‘Cheap Chinese imports hurting domestic market’

Tata Steel chief says this may impact steel firms’ capex plans

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Low-cost imports from China into India are impacting steel prices and may hurt the investment plans of steelmakers, Tata Steel managing director and chief executive officer T V Narendran cautioned.

The Tata Steel chief told *Business Standard* that exports were coming in from China and countries like Vietnam, which sometimes is a conduit for materials flowing from China.

“It’s not that Chinese steel companies are making profits at these prices. They are willing to sell at these prices because they have a problem to solve. But why should we get hurt in the process?” he asked, asserting that “this is a larger issue” and a point that companies have been raising with the government.

Dampening sentiment

According to data from BigMint, a market intelligence and price reporting firm, the average price for hot rolled coil (HRC), a benchmark for flat steel, has taken a knock year-on-year (Y-o-Y). The monthly average for HRC in April 2024 ex-Mumbai was at ₹52,600 a tonne compared to ₹59,900 a tonne in April 2023. In June 2024, it was at ₹53,800 a tonne against ₹55,400 a tonne in June 2023.

The dip in prices reflected on the top line and bottom line of steel companies. Tata Steel India reported a turnover of ₹33,194 crore in Q1FY25 compared to ₹36,146 crore in Q1FY24. Reported profit after tax was at ₹ 3,335 crore against ₹4,995 crore in the year-ago period.

India steel story

Indian steel companies are investing massive amounts in capex. Expansion plans are aligned with the country's target of 300 million tonnes (mt) of steel capacity by 2030.

“If there is no relief and steel prices continue where they are and input costs keep going up, where will the cash flows come from?” he asked.

Unlike the Chinese steel industry, which hardly makes more than 5 per cent Ebitda margins in good times, the Indian steel industry was well-positioned from a competitiveness point of view, he said, adding that it is not just about being profitable. Steelmakers, including Narendran, are asking whether it is enough to invest tens of thousands of crores to build steel plants.

Major steel producers have been adding capacity at breakneck speed. Post-Covid, about 26.3 mt of capacity was commissioned between FY21 and FY24. Another 27.5 mt of new steelmaking capacity is expected to come onstream between FY25 and FY27, an ICRA report stated in June.

The Indian steel industry is one of the good stories about private sector capex picking up, with almost everyone investing a lot of money in building capacity

T V NARENDRAN
MD and CEO, Tata Steel

Rising imports

A CRISIL report in June noted that India became a net importer of steel in FY24 with an overall steel trade deficit of 1.1 mt, marking a shift in its status as a net exporter since FY17. China led the pack with weak steel consumption in the Communist nation. The trend continues.

In Q1FY25, imports of finished steel increased 35 per cent Y-o-Y to 1.9 million tonnes. China (572 kt) and South Korea (570 kt) remain the largest exporters to India, followed by Japan (494 kt), said Sehul Bhatt, director-research at CRISIL Market Intelligence and Analytics.

Raising the pitch

Steelmakers have been flagging concerns about predatory pricing of imports.

JSW Steel joint managing director and chief executive officer, Jayant Acharya, told Business Standard in a post-results interview in July that the main concern was imports from China and the Asean countries at predatory prices.

“China has got a surplus of steel. Vietnam is adding to that problem. Even imports from Japan and Korea have been elevated. India is basically a vulnerable ground because our domestic demand is very good,” he had said.