

'Steel prices to go up by ₹3,000/t in Q1FY26'

BRIEF DISRUPTION. Indo-Pak tension will have only limited impact on steel sector; coal prices will dip \$10 per tonne, says Tata Steel MD

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Tata Steel has managed to wade through the swamp of global uncertainty and domestic slowdown by cutting costs and improving efficiency. The company sees limited impact due to the unrest in the border.

TV Narendran, MD, and Koushik Chatterjee, Executive Director and Chief Financial Officer, Tata Steel, share their outlook on the sector.

Edited excerpts:

How do you think the current war-like situation in

India-Pakistan border is going to impact Tata Steel and the steel sector in the country?

Narendran: It will have limited impact because it was for a brief period. We are building an electric arc furnace in Ludhiana. So we had to stop activity for a few days because there were blackouts. Some of the migrant workers went back home. So that was the only direct disruption we faced. This should not make a difference. I do not see it as a big issue.

Do you see private capex slowing down?

Private capex depends on good demand, good capacity utilisation and decent profitability, so that there are cash flows available to invest. Steel industry was actually leading the private sector capex in India. The industry was doing ₹10,000-20,000 crore of capex. This was at risk if the safeguard duty action was not taken and this was our representation to the government. We cannot let somebody else's domestic problem create problems for us. So in private sector capex, good demand does not necessarily means good capacity utilisation, and this will automatically trigger capex. It also has to have decent profitability.

How do you see steel prices and raw material given the current situation?

For the June quarter, we are guiding steel prices at ₹3,000 a tonne higher than Q4. In Europe, the spreads will be about €20-30 better. For coal, we are guiding about \$10 lower per tonne compared to last quarter. In Europe, it will be about \$8-9 higher than the previous quarter, but these are at consumption levels. However, in the last few weeks, coal prices have gone up by about \$20 a tonne. That will impact us maybe in the September quarter, not so much in the



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TV NARENDHAN
MD, Tata Steel



It (capex plan for this year) is about ₹15,000 crore, of which about 75-80 per cent will be in India, ₹400-500 crore in the UK sustenance capex, and ₹1,900 crore on the decarbonisation project in the Netherlands

KOUSHIK CHATTERJEE
Executive Director & CFO

this fiscal. How do you plan to fund it?

Chatterjee: We are not investing. It is actually debt repayment overseas through onshoring of debt into India because it is lot more easier to service the debt from the source of the cash flows, reduce foreign currency volatility and also taking advantage opportunistically on the interest rate.

We are taking part of the debt in the UK, Tata Steel Europe and the Netherlands

in India. It is orientation of the debt and there is some part of it which is for project capex in Tata Steel UK, which we are going to support from here because that is the understanding.

The UK government will fund 40 per cent and rest from India. Essentially, it will through internal cash flows and refinancing. We will raise the debt in India. The overall debt will not increase but actually it is targeted to come down.

Narendran: The Netherlands traditionally has been self-sufficient. It is just that they had two bad years. Now, they are cash-flow positive. If they need support, it will be only when we agree with the government on the transition plan along with the grant funding from the government.

As far as UK is concerned, support will be more for that £1.25 billion project out of which £500 million will come from government and rest from us. The loss funding, part of it, which was mainly in UK, hopefully will be a thing of the past after this year.

What will be your capex plan for this year?

Chatterjee: It is about ₹15,000 crore, of which about 75-80 per cent will be in India, ₹400-500 crore in the UK sustenance capex,

about ₹1,900 crore on the decarbonisation project in the Netherlands. So, the rest of it is in India and the bulk of it is in completion of the Kalinganagar project and electric arc furnace project at Ludhiana and in some of the new downstream facilities.

What is the progress in talks for grants from the Netherlands government?

Chatterjee: Since it is taken up by the government in the Netherlands as a unique demonstration project, there are multiple stakeholders including the government, Parliament, European Commission and provincial government.

It addresses issues on decarbonisation, environment, health all in a composite manner. So we just have to go through the process. The European Commission is also engaged with the Dutch government in the framing of the configuration. There is also a fair bit of policy changes in the Netherlands on account of this project which may take time. Given that the Dutch government is also accelerating this process, we are hopeful that by this year we will get to form an understanding with the Netherlands government with the support of the European Commission.