Steel firms under pressure from rising imports, drop in exports

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TRACKING THE PRICES

- **Between ₹47,000 and ₹51,000 per tonne:** Range of HRC prices; a decrease of ₹1,000 per tonne in the past three days
- **₹50,000-51,000 per tonne:** BF-rebar trade prices ex-Mumbai. During August-end 2024, it hit three-year low level at ₹49,500 per tonne
- Rebars are most likely to have been impacted by the slackening of construction activities during monsoon
- India exports were constrained as key markets were either flooded with Chinese exports, experiencing weak demand, or facing trade restrictions, Ranjan Dhar of AM/NS India said

Indian steel companies are facing challenges amid rising low-cost imports, limited export opportunities, seasonal weakness in demand, and unfair dumping by surplus countries like China. These issues weigh on steel prices and threaten to hit domestic manufacturing.

According to market intelligence and price reporting firm, BigMint, hot-rolled coil (HRC) prices have decreased by ₹1,000 per tonne, now ranging between ₹47,000 and ₹51,000 per tonne. HRC is a benchmark in flat steel. The trade level represents the lowest point for the current financial year, and the market is showing signs of volatility, marked by a significant decline in demand, said an analyst with the firm.

In long steel, BF (blast furnace)-rebar trade prices are currently hovering at ₹50,000-51,000 per tonne ex-Mumbai, Big Mint data showed. It hit three-year low levels at ₹49,500 per tonne during August-end 2024 on a slowdown in demand. Rebars are most likely to have been impacted by the slackening of construction activities during monsoons.

However, major steel producers cited an increase in imports and restrictions in export opportunities and higher production as reasons for the weakness in flat steel prices. Jayant Acharya, joint managing director and chief executive officer, JSW Steel, said, "With a slowdown in the global economy, the global steel industry, including in India, is facing a significant threat due to a surge in steel exports, particularly from China at predatory prices."

"India is a bright spot in a weaker global demand scenario, with a strong domestic demand growing at 13-14 per cent. But it also means that surplus countries are focusing on India to dump their excess material. While our imports have increased sharply, our exports have dropped significantly due to increasing restrictions by various countries," he added.

Ranjan Dhar, director and vice president of sales & marketing, AM/NS India, noted that export opportunities for India were constrained as key markets were either flooded with Chinese exports, experiencing weak demand, or facing trade restrictions. "Meanwhile, imports are surging, even as major producers in India are ramping up production in line with the government's steel policy."

Figures from CRISIL Market Intelligence and Analytics (CRISIL MI&A) showed that from April to August, finished steel imports increased by 24 per cent year-on-year (Y-o-Y), while there was a 40 per cent Y-o-Y dip in exports. The infrastructure and construction segment is the biggest end-user segment for steel. Post-election, however, tendering and awards activity in India has been a mixed bag.

Manoj Nair, National Head – Industrial EPC Business, Sterling and Wilson, points out there has been a spike in firm enquiries in the infrastructure and manufacturing space. "The tendering activity has picked up after the general elections with a lot of requirements coming in from mines, metals, ports, electronics and defense-related sectors. All these are in response to the positive vibration created towards economic growth through Infrastructure development," he said.

However, ordering activity in the roads segment, a subset of infrastructure is yet to see a positive spike. ICRA in a recent report noted in 4MFY25, the road awards stood at 563 kilometre, 50 per cent lower than the 1,125 km awarded in 4MFY24.

The report said that with improved clarity regarding order-awarding activity from the roads ministry in August 2024, project awarding is expected to gain momentum from September 2024 onwards. However, the overall project award will remain substantially lower than that of FY21-FY23 levels. Sehul Bhatt, Director- Research at CRISIL Market Intelligence and Analytics, also pointed to global factors.

"Global flat steel prices are plumbing multi-year lows, which is adding to the headwinds," he said. However, the good part is lower global prices have curtailed raw material prices such as for iron ore, steel scrap, coking coal, and thermal coal, he said, adding that, "This has given steel makers the leeway to cut prices." Low-cost imports have been a worry for steelmakers for a while, especially as major producers are spending billions of dollars in capacity addition. By 2028, CRISIL MI&A estimates large steel players will add approximately 50 million tonnes per annum capacity. "The Indian steel industry has invested large amounts and it is important to ensure these are not put to risk by unfair dumping by surplus countries," Acharya said. "Uncontrolled imports threaten to cripple domestic manufacturing, a concern that the government has acknowledged and is actively working to address," added Dhar.

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