

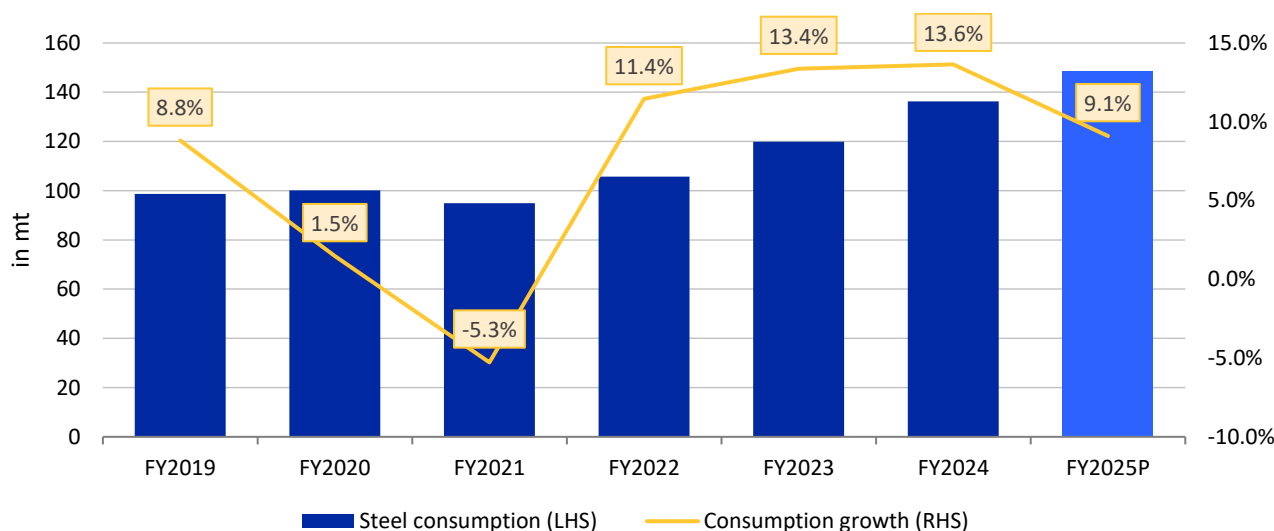
PRESS RELEASE
June 03, 2024

FY2025 domestic steel consumption growth revised upwards to 9-10%: ICRA

- Earnings of domestic steel mills to sequentially increase in Q1 FY2025 as input costs moderate and steel prices trend up
- Finished steel import pressures to stay elevated in FY2025 as trade flows get diverted to high-growth markets like India

According to ICRA’s latest note on the steel sector, domestic steel consumption registered a growth of 11.3% between February to April 2024. While government capex spending was healthy until February 2024, other steel consuming sectors like housing/real estate contributed to the resilient demand thereafter. Given these leading trends, the rating agency has revised its FY2025 full-year steel demand growth target to 9-10%, higher by 200 basis points, compared to the earlier estimate of 7-8%, leading to the sector’s FY2025 earnings being revised upwards. Following the expectation of better realisations, and higher deliveries, the industry’s¹ leverage (total debt to operating profits) is expected to remain at a comfortable level of 2.0-2.5 times in FY2025, making it resilient to withstand a worsening global demand environment. ICRA has, therefore, retained the sector’s outlook at Stable.

EXHIBIT 1: TREND IN ANNUAL DOMESTIC STEEL CONSUMPTION



Source: JPC, ICRA Research, P: Projected growth

Commenting on the industry trends, **Girishkumar Kadam, Senior Vice-President & Group Head, Corporate Sector Ratings, ICRA** said: “For the last three years, the steel industry has been going through the fastest period of growth witnessed since the global financial crisis. In FY2024, the industry registered a consumption growth of 13.6%, which is marginally lower than the peak of 13.9% registered in FY2006 during the golden period of India’s private sector capex. With demand remaining healthy despite the ongoing Parliamentary elections, we have revised our baseline FY2025 average steel prices forecast upwards by 2-3% over our previous estimates made in February 2024. This is expected to lead to an earnings uplift of US\$ 12-18/MT in the current fiscal.”

On the cost front, ICRA earlier estimated the FY2025 baseline spot price for Australian origin prime hard coking coal to average at US\$ 250-260/MT. In line with expectations, prime hard seaborne coking coal cargoes from

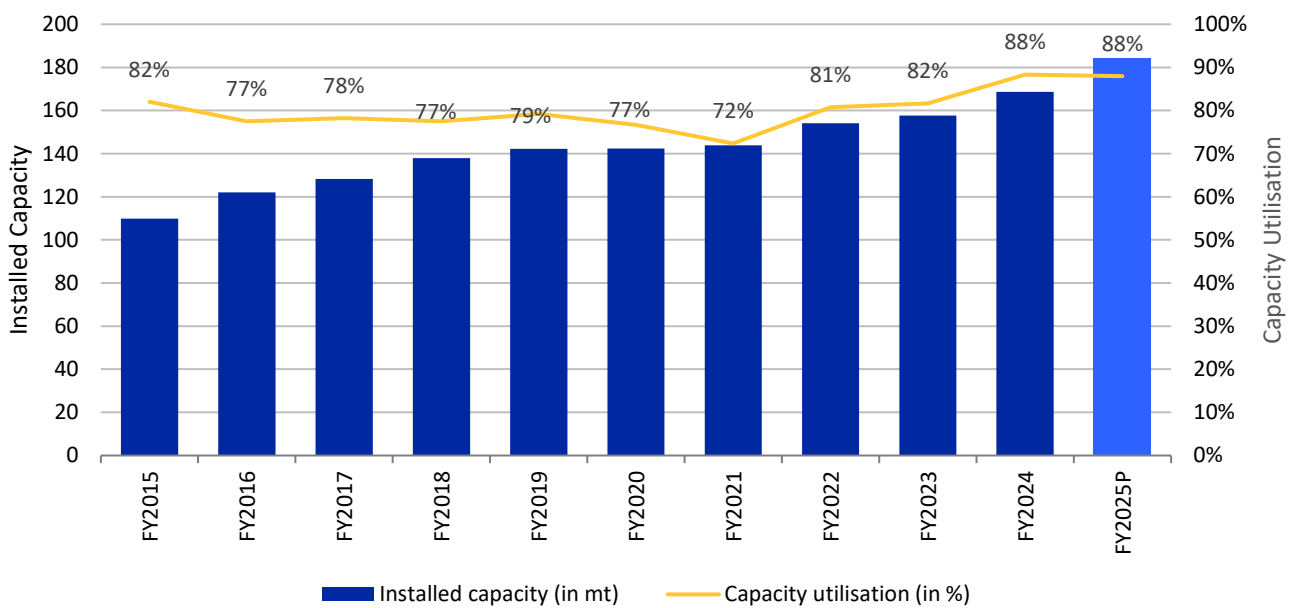
¹ Calculated for a set of 20 listed domestic steel companies for their standalone operations in India which account for ~55% of the domestic installed capacity

Australia sequentially trended down by 28% from the high watermark of US\$ 338/MT (FoB basis) in the second week of January 2024, to US\$ 243/MT in the fourth week of May 2024. With coking coal accounting for 40-50% of the overall operating cost for a primary steelmaker, this material input-cost moderation, along with the 4%/12% sequential uptrend in domestic flat/long steel prices in the current fiscal so far, is expected to lead to a meaningful improvement in the industry’s Q1 FY2025 earnings, compared to the Q4 FY2024 lows.

Steel being a globally traded commodity, the external environment, therefore, plays a crucial role in determining the health of the domestic industry. Given the sub-par economic growth outlook in China, along with other leading global steel-producing and consuming hubs, steel trade flows have been redirected to high-growth markets like India. Consequently, domestic finished steel imports have been steadily rising since FY2023.

Commenting on this trend, **Kadam added:** “India’s finished steel imports increased by 38.2% in FY2024. In line with our expectations, India turned into a net steel importer last fiscal after a gap of five years. Given the weak global growth outlook over the next few quarters, we expect domestic steel imports to rise further by ~13-14% in FY2025, leading to the country being a net steel importer in the current fiscal as well.”

EXHIBIT 2: TREND IN STEEL INDUSTRY CAPACITY UTILIZATION



Source: JPC, ICRA Research, P: Projected growth

Steelmakers have been on a capacity expansion spree, post Covid, with around 26.3 million tonne per annum (mtpa) being commissioned between FY2021 and FY2024, and another 27.5 mtpa of new steel-making capacity expected to come onstream between FY2025 and FY2027. This rapid pace of fresh capacity creation has been unparalleled in India. The industry is poised to witness an all-time-high-capacity addition of 15.6 mtpa in FY2025.

However, such large capacity additions have been adequately counterbalanced with incremental demand, helping shore up the industry’s utilisation level to a decadal high of ~88% in FY2024/ FY2025E.

[Click here to access our previous press releases on the sector](#)

For further information, please contact:

Media Contacts:

Naznin Prodhani

Head - Group Corporate
Communications & Media Relations
ICRA Ltd
Tel: + (91 124) 4545300,
Dir - 4545860
Email:
naznin.prodhani@icraindia.com

Shivendra Singh

Deputy Manager - Media &
Communications
ICRA Ltd
Tel: +91- 9892875193
Email:
[shivendra.singh@icraindia.co](mailto:shivendra.singh@icraindia.com)
[m](#)

© Copyright, 2024 ICRA Limited. All Rights Reserved.

All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable. Although reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies, while publishing or otherwise disseminating other reports may have presented data, analyses and/or opinions that may be inconsistent with the data, analyses and/or opinions presented in this publication. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.

Disclaimer:

This Press Release is being transmitted to you for the sole purpose of dissemination through your newspaper/magazine/agency. The Press Release may be used by you in full or in part without changing the meaning or context thereof, but with due credit to ICRA Limited. However, ICRA Limited alone has the sole right of distribution of its Press Releases for consideration or otherwise through any media including, but not limited to, websites and portals.

About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency. Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.



Click on the icon to visit our social media profiles.