

# Steel Cos may Gain from Govt's Infra Push

Infra expense in 4 months to July 6% points higher than average 26% spent in these months in 4 yrs

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**Mumbai:** Outlook for the domestic steel sector is favourable despite the fact that anaemic growth in some of the world's largest steel-consuming economies could impact prices, thanks to the government's accelerated spending on infrastructure over the last few months, analysts said.

Steel finds the maximum consumption in the infrastructure

space. With the Centre spending nearly a third of its budgeted funds on big-ticket infrastructure projects, demand for steel grew 13% year on year between April and July. The government's spending in this period is around 6 percentage points higher than the average of 26% it has spent in these months over the last four years, Crisil Market Intelligence said in a note. Demand for steel, consequently, is seen growing in double-digits for the third consecutive

year in the current fiscal, rating agencies ICRA and Crisil said.

This heightened demand for steel is not only seen absorbing the additional steel capacities that will come on board in the domestic market but will also shield prices from the weak pricing trends in the global market. The government has increased its outlay for spending on infrastructure by around 33% to ₹10 lakh crore for FY24. It has already spent close to ₹3.5 lakh

crore up to July. "Though ambitious, this target is unlikely to be missed, given the government's track record of achieving 98% of budgeted capex in the past four fiscals despite the pandemic and pressure on revenue receipts," Crisil said.

Government spending on infrastructure, in fact, was about 60% higher year on year in the June quarter. This growth in infra spending, along with a revival in investments from the private sector and steady demand from the automobile sector, will help in keeping flat steel prices at an average of around ₹59,000 per tonne, and long steel prices at around ₹56,000 per tonne for the year, the rating agency said. While ICRA sees domestic steel prices remaining "under check" because of premium over imported steel from China, it sees profitability for industry benefitting from a moderation in raw material costs.

**Future Perfect**

**DEMAND**  
Demand for steel seen growing in double-digits for 3rd consecutive year

**GOVERNMENT**  
Increased outlay for spending on infra by 33% to ₹10L crore for FY24

Spending on infrastructure was about 60% higher on year in June quarter itself