INSTITUTIONAL RESEARCH

Metals

Rising cost pressure offsets pricing gains

- **Healthy demand continues in Q2FY27**: Domestic consumption of finished steel (FS) in India grew 7/4% YoY/QoQ in the quarter. It had grown at 8% YoY in Q1FY27. On a sequential basis, higher flat steel consumption led the growth while long steel consumption stood flattish. FS production growth remained low at 3/1% YoY/QoQ due to maintenance shutdowns at a few major plants, leading to net imports in Q2FY27. For H1FY27, net imports increased by 11%.
- **Mixed trend for steel prices; coking coal firms up further:** Domestic HRC (flats) prices continued to trend higher in Q2FY27 and rose 2% QoQ (+INR 1.2//MT) and 21% YoY amid lower availability (maintenance shutdowns) and firm demand. Rebar prices, however, remained weak until Aug'26 and reported recovery in Sep'26. Rebar prices fell 5% QoQ (~INR 3k/MT), moderating the YoY rise to 13%. We estimate steel companies will report lower blended realization QoQ on account of lower long steel prices for most part of the quarter. On the cost front, iron ore prices remained flat sequentially though coking coal will further go up by ~USD 10-15/MT QoQ. Thus, we estimate steel companies will report a margin decline QoQ.
- **Coverage performance:** For our coverage universe, we estimate aggregate sales volume will rise 15.5/4.3% QoQ/YoY. We expect Jindal Steel to deliver strong 25% YoY volume growth on account of ramp-up of recent expansions. We estimate Tata Steel (TTSP) will deliver flattish YoY consolidated volumes. While its India deliveries are up 7% YoY, there is a decline across its EU and Thailand sales. On a QoQ basis, TTSP has ramped up production from its Jamshedpur and Kalinganagar facilities. We also expect SAIL to deliver healthy 7/26% YoY/QoQ volume growth. For JSW Steel, we expect 2/20% YoY/QoQ increase in sales volume, with the gradual ramp-up of BF3 at Vijayanagar. We estimate average NSR of our coverage universe will decrease by ~INR 2.1k/MT QoQ, owing to weakness in long steel prices for most of the quarter. We build in 2-3% QoQ NSR decline for our coverage companies. We expect margins to decline ~INR 1-3k/MT QoQ. Given that coking coal has continued to soar (~USD 10-15/MT QoQ) amid subdued pricing, we estimate average margin contraction of ~INR 1k/MT QoQ for our coverage universe (flattish for TTSP to INR 2.7k/MT fall for Jindal Steel).
- **Steel tubes Q2FY27 outlook**: APL Apollo Tubes (APAT) has reported 13/29% YoY/QoQ volume increase in Q2FY27. This was driven by increase in the volumes of the higher margin APL Apollo Brand. Its branded pipes volume grew 19% YoY and roofing products registered 29% YoY growth; however, its UAE operations remained subdued (down 55% YoY) due to the regional turmoil. We expect APAT's margin to remain strong and flattish QoQ at ~INR 5.5k/MT on continued focus on VAP and pricing gain. We estimate APAT will deliver 41%/19%/20% YoY revenue/EBITDA/adj PAT growth in Q2FY27.
- **We maintain positive outlook for Indian steel sector:** Steel demand remains healthy, which should accelerate volume offtake for our coverage universe. Steel prices should also remain buoyant and drive margin recovery. We maintain our earnings estimates, target prices, and ratings: BUY on Tata Steel, JSW Steel, Jindal Steel and APAT, and ADD on SAIL.

COMPANY	RATING	TP (INR/sh)
Tata Steel	BUY	250
JSW Steel	BUY	1,410
Jindal Steel	BUY	1,210
Steel Authority of India (SAIL)	ADD	190
Apollo Tubes	BUY	2,350

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Q2FY27E consolidated estimates

Y/E March	Net sales (INR bn)			EBITDA (INR bn)			EBITDA Margin (%)			Adj. PAT (INR bn)		
	Sep-26E	YoY (%)	QoQ (%)	Sep-26E	YoY (%)	QoQ (%)	Sep-26E	YoY (%)	QoQ (%)	Sep-26E	YoY (%)	QoQ (%)
Tata Steel	651.54	11.0	7.2	100.65	13.1	8.6	15.4	0.3	0.2	31.82	(6.9)	53.5
JSW Steel	558.86	23.8	18.0	104.21	46.5	11.1	18.6	2.9	(1.2)	46.15	184.4	(1.7)
Jindal Steel	155.79	33.3	0.6	21.45	3.1	(19.4)	13.8	(4.0)	(3.4)	4.95	(22.4)	(41.4)
SAIL*	314.79	17.9	19.9	44.40	75.8	6.9	14.1	4.6	(1.7)	20.45	200.4	17.2
APL Apollo Tubes	73.22	40.6	30.6	5.30	18.6	28.9	7.2	(1.3)	(0.1)	3.62	20.1	37.6

Source: Company, HSIE Research, * Standalone financials.

Q2FY27E consolidated operational estimates

Y/E March	Sales volume (mn MT)			NSR (INR/MT)			EBITDA (INR/MT) *			Opex (INR/MT)		
	Sep-26E	YoY (%)	QoQ (%)	Sep-26E	YoY (%)	QoQ (%)	Sep-26E	YoY (%)	QoQ (%)	Sep-26E	YoY (%)	QoQ (%)
Tata Steel	7.9	-	8.8	82,369	11.0	(1.5)	12,725	1,477	(19)	69,645	10.6	(1.7)
JSW Steel	7.5	2.0	19.8	74,646	21.3	(1.5)	13,919	4,225	(1,094)	60,727	17.2	(0.1)
Jindal Steel	2.3	25.0	4.8	66,650	6.7	(4.0)	9,178	(1,951)	(2,752)	57,471	11.9	(0.0)
SAIL*	5.3	7.0	26.3	59,893	10.2	(5.0)	8,447	3,305	(1,527)	51,446	4.5	(3.1)
APL Apollo Tubes	0.96	12.6	29.3	76,028	24.9	1.0	5,506	278	(16)	70,522	26.7	1.1

Source: Company, HSIE Research, * Standalone financials, * EBITDA/MT changes are in INR/MT

Annual operating and valuation snapshot

	Sales vol (mn MT)			Revenue (INR bn)			EBITDA (INR bn)			APAT (INR bn)			CAGR (FY26-28E) %		
	FY26	FY27E	FY28E	FY26	FY27E	FY28E	FY26	FY27E	FY28E	FY26	FY27E	FY28E	Sales vol	Rev	EBITDA
Tata Steel	32.0	33.9	35.6	2,321.4	2,559.1	2,687.1	343.5	418.1	474.9	115.7	133.5	175.0	5.5	7.6	17.6
JSW Steel	26.5	28.4	31.3	1,851.0	2,043.5	2,225.4	294.6	362.1	410.6	98.1	174.0	197.8	2.8	9.6	18.1
Jindal Steel	8.7	10.9	13.0	534.5	718.3	862.0	96.6	131.0	174.2	40.2	54.5	82.7	22.5	27.0	34.3
SAIL*	19.9	20.6	21.6	1,108.1	1,214.9	1,265.9	119.9	155.4	160.9	37.3	53.6	60.7	4.2	6.9	15.8
APAT	3.5	3.8	4.4	230.8	286.8	326.0	18.0	21.1	24.0	12.0	14.2	16.6	12.4	18.9	15.4

Source: Company, HSIE Research; * Standalone financials

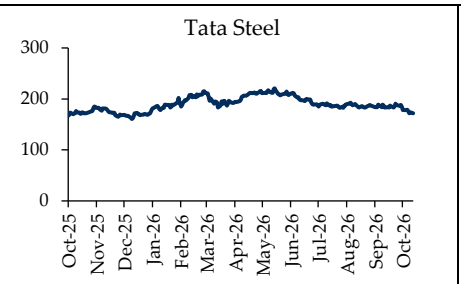
	OPM (%)			EBITDA (INR/MT)			*RoCE (pre-tax) %*			*RoE (%)*			Net Debt/EBITDA (x)		
	FY26	FY27E	FY28E	FY26	FY27E	FY28E	FY26	FY27E	FY28E	FY26	FY27E	FY28E	FY26	FY27E	FY28E
Tata Steel	*14.8*	*16.3*	*17.7*	10,745	12,339	13,346	*11.0*	*12.8*	*14.8*	*11.9*	*12.4*	*14.9*	2.4	1.9	1.6
JSW Steel	*15.9*	*17.7*	*18.5*	9,941	12,732	13,124	*10.2*	*14.3*	*15.5*	*10.5*	*15.4*	*15.2*	2.0	1.5	1.1
Jindal Steel	*18.1*	*18.2*	*20.2*	11,128	12,072	13,382	*8.8*	*11.5*	*15.0*	*8.1*	*10.0*	*13.5*	1.7	1.2	0.8
SAIL*	*10.8*	*12.8*	*12.7*	6,018	7,536	7,439	*6.8*	*9.1*	*9.5*	*6.6*	*8.9*	*9.4*	2.6	2.0	2.3
APAT	*7.8*	*7.4*	*7.4*	5,161	5,548	5,434	*29.7*	*30.3*	*30.4*	*25.3*	*24.5*	*24.7*	(0.7)	(0.6)	(0.7)

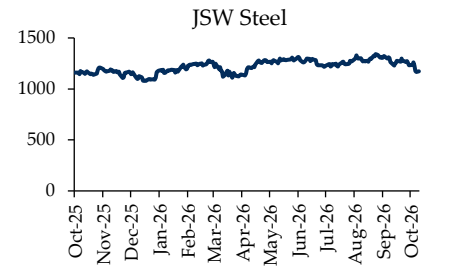
Source: Company, HSIE Research; * Standalone financials

	MCap INR bn	CMP INR/Sh	Old TP INR/sh	New TP INR/sh	Rating	Target Multiple^ (x)	EV/EBITDA (x)			P/B (x)			P/E (x)		
							FY26	FY27E	FY28E	FY26	FY27E	FY28E	FY26	FY27E	FY28E
Tata Steel	2,123	172	250	250	BUY	7.5	8.2	7.1	6.0	2.0	2.1	1.9	18.7	16.2	12.4
JSW Steel	2,699	1,173	1,410	1,410	BUY	8.5	10.9	9.4	8.1	2.6	2.5	2.1	29.1	16.4	14.4
Jindal Steel	1,041	1,022	1,210	1,210	BUY	6.5	12.1	9.0	6.6	2.0	1.9	1.6	25.7	19.0	12.5
SAIL*	556	171	190	190	ADD	6.0	6.8	5.8	5.6	1.0	1.1	1.1	19.0	13.2	11.7
APAT	499	2,157	2,350	2,350	BUY	35.0**	26.9	26.6	23.3	9.4	9.2	8.1	41.5	40.7	34.8

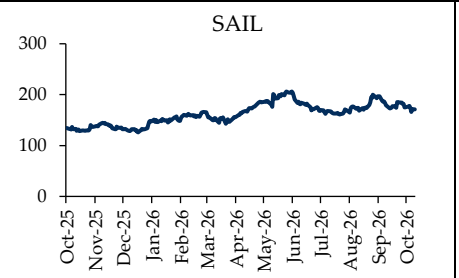
Source: Company, HSIE Research; * Standalone financials; ^ Target multiples are EV/EBITDA based on Mar-28E. **APAT valued at 35x Sep'28E adj EPS. CMP as on Oct 12, 2026

Price history











Rating Criteria

BUY: >+15% return potential
ADD: +5% to +15% return potential
REDUCE: -10% to +5% return potential
SELL: > 10% Downside return potential

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