PRESS RELEASE

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Robust prices and resilient domestic demand to drive the performance of domestic base metal companies in FY2025: ICRA

- ***Domestic demand to remain resilient with ~7-10% growth in FY2025***
- ***Improvement foreseen in total debt/OPBDITA (to 1.6 times in FY2025 from 1.9 times in FY2024) and interest cover (to 6.9 times from 4.9 times, respectively)***

ICRA expects the credit profile of the domestic non-ferrous metal players to remain healthy in FY2025 driven by resilient base metal prices. According to ICRA's latest research, international base metal prices rose by ~12-14% in 7M FY2025 compared to the same period last year. While potential downside risks in the second half of FY2025 cannot be ruled out, low inventories and ongoing supply constraints are expected to limit any sharp price corrections during this period. Additionally, the stimulus announced by the Chinese government along with interest rate cuts in the US are supporting metal prices. In the domestic market, while the coal costs remain stable, the rising alumina costs, due to supply constraints, pose a near-term concern for the non-integrated aluminium players. Nonetheless, ICRA projects the buoyant metal prices to support the operating margins for domestic non-ferrous metal companies in FY2025.

Commenting further on this, **Girishkumar Kadam, Senior Vice-President and Group Head, Corporate Sector Ratings, ICRA** said: *"The current supply-demand dynamics remain supportive of firm metal prices in the near term. The expectations of a 7-10% demand growth in FY2025 and deleveraging of balance sheets supported by healthy accruals, will support earnings growth and result in a steady turnaround in the industry's risk profile. The credit metrics of the companies in ICRA's sample set are expected to witness a steady improvement with a projected total debt/OPBDITA of 1.6 times and interest cover of 6.9 times during FY2025, compared to a total debt/ OPBDITA of 1.9 times and interest cover of 4.9 times in FY2024. Consequently, the industry outlook remains stable in our view."*

As for the domestic demand-supply scenario, the domestic demand for base metals registered a healthy expansion of 10-13% during FY2023 and FY2024, led by increased consumption from end-user sectors, particularly infrastructure, electrical, and renewable energy. Demand for non-ferrous metals is expected to show a growth of ~7-10% in FY2025, outpacing the global demand growth forecast of ~2% by a wide margin.

The capacity utilisation for aluminium and zinc metal players also remained healthy at over 90% in the current fiscal, resulting in large export volumes. Off-take risks in the international market remain low, given the cost competitiveness of the domestic manufacturers. However, lower copper production has created a large deficit in the domestic copper market, resulting in large import dependence. Nonetheless, the recently commissioned copper smelting capacity by the Adani Group could help mitigate the domestic shortfall over the medium term.

"Globally, the sentiments have improved following China's announcements of stimulus to aid the property sector and interest rate cuts in the US and European markets. However, the uncertainty remains on the strength of the Chinese economic growth and the overall geopolitical situation. Nonetheless, the supply-side constraints, primarily in copper and zinc mines, along with bauxite production issues in China, are likely to support the metal prices in the

near term. The current uptrend in metal prices is likely to result in ~7-9% growth in the domestic realisation for the full fiscal," **Kadam** added.

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