

Steel industry saw rise in output, consumption in Apr-Dec: Report

18 Jan 2023



New Delhi: India's steel production and consumption grew 5.7% and 11.5%, respectively, during the first nine months of FY23 (April to December), CareEdge Research said in a report on Wednesday.

The rating agency estimates India's steel production to be in a range of 117-119 million tonne, up 3-5% year-on-year in FY23.

CareEdge Research said that the consumption growth rate is expected to be healthy at 10-12% in FY23, backed by a pick-up in investment in the infrastructure sector and policy support by the government.

"The healthy domestic demand outlook is likely to benefit steel players. To serve the growing domestic demand, local steel production will grow backed by sustained high capacity utilisation levels," it added.

Steel exports declined sharply by 54% y-o-y in the first nine months of FY23 due to weak global demand and an export duty of 15% imposed on steel products from May 2022 to November 2022.

"India became a net importer of steel with a 38% decline in exports y-o-y during Q3FY23. During the same period, imports grew by 70%," the report stated.

In November 2022, the government had withdrawn the export duty on steel products, iron ore lumps and fines (less than 58% iron content) and iron pellets, while the export duty of iron ore lumps and fines (more than 58% iron content) has been reduced from 50% to 30%. The reversal of the export duty hike is expected to boost the Indian exports of steel products in the near to medium term.

According to the report, the international steel prices are expected to remain elevated due to high input costs, primarily iron ore and coking coal, and the ongoing geopolitical crisis. Domestic prices are also demonstrating an upward trend in line with global prices supported by healthy domestic demand.

"The domestic steel demand growth will be healthy at 10-12% in FY23, driven by continued thrust on infrastructure development and pick-up in the real estate and construction activities amid an overall economic revival. While the exports declined sharply in the first nine months of FY23, the recent withdrawal of export duty on steel products and iron pellets as well as a reduction in the export duty of iron ore lumps and fines is expected to reverse this trend with the full impact expected by early FY24," said Tanvi Shah, Director, CareEdge Advisory & Research.

"The operating profit margins of the steel players will see a contraction in FY23 from the peak of FY22, on account of elevated input costs specifically iron ore and coking coal," she added.