India sees minimal direct impact from US steel, aluminium import duty hike

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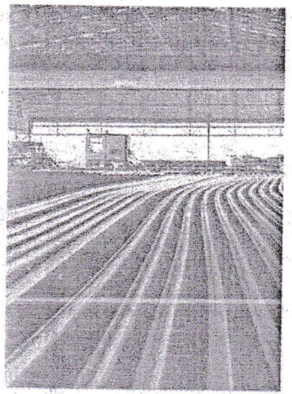
India expects the US decision to double import duty on steel and aluminium to 50 per cent will have minimal direct impact but change the global trade flows and thereby increasing the chances of India becoming more vulnerable to steel imports.

Though the government has imposed an import duty of 15 per cent, exporting countries such as China, Korea and Vietnam can undercut prices to capture the market.

India exported $4.56 billion of iron, steel and aluminium products to the US last fiscal, with steel exports comprising $587 million and steel articles worth $3 billion.



KEY MARKET. India exported $4.56 billion of iron, steel and aluminium products to the US last fiscal PTI

THE REAL CONCERN

Nikunj Saraf, VP, Choice Wealth, said the real concern in the enhanced US tariff lies in potential Chinese steel dumping in India as US markets become less accessible.

China's steel exports to India could return to historical levels of about one million tonne and this may put downward pressure on domestic steel prices, affecting Indian producers' margins despite reduced competition in the US market, he added.

Steel companies may need to diversify markets and focus on value-added products to mitigate protectionist impacts, said Saraf.

CA Jashan Arora, Director, Master Trust Group, said while the direct impact will be limited since India exports only a small share of its steel to the US, Indian companies with US operations may be slightly cushioned if they produce locally. "The increased steel supply from China could push global and domestic steel prices down, squeezing profit margins for Indian producers. India's safeguard duty of 12 per cent imposed recently may not be enough to prevent this pressure," he said.

WEAK DEMAND

The domestic steel demand is also expected to slowdown with cut in government capital expenditure and delay in private capex.

"We expect Central government capex to moderate in FY26 given the slowdown in the core areas of railways and roads and highways and uncertainty in spending on certain non-traditional items," said Kotak Institutional Equity research.

The possibility of meaningful increase in private sector capex over the next 2-3 years appears bleak given the limited areas within the capex-intensive core infrastructure sectors for the private sector to invest and few companies with the balance sheet and risk appetite to invest in large infrastructure projects, it added.