

Glimpsing the Indian Steel Industry (2022-23)

Exclusive Report by SteelGuru



A Year of Somnambulist Reversal

For Selective Distribution

New Milestone in Production

126 MMT, up 5%

Vertiginous Imports

6 MMT, up 28%

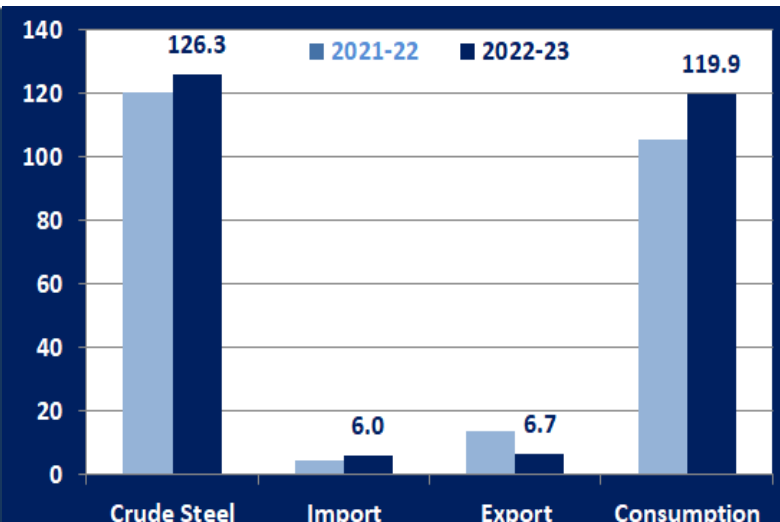
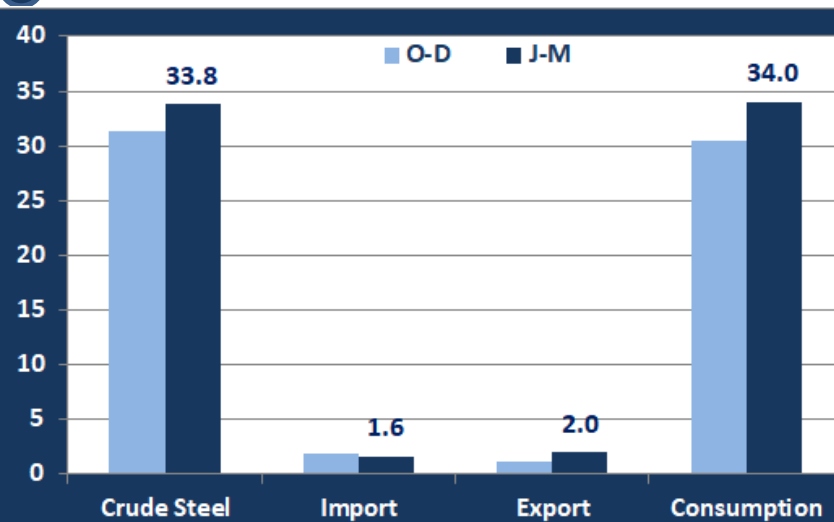
Exports Plunge

6 MMT, down 75%

Consumption Skyrockets

120 MMT, Up 13%

India reigned supreme as the sole nation to have achieved growth, buoyed by a uptick in consumption, amid unprecedented surge in imports and dip in exports.



JSW Steel Dominates

Up 23%, as Dolvi Expands

Tata Steel's Milestone

20 MMT, up 4%

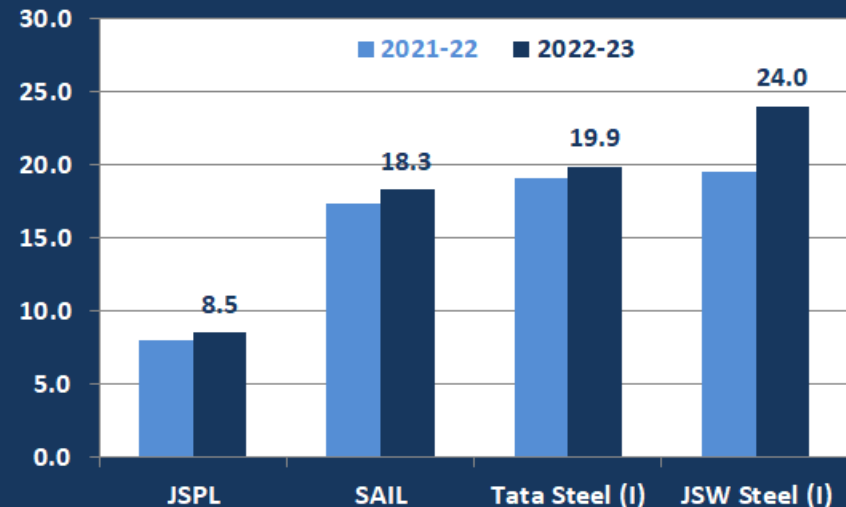
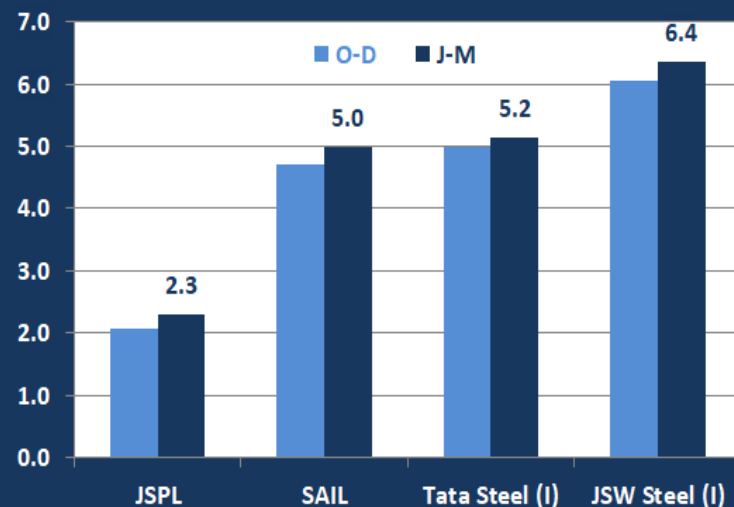
SAIL Intensifies Production

18 MMT, up 5%

JSP Estimates Pegged at

8 MMT, unchanged

As the nascent commissioning of NMDC Steel and & ramp-up of JSP's Angul facilities begins to bear fruit, the outlook for steel production in 2023-24 appears robust.



HR Imports Reach Pinnacle

Up 88%, 1.5 MMT

HDG Imports Approach Million

Up 29%, 0.9 MMT

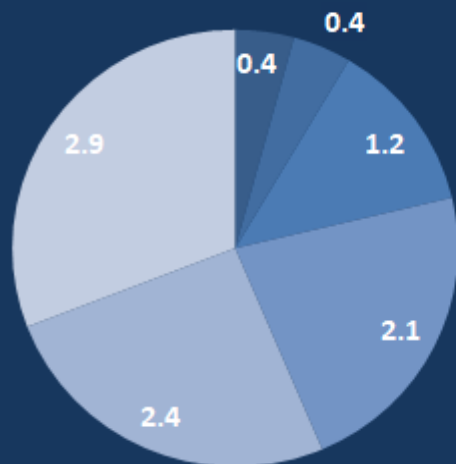
CR Imports Skyrocket

Up 33%, 0.4 MMT

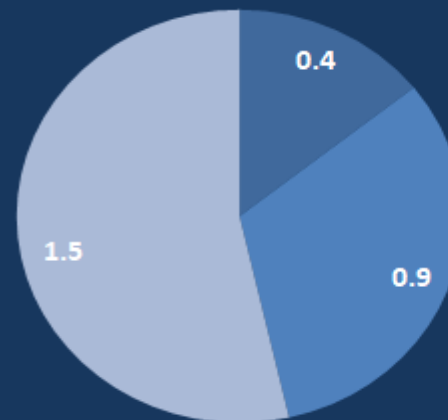
Diminished Flat Imports

Up 35%, 3.5 MMT

The fruitful collaboration of Russia & Vietnam proved to be a boon for Indian users, as surplus HR found a way in Indian market, keeping the domestic prices in check



■ VIETNAM
■ RUSSIA
■ JAPAN
■ CHINA
■ KOREA
■ OTHERS



■ CR
■ HDG
■ HR

HR Exports Nosedive

Down 73%, 1.7 MMT

Coated Steel Plumbs Depths

Down 67%, 0.4 MMT

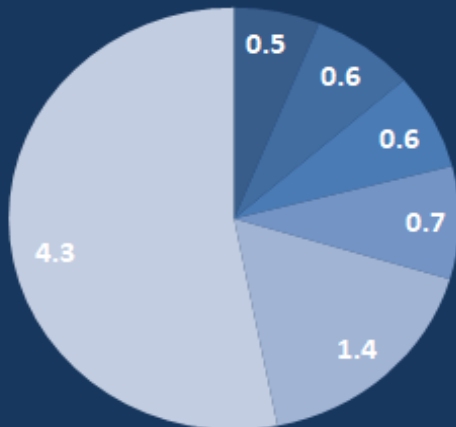
CR Exports Contract

Down 67%, 0.4 MMT

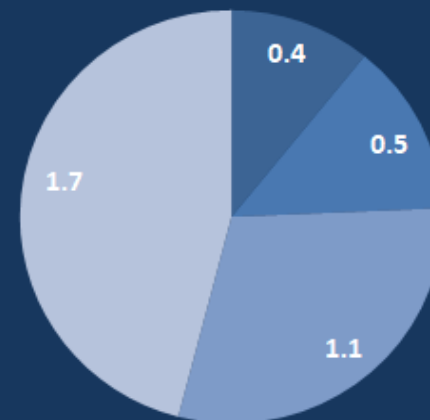
Flat Exports Plummet

Down 61%, 3.9 MMT

The belligerent tactics of Russia, China and Vietnam caused significant displacement for Indian mills. The spate of their unbridled aggression sidelined Indian players in many markets.



■ ITALY
■ UAE
■ NEPAL
■ BELGIUM
■ VIETNAM
■ OTHERS



■ CR
■ Plates
■ HDG
■ HR

Iron Ore CC Averaged ₹7,300

CC – Cost Component

Down 26%, from ₹10,000

Coking Coal CC ₹21,000

Down 30%, from ₹30,000

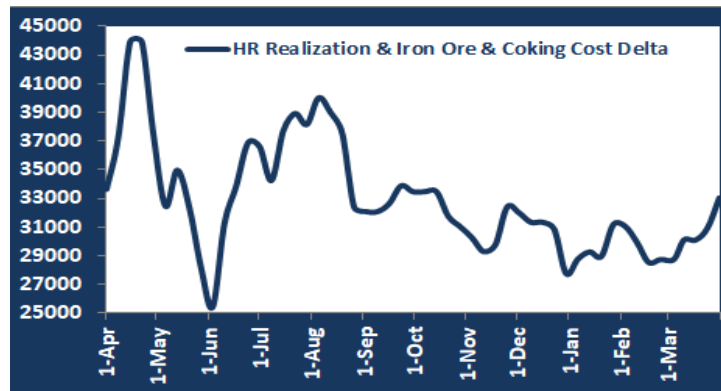
HR Realization ₹61,000

Down 17%, from ₹77,000

Spread Averaged ₹33,000

Down 26%, from ₹44,000

Indian steel mills' EBITDA witnessed a prolonged period of decline until December, before improving slightly in Jan-Mar quarter. Overall, 2022-23 stood in stark contrast to the preceding financial year, which saw a dream run for the steel industry in India.



- *Amidst the pernicious vicissitudes of the global steel industry, India's steel sector seems to have been caught in a perfect storm. With the meltdown in the Chinese steel industry causing steel prices to plummet worldwide, the Indian steel mills have been bracing themselves for the impending turmoil.*
- *Unfortunately, the future does not seem bright as the first and second quarters of the current fiscal year are expected to witness further deterioration. Experts anticipate a fall in EBITDA by 2000-4000 per tonne. Such dismal prospects are a veritable cause for concern in the Indian steel industry.*
- *Coking coal continues to be a wildcard factor that determines the health and prosperity of steel mills. Its volatile pricing and unpredictability have always been a challenge for steelmakers, especially with the recent disruptions caused by shifting trade flows. Nevertheless, coking coal remains a necessary evil for the steel industry, and detailed analysis and strategic planning are required to mitigate its impact and ensure a stable and profitable steel production process.*

- *The current state of the coking coal market is a volatile one, with a variety of factors at play that are contributing to its instability. The Russian invasion of Ukraine, the lockdown caused by the pandemic, and China's ban on the import of Australian coal has all impacted the world coal trade flows.*
- *Due to these developments, trade routes have been reshuffled, and US coals have been sold at exorbitant prices to China, while Australian coking coal producers have had to reach out to other markets to maintain equilibrium between demand and supply. Some premium low volatile Australian brands were even sold at a discount to term customers to maintain the stability of the customer base and obviate exposure to spot market uncertainty.*
- *Post-lockdown, just when normalcy was returning to the coal market, the Western sanctions imposed on Russian coal, gas, and oil due to the Russian invasion of Ukraine, led to more drastic changes. European customers scrambled to secure their energy requirements, and US coals were sold to European utilities at prices that lured US coking coal producers into supplying coking coal to European utilities. Desperate circumstances called for desperate measures, and countries that had moved away completely from coal-generated power had to restart some coal-based utilities.*

- *The steel industry of India, in particular, has been subjected to severe impact due to the recent tumult in the coking coal market. Over the past ten years, the country's import of coking coal has witnessed a significant surge, with an estimated quantity of 57 million metric tons anticipated to be imported during 2022-23, as compared to 36 million metric tons imported a decade ago. The repercussions of this market flux have been far-reaching and have had a severe impact on the steel sector in the country.*
- *Indian steel manufacturers have discovered that Russian coal is an ideal substitute for Australian PCI coal, and its cost-effectiveness has been remarkable. The level of metallurgical coal exported from Russia to India has been unprecedented, with most of it being utilized for PCI. The popularity of Russian coal has caught the industry experts by surprise, as no one could have predicted such a massive surge in its demand in India.*
- *Despite the government's unwavering efforts and extensive lobbying, Indian steel mills have been unable to find the prime quality of hard coking coal that matches the specifications of the premium Australian variety, to which they have been accustomed for over five decades.*

- *However, with more steel capacity through BF-BOF route to come on stream, coking coal exporting countries perceive India as an important importer of coking coal.*
- *The current quarter has seen a decline in coking coal process due to the decline in steel demand with falling steel prices, especially in China, the expected cooling down in construction activity due to the approaching monsoon season, and liquidity in coking coal availability as the financial year end on 30th June approaches for Australian producers.*
- *Overall, while the current state of the coking coal market remains uncertain, there is hope for a rebound in demand and supply equilibrium as Indian buyers begin to increase their buying activity around July. As demand starts firming up, we may see the spot availability of Australian material decline post the Australian Fiscal Year Ending on 30th June.*