

STEEL INDUSTRY - SAFE NOW?

**Safeguard Duty likely to lead to a 300-
bps sequential improvement in
operating profit margins for the
domestic steel industry in FY2026**

March 2025





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Bulk of India's steel imports was originating from Asian countries including China, Japan, South Korea, and Vietnam. As per ICRA's estimates, the proposed Safeguard Duty (SGD) will impact around 60-75% of India's overall steel imports. Therefore, the economics of flat steel import will change from hereon. This is expected to lead to a 50% reduction in India's steel imports in FY2026 compared to FY2025 and is therefore a credit positive.



- **On March 18, 2025, the Directorate General of Trade Remedies (DGTR), in its preliminary findings, recommended the imposition of a 12% Safeguard Duty (SGD) on certain alloy and non-alloy flat steel products being imported to India.**
- **The DGTR has recommended certain landed imported steel price thresholds**, wherein if steel is imported to India at above those thresholds, then SGD will not be levied, in turn providing a mechanism to stop runaway steel prices.
- **At prevailing international steel prices, the SGD will impose a US\$ 60/MT additional levy for import of hot rolled coil (HRC)**, which makes it costlier over domestic offers, giving domestic steelmakers headroom to increase prices. However, any material downward correction in Chinese HRC prices remains a key downside risk in FY2026.
- **Domestic flat steel prices have trended up by ~8-9% since mid-January 2025** as markets started to anticipate the levy of SGD. This is expected to favourably impact the industry's earnings starting Q4 FY2025.
- **ICRA expects the industry's capacity utilisation inch up to a more comfortable level of 83% in FY2026** from the four-year low of 78% being witnessed in the current fiscal, with imports slated to materially decline, and domestic demand poised to grow at a healthy rate of 7-8% in FY2026.
- **In FY2025/FY2026, domestic mills are targeting to add fresh capacities accumulating to 20-21 mtpa**, which would entail sizeable investments. With earnings weakening in FY2025, the industry was staring at the possibility of a spike in leverage levels. However, the earnings uplift following SGD announcement is expected to improve the industry's credit indicators in FY2026.

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