

Research Papers in Management Studies



Rising Steel Imports in Iron & Steel Industry: Its Impact on SME Industry and Credit Supply

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Abstract:

Indian Steel Industry witnessed a sharp rise in the Steel Imports during FY'23 & FY'24, which have further increased by 27% during first 8 months of FY'25. This has posed some risk to the Indian Steel producers, which already faced the stagnation in the exports demand in FY'23 & FY'24 and trend has continued in the current fiscal on account of subdued global Steel demand.

This research paper will briefly describe what will be impact on SME Industry due to increase in rising steel import in India. How steel industry behave and what will be the scope of Credit

Keywords: SME Loan, Steel Industry, Iron Industry, SME Credit, Bank and Fintech

Introduction:

Indian Steel Industry witnessed a sharp rise in the Steel Imports during FY'23 & FY'24, which have further increased by 27% during first 8 months of FY'25. This has posed some risk to the Indian Steel producers, which already faced the stagnation in the exports demand in FY'23 & FY'24 and trend has continued in the current fiscal on account of subdued global Steel demand.

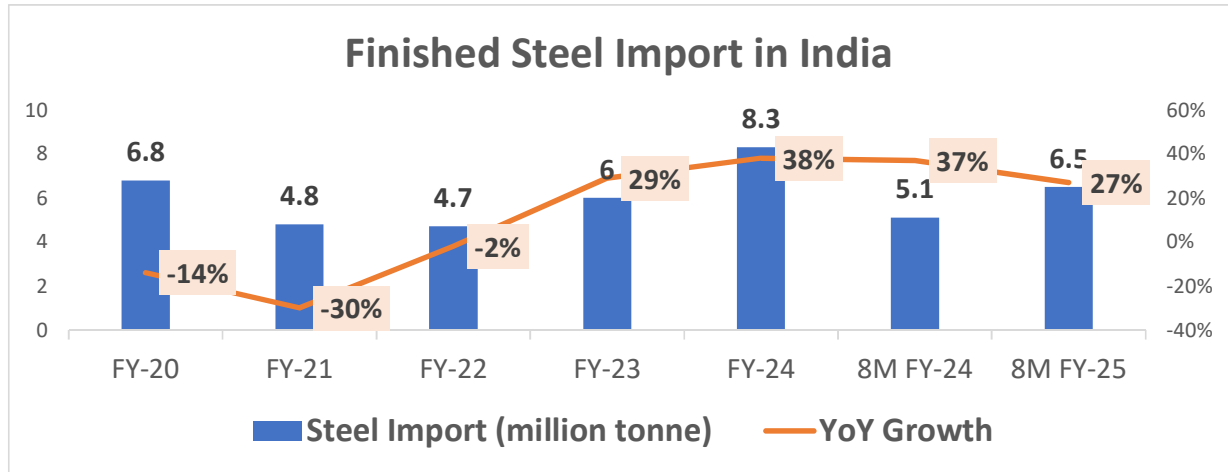
World's Largest Steel producer i.e. China (~54% of World Steel production) is facing weak internal Steel demand. In CY 2023, Crude Steel production in China remained stable. However, it's internal demand decreased by 3.3% during the year. This has led to China dumping / pushing their exports in countries like India etc. As per market news, China is also routing the Steel in India through Vietnam, which has Free Trade Agreement (FTA) with India.

In Dec-24, Ministry of Steel has proposed a 25% safeguard duty on Flat Steel products for two years to curb cheap Chinese imports. India's Directorate General of Trade Remedies (DGTR) is investigating whether cheap imports from China have harmed domestic steelmakers. Post this, Government may take decision on imposing tariff on the Steel imports.

Last year, we had analysed the rising Steel imports in India and assessed its impact on Steel prices / segments / players. We had also compared it with similar trend of rising Steel imports during 2014-16.

In the current study, we have further analysed the continued trend of rise in Flat Steel imports and its impacts on the Steel players' sales volume and profitability

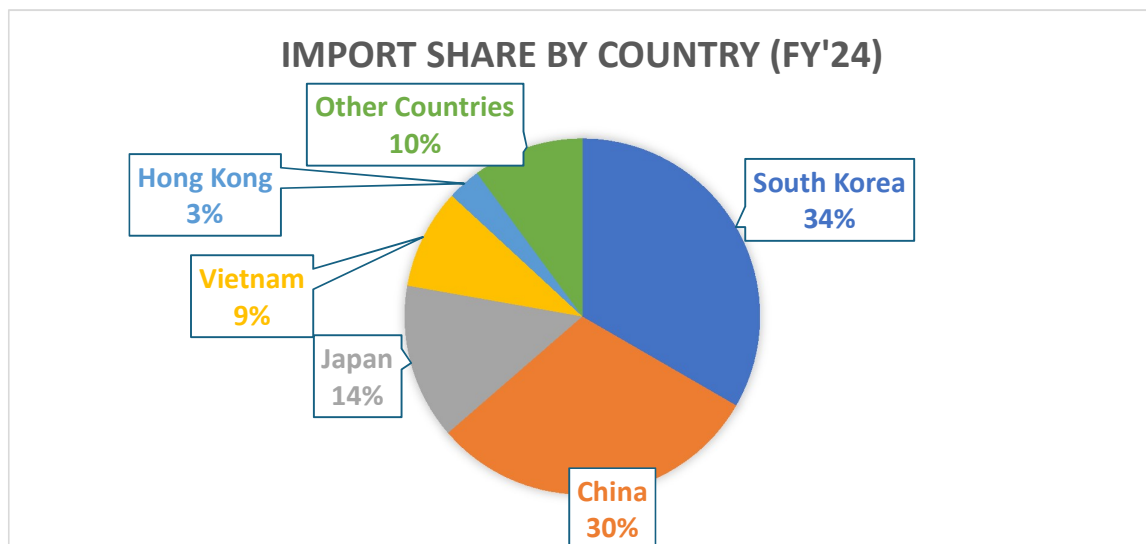
Trend of Steel Imports in India



Source: CMIE

- Steel imports in India increased by 78% YoY during FY'22-24, owing to lower landed prices of imported Steel vis-à-vis domestic prices amid absence of Anti-Dumping Duties (ADD) and Countervailing Duties (CVD).
- During first 8 months of FY'25 (Apr-Nov'24), Steel imports have further increased by 27% YoY, mainly due to healthy domestic demand and cheaper imports, which is expected to result in 25-30% rise in Steel imports in FY'25.
- Steel imports in India accounted for 6.1% of domestic Steel demand in FY'24, share of which has increased from 4.4% in FY'22.

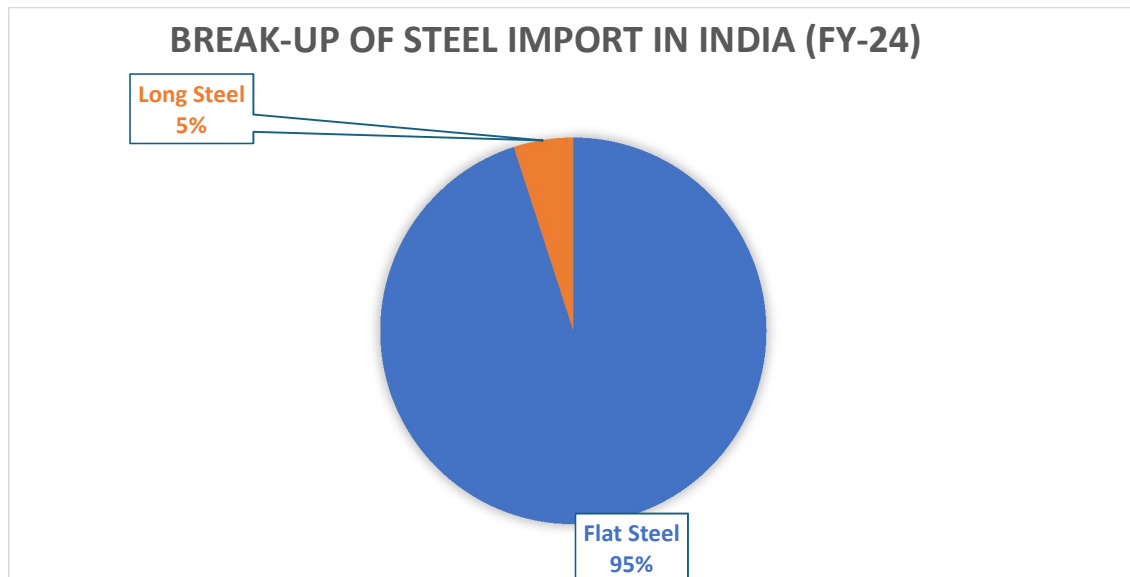
Country Wise Steel Imports



Source: CMIE

- Imports from South Korea, China, Japan and Vietnam accounted for 87% of Steel imports in India during FY'24. Of the top 4 countries, India has Free Trade Agreement (FTA) with South Korea, Japan and Vietnam, which account for 56% of the Steel imports in India.
- During FY'24, Imports from China increased significantly by 65%, followed by Japan (+37%) and South Korea (+21%). Rise in import from China is mainly due to stable Chinese Steel production amid weak internal demand.

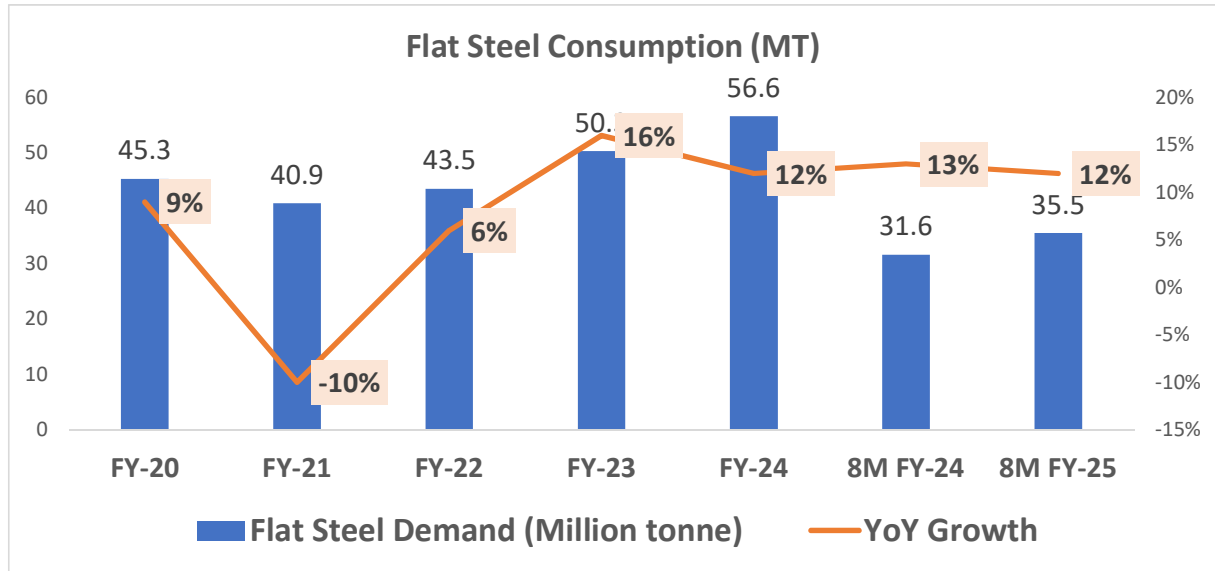
Break-up of Steel Imports by Category



Source: Joint Plant Committee

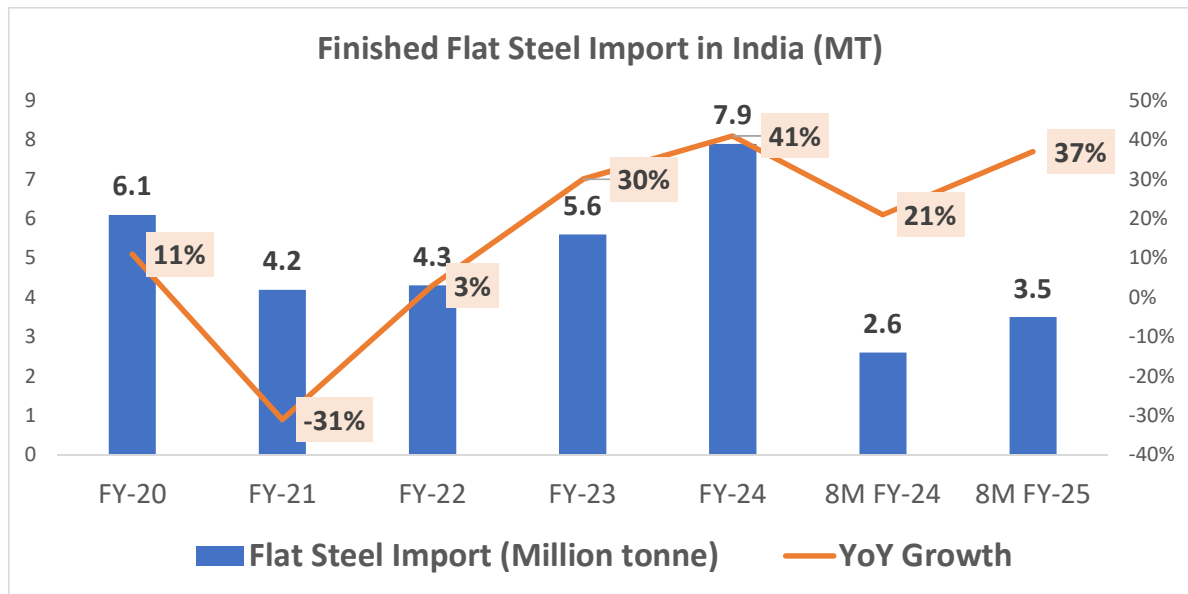
- Flat Steel (Plates, Coils, Sheets etc.) products are widely traded in global market due to ease in shipping and lower transportation cost vis-à-vis Long Steel.
- Hence, Flat Steel account for more than 90% of India's Steel trade (Imports / Exports).

Flat Steel Consumption in India



- During FY'24, Flat Steel demand grew by ~12% YoY, driven by demand from urban infrastructure & housing segment.
- Flat Steel demand is expected to grow in FY'25 by 12-14% and have grown by 12.2% during first 8 months of the fiscal.

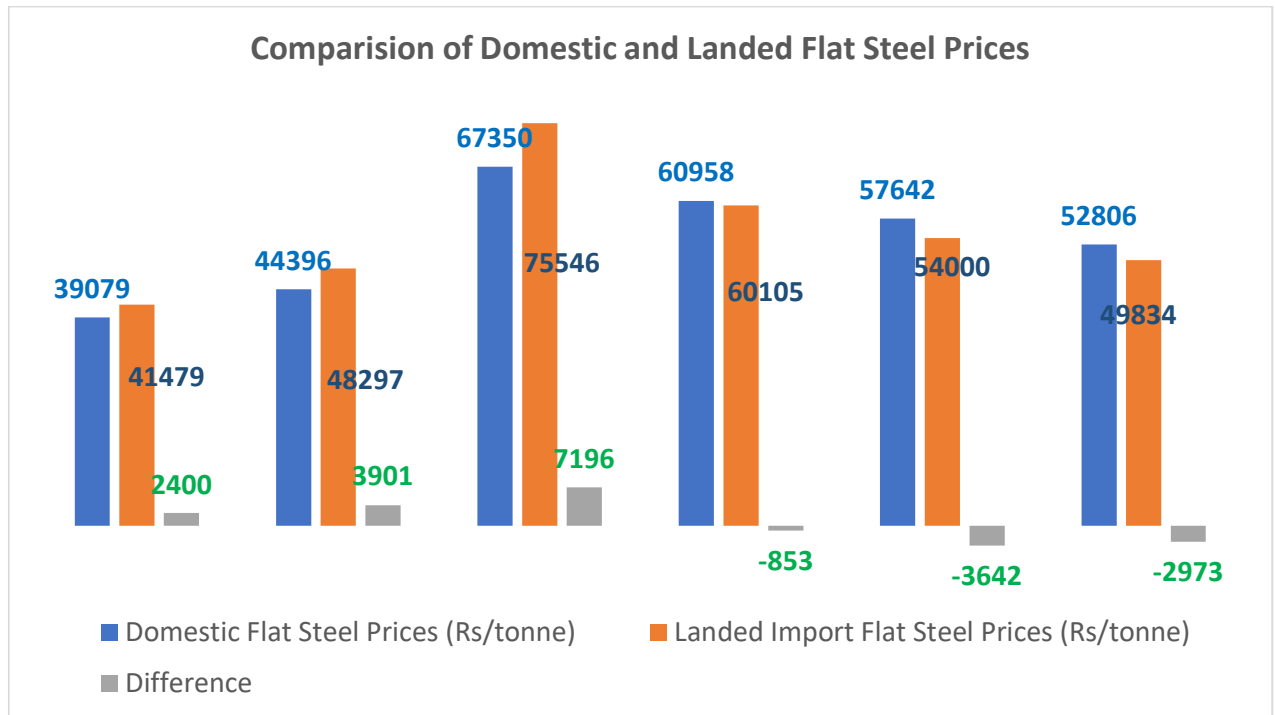
Flat Steel Imports in India



Source: JPC, CMIE

- Flat Steel imports in India increased by 41% YoY in FY'24, owing to healthy Flat Steel demand and cheap import.
- Imports have further increased by 37% during first 5 months of FY'25.

Comparison of Domestic and Landed Flat Steel Prices



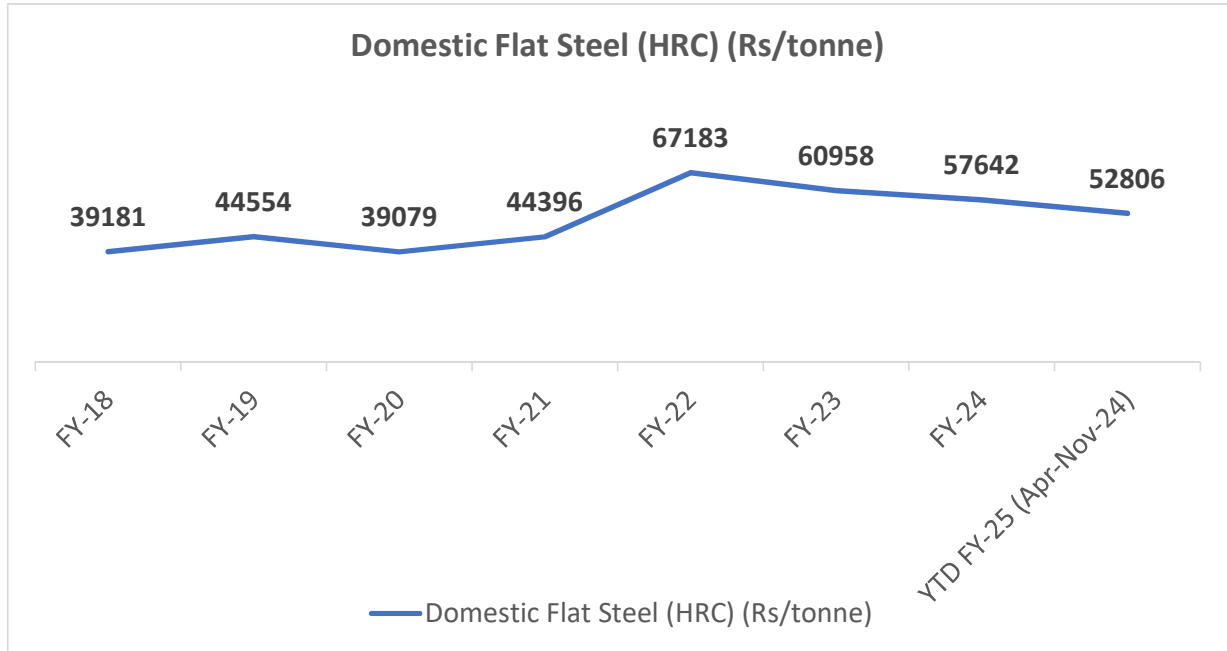
Source: JPC, CMIE

- During FY'23 & FY'24, average landed prices of imported Flat Steel have fallen below domestic prices, mainly due to sharp fall in global Steel prices due to slowdown in major economies. This differential was maintained ~Rs.3,000/tonne during first 8 months of current FY.
- Despite healthy domestic demand during the same period, domestic Flat Steel prices have fallen mainly due to competition from cheaper imports & fall in raw material prices

Impact of rising imports on Indian Steel producers

Rise in cheap Steel import has impacted domestic Steel Industry in two aspects:

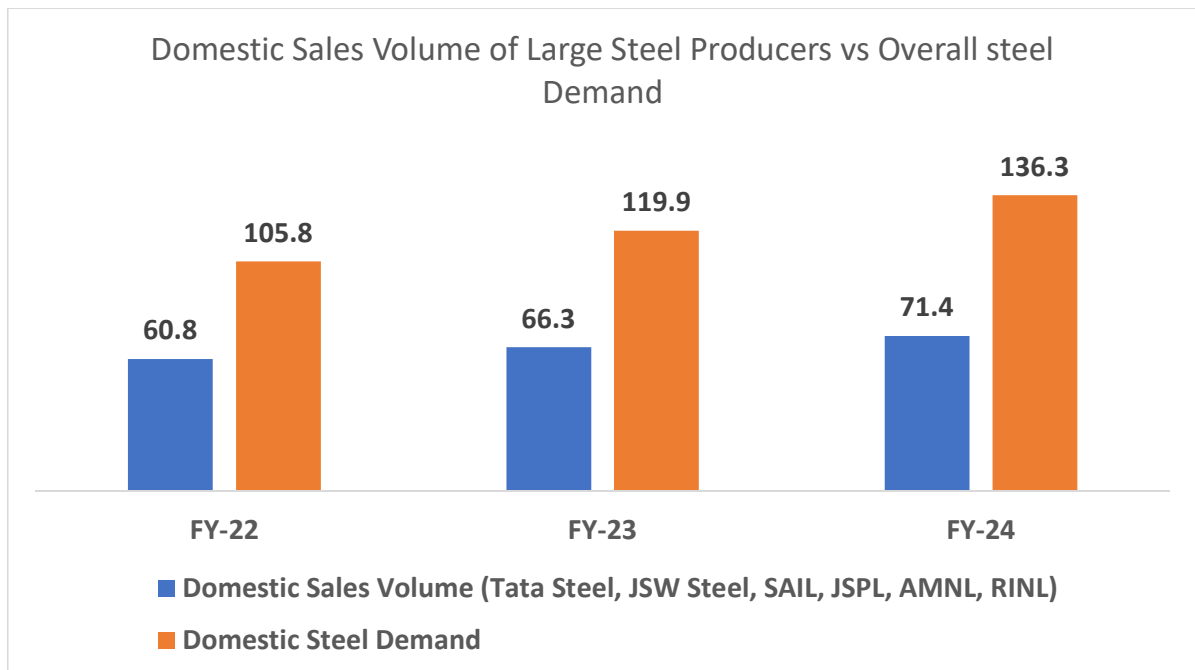
i) Pressure on domestic Steel prices: Cheap import of Flat Steel resulted in fall in domestic Steel prices despite healthy internal demand.



Source: Crisil Research; *YTD prices are for Apr-Nov'24

- Flat Steel prices in domestic market have fallen by 8.4% during first 8 months of FY'25, after falling by 9.3% in FY'23 and 5.4% in FY'24

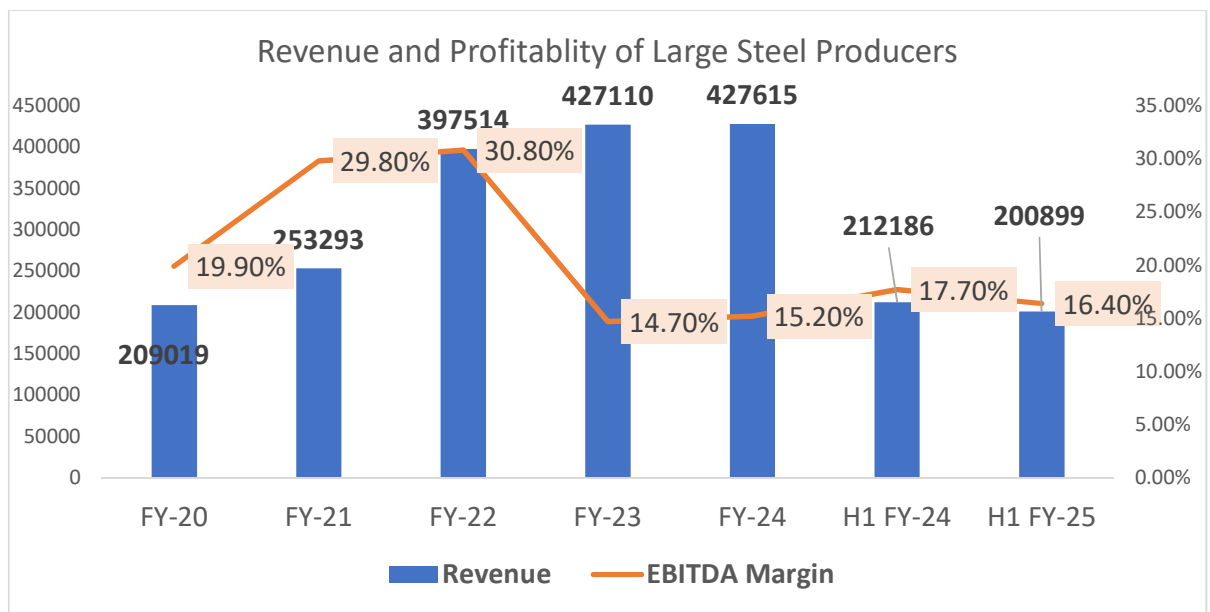
ii) Impact on the sales volume of Indian Steel producers

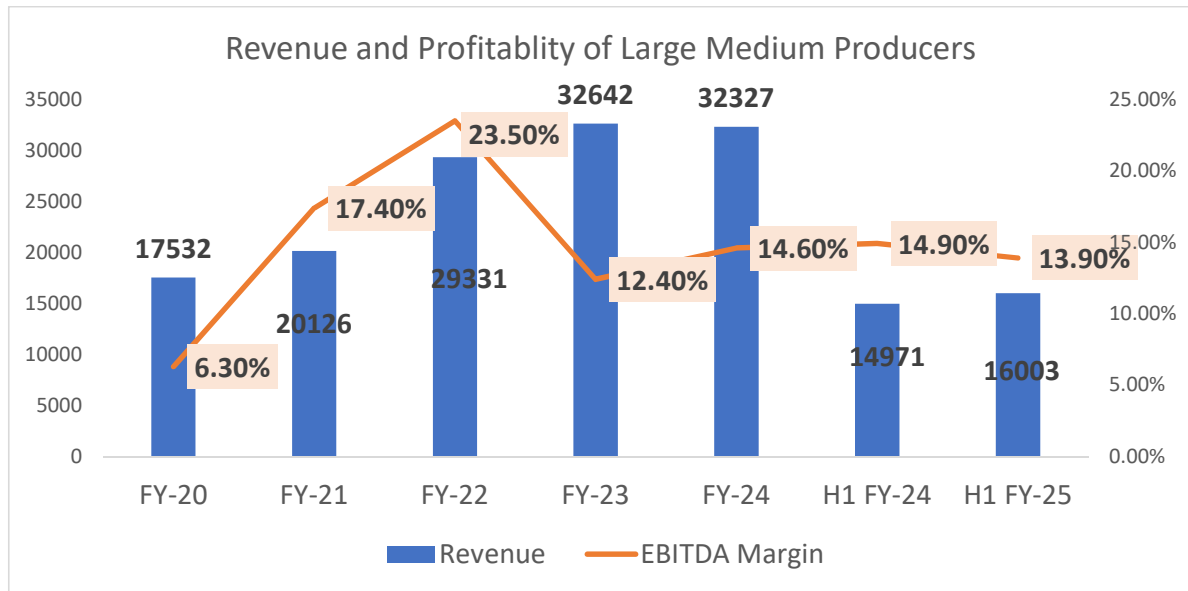


Source: Company reports

- As top 6 Steel players account for more than 2/3rd of Flat Steel production in India (small players mainly produce Long Steel), sharp rise in import of Flat Steel will have impact on the sales volume of large Steel producers in India.
- During FY'24, domestic sales volume of Tata Steel, JSW Steel, Steel Authority of India, Jindal Steel & Power, ArcelorMittal Nippon Steel & Rashtriya Ispat Nigam increased by 7.6% vis-à-vis 13.7% rise in domestic Steel demand during the same period.

iii) Impact of Cheap import on Financial Performance of Steel producers





Source: Informist

Large Steel producers include Tata Steel Ltd, Steel Authority of India Ltd, JSW Steel Ltd & Jindal Steel & Power Ltd. Medium Steel producers include Gallantt Ispat Ltd, Godawari Power and Ispat Ltd, Kalyani Steels Ltd, MSP Steel & Power Ltd, Mukand Ltd, Prakash Industries Ltd, Sunflag Iron and Steel Company Ltd & Jayaswal Neco Industries Ltd.

- Despite healthy domestic demand, revenue of Large & Medium integrated Steel players remained almost flat during FY'24 mainly due to lower realisations in domestic and export markets.
- Lower realisations were mainly due to fall in the domestic Steel prices amid sharp rise in cheaper Steel imports.
- Fall in domestic Steel prices on account of cheap imports led to fall in profitability of Steel producers during FY'23 and FY'24 vis-à-vis 10-years long-term average of 20%.

Research Methodology:

Research is based on quantitative research

Population and Sample:

Data is collected only from existing SME Customer having business related to Iron ore and Steel segment

Sampling Technique

Probability Sampling

Sample Size:

80

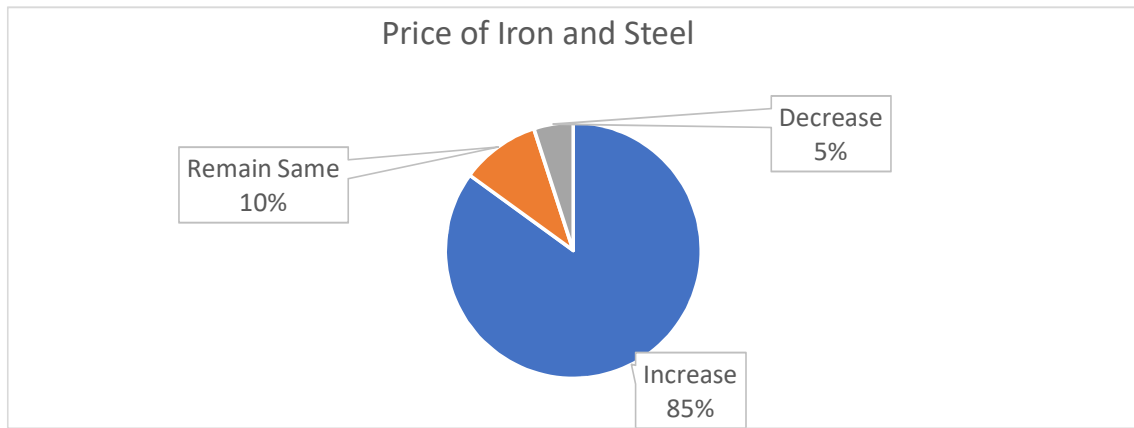
Data Collection Method

Survey, Observation, Literature Review

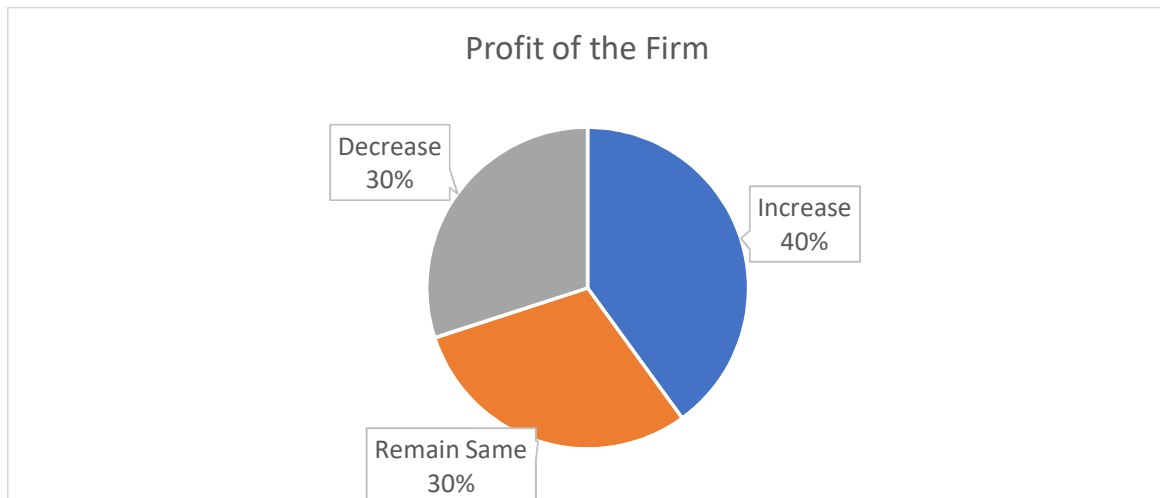
Geography:

Mumbai Suburban, Mumbai City and Thane

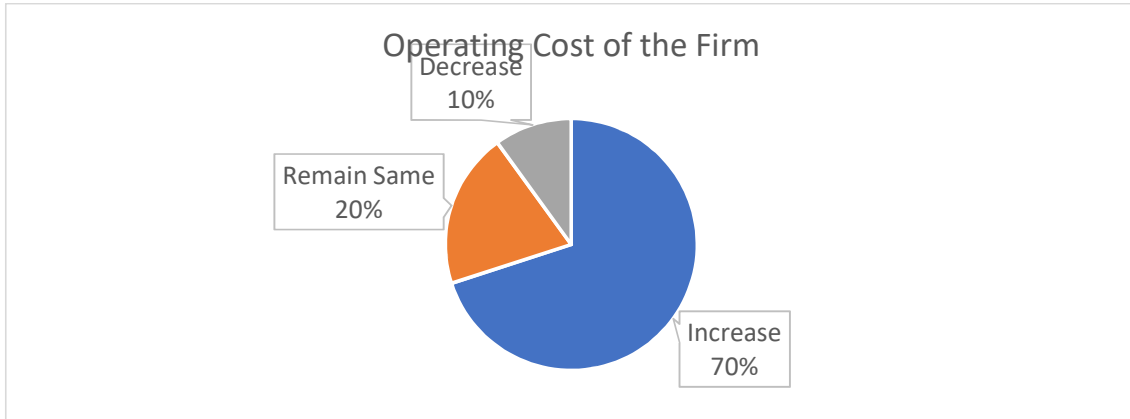
Data Analysis and Interpretation:



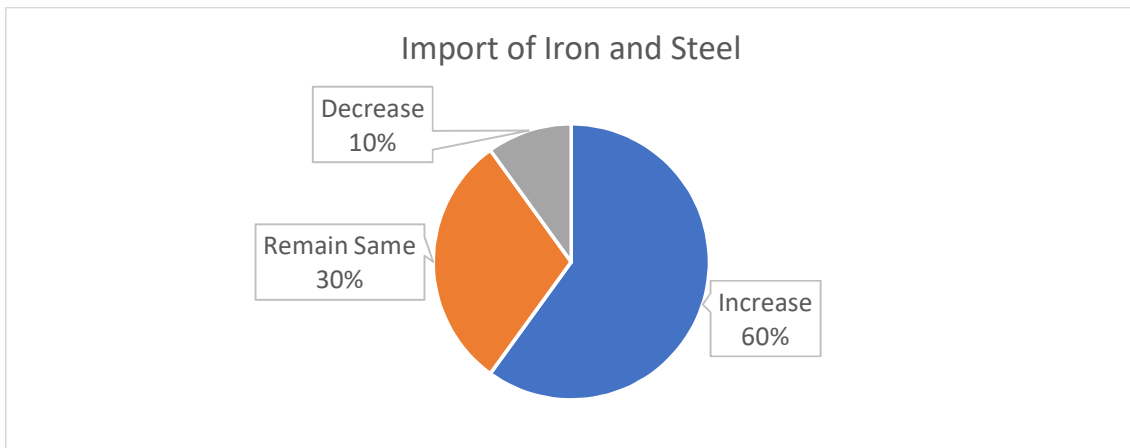
Interpretation: 85% of the firm says price of Iron and steel will increase



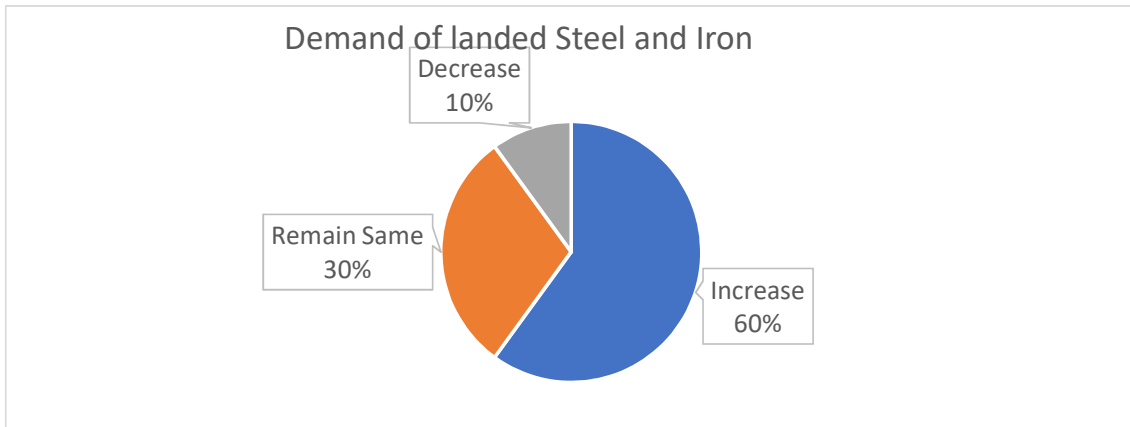
Interpretation: 30% of the firm says their profit will decrease



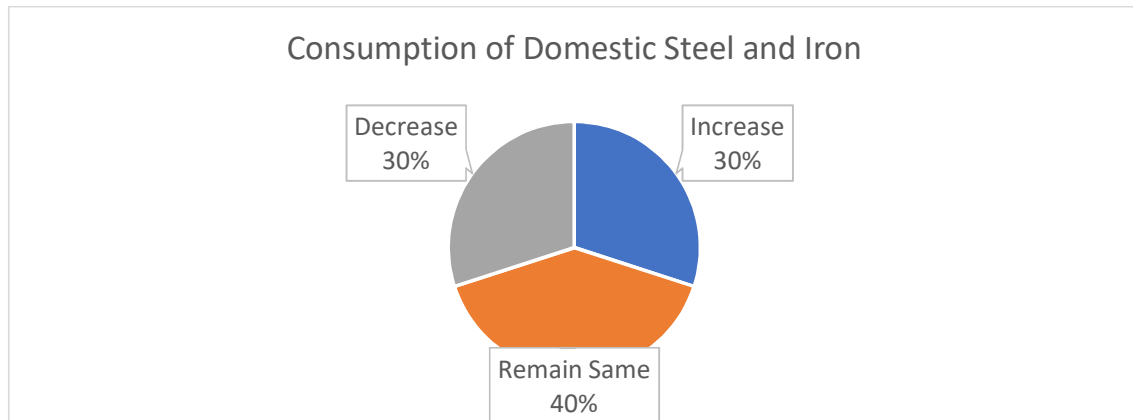
Interpretation: 70% of the firm says their operating cost will increase



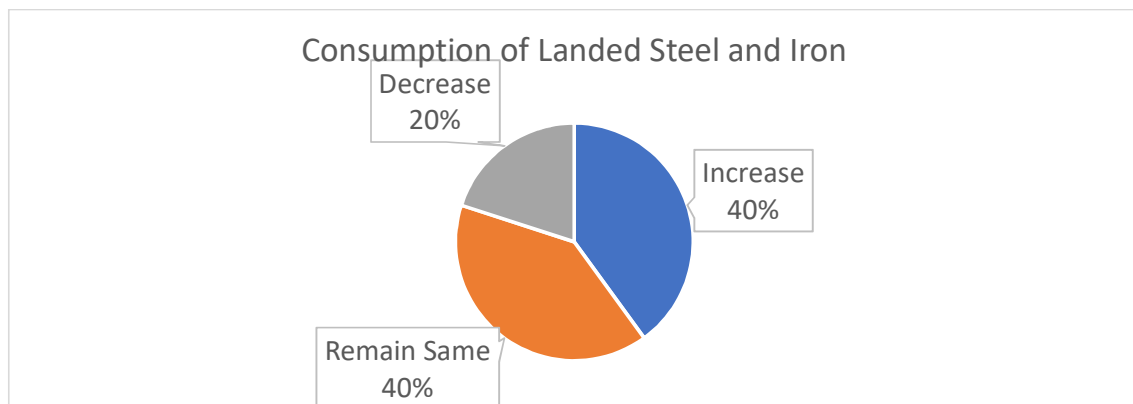
Interpretation: 60% of the firm says import of Iron and steel will increase



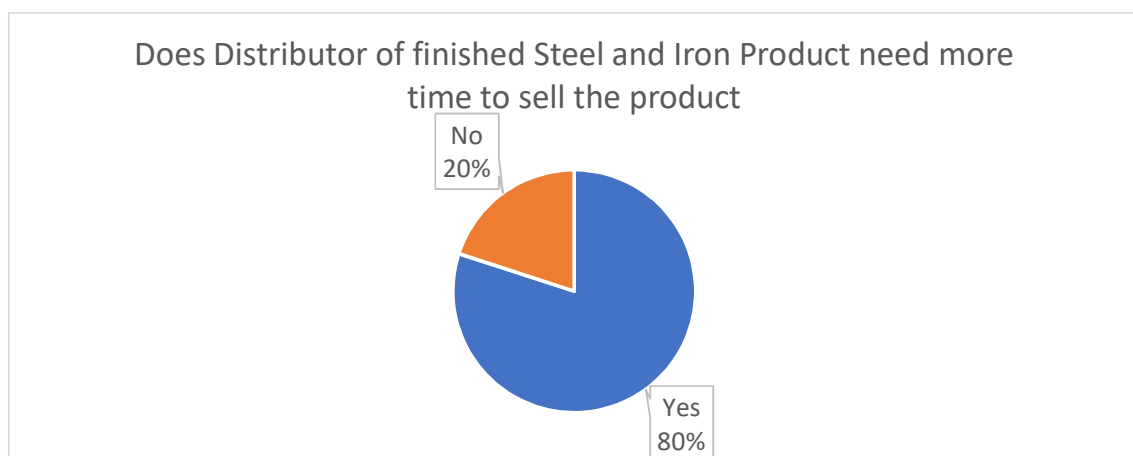
Interpretation: 60% of the firm says that demand of landed steel and Iron will increase



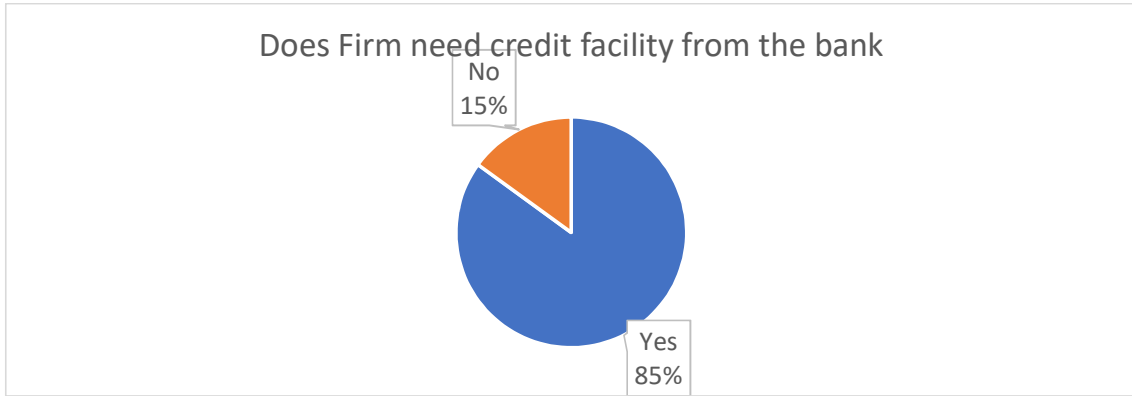
Interpretation: 30% of the firm says consumption of domestic Iron and steel will decrease



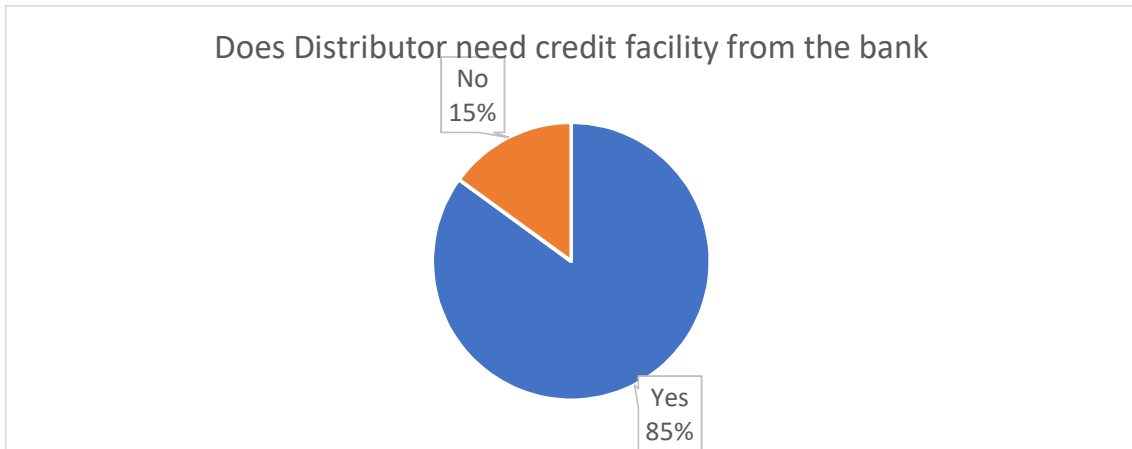
Interpretation: 40% of the firm says consumption of landed Iron and steel will Increase



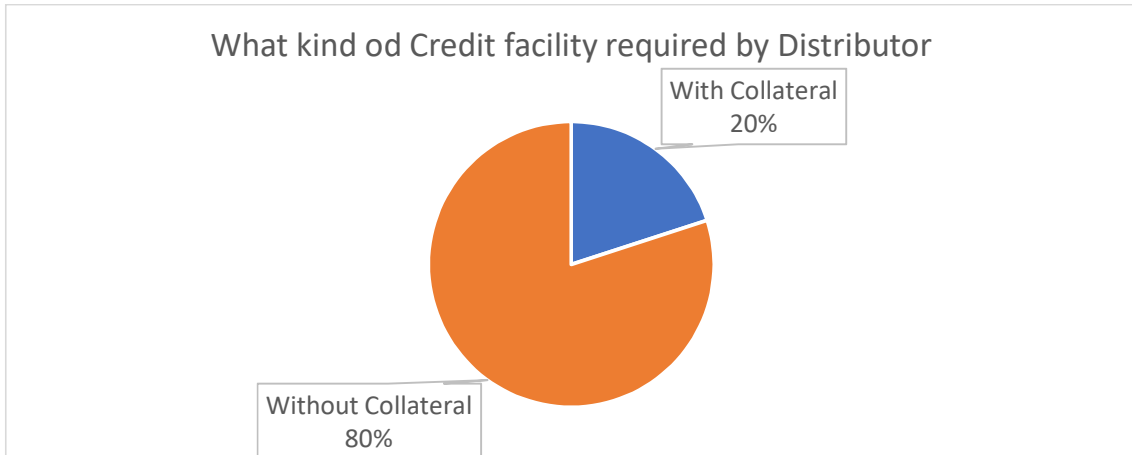
Interpretation: 80% of the firm says distributor needs more time to sell the finished goods



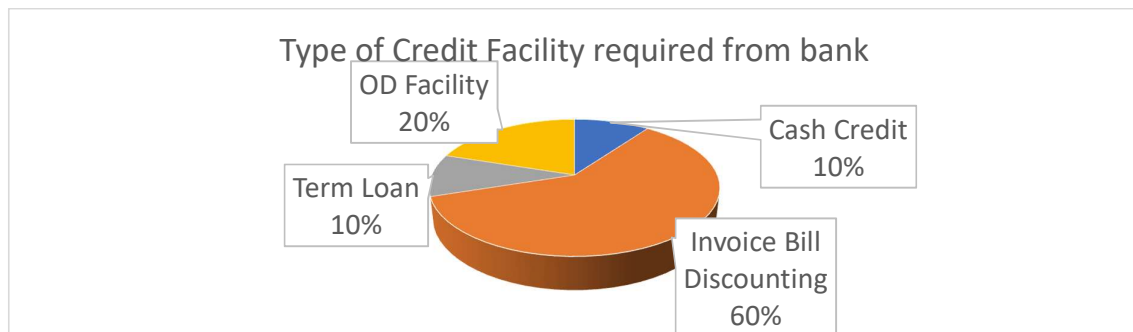
Interpretation: 85% of the firm says they need credit facility from the bank



Interpretation: 85% of the firm says their distributor need credit facility from the bank



Interpretation: 80% of the firm says their distributor need credit facility from the bank without collateral



Interpretation: 60% of the hospital required Invoice Bill discounting Credit facility from bank

Conclusion

- As Flat Steel account for majority of the Steel import in India, rise in the Steel import have pressurized domestic Flat Steel prices. This has kept sales volume and operating margin of Indian Steel producers subdued.
- Rise in Steel import has mainly impacted the large domestic Steel companies which mainly produces Flat Steel. It has also affected the medium Steel producers, which has some share of Flat Steel in their product mix.
- Rise in Steel import has lowered the sales volume growth of Indian Steel producers in FY'24, which grew by single digit, despite double digit growth in the domestic Steel demand.
- Dumping from Chinese Steel producers is expected to continue amid absence of ADD / CVD, due to increased Steel production in China and weak internal Steel demand.
- Government of India's decision of imposing safeguard duties based on investigation report by Directorate General of Trade Remedies (DGTR) on cheap Steel imports will remain monitorable.
- Bank Before lending to Steel Industry under SME Product may seek the data on share of Flat Steel in the total sales of their customers and analyse adverse movement, if any in their sales volume during FY'24 and H1 FY'25. Also, future movement in the customers sales volume may also be monitored.
- Bank Before lending to Steel Industry under SME Product may further verify the net sales realization of their customers in FY'24 & H1 FY'25 and can analyse the reasons for fall in the realisations, if any, and remedial course of action being proposed in the short to medium term.