Steel price hikes hit by weak global demand, oversupply

Suresh P. Iyengar
Mumbai

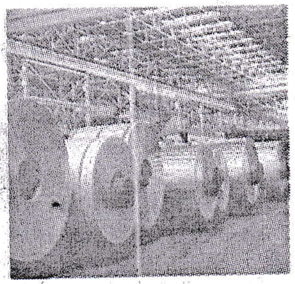
The landed cost of steel imports will be cheaper even after the levy of 12 per cent safeguard duty if global prices continue to fall on the back of weak demand and the tariff war.

Steel prices globally are on a free fall amid persistent oversupply and rising trade protectionism. This could limit the ability of Indian players to take additional hikes.

Net-net, while the imposition of safeguard duty will support import parity, a complete normalisation of price dynamics may take longer, said a Crisil report.

Apart from cheaper import prices, domestic prices may be restricted by an expected increase in domestic supply from new capacities.

Last fiscal, average domestic flat steel realisations fell 10 per cent year-on-year, pulling down the Ebitda per tonne to below its decadal average of ₹10,000 per tonne. This was because global headwinds, such as subdued demand in China and trade restrictions in Europe and the US, heightened global oversupply and pricing pressures.



CHEAPER IMPORTS

The redirection of steel exports from surplus countries such as China, South Korea and Japan led to an increase in low-cost imports into India, hurting domestic steel realisations that are influenced by the landed cost of imports. After multiple years of limited additions, the industry added 10 million tonnes per annum (mtpa) capacity last fiscal and another 10-12 mtpa is planned in FY26.

Steel companies are adding these capacities on the back of healthy domestic demand of 9-10 per cent expected in FY26, on account of continued infrastructure push and robust demand from the building and construction segments.

Ankush Tyagi, Associate Director, Crisil Ratings, said while the safeguard duty and favourable cost of production will prop up operating profitability in this fiscal, domestic utilisation will also have to keep pace with the capacity additions.

Healthy domestic demand growth, which is expected to be higher than global average, will drive volume growth and margin recovery to around ₹10,500-11,000 per tonne, he said.

In the near term, with the duty intervention and relatively favourable input costs, the Ebitda per tonne of the domestic primary steel makers is expected to recover by ₹1,000-1,300 per tonne in FY26, said the report.