

RESEARCH**METALS & MINING**

ISA Steel Conclave 2024: Peek at medium-term outlook

SUMMARY**METALS & MINING**

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- Loss of iron ore advantage, met coal security, acceleration of carbon levy in India with CBAM & decarbonisation are medium-term challenges
- Value-added steel, use of AI to enhance margin, green steel exports and mandated public green steel demand offer medium-term opportunities

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Near-term industry concerns: These are (a) contraction of steel margins, (b) need for proactive tariffs protection against potential surges in imports from China, (c) government maintaining affordability of taxation vs potential increase in state taxes.

India steel – a bright spot: (a) Multi-decade growth potential ahead, (b) industry gearing up for delivery of 230m-240mt capacity by FY30, (c) key challenges are synchronised ramp-up of iron ore (50% capacity increase for 300mt steel production) and logistics infrastructure (4t-5t movement of materials per tonne of steel).

New margin challenges in medium to long term: (a) Potential erosion of iron ore advantage as decarbonisation lowers iron ore prices with shift to scrap, (b) pressure on met coal prices with continuing under-investment and India's import dependence.

CBAM challenge – improving appreciation: (a) Accelerate levy of carbon taxes in India to keep tax money in India, (b) lower cost advantage against European peers for downstream products, (c) increased import competition in domestic markets for high-carbon steel, (d) need for guarding Indian industry against disadvantages of capital grant, renewable infrastructure, domestic scrap availability, etc.

Margin-enhancement initiatives: (i) focus on value-added products, (ii) selective exports, (iii) cost optimisation, (iv) need for improving efficiency of capital projects, (v) more use of shared resources (merchant pellet plants, slurry pipelines).

AI can aid margins: CISDI highlighted that it implemented AI/ Big Data at 34 plants in China and has seen margin improve to US\$ 10-40/tcs for blast furnace plants and US\$ 10-20/tcs for mini mills. Indian industry has also started the journey.

Decarbonisation: India has begun working to develop an action plan to make the steel industry green. It involves (a) window of opportunity emerging for green steel exports, starting with auto/auto-components exports to Europe, (b) government considering the creation of mandated demand and policy support for implementation, (c) 'Run' scenario envisaging investments of US\$ 1.2tn-1.3tn with US\$ 420bn-430bn of capex.



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