

STEEL INDUSTRY

**Soft rebar prices to weigh on
margins of secondary steel entities
in FY2026**

SEPTEMBER 2025





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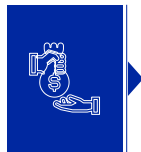
Margins are expected to moderate in FY2026, amid decline in rebar prices. Nonetheless, the coverage metrics are estimated to remain stable.



- **Operating margins of secondary steel producers are expected to contract by ~180-200 bps in FY2026**, driven by subdued TMT/rebar realisation. Despite a likely post-monsoon demand pickup, prices are expected to remain below last year's levels, weighing on margins. In addition, secondary players face steeper pressure than primary integrated producers, reflecting their greater sensitivity to price volatility.



- **Domestic rebar prices rose ~7-8% between December 2024 to April 2025 on improved sentiments and restocking**, before correcting by 15% to ~Rs 41,000/MT by August 2025 amid moderate construction activity and monsoon disruptions. This sharper decline in rebar prices versus Hot Rolled Coil - HRC (which declined by ~4%) has widened the spread, posing profitability pressures for long product focused players in FY2026.



- **While secondary steel producers posted healthy profitability in Q1 FY2026, supported by firm realisation**, the price correction between June-September 2025 is expected to compress TMT entities spreads (steel prices-RM cost) by ~\$60/MT in Q2 FY2026 with sharper impact on secondary producers compared to primary integrated producers. For FY2026, their OPBDITA/MT is expected to decline by ~7-8% to \$52/MT, reflecting softening rebar prices.



- **Rebar demand growth is expected to moderate to 7% in FY2026 from 9% in FY2025 as Government of India's (GoI) capex drive to steel-intensive sectors witnesses moderation** compared to the FY2021-FY2024 peaks. On the supply side, production has broadly tracked consumption growth, supported by new capacity additions.



- **Industry's capex is expected to add ~10-12 mt of new secondary steel capacity over the next 4-5 years.** The DRI-IF route carries the highest carbon emission intensity and faces rising competitive and regulatory pressures as cleaner technologies gain traction. Consequently, the focus on reducing the carbon footprint and pathway to greener steel will increase the capital cost to an extent.



- **Nonetheless, the industry's credit metrics are likely to remain comfortable** with a projected total debt/OPBDITA of 1.3 times and an interest cover of 9.0 times in FY2026 against a total debt/ OPBDITA of 1.1 times and an interest cover of 10.0 times in FY2025.

1 Rebar market dynamics



2 TMT growth trajectory



3 Trend in price and cost movement



4 Profitability indicators



5 Measuring up the carbon footprint



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





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