Muted demand, import influx prompt steel price correction

Companies have corrected the list price by 2–3 per cent for December

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An influx of imports and post-festival slack in demand in the trade segment have prompted Indian steel mills to correct prices even as global rates move up.

According to market sources, steel companies have corrected the list price by 2-3 per cent for December to align with the levels at which the market was operating.

A major producer said this was a correction so that the trade can compete with the imports that have come in so far.

The steel industry has been flagging concerns over rising imports, particularly lower-priced material from China, for some months.

The industry has also taken it up with the government.

Ranjan Dhar, chief marketing officer (CMO), ArcelorMittal Nippon Steel India (AM/NS India), said, the Indian steel sector is currently grappling with import-induced headwinds but the long-term outlook looks positive.

"For the past one-two months, market prices have been trading at a discount to mill prices."

Jayant Acharya, joint managing director (joint MD) and chief executive officer (CEO), JSW Steel, said that there was a growing intensity of imports from a weaker external environment.

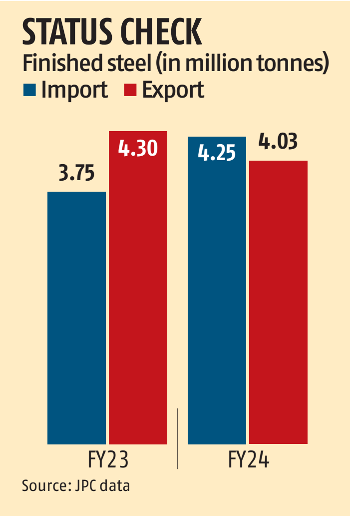
He added, "India, with a strong domestic demand, becomes an attractive market for global trade diversion at lower prices."

He said, "China has the largest share in imports and has gone up by 52 per cent. Imports at zero duty from free-trade agreement (FTA) countries have also increased."

Some of them are operating at a negative margin and dumping that material into India, Acharya added.

On the pricing front, steel companies are looking forward to better tidings in Q4.

"With global prices on the rise, we expect a market correction, leading to price hikes in the coming weeks," Dhar said.



Another producer said that the prices were likely to go up from January. "Otherwise, with the cost push, margin management will become difficult," the producer said.

International prices

The increase in international prices was largely led by an increase in raw material prices.

"Both iron ore and coking coal were at elevated levels putting pressure on steel spreads. Iron ore has settled at around $130 a tonne, but coking coal has been volatile and increased by about 20 per cent quarter-on-quarter (Q-o-Q)," Jayanta Roy, senior vice-president, ICRA said.

Industry sources pointed out that prices in Europe were up by $80-100 a tonne from early October and in the US by about $325 a tonne.

Domestic steel prices were at a premium to imports for most of the first half of the financial year.

However, Tushar Chaudhari, research analyst at Prabhudas Lilladher, said that as of now, domestic prices were cheaper by ₹900-1,000 per tonne.

"On import-parity basis, domestic premiums have evaporated over the last one month as Chinese prices increased from $520 per tonne to $575 while Indian prices declined 3 per cent month-on-month," he said.

Miren Lodha, director of research, CRISIL Market Intelligence and Analytics, however, said that domestic steel products are trading at a premium to global steel prices.

He added, "Due to better realisation opportunities and healthy demand, Indian steel mills have started focusing on the domestic market. Year-on-year exports fell significantly, by 72 per cent in the month of September, by 20 per cent in October and 31 per cent in November, while imports have almost doubled from 0.38 million tonnes in September 2023 to 0.782 million tonnes in November 2023."

But the improvement in global sentiment has led to an increase in export bookings more recently. "December-January will be export-heavy months as mills look to correct the inventory levels," Dhar said.

JSW Steel is also seeing a significant increase in bookings.

SteelMint data shows that Indian export offers for hot rolled coil (HRC) CNF to Antwerp was at $683 per tonne in August and stood at $705 per tonne in December.

Expansion worries

Steelmakers are expanding capacity at speed and rising low-cost imports have been worrying them. An ICRA report said that around 38.5 million tonnes per annum (mtpa) of new steelmaking capacity was expected to be onstream by FY27.

Acharya said imports into India have gone up sharply. "This is likely to impact fresh capex and expansion in India, which will be against our Make-in-India initiative."

We need to step up our trade measures quickly to stop unfair trade, he added.

Dhar said that the influx of imports from China, Vietnam and Indonesia was hampering India.

"If we remain open to imports and the domestic demand is good, then exporting countries will continue to participate — a challenge for Indian mills. To ensure sustainable growth and expand capacity, maintaining healthy margins remains crucial for domestic producers."

During April-October, domestic demand growth was at 14.7 per cent year-on-year (Y-o-Y).

In recent months, India has been a net importer of finished steel. Joint Plant Committee (JPC) data available on the ministry of steel website shows that finished steel import during April-November of 2023-24 was at 4.25 million tonnes, an increase of more than 13 per cent year-on-year. Exports at 4.03 mt during the period was down by more than 6 per cent.

Import from China, however, has seen a surge with finished steel imports at 1.104 million tonne (mt) during April-October 2023, an increase of 47.39 per cent, ICRA and JPC data showed. Imports from Vietnam have increased by about 369 per cent. China, Japan, South Korea and Vietnam accounted for about 86 per cent of the total finished steel imports.