'Steel prices are weak despite safeguard, to rise post monsoon'

CRUCIAL FACTOR. If China clamps down on supplies, prices may improve: Tata Steel MD

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India's steel market is battling stubbornly weak prices despite safeguard duties, with abundant domestic supply ensuring rates remain capped. According to TV Narendran, MD and CEO, Tata Steel, while the safeguard has prevented a free fall and lent stability, meaningful recovery is unlikely until after October, once the monsoon ends, construction activity resumes, and the festival season boosts demand.

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> MD and CEO, Tata Steel

BUILDING CAPACITIES

Steel-makers have invested in building capacities because of which there is enough supply available in the domestic market, both in terms of quantity and grades.

"Today, domestic steel prices lower than import prices show how competitive India is as a market. That is why prices have not moved up," he told *businessline* on the sidelines of AIMA's annual conclave. "Prices will start going up only when domestic consumption improves further, and when international sentiment strengthens as China clamps down more firmly on supply."

Prices continue to hover in the ₹50,000/tonne range.

CHINA'S ROLE

If China clamps down on supplies, there could be further improvement in prices, he said.

For nearly two years, Beijing has talked of curbing steel output, though the impact on global markets has been limited. However, July's announcement of an "involution policy", aimed at cutting down excess production and addressing overcapacity, has sparked fresh optimism.

"This time, the proposals appear more specific and the Chinese market sentiment suggests people expect a real impact on prices," he said.

India's steel industry has over the last few quarters been seeking reduction in input prices of the metal, mostly of iron ore. The move is aimed at making steel prices further competitive and to take on lower-priced imports.

PLENTIFUL ORE

Narendran pointed out that on the raw material side, India's natural advantage was in iron ore; but that is "being eroded by policy and cost structures".

"India is among the few countries blessed with plentiful ore reserves, but high effective taxation and royalties have made it expensive," he said. But to make matters worse, aggressive bidding in mine auctions has driven costs up further. Unlike Australia and Brazil, two of the world's largest exporters of iron ore but without a large domestic steel market, India uniquely combines reserves with scale. It is the second largest crude steel-maker, after China. "Lower ore prices would help us maintain profitability and sustain investments, even at today's subdued steel price levels," Narendran said.

BREATHING SPACE

Imposition of safeguard duty has offered some breathing space and stability in the prices. Calling it a "fair compromise", Narendran said: "Of course, we always wish for more, but the government has to balance the interests of all stakeholders, including steel buyers. At 12 per cent, the safeguard is a fair compromise. It has prevented imports from undermining domestic profitability and ensured stability."

NINL EXPANSION

Tata Steel, Narendran said, will look to expand capacity at Neelachal Ispat Nigam Ltd (NINL) after its turnaround. Tata Steel had acquired the loss-making unit in 2022. Plans are afoot to scale its capacity from 1 million tonnes to 5 million tonnes.