ICRA

STEEL INDUSTRY – TRENDS & OUTLOOK

Persistent supply overhang weighs on steel prices, extending margin pressures for domestic steel mills

NOVEMBER 2025

OVERVIEW

ICRA

Click to see full report

Operating profits of domestic steel companies contracted to $113/tonne in Q2 FY2026 over higher profits of $123/tonne reported in Q1 FY2026. Muted realisation owing to supply overhang and seasonally weak Q2, resulted in a decline in operating profits. Consequently, steel industry operating margins in FY2026 are estimated to remain flattish compared to an improvement of 100-120 bps expected in our earlier estimates in August 2025.

- **Domestic steel prices remain muted due to persistent supply overhang.** Indian Hot Rolled Coil (HRC) prices briefly spiked to Rs. 52,850/tonne in April 2025 following the 12% safeguard duty (SGD) but corrected to ~Rs. 49,500/tonne by September and ~Rs. 47,000/tonne by mid-November 2025. Capacity additions over the past 2-3 quarters kept supply elevated, and combined with a seasonally weak Q2, resulted in subdued pricing.
- **Around 14 mmt^ of new capacities have been commissioned over the last 3-4 quarters, with another about 5 mmt expected by the year-end.** In addition, 3 mmt plant of NMDC Steel Ltd. has also ramped up in the last 2-3 quarters. While steel demand is expected to remain healthy at 7-8% for FY2026, implying incremental demand of around 11-12 mmt, higher supply additions have created a temporary supply surplus. As newer capacities are absorbed, a gradual recovery in domestic steel prices is likely in the coming quarters.
- **The ongoing US-China trade tensions have exerted downward pressure on Chinese steel prices.** While Chinese steel prices rebounded to about $486/tonne in August 2025, it softened again to around $465/tonne in October 2025. However, domestic steel prices trade at a steep discount to Chinese and Japanese offers (by about $15-50/tonne), reflecting the domestic supply overhang and weak pricing environment.
- **Following the SGD announcement, steel imports have declined steadily since February 2025 as new bookings slowed.** Finished steel imports contracted by almost 30% YoY in H1 FY2026. The recent anti-dumping duty of $121.55/tonne imposed on Vietnam's hot rolled flat products, along with the Directorate General of Trade Remedies (DGTR) recommendation to extend SGD for three years is expected to curb steel imports.
- **Steel industry operating margins in FY2026 are estimated to remain flattish,** lower than the earlier expectation of an improvement of 100-120 bps, owing to muted realisation. With weaker than anticipated margins, industry leverage (TD/OPBDITA) is projected to remain around 3.4 times in FY2026 over 3.1 times estimated in our earlier forecasts in August 2025 and 3.5 times reported in FY2025.
- **The industry's large expansion plans have redirected cash flows towards growth over deleveraging in recent years** as earnings moderated from the FY2022 peak. However, the industry's bank debt for the steel sector stood at $173/MT of installed capacity in September 2025, being significantly lower than the peak of $450/MT. This suggests a much higher ability to withstand exogenous shocks.

^Production Capacity: Calculated for major listed domestic steel companies for their consolidated operations, which account for ~50% 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 Tariff Impact

5 Raw material scenario

6 Trends in domestic steel demand

What’s Inside?

Analytical Contact Details

Name	Designation	Email	Contact Number
Girishkumar Kadam	Senior Vice-President and Group Head	girishkumar@icraindia.com	022 – 6114 3441
Ankit Jain	Vice-President and Co-Group Head	ankit.jain@icraindia.com	0124 – 4545 865
Sumit Jhunjhunwala	Vice-President and Sector Head	sumit.jhunjhunwala@icraindia.com	033 – 6521 6814
Deepayan Ghosh	Assistant Vice President	deepayan.ghosh@icraindia.com	033 – 6521 6804
Shakun Singh	Lead Analyst	shakun.singh@icraindia.com	0124 – 4545 852

Business Development/Media Contact Details

Name	Designation	Email	Contact Number
L Shivakumar	Chief Business Officer	shivakumar@icraindia.com	022-61693304
Sai Krishna	Head – Research Sales and Investor Connect	sai.krishna1@icraindia.com	9840774883
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 – 61693365
Naznin Prodhani	Head – Group Corporate Communications & Media Relations	communications@icraindia.com	0124-4545860

ICRA

Thank You!