



PRIMARY NON-FERROUS METAL INDUSTRY

**Robust prices, resilient domestic
demand to drive the performance of
domestic base metals companies in
FY2025**

OCTOBER 2024



1 Outlook for the Consolidated Industry



2 Primary Aluminium Industry



3 Primary Copper Industry



4 Primary Zinc Industry



5 ICRA Ratings and Peer Comparison



6 Industry Peer Comparison





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Firm metal prices and resilient demand are likely to improve the operating margin by almost ~350-400 bps in FY2025



- **The credit profile of the domestic primary non-ferrous entities is expected to remain healthy in FY2025 supported by firm metal prices and domestic demand growth expectation of at ~7-10%¹.** This, in turn, will improve the operating margin at ~23% in FY2025, compared to ~19% in FY2024 for ICRA's sample set.



- **International prices of base metals have witnessed a sharp increase in the current fiscal, improving by ~11-13%¹ in H1 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 Chinese government stimulus along with interest rate cut in the US are also supporting metal prices in recent weeks. In the last fortnight, the base metal prices have further improved by ~6-8% compared to mid-September 2024.



- **Chinese demand for non-ferrous metals remains healthy** primarily in the renewables and electric vehicle (EV) segments. However, the global demand (ex-China) of base metals continued to remain weak primarily in the US and the European markets. While the recent interest rate cut may lift sentiment, meaningful improvement in global demand remains to be seen. Alongside, 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, is likely to support metal prices in the near-term.



- **Domestic demand for base metals registered a healthy growth of 10-13% during FY2023 and FY2024**, led by increased consumption from end-user sectors, particularly infrastructure, electrical, and renewable energy. Domestic demand for non-ferrous metals is expected to continue its healthy growth of ~7-10% in FY2025.



- **On the cost front, while the coal costs remain stable, the rising alumina cost due to supply-side constraints pose a near-term concern** for the non-integrated aluminium players. Nonetheless, the buoyant metal prices are likely to support the operating margins for domestic non-ferrous metal companies in FY2025.



- **With improvement in profitability, the industry's credit metrics are also expected to improve** with a projected total Debt/OPBDITA of 1.6 times and an interest cover of 6.9 times in FY2025 over a total Debt/ OPBDITA of 1.9 times and an interest cover of 4.9 times in FY2024.

¹of aluminium, copper and zinc



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