

# Ukraine war: Steel cos see wild swings in fortunes

From peak levels, commodity prices plunged to 20-month lows

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## FLUCTUATING FORTUNES

Figures in ₹ crore

### Tata Steel

	Net Sales	YoY chg %	Net Profit	YoY chg %
Dec '21	60,525	45.9	9,573	158.9
Mar '22	68,711	38.8	9,756	46.8
Jun '22	63,128	18.8	7,765	-12.8
Sep '22	59,513	-0.7	1,514	-87.3
Dec '22	56,757	-6.2	-2,224	PTL*

### JSW Steel

	Net Sales	YoY chg %	Net Profit	YoY chg %
Dec '21	37,462	74.3	4,357	62.5
Mar '22	46,026	74.0	3,234	-23.0
Jun '22	37,500	31.9	838	-85.8
Sep '22	41,122	28.9	-848	PTL*
Dec '22	38,678	3.2	490	-88.8

\*PTL: profit to loss

### SAIL

	Net Sales	YoY chg %	Net Profit	YoY chg %
Dec '21	25,247	27.3	1,529	4.1
Mar '22	30,759	32.1	2,479	-28.6
Jun '22	24,029	16.4	805	-79.4
Sep '22	26,246	-2.2	-329	PTL*
Dec '22	25,042	-0.8	542	-64.5

### Jindal Steel

	Net Sales	YoY chg %	Net Profit	YoY chg %
Dec '21	12,525	34.9	1,617	-28.3
Mar '22	14,369	35.5	1,511	-23.2
Jun '22	13,045	22.7	1,993	4,728.0
Sep '22	13,521	-0.7	200	-92.3
Dec '22	12,452	-0.6	519	-67.9

Steel prices seesawed from peak levels to a 20-month low resulting in a wild swing in the fortunes of companies as Russia waged war on Ukraine. A year on, the spectre of conflict continued to cast its shadow as change in trade flows have kept raw material prices simmering, pushing up the cost of production while major economies await demand recovery.

Russia and Ukraine are major providers of steel and raw material to the world. In 2021, steel exports from the two countries stood at about 48 million tonnes (MT), accounting for around 10 per cent of global steel trade. On the input side – from iron ore and pellets to coal and metallics – both countries control a fair share of the flow of raw materials.

Russia exported around 32 MT of coking coal in 2021. “With Europe refusing to buy coal from Russia, the country redirected its exports to China, leading to a sharp rise in exports to around 46-48 MT in 2022. The supply chain disruption caused a sharp rally in both coking coal and steel prices across the globe, which in turn impacted demand”, Hetal Gandhi, Director – Research, CRISIL Market Intelligence and Analytics, said.

As demand fell led by global headwinds, steel mills were saddled with high-cost raw material inventory and companies moved from recording phenomenal profits to losses in the course of a quarter. It showed up majorly in the performance of second (Q2) and third quarter (Q3) of FY23.

### Production cost

“If we reflect back, supply chain disruptions led to a rally in commodity prices. As things

stand, some have evened out, but certain cost elements are still on the higher side and may remain higher for longer,” Jayant Acharya, deputy managing director, JSW Steel, said.

For instance, coking coal continues to be at elevated levels, he pointed out. “Thermal coal has moderated but is higher than pre-Covid levels. As is ferroalloys. We are going into a higher cost production structure.”

Ranjan Dhar, ArcelorMittal Nippon Steel India (AM/NS India), chief marketing officer, pointed out that the high cost of coking coal was keeping the margins of steel mills under pressure.

Spot spreads, an ICICI Securities report mentioned, was at an eleven-month low. But the good thing, steel-makers pointed out, was that the major part of inventory losses was now behind.

### Steel price

Even as the war lingers, sen-



Source: Capitaline; Compiled by BS Research

prices have corrected reflecting the higher cost and many steel majors globally have declared price increases for March 2023,” Acharya said.

Dhar said that on the basis current cost scenario, \$800 a tonne in India for HRC looks very imminent. “How fast we reach there is a matter of market dynamics.”

According to CRISIL, steel prices are at a 7-month high, with average prices close to Rs 59,000-60,000 per tonne.

### Positive cues

On the demand front, India has been resilient. According to Gandhi, India’s steel demand is expected to remain elevated, registering 10-12 per cent growth on-year in FY23 and 8-10 per cent in FY24.

As far as global demand is concerned, Gandhi expects it to pick up in the latter half of 2023 as nations emerge from the economic slowdown, leading to an annual growth rate of 0-2 per cent in 2023.

timents globally are improving, albeit cautiously. “The war has been factored in; the bearish story of demand contraction in Europe is tapering off and people have resumed buying,” Dhar said.

That has reflected in prices. Globally, prices have increased by \$120-\$150 a tonne since December. In India, prices started increasing from the end of December, after touching the lowest in November since March 2021, but there is headroom for more.

“There will be a need to adjust prices to some extent as mills align with the cost structure. Internationally, steel