ICRA

STEEL INDUSTRY – TRENDS & OUTLOOK

Operating margins of steel mills unlikely to materially improve in FY2026 unless trade protection measures addresses elevated imports

FEBRUARY 2025

OVERVIEW

Click to see full report

The domestic steel industry's operating profits per tonne of steel production is expected to average at US$ 110/MT in FY2025, being at the lower end of the US$ 100-150/MT range for assigning a Stable outlook. Given the uncertain external environment, and a moderation in growth of GOI's capex spends, unless any trade protection measures are implemented, industry's earnings are unlikely to materially improve in FY2026. Imposition of SGD could potentially improve industry's operating profit margins by 300-350 basis points

- Steel imports continue unabated, growing by 21.4% YoY in 10M FY2025, making India a net importer of steel for back-to-back two years since FY2024; Unless some trade protection measures are introduced, steel imports are poised to rise further in FY2026 as global steel trade flows gets diverted to high-growth markets like India.
- Chinese steel exports rose by 22.7% in CY2024, reaching levels seen during the CY2015 metal meltdown. Given the domestic demand challenges following the housing bubble, Chinese hot-rolled-coil (HRC) export offers are poised to average lower by 12% YoY to ~US$ 500/MT in FY2025 against US$ 566/MT in FY2024. In FY2026, Chinese HRC export offers are expected to average at ~US$ 490/MT in ICRA's baseline estimates.
- Domestic finished steel demand growth for FY2025 is expected at 10% in FY2025, being at the lower end of the 10-11% range given by ICRA at the start of the current fiscal. However, there has been a moderation in steel demand growth to less than 7.5% in H2 FY2025. Therefore, given the moderation in growth of GoI's capex spends, ICRA expects domestic steel demand to grow at 7-8% in FY2026.
- On the cost front, steelmakers have witnessed some relief as prime hard coking coal offers from Australia are poised to average at US$ 212/MT (FoB basis) in FY2025, against US$ 286/MT in FY2024. With coking coal costs accounting for ~40-45% of the cost of a blast-furnace based steel producer, this cost reduction helped counterbalance the softness in domestic flat steel prices due to the rise in cheaper imports
- With steel imports nibbling at market share, domestic finished steel production growth is expected to moderate to 4-5% in FY2025. This, along with the rise in fresh capacities, is expected to pull down the industry's capacity utilization levels to a four-year low of 78% in FY2025. ICRA however expects the FY2026 capacity utilization levels to inch up above 80% as mills defer expansion plans due to subdued earnings.
- The industry's* total debt/ OPBITDA is expected to trend up to ~2.5 times in FY2025P, being still lower than the through-the-cycle median leverage of 3.8 times. Industry leverage could moderate to 1.5 times in FY2026 if SGD is imposed, which has the potential to materially increase the industry's earnings as the threat of cheap imports alleviates.

**Industry: 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*

What's Inside?

ICRA

What's Inside?

7 Performance of ICRA's rated portfolio in the steel sector

8 Company section

9 Measuring up the carbon footprint

Analytical Contact Details

Name	Designation	Email	Contact Number
Girishkumar Kadam	Senior Vice-President	girishkumar@icraindia.com	022 – 6114 3408
Vikram V	Vice-President	vikram.v@icraindia.com	040 – 6939 6410
Ritabrata Ghosh	Vice-President	ritabrata.ghosh@icraindia.com	033 – 7150 1100
Deepayan Ghosh	Senior Analyst	deepayan.ghosh@icraindia.com	033 – 7150 1100

Business Development/Media Contact Details

Name	Designation	Email	Contact Number
L Shivakumar	Chief Business Officer	shivakumar@icraindia.com	022-61693304
Neha Agarwal	Head – Research Sales	neha.agarwal@icraindia.com	022-61693338
Rohit Gupta	Head Business Development – Infrastructure Sector	rohitg@icraindia.com	0124-4545340
Vivek Bhalla	Head Business Development – Financial Sector	vivek.bhalla@icraindia.com	022-61693372
Vinita Baid	Head Business Development – Corporate Sector - West & East	vinita.baid@icraindia.com	033-71501131
Shivam Bhatia	Head Business Development – Corporate Sector - North & South	shivam.bhatia@icraindia.com	0124-4545803
Naznin Prodhani	Head – Group Corporate Communications & Media Relations	communications@icraindia.com	0124-4545860

ICRA

ICRA

Thank You!