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# MONTHLY NEWSLETTER

TITLE: COKING COAL PRICES NORMALIZE: A BOON FOR THE STEEL INDUSTRY

## Introduction

The recent stabilization in coking coal prices has brought about significant implications for the global steel industry. Amidst the backdrop of fluctuating iron ore prices and steel spreads, stakeholders are vigilantly observing the repercussions of this development on steel manufacturers. In this article, we delve into the latest trends in coking coal and steel markets, analyzing the potential impact on industry players. Coking coal, a vital component in the steelmaking process, plays a pivotal role in determining the cost structure and profitability of steel production. Therefore, any fluctuations in coking coal prices can have profound effects on steel manufacturers worldwide. The recent stabilization in coking coal prices comes as a relief to the industry, offering a semblance of predictability and stability in input costs.

pms@moatindia.com
SEBI Reg No: INP000004482

Against this backdrop, it is crucial to examine the dynamics of the steel market, which heavily relies on both coking coal and iron ore as primary raw materials. Fluctuations in these commodity prices directly influence steel spreads, the difference between steel selling prices and raw material costs. Thus, any significant movement in coking coal or iron ore prices can impact the profitability of steel manufacturers. In recent weeks, the Indian benchmark HRC prices have remained steady, while domestic iron ore prices experienced a decline. Notably, steel spreads have seen an uptick due to a sharp fall in coking coal prices, signaling improved profitability for steel manufacturers. Similarly, Chinese HRC prices remained unchanged, yet spreads widened significantly owing to a pronounced decrease in raw material costs. The decline in Chinese iron ore and coking coal prices from their January peaks has led to a notable improvement in spreads.

The implications of these trends are far-reaching for the steel industry. With coking coal prices stabilizing and steel spreads improving, domestic steel manufacturers are poised to benefit, particularly in the first half of fiscal year 2025. The enhanced profitability resulting from improved spreads may alleviate the need for production cuts and price hikes, providing a conducive operating environment for steel companies. However, amidst these positive developments, caution prevails over the near-term demand outlook. Concerns loom regarding potential slowdowns in government spending and infrastructure projects ahead of elections. The steel industry's fortunes are closely intertwined with macroeconomic factors and government policies, making it imperative for stakeholders to monitor these developments closely.

Despite the cautious sentiment, certain steel companies emerge as top picks for investors. JSW Steel (JSTL), Jindal Steel & Power (JSP), and Hindalco Industries (HNDL) are among them. These companies are strategically positioned to capitalize on improving market conditions and demonstrate robust performance metrics, making them attractive investment opportunities.

The recent stabilization in coking coal prices marks a significant development in the global steel market. This shift, accompanied by fluctuations in iron ore prices and steel spreads, presents both challenges and opportunities for industry stakeholders. While the decline in coking coal prices is expected to benefit steel manufacturers in the short term, uncertainties surrounding demand outlooks warrant cautious optimism. By closely monitoring market dynamics and strategically investing in top-performing companies, stakeholders can navigate the evolving landscape of the steel industry effectively

## Coking Coal and Steel Market Dynamics

In the latest update, the Indian benchmark HRC prices held steady, while domestic iron ore prices witnessed a decline. Notably, steel spreads saw an uptick owing to a substantial fall in coking coal prices, signaling improved profitability for steel manufacturers. Similarly, Chinese HRC prices remained unchanged, yet spreads widened significantly due to a pronounced decrease in raw material costs. The decline in Chinese iron ore and coking coal prices from their January peaks has led to a notable improvement in spreads. Despite a peak in iron ore inventory post the Chinese New Year, a surge in steel demand is anticipated in the coming months, potentially reducing inventory levels.

## Implications for the Steel Industry

The decline in coking coal prices, coupled with stable iron ore prices, is expected to bolster domestic steel manufacturers, particularly in the first half of fiscal year 2025. The enhanced steel spreads may mitigate the necessity for production cuts and price hikes, creating a conducive operating environment for steel companies. However, caution looms over the near-term demand outlook due to potential slowdowns in government spending and infrastructure projects preceding elections.

## Top Picks in the Industry

Despite the cautious sentiment, certain steel companies emerge as top picks for investors. JSW Steel (JSTL), Jindal Steel & Power (JSP), and Hindalco Industries (HNDL) are among them. These companies are strategically positioned to capitalize on improving market conditions and demonstrate robust performance metrics, making them appealing investment opportunities.

## Conclusion

The recent normalization of coking coal prices marks a significant development in the global steel market. This shift, accompanied by fluctuations in iron ore prices and steel spreads, presents both challenges and opportunities for industry stakeholders. While the decline in coking coal prices is anticipated to benefit steel manufacturers in the short term, uncertainties surrounding demand outlooks warrant cautious optimism. By closely monitoring market dynamics and strategically investing in top-performing companies, investors can navigate the evolving landscape of the steel industry effectively.