

RESEARCH**BOB ECONOMICS RESEARCH | MONETARY POLICY EXPECTATIONS**

RBI to remain watchful

METALS & MINING | Q4FY26 PREVIEW

Price increase to benefit performance of Steel

SUMMARY**INDIA ECONOMICS: MONETARY POLICY EXPECTATIONS**

Globally, a lot has changed since the RBI announced its last policy in Feb'26. With the outbreak of Iran war, crisis in the Middle East has become a point of concern. Energy infrastructure of major oil exporting economies has been damaged. Strait of Hormuz is virtually closed. Oil prices continue to hover above US\$ 100/bbl and global central banks are preparing for its impact on inflation. Market also remains highly volatile which has pressurised FPI outflows from India, equity markets, bond yields and INR. Given this backdrop, RBI is likely to announce its full year growth and inflation forecasts keeping in view the impact of war on India.

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METALS & MINING: Q4FY26 PREVIEW

- Demand likely to remain good with 6.0-7.0%YoY growth, driven by strong demand from construction and auto sector
- Steel pricing improved by 8.6%YoY and 7.2%QoQ. Costs increased up to some extent owing to coking coal price
- Maintain BUY on JSW Steel with TP of Rs1,338, BUY on Hindalco with TP of Rs1,050 and BUY on Goodluck India with TP of 1,788

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MONETARY POLICY EXPECTATIONS

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RBI to remain watchful

Globally, a lot has changed since the RBI announced its last policy in Feb'26. With the outbreak of Iran war, crisis in the Middle East has become a point of concern. Energy infrastructure of major oil exporting economies has been damaged. Strait of Hormuz is virtually closed. Oil prices continue to hover above US\$ 100/bbl and global central banks are preparing for its impact on inflation. Market also remains highly volatile which has pressurised FPI outflows from India, equity markets, bond yields and INR. Given this backdrop, RBI is likely to announce its full year growth and inflation forecasts keeping in view the impact of war on India.

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Economist

RBI will remain vigilant and hold rates steady for the time being, without changing its stance from neutral. We also believe this to be the end of the rate cut cycle. Further, if oil prices remain above US\$ 100/bbl for consistently long period of time and inflation breaches the upper tolerance band of RBI (6%), then there might be a chance of rate hike by the central bank towards the end of FY27

What has changed since the last policy?: Since the last policy, world has gone through a period of turmoil, given the ongoing war between US and Iran. Towards the end of Feb'26, US and Israel launched attacks on Iran and since then the war has escalated in the West Asia region. Throughout last month markets remained volatile. The impact of war will be felt on global growth and inflation. India is also likely to get impacted and thus RBI may re-work its GDP and inflation forecasts for FY27.

Expectations from MPC: We expect the RBI to keep the repo rate steady at 5.25% in its Apr'26 policy. The stance is also expected to be maintained at neutral, as the central bank is likely to remain vigilant about the evolving situation. The tone will be more cautious than hawkish. We also believe this to be the end of the rate cut cycle, and RBI will now remain on a prolonged pause. However, there may be measures announced to support liquidity and INR.

Rationale for this decision:

- Global developments:** With the ongoing crisis in the West Asia region, throughout last month global markets have registered significant volatility, and its impact has also been felt by Indian markets. Since the beginning of the war (27 Feb 2026):
 - Oil prices have risen by ~63% to US\$ 118/bbl as of 31 Mar 2026.
 - US 10Y treasury yield has risen by 38bps.



Price increase to benefit performance of Steel companies

- Demand likely to remain good with 6.0-7.0%YoY growth, driven by strong demand from construction and auto sector
- Steel pricing improved by 8.6%YoY and 7.2%QoQ. Costs increased up to some extent owing to coking coal price
- Maintain BUY on JSW Steel with TP of Rs1,338, BUY on Hindalco with TP of Rs1,050 and BUY on Goodluck India with TP of 1,788

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Overall sector performance: The sector will likely show good volumes growth performance during Q4FY26E with volume growth estimated to be 6-7%YoY. Pricing improved with an increase of 8.6%YoY and 7.2%QoQ, helped by strong demand and safeguard duty imposed by the government. Cost likely to increase to some extent by coking coal price. Jindal Steel is expected to deliver the strongest volume growth among peers at 16.7% YoY, driven by the ramp-up of expanded capacity, with further benefits likely from the normalization of ramp-up costs in Q4FY26. Overall, our coverage universe of 4 steel companies is likely to show revenue growth of 13.4%YoY and EBITDA growth of 28.2%YoY.

Pricing environment: Price of HRC steel for Q4FY26E averaged Rs52,000/t, higher by Rs4,100 from Rs47,900/t in Q4FY25 and higher by Rs3,500 from Rs48,500/t in Q3FY26. QoQ increase is by 7.2%. Improvement is on the back of strong demand that led to industry players taking price hikes during this period.

JSW Steel: Likely to see revenue growth of 10.5%YoY and EBITDA growth of 18.0%YoY. Revenue growth is driven by pricing growth of 7.0% and volume growth of 3.5%. This would likely benefit EBITDA performance. EBITDA/t likely to be Rs9,703 from Rs8,515 in Q4FY25, a growth of 13.9%YoY – which is the benefit from price growth.

Jindal Steel: Likely to see revenue growth of 15.1%YoY, driven by volume growth of 16.7%YoY due to sustained industry demand and the ramp-up of expanded capacity commissioned in Q2FY26. EBITDA performance likely to be strong at 19.9%YoY, on account of pricing growth and normalisation of expansion-related costs incurred in the earlier quarters.

Tata Steel: Likely to see revenue growth of +15.5%YoY and +18.0%QoQ, driven by volume growth and pricing growth in India & Europe businesses. Standalone business will likely see 13.8% growth in revenues, led by volumes growth of 9%YoY. India EBITDA/t likely to be higher on YoY basis at Rs14,300 vs Rs12,463 in Q4FY25. Europe to see + EBITDA/t at USD10 vs negative USD37 in Q4FY25.



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SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

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