PRESS RELEASE

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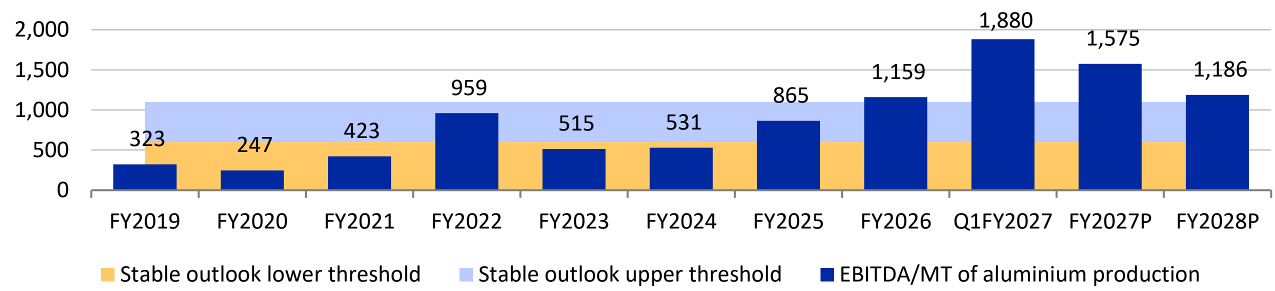
ICRA revises domestic non-ferrous metals sector outlook to Positive on robust metal prices, healthy demand

- ***Domestic demand for non-ferrous metals expected to rise by 8-9% in 2026-27, significantly outpacing global demand growth***
- ***Higher metal prices likely to support ~400 bps expansion in operating margin to ~35% for the sector***

ICRA has revised its outlook for the domestic primary non-ferrous metal industry to Positive from Stable, driven by elevated metal prices, healthy domestic demand and a considerable improvement in earnings visibility for primary non-ferrous metal entities in 2026-27. Global supply disruptions and low metal inventories led to a surge in non-ferrous metal prices by 30-40% during the first five months of the current fiscal. This is expected to boost the operating margins for domestic entities by ~400 bps to ~35% in 2026-27. Given the strong performance, the credit metrics of ICRA's sample set of companies are likely to substantially improve with an estimated total debt/OPBDITA of 0.6 times and interest cover of 16.0 times in 2026-27 compared to total debt/OPBDITA of 0.9 times and interest cover of 12.0 times in 2025-26.

Commenting on the sector outlook**, Girishkumar Kadam, Senior Vice-President and Group Head, Corporate Sector Ratings**, **ICRA said:** *"The revision in the industry outlook to Positive is supported by the expected strengthening in earnings and credit metrics of non-ferrous metal companies, aided by healthy domestic demand and favourable metal prices. Domestic demand is anticipated to grow by 8-9% in 2026-27, aided by continued investments in infrastructure, construction, power, renewable energy and electric vehicles related segments. For domestic primary aluminium entities, OPBDITA per tonne is estimated to increase to ~$1,575 in 2026-27. Also, the earnings of copper and zinc entities are likely to improve significantly in the current fiscal. However, the movement in global non-ferrous metal prices will remain a key monitorable for the industry, given the inherent cyclicality of commodity prices. Overall, ICRA expects the financial profile of domestic primary non-ferrous metal companies to strengthen significantly in 2026-27."*

Exhibit: Trend in EBITDA/MT (in $/MT) for domestic aluminium players



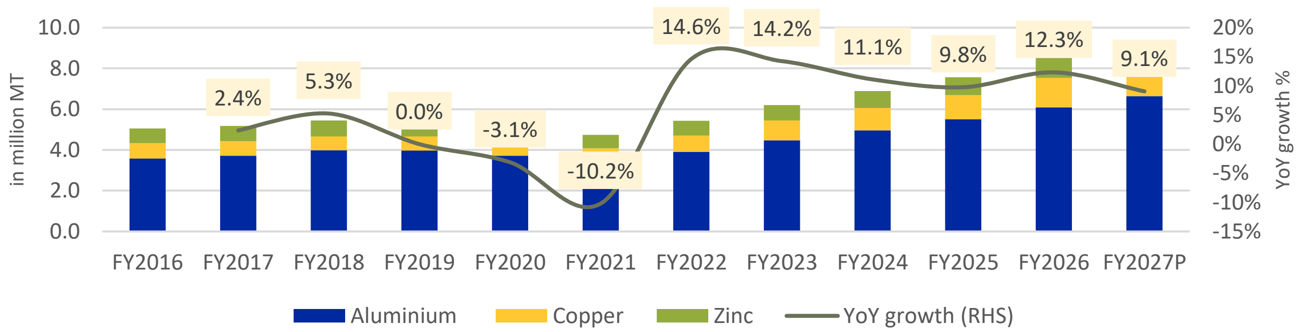
Source: ICRA Research; Note: P indicates projected value

International prices of all three primary non-ferrous metals (aluminium, copper and zinc) have recorded significant improvement in the current fiscal. Global aluminium prices remain elevated, aided by continued supply disruptions in West Asia, which accounts for ~9% of the global aluminium production. While aluminium prices moderated in July and August 2026 as war-risk premium eased, persistent supply constraints and low inventories are expected to keep LME aluminium prices elevated at 3,200-3,300/tonne in 2026-27, implying an annual increase of 18-20%. ICRA projects copper prices to remain high at $12,000-13,000/tonne, representing a growth of ~18% over the 2025-26 average prices. The outlook remains supported by copper concentrate shortages and tight refined copper availability outside the US market. Zinc prices are also expected to be fuelled by mine supply constraints and declining LME inventories.

While global demand growth remains subdued for non-ferrous metals, the supply side constraints are likely to support market balances. The aluminium market is projected to remain in a deficit of ~1 million metric tonne (MT), considering continued supply disruptions in West Asia. Restoration of disrupted facilities is expected to remain gradual, supporting elevated aluminium prices through 2026-27. The refined copper market is also anticipated to tighten, owing to movement of inventories to COMEX warehouses amid uncertainty over US tariffs, thereby reducing refined copper availability outside the US market. Similarly, refined zinc supply is expected to remain constrained by weaker mine production and declining ore grades, with global mine output contracting by around 0.5% in 5M CY2026.

ICRA estimates the domestic demand of base metals (aluminium, copper and zinc) to surge by 8-9% in 2026-27. Nevertheless, domestic production of aluminium and zinc continues to exceed consumption. The situation is likely to persist going forward as domestic capacity is elevated and manufacturers are expected to maintain high utilisation level for the plants. This, in turn, would lead to large export volumes. Encouragingly, off-take risks in the international market would remain low, given the cost competitiveness of the domestic manufacturers. In contrast, lower copper production has created a large deficit in the domestic copper market, resulting in large imports, and the situation is unlikely to improve in the near term.

Exhibit: Trend in demand and outlook for non-ferrous metals



Source: Ministry of Mines, Ministry of Commerce and Industry and ICRA Research

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For further information, please contact:

Media Contacts:	
Naznin Prodhani Vice President – Head Group Corporate Communications & Media Relations ICRA Ltd. Tel: + (91 124) 4545300, Dir – 4545 860 **Email: communications@icraindia.com**	**Ashwani Kumar Singh** Deputy Manager - Corporate Communications & Media Relations ICRA Ltd. Mob: +91- 9560842447 **Email: communications@icraindia.com**

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