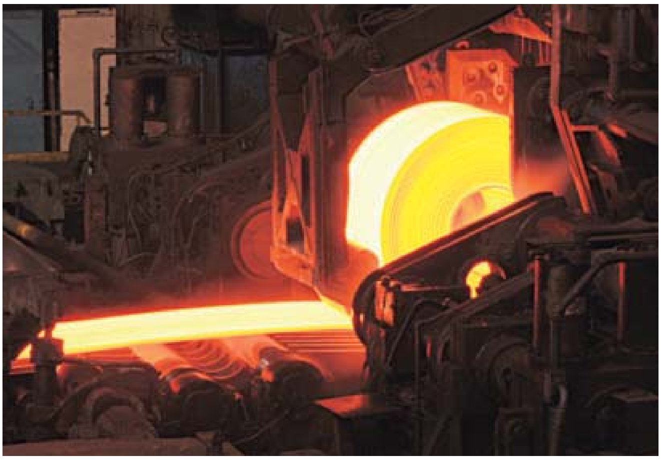
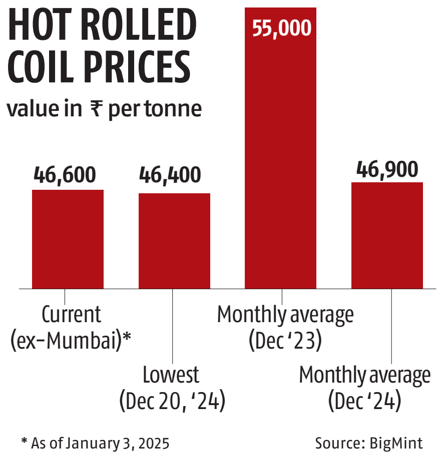
Govt capex, safeguard duty key to steel sector





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Kolkata, 6 January

A surge in imports, lower exports, and weak prices reflected on the Indian steel industry in calendar year (CY) 2024. As the possibility of a safeguard duty gathers momentum, the big question facing the industry is, will 2025 be any better?

Prices of hot rolled coil (HRC), a benchmark for flat steel, are at a four-year low. Data from the price reporting and market intelligence firm BigMint shows that the price of HRC ex-Mumbai stood at ₹46,600 per tonne as of January 3, 2025, with the lowest recorded price at ₹46,400 per tonne as of December 20, 2024.

The monthly average price for December 2023 was ₹55,000 per tonne, while for December 2024, it stood at ₹46,900 per tonne, reflecting a year-on-year decrease of 14.7 per cent.

According to a BigMint analysis, despite anticipated volatility from the safeguard duty investigation, prices have remained stable due to subdued demand and lower market activity during the holiday season.

Prices reached a four-year low, driven by weak demand, increased imports, and greater domestic mill supply availability, it said.

Elections across the globe marked the year 2024. In India, the general elections were held during April-May, alongside at least eight state elections. That, coupled with extended monsoons, impacted the infrastructure and construction segment, the biggest end-user segment for steel.

Jayant Acharya, joint managing director and chief executive officer of JSW Steel, noted that elections disrupted the government capital expenditure cycle in India. "But we expect the government to push the pedal in the January-March quarter."

The long-term India story is solid, Acharya explained, adding that the rural side has been supportive, and consumption-boosting measures are expected in the upcoming Union Budget.

However, he said that the external environment has not been conducive. "With the new administration in the US, we may see additional duties and tariffs. That may help check exports from China to some countries, but our basic challenge will be how India reacts to a changing geopolitical situation where every country is becoming more protective and putting up trade barriers. As a country, we need to ensure it does not become a dumping ground for material."

Ranjan Dhar, director and vice-president — sales and marketing at ArcelorMittal Nippon Steel India, expects 2025 to be a stronger year compared to 2024. "With elections mostly behind, every government in power will have targets to achieve."

In India, a revival in domestic drivers, including public consumption and investment, is expected to gain momentum, according to Dhar. However, to strengthen its position as a competitive manufacturing hub and achieve *atmanirbharta*, India must focus on strategically reducing import dependency through a comprehensive, multi-faceted reforms agenda, he noted.

Steel companies have been raising concerns that low-cost imports, especially from China, have led to price erosion, leaving little scope for reinvestment. Globally, steel demand is projected to grow by 0.5-1.5 per cent in 2025, marking a change in course after three years of decline, Sehul Bhatt, director of research at CRISIL Market Intelligence and Analytics, said. "However, in India, despite high domestic demand, production growth has been modest, mainly due to an increase in net imports capturing incremental demand. As a result, steel prices have remained soft."

Bhatt highlights three key factors expected to drive growth in the steel industry in 2025: easing financing conditions, a push for localisation by a few major economies, and pent-up demand on a low base from key steel-consuming economies.

2025: THE OUTLOOK

India has initiated an investigation to determine whether a safeguard duty should be imposed to curb the rise in steel imports. Much will depend on whether it happens.

Ritabrata Ghosh, vice-president at ICRA, presents different scenarios. "If the safeguard duty is imposed, it will ring-fence the home market and give the domestic steel industry the headroom to increase prices."

"However, if the duty is deferred or is at an ineffective level, then in our base case scenario, the average Ebitda per tonne for the top four players in their domestic operations is expected to hover in the range of $110-130 per tonne, similar to levels observed over the past three years," he added.

Without any kind of safeguard duty and profits at current levels, the industry leverage is expected to rise if it continues to expand capacity. BigMint data showed that imports in CY 2024 were 10.4 million tonnes (provisional), compared to 8.53 million tonnes in CY 2023.