

The much-awaited Simandou iron ore project in Guinea officially began operations last week. Simandou is the world's largest untapped deposit of high-grade (65% Fe) iron ore, which at peak production of 120 mtpa will account for 7% of global sea-borne iron ore market (Exhibit 6). With China (accounts for 74% of global iron ore imports) as a key equity partner in the project, ramp-up in Simandou could intensify competition in the iron ore market and soften iron ore price – we build in US\$95/t in FY27-28E vs spot price of US\$105/t. Weaker merchant iron ore price would relatively benefit non-integrated steel players like JSW Steel (ADD, Rs1,245 TP) and JSPL (ADD, Rs1,150 TP). Integrated players with captive iron ore like Tata Steel (REDUCE, Rs165 TP) and SAIL (SELL, Rs110 TP), on the other hand, would be net losers due to likely downward pressure on steel price (from lower iron ore price).

Simandou – ownership structure and infrastructure details (Exhibits 8-15)

- Blocks 1/2 (North): Controlled by Winning Consortium Simandou (WCS), comprising Winning International Group (45%), Weiqiao Aluminium (35%), and United Mining Suppliers International (20%). Have reserves of 1.8 bn t, with targeted peak production of 60 mtpa.
- Blocks 3/4 (South): Held by Simfer SA, with 15% owned by the Government of Guinea and 85% by a JV between Rio Tinto (53%) and Chinese SOEs led by Chinalco (47%). Have reserves of 1.5 bn t, with targeted peak production of 60 mtpa.
- The project infrastructure includes >600 km of trans-Guinean rail which connects iron ore mines in southeastern Guinea to a newly constructed river port at Morebaya on the western coast, linking the country from east to west (Exhibits 12-13). Total planned capex for the project is ~US\$20bn.
- Peak annual production and exports of up to 120 mn t of premium 65% Fe ore is targeted by mid-CY28. High-grade iron ore is in strong demand currently, as it is crucial for low-carbon steel production. At peak production, Simandou will account for 7% of global sea-borne iron ore market (Exhibit 3).

Simandou could shift balance of power away from iron ore exporters

China Baowu Steel Group, the world's largest steelmaker, holds stakes in both WCS and Simfer, reinforcing China's strategic influence over the project. Given China's status as the largest importer of iron ore (74% of total), this project holds strategic significance in the balance of power between China and key iron ore exporters Australia and Brazil (Exhibits 1-3). China imports ~1.2 bn t of iron ore annually, primarily from Australia and Brazil. With declining Chinese steel production and demand, ramp-up in Simandou could raise competitive intensity in the iron ore market and soften iron ore price – we build in US\$95/t for FY27-28E as against spot price of US\$105/t (Exhibit 7). Simandou's premium-grade ore should, however, command higher pricing.

Long-term strategic and ESG implications

Simandou's high-grade ore supports low-carbon steelmaking, aligning with global decarbonization goals. For China, this project ensures a secure supply of green raw materials, reducing reliance on Australian imports amid geopolitical tensions. For Guinea, the project promises economic uplift through infrastructure development and royalties. Guinea, which will receive 15% of output from each Simandou block, could aim to bypass China by selling the high-grade iron ore directly to Europe and the Middle East, targeting the premium market for low-carbon green steel. Guinea is set to gain rare leverage in the green steel market (currently dominated by Australia and Brazil). However, geopolitical stability in Guinea would hold the key.

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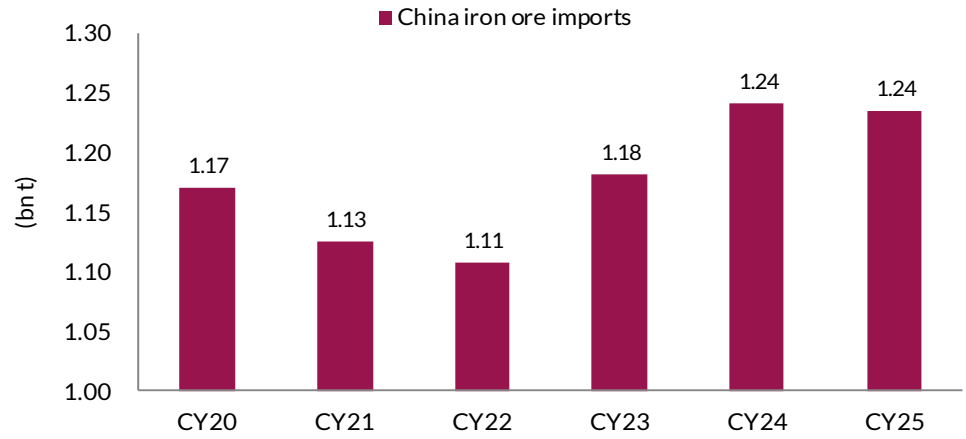
Exhibit 1: World trade in iron ore – China the key importer, Australia and Brazil key exporters

		2024	2025 f	2026 f	2027 f	Annual percentage change		
						2025 f	2026 f	2027 f
World trade	mnt	1,708	1,714	1,740	1,763	0.3	1.6	1.3
Iron ore imports								
	Unit							
China	mnt	1,238	1,219	1,189	1,186	-1.5	-2.4	-0.3
Japan	mnt	96	93	92	88	-3.7	-1.2	-4.4
Republic of Korea	mnt	69	66	62	62	-5.4	-5.1	-0.4
European Union	mnt	102	104	105	107	1.9	0.9	2.5
Iron ore exports								
Australia	mnt	902	914	926	931	1.3	1.3	0.6
Brazil	mnt	395	404	420	433	2.3	4.0	3.1
South Africa	mnt	61	62	55	54	1.6	-11.2	-1.8
Canada	mnt	61	63	67	68	3.3	6.4	1.5
India	mnt	36	33	29	27	-8.4	-12.2	-6.9

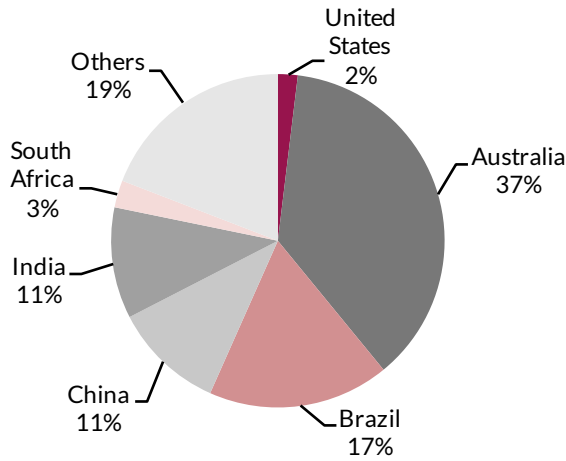
Source: OCE Australia

Exhibit 2: Iron ore trade map

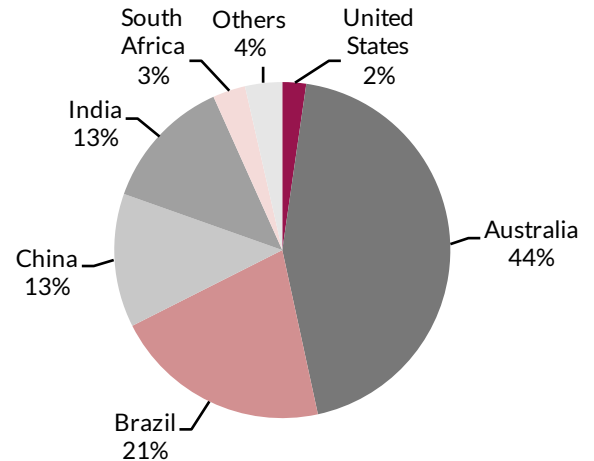

Source: OCE Australia

Exhibit 3: China's iron ore imports have risen in recent years due to depleting ore grades


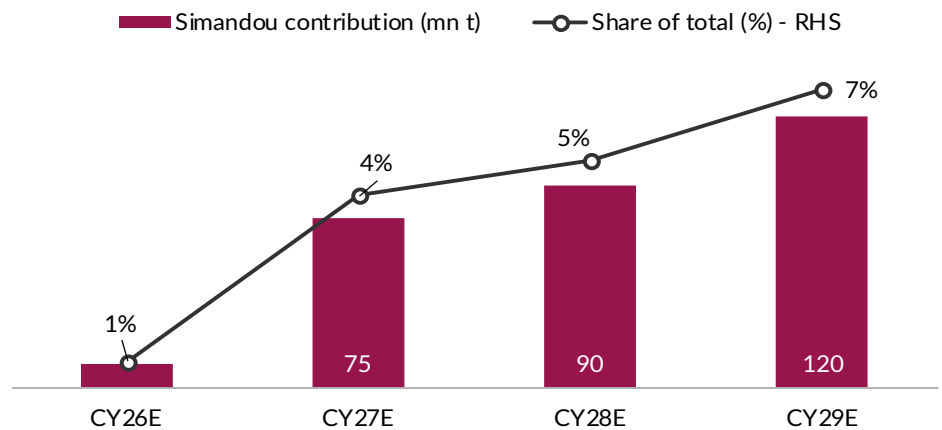
Source: Axis Capital, Bloomberg; Note: Annualized for CY25

Exhibit 4: Iron ore production-split in CY24 (~2.5 mn t)


Source: U.S. Geological Survey

Exhibit 5: Iron ore reserve-split in CY24 (200 bn t)


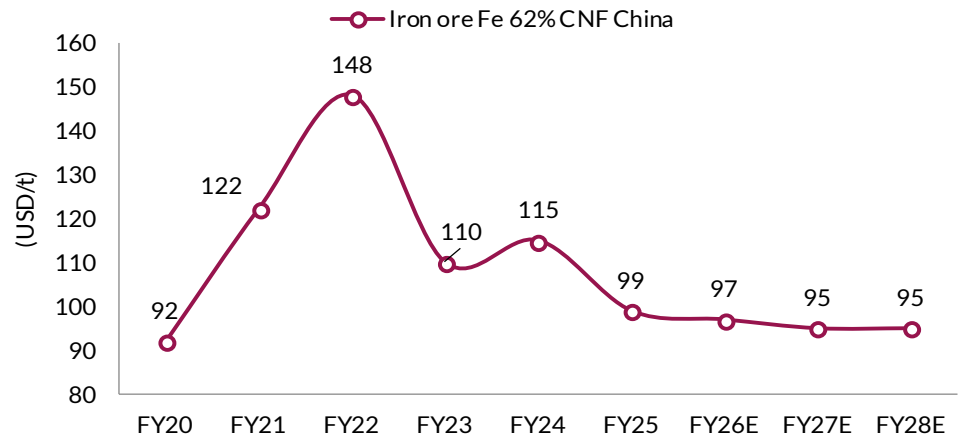
Source: U.S. Geological Survey

Exhibit 6: Simandou's contribution is expected to reach 7% to world trade by CY30E


Source: Axis Capital

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Exhibit 7: Iron ore price to remain subdued in coming years



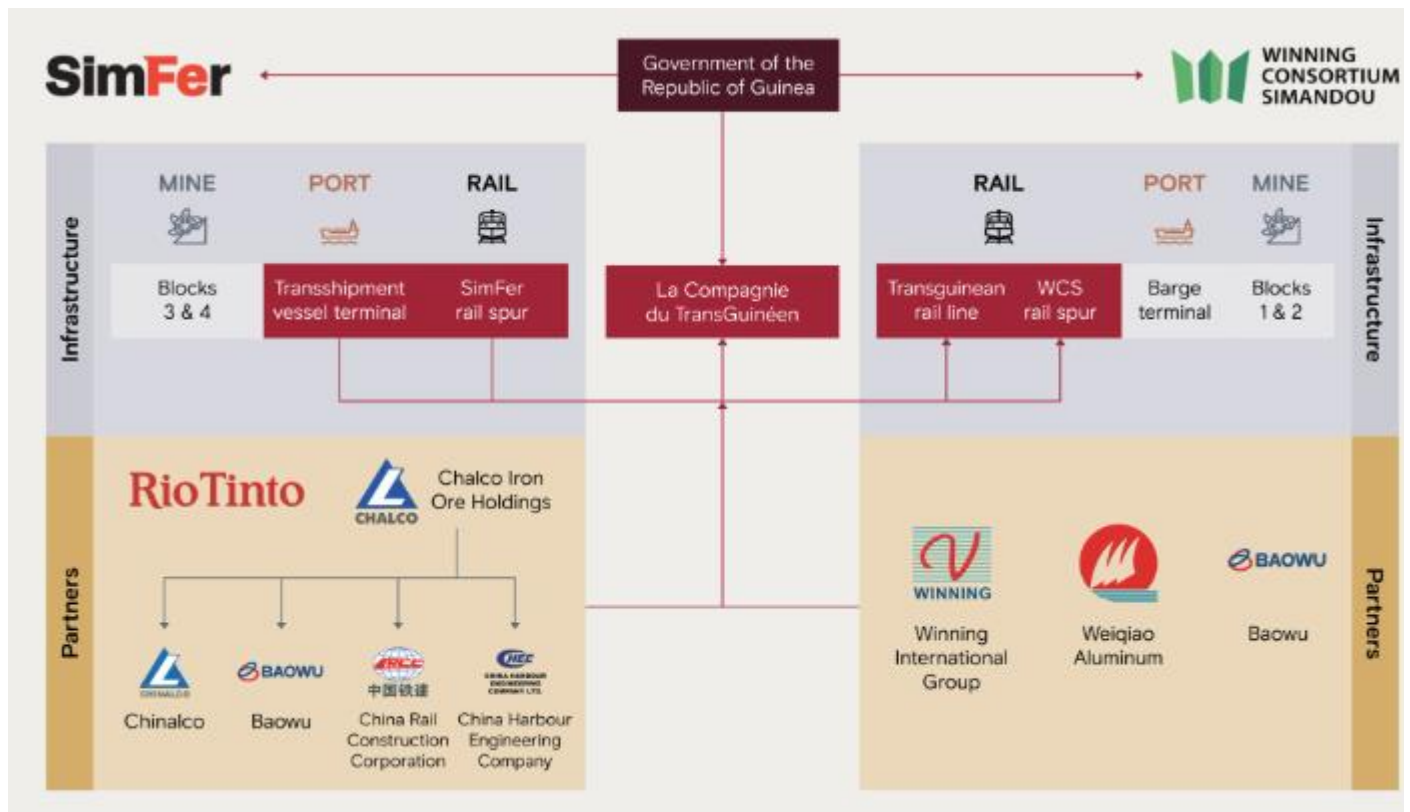
Source: Axis Capital, Bloomberg

Exhibit 8: Simandou ownership structure

Block	Owner	Key shareholders	Estimated reserves
1&2	Winning Consortium Simandou (WCS)	Winning International Group, Weiqiao Aluminium, United Mining Suppliers, Baowu Resources	1.8 bn t
3&4	Rio Tinto SimFer	Rio Tinto, Government of Guinea, Chalco Iron Ore Holdings	1.5 bn t

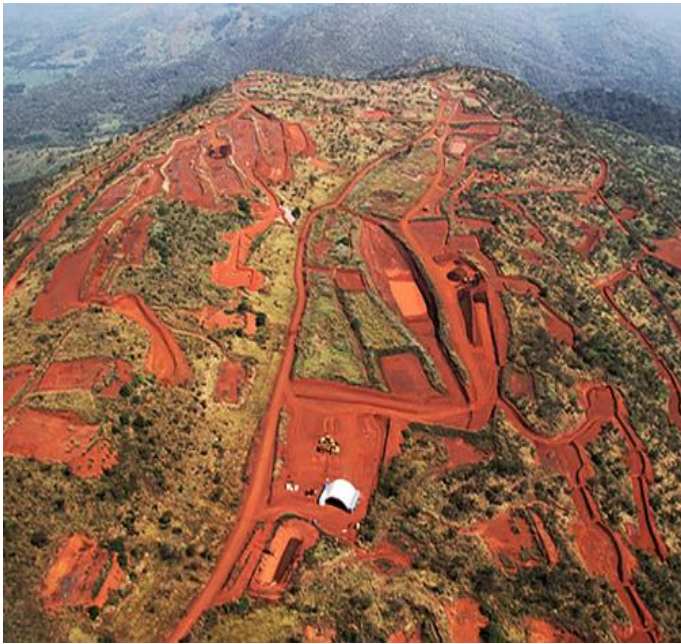
Source: Rio Tinto, WCS

Exhibit 9: Powering Guinea’s future: SimFer and WCS collaboration framework



Source: Rio Tinto, WCS

Exhibit 10: Simandou mine aerial view...



Source: Rio Tinto

Exhibit 11: ...with an iron content of more than 65.5wt%



Source: WCS

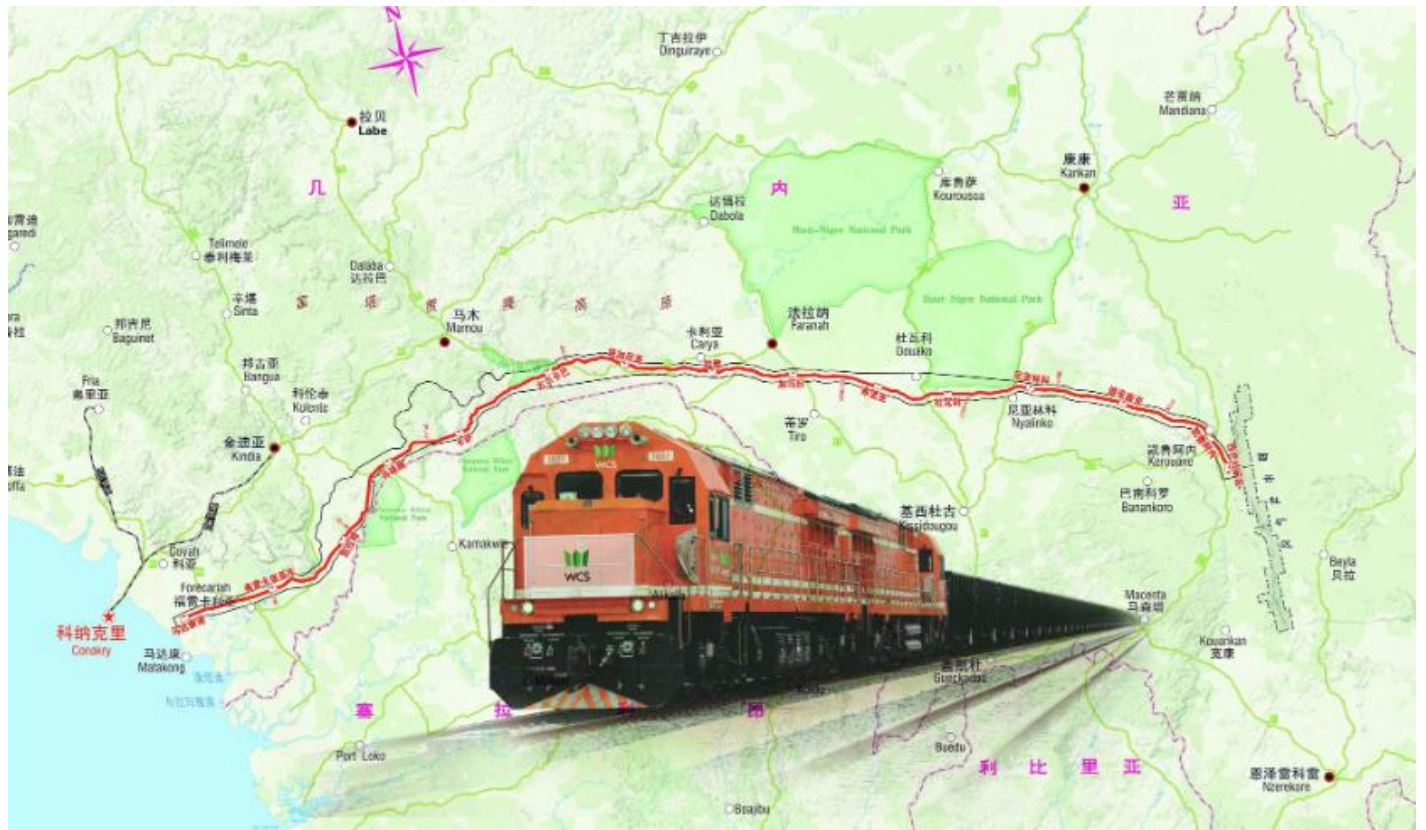
Exhibit 12: Simandou project is the largest mining and related infrastructure project in Africa



Source: Rio Tinto

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Exhibit 13: Transguinéen Railway, spanning >600 km, connects Simandou mine with the Port of Morebaya



Source: WCS

Exhibit 14: The Port of Morébaya lies on the east bank of the Morébaya River estuary in Forécariah Province, southern Guinea



Source: WCS

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Exhibit 15: Simadou iron ore project timeline

Year / Period	Event
Ore discovery	Iron ore identified in Guinea but remained unexplored for decades
1950s	Prospectors identified iron ore at Simandou
1958	Guinea declared independence; Republic of Guinea founded
Early exploration	Rio Tinto geologists recognised potential but faced logistical challenges
1995	Rio Tinto invited to visit Guinea
1996	Rio Tinto confirmed vast quantities of iron ore at Simandou
1997	Rio Tinto granted exploration permits for blocks 1-4
1998	Rio Tinto established its first subsidiary in Guinea
Challenges build	Agreements delayed; SimFer struggled to find infrastructure investors
2002	SimFer signed mining convention with Government of Guinea
2003	Mining convention ratified and signed into law
2006	Mining concession awarded; IFC acquired 5% interest in SimFer
2008	Global Financial Crisis strained industry; rights to blocks 1-2 awarded to BSGR
The world takes interest	Iron ore prices surged; legal disputes arose; some construction began
2010	BSGR sold 51% of rights to Vale for US\$25 billion
2011	Rio Tinto settled disputes with Government over mining titles
2012	Chalco consortium acquired 47% interest; environmental approval granted
2014	BSGR stripped of rights; Ebola outbreak hit Guinea
Care & maintenance	Progress stalled due to Ebola and financial constraints
2016	Rio Tinto cost-cutting; Simandou project put on hold
2019	WCS awarded tender for blocks 1-2
Momentum for progress	SimFer, WCS, and Government collaborated on infrastructure plans
2022	La Compagnie du TransGuinée formed to manage infrastructure
2024	Governments and boards approved project to proceed
Upcoming milestones	Work underway; first ore delivery anticipated
2025	First ore projected
2026	Rail spur and main line completion; shipping via WCS barge port
2027	SimFer completes commissioning of TSVs
2028	SimFer mine projected to reach 60 mnt production

Source: Rio Tinto

Exhibit 16: Valuation summary

	MCAP (USD bn)	CMP (Rs)	TP (Rs)	Rating	EV/EBITDA (x)		P/B(x)		RoE %		Net Debt/EBITDA	
					FY27E	FY28E	FY27E	FY28E	FY27E	FY28E	FY27E	FY28E
JSTL	34.1	1,165	1,245	ADD	10.4	8.8	2.9	2.5	13.9	15.7	2.6	2.1
TATA	25.7	172	165	REDUCE	6.9	6.1	2.0	1.7	15.8	16.7	1.8	1.4
JSP	12.9	1,066	1,150	ADD	8.8	7.2	1.9	1.6	12.1	14.0	1.1	0.9
SAIL	6.8	139	110	SELL	7.1	7.3	0.9	0.9	6.8	6.6	2.7	3.1
Aggregate	79.5				8.7	7.5	2.2	2.0	13.6	14.9	2.1	1.8

Source: Axis Capital, Company

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ADD	We expect this stock to deliver 5-15% returns over the next 12 months.	TACTICAL SHORT	We expect this stock to deliver < -10% returns over the next 45 days.
REDUCE	We expect this stock to deliver 5% to -10% returns over the next 12 months.	RELATIVE LONG	We expect this stock to outperform the benchmark/stock (specified in this report) by 10% or more over the next 45 days.
SELL	We expect this stock to deliver < -10% returns over the next 12 months.	RELATIVE SHORT	We expect this stock to underperform the benchmark/stock (specified in this report) by 10% or more over the next 45 days.

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