

Steel Sector Update – September 2020

September 24, 2020 | Industry Research

Contact:
Madan Sabnavis
Chief Economist
madan.sabnavis@careratings.com
+91-22- 6837 4433

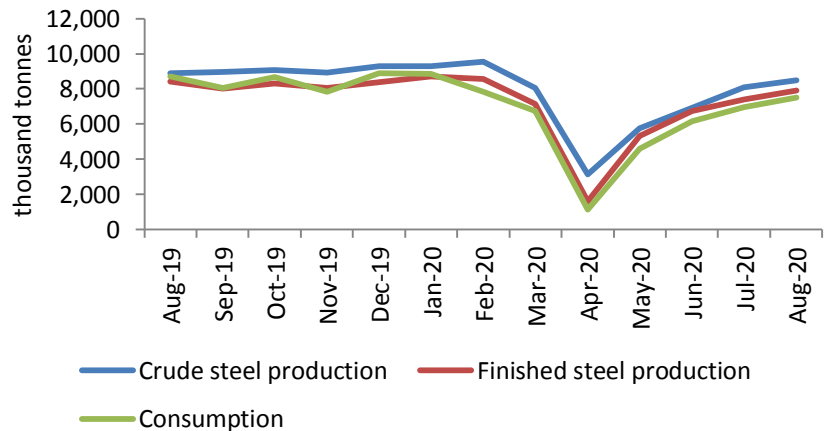
Rashmi Rawat
Deputy Manager
Rashmi.rawat@careratings.com

Mradul Mishra (Media Contact)
mradul.mishra@careratings.com
+91-22-6754 3573

After falling to a record low of 3.1 million tonnes (mt) in April 2020 India's crude steel and finished steel production have shown gradual m-o-m improvement in each of the months during May-August 2020. Production of crude steel and finished steel increased by 5.1% and 6.7%, respectively in August 2020 compared to July 2020. Domestic steel players have been ramping up capacities with easing of lockdown measures and pick-up in demand.

However, as compared to August 2019, production of crude steel and finished steel were lower by 4.2% and 5.5%, respectively in August 2020 but the y-o-y fall has been lower when compared with the previous month.

Table 1: Production of crude steel and finished steel and consumption of finished steel



Source: Ministry of Steel, JPC

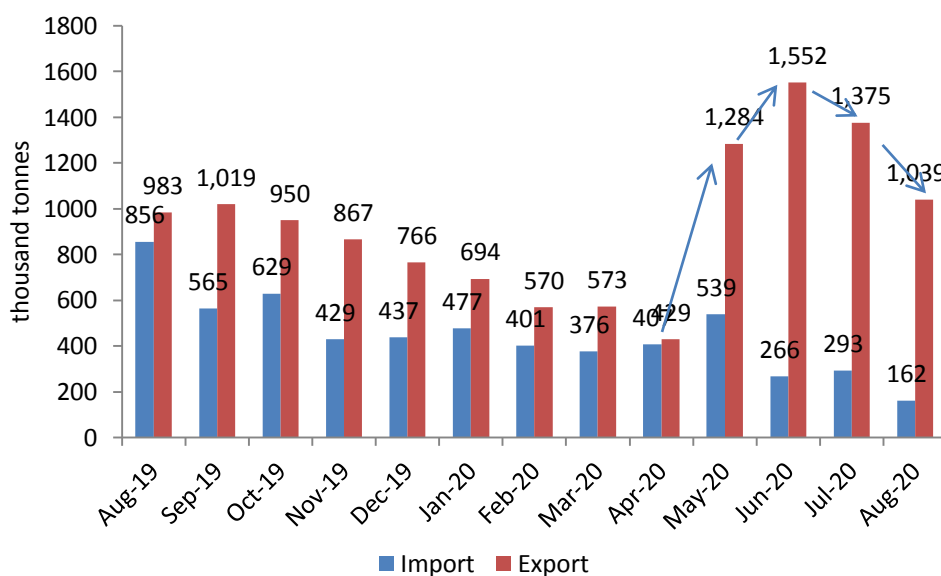
Consumption of finished steel in August 2020 registered an increase of 7.7% on m-o-m basis but was lower by 18.4% over August 2019.

Large integrated steel producers had resorted to exports to tide over the lull in the domestic demand. India's finished steel exports jumped 172% in June 2020 compared to February 2020 (pre-covid) mainly due to increased exports to China, notwithstanding the on-going trade tensions between the two countries. China's steel sector has bucked the trend of global sluggishness in demand. Driving consumption higher is strong housing and infrastructure construction activity supported by raft of economic stimulus measures by the Chinese government. However, exports which had peaked in June 2020 started to slide sequentially from July onwards. Exports have been lower sequentially in July and August 2020 declining by 24.5% in August 2020 as compared to July 2020. Export share in total

Disclaimer: This report is prepared by CARE Ratings Ltd. CARE Ratings has taken utmost care to ensure accuracy and objectivity while developing this report based on information available in public domain. However, neither the accuracy nor completeness of information contained in this report is guaranteed. CARE Ratings is not responsible for any errors or omissions in analysis/inferences/views or for results obtained from the use of information contained in this report and especially states that CARE Ratings has no financial liability whatsoever to the user of this report

finished steel production which had touched 23% in June 2020 came down to 13% in August 2020 indicating fall in reliance on exports by domestic players as pent-up domestic demand is released with easing of lockdown. Imports fell by 44.8% during August 2020 as compared to July 2020. India remained a net exporter of finished steel during August 2020 with a net trade surplus of 0.9 mt.

Chart 2: Trend in import and export of finished steel



Source: JPC

Table 1: Share of finished steel export to below countries from India as on August 2020

	Aug 2019	Aug 2020	
China	0.1	38	↑
Bangladesh	1	3	↑
Italy	17	9	↓
Vietnam	26	14	↓
Nepal	9	5	↓
UAE	10	10	
Others	37	21	↓

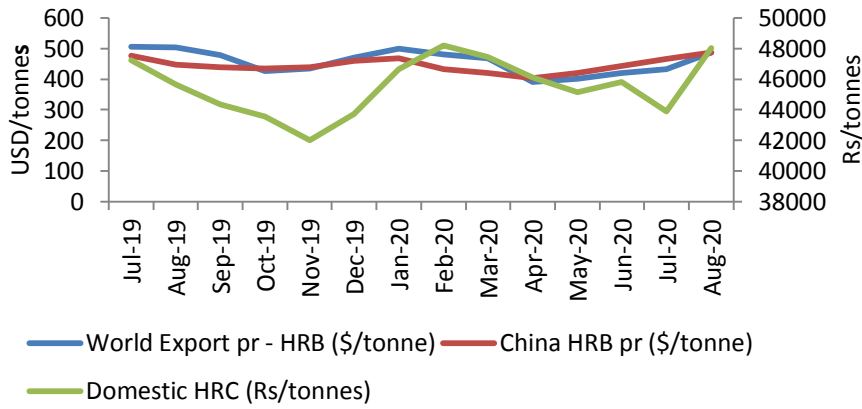
Source: JPC

Share of China and Bangladesh in steel exports from India was higher in August 2020 as compared to August 2019. However, it declined for Vietnam, Italy and Nepal during the same period

Chinese steel prices were boosted mainly due to supply shortage of iron ore and resilient steel demand, which sent international prices higher. Domestic steel players also hiked prices given the pick-up in domestic demand and firm trend in international prices.

Retail prices (Mumbai prices) of steel HR Coils and CR coils increased by 9.4% and 6.7%, respectively in August 2020 compared to July 2020.

Chart 3: Trend in domestic and International steel prices



Source: Steelbenchmarker, JPC

CORPORATE OFFICE:

CARE Ratings Limited

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022; CIN: L67190MH1993PLC071691
 Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457
 E-mail: care@careratings.com | Website: www.careratings.com

Follow us on  [/company/CARE Ratings](https://www.linkedin.com/company/CARE-Ratings)
 [/company/CARE Ratings](https://www.youtube.com/channel/UC...)