

SECTOR STUDY | SEPTEMBER 29, 2026

Steel

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Steel

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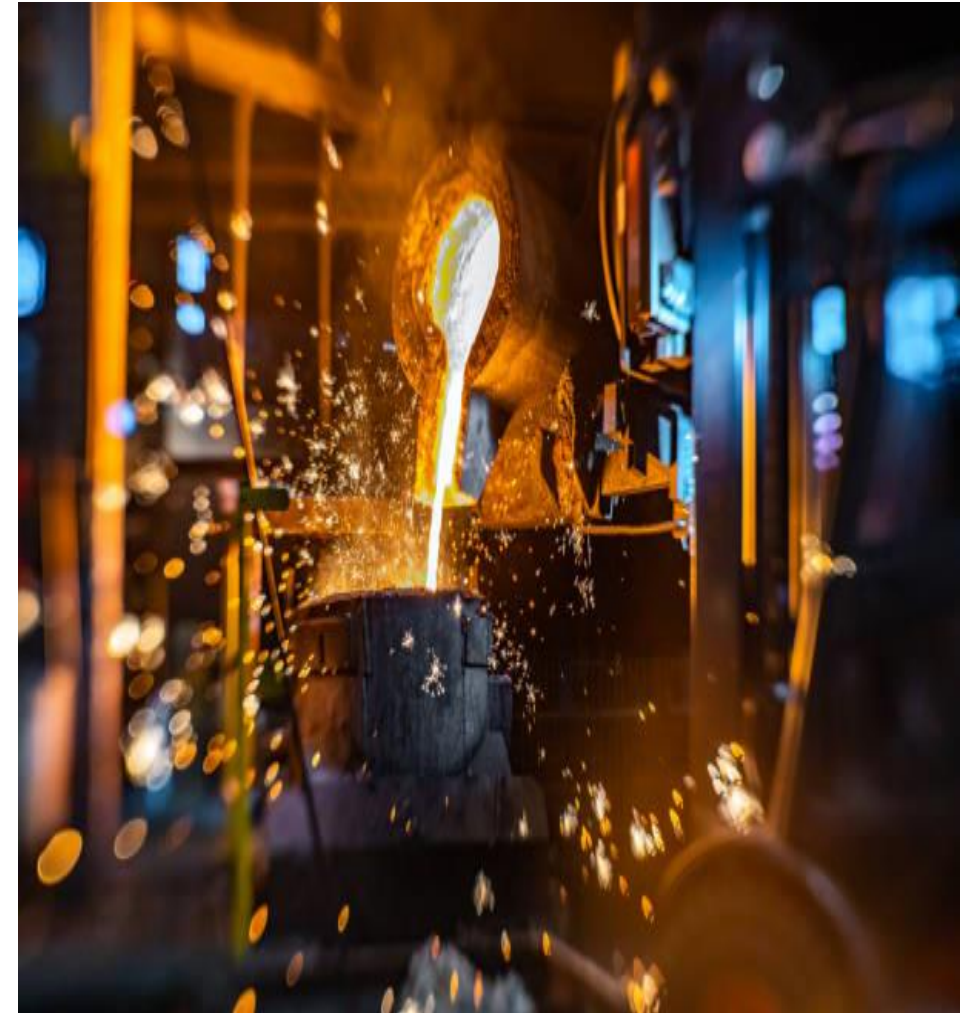
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Introduction

- Steel is an alloy of iron and carbon, with elements such as manganese, chromium, and nickel added to achieve specific properties. Its strength, versatility, recyclability, and relatively low cost make it the world's most widely used metal, with over 3,500 grades.
- Steel is a primary input for construction, infrastructure, energy, automotive, transportation, and machinery, which makes its demand a close proxy for investment activity in an economy.
- Steel is made from two main feedstocks. The first is iron ore, which is reduced (typically with coal-based coke) into metallic iron. Iron makes up ~98% of steel by weight. The second is steel scrap, which can be recycled repeatedly without loss of properties. Carbon content generally ranges from ~0.02% to ~2.1%.
- Long-term demand is driven by urbanization, infrastructure, and industrialization in developing economies. In the near term, however, global consumption has declined for two consecutive years, weighed down by China's property downturn and economic slowdown.
- The industry's biggest structural shift will be decarbonization. Steel accounts for roughly 7–9% of global CO₂ emissions. So, producers face growing pressure from carbon pricing, green procurement standards, and border measures such as the EU's Carbon Border Adjustment Mechanism, which applies to imports from CY26 with payments due in CY27. This is accelerating the move from coal-based Blast Furnace - Basic Oxygen Furnace (BF-BOF) production toward scrap-based Electric Arch Furnaces (EAFs) and hydrogen-ready Direct Reduced Iron (DRI).



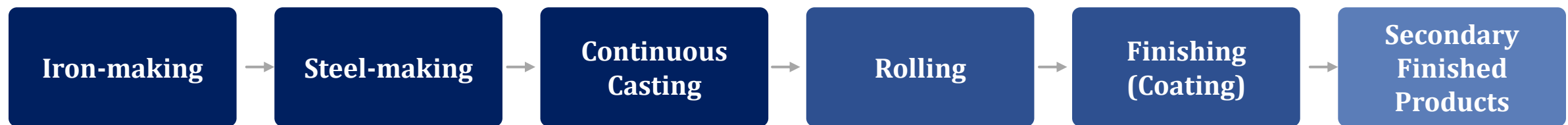
Value Chain

- The steel value chain has three segments: upstream (iron-making), midstream (steelmaking, casting and rolling), and downstream (finishing and fabrication).
- **Iron-making:** iron ore is converted into metallic iron in one of two ways. A blast furnace uses coke and limestone to produce hot metal (pig iron). Direct reduction uses natural gas or non-coking coal to produce DRI/HBI.
- **Steelmaking:** hot metal is refined into crude steel in a Basic Oxygen Furnace, while scrap, DRI, and HBI are melted in Electric Arc or Induction Furnaces.
- **Continuous casting:** molten steel is solidified into semi-finished billets, blooms and slabs.
- **Rolling:** billets and blooms are rolled into long products (rebars, wire rods, bars, sections). Slabs are rolled into flat products (hot-rolled coils, then cold-rolled coils after further reduction).
- **Finishing:** coatings such as galvanizing and painting are applied to improve corrosion resistance and appearance.
- **Downstream:** finished products are fabricated into secondary products such as pipes, structures, and appliances.
- Pakistan has no functioning upstream capacity since Pakistan Steel Mills ceased operations in 2015. Long-product producers melt imported and local scrap in IFs and EAFs, while flat-product producers largely import HRC and convert it into CRC and coated products.

Upstream

Midstream

Downstream



Types of Technologies

- Steel is produced through two main methods: the integrated Blast Furnace–Basic Oxygen Furnace (BF-BOF), and the Electric Arc Furnace (EAF) and the Induction Furnace (IF). BF-BOF makes new steel from iron ore. Meanwhile, the electric furnaces (EAF and IF) melt recycled scrap or pre-reduced iron using electricity. The electric route includes two technologies:.
- In the BF-BOF route, iron ore is first reduced to molten iron (hot metal) in a blast furnace using coke. The hot metal, along with some scrap, is then charged into the BOF, where high-purity oxygen is blown in to burn off excess carbon and impurities. On average, this consumes ~1,370 kg of iron ore, ~780 kg of coal, ~270 kg of limestone, and ~125 kg of scrap per tonne of crude steel, which makes it the most carbon-intensive way to produce steel.
- EAFs and IFs replace coal-based heat with electricity and run mainly on scrap, supplemented by direct reduced iron (DRI) or hot briquetted iron (HBI). On average, the EAF uses ~710 kg of scrap, ~586 kg of iron ore (in the form of DRI/HBI), ~150 kg of coal, and ~88 kg of limestone per tonne. Electricity consumption is ~425–475 kWh/MT on a scrap charge and rises with the share of DRI.
- EAFs are less capital-intensive, can be built at smaller scale, and can be stopped and restarted quickly. This flexibility allows producers to shift output to off-peak tariff hours. Their emissions depend largely on the power source, so they become significantly cleaner on a low-carbon grid.
- Pakistan's steel sector relies almost entirely on the electric route. Induction furnaces account for over 85% of production, and a few larger players operate EAFs.
- In the IEA's Net Zero scenario, near-zero-emission technologies such as hydrogen-based DRI and carbon capture would account for ~8% of primary steel production by CY30, well above today's levels.

Electric Arc Furnace



Basic Oxygen Furnace

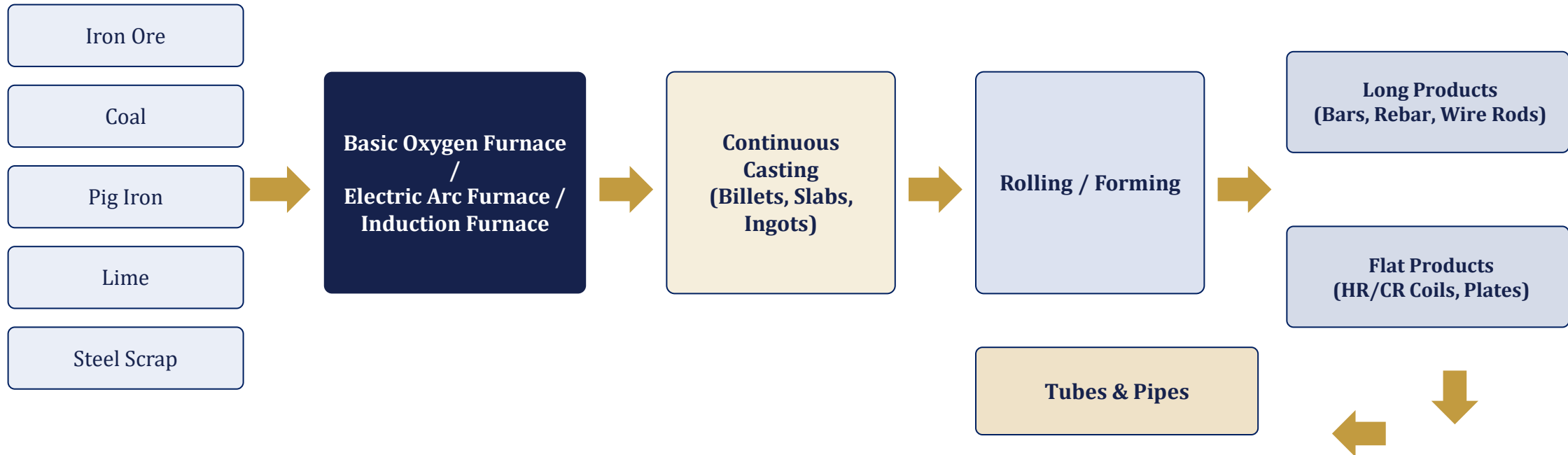


Technologies | IF vs. EAF

- IFs heat the charge through electromagnetic induction, which also stirs the melt. This gives uniform temperature and chemistry, very low melting losses (~1–2% vs ~7–10% for EAF) and less slag (~10–15 vs ~60–70 kg/MT).
- The key limitation of IFs is limited refining capability. Impurities such as phosphorus and sulphur in the scrap largely pass into the finished steel. Thus, IFs need cleaner, costlier scrap, and product quality depends heavily on input quality.
- EAFs refine the melt through slag and oxygen injection. They can therefore use cheaper, lower-grade scrap and a wider range of inputs (DRI, pig iron), at the cost of a lower metallic yield (~90%).
- EAFs are also more energy-efficient, at ~425–475 kWh/MT versus ~700–800 kWh/MT for IFs. That is a material cost disadvantage for IF-based producers at Pakistan's industrial power tariffs.
- IFs generate less dust, off-gas and noise at the furnace, but their higher electricity use means their overall emissions depend largely on the grid mix.

Parameters	Induction Furnace	Electric Arc Furnace
Principle	Induction furnaces use the principle of electromagnetic induction to heat and melt steel scrap.	An Electric Arc Furnace uses the principal of electric arc to heat and melt steel scrap.
Temperature	Low	High
Electricity Consumption	~700-800 kWh/MT	~425-475 kWh/MT
Slag Loss	~10-15 Kg/MT	~60-70 Kg/MT
Melting Loss	~1-2%	~7-10%
Applicable Raw Materials	Scrap iron, scrap steel, sponge iron (pressed into chunks).	Scrap iron, scrap steel, sponge iron (granular), pig iron, iron ore.

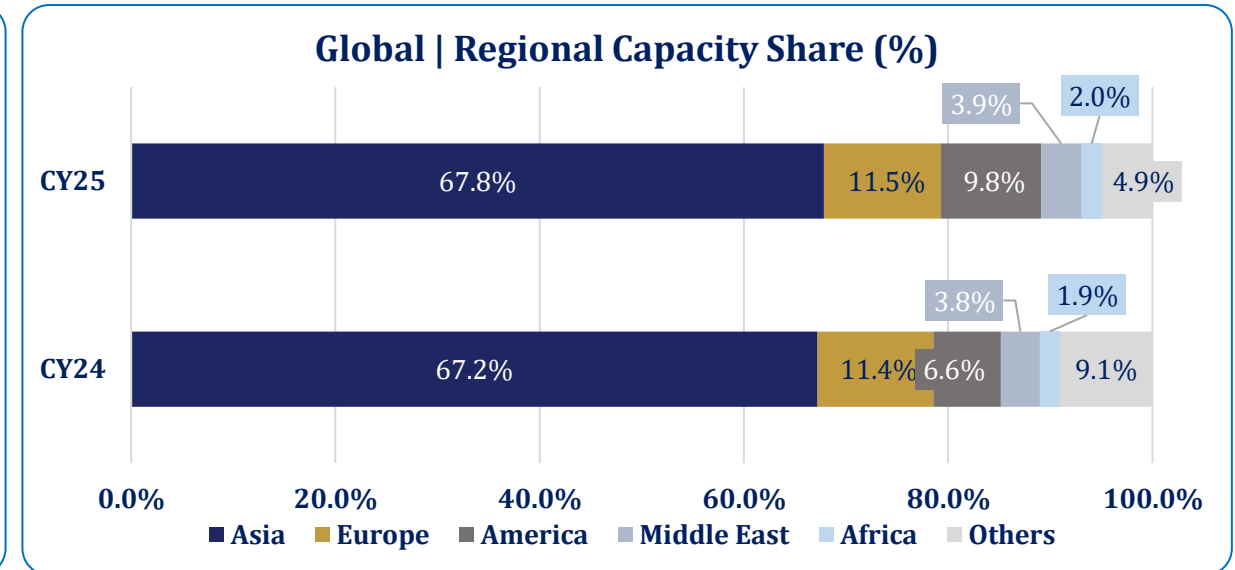
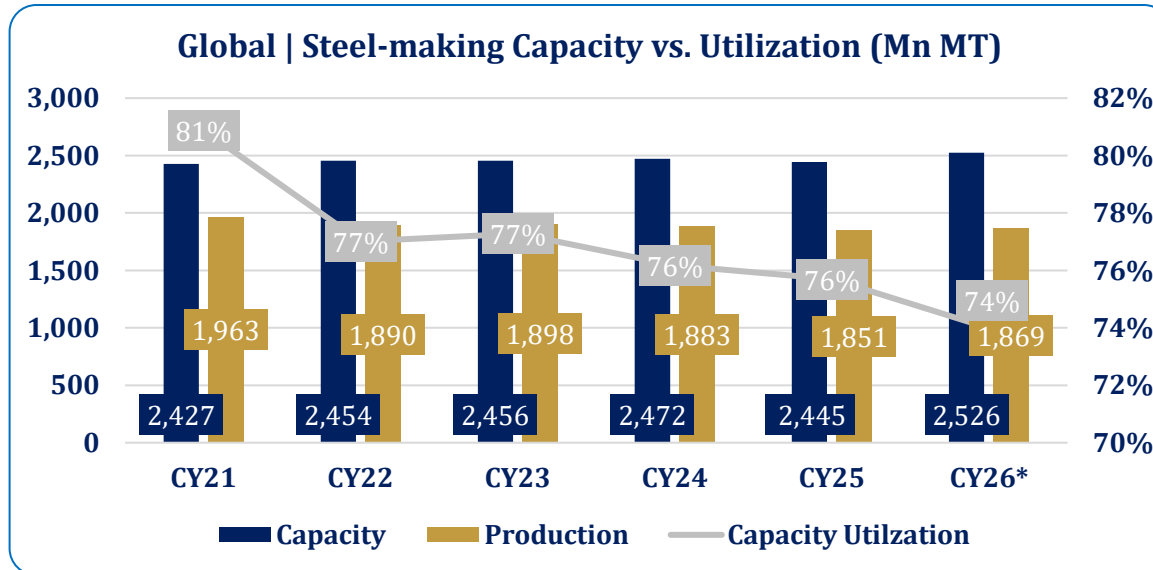
Production Process



- Pakistan's long-steel producers use scrap as their primary feedstock, melting it directly in IFs or EAFs and bypassing the ore-based iron-making step.
- Molten steel is cast into billets (continuously, or as ingots at smaller units), which are hot-rolled into rebars, bars, and wire rods.
- Flat steel follows a separate route: imported HRC is cold-rolled into CRC and coated into galvanized products. Tubes and pipes are formed from flat steel (HRC strip).

Global | Steel-making Capacity

- Global steelmaking capacity was at ~2,445mn MT in CY25, while crude steel production fell ~1.7% YoY to ~1,851mn MT. As a result, capacity utilization stood at ~76%, meaning roughly a quarter of the world's steelmaking capacity sat idle. Capacity is growing faster than the market needs, and part of this new capacity has been geared towards exports rather than local demand.
- In CY25, US capacity grew the most because several new steel mills, planned during the 2021-22 boom, started production, helped by higher import tariffs.
- The OECD estimates global excess capacity at ~640mn MT in CY25, projected to reach ~745mn MT by CY28, as demand grows by only ~34mn MT while capacity expands by up to ~139mn MT over CY26-CY28. China holds most of this surplus, with its share of the global capacity-demand gap rising to ~54% in Q3 CY25.
- This imbalance is expected to push utilization down to ~74% in CY26 from ~76% in CY25, keeping pressure on prices and profitability across the industry.
- Asia remains the center of the industry, with its share of global capacity rising from ~67.2% in CY24 to ~67.8% in CY25.

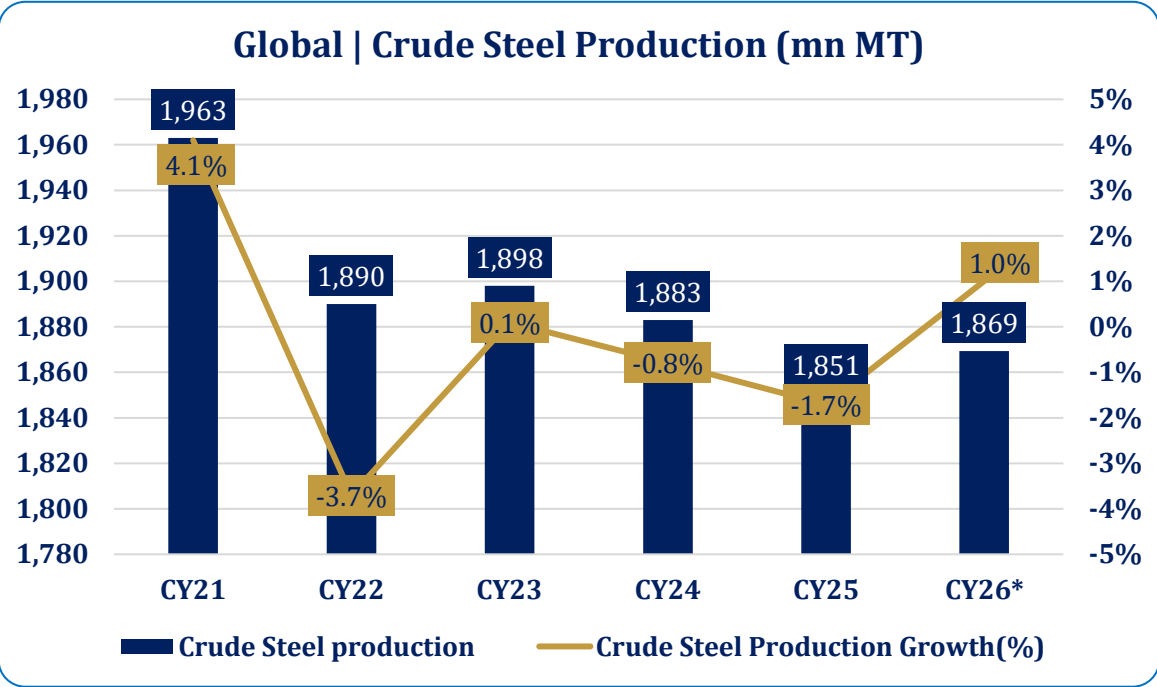


Note: CY26 figures are projections. Steel-making capacity refers to crude steel capacity.

Source: OECD

Global | Production

- Global crude steel production declined by ~1.7% YoY to ~1,851mn MT in CY25, following a ~0.8% decline in CY24. This marked the lowest production level since CY21, reflecting continued weakness in global steel demand. Production is projected to recover modestly by ~1.0% to ~1,869mn MT in CY26.
- China remained the largest steel producer, accounting for ~52.0% of global production in CY25, down from ~53.4% in CY24. India's share increased from ~7.9% to ~8.9%, supported by robust domestic steel demand, particularly from infrastructure, construction, railways and manufacturing, alongside ongoing capacity expansion. United States' share rose from ~4.2% to ~4.4%. Japan, Russia, South Korea and Germany recorded slight declines in their respective shares. Türkiye and Iran registered modest increases. Brazil's share remained unchanged at ~1.8%.



Top Steel Producing Countries		
Country	CY24	CY25
China	53.4%	52.0%
India	7.9%	8.9%
Japan	4.5%	4.4%
United States	4.2%	4.4%
Russia	3.8%	3.7%
South Korea	3.4%	3.3%
Germany	2.0%	1.8%
Türkiye	2.0%	2.1%
Brazil	1.8%	1.8%
Iran	1.6%	1.7%
Rest of The World	15.5%	15.9%

Note: CY26 figures are projections. Crude steel is steel in its first solid form, straight out of the furnace and before it is rolled or shaped into products

Source: OECD, WSA

Global | Production by Process

- From CY24 to CY25, the regional production mix shifted toward EAF steelmaking across most regions. Europe and Asia each recorded a ~1.0 percentage-point increase in EAF share, reaching ~45.4% and ~20.1%, respectively. Africa’s EAF share rose to ~89.0%, while the Middle East remained stable at ~95.5%. Oceania’s EAF share to ~21.9%.
- The shift toward electric arc furnace (EAF) steelmaking is being driven by its potential to reduce emissions, increase scrap utilization and improve production flexibility. Compared to the conventional blast furnace–basic oxygen furnace (BF-BOF) route, scrap-based EAF production is generally less energy-intensive and can have a lower carbon footprint, particularly when powered by low-carbon electricity.

Region	CY21		CY22		CY23		CY24		CY25	
	BOF	EAF	BOF	EAF	BOF	EAF	BOF	EAF	BOF	EAF
Europe	59.1%	40.9%	56.1%	43.9%	55.2%	44.8%	55.6%	44.4%	52.7%	45.4%
America	67.4%	32.6%	67.8%	32.2%	66.7%	33.3%	66.6%	32.4%	67.0%	32.0%
Africa	23.5%	76.5%	16.1%	83.9%	13.1%	86.9%	12.7%	87.3%	11.0%	89.0%
Middle East	5.5%	94.5%	6.0%	94.0%	4.5%	95.5%	4.6%	95.4%	4.5%	95.5%
Asia	81.6%	18.4%	80.7%	19.3%	81.2%	18.8%	80.6%	19.1%	79.9%	20.1%
Oceania	72.3%	27.7%	71.1%	28.9%	80.6%	19.1%	80.6%	19.1%	78.1%	21.9%

Note: BOF = Basic Oxygen Furnace / EAF = Electric Arc Furnace.

Global | Top Steel Producing Companies

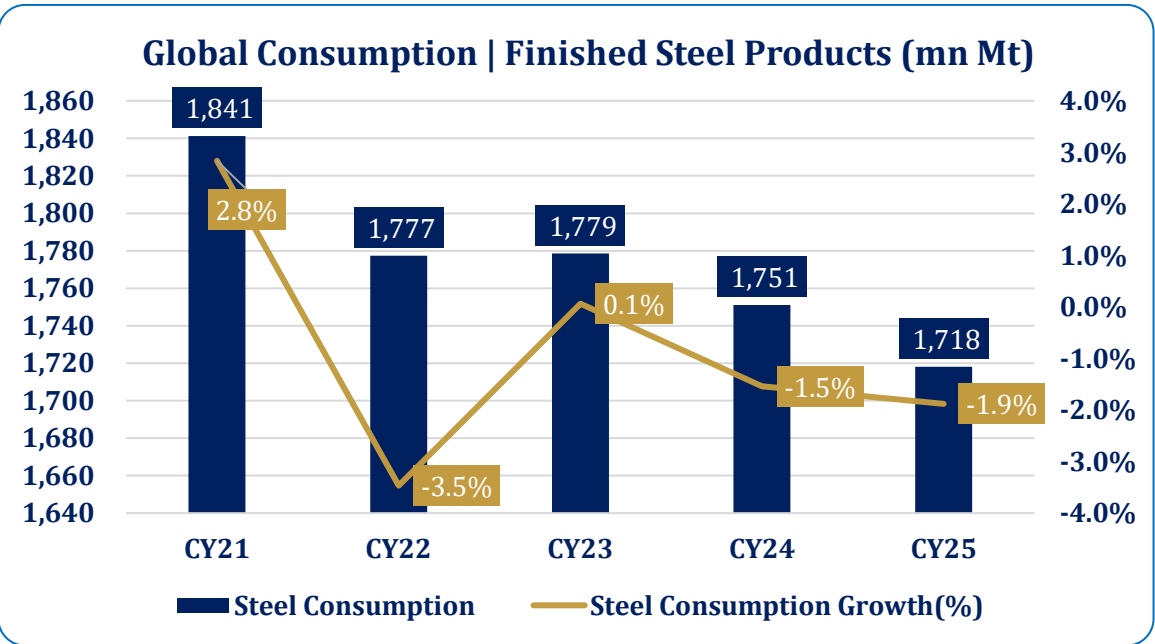
- China Baowu Group remained the largest producer in CY25, despite output falling ~4.1% YoY to ~124.8mn MT amid China's production cuts. ArcelorMittal's steel output fell ~4% in CY25, mainly because production in Europe dropped due to weak demand, a blast furnace shutdown for repairs, and the sale of its Bosnian plants.
- Nippon Steel moved up to third, with output rising ~32.6% to ~57.8mn MT, driven by its acquisition of U.S. Steel rather than organic growth. Ansteel slipped to fourth at ~57.6mn MT, down ~3.4%.
- Six of the top ten producers are Chinese, yet the industry remains fragmented, with the top ten accounting for only ~28% of global output.

Sr.	Company	Headquarters	Production (mn MT)			
			CY24	CY25	CY25 YoY (%)	Market Share CY25 (%)
1	China Baowu Group	China	130.1	124.8	-4.1%	6.7%
2	ArcelorMittal	Luxembourg	65.0	63.4	-2.4%	3.4%
3	Nippon Steel Corporation	Japan	43.6	57.8	-3.0%	3.1%
4	Ansteel Group	China	59.6	57.6	32.0%	3.1%
5	HBIS Group	China	42.3	42.5	0.5%	2.3%
6	Shagang Group	China	40.2	39.1	-2.8%	2.1%
7	Jianlong Group	China	39.4	38.0	-3.4%	2.1%
8	POSCO Holdings	South Korea	37.8	37.4	-1.1%	2.0%
9	Delong Steel	China	31.6	32.0	1.5%	1.7%
10	Tata Steel Group	India	31.0	30.5	-1.8%	1.6%
	Rest of the World		1,362	1,328	-2.7%	71.7%
	Total Production		1,883	1,851	-1.7%	100.0%

Source: WSA

Global | Consumption

- In CY25, global finished steel consumption declined for the second consecutive year, falling ~1.9% YoY to ~1,718mn MT, following a ~1.5% decline in CY24. The decline was primarily driven by the prolonged downturn in China’s property sector, which weighed heavily on the world’s largest steel-consuming market, alongside subdued construction and manufacturing activity across several developed economies.
- China remained the largest steel-consuming market, although its share declined from ~48.9% in CY24 to ~46.3% in CY25. In contrast, India’s share increased from ~8.4% to ~9.3%, supported by stronger domestic steel demand. The United States also recorded a modest increase from ~5.1% to ~5.3%, while Japan’s share remained unchanged at ~2.8%.
- Looking ahead, global steel consumption is expected to remain subdued, with the outlook constrained by continued weakness in China’s property sector. Recent data indicate that Chinese property sales, investment, and new construction starts remained under pressure in CY26. Given China’s significant share of global steel consumption, a prolonged property-sector downturn could limit the pace of global demand recovery.



Top Steel Consuming Countries		
Country	CY24	CY25
China	48.9%	46.3%
India	8.4%	9.3%
United States	5.1%	5.3%
Japan	2.8%	2.8%
South Korea	2.7%	2.5%
Türkiye	2.2%	2.3%
Russia	2.5%	2.2%
Germany	1.5%	1.7%
Brazil	1.5%	1.6%
Mexico	1.6%	1.5%
Rest of The World	22.7%	24.6%

Global | Per Capita Consumption

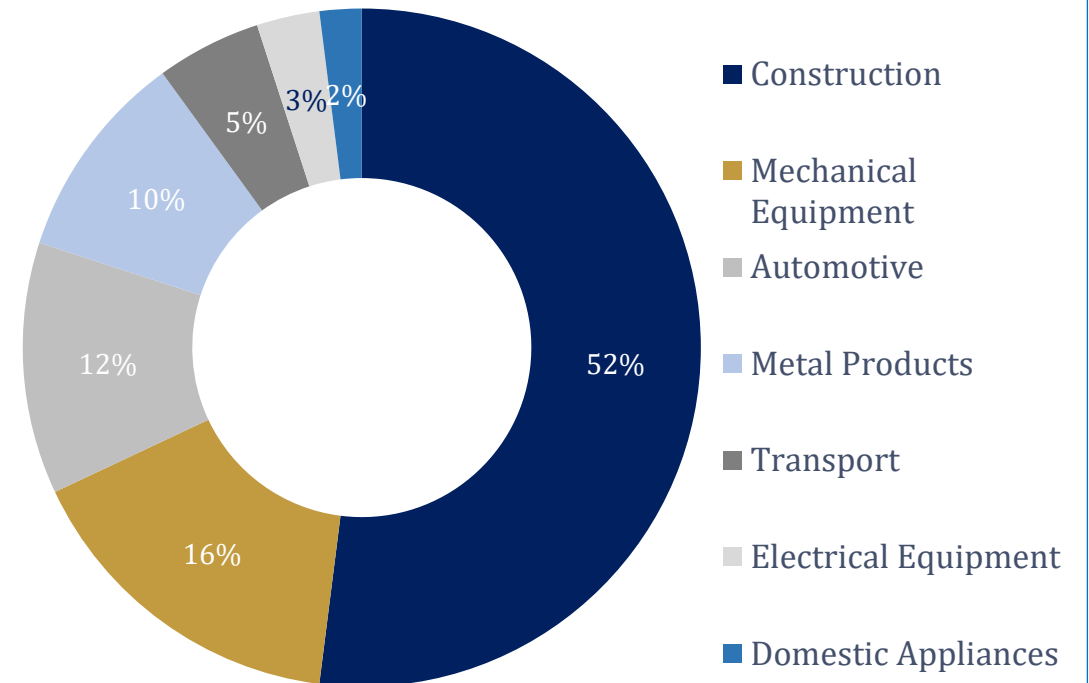
- Among the major consuming countries, South Korea remained the highest consumer at ~843.7 kg/capita in CY25, although its consumption declined significantly from ~924.0 kg/capita in CY24. Taiwan and France followed at ~751.4 kg and ~749.2 kg/capita, respectively, while China recorded ~562.1 kg/capita, down from 603.5 kg in CY24.
- In contrast, Türkiye, Italy, Belgium-Luxembourg and Poland recorded increases in per-capita consumption during CY25, while Japan and China continued to decline.

Global Steel Consumption (Kg/Capita)						
Sr.	Countries	CY21	CY22	CY23	CY24	CY25
1	South Korea	980.0	990.6	1,013.0	924.0	843.7
2	Taiwan, China	897.4	742.9	744.7	749.5	751.4
3	France	1,008.7	678.7	169.2	777.2	749.2
4	China	669.1	650.2	636.6	603.5	562.1
5	Czechia	752.8	620.5	518.5	510.7	528.0
6	Türkiye	385.0	373.6	435.8	437.6	447.8
7	Italy	443.7	419.2	389.5	385.3	401.8
8	Japan	440.6	423.8	415.2	401.3	389.5
9	Belgium-Luxembourg	394.1	362.9	216.4	265.9	362.8
10	Poland	401.1	345.1	304.4	337.3	348.9
	World	231.7	221.8	220.0	214.8	209.0

Global | Sector-wise Consumption

- Construction and infrastructure is by far the largest user of steel, accounting for ~52% of global steel use. Steel is used in buildings, bridges, railways and airports, and much of it goes into rebars and structural sections. This heavy dependence explains why China's property downturn has had such a large effect on global demand.
- Mechanical equipment accounts for ~16% steel use, covering heavy machinery, agricultural equipment and industrial tools. Demand from this segment follows industrial investment and manufacturing activity.
- The automotive sector consumes ~12% of steel, mainly in car bodies, frames and engine parts. Steel remains the main material for vehicles because it is strong, cheap and easy to form, although carmakers increasingly use high-strength steel grades to reduce vehicle weight.
- The remaining ~20% is used in metal products (~10%), other transport such as ships and rail (~5%), electrical equipment (~3%), and domestic appliances (~2%). These shares are structural estimates that change little from year to year, so shifts in overall demand come mainly from construction and manufacturing cycles.

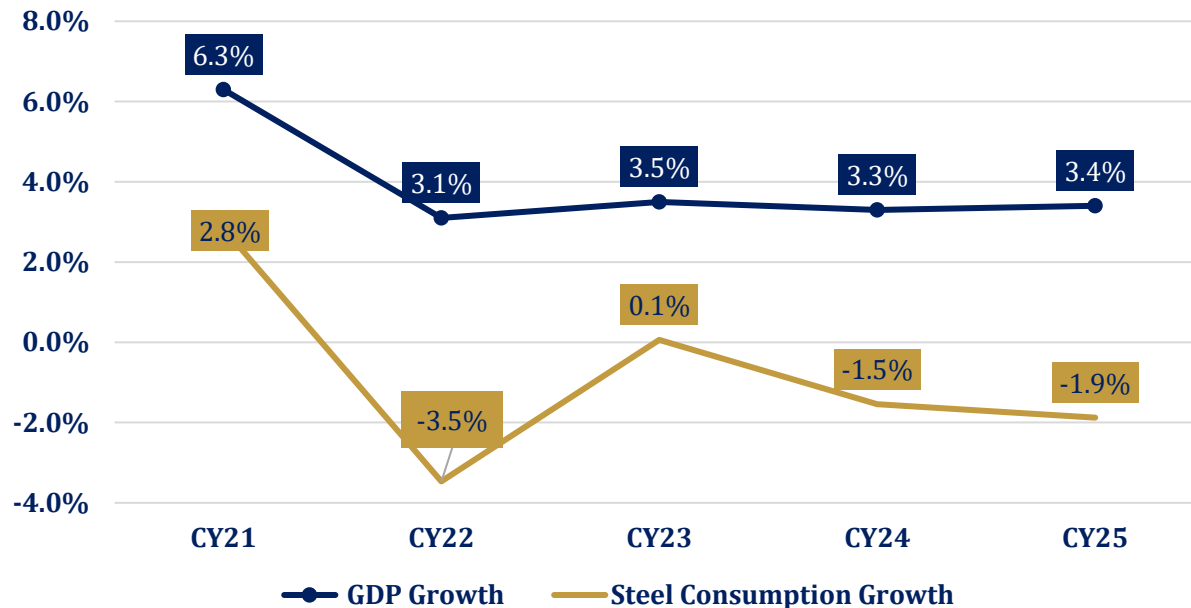
Global | Sector-wise Steel Usage | CY25 (%)



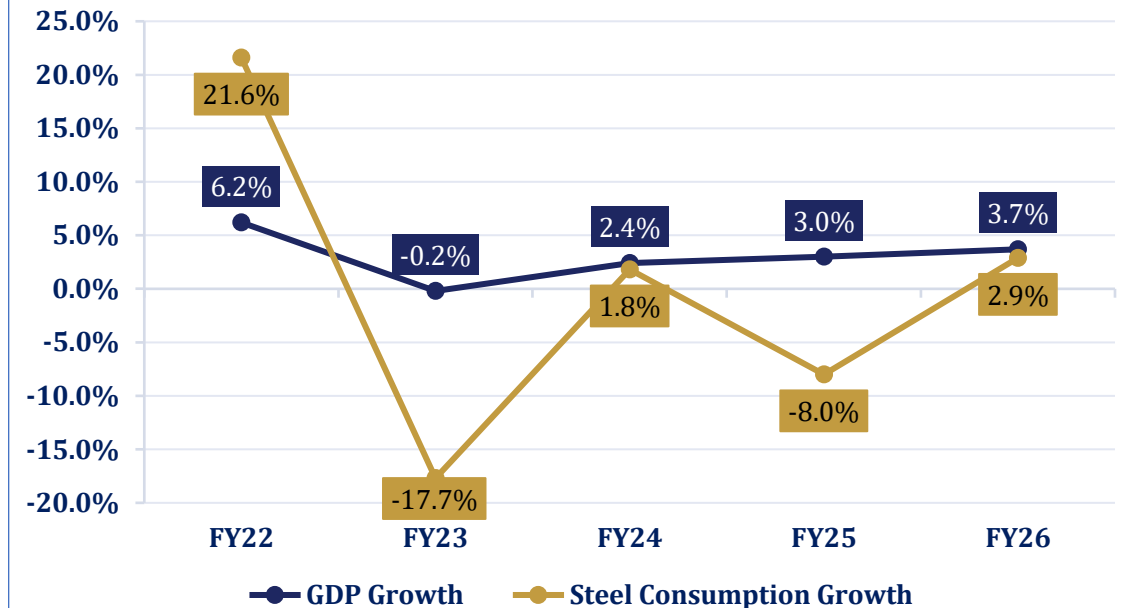
Global vs. Local | Consumption & GDP Growth

- Global GDP growth and steel consumption are closely linked, since steel is a fundamental material for Sectors like construction and manufacturing, which are strongly driven by overall economic activity.
- During CY25, global steel consumption declined by ~1.9% YoY, whereas global GDP growth rate improved slightly to 3.4% YoY. During CY26, the global GDP growth rate is projected to be ~3.0% YoY, while steel consumption is expected to grow by ~0.3% YoY. Global inflation is expected to increase to ~4.7% in CY26 and stabilize at ~3.9% in CY27.
- During FY26, Pakistan's real GDP growth rate (provisional) stood at ~3.7% YoY. In comparison, local steel consumption went up by ~2.9%.

Global | GDP vs. Steel Consumption (YoY %)



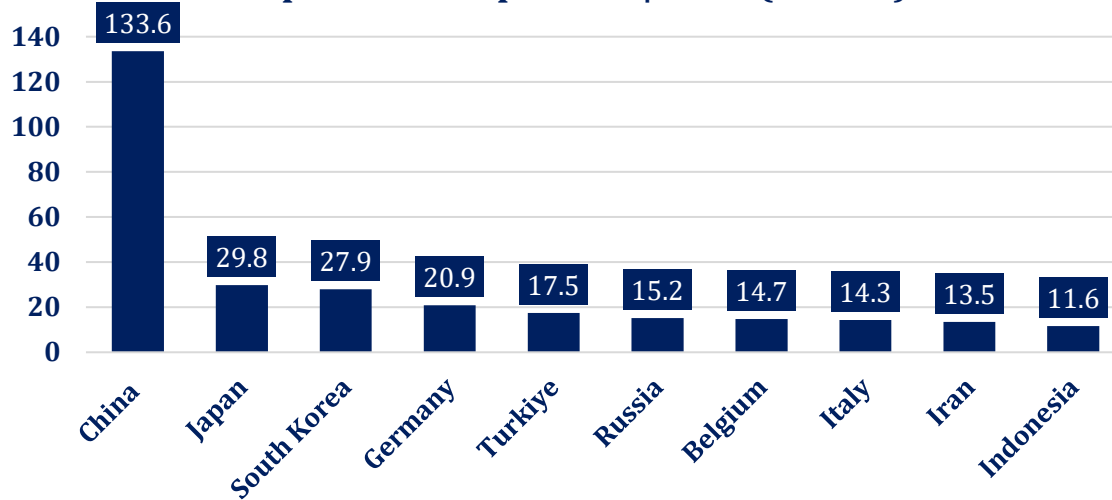
Local GDP vs Consumption (%)



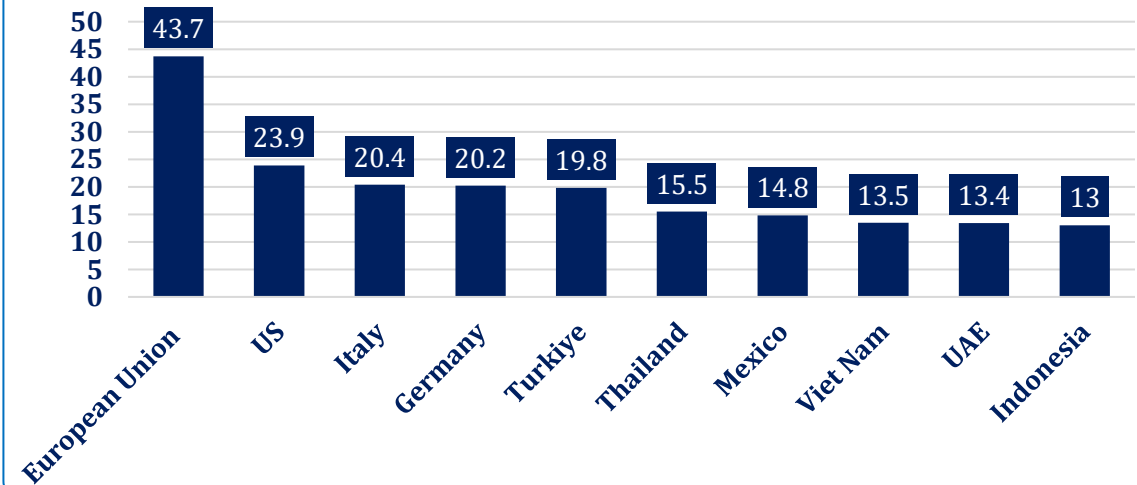
Global | Trade

- Global steel exports remain highly concentrated. China exported ~133.6mn MT in CY25, more than four times the next-largest exporter, Japan (~29.8mn MT), followed by South Korea (~27.9mn MT). The main reason is weak demand at home: with domestic consumption falling, Chinese producers redirected output abroad, and exports reached a record level, up ~153% since CY20 and larger than the EU's entire steel production. China's share of world exports rose to ~41% in CY25 from ~19% in CY19.
- On the import side, the European Union was the largest market at ~43.7mn MT, followed by the US at ~23.9mn MT. Both are now closing their markets to low-priced imports. The US raised its Section 232 tariff to 50% from June 2025. The EU replaced its safeguard from 1 July 2026 with a tighter regime that cuts duty-free import quotas by ~47% to ~18.3mn MT a year and doubles the out-of-quota duty to 50%. It also introduced a "melt and pour" rule, which sets a steel product's origin as the country where it was first melted and cast, to prevent tariff evasion.
- As major markets close, surplus steel is being pushed towards less-protected markets, and some is being routed through third countries: China's semi-finished steel exports to Southeast Asia rose ~300% in CY25. For import-reliant markets like Pakistan, this means continued pressure from low-priced imported steel, particularly in flat products.

Top 10 Steel Exporters | CY25 (mn MT)

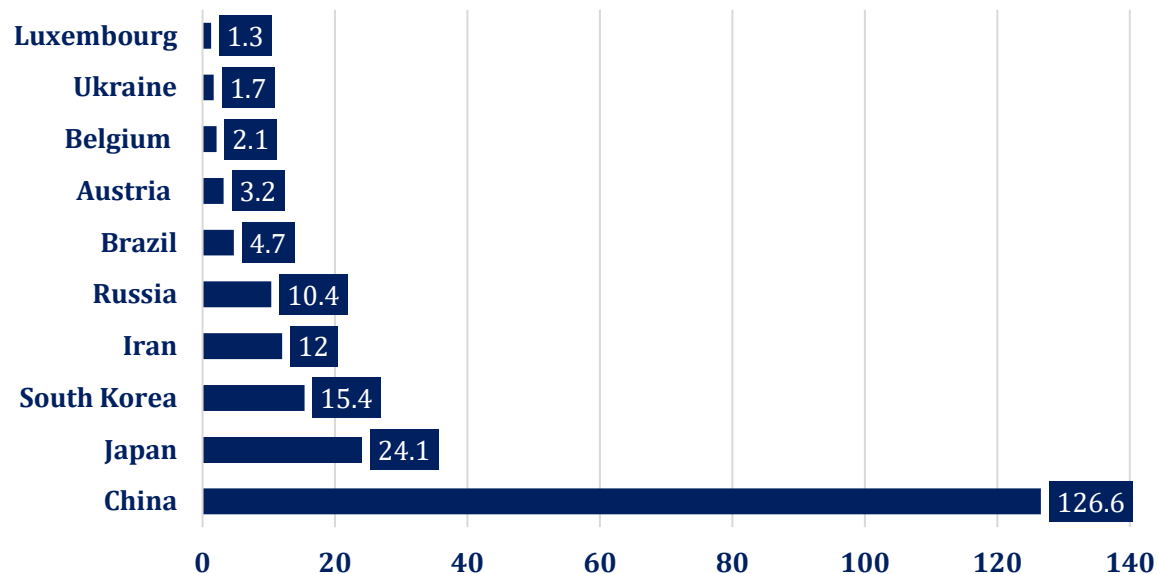


Top 10 Steel Importers | CY25 (mn MT)

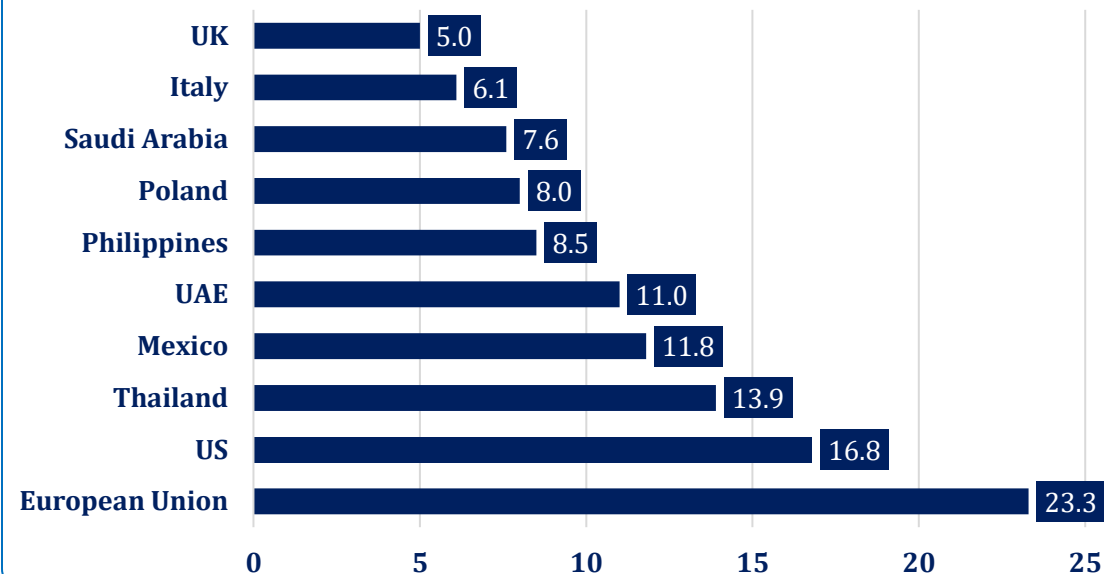


Global | Net Trade Position

Net Exports (mn MT) | CY25



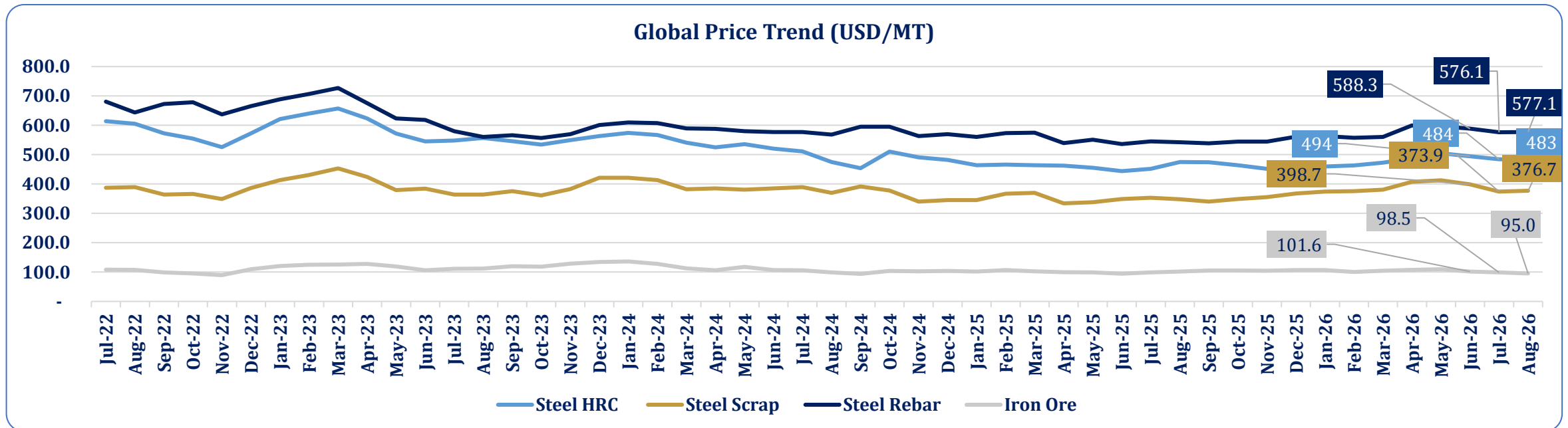
Net Imports (mn MT)



Particulars	CY21	CY22	CY23	CY24	CY25
Finished Steel Production (mn MT)	1,837.2	1,769.4	1,783.2	1,766.8	1,731.2
Finished Steel Products Exports (mn MT)	462.2	401.6	427.5	449.2	456.5
Exports (% of Total Production)	25.2%	22.7%	23.9%	25.4%	26.4

Global | Prices

- HRC prices (China) rose ~10% from January to ~USD 505/MT in May 2026. Two factors pushed prices up: China's continued efforts to curb overcapacity and higher raw material costs, as rising ocean freight and energy prices linked to the Middle East conflict squeezed mill margins and led to production cuts. HRC prices eased from June to ~USD 483/MT by August, and remain well below CY22 levels of over ~USD 600/MT, reflecting persistent global oversupply.
- Rebar prices (FOB Turkey) traded in a narrow ~USD 560–600/MT range and stood at ~USD 577/MT in August 2026. Scrap prices (CFR Turkey) rose from ~USD 374/MT in January to ~USD 413/MT in May, before easing to ~USD 377/MT in August. Iron ore fell to ~USD 95/MT in August, its lowest level in the year, as Chinese demand for ore weakened.
- The Turkish rebar-to-scrap spread widened modestly, from ~USD 188/MT in January to ~USD 200/MT in August, indicating slightly better margins for scrap-based long-steel producers. This matters for Pakistan, as imported scrap is the main input for local long-steel producers. Range-bound scrap prices provide some cost stability, although PKR movements and freight costs determine the final impact on local margins.



Note: HRC prices reflect China data; Scrap prices reflect CFR Turkey and Rebar prices represent FOB Turkey.

Source: LME, Investing, GMK

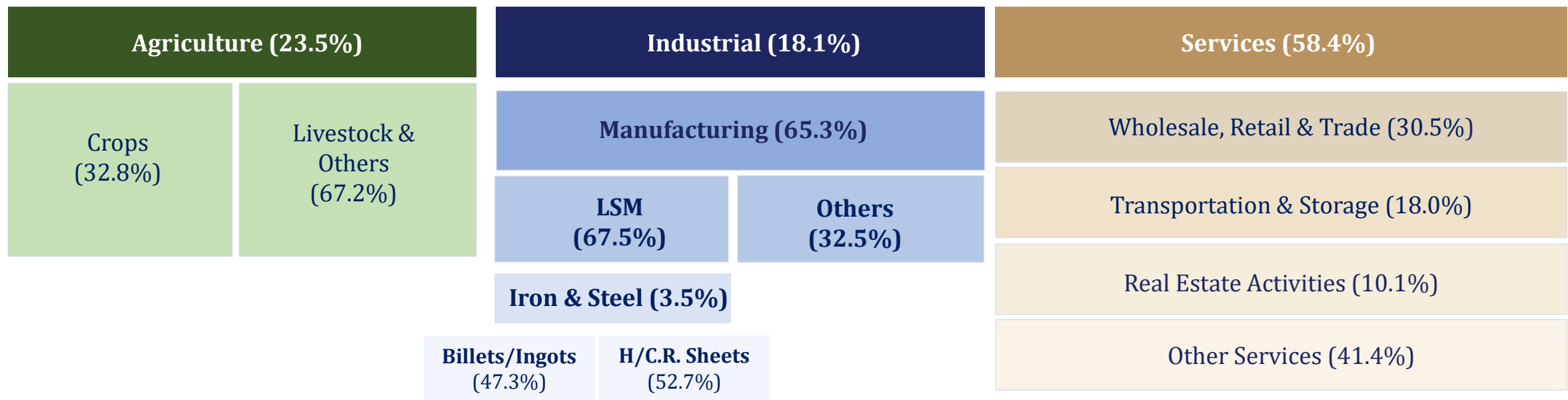
Global | Key Takeaways

Global steel outlook remains stable, supported by recovering demand and infrastructure-led growth, although elevated capacity continues to constrain pricing and margins

- Global crude steel production declined ~1.7% YoY to ~1,851mn MT in CY25, following a contraction in CY24. CY26 production is projected to recover modestly to ~1,869mn MT (+1.0%), suggesting that supply growth is unlikely to be strong enough to indicate a broad-based recovery in the sector
- Global steelmaking capacity reached a record ~2,445mn MT in CY25, while utilization remained at ~76%. Capacity is projected to increase further to ~2,526mn MT in CY26, pushing utilization down to ~74%. Excess capacity is estimated at ~640mn MT in 2025, projected to rise to ~745mn MT by 2028, as planned capacity additions substantially exceed expected demand growth.
- Tariffs of up to 50%, imposed by the US and Canada in 2025 and by Mexico, the EU and the UK in 2026, have protected local steelmakers and pushed their prices well above China's. In 2026, US steel prices were more than twice China's, and surplus Chinese steel is being diverted to unprotected markets in South and Southeast Asia. In 2026, the Middle East conflict also drove a sharp rise in dry bulk freight, with the Baltic Dry Index averaging ~3,433 points in September 2026 compared with ~2,047 in March, an increase of about ~68%. This raises raw material costs for import-dependent mills and makes imported steel more expensive to land.
- Global finished steel consumption declined ~1.9% to ~1,718mn MT in CY25, but demand is expected to stabilize in CY26, growing ~0.3% to ~1,724mn MT. The recovery is expected to be led by India and other developing markets, while Chinese demand is projected to contract but at a slower pace.
- Demand growth is increasingly shifting toward developing economies. India, Southeast Asia and Africa are expected to see stronger steel consumption, supported by infrastructure development, urbanization, industrialization and construction activity. India's steel demand is expected to grow ~7.4% in CY26 and ~9.2% in CY27, while Africa is projected to grow ~3.8% and ~4.6%, respectively

Local | Overview

- In FY26, Pakistan’s GDP (nominal) stood at PKR ~126.9Tn, increasing, in nominal terms, by ~11.3% YoY (FY25: ~8.3% growth). The agriculture segment accounted for ~23.5% of GDP, industrial activities made up ~18.1%, while services comprised ~58.4%.
- Within the Industrial segment, Manufacturing accounted for ~66.9% of activity, of which Large-Scale Manufacturing (LSM) held a ~67.4% share. Iron & Steel contributed ~3.5% to LSM output. ~47.3% of Iron & Steel production was of Billets/Ingots, while ~52.7% was H/C.R Sheets.



Local | Snapshot

- Domestic steel production fell ~11% YoY to ~6.4mn MT in FY26 (FY25: ~7.2mn MT), the fourth consecutive annual decline. The drop came entirely from long steel, where billet and ingot output fell ~21% to ~3.0mn MT, while flat steel production held steady at ~3.4mn MT. Domestic cement sales rose ~9.5% to ~41.5mn MT in FY26. Despite construction activity recovering, Iron and Steel were among the biggest drags on large-scale manufacturing, falling ~7.8% in FY26 even as overall LSM grew ~5.0%.
- The decline in local steel production was instead driven by rising imports. Steel product imports rose ~31% YoY to ~4.3mn MT (~USD 2,600mn) in FY26, driven by an ~18.9% decline in product prices, making imports more competitive with local production. Local production costs remain high because of power tariffs that more than doubled between CY22 and CY25. Import competition is set to intensify further, as the government's tariff reform plan aims to bring effective protection for Iron and Steel down from ~100–150% to ~50–70%.
- The sector is driven by private players. The only integrated state-owned producer was Pakistan Steel Mills which has been non-operational since Jun'15. The long-steel segment is fragmented, with a large number of small induction furnace-based melters and re-rollers (~168 and ~173 members registered with the two main associations), while the flat-steel segment is concentrated among a few large players.

Particulars	Unit	FY24	FY25	FY26
Production	mn MT	8.4	7.2	6.4
Billets/Ingots	mn MT	4.9	3.8	3.0
Coils & Plates	mn MT	3.5	3.4	3.4
Steel Product Imports	mn MT	2.9	3.2	4.3
	USDmn	2,042	2,297	2,600
Steel Scrap Imports	mn MT	2.7	3.5	3.8
	USDmn	1,229	1,832	2,000
Steel & Scrap (% of Total Imports)	%	5.9%	6.0%	6.0%

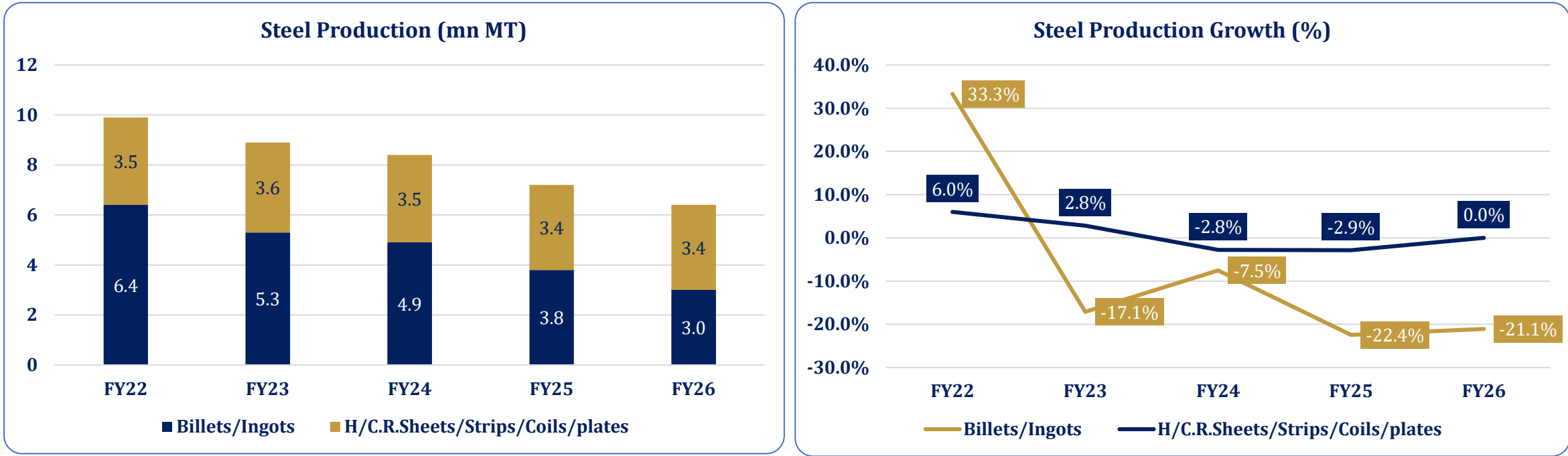
Structure:

Oligopoly

Associations:

Pakistan Steel Melters & Re-Rolling Association; Pakistan Steel Melters Association; Pakistan Association of Large Steel Producers; All Pakistan Steel Traders Association; Pakistan Steel Line Pipe Industry Association

Local | Supply



- Domestic steel production fell ~11% YoY to ~6.4mn MT in FY26 (FY25: ~7.2mn MT). The decline came entirely from long steel, as billet and ingot output fell ~21% to ~3.0mn MT, following a ~22% fall in FY25. Flat steel (hot and cold rolled sheets, strips, coils and plates) was stable at ~3.4mn MT, with zero growth after a ~3% decline in FY25. As a result, long steel's share of domestic output fell below half, to ~47% (FY25: ~53%).

Local | Capacity Utilization

- Domestic steel production fell ~11% YoY to ~6.4mn MT in FY26, with long steel accounting for the entire decline. Billet and ingot production fell ~21% to ~3.0mn MT, despite domestic cement sales rising ~9.5%, suggesting the decline was driven by higher reliance on imports rather than weak demand. Lower duties in FY26 made imports more competitive. At the same time, high local melting costs persisted as electricity prices more than doubled between CY22 and CY25.
- The FY27 budget further increases import competition. Total duty on billets falls to ~14.6% from ~17%, while duty on finished bars and rods falls to ~42% from ~48%. Although removing the regulatory duty on melting scrap provides some relief to local melters, local billet producers are likely to face greater import competition in FY27.
- Installed capacity across the three segments remained unchanged at ~5.87mn MT in FY25 (FY24: ~5.87mn MT). Total production declined by ~15.6% YoY to ~1.49mn MT (FY24: ~1.76mn MT). Overall capacity utilization fell to ~25.3% (FY24: ~30.0%). Long products accounted for ~82% of the decline in output.

Units are in '000 MT

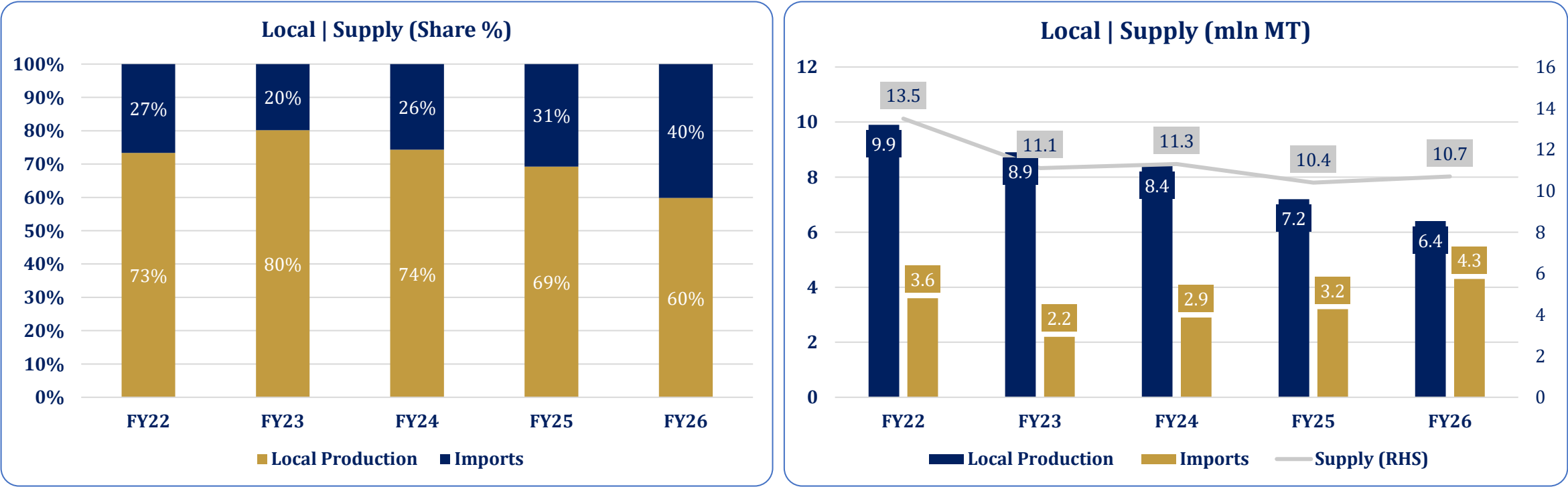
Long Products						Flat Products						Tubes & Pipes					
Particulars	FY21	FY22	FY23	FY24	FY25	Particulars	FY21	FY22	FY23	FY24	FY25	Particulars	FY21	FY22	FY23	FY24	FY25
Actual Capacity	3,220	3,213	3,303	3,303	3,303	Actual Capacity	1,700	2,200	2,200	1,730	1,730	Actual Capacity	824	796	796	832	832
Production	1,719	1,791	1,098	1,043	818	Production	863	487	248	542	528	Production	261	216	152	175	140
Capacity Utilization (%)	53.1%	56.2%	33.3%	31.6%	24.7%	Capacity Utilization (%)	52.9%	22.7%	13.6%	31.3%	30.1%	Capacity Utilization (%)	31.7%	27.1%	19.0%	21.0%	16.8%

Note: Data for Flat and Long Steel Products, as well as that of the Tubes & Pipes segment, is reflective of ~2, ~5 and ~2 players, respectively.

Source: Company Financials

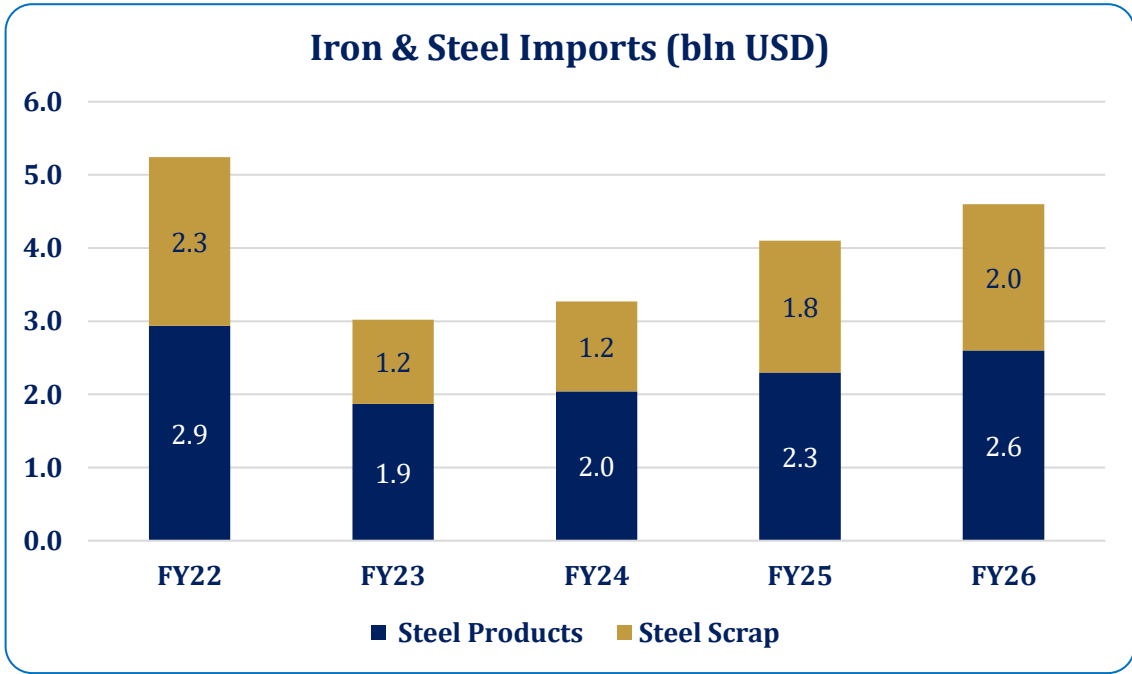
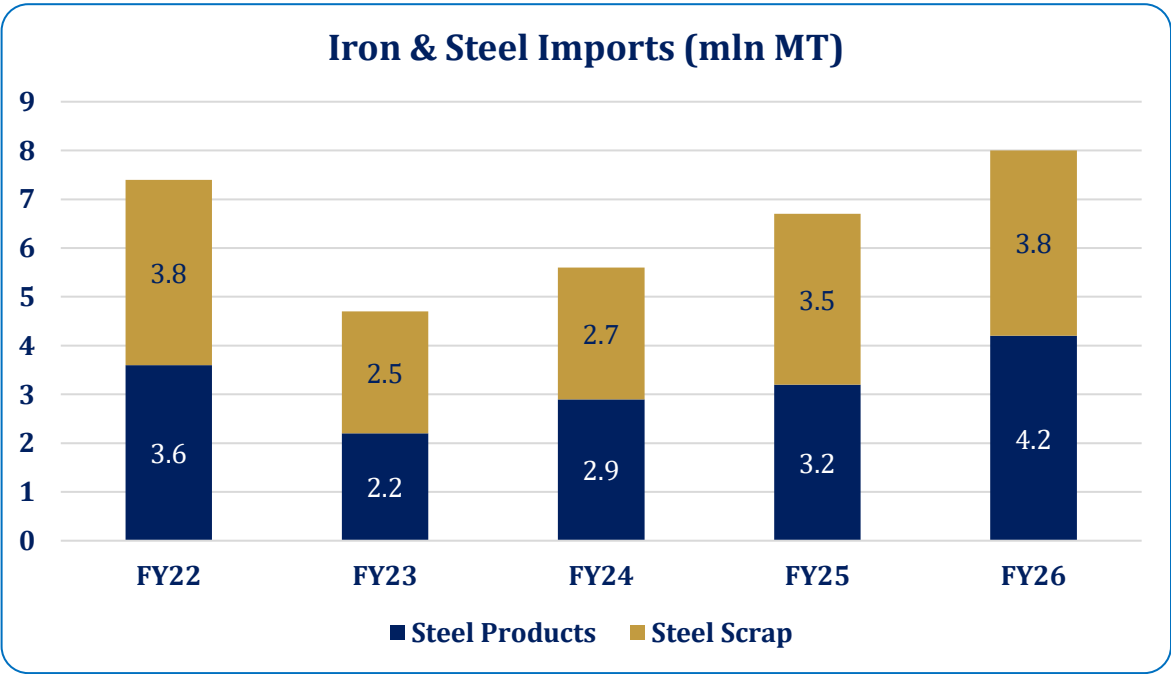
Local | Supply

- Total steel supply fell ~8% YoY to ~10.4mn MT in FY25, as local production dropped ~14% to ~7.2mn MT. Imports rose only ~10% to ~3.2mn MT to fill the gap. In FY26, supply recovered ~3% to ~10.7mn MT in line with stronger construction demand, but the entire increase came from imports. Imports rose ~34% to ~4.3mn MT, while local production fell a further ~0.8mn MT to ~6.4mn MT.
- As a result, the share of imports in total supply jumped from ~31% in FY25 to ~40% in FY26, the highest level in the five years. Local producers are losing market share even as demand recovers, and the trend is likely to continue: the government's tariff reform plan aims to bring effective protection for iron and steel down from ~100–150% to ~50–70% over the coming years, which will make imports increasingly competitive.



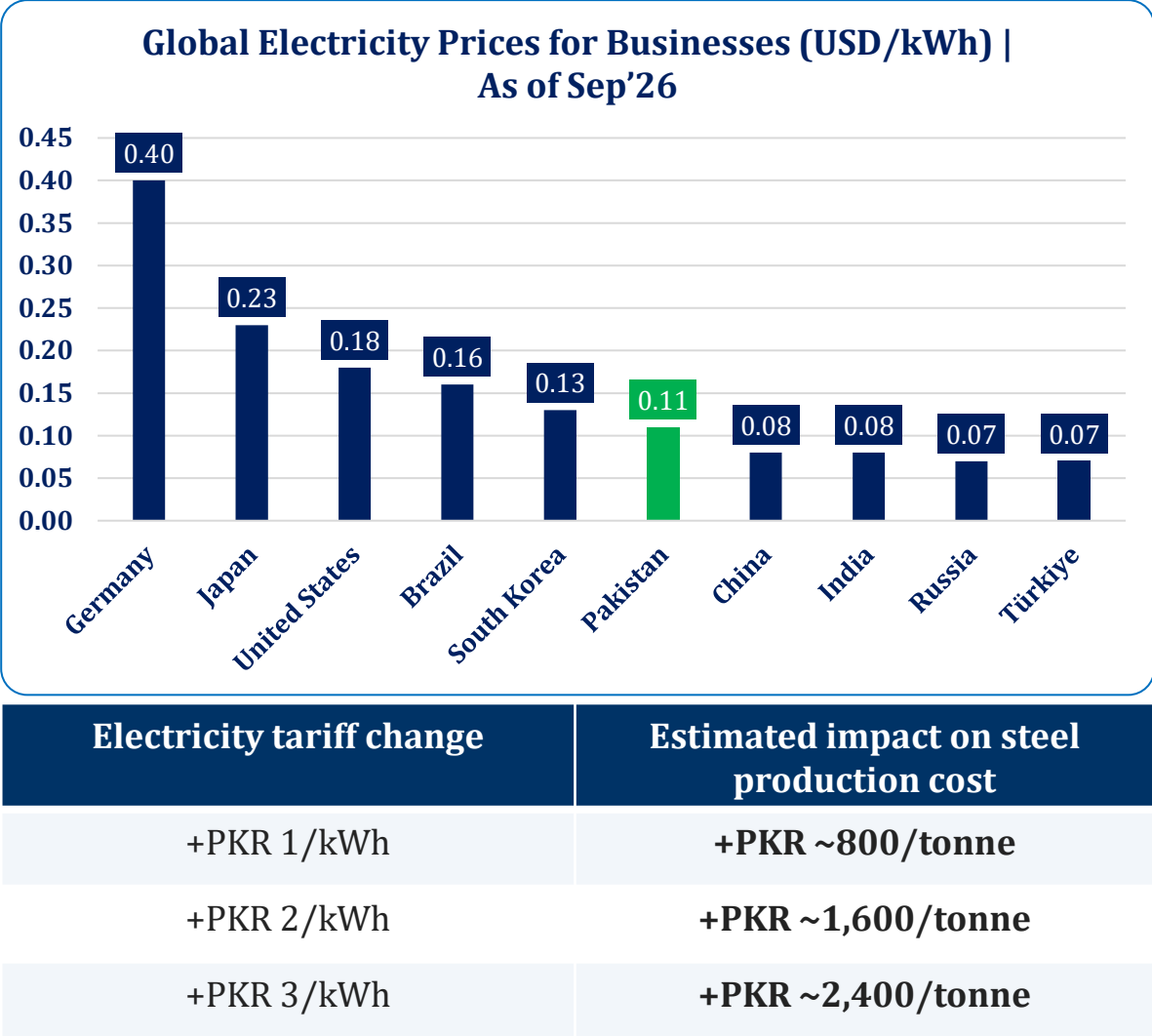
Local | Raw Material

- Pakistan's iron and steel imports rose ~19% YoY to ~8.0mn MT in FY26, the highest volume in the five years shown, while the import bill increased ~12% to USD ~4.6 bn. Volumes grew faster than value because global oversupply has kept international steel prices low, ~8.0% cheaper per tonne.
- Steel product imports drove most of the increase, rising ~31% to ~4.2mn MT, while their value rose only ~16% to USD ~2.6 bn. The average import price therefore fell ~11%, from ~USD 700/MT to ~USD 620/MT. Cheaper imported billets and finished steel are displacing local production.
- Scrap imports rose ~9% to ~3.8mn MT (USD ~2.0 bn), returning to their FY22 level. The FY26 budget supported this by cutting customs duty on melting scrap grades to 0%, while imposing a 5% duty on re-rollable scrap. Monthly arrivals picked up after import curbs were eased: in September 2025, Pakistan imported ~359,759 MT of scrap, a four-year high, up ~30% YoY.



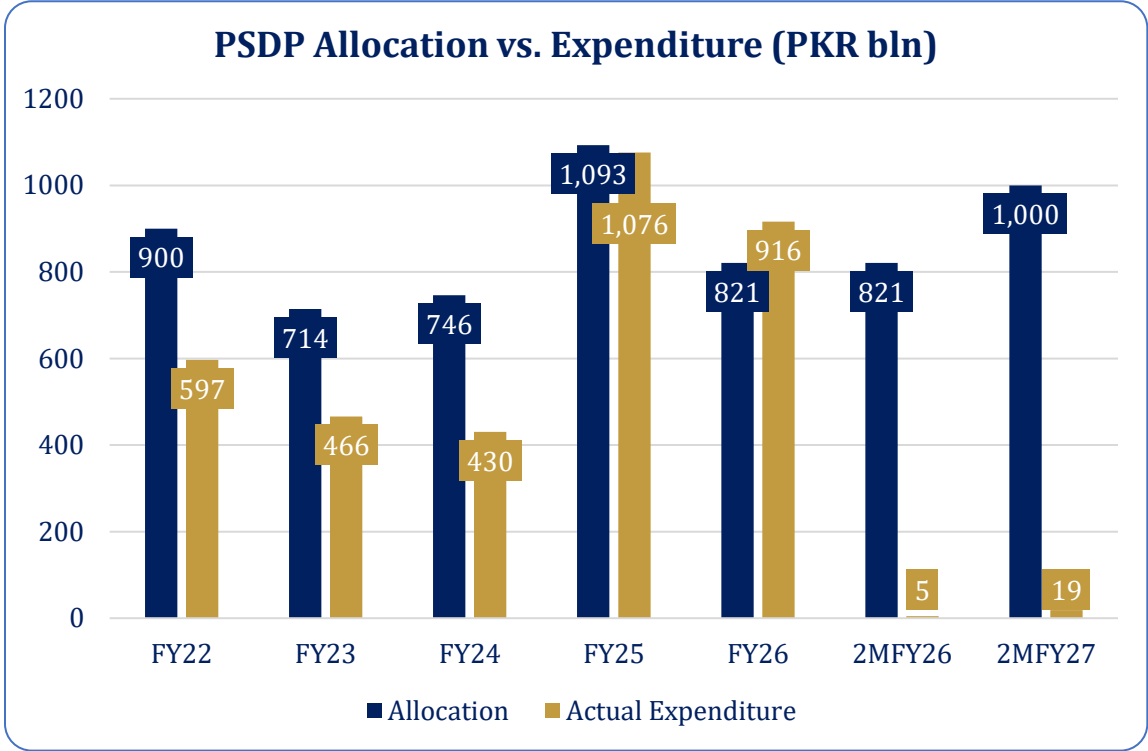
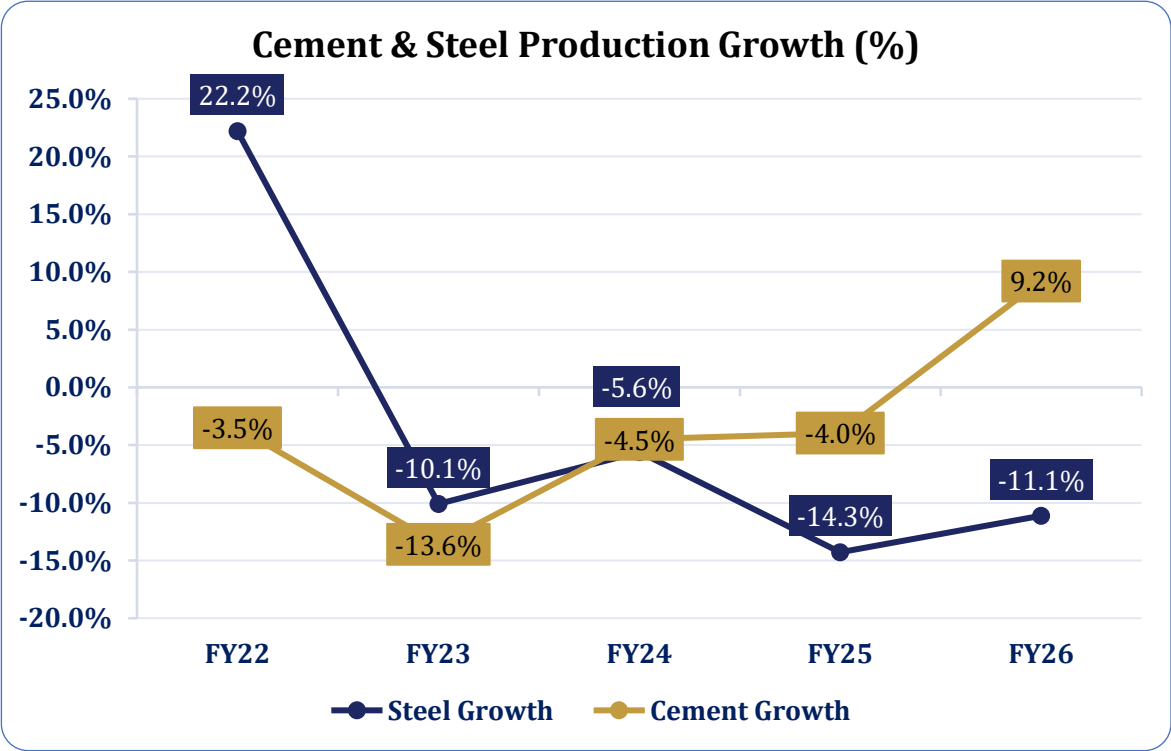
Local | Input Costs

- In Pakistan, ~85.0% of the steel is produced through Induction Furnace (IF) technology, which uses electricity as the primary source of energy. Disruptions in electricity supply from the national grid (loadshedding and fluctuations) due to obsolete infrastructure make it challenging to rely on these energy supply sources.
- Pakistan's electricity tariff for businesses remains relatively competitive versus several major economies. However, the tariff is highest in Pakistan when compared to regional peers like China, India and Türkiye. Electricity is a significant cost for the domestic steel industry given its electricity-intensive induction-furnace-based production and one of the reasons for higher cost of domestic production. The sector consumes roughly ~800 kWh of electricity per tonne of steel, with industry estimates indicating potential electricity consumption of ~7bn units annually at full capacity utilization.
- While industrial tariffs have declined significantly from their 2024 peak, recent fuel and quarterly adjustments highlight continued tariff volatility. Given the sector's high electricity intensity, further increases in power costs could raise steel production costs and place pressure on margins, particularly when weak demand limits producers' ability to pass higher costs through to selling prices
- Imported steel also incurs freight costs, increasing its landed cost in Pakistan. However, subdued global steel prices, particularly for Chinese steel, have kept import prices competitive despite these additional logistics costs.



Local | Demand

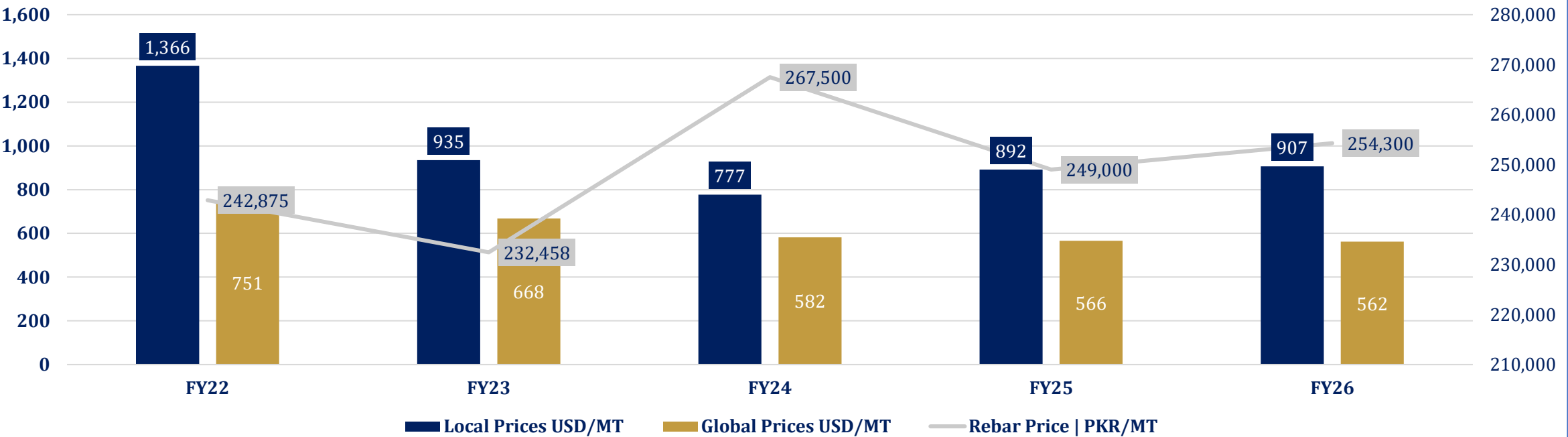
- Steel demand is correlated with construction and infrastructure development, as ~52.0% of the steel produced globally is used in the building and infrastructure Sector. In Pakistan, the major demand for steel comes from construction and government contracts for building infrastructure. The allocated budget for PSDP for FY26 is budgeted at PKR~4,224bln, an increase of ~14.8% YoY (FY25: PKR~3,680bln). However, despite higher PSDP allocation, steel production has declined as the Government has not undertaken large infrastructure projects.
- Moreover, the growth in cement and steel production has remained in tandem during FY21-25 (as depicted), whereas the correlation between the two exhibited a positive correlation factor of ~0.6.



Local | Prices

- In FY26, local rebar prices edged up ~2% YoY to ~PKR 254,300/MT. Demand remained muted through the year, but disruption in the Middle East raised scrap, freight and energy costs, supporting a modest recovery in local prices.
- International rebar prices averaged USD~562/MT in FY26. After adding additional, customs and regulatory duties (~48% cumulative in FY26) and ~18% sales tax, the landed price rises ~75% to ~USD 980/MT, about ~8% above the local price of USD~907/MT. This figure would be even higher after accounting for anti-dumping duties and freight charges. Imported rebar therefore remains uncompetitive, keeping the domestic long steel market largely protected from imports.

Rebar Prices | Local vs. Global



Note: Steel prices pertain to “Steel Rebar”.

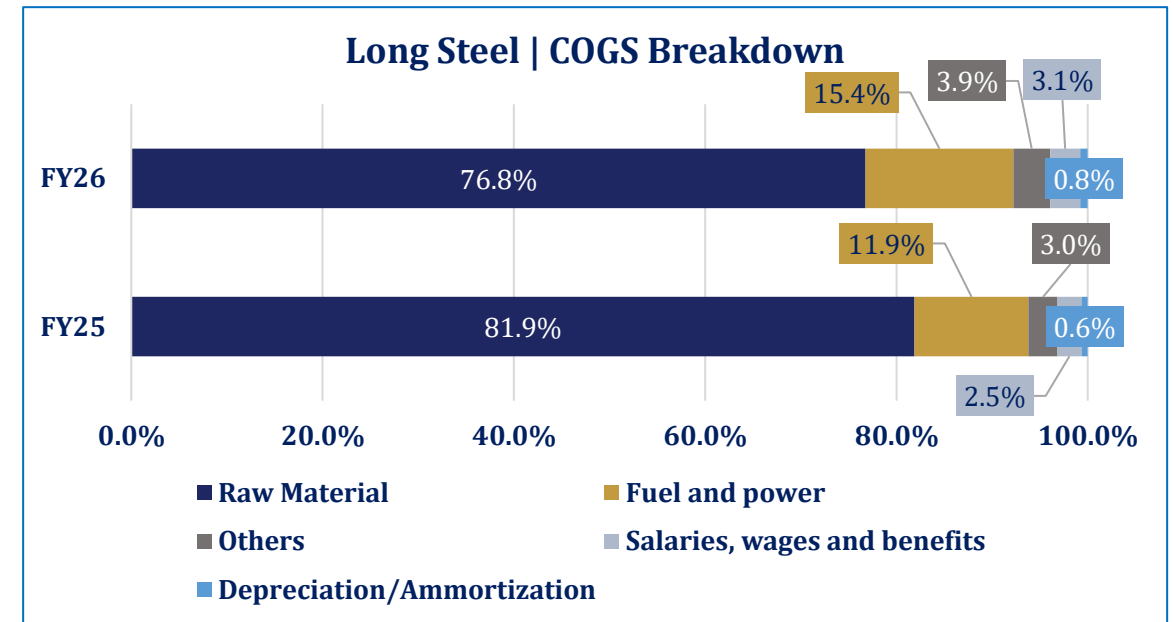
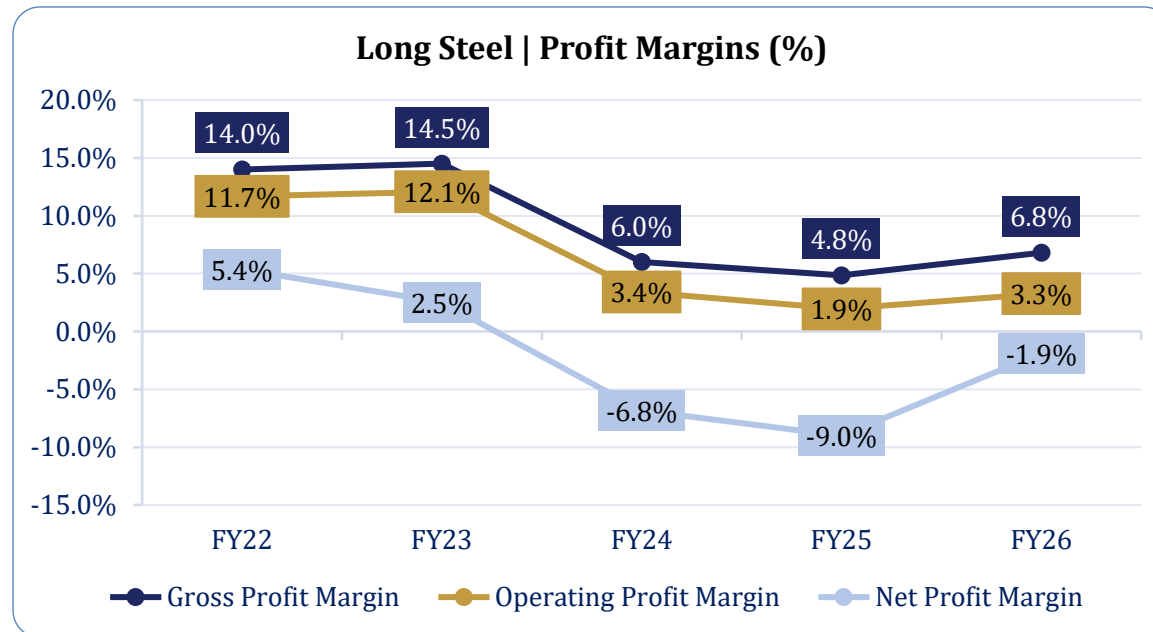
Long Steel Products

Long Steel Products | Introduction

- Long steel products refer to steel items that have a longer shape and are primarily used in construction, infrastructure, and manufacturing. These products are generally characterized by their length and include items such as bars, rods, beams, and rails.
- Rebars are steel bars used to reinforce concrete structures, providing tensile strength to the concrete, which is strong in compression but weak in tension. They are extensively used in the construction of buildings, bridges, roads, and other concrete structures.
- Wire rods are hot-rolled and coiled steel products with a circular cross-section, and they can be further processed into wire, nails, springs, or mesh. These are used in construction, automotive, and engineering industries for various purposes, including wire drawing, welding, and the production of fasteners.
- Steel rails are long steel products used in the construction of railway tracks. They are designed to withstand heavy loads and provide a smooth surface for train wheels. Apart from railway tracks, steel rails are also used in crane runways and other industrial applications.
- Steel piles are long steel sections driven into the ground to provide deep foundation support for buildings and other structures. They are commonly used in construction projects, especially in soft or unstable soils, to support bridges, buildings, and other large structures.

Long Products | Margins & Cost Structure

- Long-Steel margins improved in FY26, despite lower sales. The decline in sales was primarily attributable to lower selling prices, while local sales volumes remained relatively resilient. This meant that the reduction in revenue did not translate into a proportionate decline in profitability, as cost of sales fell faster than revenue. Raw-material costs remained the largest cost component, but their share of COGS declined from ~81.9% to ~76.8%, supported by a more favorable procurement environment, lower import duties and relative exchange-rate stability.
- Gross margin improved from ~4.8% to ~6.8% in FY26 and operating margin from ~1.9% to ~3.3%. The Segment remained loss-making in FY26, as thin margins could not absorb high financing costs amid weak demand, elevated energy costs and reliance on imported scrap. Losses narrowed, however, with net margin moved from negative ~9.0% to negative ~1.9% due lower finance costs.



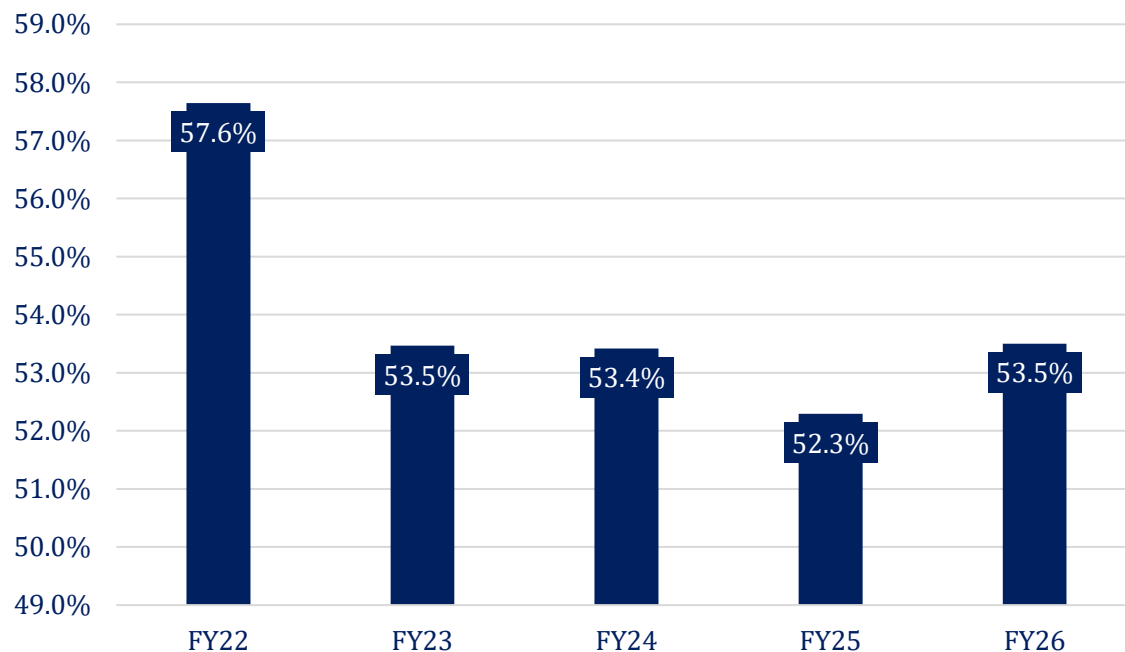
Note: Data is based on ~5 PACRA-rated/listed segment players. *Key raw materials for long steel include ferrous scrap and billets, with ferro-alloys used as additives.

Source: Company Financials

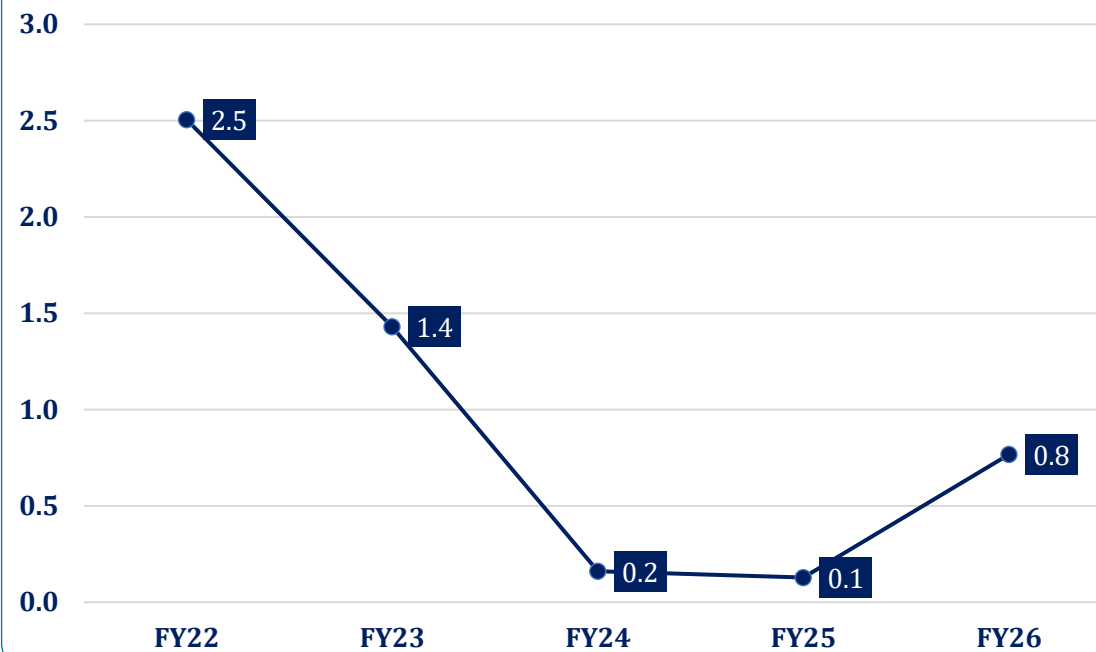
Long Products | Leverage and Coverage

- Long-steel players leverage increased modestly from ~52.3% in FY25 to ~53.5% in FY26, reflecting greater reliance on long-term borrowings. One major Segment Player raised long-term debt partly to fund the BMR of its existing bar re-rolling mill, a project aimed at converting the facility into a dual-purpose mill capable of producing both rebars and medium sections.
- Interest coverage rose from ~0.1x to ~0.8x in FY26 on lower financing costs but remains weak, as earnings still fall short of covering finance costs, and leverage increased during the year.

Long Steel | Leverage (%)

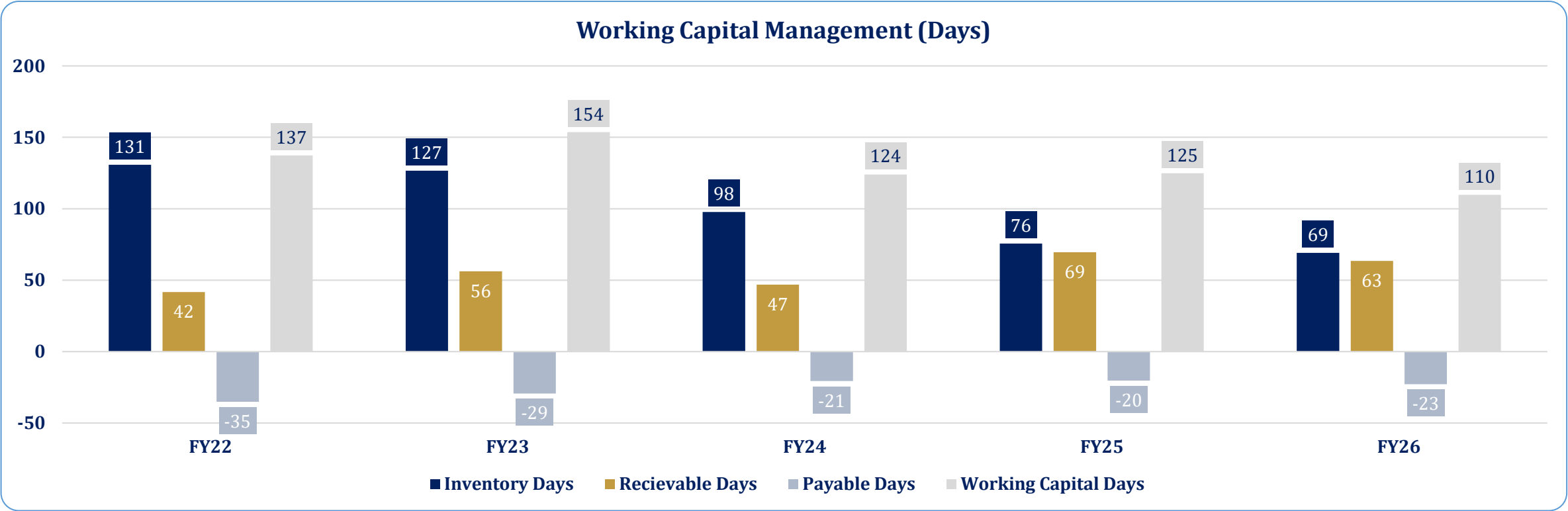


Long Steel | Coverage (Times)



Long Products | Working Capital Management

- Working capital management improved in FY26, with net working capital days declining from ~125 days in to ~110 days in FY26.
- Inventory days declined from ~76 days in FY25 to ~69 days in FY26, as lower raw-material prices and softer demand reduced inventory requirements.
- Receivable days decreased from ~69 to ~63 days, indicating relatively fewer credit days for buyers and improved collection efficiency. At the same time, payable days increased from ~20 to ~23 days.



Note: Data is based on ~5 PACRA-rated/listed segment players.

Source: Company Financials

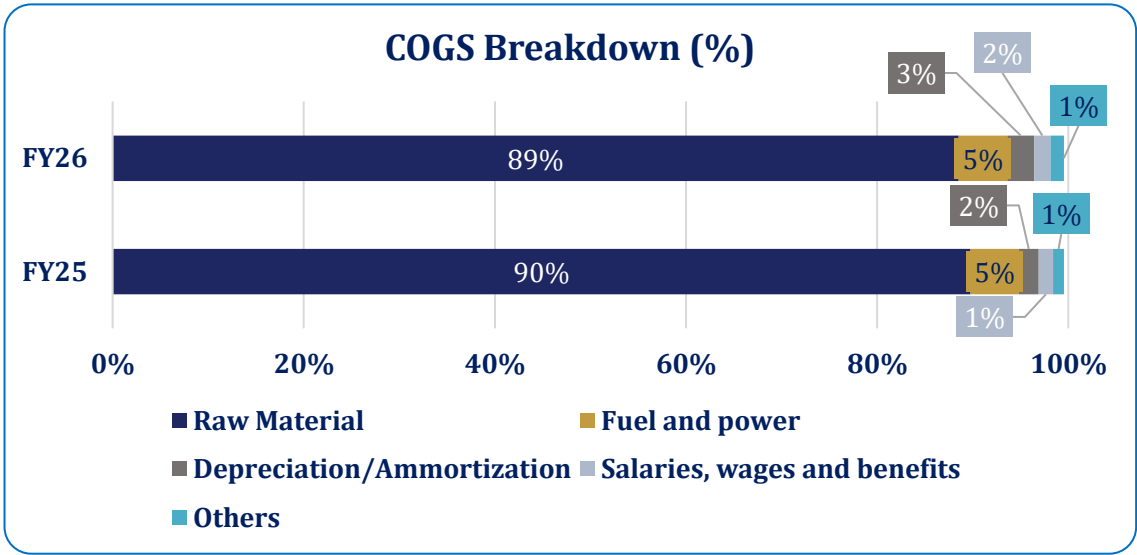
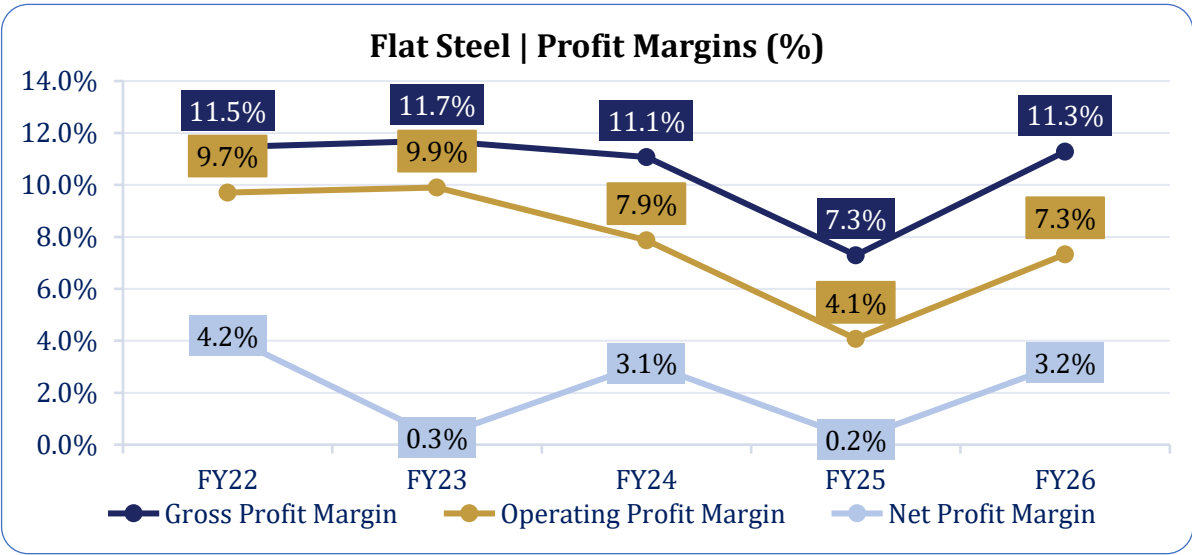
Flat Steel Products

Flat Steel Products | Introduction

- Flat steel products are produced by rolling or pressing steel into thin, flat sheets or strips. These products are widely used in various industries due to their versatility, durability, and formability. Industries that use Flat Steel include:
 - Automotive: car bodies, chassis parts, and motorcycle and tractor components.
 - Home appliances: refrigerators, air conditioners, washing machines and fans.
 - Pipes and tubes: welded pipes for water, gas, oil and structural use, made from HRC.
 - Construction: roofing and cladding sheets, steel decking, and pre-engineered buildings.
- Steel plates are flat, rectangular steel products that are produced by rolling steel into specific thicknesses. They are among the most versatile and widely used steel products due to their strength, durability, and ability to be fabricated into various shapes and sizes.
- Hot-rolled steel is produced by heating steel above its recrystallization temperature and then rolling it into flat sheets. The process allows the steel to be shaped into large sizes and thicknesses. It is commonly used in the construction of structural components, such as beams, columns, and bridges. It's also used in the production of pipes, automotive frames, and industrial machinery.
- Cold-rolled steel is produced by further processing hot-rolled steel at room temperature. This process increases the strength and improves the surface finish of the steel. Cold-rolled steel is used in applications requiring higher precision and a smooth surface finish, such as in the manufacturing of appliances, furniture, and automotive body panels.
- Coated steel involves applying additional protective coatings, such as aluminum and zinc, over galvanized or cold-rolled steel sheets to enhance quality and anti-corrosion properties. Coated steel is used in consumer products like household appliances, roofing, and automotive parts, where both aesthetics and corrosion resistance are important.

Business Risk | Margins & Cost Structure

- The Segment's profitability recovered sharply in FY26, mainly because sales volumes increased. Segment revenue rose by ~54%, while sales volumes increased by ~66%. The average selling price per ton dropped by 7–8% , as international HRC prices remained around USD~450/MT for most of the year and the rupee was stable. The increase in volumes was supported by higher taxes on FATA/PATA imports and extended anti-dumping duties. These measures helped shift demand towards local producers. Higher production also improved capacity utilization, allowing better spread of fixed costs that lifted the gross margin to ~11.3% from ~7.3%. However, some of the improvement was temporary, as HRC prices increased in 4QFY26 during the Middle East conflict mainly due to higher freight charges. Companies sold lower-cost inventory at higher prices but subsequently faced higher landed costs.
- Operating margin increased to ~7.3% from ~4.1%. The biggest improvement was at the net profit level, with net margin rising to ~3.2% from ~0.2%. Lower interest rates, coupled with netter operating margin, reduced finance costs despite higher working-capital borrowing.
- Raw material dominated the Segment's cost of sales, making up ~89% in FY26 (FY25: 90%). It consists mainly of imported hot-rolled coil (HRC), which local producers convert into cold-rolled and galvanized products. Zinc is used for galvanizing and paint for colour-coated sheet. Fuel and power held at ~5%.

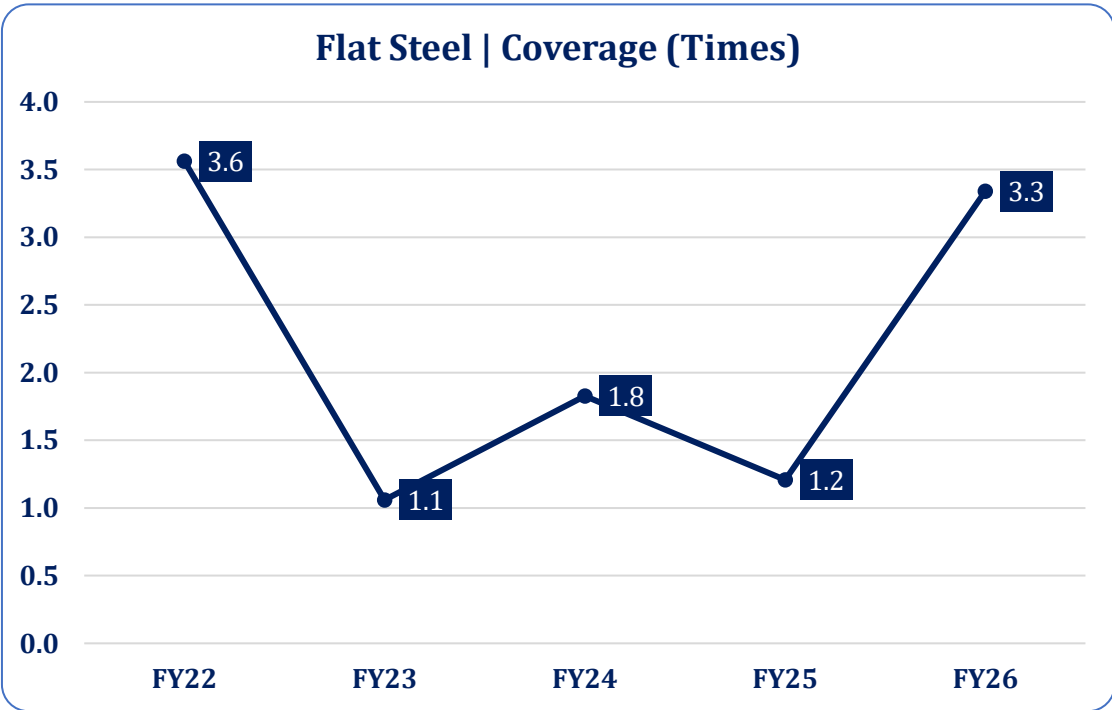
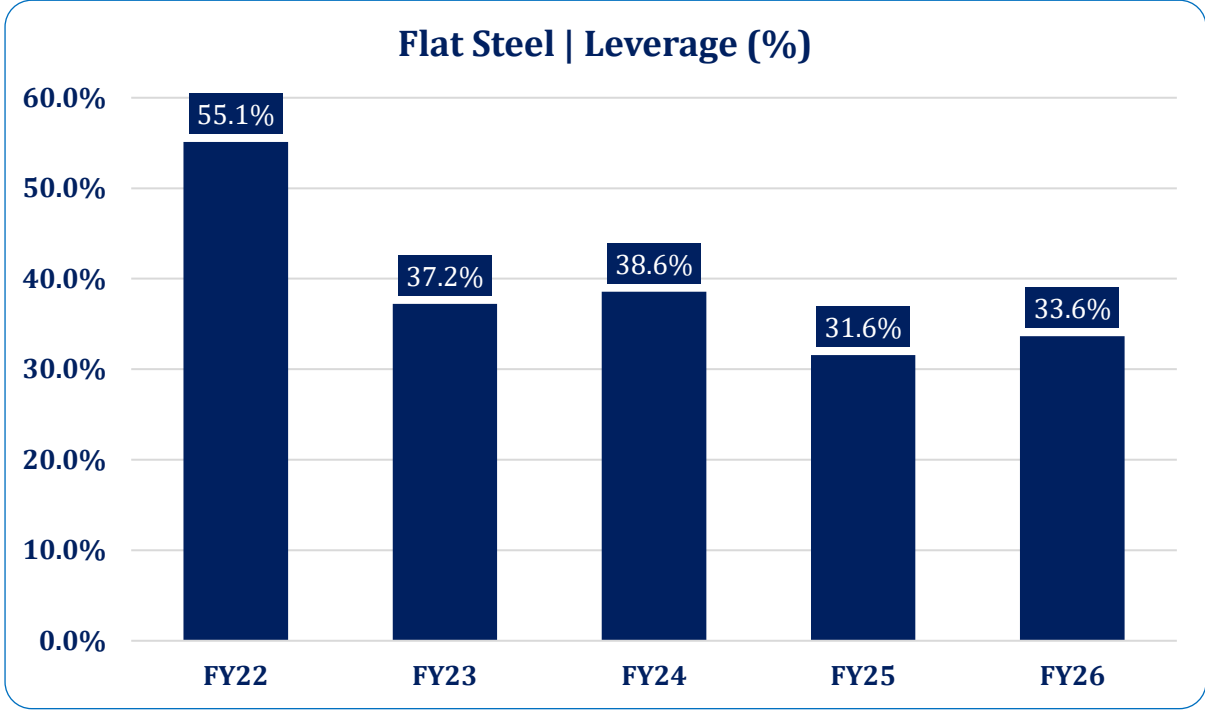


Note: Data is based on ~2 PACRA-rated/listed segment players.

Source: Company Financials

Flat Steel Products | Leverage and Coverage

- Segment leverage rose slightly to ~33.6% in FY26 (FY25: ~31.6%), as short-term borrowings increased by ~32.4% to fund higher working capital requirements. This was mainly due to a build-up in inventory on higher production volumes. Leverage still stayed well below the FY22 peak of ~55.1%, as higher retained earnings and sponsor equity injections strengthened the equity base. Sponsor contributions, which were counted as equity, flattered the ratio somewhat.
- Coverage improved sharply to ~3.3x (FY25: ~1.2x), close to the FY22 level of ~3.6x. Operating profit nearly tripled on higher volumes and better fixed-cost absorption. Meanwhile, finance costs fell by ~17% despite higher borrowing, helped by continued monetary easing, with the policy rate ending the year at ~11.5%. Debt-servicing capacity was comfortable, though it remained exposed to a reversal in HRC prices or interest rates.

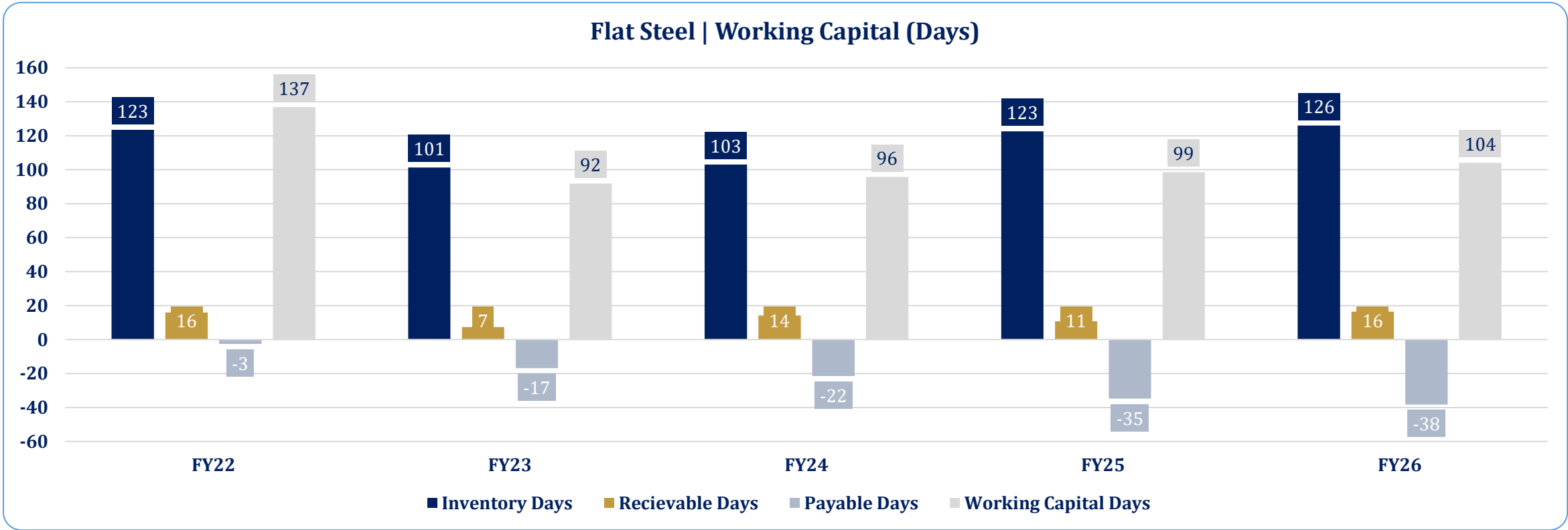


Note: Data is based on ~2 PACRA-rated/listed segment players.

Source: Company Financials

Flat Products | Working Capital Management

- The Segment's working capital cycle lengthened to ~104 days in FY26 (FY25: ~99 days). Inventory days rose slightly to ~126 (FY25: ~123), as producers built HRC stocks ahead of the Middle East-driven price rise.
- Receivable days increased to ~16 (FY25: ~11), mainly because export sales settled on letters of credit made up a larger share of revenue. Payable days stretched to ~38 (FY25: ~35) as producers relied more on import credit to fund raw material, which partly offset the rise in inventory and receivables. The longer cycle tied up more cash, so operating cash flows turned negative and the gap was funded mainly through short-term borrowing.



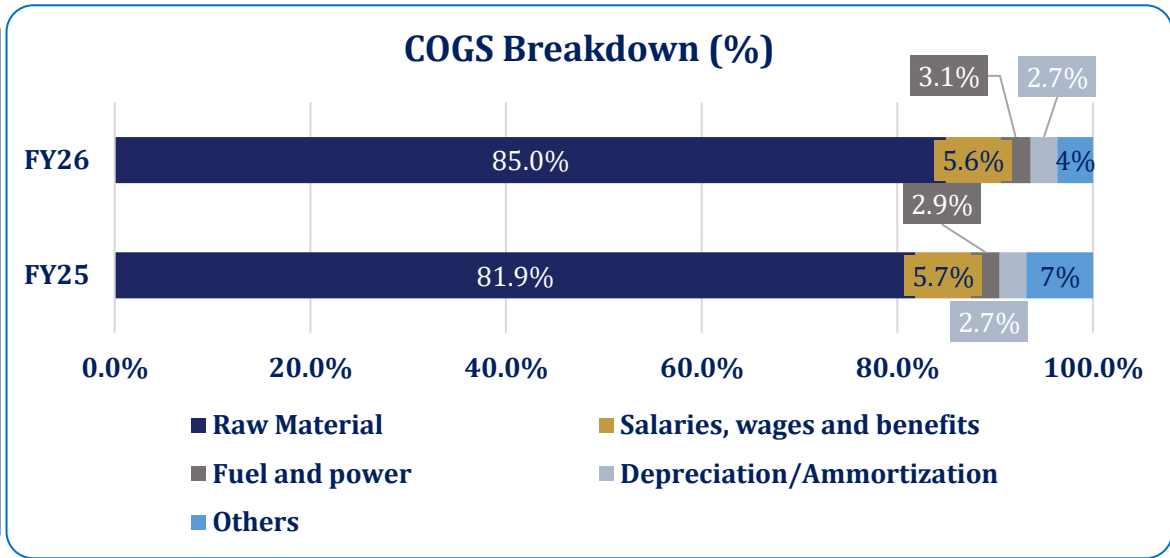
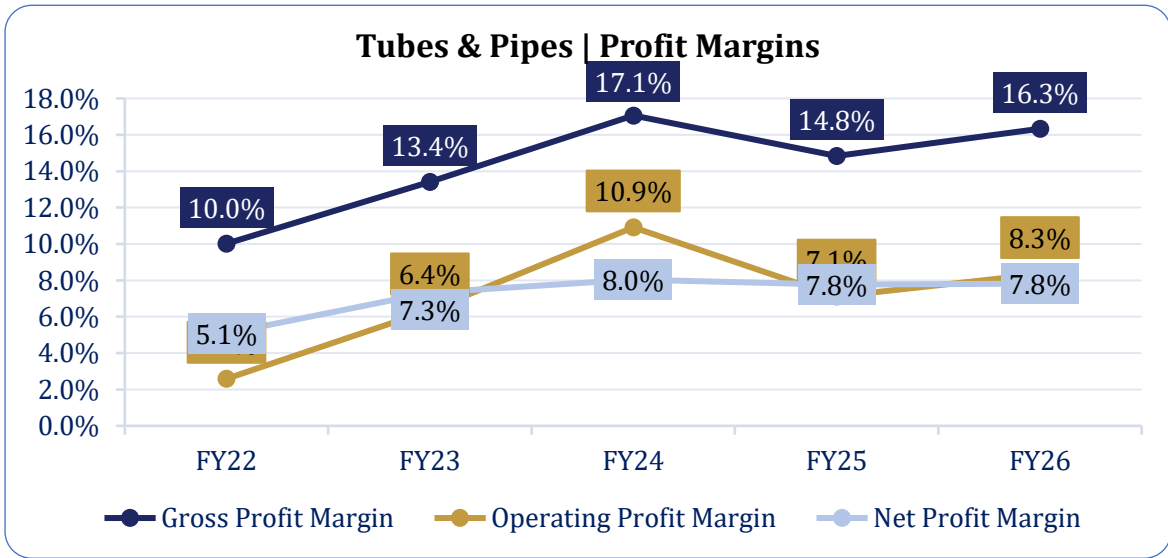
Note: Data is based on ~2 PACRA-rated/listed segment players.

Source: Company Financials

Tubes & Pipes

Tubes & Pipes | Margins

- The Segment's gross margin rose to ~16.3% in FY26, up from ~14.8% in FY25. The increase in gross margins was driven by higher demand, as the local tubes and pipes market grew by about ~20%. Operating margin improved to ~8.3%, up from ~7.1%. This was a smaller rise than at the gross level, as freight and marketing costs increased. Net margin stayed flat at ~7.8%. Lower interest costs helped, but this was balanced out by lower investment income and a higher tax rate. Earnings quality improved, as a larger share of profit came from the core pipe business rather than from investments.
- The Segment's net margin has stayed fairly stable over the years despite fluctuations in Gross and Operating margins. This is mainly because major players earn a large share of its profit from investments, and this income does not always rise and fall with pipe demand, so it cushions profits in weak years.
- Raw material remained the largest cost for the Segment, making up ~85.0% of total cost of sales in FY26, up from ~81.9% in FY26. Raw material costs grew faster than other costs, as higher sales volumes needed more steel, while fixed costs such as salaries and depreciation grew more slowly. Salaries and wages eased to ~5.6% of total costs from ~5.7%, as they grew more slowly than overall costs. Fuel and power rose to ~3.1% from ~2.9% because of higher energy prices, though solar power at factories helped limit the increase. Depreciation stayed steady at 2.7%. Other costs fell to ~4% from ~7%.



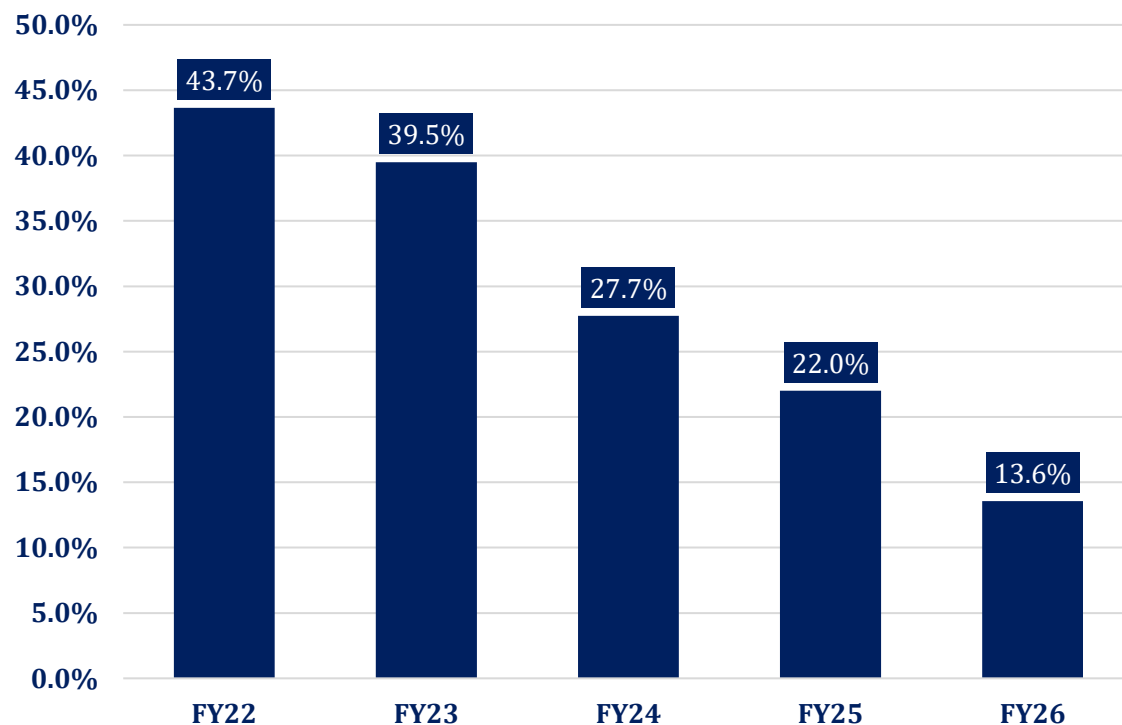
Note: Data is based on ~2 PACRA-rated/listed segment players.

Source: Company Financials

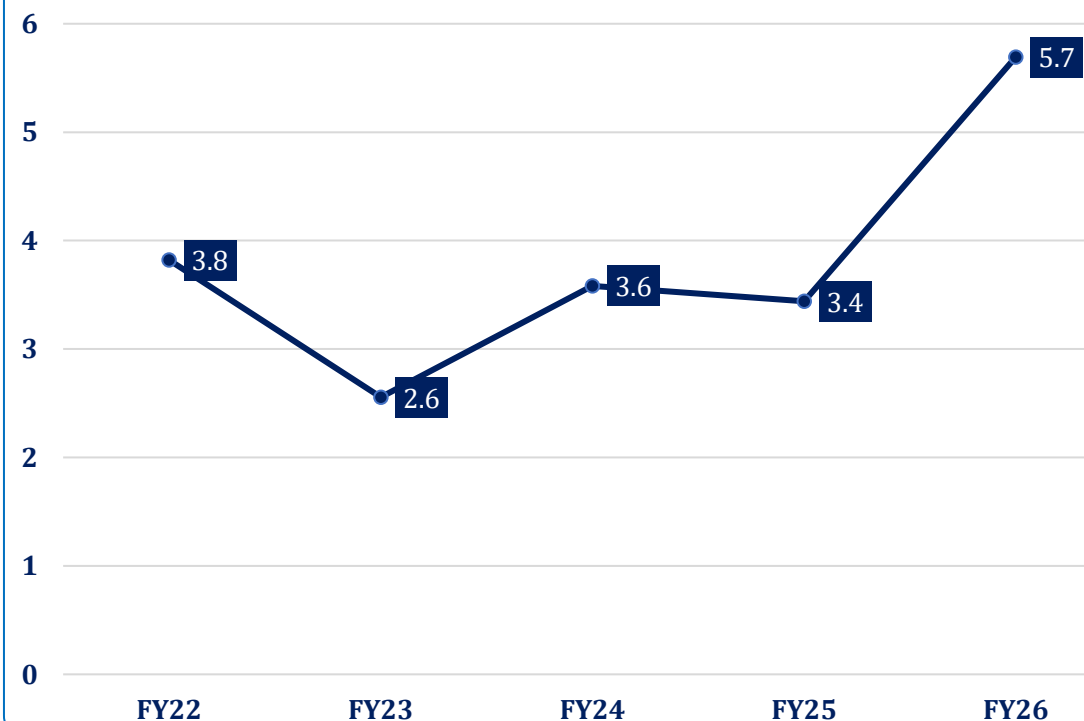
Tubes & Pipes | Leverage & Coverage

- The Segment's leverage fell to ~13.6% in FY26, down from ~22.0% in FY25. Total borrowings dropped by ~40% as the Segment used strong operating cash flows to repay short-term loans. A large part of this cash came from lower inventory and faster collection from customers. At the same time, equity grew as profits were retained. Lower debt on a larger equity base brought leverage to its lowest level in five years.
- Interest coverage improved to ~5.7 times in FY26, up from ~3.4 times in FY25. Finance costs fell about ~17%, helped by lower borrowings and falling interest rates, while earnings from the core business were higher.

Tubes & Pipes | Leverage (%)



Coverage (Times)

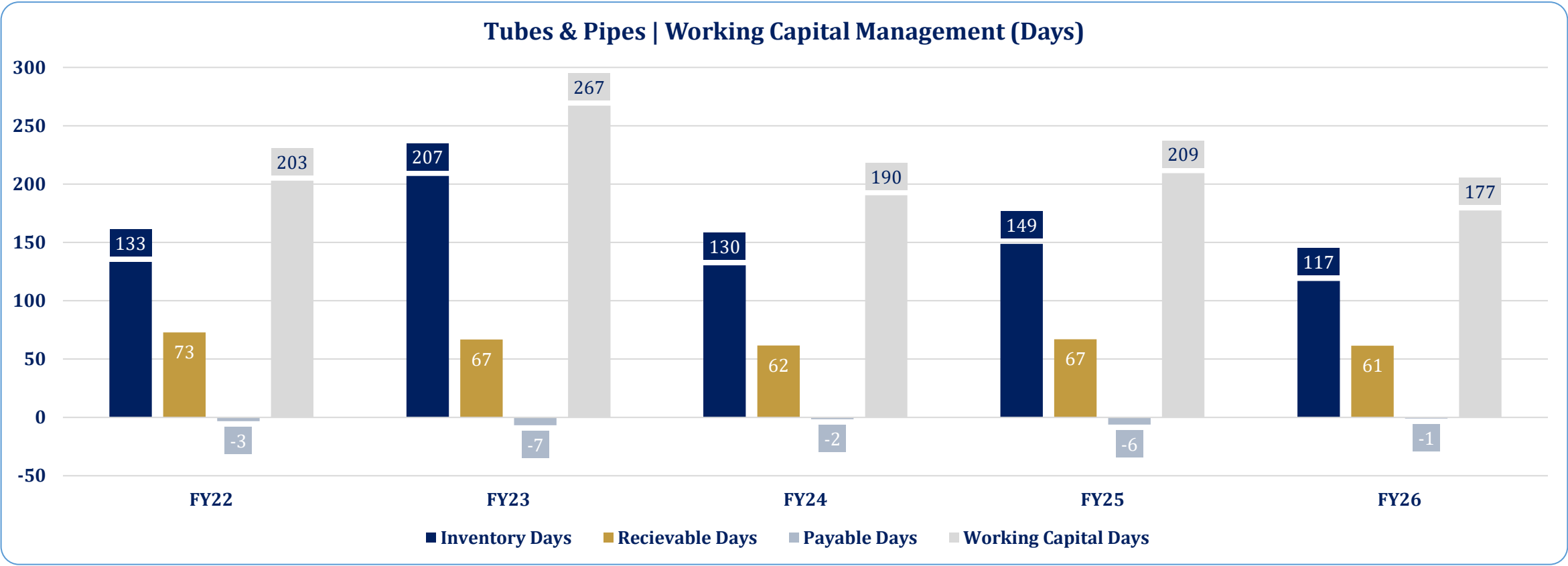


Note: Data is based on ~2 PACRA-rated/listed segment players.

Source: Company Financials

Tubes & Pipes | Working Capital Management

- The Segment’s working capital management improved in FY26. The working capital cycle shortened to ~177 days, down from ~209 days in.
- Inventory days fell to ~117 from ~149, as the Segment cut back on stock and sold goods more quickly on the back of stronger demand. Receivable days also came down to ~61 from ~67, reflecting shorter credit days. At the same time, payable days went down to ~1 from ~6,

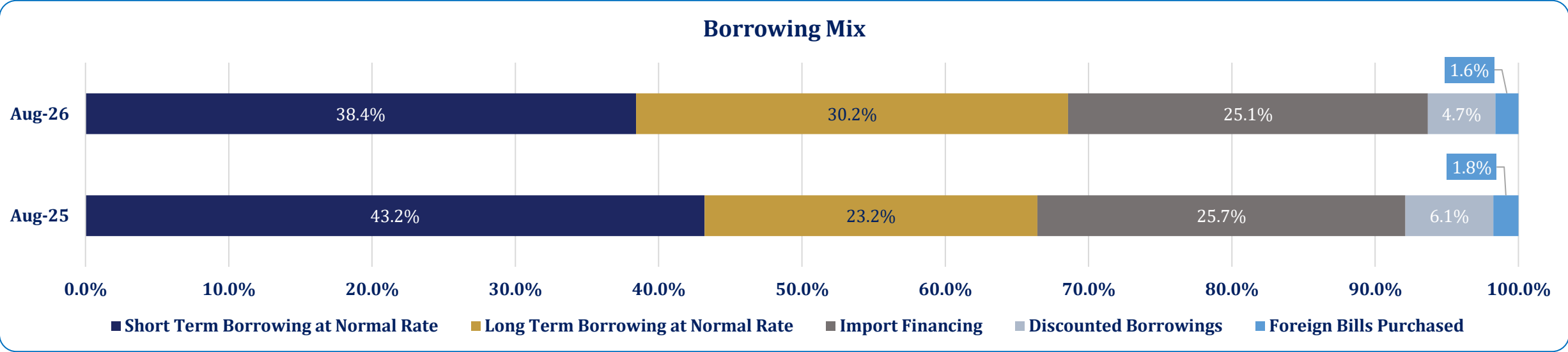


Note: Data is based on ~2 PACRA-rated/listed segment players.

Source: Company Financials

Borrowing Mix

- As of End-Aug'26, the Steel Sector's overall borrowings stood at PKR~234.2bln (End-Aug'25: PKR~233.2bln), up ~0.4% YoY, with the borrowing mix shifting toward long-term borrowings and import financing. Short-term borrowings (STBs) stood at PKR~89.0bln, down ~10.7% YoY as of End-Aug'26 (End-Aug'25: PKR~100.8bln), while their share in the Sector's borrowing mix declined to ~38.4% (End-Aug'25: ~43.2%).
- Meanwhile, import financing clocked in at PKR~70.6bln (End-Aug'25: PKR~54.2bln), up ~30.4% YoY, and held a ~30.0% share in the total borrowing mix during the period (End-Aug'25: ~23.3%). Long-term borrowings (LTBs) stood at PKR~58.8bln (SPLY: PKR~59.9bln), down ~1.8% YoY, with their share increasing to ~25.1% in overall borrowings (End-Aug'25: ~25.7%).
- Discounted borrowings stood at PKR~11.0bln (End-Aug'25: PKR~14.3bln), down ~22.9% YoY, and held a share of ~4.7% in the overall borrowing mix (End-Aug'25: ~6.1%). Foreign bills purchased stood at PKR~3.8bln (End-Aug'25: PKR~4.1bln), down ~7.5% YoY, with its share declining to ~1.6% from ~1.8% during the same period.



Duty Structure

HS Code	Type	Description	Additional Customs Duty		Customs Duty		Regulatory Duty		Total	
			FY26	FY27	FY26	FY27	FY26	FY27	FY26	FY27
7202.3000, 7204.3000	Scrap	Waste, Scrap Of Tinned Iron/ Steel	0%	0%	0%	0%	5%	0%	5%	0%
7204.4100, 7204.4900	Scrap	Re-rollable; Waste, scrap of compressors	0%	0%	0%	0%	5%	4%	5%	4%
7204.4990	Scrap	Other	0%	0%	0%	0%	5%	4%	5%	4%
2601.1100	Iron Ore	Iron Ore	0%	0%	0%	0%	0%	0%	0%	0%
7206.1000, 9000	Semi-finished Long	Ingots	0%	0%	0%	0%	0%	0%	0%	0%
7207.1110	Semi-finished Long	Billets	0%	0%	5%	5%	12%	9.6%	17%	14.6%
7209.1510	Finished Flat	Flat-Rolled of secondary quality	4%	2%	20%	20%	5%	4%	29%	26%
7213.1010	Finished Long	Bars & Rods	4%	2%	20%	20%	24%	20%	48%	42%
7214.1010	Finished Long	Others Bars & Rods	4%	2%	20%	20%	24%	20%	48%	42%

Local | SWOT Analysis

Strengths

- Capital-intensive Sector
- Significant potential demand
- Strong dealership and distribution network
- Non-availability of substitute

Weaknesses

- Heavy reliance on imported raw material
- Exposure to exchange rate volatility
- Seasonality and uncertainty in demand
- Inability to pass on impact of increased cost in times of depressed demand
- Lower international prices of products

Opportunities

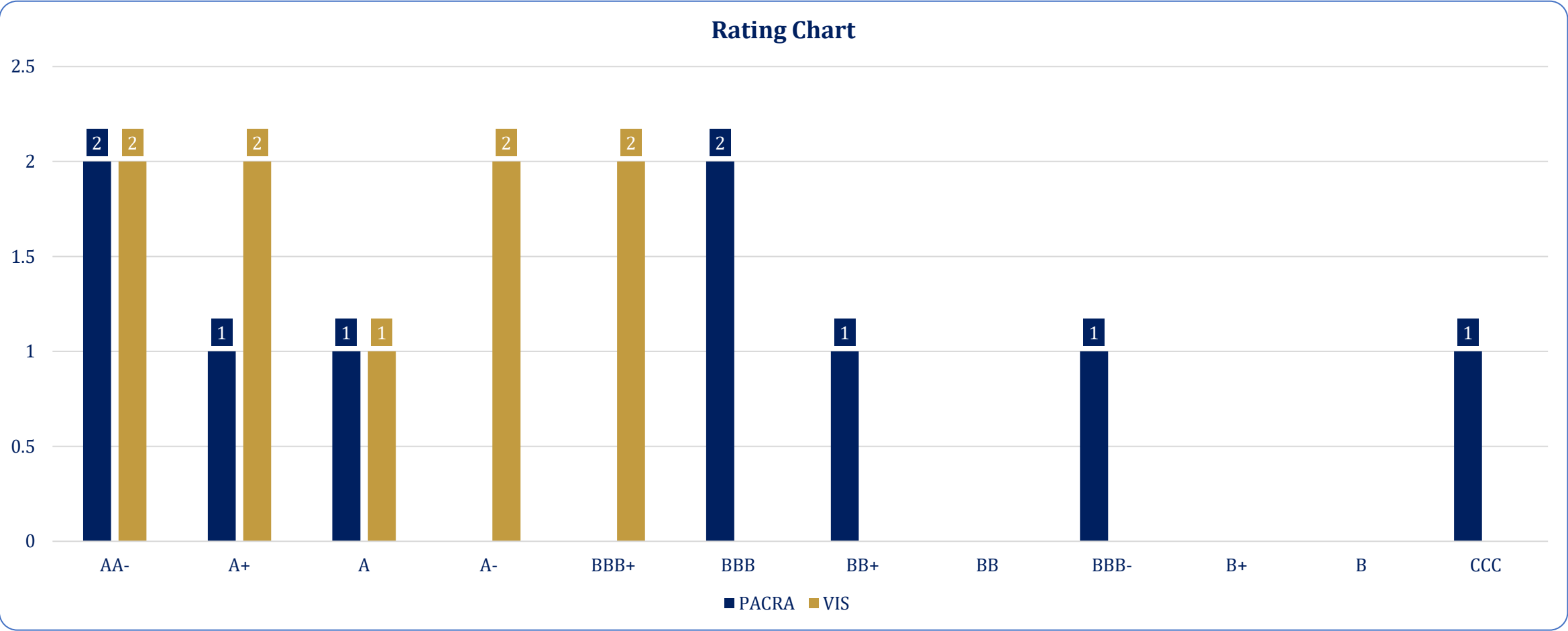
- Low per capita consumption
- Government initiatives to spur construction activities and establish a large number of low-cost houses
- Pakistan GDP recovery and reduced finance costs leading to opportunities for investment
- Initiation of large engineering projects

Threats

- High production capacity – supply surplus
- Increasing cost of energy
- Inability of the government to spend on PSDP projects

Rating Chart

PACRA rates ~9 entities in the Steel Sector within a rating bandwidth from AA- to CCC.



Outlook: Negative

- Pakistan's economy grew ~3.7% in FY26 (FY25: ~3.2%), and large-scale manufacturing is projected to have grown ~6.1%, reversing a ~0.7% contraction in FY25. Construction activity also recovered, with domestic cement sales up ~9.5%. Despite this, domestic steel production fell ~11% to ~6.4mn MT, its fourth consecutive annual decline. Long steel accounted for the entire fall, with billet and ingot output down ~21% to ~3.0mn MT.
- The recovery in demand was met by imports rather than local production. The share of imports in total steel supply rose to ~40% in FY26 from ~31% in FY25. The FY26 budget cut customs duty on imported billets from ~11% to ~5%, while local melting remained costly because of high electricity tariffs. As a result, importing semi-finished steel became cheaper than producing it locally for many re-rollers.
- Margins improved across all three segments in FY26, but for different reasons:
- Long steel: the gross margin rose to ~6.8% (FY25: ~4.8%), but the segment still posted a net loss (net margin: ~-1.9%). Capacity utilization stood at only ~25% in FY25.
- Flat steel: the net margin rose to ~3.2% (FY25: ~0.2%) on ~66% higher sales volumes, supported by anti-dumping duties and higher taxes on FATA/PATA supplies. Part of the gain came from selling lower-cost inventory after HRC prices rose in 4QFY26.
- Tubes & pipes: this remained the strongest segment, with a stable net margin of ~7.8% and leverage down to ~13.6%.
- Tariff protection for the sector is set to fall further. The FY27 budget implements the second phase of the government's tariff reform plan, cutting additional customs duty on 3,149 tariff lines and capping regulatory duty at 20% on more than 1,900 lines. Effective protection for iron and steel will fall from ~100–150% to roughly ~50–70%. For long steel, where finished bars and rods currently carry a ~24% regulatory duty, this will make imported billets and rebars even more competitive. Flat producers, whose FY26 recovery relied heavily on anti-dumping duties, are also exposed if trade protection weakens.

Outlook: Negative (cont.)

- Financing and energy costs are turning upward again. The SBP raised the policy rate by ~100 bps to ~11.5% in April 2026, and inflation is projected to rise to ~8.2% in FY27 from ~6.7% in FY26. Some economists warn inflation could average ~11%, raising the possibility of further monetary tightening. This is a key risk for long-steel players, which rely on short-term, KIBOR-linked borrowing and had interest coverage of only ~0.8x in FY26. Energy costs are also rising, with fuel and power's share of long-steel cost of sales up to ~15.4% from ~11.9%.
- Demand prospects are moderately supportive. The government targets GDP growth of ~4% in FY27, although the IMF projects ~3.5%. The federal PSDP is set at PKR ~1,000bln, with ~PKR 602.5bln (over 60%) allocated to infrastructure. However, a growing share of any demand increase is likely to be met by imports. Globally, excess steelmaking capacity is projected to rise to ~745mn MT by CY28, and as the US and EU close their markets, surplus steel will keep flowing towards open markets such as Pakistan.
- Going forward, the sector is expected to consolidate: Smaller induction furnace-based melters, which face the highest power costs and weakest balance sheets, are likely to scale down or exit. More long-steel players are expected to re-roll imported billets instead of melting scrap. Larger players with EAFs, captive or solar power, and established brands are best placed to survive. Flat steel and tubes & pipes are likely to continue gaining weight in the sector.
- In PACRA's view, FY26's margin improvement was driven mainly by lower finance costs, inventory gains and trade protection, not by a lasting improvement in competitiveness. With tariff protection falling and interest rates rising, margins, particularly in long steel, are expected to come under renewed pressure in FY27. The outlook is therefore maintained at Negative. It could be revised to Stable if the sector receives meaningful relief on industrial power tariffs, or if demand recovery lifts long-steel capacity utilization materially above current levels.
- The potential revival of Pakistan Steel Mills (PSM) represents a medium-term development for the domestic steel sector, with the government pursuing its modernization and restructuring following interest from international firms. Proposed plans could eventually restore production capacity of around ~3mn MT annually, supporting domestic steel availability and reducing reliance on imported steel. However, given that PSM has remained non-operational since 2015 and the revival is still subject to technical assessment, investment and restructuring, the impact is unlikely to be material in the near term. Once operational, the additional capacity could increase domestic supply and intensify competition among existing producers, potentially putting pressure on industry utilization and pricing if demand growth does not keep pace with the incremental supply.

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- Ministry of Finance

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