ICRA

STEEL INDUSTRY – TRENDS & OUTLOOK

Safeguard Duty and moderation in coal cost help steel mills start FY2026 on a strong note; first quarter earnings slated for a significant positive surprise

MAY 2025

OVERVIEW

ICRA

Click to see full report

Domestic steel companies are expected to have a strong start to FY2026 following the imposition of the Safeguard Duty. As steel prices rallied from the Dec'24 lows and coking coal costs remained soft, spreads for a flat steel producer can sequentially inch up by $50-55/MT in Q1 FY2026, reaching a seven-quarter high. However, weakness in Asian steel prices can open downside risks, leading to the possibility of the first quarter gains withering away in H2 FY2026.

- **The escalation in trade war between USA and China since February 2025 and the prospects of a slowdown of Chinese economy has dampened sentiments**, leading to downward pressure on Chinese steel prices. Chinese hot-rolled coil (HRC) export offers were trading at around $450-455/MT in the fourth week of May '25, correcting by $15/MT from the fourth week of Feb '25.
- **While Asian steel prices corrected in recent months, the expectations of a moderation in steel imports following SGD led to domestic HRC prices sequentially rallying** by 13.5% since end-Dec '24. Domestic rebar prices also rallied by 9.4% during this period. However, with broader Asian prices remaining under pressure, domestic steel prices sequentially corrected by ~2% from the Apr'25 peaks.
- **Elevated steel imports nibbled at the market share of domestic mills for most of FY2025.** However, following the announcement of SGD, monthly steel imports started to sequentially decline from Feb '25 as fresh bookings dried up. That said, with Asian steel prices on a decline, prospects of a rise in imports from the prevailing low levels remains a possibility.
- **Steel demand growth is expected to moderate to 7-8% in FY2026** as Government of India's (GoI) capex drive to steel-intensive sectors witness moderation compared to the FY2021-FY2024 peaks. FY2025 industry capacity utilisation slipped below 80% after a gap of four years as elevated imports nibble at market share. However, as imports moderate following the SGD imposition, FY2026 utilisation levels are likely to improve.
- **The industry's large expansion plans have channelised cash flows towards growth** over deleveraging in recent years as earnings moderated from the FY2022 high watermark. However, the industry's bank debt for the steel sector stood at U$176/MT of installed capacity in Mar '25, being significantly lower than the peak level of $450/MT. This suggests a much higher ability to withstand exogenous shocks.
- **The industry's* total debt/ OPBITDA trended up to ~3.5 times in FY2025**, being still lower than the through-the-cycle median leverage of 4.1 times. Industry leverage could, however, moderate to ~2.5 times in FY2026 following an upward revision in the industry's earnings after the SGD imposition.

**Industry: Calculated for a set of 4 top listed domestic steel companies for their consolidated operations which account for ~47% of the domestic installed capacity*

What's Inside?

ICRA

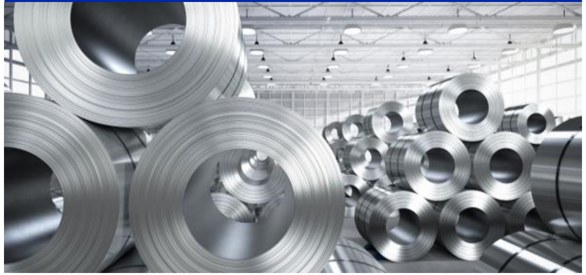
1 The macro environment

2 Steel demand recovery in key global steel producing hubs

3 Steel trade flows

4 Raw material scenario

5 Trends in domestic steel demand



6 Short-range outlook for Indian steel mills

What’s Inside?

ICRA

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 and Group Head	girishkumar@icraindia.com	022 - 6114 3441
Vikram V	Vice-President and Co-Group Head	vikram.v@icraindia.com	040 – 6939 6410
Ritabrata Ghosh	Vice-President and Sector Head	ritabrata.ghosh@icraindia.com	033 – 7150 1100
Deepayan Ghosh	Senior Analyst	deepayan.ghosh@icraindia.com	033 – 7150 1220

ICRA 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 – East	vinita.baid@icraindia.com	033-65216801
Shivam Bhatia	Head Business Development – Corporate Sector – North & South	shivam.bhatia@icraindia.com	0124-4545803
Sanket Kulkarni	Head Business Development – Corporate Sector – West	sanket.kulkarni@icraindia.com	022-6169 3365
Naznin Prodhani	Head - Group Corporate Communications & Media Relations	communications@icraindia.com	0124-4545860

ICRA

Thank You!