

PRESS RELEASE

March 27, 2024

Domestic non-ferrous metal demand growth to remain healthy at ~10% in FY2025: ICRA

- **Industry earnings to remain stable at 17-17.5% in FY2025 amid steady realisation and a moderation in input costs**

In a recent note on the primary non-ferrous metal industry, ICRA said that the industry's earnings would remain stable in FY2025, considering steady movement in realisations and an easing of input cost pressure to an extent. The **domestic demand growth** is expected to remain healthy at ~10% in FY2025 and would significantly outpace the expected growth of ~2% in global demand. The operating margin of domestic players is also likely to remain stable at 17-17.5% in FY2025, like the levels estimated in FY2024. As a result, ICRA maintains a Stable outlook on the sector.

Commenting on the industry profitability, **Mr. Jayanta Roy, Senior Vice-President and Group Head, Corporate Sector Ratings, ICRA**, said: *"With input costs remaining largely under check, the domestic entities are expected to register operating margins of 17-17.5% in FY2025, like the levels estimated in FY2024. That said, with the commodity upcycle moderating since FY2023, domestic entities' cash flows have reduced from their record highs, thus increasing their dependence on external financing to meet their committed expansion plans. This trend has been visible from the 13.8% and 14.3% growth in the sector's bank borrowings in FY2023 and FY2024 respectively. Therefore, the industry's leverage (total debt to operating profits) has steadily increased from 1.8 times in FY2023 to ~2.2 times in FY2024 and FY2025. However, these leverage levels are lower compared to the FY2016-FY2020 average of ~3.5 times reported during the pre-Covid era. At the current level, the industry would remain resilient to project-related risks".*

The **international prices** of the three non-ferrous metals viz. aluminium, copper and zinc witnessed divergent trends in March 2024. While aluminium and zinc prices remained range-bound, copper prices increased by ~5% in March 2024 amid expected supply cut by Chinese smelters and the prices are likely to further strengthen as the demand-supply gap widens. An unexpected supply disruption in the copper mines in Chile and Panama saw significant correction in treatment and refining charges (Tc/Rc), with the current spot rate at ~\$12/tonne compared to \$80-85/tonne in 9M FY2024. The sharp correction in Tc/Rc has adversely impacted the copper smelter margins and top Chinese smelters recently agreed to embark on production cuts at loss-making plants, without specifically highlighting the extent of the reduction.

On the domestic front, the apparent consumption growth for non-ferrous metals remained healthy at ~10-13% in 9M FY2024 supported by the Government's thrust on infrastructure development and favourable demand from the renewables/electric vehicle sectors. While the demand is expected to remain soft over the next two quarters as the Government spending moderates around the General Elections, the overall demand growth is expected to remain comfortable at ~10% in FY2024 and FY2025. In addition, the moderation in coal costs, if sustained, is expected to alleviate input cost pressures to an extent. ICRA notes that the domestic e-auction premia on coal had eased in recent months to ~40% in February 2024 from the exorbitant levels of >180% seen in the corresponding

period of the previous year. The prices of caustic soda and calcined pet coke also moderated in the current fiscal.

[Click here to access our previous press releases on the sector](#)

For further information, please contact:

Media Contacts:

Naznin Prodhani

Head - Group Corporate
Communications & Media
Relations
ICRA Ltd
Tel: + (91 124) 4545300,
Dir - 4545860
Email:
naznin.prodhani@icraindia.com

Shivendra Singh

Deputy Manager - Media &
Communications
ICRA Ltd
Tel: + (91 124) 4545300,
Dir - 4545840
Email:
shivendra.singh@icraindia.com

© Copyright, 2023 ICRA Limited. All Rights Reserved.

All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable. Although reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies, while publishing or otherwise disseminating other reports may have presented data, analyses and/or opinions that may be inconsistent with the data, analyses and/or opinions presented in this publication. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.

Disclaimer:

This Press Release is being transmitted to you for the sole purpose of dissemination through your newspaper/magazine/agency. The Press Release may be used by you in full or in part without changing the meaning or context thereof, but with due credit to ICRA Limited. However, ICRA Limited alone has the sole right of distribution of its Press Releases for consideration or otherwise through any media including, but not limited to, websites and portals.

About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency. Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

Click on the icon to visit our social media profiles.

