Steel-makers bet on value-added products to beat pricing pressure

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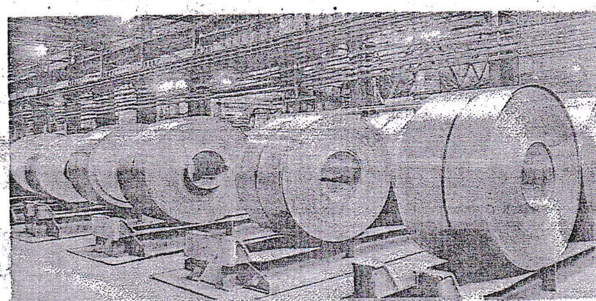

THE STRATEGY. Firms will be launching newer products to substitute imports ISTOCK

Hit by largescale imports and a fall in traditional product realisation, leading steel companies are focusing more on increasing the share of value-added products and pushing sales to MSMEs through the online medium.

The US government has already levied an import duty of 25 per cent on steel and made it even more difficult for Indian companies to tap those markets. Steel companies' profits have been under pressure as cheap imports have put pressure on domestic steel prices amid weak demand.

Utsav Verma, Head of Research, Institutional Equities, Choice Broking, said steel imports into India were up by 16 per cent at 8.1 million tonnes in last nine months, mainly as a result of excessive exports from China and other countries.

"Over the last year, steel prices have been weakening in India and globally and resulted in EBITDA and EBITDA per tonne declining gradually over the last four quarters," he added.

In this back drop, steel companies are betting big on launching newer products that target to substitute imports. ArcelorMittal Nippon Steel India recently commissioned two modern continuous galvanising production lines dedicated to manufacturing advanced automotive steel products at its Hazira plant in Gujarat. The initiative builds on the success of Optigal and Magnelis, introduced by AM/NS India.

Ranjan Dhar, Director & Vice-President, Sales & Marketing, said the automobile industry could source its entire requirements from the domestic market and stop imports completely after the series of products introduced by the company. All the products introduced will match the quality standards of parent companies, ArcelorMittal and Nippon Steel, and some of them will be manufactured for the first time in India, he added.

PLI SCHEME

The government's PLI Scheme expanded in 2024 to include advanced alloys; moreover, high-strength automotive grades have helped India to reduce reliance on critical imports.

While geopolitical and pricing threats persist, the strategic emphasis on import substitution has the potential to foster long-term sustainability. Besides value added and speciality products (VASP), some of the companies, such as JSW Steel and Tata Steel, have been focusing on ramping up capacity and using alternate sales channels to target micro, small and medium enterprises.

VASP SALES

JSW Steel reported that its domestic VASP sales were up 13 per cent in the December quarter and accounted for 60 per cent of all sales. The company opened 280 JSW Shoppe and JSW Shoppe Connect stores this fiscal and enhanced overall branded stores to 2,339 from 2,059 in FY24. It has 739 JSW Shoppe across urban areas and 1,600 JSW Shoppe Connect in semi-urban and rural areas, besides 28 experience centres. Enrollment of partners in JSW Privilege Club crossed 1.06 lakh.

JSW One, the online platform, crossed GMV of ₹14,000 crore, a growth of 2.7 times from the last fiscal.