

Two compelling insights emerge from our study of steel intensity of use across the developmental stages of an economy (based on gross fixed capital formation – GFCF): (1) India is in a unique position as the last major steel-intensive growth economy, with steel demand closely tied to capital formation; and (2) Indian steel capacity is on track to meet the Indian government's target of ~300 mtpa by FY31E. With strong capacity growth, JSW Steel (JSTL) and Jindal Steel (JSPL) are best positioned to benefit, and we upgrade them to ADD. In the absence of expansions, growth is muted for Tata Steel (TATA) and SAIL, and we rate them REDUCE and SELL, respectively.

Steel and economic development – GFCF-driven perspective

Steel, the backbone of industrialization, finds its most potent expression through GFCF, a proxy for a nation's investment ambition. Our study identifies India as the last major economy in steel-led growth, with a near-perfect correlation (0.98) between steel consumption and GFCF. This is markedly different from global peer economies whose steel intensity is waning – having plateaued or pivoted to services. India is still ascending the industrialization ladder, as reflected in the inverted U-curve in our study, which underpins the continuum of steel-led growth.

India's steel industry on track to reach ~300 mtpa capacity by FY31E

We estimate 8.2% CAGR in Indian steel production over FY25-31E to reach 242 mtpa by FY31E on the back of infrastructure-led development and policy support (PM GatiShakti Master Plan, PLI, etc.) that are structurally lifting demand. FY25 marked a record ~150 mtpa in steel consumption, with housing, roads, railways, and urban projects accounting for >60% of demand. Despite rising per-capita steel use, India still trails global benchmarks, offering long-term growth potential. Major players like JSTL, JSPL, and AM/NS are aggressively expanding capacity. We estimate India's steel capacity to rise to 295 mtpa in FY31E, implying a 6.5% CAGR over FY25-31E – in line with the Indian government's National Steel Policy (NSP) target of 300 mtpa.

Margin to be cushioned by safeguard duties proposed by DGTR

With imports in India doubling over FY22-25 to 9.4 mtpa, the Directorate General of Trade Remedies (DGTR) has proposed safeguard duties (SGD) of 11-12% for three years to protect domestic steel mills from price undercutting ([link](#)). We expect this to provide downward protection to margins (from low-priced Chinese imports) and help Indian steel industry invest for growth. We also build in price hikes to materialize for both flats and longs in coming months, as demand should recover for both flats (led by volume growth in automotive) and longs (as monsoon gets over). Indian HRC price is currently at a ~10% discount to import parity (including SGD), which should also be supportive of price hikes.

Raising valuation multiples for all; but recommend growth-oriented companies

Given a strong volume growth outlook and improved margin visibility, we raise target EV/EBITDA valuations for all steel companies under our coverage to ~10% premium to the past 10-year average. We also roll forward our valuations by a year to FY28E EV/EBITDA. Our TPs are now based on FY28E EV/EBITDA, 9.0x for JSTL resulting in 49% increase in TP to Rs1,245; 7.5x for JSPL resulting in 18% increase in TP to Rs1,170; 7.0x for TATA resulting in 16% increase in TP to Rs160 and 6.5x for SAIL resulting in 10% increase in TP to Rs110. We upgrade JSTL and JSPL to ADD (from SELL and REDUCE, respectively), as these companies, with their **strong** capacity addition pipelines, are best positioned to benefit from the growth in Indian steel demand. We remain negative on TATA (though we upgrade it to REDUCE from SELL) and SAIL (maintain SELL) due to the absence of any

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