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Weak realisations to dent revenue growth of steel pipes & tubes industry

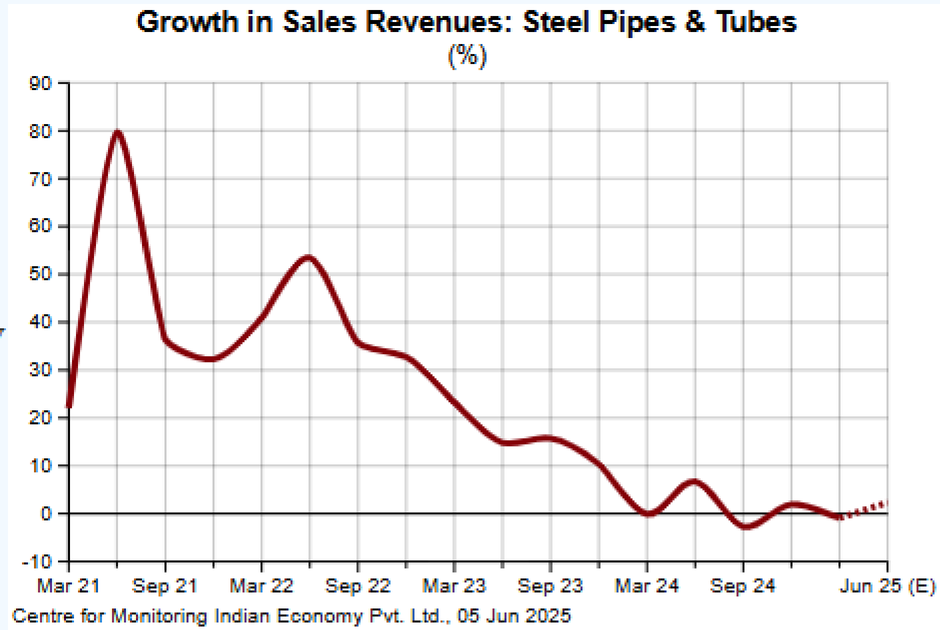
Profit margins to expand a bit

The steel pipes & tubes industry's sales revenue is expected to grow at a modest rate in the quarter ending June 2025. This will mark the sixth consecutive quarter of weak top line performance for the industry. Healthy demand for steel pipes and tubes is expected to support growth, however, weak realisations are likely to pull down the industry's overall revenue. Further, profit margins are expected to expand on a year-on-year basis due to lower input costs.

The industry recorded flat top line growth in the March 2024 quarter, ending a streak of 12 quarters of double-digit growth. A slight recovery was seen in the June 2024 quarter with a 6.7 per cent year-on-year (y-o-y) top line growth. However, the momentum did not sustain as the following September 2024 quarter recorded a 2.7 per cent fall. The industry's revenue remained tepid and recorded a two per cent y-o-y growth in the December 2024 quarter and a flat growth in the March 2025 quarter. The deceleration in the industry's sales revenues is due to a steeper y-o-y fall in sales realisations.

Wholesale prices of galvanised iron pipes and stainless steel tubes peaked during 2022-23. It began to fall in the following two years. Wholesale prices of galvanised iron pipes dropped by five per cent and 6.6 per cent and that of stainless steel tubes dropped by 3.3 per cent and 2.9 per cent in 2023-24 and 2024-25, respectively. In the March 2025 quarter, prices of galvanised iron pipes and stainless steel tubes were down by 6.3 per cent and 2.6 per cent y-o-y, respectively. These prices fell by 5.2 per cent and 1.7 per cent y-o-y, respectively, in April 2025. The next two months of the reporting quarter are also likely to witness a year-on-year fall in the prices of steel pipes and tubes.

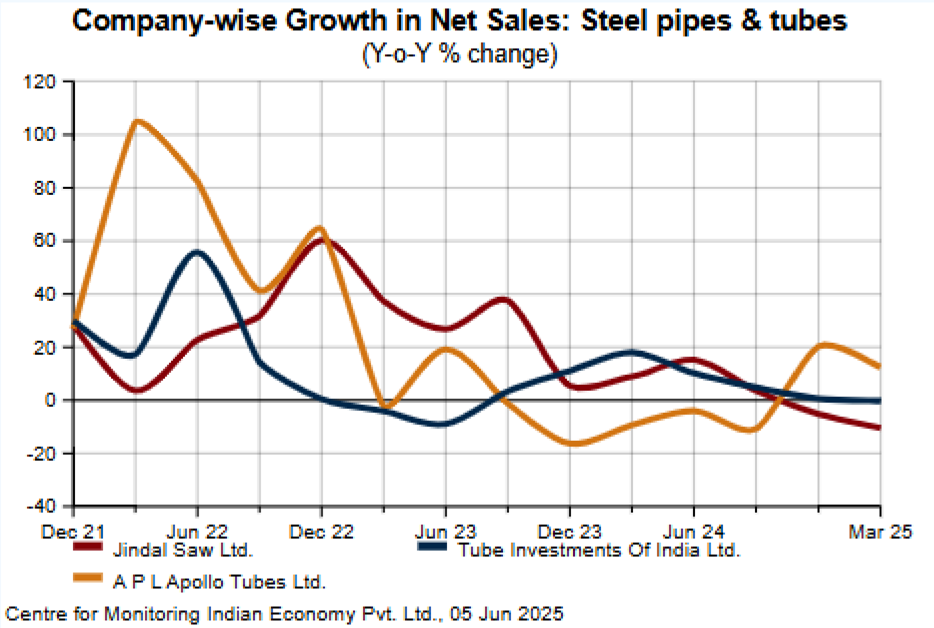
Growing demand for steel pipes and tubes across various industries will improve the industry's sales volume in the June 2025 quarter. User industries such as real estate, infrastructure, power, automotive, chemicals and oil & gas are expected to witness a rise in project completions and production volume during the quarter. Project completions in the real estate industry are expected to almost double to Rs.241.7 billion in the June 2025 quarter. Infrastructure development activities are also expected surge before the arrival of the monsoon season in June. Other user industries such as power, automotive and chemicals are estimated to witness a rise in project commissioning in the June 2025 quarter when compared to the year-ago quarter.



In spite of healthy growth in sales volumes, top line of the industry is likely to grow at a nominal rate due to an expected slump in sales realisations. We expect the steel pipes & tubes industry's sales revenue to grow by 1-3 per cent y-o-y in the first quarter of the ongoing year 2025-26.

Steel prices in the domestic market fell to a four-year low in April 2025. However, prices are expected to recover following the government's imposition of a 12 per cent anti-dumping duty on five categories of steel products, effective for 200 days from 21 April 2025. While steel price are expected to rise going forward, they will remain lower compared to the year-ago levels. As a result, raw material expenses, the largest cost head of the industry, are also likely to be lower compared to their year-ago levels in the June 2025 quarter. Profitability of the industry is expected to improve slightly due to an expected year-on-year drop in input costs. We expect operating as well as the net profit margin of the industry to expand by 10-30 basis points in the reporting quarter.

The steel pipes & tubes industry's revenue remained at its year-ago level in the March 2025 quarter. Jindal Saw, which holds more than 20 per cent share in the industry's total revenue, reported a 10.5 per cent fall in the top line in the March 2025 quarter. According to the company's earnings call per cent fall in the top line in the March 2025 quarter. According to the company's earnings call transcript, water infra projects, especially in Jal Jeevan Mission, got held up due to insufficient budgetary allocations this year. This impacted the last quarter's execution, resulting in a fall in the company's top line. A steep fall in Jindal Saw's net sales restricted growth in the industry's top line. Welspun Corp, another top player in the industry, also reported a double-digit fall in its revenue.



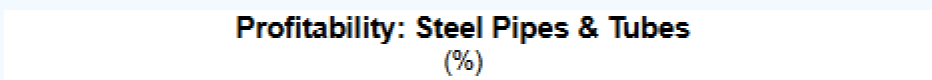
APL Apollo Tubes, the second-largest listed company in the industry, registered a 12.5 per cent y-o-y rise in sales revenue. Ratnamani Metals & Tubes and Goodluck India also reported double-digit top line growth of 10.6 per cent and 22.4 per cent y-o-y, respectively. Meanwhile, Tube Investments of India's revenue remained at its year-ago level in the March 2025 quarter.

Raw material expenses dropped by 3.4 per cent y-o-y. This is due to a drop in the prices of steel. The average domestic price of steel fell by nine per cent y-o-y during January-March 2025.

Employee compensation expenses increased by 12.7 per cent y-o-y, while other expenses fell by one per cent y-o-y in the said quarter. Operating expenses corresponding to the total goods sold fell by 1.8 per cent. The operating profit of the industry increased by 5.9 per cent y-o-y and the operating profit margin improved by 72 basis points to 12.2 per cent in the March 2025 quarter.

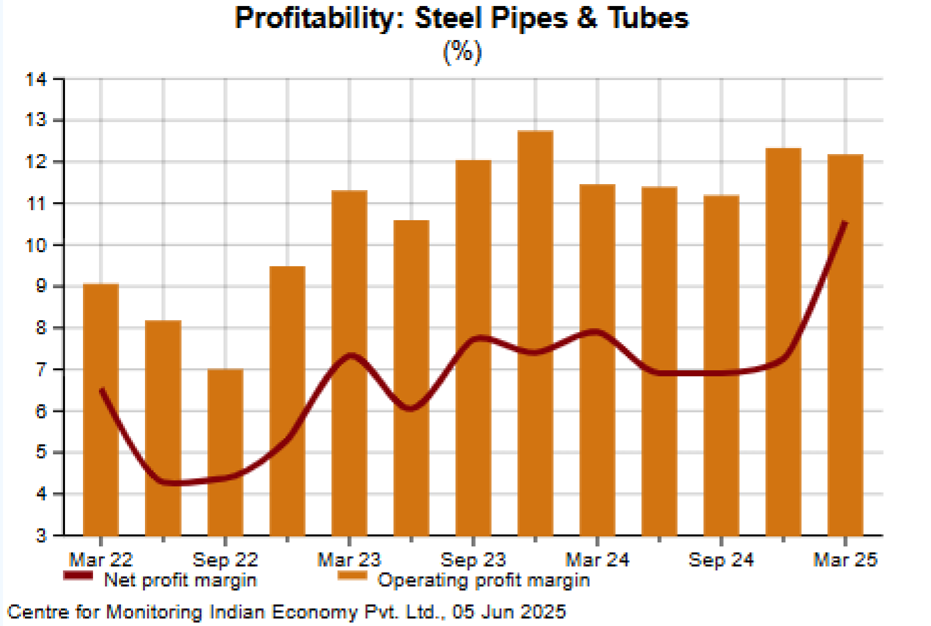
Non-operating expenses such as depreciation rose by 7.6 per cent, while interest expenses dropped by 10.9 per cent in the quarter. Tax expenses remained at their year-ago levels. The other income of the industry surged by 80.8 per cent y-o-y. Other income of top listed companies such as APL Apollo Tubes, Tube Investments of India and Ratnamani Metals & Tubes skyrocketed by 251.9 per cent, 395.6 per cent and 201.5 per cent, respectively, in the quarter.

The net profit of the steel pipes & tubes



per cent and 201.5 per cent, respectively, in the quarter.

The net profit of the steel pipes & tubes industry grew by a healthy 35.1 per cent y-o-y in the March 2025 quarter. Net profit margin peaked in the said quarter. The profit margin at the net level expanded by 2.7 percentage points to 10.6 per cent. A surge in other income and lower input costs helped to raise the industry's net profit margin to an all-time high.



Centre for Monitoring Indian Economy Pvt. Ltd., 05 Jun 2025

Jindal Saw and APL Apollo Tubes, the top two listed companies in the industry, witnessed an improvement of nine basis points and 187 basis points in their net profit margin for the quarter ended March 2025. Tube Investments of India's net profit margin expanded by 19.2 percentage points to 31 per cent in the quarter. Man Industries (India) net profit margin more than doubled to 4.5 per cent. Meanwhile, Welspun Corp's net profit margin shrunk by 2.7 percentage points to 3.5 per cent in the March 2025 quarter.

Production to continue to grow at healthy pace

Production of steel pipes and tubes grew at a double-digit rate in the last three financial years ended March 2025. The surge in real estate and infrastructure projects, a rise in user segment production and favourable government initiatives drove demand for steel pipes and tubes over the years. This strong momentum is likely to continue this year. We expect the output of steel pipes and tubes will grow in the range of 10-15 per cent in the current financial year 2025-26.

Steel pipes and tubes are commonly used for gas or fluid conveyance across various industries like real estate, industrial manufacturing, infrastructure, power, chemicals, refinery and oil & gas to name a few. Due to their high strength, they are also used in infrastructure and building construction to provide additional strength and stability to tall structures.

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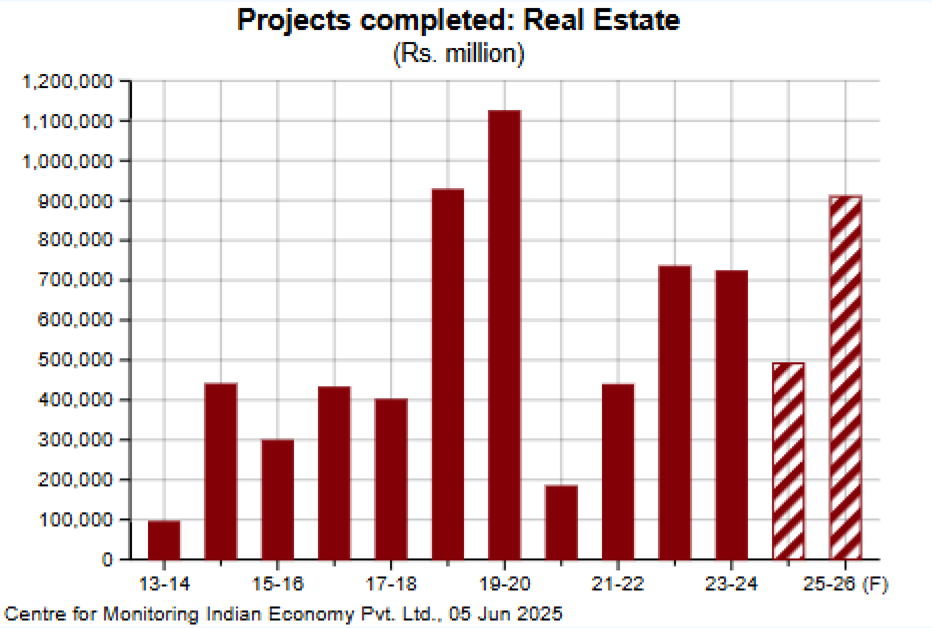


In 2025-26, real estate projects worth more than Rs.900 billion are estimated to get commissioned. This is more than twice the value of projects completed in the previous year 2024-25 and third highest project completions overall in the industry. A large number of outstanding projects which got delayed in the past few years due to lack of clearances, shortage of funds and developers going bankrupt, are likely to get completed over the next couple of years. This is likely to keep demand for steel pipes and tubes from the real estate sector strong going forward.

Other user sectors such as power, chemicals, refinery and oil & gas are also likely to witness a rise in their project completions this year, thereby supporting the growth in the production of steel pipes and tubes.

Furthermore, government initiatives such as Jal Jeevan Mission and Atal Mission for Rejuvenation and Urban Transformation (AMRUT) 2.0 are expected to boost investments and activity in water infrastructure projects. The Jal Jeevan Mission, launched in 2019, aims to provide tap water to every rural household in India. In the Union Budget 2025-26, the government extended the Jal Jeevan Mission till 2028 and increased the its allocation to Rs.670 billion, which is significantly higher compared to the revised estimate of Rs.226.9 billion for the scheme in the year 2024-25. The Atal Mission for Rejuvenation and Urban Transformation (AMRUT) 2.0 scheme is designed to provide universal coverage of water supply through functional taps to all households in all the statutory Indian towns and coverage of sewerage/septage management in 500 cities covered in the first phase of the AMRUT scheme. AMRUT 2.0 was launched in October 2021 for a period of five years. Reportedly, State Water Action Plans submitted by States/Union Territories have been approved for 592 sewerage/septage management projects worth around Rs.676.1 billion under this scheme.

Steel pipes and tubes imports to continue to fall

Imports of steel pipes and tubes are likely to continue to fall in the ongoing financial year 2025-26. Steel pipes and tubes shipments fell by 3.7 per cent y-o-y in the first 10 months of the year 2024-25. The fall was due to the measures taken by the government to reduce dependency on imports and to improve the competitiveness of domestic steel manufacturers. In February 2024, the central government introduced the Steel and Steel Products (Quality Control) Order, 2024, to curb imports of sub-standard goods to boost domestic manufacturing and ensure consumer safety. During the year, the government also imposed anti-dumping duty on welded stainless steel pipes and tubes imported from Vietnam and Thailand, which cumulatively accounted for almost 12 per cent of the total imports of steel pipes and tubes in the previous year. The duty, imposed for five years, varies from USD 246-307 per metric tonne, depending on the producer and country of origin. Further, the government has extended anti-subsidy duty or countervailing duty, ranging from 12 to 30 per cent, on the imports of welded stainless steel pipes and tubes from China and Vietnam for five years from the date of notification to be issued in this regard by the central government. China accounted for over 60 per cent of the total imports of steel pipes and tubes during 2024-25.

In February 2025, a notification on 'Stainless Steel Pipes and Tubes (Quality Control) Order, 2025' was issued by the Department for Promotion of Industry and Internal Trade (DPIIT). Under the order, the stainless steel pipes and tubes cannot be produced, sold, traded, imported or stocked unless they bear the Bureau of Indian Standards (BIS) mark. This order will come into effect from August 2025.

In the current financial year, we expect import quantity to fall by around five per cent over and above an expected three per cent fall in the previous financial year 2024-25. With anti-dumping duty and countervailing duty in place, unit realisation of imports of steel pipes & tubes is expected to continue to rise in the current

Steel Pipes & Tubes: Imports

Year	Import Quantity		Import Realisation	
	'000 tonnes	% change	USD/tonne	% change
2020-21	500.9	-38.47	1,728.8	0.73
2021-22	503.9	0.60	2,132.1	23.33
2022-23	529.1	5.00	2,125.0	-0.33
2023-24	696.1	31.56	1,595.5	-24.92
2024-25 (E)	674.9	-3.04	1,689.3	5.88
2025-26 (F)	640.2	-4.98	1,741.7	3.12

pipes & tubes is expected to

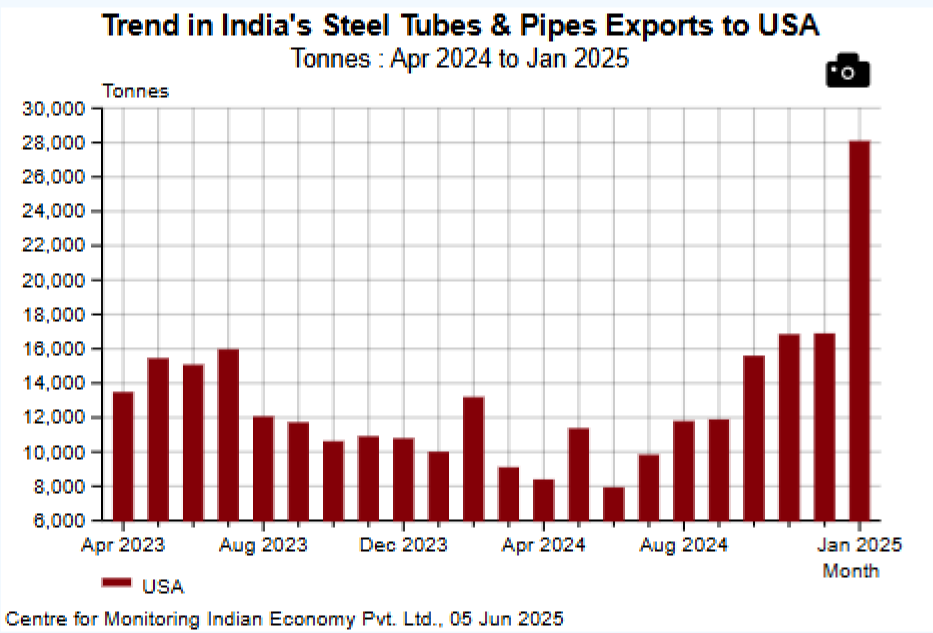
2025-26 (F)	640.2	-4.98	1,741.7	3.12

continue to rise in the current financial year. It is expected to increase by more than three per cent in 2025-26, on top of a 5.9 per cent rise expected in the previous year.

US tariffs to lower exports

Exports of steel pipes and tubes are expected to fall in 2025-26. The imposition of Section 232 tariff on steel imports by the United States (US) government is likely to pull down the exports. The Section 232 tariffs are intended to protect US national security by adjusting imports that are deemed to threaten the country's national security. The US levied a 25 per cent tariff on steel imports from all exporting countries, including India, with effect from 12 March 2025. The country further doubled the tariff rate on steel imports from 25 per cent to 50 per cent from 4 June 2025.

India, the world's second-largest steel producer, exports almost 10 per cent of its total steel pipes and tubes shipments to the US. The 50 per cent tariff will significantly reduce India's exports to the country, increase competition and exacerbate oversupply at other steel-producing markets. As a result, Indian producers are expected to face challenges in exporting steel pipes and tubes.



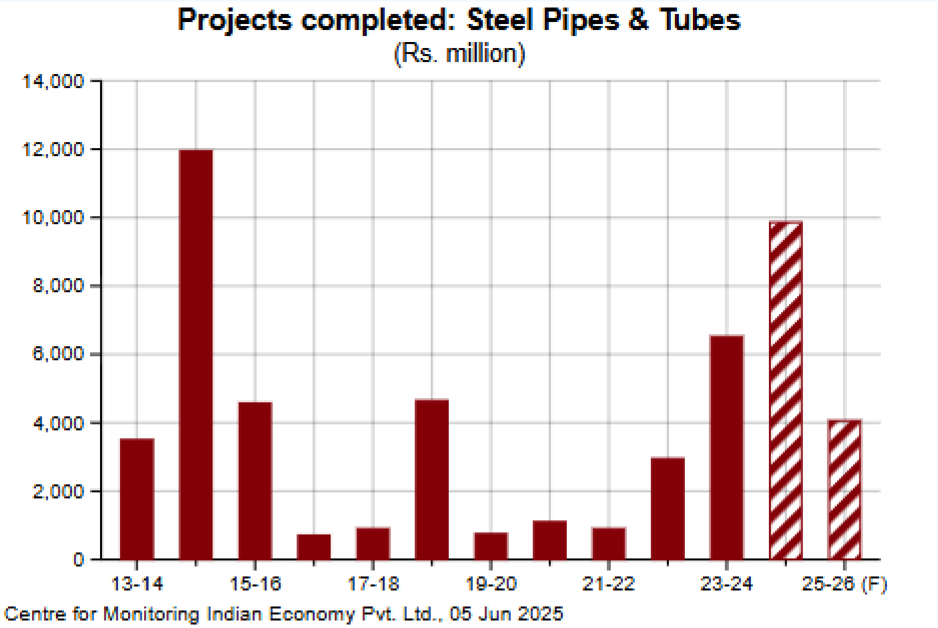
Export volumes of steel pipes and tubes rose by 3.7 per cent y-o-y during the first 10 months of the year 2024-25, mainly due to increased shipments to the US. In January 2025 alone, exports of these products to the US jumped by 182.1 per cent compared to the same month last year. As a result, total exports to the US increased by 10 per cent y-o-y during April 2024 - January 2025. This surge occurred ahead of the US government's planned import tariff, which came into effect from March 2025. Shipments are likely to be high in February 2025 as well.

From March 2025, the overall exports of steel pipes and tubes are likely to fall on a year-on-year basis. In 2025-26, the export quantity of steel pipes and tubes is projected to fall by over five per cent after an expected two per cent rise in the previous year.

Increased competition and a likely oversupply in the global market are expected to put downward pressure on steel pipes and tubes prices. Unit realisation of exports of these products is expected to fall for the third consecutive year ending March 2026. We expect around a two per cent drop in export unit realisation of the products during 2025-26. This fall will come over and above an expected five per cent drop in export realisations in 2024-25.

Project completions to drop this year

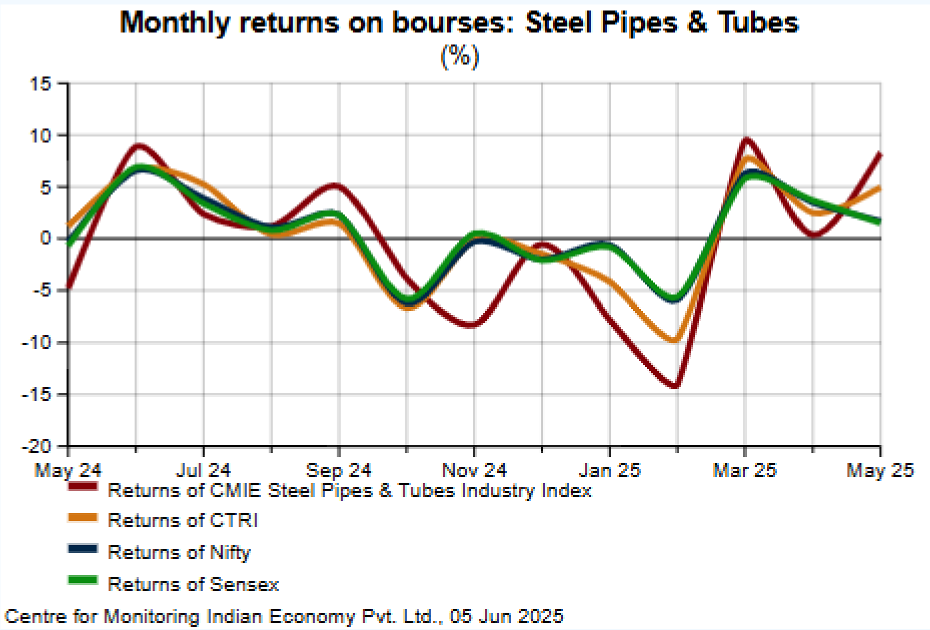
Project completions in the steel pipes & tubes industry are expected to fall in the ongoing financial year 2025-26. Projects entailing an investment of Rs.4.1 billion are scheduled to come on stream this year. This is significantly lower compared to the investments seen in the previous year 2024-25. Seven projects worth Rs.9.9 billion were commissioned last year.



In the last three years, the steel pipes & tubes industry added over one million tonnes of capacity each year. This is significantly higher compared to an average 216 thousand tonnes added during the pandemic years 2020-21 and 2021-22 and an average 540 thousand tonnes added before pandemic from 2014-15 to 2019-20. Project completions slowed down during the Covid-19 pandemic as the operations at the plants halted due to lockdown restrictions. As industrial and construction activities resumed following the lifting of Covid restrictions, steel pipes and tubes consumption increased due to pent-up demand, resulting in a surge in capacity additions during 2022-23. Capacity additions remained strong in 2023-24 and 2024-25 due to growing demand for steel pipes and tubes and receding prices of steel.

Index yields 8.3% returns in May 2025

The CMIE Steel Pipes & Tubes Index increased by a smart 8.3 per cent in May 2025, after yielding flat returns in the previous month. The index, comprising 26 listed steel pipes and tubes companies, performed better compared to the benchmark indices Nifty and Sensex by 6.5 percentage points and 6.8 percentage points, respectively. It also performed well compared to the overall CMIE Total Returns Index (CTRI) by 3.3 percentage points in the reporting month.



The index was trading at a price-to-earnings (P/E) multiple of 30.3 times in May 2025. It traded higher compared to the P/E multiple of 27.7 times in April 2025. Trading volumes increased significantly to almost Rs.128 billion in May 2025 from Rs.86.7 billion in the preceding month. The market capitalisation of the index, too, surged to almost Rs.2 billion in May 2025 from Rs.1.9 billion in April 2025.

Tube Investments of India, which has the highest market capitalisation in the industry, witnessed a 5.6 per cent rise in share price during May 2025. APL Apollo Tubes and Welspun Corp yielded double-digit returns of 11.9 per cent and 21.9 per cent, respectively, in the same month. Rajasthan Tube Mfg. Co. yielded the highest returns of 49.7 per cent during the month. Meanwhile, Jindal Saw, one of the top companies in the industry, saw a 14.6 per cent fall in its share price in May 2025.