

India hopes to reverse rising trend in steel imports in 2025

POLICY INTERVENTION. Commerce Department is mulling the imposition of safeguard duties

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India is likely to end FY25 and CY24 as a net importer of steel, with mills anticipating continued headwinds on the export front.

Pressure from Chinese imports continues while policy intervention is expected with the Department of Commerce exploring the possibility of imposition of safeguard duties.

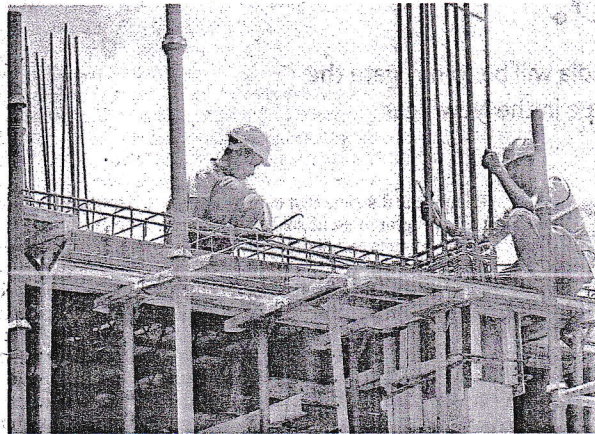
According to Steel Ministry data, India's imports at 6.5 million tonnes (mt), up over 26 per cent, were more than double the exports at 3.2 mt, down 24 per cent for the April-November period of this fiscal, and the steel trade deficit widened to ₹26,468 crore, which was amongst the highest in the last few years.

In the case of India's steel mills, the key European markets for exports are struggling with an economic slowdown while in the Middle East, there is stiff competition from Chinese offerings. Steel prices came down in November 2024 y-o-y in major markets like China, India, the US and the European Union (EU).

CHINESE EXPORTS

China has been aggressively dumping steel across the world at highly predatory prices and sometimes lower than the cost of production. "Saddled with excess inventory...China has been exporting steel overseas at throwaway prices," the top brass of an Indian steel mill said recently. The story in the case of India is no different with one out of every three steel products imported into India being Chinese.

According to market participants, a fall in domestic demand in China with the collapse of the property construction sector saw the share of consumption of the metal fall to 24 per cent in 2023 (from 40 per cent) and it is expected



FEELING THE HEAT. China has been aggressively dumping steel across the world at highly predatory prices and sometimes lower than the cost of production. MOORTHY M

QUICK FACTS

- India's imports at 6.5 million tonnes were more than double the exports at 3.2 mt for the April-November period of this fiscal
- The steel trade deficit widened to ₹26,468 crore, which is among the highest in the last few years

to come down further to 10 per cent this year, if global numbers are an indication.

Market intelligence firm, Big-Mint said, volumes from China increased just ahead of the expiry of some of the Bureau of Indian Standards (BIS) licences given to mills/exporters. "Chinese steel imports into India rose a whopping 98 per cent over January-October," the report said.

Vietnam used FTAs with India while maintaining a steady level of exports here "...punctuated by

sharp spikes in November 2023 and August-September," the market intelligence firm noted.

Japan saw an over 100 per cent y-o-y increase in steel exports to India for April-November period, primarily taking advantage of FTAs, increased push for auto-grade steel in certain cases, among other factors.

Till September, import prices of steel were mostly at par with domestic prices which had put pressure on domestic sales. Mills had taken to discounting to compete with Chinese offers. As per Big-Mint, landed prices in rupee parity from China averaged at ₹56,417/t (\$663/t) and from FTA countries at ₹54,667/t (\$642/t) in FY24. In comparison, trade-level benchmark hot rolled coils, ex-Mumbai, stood at ₹56,008/t (\$658/t). In FY25, India's prices are at ₹50,510/t (\$593/t) versus Chinese offers that averaged ₹50,689/t (\$595/t) and those from FTA countries, were at ₹49,011/t (\$576/t).

Chinese offers rose in Q3FY25, post the stimulus packages, whereas Indian prices underwent

corrections to counter the inventory pile-up. However, steel imports coming in through FTA prices were consistently lower. Consumption of steel in India has been increasing at double digit numbers which has helped mills here tide over volume sales concerns. Against a production of 95 mt of finished steel (up 5 per cent y-o-y) for April-November, consumption was 98 mt (up 12.3 per cent y-o-y), a Steel Ministry report noted.

OUTLOOK

In China, steel prices weakened m-o-m, and the Trump administration is likely to bring more uncertainty to global trade, making exports more challenging for China's steel and steel-made manufactured goods in 2025, a Steel Ministry official said, indicating the country needs to watch out for imports.

Following immense pressure from Indian companies, a notice for initiating the safeguard investigation by the Directorate General of Trade Remedies (DGTR) was issued. And the industry is hopeful of positive outcome that will stem imports. FTAs are being reviewed too even as murmurs around safeguard duties are getting stronger.

A cache of BIS licences have expired for Indian and Vietnamese mills too. "Currently, there are no active offers from Chinese mills," BigMint said in a report while adding that not many Chinese mills have a valid BIS permit to export to India. In Vietnam, except for Formosa, no other mill's licence has been renewed so far.

On the other hand, cement-makers, who have had a tough first half this fiscal (April-September 2024), are expecting uptake in construction activities possibly from January, driven by pent-up demand, a rebound in government capex, and sustained momentum in the real estate and housing sectors.