Business Standard

Nifty Metal index slips 4%; SAIL, Jindal Steel tumble up to 14%

Welspun Corp, Hindalco Industries, Hindustan Copper and JSW Steel were down 5 per cent in intra-day trade on the NSE

SI Reporter | Mumbai January 22, 2021 Last Updated at 14:19 IST

Shares of metal companies were under pressure at the bourses on Friday, with the Nifty Metal index falling 4 per cent, after share prices of Steel Authority of India (SAIL) and Jindal Steel and Power (JSPL) declined by up to 14 per cent on account of profit booking by investors.

At 02:01 pm, Nifty Metal index, the top loser among sectoral indices, was down 4.3 per cent, as compared to 1.4 per cent decline in the Nifty50 index. Welspun Corp, Hindalco Industries, Hindustan Copper and JSW Steel were down 5 per cent in intra-day trade on the National Stock Exchange (NSE).

Among individual stocks, SAIL fell 14 per cent to Rs 56 in intra-day trade on back of heavy volumes. A combined 108 million equity shares of the state-owned company have changed hands on the counter on the NSE and BSE. During the current week, the stock has dipped 20 per cent, as compared to a marginal 0.2 per cent decline in the Nifty50 index.

Last week, the government had raised nearly Rs 2,500 crore from offloading 10 per stake sale in India's largest steelmaker SAIL through an offer for sale (OFS) which was over-subscribed. The government had set the base price for the OFS at Rs 64 per share. However, most bids came at Rs 66 per share, data provided by stock exchanges showed.

Shares of JSPL slipped 8 per cent to Rs 278 as investors booked profit after the company reported a consolidated net profit of Rs 2,432 crore in the quarter ended December 31 (Q3FY21). It had incurred Rs 218.6-crore loss in the corresponding quarter a year ago. Revenue during the quarter grew 45 per cent year on year (YoY) at Rs 10,899 crore, on back of strong performance in India steel as well as power business.

The management said that Q3FY21 showed recovery signs for the entire steel industry in India with utilization levels as well as domestic demand rising month-on-month. However, steel industry continues to struggle with raw material scarcity amplified by exponential rise in domestic and international iron ore prices.

Iron ore prices have crossed $155 per dmt in December 2020, a level last seen in 2011, amid better Chinese demand and tepid supply due to severe weather conditions and covid induced restrictions in Brazil.

Iron ore prices are expected to remain at elevated levels in the near term. This is consequent to the world’s biggest miner Vale in Brazil lowering its production forecast for a second time in 2020 citing heavy rains and delay in obtaining regional licenses to start operations. This would widen the deficit in iron ore market and keep prices at elevated levels as demand for the steelmaking ingredient remains intact, CARE Ratings said in steel sector update.

A faster ramp up from mines auctioned in February will remain critical to meet the ever increasing demand for iron ore which has led to surge in prices. Moreover, the government’s stance on steel industry’s demand to ban export of iron ore, a move being strictly opposed by miners, shall remain key monitorable, the rating agency said.

After a sharp drop in April-June quarter (Q1FY21), the domestic steel industry has reported sharp rebound in margins in the September 2020 quarter benefiting from improving demand and realizations on the one hand and softer coking coal costs on the other hand. Margins of steel companies are expected to show further expansion in the December and March FY21 quarter, it said.