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BRAJ BINANI GROUP

Daily

Saturday, 02 November, 2019

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- Arjas Steel starts working on four-year road map to raise capacity
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- Copper prices rebound after solid China factory data

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London Metal Exchange : Friday 01, November 2019

	Pr. Sell	Morning Session		Afternoon Session		Kerb	Change	Stk(tns)	MMR Landed Prices	Value
	(1)	Buy	Sell * (2)	Buy	Sell		(2) - (1)	change		
	$/ton								Rs/ton	
Copper Grade A										
Spot	5825.00	5795.00	**5797.00**	NA	NA	5813.00	**-28.0**	255,025	MMR LP	439,312
3-mth	5850.00	5818.50	**5819.00**	NA	NA	5838.00	**-31.0**	-8375	14-D MA	441,028
Average	10-days - 5839.65		20-days - 5770.98		30-days - 5741.90				PP (HCL)	441,785
Tin High Grade										
Spot	16750.00	16525.00	**16575.00**	NA	NA	16490.00	**-175.0**	6,185	--	--
3-mth	16735.00	16575.00	**16625.00**	NA	NA	16530.00	**-110.0**	10	--	--
Average	10-days - 16731.00		20-days - 16657.25		30-days - 16571.83				--	--
Lead										
Spot	2210.00	2175.00	**2176.00**	NA	NA	2173.00	**-34.0**	70,075	MMR LP	171,712
3-mth	2192.00	2163.00	**2165.00**	NA	NA	2166.00	**-27.0**	-25	14-D MA	175,030
Average	10-days - 2230.00		20-days - 2199.00		30-days - 2162.83				PP (HZL)	186,300
Zinc Special High Grade										
Spot	2543.00	2540.00	**2541.00**	NA	NA	2587.00	**-2.0**	54,500	MMR LP	204,128
3-mth	2496.00	2493.00	**2495.00**	NA	NA	2526.00	**-1.0**	-725	14-D MA	202,611
Average	10-days - 2538.60		20-days - 2471.25		30-days - 2424.77				PP (HZL)	206,300
Aluminium										
Spot	1742.50	1765.00	**1766.00**	NA	NA	1791.00	**23.5**	956,200	MMR LP	146,454
3-mth	1747.00	1762.00	**1764.00**	NA	NA	1787.00	**17.0**	-2850	14-D MA	143,687
Average	10-days - 1730.00		20-days - 1724.90		30-days - 1722.77				PP (Nalco)	145,750
Aluminium Alloy										
Spot	1370.00	1360.00	**1370.00**	NA	NA	NA	**0.0**	6,040		
3-mth	1300.00	1290.00	**1300.00**	NA	NA	NA	**0.0**	140		
Average	10-days - 1343.50		20-days - 1262.00		30-days - 1237.00					
Nickel									Copper	1-Oct
Spot	16835.00	16745.00	**16750.00**	NA	NA	16750.00	**-85.0**	66,306	Aluminium	27-Sep
3-mth	16800.00	16730.00	**16740.00**	NA	NA	16710.00	**-60.0**	-684	Zinc	24-Oct
Average	10-days - 16630.50		20-days - 16979.50		30-days - 17164.33				Lead	24-Oct

Note: 1. MMR LP = MMR Landed Prices, excluding excise duty. 2. PP = Producer Prices ex-smelter, excl. excise

Minor Metals ($/LB)

	Antimony	Cadmium	Cobalt HG	Moly.oxide	Selenium	Silicon	Tungsten	Fe Si Mangnesium
	99.65%	99.95%	99.80%					
	6,400	115.00	18.50	10.20	9.50	1600.00	245.00	150

Week ended Avg of Steel Prices : 25/10/2019 (Excl. GST)

Mandi Gobindgarh - Punjab					Mumbai	Kolkata	Delhi	Chennai		Mumbai	Bhiwadi	Kanpur
Sponge Iron	22,500	**HMS OLD**	25,800	**HMS**	24,200	24,800	24,900	22,000	**MS Ingots**	34,800	31,350	31,450
Pig Iron	30,500	**HMS Fresh**	28,100	**CRP(LSLP)**	27,000	-	-					

Alum. Alloy : Basic prices excl. CST/VAT		ADC 12		AlSi 9 Cu3		LM6	
	Mumbai Mkt rates in kgs : **30/9/2019**		111		113.5		138.5
	Ex. Delhi Mkt rates in kgs : **30/9/2019**		120		-		-

Indicative Domestic Market Rates (Rs./kg)

	Mumbai		Delhi		Chennai	
	01-Nov	Prev	**01-Nov**	Prev	**01-Nov**	Prev
Virgin Metals					-	-
Copper Pat			**391.0**	391.0	-	-
Copper W/Bar	**441.0**	441.0	-	-	-	-
Alum Ingot	**134.0**	136.0	**136.0**	136.0	**138.0**	138.0
Zinc Slab	**194.0**	194.0	**218.0**	218.0	-	-
Lead Ingot	**153.0**	153.0	**152.0**	152.0	-	-
Tin Slab	**1,395.0**	1,395.0	**1,403.0**	1,403.0	-	-
Nickel (4x4)	**1,335.0**	1,335.0	**1,350.0**	1,350.0	-	-
Scrap					-	-
Copper Heavy	**400.0**	400.0	--	--	-	-
Copper Uten.	**375.0**	376.0	--	--	-	-
Copper Mixed	--	--	**371.0**	371.0	-	-
Brass Utensil	**290.0**	292.0	--	--	-	-
Brass Huny	**282.0**	282.0	**296.0**	296.0	-	-
Brass Sheet	**304.0**	308.0	-	-	-	-
Alum Utensil	**97.0**	97.0	**113.0**	113.0	-	-

Comex Copper (cents/lb) / Comex Al (cents/lb)

	Comex Copper Rate	Change	Comex Al Rate	Change
Aug'19	**265.10**	1.8	-	-
Sept'19	**265.30**	1.5	-	-
Oct'19	**265.75**	1.5	-	-

Precious Metals : Indicative Rates

Metal	Market	Unit	01-Nov	Prev
Gold Std	Mumbai	Rs/10g	**38,856**	38,796
Silver	Mumbai	Rs/kg	**46,725**	46,775
Gold	London	$/tr.oz.	**1,508.80**	1,510.95
Silver	London	$/tr.oz.	**18.12**	18.05
Gold	Comex	$/tr.oz.	**1,511.40**	1,511.40
Silver	Comex	$/tr.oz.	**18.01**	18.01

Forex: November, 01, 2019 (Rs/Unit Currency)

	USD	GBP		YEN
Buy	70.87	91.81		0.6557
Sell	70.78	91.72	---	0.6546
	EURO	**SGD**	**AUD**	**SFR**
Buy	78.98	52.20	48.91	71.73
Sell	78.91	52.12	48.85	71.61

Customs Notified Rates : October 04th 2019 [Rs.(Imp/Exp)]: US$ 72.15/70.45;Pound Sterling 89.30/86.15;Euro 79.55/76.65

Stocks ended sharply higher Friday, with the S&P 500 and Nasdaq Composite indexes surging to fresh records, and the Dow eyeing one of its own, after the Labor Department estimated the U.S. economy added 128,000 new jobs in October and upwardly revised its estimate of employment growth in September and August.

The stock market rally came despite indications the U.S. manufacturing sector was still contracting in October, though slightly less fast than in the previous month.

The Dow Jones Industrial Average DJIA+1.11% rose 301.13 points, or 1.1%, to 27,347.36. The S&P 500 index SPX+0.97% touched a fresh high after gaining 29.35 points, or 1%, to 3,066.91. The Nasdaq Composite index COMP+1.13% jumped 94.04 points, or 1.1%, at 8,386.40.

The U.S. economy created 128,000 new jobs in October, above economist's estimates of a 75,000 gain, while the unemployment rate ticked higher to 3.6%, in line with expectations. Furthermore, the government revised up the number of jobs created in August and September by a total of 95,000.

Wage growth rose by 0.2% in October and 3% from a year ago at a slightly lower pace than earlier in the year, but still faster than overall consumer prices.

"It's hard not to be excited about this jobs report," JJ Kinahan, chief market strategist at TD Ameritrade told MarketWatch. "There are tons of positives, including the uptick in jobs gains for previous months.

The numbers reflect momentum in the American, consumer-driven economy heading into the fourth quarter, Kinahan added. "Jobs have an amazing way of creating confidence in the economy."

However, the latest survey-based take on the U.S. manufacturing sector was also in focus. The Institute for Supply Management's October manufacturing activity index came in at 48.3% in October, below expectations for a 49% reading, but above the 47.8% seen in September. Any reading below 50% indicates contraction.

"The manufacturing sector weakness appears to be stabilizing after falling below the 50 level and into recession in August," MUFG chief economist Chris Rupkey, said. "The outlook for the nation's factories isn't growing any worse and the manufacturing recession isn't intensifying."

Currency Market

The dollar rose on Friday after data showed that US jobs growth slowed less than expected in October, while wages gained and hiring in the prior two months was stronger than previously estimated.

Nonfarm payrolls increased by 128,000 jobs last month, while average hourly earnings increased six cents, or 0.2 percent after being unchanged in September. The data is much better than expected. Markets were braced, certainly in headline terms, for some much weaker numbers given the expected impact from the GM strike and the census hiring.

So very good data in that context, said Shaun Osborne, chief fx strategist at Scotiabank in Toronto. Striking workers who do not receive a paycheck during the payrolls survey period are treated as unemployed.

The strike by about 46,000 workers at GM plants in Michigan and Kentucky ended last Friday. Temporary census workers also left their jobs during the month. The dollar index against a basket of six major currencies rose as high as 97.45, up from 99.27 before the data, before retracing to 97.30, up 0.02 percent on the day.

The dollar has weakened since the Federal Reserve on Wednesday cut rates for the third time this year, and indicated that further reductions may not be forthcoming. Concerns about a slowing US economy is weighing on the greenback, with the US central bank expected to resume rate cuts if the economic data worsens.

Safe haven flows into the US currency have also weakened on optimism that the United States and China are close to reaching a deal to end their trade war, which has been blamed for slowing global growth.

The apparent progress on US-China trade talks has undercut the dollar to some extent, said Osborne. And, there is a bit more vulnerability starting to feed into the dollar with perhaps the US economy slowing down.

The initial "phase one" trade pact with China appears to be in good shape and is likely to be signed around mid-November, although a finite date is still in question, US Commerce Secretary Wilbur Ross said on Friday.

Precious Metals

Gold prices eased on Friday as better-than-expected U.S. jobs numbers and strong factory data from China bolstered sentiment for riskier assets.

Spot gold dipped 0.3% to $1,508.61 per ounce as of 02:32 p.m. EDT (1832 GMT). Prices were set for a weekly gain.

U.S. gold futures settled down 0.2% at $1,511.40.

"For now, gold is under pressure with the positive economic news. ... It will be struggling for some direction," said Mitsubishi analyst Jonathan Butler.

"From here, it's difficult to see what the major upside factors would be for gold other than some geopolitical events, with the U.S. Federal Reserve pretty set on keeping rates on hold for now."

U.S. job growth slowed less than expected in October, while hiring in the prior two months was stronger than previously estimated, offering assurance that consumers would continue to prop up the slowing economy for a while.

The Fed cut interest rates for a third time this year, but signalled there would be no further reductions unless the economy takes a turn for the worse.

Lower interest rates generally reduce the opportunity cost of holding non-yielding gold and weigh on the dollar.

"While still above $1,500, it's hard to build a case for a sustained bullish recovery currently as the metal remains sensitive to headlines," MKS PAMP said in a note.

"Resistance levels sit toward $1,520-$1,525, with extension toward hard resistance at $1,535."

Stock markets took comfort from the October U.S. jobs data and numbers showing China's factory activity expanded at its fastest pace in more than 2 years.

Also lifting sentiment for riskier assets was a statement by U.S. President Donald Trump saying Washington and Beijing would soon announce a new venue for the signing of a "Phase One" trade deal, after protests in Chile resulted in the cancellation of a planned summit there this month.

In terms of the overall outlook for gold, however, the trend is positive with the metal likely consolidating before moving higher, said Edward Moya, a senior market analyst at OANDA, adding there are doubts that the trade war will get completely wrapped up and investors are also skeptical about jumping into the stock market rally.

"There's a strong call for portfolio diversification and people prefer gold over Treasuries."

In other precious metals, silver was down 0.7% at $18.01. Platinum rose 1.5% to $946.13 per ounce, after hitting its highest level since Sept. 25, at $954.12, en route to a weekly rise of about 2%.

Palladium was 0.5% higher at $1,803.29. The metal was set to mark a four straight weekly gain, having notched up a record high of $1,824.50 an ounce.

Base Metals

London copper prices rebounded on Friday after a sharp fall in the previous session, as a private survey showed manufacturing activity in China was better than expected.

China's factory activity expanded at the fastest pace in well over two years in October as new export orders rose and plants ramped up production, the Caixin/Markit Manufacturing Purchasing Managers' Index showed.

The official survey focuses more on heavy industry than Caixin's, and the two surveys cover different places in China, the world's biggest user of copper that is widely used in manufacturing.

Three-month copper on the London Metal Exchange was up 0.7 per cent at $5839 a tonne, as of 0739 GMT, recovering from a 1.9 per cent drop in the previous session, which was the biggest fall in almost three months due to the weak China data on Thursday. It is still heading for a weekly drop.

"The market indicates prices are up today due to the Caixin data. However, the impact of the PMI data is limited," said a China-based base metal analyst.

Gains in copper prices were capped by uncertainty over whether the United States and China can reach a trade deal.

The most-traded copper contract on the Shanghai Futures Exchange fell as much as 1.3 per cent, reflecting overnight losses in London, but later recovered to close down 0.5 per cent at 47,120 yuan ($6,694.89) a tonne, posting a 0.7 per cent weekly dip, its biggest since the week ended Aug. 2.

US President Donald Trump said the United States and China would soon announce a new site where he and Chinese President Xi Jinping will sign a "Phase One" trade deal after Chile cancelled a planned summit set for mid-November.

Nickel miner Independence Group NL said it will stop work on developing a downstream nickel sulphate facility after winning improved terms in two recent off-take agreements for concentrate from its Nova mine.

Europe's largest copper producer Aurubis AG remains on the hunt for takeovers with a war chest of about $1 billion, Chief Executive Roland Harings said.

The LME complex was higher across the board as the dollar softened. Aluminium edged up 0.3 per cent, nickel advanced 0.9 per cent, while zinc and sister metal lead both rose 0.5 per cent and tin inched up 0.03 per cent. Copper inventories in warehouses monitored by the Shanghai Futures Exchange rose 4.8 per cent from the previous week to 149,911 tonnes, the exchange said on Friday

Energy Market

The corporate and economic calendars are looking a little bit light for the week ahead now that the the big releases such as the U.S. and Eurozone GDP reports and China's manufacturing PMI are behind us. They brought little support for the oil market, showing a further slowdown in the developed economies and a blip higher in the Chinese manufacturing sector for smaller- and medium-sized companies.

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In the week ahead, China's export data for October will provide an insight into the toll taken by the unresolved trade conflict with the U.S. In September, exports stood at $14.4 billion. China's Services PMI on Tuesday will also be of interest, not in terms of direct demand for crude oil, as the services sector is not a major user, but as an indicator of how well China's white collar sector is doing and the implications of future consumer demand in China.

In contrast, Germany's and the Eurozone's Manufacturing PMI data are not expected to bring any good news for oil demand as both continue to struggle, weighed down by slowing local GDP growth and contracting exports.

German Manufacturing PMI Chart

Similarly, on the corporate front most of the big news is now out of the way after BP, Royal Dutch Shell and ConocoPhillips all reported lower earnings for the quarter, directly linked to weaker oil prices. In the week ahead there will be a sprinkling of results mainly from smaller U.S. producers including Marathon Oil and Devon Energy.

Trade talks will need a new date /h3.Now that violent anti-government protests have forced Chile to cancel the APEC summit, the U.S. and China will have to look for a new date and place to continue their trade discussions. Before the cancellation, the U.S. Administration had nearly finished putting together the paperwork for a partial trade agreement and President Donald Trump as good as committed to sign it at the summit. The Administration will now have to look for a different venue to continue the process. Look out for news of where and when, as well as for details on which part of the contentious trade talks have been agreed. In the current climate of slowing Chinese economic growth, progress - any progress - on the trade talks will be interpreted as a future boost to Chinese oil demand.

OPEC has been unwittingly keeping and exceeding its output cut targets over the last month because of disruptions in Saudi Arabia, but one of the countries that has been consistently lax with sticking to the targets has been Nigeria. OPEC has recently pulled the country back into the fold by raising its OPEC target, but the West African nation continued to pump above its target. However a recent change in legislation could unwittingly do more for the country's compliance than any government commitment. Nigeria has just introduced a new bill increasing taxes on the oil industry which makes inward investment in deepwater production less cost effective and could lead to a 20% decline in deepwater output over the next 5 years.

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News Report & Analysis

Arjas Steel starts working on four-year road map to raise capacity

Kolkata: ADV Partners-led Arjas Steel, which came into being following acquisition of Brazilian steel firm Gerdau's Indian arm Gerdau Steel India last year, has embarked a four-year roadmap to expand capacity in the country. The company said it is betting on the prospects of auto sector, which accounts for 90% of its sales, despite facing headwinds owing to the recent slowdown in automobile sales.

"We have decided on a four-year roadmap to grow in India. The plan includes adding capacity at our existing unit by moving into higher value grades of automotive steel and also debottlenecking our current assets to produce more steel," said Sridhar Krishnamoorthy, managing director, Arjas Steel.

"The downturn in automobile sales, particularly in the last six months, has definitely hit us. However, we think it is a temporary phase that will not last long. We continue to remain focused on the longer term prospects of the Indian market.

The Arjas steel plant at Tadipatri, in Anantapur district of Andhra Pradesh, has an installed capacity of 300,000 tonnes of special steel long products per year, focused on automotive, defence, railways and related industries. The initial plan is to increase the capacity to 350,00 to 375,000 tonnes.

The company, which has focused on the domestic market so far, is also looking at exports to tide over the slowdown in steel sales in the country. "We would like to target around 10% of our production at the export market. Some of our customers have operations in Southeast Asia and we would like to build up a presence in those markets".

Arjas will also look at expansion through acquisitions and adding greenfield capacity as and when the market situation improves.

"We remain open to the possibility of acquiring new companies and adding greenfield capacity, be it in our existing unit at Andhra Pradesh or elsewhere. However, it is a call we will take when the situation so demands".

In August last year, Gerdau S A decided to sell its entire shareholding in its Spanish subsidiary Gerdau Hungria KFT Y CIA Sociedad Regular Colectiva to Blue Coral Investments Holdings and Mountain Peak Investment Holdings, owned and managed by ADV Partners. The latter is an Asia-focused private equity firm. Following the acquisition, ADV Partners renamed Gerdau Steel India as Arjas Steel.

Maithan Alloys Limited posts 28% decline in profits

Maithan Alloys Limited, one of the largest domestic producers and exporters of manganese alloys, posted a 28% decline in net profit to Rs 94 crore in half-year ended September 30, 2019(H1FY20) compared to same period last year. In H1FY20, revenue from operations stood at Rs 956 crore of which manufacturing revenues was at Rs 872 crore.

In H1FY19 revenues from operations were marginally higher at Rs 962 crore. The company's standalone net profit was 36% lower at Rs 41.86 crore in Q2FY20 against Rs 65.79 crore reported in Q2FY19. Standalone revenues in the quarter ended September 30, 2019 (Q2FY20) went down 7% to Rs 469.70 crore compared to Rs 506.70 crore in same period Q2FY19.

In a statement, the company said despite a slowdown in steel industry demand for its product has remained intact. Manufacturing EBITDA for the first half of the year stood at Rs 120 crore with margin of 13.8%. "In volatile market conditions, EBITDA margins were impacted on account of a slowdown in the industry," the statement added.

Sharing its outlook for the whole year, the company said expected manufacturing EBIDTA margin for FY20 will be in the range of 12-14%. Manufacturing ROCE on an annualised basis stood at 45.8% as on September 2019.

Commenting on the results and performance, Subodh Agarwalla, Maithan Alloys' CEO said: "Steel prices declined across geographies and adversely impacted the spreads globally, putting pressure on margins. However, despite the domestic slowdown and a sluggish market environment, we were able to utilize our plant at 100% capacity. Our business still continues to generate strong cash flows and high ROCE."

As part of its growth plans, Maithan Alloys said it will incorporate a wholly-owned subsidiary to take up its proposed expansion project primarily for manganese-based ferro alloys, adding that the move will help it enjoy tax benefits recently announced by the government.

"With a large basket of ferro alloys, greenfield expansion plan, strong customer relationship and financial flexibility, we feel Maithan continues to be at a sweet spot and will be in a position to grow faster than the industry".

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But the results stand in contrast with an official survey published on Thursday, which showed China's factory activity shrank for the sixth straight month in October.

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3-month copper on the London Metal Exchange

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