

PRIMARY NON-FERROUS METAL INDUSTRY

**Resilient demand supports credit
profile of non-ferrous entities despite
flat metal prices in FY2026**

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Margins are expected to slightly moderate in FY2026, amid flat metal prices. Nonetheless, the coverage metrics are estimated to remain stable.



- **Earnings of domestic primary non-ferrous entities are expected to demonstrate resilience through FY2026**, despite slight headwinds to operating margins owing to persistently muted metal prices. Although realisations are flat, input costs have largely been contained, thereby limiting the adverse impact on overall profitability. Furthermore, robust domestic demand – estimated to grow at a healthy 7.0-9.5% – is likely to provide support, far outpacing the global demand growth and reinforcing overall sector stability.



- **Non-ferrous metal prices contracted by about 4-7% in Q1 FY2026, but rebounded modestly in Q2, leading to a broadly flat trend in H1 FY2026**, owing to persistent global demand weakness. Looking ahead, metal prices are likely to remain flat in FY2026 following strong gains in FY2025.



- **Global base metal consumption growth is estimated to remain muted at 2% in CY2025**, weighed down by weak demand in the US and Europe, while Chinese demand has shown some signs of improvement. US aluminium demand is estimated to soften, further exacerbated by 50% tariff on aluminium and aluminium products, which is anticipated to materially elevate input costs for producers. Additionally, despite improvement, China's subdued economic recovery poses further downside risks to global metal prices.



- **Domestic non-ferrous metal demand grew by about 9% YoY in FY2025, driven by strong offtake in key sectors** such as infrastructure, electrical, and renewable energy. This momentum is expected to sustain, with demand in FY2026 likely to remain healthy at 7.0-9.5%, outpacing global growth rates.



- **Alumina costs have eased to below \$400/tonne in recent months** and coal prices are estimated to remain soft over the next 1-2 quarters. Consequently, the operating margins is estimated to remain comfortable at around 23.2% in FY2026 over nearly 24.0% in FY2025 for ICRA's sample set of base metal companies.



- **The industry's credit metrics are likely to remain stable** with a projected total debt/OPBDITA of 1.5 times and an interest cover of 6.7 times in FY2026 against a total debt/ OPBDITA of 1.6 times and an interest cover of 6.4 times in FY2025.

¹ of aluminium, copper and zinc

1 ICRA's Outlook for the Base Metal Industry



2 Primary Aluminium Industry



3 Primary Copper Industry



4 Primary Zinc Industry



5 ICRA Ratings: Primary Non-Ferrous Metal Industry



6 Industry Peer Comparison





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