Steel prices rise but looming trade war sparks concerns

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Domestic steel prices have seen an increase over the past couple of months in anticipation of a safeguard duty, but a looming global trade war is likely to weigh as threat of import rises and prospect of export flounders.

Data from BigMint showed that in March 2025, hot rolled coil (HRC) prices ex-Mumbai increased by ₹600 per tonne month-on-month (M-o-M), rising from ₹48,400 per tonne in February to ₹49,000 per tonne. The monthly average for January was ₹47,000 per tonne.

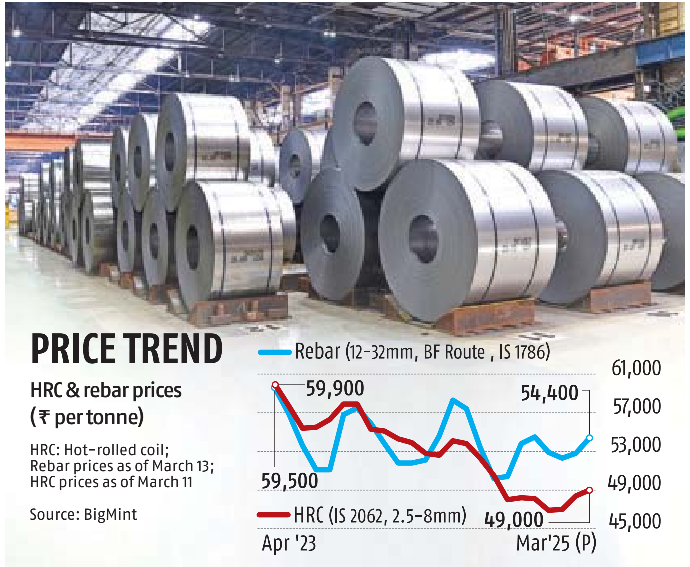
However, on a year-on-year (Y-o-Y) basis, prices of HRC, a benchmark for flat steel, have consistently remained lower compared to financial year 2024 (FY24).

In long steel, rebar prices showed variability, with FY25 prices being higher in some months and lower in others compared to FY24. According to BigMint, March 2025 saw a price increase of ₹1,600 per tonne M-o-M, bringing the price to ₹54,400 per tonne from ₹52,800 per tonne in February.

Bulk of the steel imports into India is in the flat steel segment. And it is widely anticipated that the 25 per cent tariff by the US from March 12, 2025 will lead to trade diversion and increase imports into India, keeping prices under pressure.

According to Sehul Bhatt, Director-Research, Crisil Intelligence, the move will lower the exports of its trade partners as local production rises, but India is unlikely to be impacted materially because only 2 per cent of its total finished steel exports in the first nine months of this fiscal were to the US.

However, he added that there will be a diversion of exporter inventory to other importer-nations at aggressive prices, especially in a milieu of increasing global competition. "This could bring down the prices of steel in India, already trending at 4-year lows, further. That means the Indian government may have to step in with safeguard duty to support domestic capacities. The timing and quantum of this will be crucial."



On Tuesday, Fitch Ratings said that the rating headroom has been reduced for JSW Steel Limited (BB/Stable) and Tata Steel Limited (BBB-/Negative), as the persistent supply of cheap steel imports from China and rising risks from aggressive tariff policies by some economies will pressure domestic steel prices in the financial year ending March 2026 (FY26).

Fitch expects Ebitda leverage for JSW Steel and Tata Steel to breach their negative sensitivities of 3.7x and 3.0x, respectively, in FY25, and the headroom to remain low in FY26 amid margin pressure.

However, the rating agency expects some improvement in Ebitda margins in FY26 given sustained domestic demand growth, moderation in key input costs like iron ore and coking coal, and China cutting steel capacity and ramping up its stimulus to support economic growth.

Domestic steel companies are facing a double impact, exports are down and imports are up, pointed out Jayant Acharya, Joint Managing Director and Chief Executive Officer, JSW Steel.

"With fast changing policy and tariff actions across nations, there could be increasing risk of diversion of steel to India. That is a concern for domestic steel producers as it restricts the ability to manage profitable growth. While demand volumes have been good in India, there is margin pressure on account of lower steel prices," Acharya said.

Even as exports are lagging, the European Union — a top destination for Indian steel — has notified proposed changes to the WTO that will result in a reduction of total duty-free supply of hot rolled coils (HRC) from April 1. For Indian steel, the duty-free quota for HR sheets will be reduced by 25 per cent.

Ranjan Dhar, Director & Vice President, Sales & Marketing, ArcelorMittal Nippon Steel India (AM/NS India) said, "If safeguard is implemented in the country and demand growth continues at 7-8 per cent, then the need for exports of HRC will be limited."

"The government is keen on taking steps to protect its domestic market from excessive imports, especially given the current geopolitical uncertainties. With steel prices already at a four-year low, dumping could lead to further declines, putting additional pressure on margins," he noted.

A safeguard duty under consideration, however, could result in upside in prices.

According to reports, after the initial investigation, the Directorate General of Trade Remedies (DGTR) is said to have recommended imposing 12-15 per cent safeguard duty on select items.

Market sources said, import bookings have come down in anticipation of a safeguard, which has lent support to prices.

Ritabrata Ghosh, vice president, ICRA, said, it is now certain that a safeguard duty will be imposed. "The question is when and how much."