

STEEL INDUSTRY – TRENDS & OUTLOOK

Imports rise, leading steel prices to slide; however, as costs subside and demand still surprises, industry earnings may hold steady in FY2025

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While domestic steel prices have been under pressure from the middle of May on the back of unabated imports, steel consumption growth remained strong in Q1 FY2025. Notwithstanding the decline in steel prices, steel spreads to be supported by softer raw material prices in the near term.



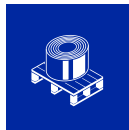
- Around 27.5 mtpa of new capacity is likely to come onstream between FY2025 and FY2027. The industry is poised to witness an all-time high-capacity addition of 15.6 mtpa in FY2025. However, these have been adequately counterbalanced by incremental demand, helping shore up the industry's utilisation level to a decadal high of ~88% in FY2024/FY2025E.



- Domestic steel consumption remained strong in Q1 FY2025 whereby consumption grew at 15% YoY. While there would be some slowdown in the current quarter due to the seasonality, ICRA expects the full-year consumption growth to be healthy at ~9-10%, .



- Steel imports continue unabated in Q1 FY2025 growing by 35.4% YoY. India remained a net importer of finished steel in Q1 FY2025. Elevated imports along with seasonality factors have led to steel prices correcting by almost 6% till the first week of August from the levels seen in the first week of May.



- In FY2025, with the sub par global economic outlook in most of the large key steel-consuming regions and the competition with Chinese mills likely to remain elevated in India's key export destinations of Europe, West Asia, and Southeast Asia, ICRA expects finished steel exports to witness only a modest increase of ~7-8% in FY2025.



- Coking coal cargoes from Australia after having corrected significantly from \$258/MT (FoB basis) in the first week of July 2024 to \$205/MT (FoB basis) in the third week of August 2024. India's leading merchant iron ore producer, NMDC Limited, slashed iron ore prices by ~18% till the first week of August 2024 from the peak levels seen in the last week of May 2024.



- India's anti-dumping probe into imports from Vietnam came on the heels of Vietnam launching a similar probe into steel imports from India. Unlike steel imports from China, which is subject to basic customs duty (7.5%) and social welfare surcharge (10% of customs duty), steel imports from Vietnam are not subject to duties under the India-Asean Free Trade Agreement.

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