

PRESS RELEASE

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## 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.

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**For further information, please contact:**

Media Contacts:	
<b>Naznin Prodhani</b> Head - Group Corporate Communications & Media Relations ICRA Ltd Tel: + (91 124) 4545300, Dir - 4545860 Email: <a href="mailto:naznin.prodhani@icraindia.com">naznin.prodhani@icraindia.com</a>	<b>Shivendra Singh</b> Deputy Manager - Media & Communications ICRA Ltd Tel: + (91 124) 4545300, Dir - 4545840 Email: <a href="mailto:shivendra.singh@icraindia.com">shivendra.singh@icraindia.com</a>

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