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PRIMARY NON-FERROUS METAL INDUSTRY

Elevated spread to normalise in FY2026 as prices subside for base metal entities

MARCH 2025

Contents

Highlights – Industry Trends

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Margins are expected to remain firm in FY2025; however, with easing of supply issues, metal prices are likely to moderate in FY2026 from the high levels currently, which may impact the margins to an extent. Nonetheless, debt coverage metrics for base metal companies are expected to remain healthy.

- **Earnings of domestic primary non-ferrous entities are expected to remain stable, despite the anticipated moderation in operating margins in FY2026.** Metals prices are likely to moderate in FY2026, thus impacting margins. Domestic demand growth, however, is expected to remain healthy at ~7.0-9.5% in FY2026 and would significantly outpace the expected rate of global demand growth.
- **International base metal prices have risen sharply in the current fiscal, increasing by ~12-15% in FY2025 over the same period last year.** Persistent supply constraints resulted in sharp increase in the metal prices. However, with gradual improvement in supply situation, metal prices are expected to moderate from the persistently high levels of the current year. Nonetheless, the low global inventory position is likely to provide support to the metal prices to an extent.
- **Global base metal consumption growth is expected to remain subdued at ~2% in CY2025** as global demand (excluding China) continues to remain weak, especially in the US and Europe. US aluminium demand may decline further owing to recent tariff announcements. Also, with China facing challenges in reviving its economy, this could have a bearish impact on metal prices in the coming fiscal.
- **Domestic demand for base metals remained healthy with YoY growth at ~9% in FY2025, driven by higher consumption in** key sectors such as infrastructure, electrical, and renewable energy. This healthy growth may persist, with demand likely to rise by 7-9.5% in FY2025 and outpace the global growth rate.
- **On the cost side, while alumina costs remained high during H2 FY2025, the same has moderated** and returned to normal levels of $425/tonne in recent months. Coal cost is also expected to remain soft in the next 1-2 quarters. However, with likely moderation in metal prices the operating margins are expected to decline to ~20.7% in FY2026 from over ~24.0% in FY2025 for ICRA's sample of base metal companies.
- **Nonetheless, the industry's credit metrics are expected to remain stable** with a projected total debt/OPBDITA of 1.5 times and an interest cover of 5.8 times in FY2026 against a total debt/ OPBDITA of 1.4 times and an interest cover of 6.3 times in FY2025.

[1]*of aluminium, copper and zinc*

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Thank You!