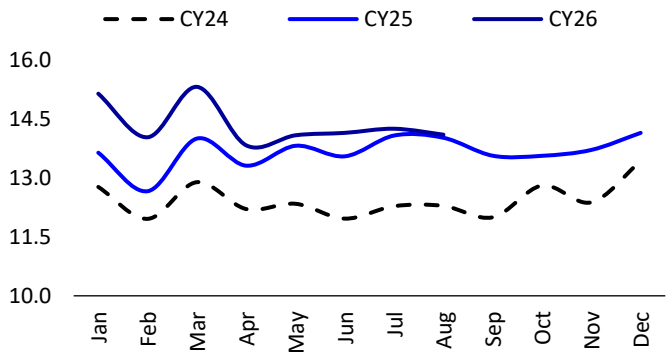
Source: MOFSL

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Domestic steel output remains resilient; consumption stays flat

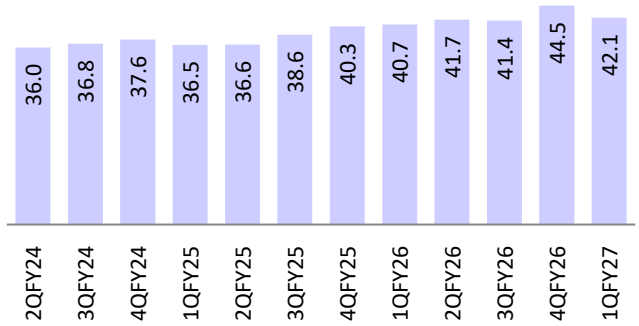
- Indian steel production has remained resilient despite the seasonal slowdown. Crude/finished steel production was broadly flat MoM at 14.1mt/13.5mt in Aug'26, suggesting that mills continue to operate at healthy utilization levels despite weaker monsoon-led demand conditions. Meanwhile, the finished steel consumption remained flat MoM to 14.3mt in Aug'26, as cautious purchasing weighed on near-term consumption.
- The broader FY27 demand trajectory remains encouraging. During Apr-Aug'26, finished steel output rose 4% to ~67.8mt, while consumption grew stronger by 7% to ~70mt, highlighting continued underlying demand momentum despite the temporary monsoon-related moderation.
- During Apr-Aug'26, steel exports increased 26% YoY to 3mt, while imports rose 37% YoY to 3.5mt, leaving imports marginally above exports despite the improvement in domestic competitiveness. The bulk imports were largely driven by cargoes booked during earlier months under competitive international prices, with volumes largely catering to pipe and tube manufacturers and customers operating under long-term supply contracts.
- **Our view:** We expect India's steel production to remain stable in the coming months as mills continue to operate at healthy utilization levels, supported by leaner channel inventories and restocking-led demand after monsoon.

Exhibit 31: Steel output trend (mt) - India



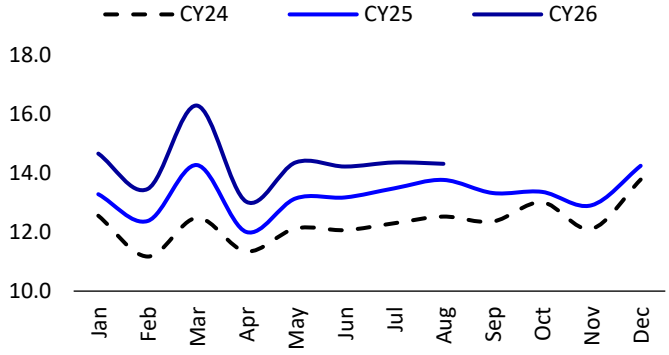
Source: MOFSL, JPC

Exhibit 32: Quarterly steel output (mt) - India



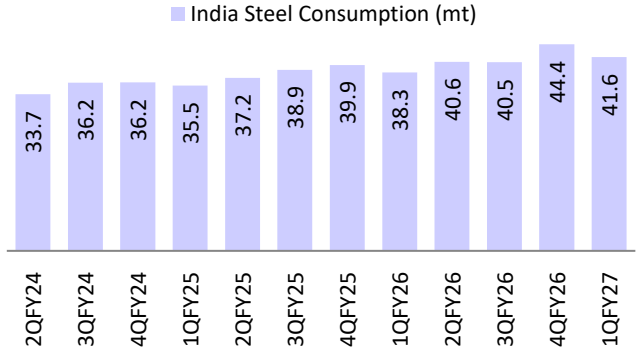
Source: MOFSL, JPC

Exhibit 33: Steel consumption trend (mt) - India



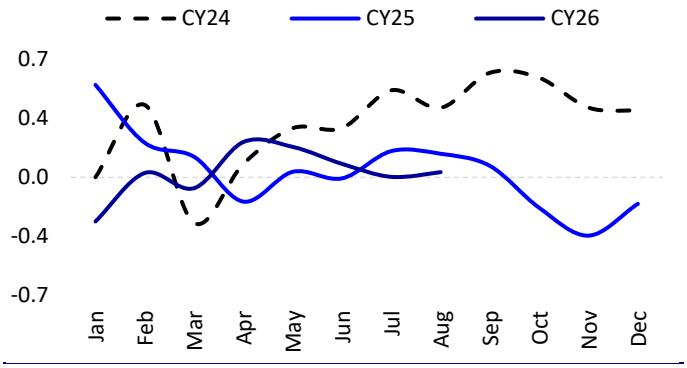
Source: MOFSL, JPC

Exhibit 34: Quarterly steel consumption (mt) - India



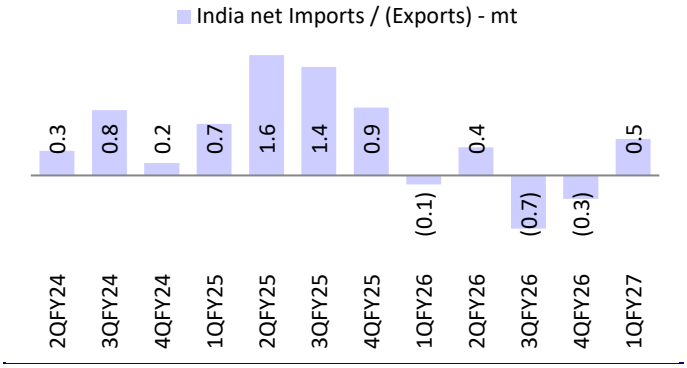
Source: MOFSL, JPC

Exhibit 35: India net imports / (Exports) - (mt)



Source: MOFSL, JPC

Exhibit 36: India Qtr net imports / (Exports) - (mt)

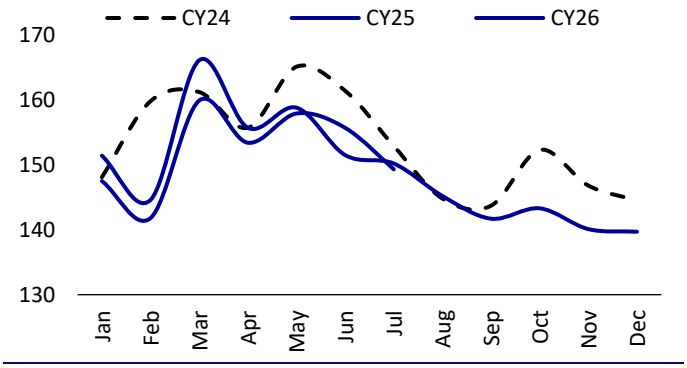


Source: MOFSL, JPC

China's lower output weighs on global output

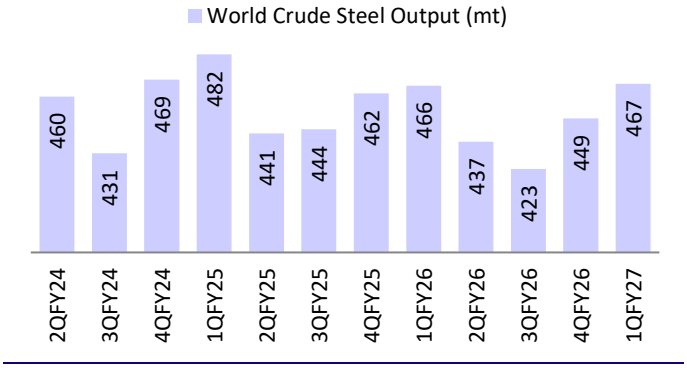
- China's steel production remains on a declining trajectory, reinforcing the medium-term tightening bias in the global steel market. Crude steel output stood at 567mt during Jan-Jul'26, down 4% YoY, contributing to a 1% YoY decline in global crude steel production to ~1.07bt over the same period.
- The weakness in Chinese steel output is primarily concentrated in construction-linked demand, particularly residential real estate, while manufacturing, exports and higher-value industrial applications have provided a partial offset.
- **Our view:** China's CY26 crude steel production is currently projected at ~940mt, down from 961mt in CY25 and materially below the 1.03bt level recorded in CY21. The structural decline in Chinese steel output is important for global market balance given China's major role in global steel production and exports.

Exhibit 37: Steel output trend (mt) - World Steel



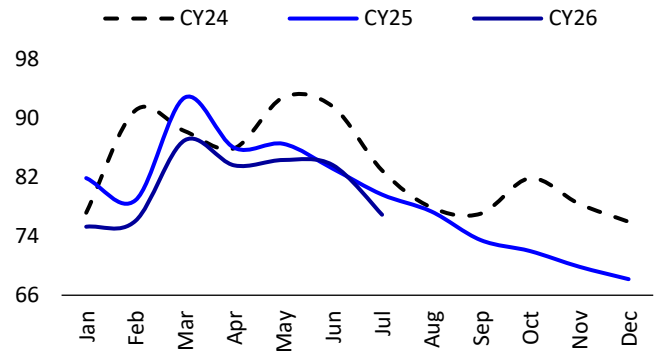
Source: MOFSL, World Steel Association

Exhibit 38: Quarterly steel output (mt) - World



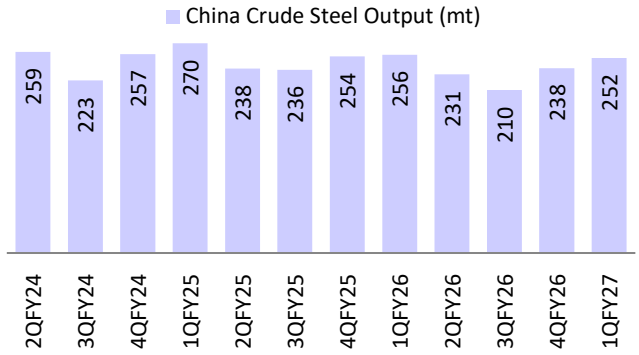
Source: MOFSL, World Steel Association

Exhibit 39: Steel output trend (mt) - China



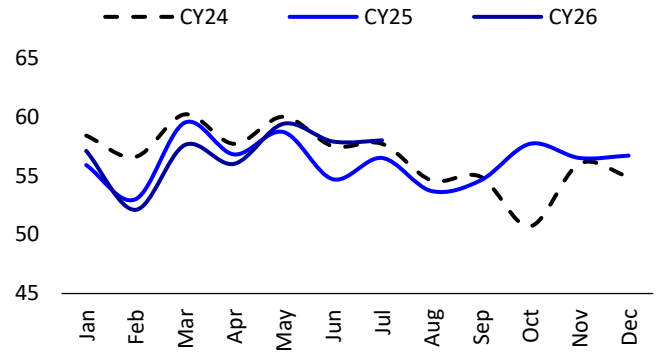
Source: MOFSL, World Steel Association

Exhibit 40: Quarterly steel output (mt) - China



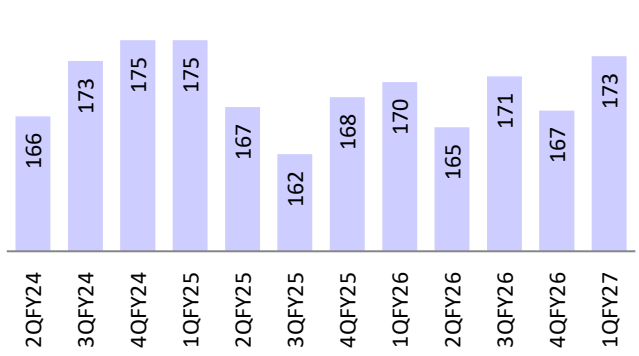
Source: MOFSL, World Steel Association

Exhibit 41: Steel output trend (mt) - World Ex-China/India



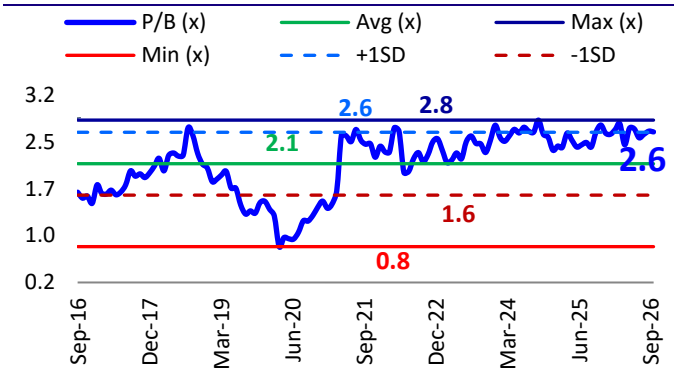
Source: MOFSL, World Steel Association

Exhibit 42: Quarterly output (mt) - World Ex-China/India



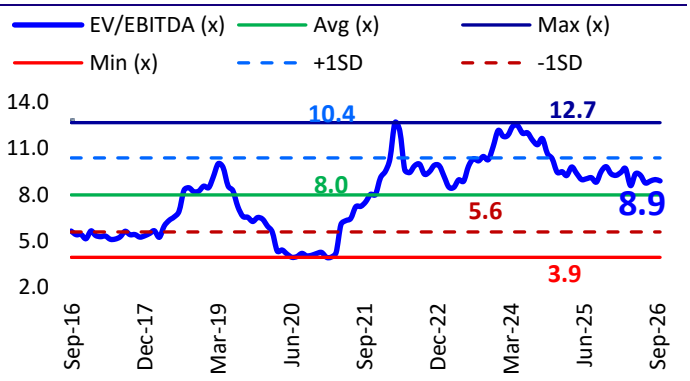
Source: MOFSL, World Steel Association

Exhibit 43: JSTL - One-year forward P/E



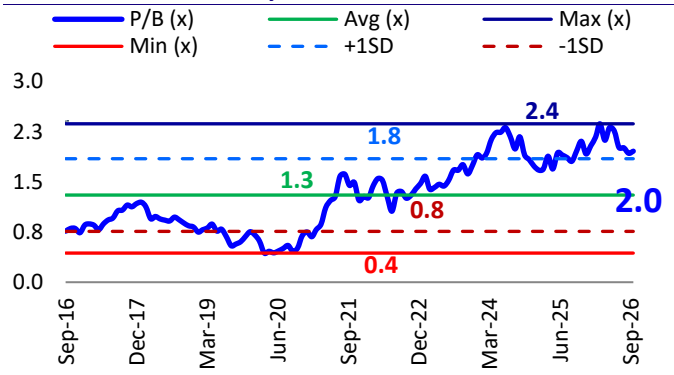
Source: MOFSL

Exhibit 44: JSTL - One-year forward EV/EBITDA



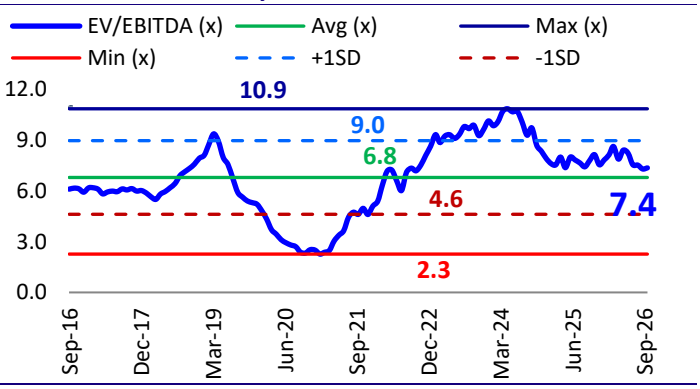
Source: MOFSL

Exhibit 45: TATA - One-year forward P/E



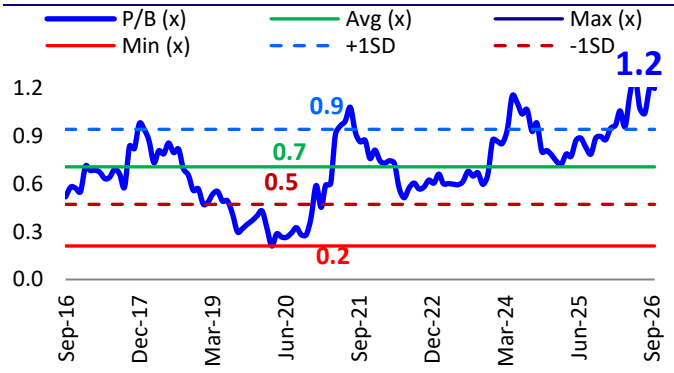
Source: MOFSL

Exhibit 46: TATA - One-year forward EV/EBITDA



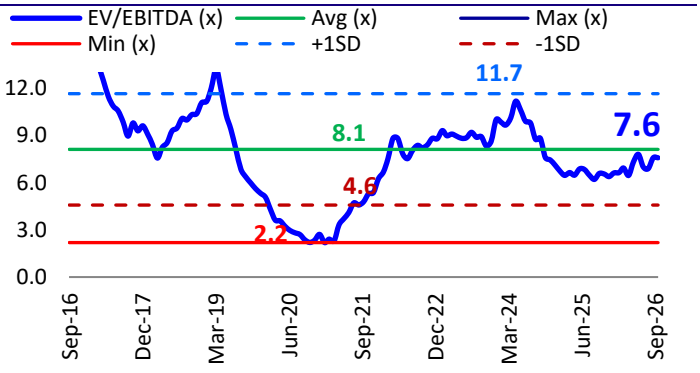
Source: MOFSL

Exhibit 47: SAIL - One-year forward P/E



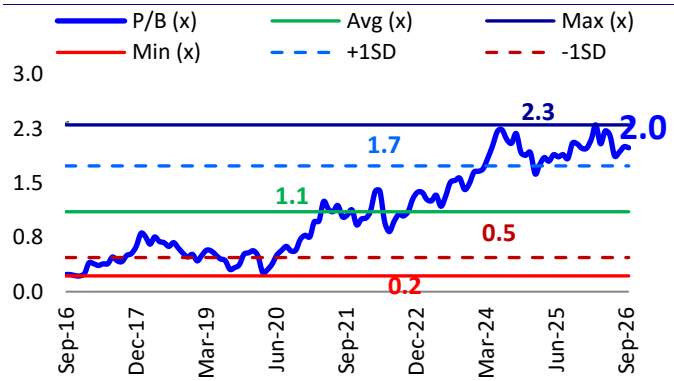
Source: MOFSL

Exhibit 48: SAIL - One-year forward EV/EBITDA



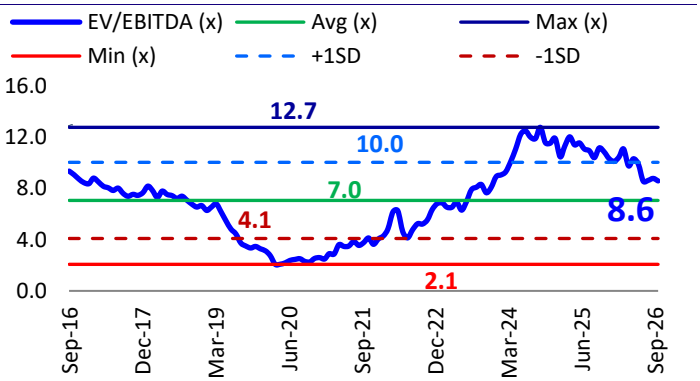
Source: MOFSL

Exhibit 49: JINDALST - One-year forward P/E



Source: MOFSL

Exhibit 50: JINDALST - One-year forward EV/EBITDA



Source: MOFSL

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Explanation of Investment Rating	
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BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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