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INDUSTRY OUTLOOK

INDIAN STEEL SECTOR OUTLOOK 2025: PRICE MOVEMENTS, INPUT VOLATILITY, AND STRATEGIC SHIFTS

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Introduction

The Indian steel industry, a vital pillar of infrastructure and industrial growth, experienced significant price corrections and structural adjustments over the past two years, driven by strong domestic demand and changing supply, trade, and financial dynamics. Global raw-material markets, especially coking coal and iron ore, eased from peaks seen in 2022-23, but volatility persists, causing margins to be sensitive to feedstock cost fluctuations.

Global trade challenges continue to influence the sector. The reimposition of a 25% U.S. steel import tariff under Section 232, the EU's tightened import quotas, and the Carbon Border Adjustment Mechanism (CBAM) set to begin in 2026 may restrict export opportunities.¹ Consequently, more output may be redirected toward the domestic market, reinforcing reliance on internal demand.



Domestic Steel Industry Price Dynamics

Domestically, steel prices are projected to remain range-bound between ₹61,000 and ₹65,000 per tonne through FY2026-27. The combination of safeguard duties, steady demand, and new capacity additions should help balance supply and pricing. While fluctuations in coking coal prices and freight costs could intermittently pressure margins, the stable policy environment and improvements in logistics infrastructure will likely cushion the impact.

After hitting a multi-year peak of ₹96,079 per tonne in April 2022, domestic finished steel prices have been on a consistent downward trend, driven by weak global demand, declining international prices, and an influx of low-cost imports from China, South Korea, Japan, and Vietnam. Prices fell to ₹74,665 per tonne by March 2023, further declined to ₹68,365 in March 2024, and reached ₹63,541 in March 2025 marking three consecutive years of declines of 9.4%, 8.1%, and 7.6%, respectively.²

Steel prices in India are projected to remain broadly stable, averaging around ₹63,000 per tonne between September 2025 and March 2027. Prices may see a mild dip to ₹61,250 in September 2026 due to seasonal or import-related pressures, followed by a recovery to ₹63,800 by March 2027.

Projections of Average Price of Steel in India

Quarter ended	₹/tonne
<i>Sep 2025</i>	63,205.0
<i>Dec 2025</i>	63,810.7
<i>Mar 2026</i>	63,345.0
<i>Jun 2026</i>	63,500.0
<i>Sep 2026</i>	61,250.0
<i>Dec 2026</i>	62,800.0
<i>Mar 2027</i>	63,800.0

Source: CMIE

Raw Material Price and Supply Analysis

Coking Coal

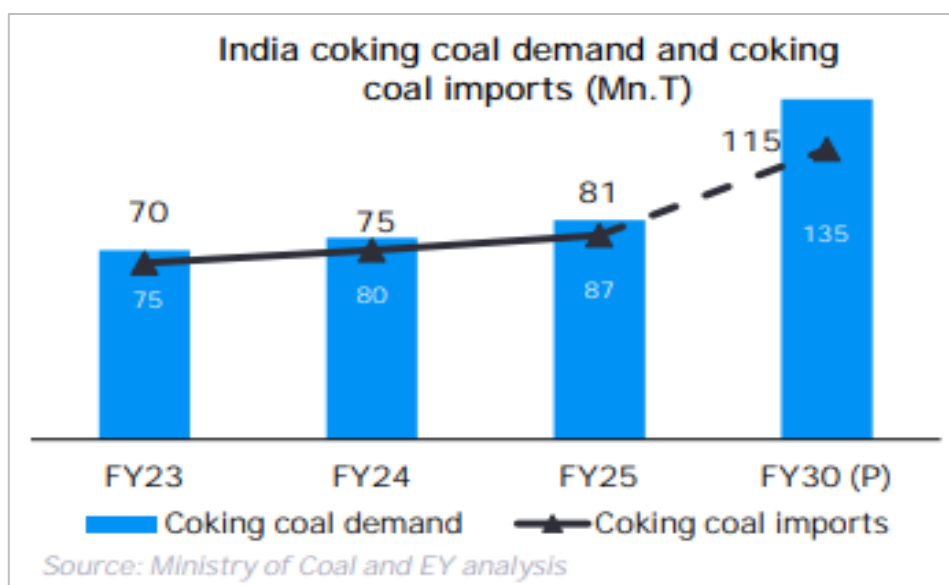
Coking coal, a critical input in blast furnace-basic oxygen furnace (BF-BOF) steelmaking, is subject to price swings dictated by global market trends. Coking coal represents nearly 40% of the total production cost. India remains heavily import-dependent, with nearly 90% of coking coal sourced from Australia, the U.S., and Mozambique. South Africa RB2 grade non-coking coal traded at ₹9,400 per tonne in mid-2025, impacting sponge iron and pig iron feed costs. While coking coal prices saw volatility after surges in 2023-24, unrestricted imports and strategic reserves helped maintain a stable supply for Indian producers in 2025.

Seaborne premium coking coal prices retreated from their 2022 highs; by early to mid-2025, the Australian low-volatile premium index hovered below US\$200/t as inventories stabilised and China's buying was anaemic relative to previous boom periods. This materially eased one of the largest input risks for BF-coke value chains.³

As we expected prices to remain subdued in H1 2025 unless China re-tightened purchases. This development reduced an important cost pressure for blast-furnace (BF) operators that rely on coke.⁴

India is a net importer of coking coal for BF/coke demand. Import dependence creates vulnerability to freight, Australian/US export pricing and occasional trade-policy shifts. Domestic blending (use of lower-grade coals, use of higher coke-making efficiency) and a limited degree of contractual hedging have softened immediate shocks, but long-term security depends on supply contracts and seaborne market health. Lower coking coal prices reduce BF-coke cost for integrated mills and thus can narrow cost gaps between BF and EAF/mini-mill routes. However, volatility means steelmakers with limited captive coke sources remain exposed.

Domestic production, though improving, remains insufficient due to high ash content and limited beneficiation capacity.



As of April 2025, **Bharat Coking Coal Ltd. (BCCL)** revised its notified prices for high volatile medium coking coal as follows (₹/tonne):

<i>Grade</i>	Washery Grade I	II	III	IV	V	VI
<i>Power Utilities/Others (Apr 2025)</i>	4,023-4,446	3,464-4,192	2,746-3,322	2,610-3,157	2,427-2,609	2,254-2,422

Source: CMIE

The prices increased marginally (by 2-3%) from October 2020 levels to align with higher mining and processing costs. Despite these revisions, indigenous coking coal remains limited by poor quality and supply chain bottlenecks.

Challenges:

- Limited capacity utilization of washeries (~32%) and low mechanization levels hinder quality enhancement.
- High dependence on imports exposes producers to volatility in global prices, freight costs, and geopolitical tensions such as the Russia-Ukraine conflict.
- Absence of a national coking coal reserve policy or strategic stockpile increases vulnerability to supply shocks.

Pig Iron

Pig iron (a cast iron product from BF), the immediate feedstock for steelmaking, has mirrored steel's downward trend due to weak demand and high input costs. Pig iron production rose 13.2% in April 2025, reaching 8.33 million tonnes, outpacing demand, which grew at 11.5%. This supply surplus led to an inventory overhang and a notable 11% year-on-year price decline by July 2025. Imports reached near-record highs, with Brazil and Russia providing competitive rates and further pressuring domestic suppliers.

Pig iron prices generally track scrap and finished-steel spreads. Domestic pig iron producers saw mixed demand as downstream converters balance cost between pig iron, DRI and scrap. A comfortable supply of DRI at moderate prices supports the competitiveness of EAF-based steelmaking in India. This feature, together with relatively stable scrap supplies, keeps Indian mini-mills cost-effective for long-product segments.

Prices declined steadily from ₹51,458 per tonne in Dec 2023 to ₹45,192 per tonne in Sep 2025. Between 2023 and 2026, pig iron prices are expected to stabilize around ₹45,000-₹46,000 per tonne as raw material cost pressures ease.

Pig Iron: Average Price	
Quarter ended	₹/tonne
Dec-23	51457.8
Mar-24	50603.3
Jun-24	51666.7
Sep-24	49504.4
Dec-24	48956.7
Mar-25	47430.0
Jun-25	47148.9
Sep-25	45192.2
Dec-25	45695.0
Mar-26	45900.0
Jun-26	45521.5
Sep-26	45028.5
Dec-26	45305.7
Mar-27	45308.9

Source: CMIE

Sponge Iron/ DRI

DRI (sponge iron) is primarily used in electric arc furnace (EAF) and induction furnace steelmaking. India is a major DRI producer. DRI prices are sensitive to coal and natural-gas inputs (depending on the reduction route) and to iron ore fines pricing. Global DRI indices through mid-2025 showed downward pressure compared with 2023 peaks, but regional shortages persist in times of high electric arc furnace demand.⁵ Sponge iron saw pronounced price fluctuations. DRI (sponge iron) prices were volatile because of variations in coal/coal-tar costs and furnace utilisation; exporters and mini-mill feeders monitored DRI indices closely in 2024-25.

In Odisha, CDRI prices ranged between ₹26,000 - 27,200 per tonne, and PDRI rates in Rourkela averaged ₹27,750 - 31,000 per tonne. Nationally, FeM 78-80% sponge iron traded at around ₹29,500/MT in major hubs. Factors such as raw material costs (iron ore, coal), government regulations, logistics, and demand swings and falling global scrap prices directly determined price trends. Growing steel production exerted upward pressure, while a stable coal supply prevented large spikes in input costs.

This analysis clearly brings out that finished-steel price momentum softened into 2025, while feedstock relief (notably lower coking coal) helped protect margins for integrated players with captive raw materials.

Prices dropped from ₹37,787 per tonne in Dec 2023 to ₹33,841 per tonne in Sep 2026 before stabilising around ₹34,800 per tonne by Mar 2027.

Sponge Iron: Average Price	
Quarter ended	₹/tonne
<i>Dec-23</i>	37787.5
<i>Mar-24</i>	35985.8
<i>Jun-24</i>	37935.0
<i>Sep-24</i>	33300.8
<i>Dec-24</i>	34915.8
<i>Mar-25</i>	34231.7
<i>Jun-25</i>	35296.7

<i>Sep-25</i>	34308.1
<i>Dec-25</i>	34582.7
<i>Mar-26</i>	34611.0
<i>Jun-26</i>	34505.7
<i>Sep-26</i>	33841.4
<i>Dec-26</i>	33840.8
<i>Mar-27</i>	34819.5

Source: CMIE

There was a pronounced shift from pig iron toward direct reduced iron (DRI) and sponge iron due to efficiency, cost advantages, and a lower emission profile compared to blast furnace routes, aligning with India's broader decarbonization goals. DRI production rose by 8.8%, reaching 24.4 million tonnes in the first five months of 2025, further weakening pig iron demand. The prevalence of cheaper imports and alternative feeds is contributing to strategic recalibration in procurement by major producers.

Financial and Market Performance: Micro Challenges, Macro Concerns

The financial performance of major steel producers weakened during FY2024-25. Industry sales revenues declined by 3.7%, with operating profits down 13.4% and net profits falling 23.1%. The market capitalisation of listed steel companies stood at ₹5.9 trillion as of April 2025, with the sector yielding -3.7% returns for the month, underperforming major indices such as Nifty and Sensex.

Steel Authority of India (SAIL)

SAIL displayed strong financial performance in 2025, with robust quarterly and annual results. The quarter ending June 2025 saw notable growth, with a reported PAT of ₹2,164 crores for Q1. SAIL increased output and improved utilisation across plants, capturing rising domestic demand spurred by large infrastructure projects.

SAIL's strategic roadmap stressed continued state-owned support, with emphasis on modernisation, captive raw-material development, capacity augmentation, maintaining production volumes across plants and a focus on high-value products. Fiscal discipline and government policy support helped the company maintain competitive advantages.

Current performance metrics and year-on-year growth indicate that SAIL is positioned to benefit from continued demand acceleration. Profitability varies with product cycle and captive mine output.⁶

Tata Steel

Tata Steel's FY2024-25 consolidated filings and integrated reports reflected resilient revenues and a strong focus on margin protection through an improved product mix (special steels and coated products), cost control, and enhanced sustainability reporting. The company achieved consolidated revenues of ₹2,18,543 crore and an EBITDA of ₹25,802 crore, marking a 10% year-on-year improvement in margins to around 12%. For the quarter ended June 30, 2025, consolidated EBITDA stood at ₹7,480 crore, with a Profit After Tax (PAT) of ₹2,164 crore, driven by effective cost management, improved operational efficiency, and the highest operating profit margins in five quarters.⁷ Debtor turnover also reached a new high, indicating robust receivables management. Operationally, Tata Steel delivered 7.39 million tonnes in the latest quarter, maintaining its industry leadership, while strategic expansion, modernization, and entry into specialty steel segments strengthened its resilience against competition. Analysts have maintained a 'hold' rating for 2025, citing cautious optimism as margins stabilize.

JSW Steel

JSW Steel sustained growth, reporting resilient financial results for FY2025 despite market volatilities. JSW reported consolidated revenue around ₹1.69 lakh crore and an operating EBITDA of ₹22,900 (approx.) crore in FY2024-25, with quarterly peaks in saleable steel volumes and an operating focus on higher-value products and exports. Net profit and leverage metrics showed the company operating at scale but sensitive to cyclical spreads.⁸ The company enhanced capacity utilisation, leveraged lower raw material costs, and optimised supply chains. EBITDA for Q1 FY26 indicated operational strength, with a focus on maximising throughput in core business areas.

JSW's balance sheet exhibits prudent capital management, maintaining low leverage and high liquidity. The company committed substantial capex for future growth, seeking value in domestic and export markets. The financial performance in 2025 reflected judicious margin management and adaptability to price oscillations.

Jindal Steel & Power (JSPL)

Reported mixed margin outcomes in FY2024-25 with pressures on profitability in some quarters; their integrated operations across coal, iron and steel provide partial insulation.⁹

NMDC Steel and new entrants

Upstream state miners (NMDC) entering steel production added competition in certain segments; their FY24-25 filings indicate early-stage scale and margin evolution.¹⁰

In other words, top integrated players such as Tata Steel and JSW Steel reported modest production growth (1-3%), while Jindal Steel & Power saw a 20.7% increase due to operational efficiencies stemming from scale and product diversification. However, net margins and returns were hostage to product spreads, inventory timing, and raw-material cost swings. Integration and captive inputs continue to be decisive for profitability.

The profitability outlook for FY2025-26 remains constrained by price stagnation and muted exports, though margins are expected to stabilize in the medium term with reduced import competition and improved domestic demand.

The Indian steel industry stands at a pivotal juncture. While global uncertainty and raw material volatility continue to weigh on profitability, strong domestic consumption, investment-led growth, and policy-driven protection measures are expected to provide stability. With ongoing capacity additions, technology upgrades, and decarbonization commitments, the industry is well-positioned for sustainable growth beyond FY2026.

Risks and strategic imperatives

The Indian steel sector faces several key risks and emerging challenges that require strategic recalibration for sustained growth. Raw-material volatility remains a major concern, as sudden spikes in coking coal prices driven by supply disruptions or China's restocking activity can sharply raise blast furnace costs for non-captive mills. Similarly, regional shortages of coal or coal-tar affect DRI producers, as noted by the IEA. Execution risks in infrastructure projects also persist; slower project awards, funding delays, or bottlenecks in public capex can directly impact rebar demand. In addition, trade and tariff developments pose uncertainties import surges, shifting international anti-dumping measures, or tariff changes could alter domestic spreads.

Another significant challenge lies in the transition costs of decarbonisation. While the move toward green steel is imperative, it involves substantial capex commitments, technological shifts, and exposure to evolving carbon regulations or pricing mechanisms that could affect project economics.

To mitigate these risks, steel producers are adopting several strategic measures. Companies are increasingly hedging and diversifying feedstock sources through long-term coal contracts, captive mining, and blending strategies. They are also shifting toward value-added products such as coated, automotive, and high-strength steels that command better margins and reduce exposure to commodity price swings. Efforts to enhance efficiency and scale up green initiatives including incremental EAF capacity, waste-heat recovery, and renewable energy integration—are underway to improve both cost structures and carbon footprints. Moreover, firms are balancing export and domestic market strategies, using exports tactically to manage inventory during weak domestic cycles while safeguarding local margins.

Looking ahead, the demand outlook remains anchored by domestic drivers. Government-led infrastructure and urbanisation projects spanning roads, metros, affordable housing, power transmission, and renewable energy will continue to form the backbone of steel demand through 2027, though execution risks and timing lags persist. The construction and real estate sectors will determine long-product (rebar) volumes, with housing demand and state-level project momentum acting as key variables. In the automotive and manufacturing segments, output recovery and PLI-driven investments are set to bolster flat steel demand, especially with the rise of EV-related components. On the supply side, capacity expansions and green-steel initiatives are gaining traction, with major producers investing in new furnaces, hydrogen-based DRI trials, CCS pilots, and renewable power integration. However, the decarbonisation transition remains gradual and capital-intensive. Industry consolidation and a sharper focus on high-margin, value-added products will define competitive differentiation and margin protection amid a softer global price environment.

Industry Outlook

Globally, steel demand is slated to remain flat in 2025 due to China's housing slowdown, but India's sustained expansion offers a strategic counterbalance. Further, the domestic industry is witnessing increased consolidation and entry of international players, strengthening the sector through investment and expertise.

Against this backdrop, the medium-term outlook for the Indian steel industry, unlike stagnation in global steel demand, remains stable and moderately positive, supported by sustained domestic demand and policy-driven capacity expansion, despite global headwinds. Over 90% of India's steel output is consumed domestically, primarily by the infrastructure, construction, housing, and manufacturing sectors. These segments are expected to maintain steady momentum, driven by continued public investment, private capital formation, housing projects, and the government's emphasis on industrial and urban development. Consumption in India is forecasted to grow by 9% in both 2025 and 2026.

Continued government investment in signature schemes, e.g., Pradhan Mantri Awas Yojana and Gati Shakti Master Plan, supported by industrial corridors and urbanisation, will underpin steel demand. India's production capacity reached around 200 million tonnes in 2025, with ambitious targets set to hit 300 million tonnes by 2030. The World Steel Association projects these strong gains, noting India as the only top producer with consistent output growth.

India's steel sector stands at a strategic inflexion point, benefitting from rapid industrialisation and robust economic growth. In FY2024-25, the national GDP grew by 6.4%, with construction expanding by 9.4%, automotive by 7.3%, and infrastructure by 4.4% all major demand drivers for steel. As the world's second-largest steel producer, India contributes nearly 8% of global output, with annual production reaching 152 million tonnes. The sector remains largely dependent on the Blast Furnace-Basic Oxygen Furnace (BF-BOF) route, which relies heavily on imported coking coal, highlighting the importance of raw material security for cost stability and competitiveness.

The outlook for the Indian steel industry remains cautiously optimistic. Growth will continue to be driven by:

Domestic Demand Resilience: Continued infrastructure spending, housing expansion, and the rise of emerging sectors such as renewable energy and electric mobility will sustain steel consumption.

Capacity Expansion: Around 13 million tonnes of new capacity is planned by FY2027-28, with 7.4 million tonnes expected to come online in FY2025-26, enhancing supply readiness for future demand.

Policy and Sustainability Initiatives: Measures under the National Steel Policy (NSP 2017), safeguard duties, and decarbonization drives aligned with the National Green Hydrogen Mission will improve long-term competitiveness and advance progress toward India's net-zero emissions target by 2070.

Structural Transformation: Increased investment in green steelmaking technologies, greater adoption of electric arc furnaces (EAFs), and improved resource efficiency are expected to lower carbon intensity and reshape production dynamics.

Concluding Observations

India's steel industry is entering a phase of strong expansion, fuelled by rising domestic demand, structural supply-side reforms, and strategic adjustments by major producers. Price movements remain fluid, with policy decisions and robust consumption likely to support firmer pricing between 2025 and 2027. The dynamics of raw material markets, particularly coking coal, pig iron, and sponge iron, continue to shape cost structures and operational strategies, while growing import competition underscores the need for policy support and efficiency improvements.

The near-term outlook is for moderate production and consumption growth, constrained by domestic project timelines, global demand softness, and the pace of “green steel” transition.¹¹ Infrastructure development and housing demand will, however, provide an impetus to sectoral growth.

Profit margins will fluctuate based on the level of vertical integration, product diversification, and how effectively input costs are managed. While lower coking coal prices in early 2025 provided temporary relief, ongoing reliance on imported feedstock and the pace of decarbonisation investments will distinguish industry leaders from laggards. The International Energy Agency (IEA) confidently stated, “*Major players... remain well placed to navigate the cycle, yet execution and commodity management will be critical*”.

Integrated steelmakers such as Tata Steel, JSW Steel, and SAIL are well-positioned to benefit from cyclical upturns. Success will, however, depend heavily on operational execution and raw material management to capitalise on the rising domestic demand.

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