

SectorVector

Reading the topical trends

June 20, 2024

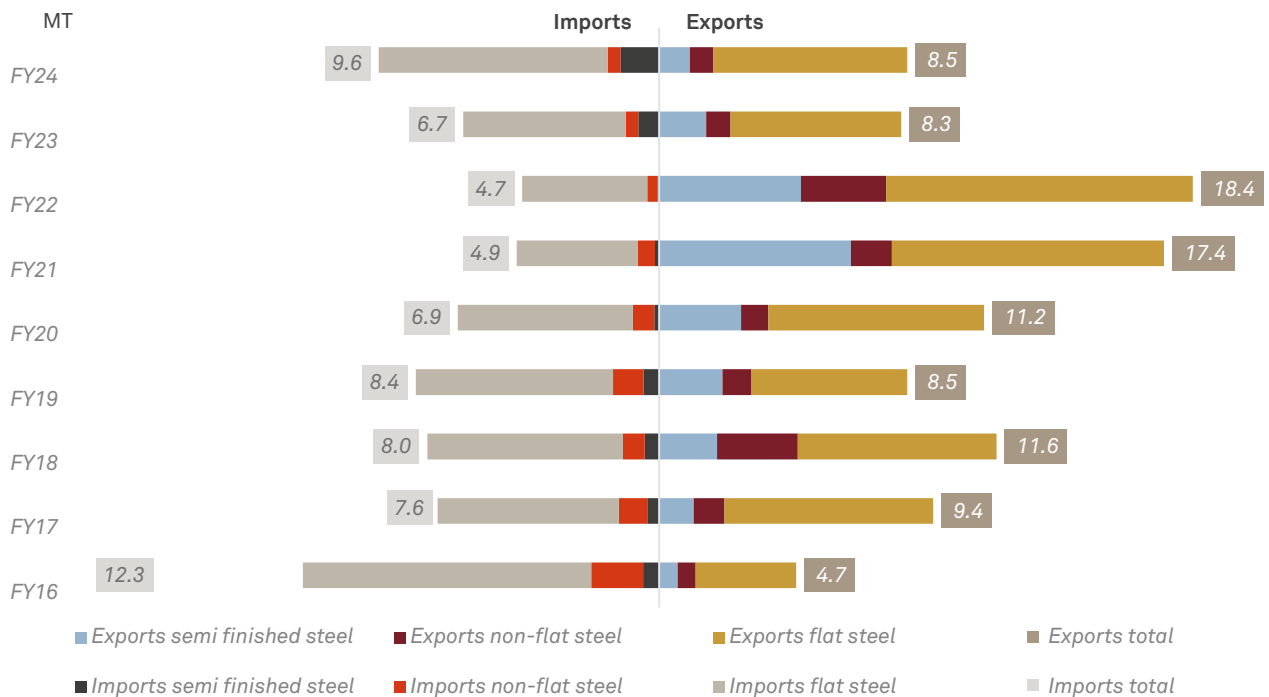
Steel smarting

India turns net steel importer; domestic demand a bright spot

India became a net importer of steel in fiscal 2024, with an overall steel trade deficit of 1.1 million tonne (MT), marking a shift in status as a net exporter since fiscal 2017.

International trade flow has seen significant changes of late and weak global markets and competitive Chinese steel have negatively impacted India's exports. That said, strong domestic demand remains a bright spot for the Indian steel industry.

Import and export of steel and steel products in India



Source: JPC, DGFT, CRISIL MI&A Research

Deluge of imports continues

According to provisional government data, India’s finished steel imports stood at 8.3 MT in fiscal 2024, up 38% on-year. The major imports were from China, South Korea, Japan and Vietnam.

China led the pack, with its steel exports to India reaching 2.7 MT in fiscal 2024, mainly because lower investments in the real estate sector there led to weak steel consumption, prompting steel mills to look for opportunities outside the country to boost volume.

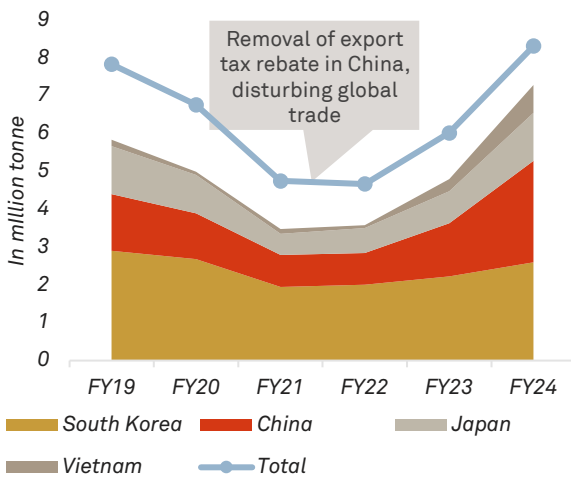
South Korea and Japan maintained their export volumes to India, exporting 2.6 MT and 1.3 MT, respectively. Vietnam also made it to the list of top exporters, with its exports to India rising 130% on-year. Interestingly, Vietnam, itself a major exporter, was also one of the top export destinations for China. China exported around 94 MT of iron and steel products globally in calendar year 2023, up 38% on-year.

In terms of products, flats accounted for 95% of finished steel imports by India in fiscal 2024, with non-alloys making up 76% of the flat steel category.

Hot-rolled (HR) coils and plates were the most imported steel types, accounting for 62% of the import volume and witnessing a significant increase of 117%. Galvanised plain and galvanised corrugated (GP/GC) sheets and electrical sheets saw a 41% and 25% increase, respectively, with China being the primary source of the import volume.

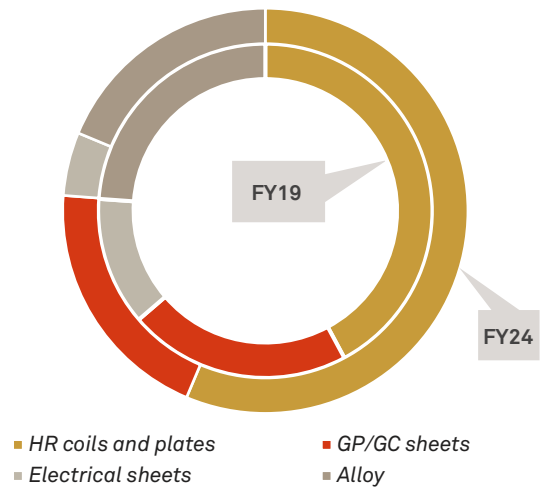
A notable shift was observed in product distribution in fiscal 2024 compared to fiscal 2019, with a decline in imports of electrical sheets, a specialty grade steel. This trend is expected to continue, driven by the Production-Linked Incentive (PLI) scheme aimed at promoting the production of specialty grade steel in India between fiscals 2024 and 2030. The scheme has already approved a few large integrated players in the electrical steel category. Across all product categories, 57 MoUs have been executed for generating investment of Rs 29,500 crore, which would lead to 25 million tonne of additional capacity for specialty steel by fiscal 2028. As of December 2023, Rs 12,900 crore had already been invested and a cumulative investment of Rs 26,000 crore investment is expected by the end of the current fiscal.

Indian finished steel imports



Source: JPC, DGFT, Crisil MI&A Research

Imports FY19 vs FY24



The saga of rising imports has continued in fiscal 2025. In April and May 2024, India imported around 1.14 MT, up 20% on-year.

Competitive global markets keeping exports at bay

Indian exports of finished steel totalled ~7.5 MT in fiscal 2024, up 11.5% on-year, on a low base. In terms of volume, flat products accounted for the bulk of

exports, with the European Union (EU) being India’s largest export market. Exports had declined in the first half in fiscal 2024 and picked up pace in the second half, mainly in the last quarter, when exports increased ~37% on-year.

Italy and Belgium were the top export destinations, followed by Nepal and the UAE. Notably, exports to the EU increased 51% in fiscal 2024, and the region had a 36% share in the overall export basket. Imports into

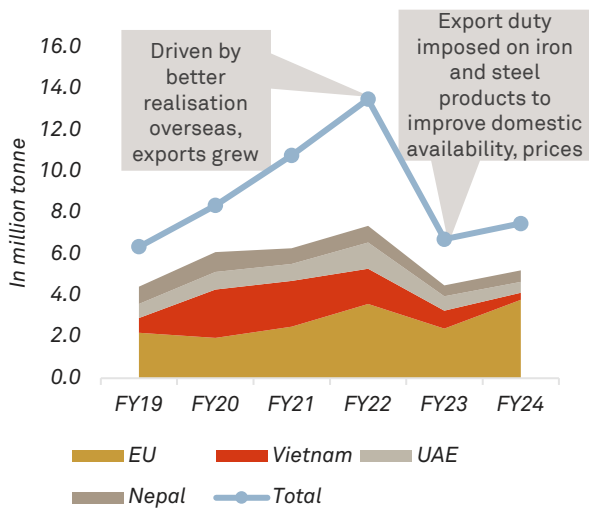
the EU in calendar year 2023 had decreased 9% due to factors such as construction costs and new residential building prices being on the higher side, and a series of events affecting steel-consuming sectors.

Vietnam, previously the second-largest importer of Indian steel, saw a significant decline of 200% in exports from India in fiscal 2024, resulting in the country becoming a net exporter to India.

In terms of product categories, flats accounted for 89% of finished steel exports, with non-alloy types making up 94% of the flat steel category. Within the non-alloy category, HR coils and plates saw a 54% increase in exports, while GP/GC sheets grew 46% on-year. However, exports of alloy steel declined.

If we look at finished steel exports in early fiscal 2025, India exported around 0.95 MT in April and May 2024, a steep fall of 40% on-year.

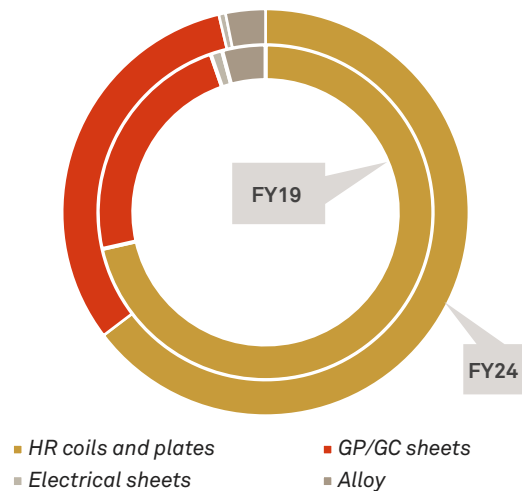
Indian finished steel exports



Source: JPC, DGFT, CRISIL MI&A Research

The global trade dynamics have been significantly impacted by China's dominance, particularly in the steel industry. The country's competitive products have had a negative effect on the prices and export opportunities of other nations. In fact, HRC China FOB prices fell 17% in 2022, following a high base. This sharp decline came after a period of high prices in 2021 and early 2022. Although the Chinese

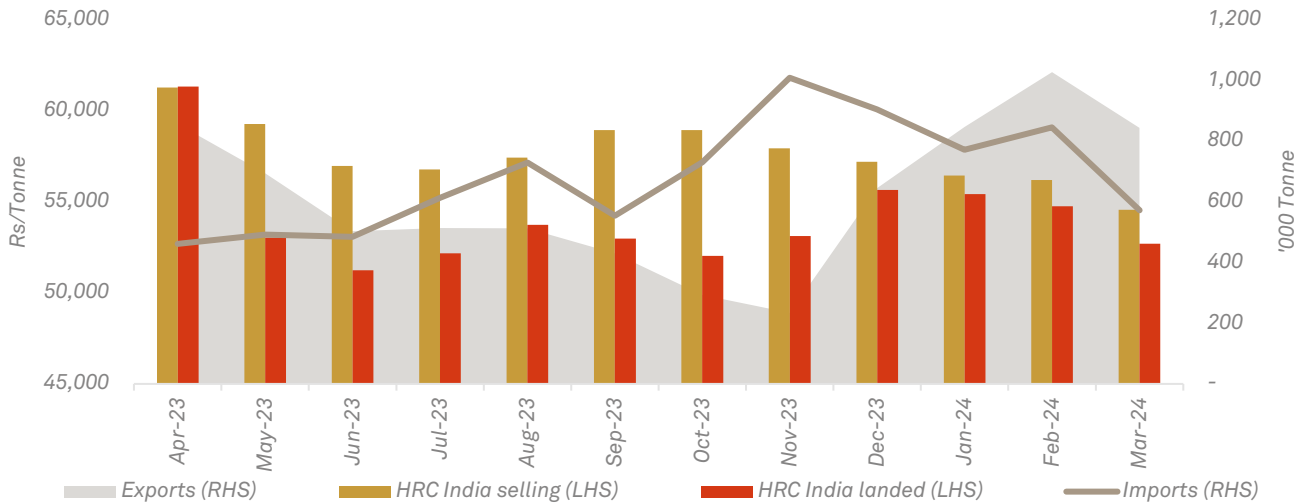
Exports FY19 vs FY24



government has been trying to boost demand through infrastructure spending and relaxing property ownership policies, the real estate sector there remains in a recessionary phase.

On the other hand, Indian steel mills have had a mixed approach to exporting their products. While they do export some steel, they tend to prioritise the domestic market when domestic prices are more favourable.

Steel prices and their impact on imports and exports



Source: JPC, DGFT, Crisil MI&A Research

Changing global trade landscape

The EU’s Carbon Border Adjustment Mechanism (CBAM) entered a transitional phase as of October 2023, requiring importers to report their carbon emissions. This transitional phase aims to assist steel companies in adjusting to the new tool. According to the proposed mechanism, emissions must be reported on a quarterly basis from October 1, 2023, to December 31, 2025. After this period, companies will need to purchase CBAM certificates for their greenhouse gas emissions. While the EU’s low-carbon technologies may create challenges for Indian steel producers, many integrated steel producers are proactively adopting the best available technologies to align with India’s net-zero target and the steel ministry’s vision of reducing emission intensity by 20% by 2030.

Domestic demand to the rescue

India’s steel consumption has been increasing steadily, reflecting the country’s expanding infrastructure and related sectors. According to provisional statistics, steel consumption grew 13.6% in fiscal 2024, reaching 136 MT. This upward trend is supported by strong finished steel production, which increased 12.7% on-year, reaching 139 MT.

The positive trend in India’s steel consumption and production can be attributed to conducive government policies that have stimulated healthy demand growth, as well as substantial investments in capacity expansion of steel production facilities. These investments have ensured an unconstrained supply of steel to end consumers.

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