

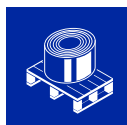
Ctrl+Z on Steel Export Duties

The roll-back of export duties will increase steel industry's operating flexibility, and support better capacity utilisation rates going forward

NOVEMBER 2022



With exports becoming unviable and elevated raw material and energy costs nibbling at margins amidst soft steel prices, the operating profits of the domestic steel industry slumped to a nine-quarter low in Q2 FY2023. However, the latest measure to roll-back export duties will increase the operating flexibility. This in turn is likely to help pull up the industry's profits from the second quarter lows as companies now get the freedom to explore the overseas markets, depending on the pricing environment



- The much-awaited decision to roll back the export duties levied on the steel sector has been finally notified by the Union Government on November 18, 2022. This relief comes on the back of domestic steel prices correcting by 15-20% since duties were earlier imposed on May 21, 2022
- The duty rollback comes at a time when coal costs are starting to moderate, and domestic demand picks up in the second half of FY2023. Consequently, from the second quarter lows, the industry's profits are likely to increase going forward. Industry outlook maintained at Stable.
- Finished steel exports contracted by 55% in April-October of FY2023. However, India's steel exports to key overseas markets like Vietnam, Europe, the Middle-East, Nepal and China are expected to witness a pick-up from hereon, unless global steel demand weakens materially
- As pellet exports dried up, declining by 59.3% YoY in H1 FY2023, domestic pellet production took a hit, also contracting by 4.6% in the same period. However, as export becomes more attractive following the roll-back of the 45% export duty, merchant pellet makers would get relief
- Over 86% of the iron ore exported by miners in FY2022 was in the below 58% Fe grade. Export of inferior grades of ore is expected to pick up in the coming months as the export duty falls sharply to nil from 50%. This would help reduce the domestic oversupply, giving miners some headroom to increase/ stabilise prices after a gap of six months
- Along with the expectation of higher exports, early trends for October 2022 reveal an encouraging 7.1% MoM (10.7% YoY) pick up in domestic steel demand growth over the monsoon-affected September 2022. Consequently, the industry's capacity utilisation levels is expected to increase in the coming months

What's Inside?

1 Key Government advisories



2 Impact I - Finished steel products



3 Impact II - Iron ore pellets and iron ore lumps/ fines



4 Joining the dots - Can steelmakers buck the trend?





ICRA

Analytical Contact Details



Jayanta Roy

Senior Vice President

Priyesh Ruparelia

Vice President

Ritabrata Ghosh

Vice President



jayanta@icraindia.com

priyesh.ruparelia@icraindia.com

ritabrata.ghosh@icraindia.com



033 – 7150 1120

022 – 6169 3328

033 – 7150 1107





ICRA

Business Development/Media Contact Details



L. Shivakumar

Executive Vice-President

Jayanta Chatterjee

Executive Vice-President

Naznin Prodhani

Head Media & Communications



shivakumar@icraindia.com

jayantac@icraindia.com

communications@icraindia.com



022- 6114 3406

080 – 4332 6401

0124 – 4545 860





© Copyright, 2022 ICRA Limited. All Rights Reserved.

All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable. Although reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies, while publishing or otherwise disseminating other reports may have presented data, analyses and/or opinions that may be inconsistent with the data, analyses and/or opinions in this publication. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.



ICRA

Thank You!