



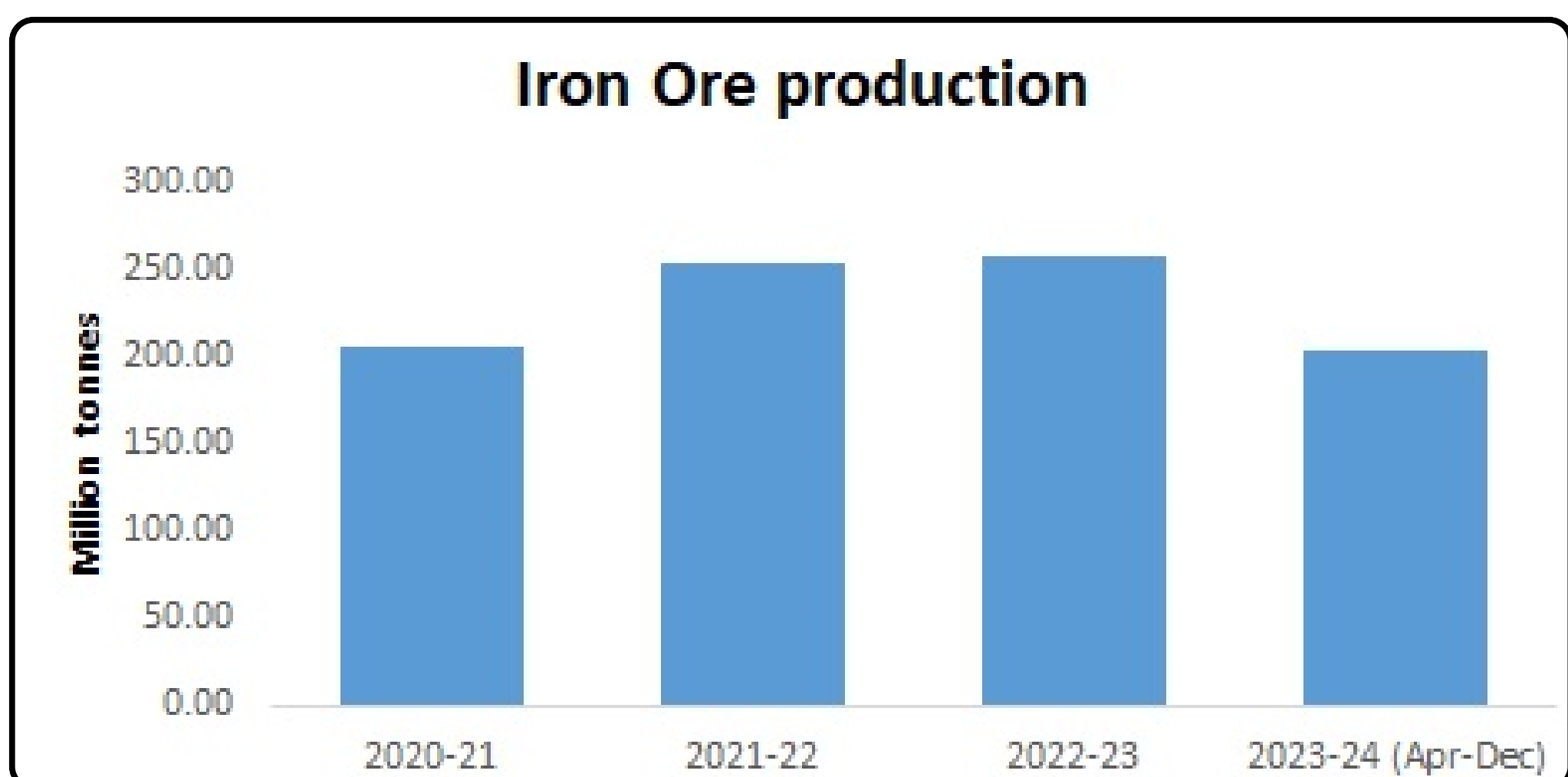
INDIAN METAL INDUSTRY ANALYSIS

February - 2024



Metals are mineral bodies that come in a variety of forms, from base metals to precious metals. Base metals are those that oxidize or corrode relatively easily. Within base metals, a distinction is made between ferrous and nonferrous metals. Ferrous metals typically iron, tend to be heavy and relatively abundant. Nonferrous metals do not contain iron in significant amounts. Generally, more expensive than ferrous metals, nonferrous metals have desirable properties such as low weight (for example, aluminium), higher conductivity (for example, copper), nonmagnetic properties, or resistance to corrosion (for example, zinc and nickel). Metal markets impact world Economy for two reasons. First, at the global level, metals are at the heart of the world economy because they are key intermediate inputs in industrial production and construction. Metal markets are thus shaped by shifts in the volume and composition of global demand and supply. As such, transformations in metal markets also signal important changes in the world economy. Second, for some countries, metal exports are a large portion of their total exports, and fluctuations in metal prices can have important macroeconomic consequences.

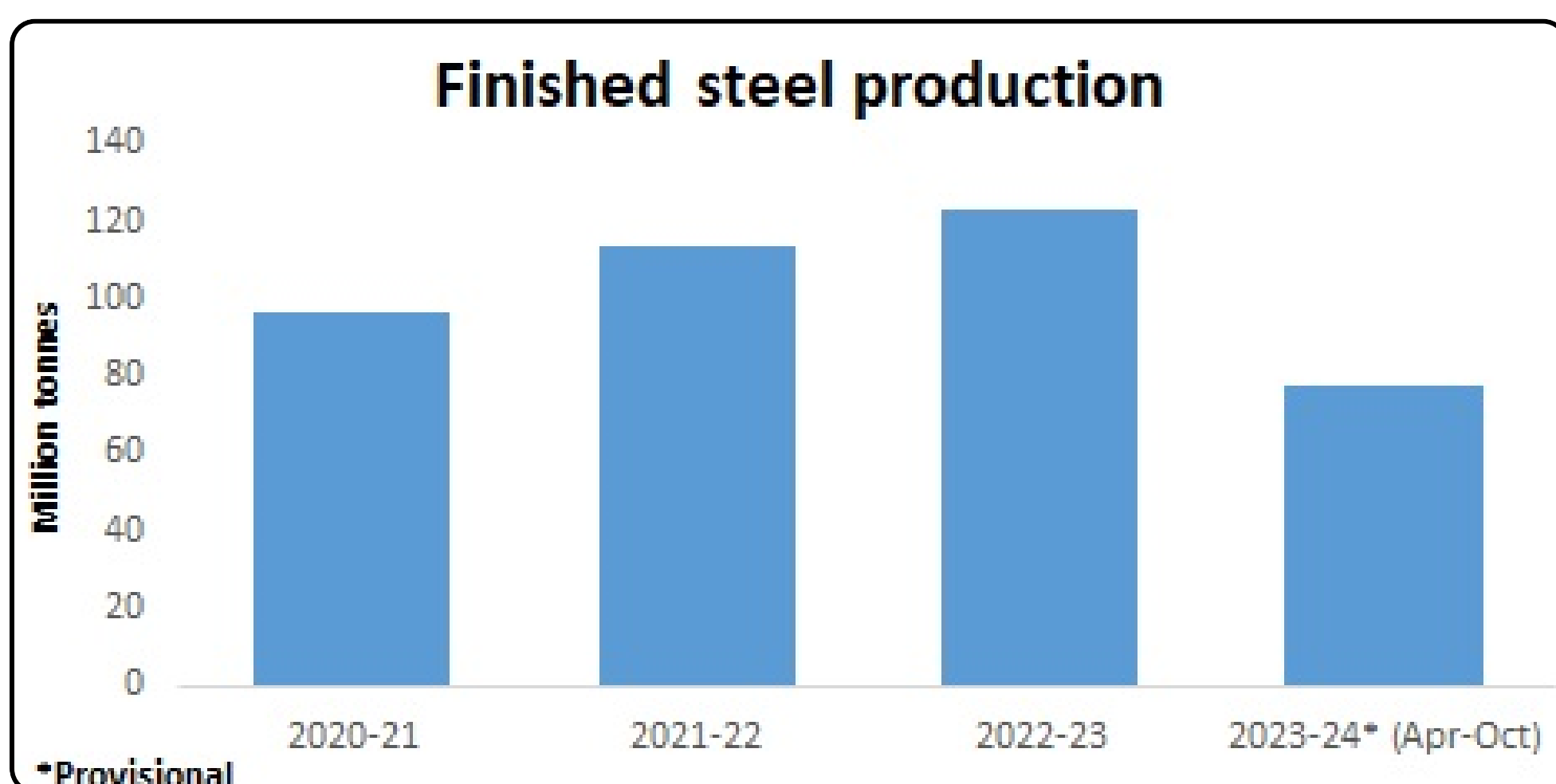
From an economic point of view, Iron Ore is by far the most important base metal. Steel, which is produced from iron ore, is mostly used for construction, transportation equipment, and machinery. Copper is the second-most-important base metal by value. Copper is used for construction and electrical wire. The third-most-important base metal is Aluminium and it is used in the aerospace industry as well as other industries requiring light metal. The production of Iron Ore for 2022-23 (April-March) was 257.85 Million Tonnes (MT), 1.53 per cent higher as compared to 253.97 MT in 2021-22 (April-March). The production of Iron Ore for 2023-24 (April-December) was 202.6 MT, 11.87 per cent higher as compared to 181.1 MT in 2022-23 (April-December).



STEEL

India currently ranks as the World's 2nd largest producer of crude steel, surpassing Japan in 2018, the steel industry has recorded a remarkable growth. Crude steel output stood at 125.32 MT of crude steel and 123.2 MT of finished steel production in FY23. In the current year 2023-24 (FY24), the country's total finished steel production stood at 77.78 MT between period April 2023 to October 2023. India stands as a net exporter of steel witnessing an export of 6.72 MT of finished steel against the import of 6.02 MT in 2022-23. The country was a net importer of steel in 2014-15 with 9.32 MT imports Vis-à-vis the export of 5.59 MT. During the April-October period of current fiscal year, finished steel export stood at 3.52 MT.

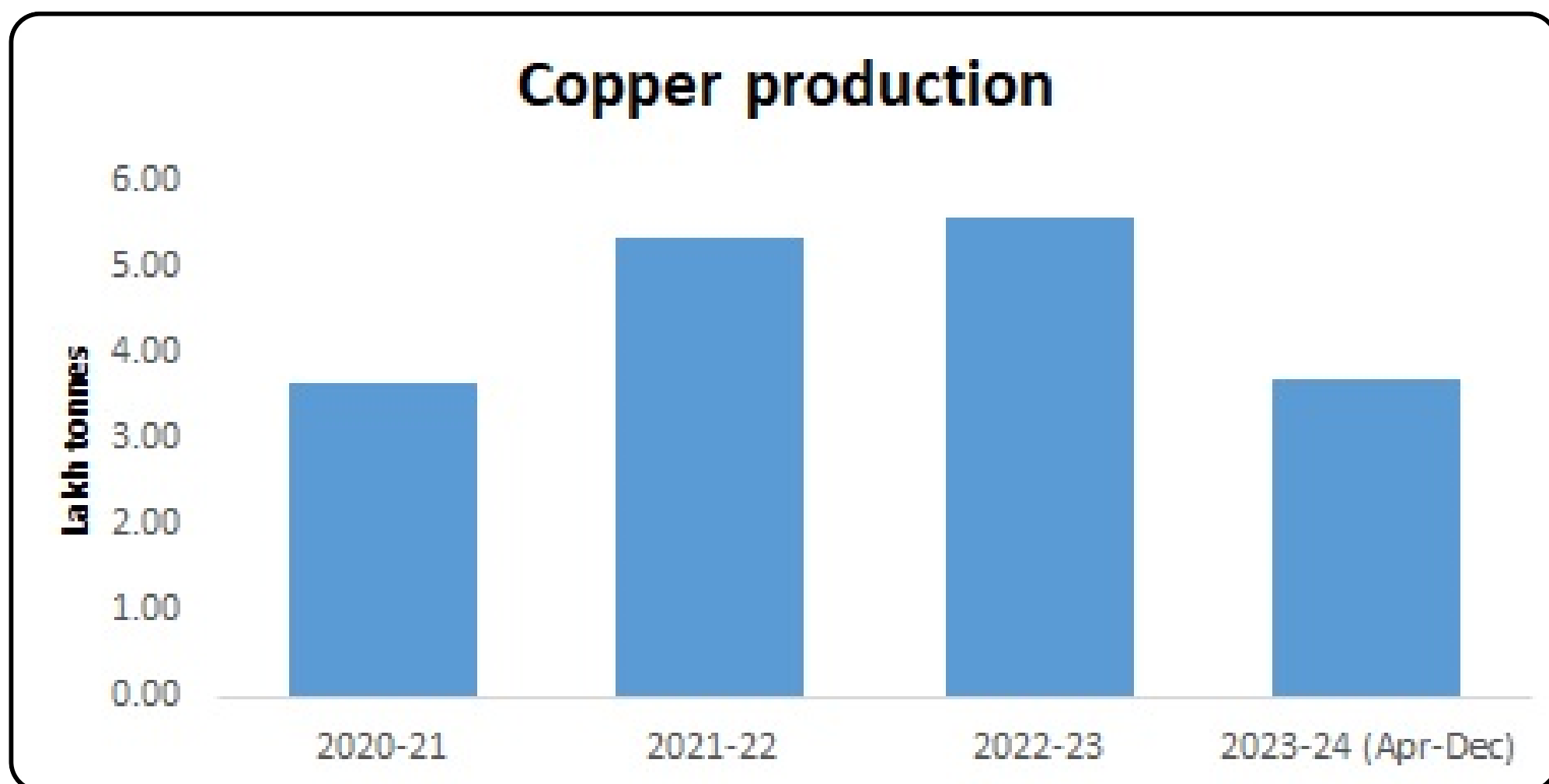
Steel is one of the widely used materials all over the world. The iron and steel industry is the bottom line producer industry. The steel industry plays a pivotal role in crucial sectors such as construction, infrastructure, automobile, engineering, and defense. Steel is a key sector for the Indian economy (responsible for 2 per cent of the country's GDP in FY 21-22). With rising production and the country remaining the net exporter for steel, the outlook of the steel industry looks optimistic in near time. Also, the government's infrastructure push and PLI scheme extension is likely to aid domestic steel industry.



COPPER

The size of Indian copper industry (consumption of refined copper per annum) is around 6.6 lakh tonnes, which as percentage of world copper market is only three per cent. Sterlite Industries, Hindalco Industries and Hindustan Copper are major producers of refined copper in India. Copper production in the country increased by around 4.13 per cent to 5.55 lakh tonnes in fiscal year 2022-23 (FY23) as compared to 5.33 lakh tonnes in FY22. During April to December period of the current fiscal year, the country's copper production stood at 3.69 lakh tonnes.

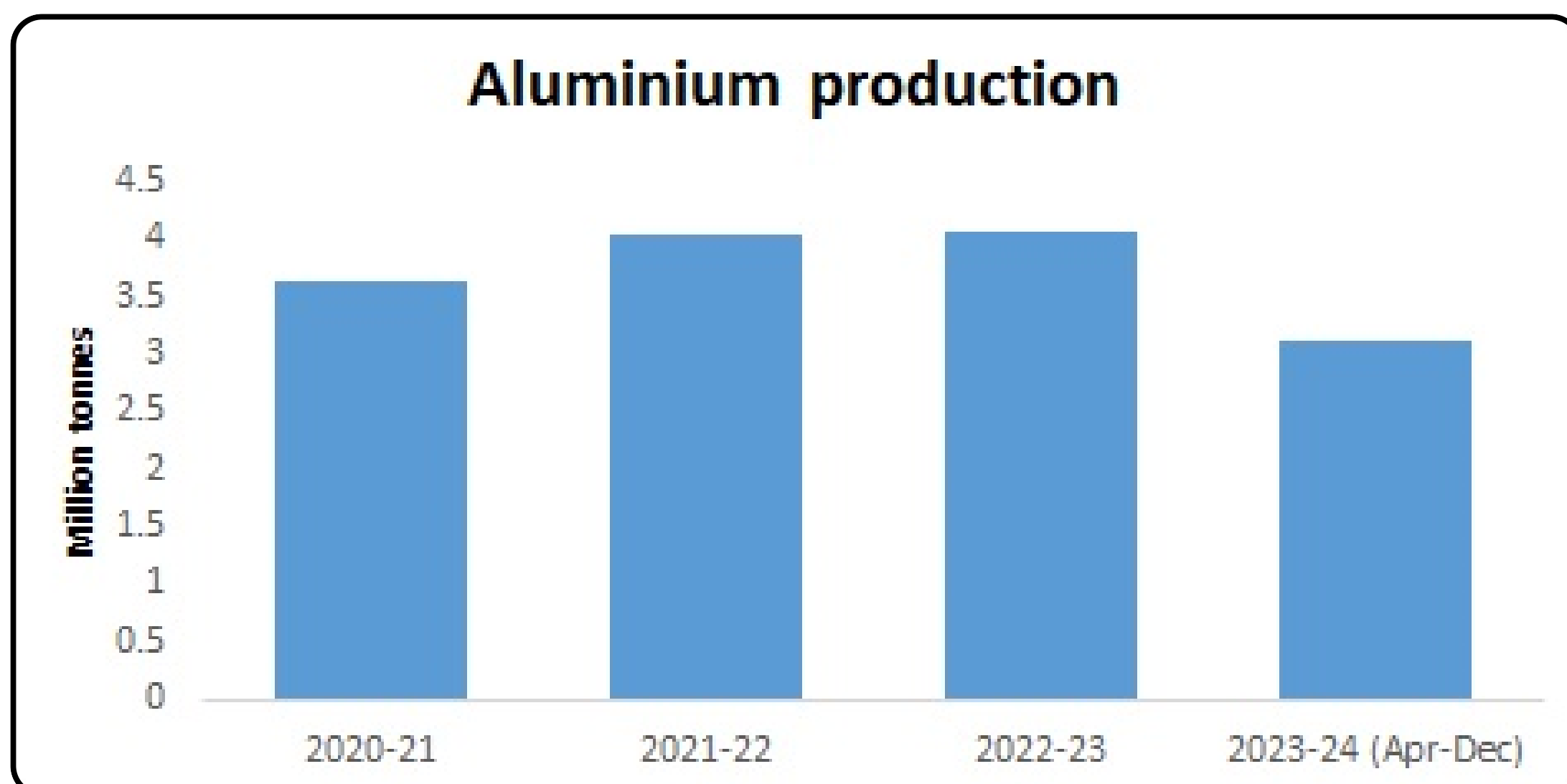
The average LME price in December 2023 was \$8,394.11 per tonne compared to average LME of \$8,367.23 per tonne in December 2022, thereby registering an increase by 0.32 per cent. The government's focus on infrastructure development and a shift towards renewable energy are likely to support domestic copper industry to perform well in coming time. In the Indian market, around 40 per cent of copper consumption is in the infrastructure and construction sector, with the automobile and consumer durable sectors each accounting for around 11-13 per cent.



ALUMINIUM

Aluminium is a recyclable environment-friendly metal having a host of applications in a number of diverse sectors - power, transportation, building, construction, packaging and many more. Increasing application, growing environmental concerns & move towards greater use of recyclable materials are driving growth in the world aluminium market. China continued to be the world's largest producer and consumer of aluminium. The Indian primary Aluminium industry consists of three major players i.e. National Aluminium Company (NALCO), Hindalco Industries and Vedanta., having a total production capacity of 4.17 MT for FY 2023-24. The total production of Primary Aluminium metal during FY 2022-23 was about 4.073 MT higher as compared to 4.032 MT in FY 2021-22. Prior to that aluminium production was 3.614 MT in FY 2020-21, 3.619 MT in FY 2019-20 and 3.695 MT in FY 2018-19. During the April to December period of current fiscal year 2023-24, aluminium production stood at 3.114 MT.

The average London Metal Exchange (LME) price for December 2023 was \$2,174 per tonne as against \$2,395 per tonne in December 2022, thereby registering a decline of 9.21 per cent. The average LME price during the year 2022-23 was \$2,490 per tonne and average LME price for 2023-24 (April- December) was \$2,207 per tonne.



ZINC

In India, the main producer of Zinc is Hindustan Zinc (HZL) (Government of India holds 29.54 per cent of equity share). Capacity of Hindustan Zinc during FY 2022-23 was 8.43 lakh tonnes and production was 8.21 lakh tonnes. During the FY 2023-24, Hindustan Zinc's cumulative production from April to December period was 5.97 lakh tonnes lower against 6.06 lakh tonnes during cumulative production FY 2022-23 (April-December).

The average London Metal Exchange (LME) price for December 2023 was \$2,174 per tonne as against \$2,395 per tonne in December 2022, thereby registering a decline of 9.21 per cent. The average LME price during the year 2022-23 was \$2,490 per tonne and average LME price for 2023-24 (April- December) was \$2,207 per tonne.

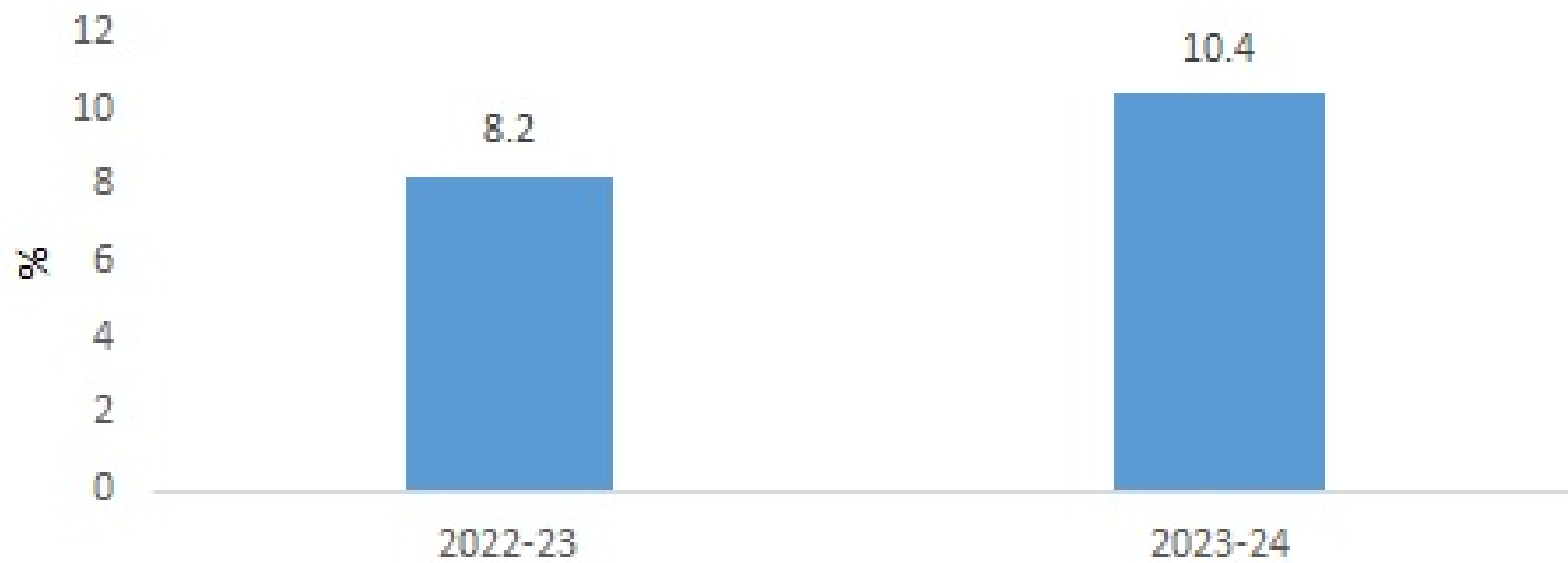
POSITIVES FOR THE INDUSTRY

• BOOM IN INFRASTRUCTURE SECTOR:

In India, the main producer of Zinc is Hindustan Zinc (HZL) (Government of India holds 29.54 per cent of equity share). Capacity of Hindustan Zinc during FY 2022-23 was 8.43 lakh tonnes and production was 8.21 lakh tonnes. During the FY 2023-24, Hindustan Zinc's cumulative production from April to December period was 5.97 lakh tonnes lower against 6.06 lakh tonnes during cumulative production FY 2022-23 (April-December).

Steel industry is a critical component of several sectors, including infrastructure. As one of the major consumers of steel, the infrastructure sector relies heavily on the availability and affordability of this primary raw material. The country's infrastructure sector is growing at a significant pace in areas such as roads, highways and civil aviation. The PM Gati Shakti master plan is going to change the face of India's infrastructure. Infrastructure is a sector that will continue to attract strong capital inflows, especially with structural reforms, digitisation of logistics and infrastructure-focused wealth funds to aid investment. The government's flagship initiatives like the National Infrastructure Pipeline, Gati Shakti, Sagarmala, Bharatmala, UDAN and Maritime India Vision 2030, among others, have created a lot of opportunities in the infrastructure sector. Global investment and partnerships in infrastructure, such as the India-Japan forum for development in the North East are also indicative of more investments. This will generate demand for the steel sector in coming time. The Index of Industrial Production (IIP) for Infrastructure/ Construction goods rose to 10.4 per cent during April-December period of FY24 as compared to 8.2 per cent in corresponding period of FY23. IIP for Infrastructure/ Construction goods have weightage of 12.34 per cent in overall IIP index.

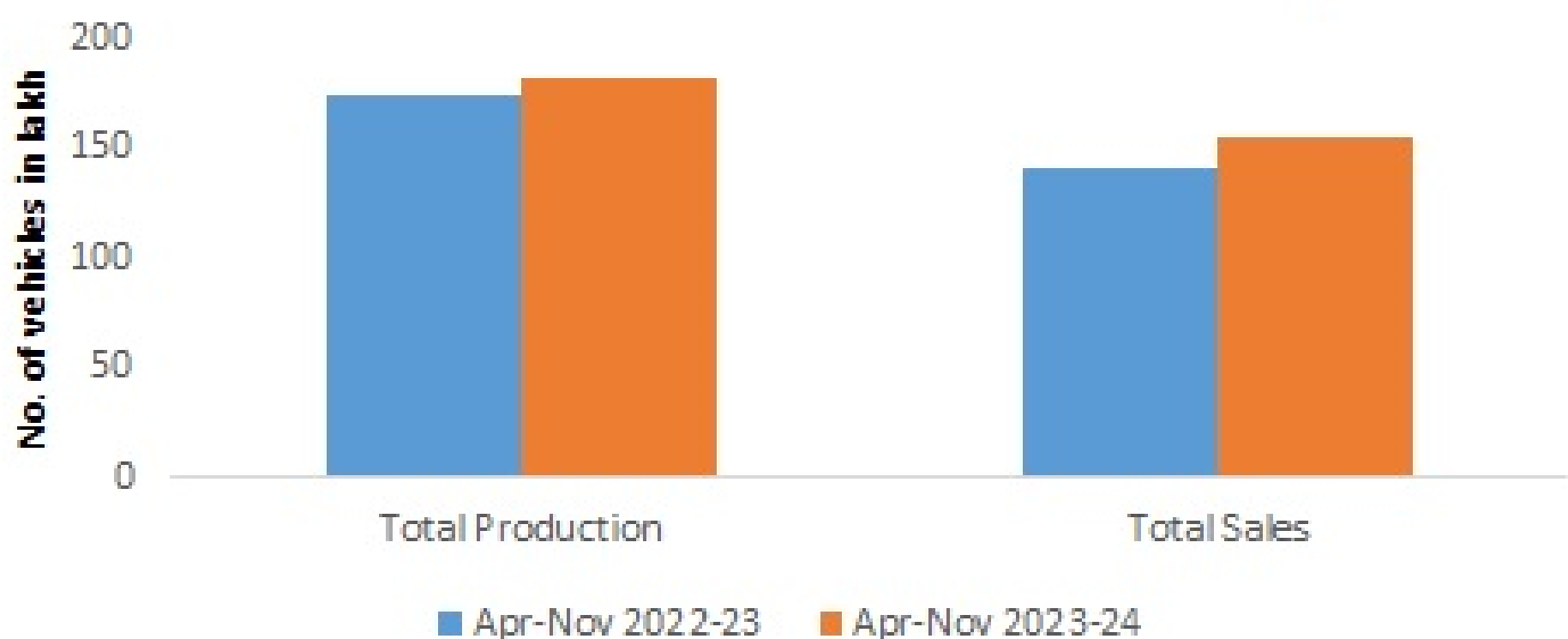
IIP for Infrastructure/ Construction goods during April to December period



• GROWTH IN DOMESTIC AUTOMOBILE INDUSTRY:

The auto industry is an important stakeholder for the steel industry. Steel is used in manufacturing vehicle chassis and body. Nickel-containing stainless steel is used in some drivetrain components. The rising production as well as sales likely to generate more demand for metal industry in coming time. Rising automobile demand augurs well for demand of hot-rolled coil, galvanised sheet, cold-rolled coil, high-strength steel products, body sheet and panels. The Indian automobile industry showed a decent performance in April-November 2023-24, as compared to April-November period of 2022-23. Total production including Passenger Vehicles, three and two wheelers, and quadricycle in the eight-month period (April-November) of FY24 rose 4.74 per cent to 182.31 lakh vehicles as against 174.05 lakh vehicles in the same period of previous year. On the other hand, total domestic sales registered a growth of 10.15 per cent at 154.36 lakh vehicles in April-November period of FY24, as against 140.14 lakh crore vehicles sold in April-November of FY23.

Performance of automobile industry



ISSUES AND CONCERNS IN THE INDUSTRY

• CHINA ECONOMY SLOWDOWN TO IMPACT METAL INDUSTRY:

China is one of the biggest consumers of metals. Be it copper, aluminum or steel. China's economy is facing several issues in recent time, which is impacting the demand for metals and prices of the commodities. China's economy grew 5.2 per cent in 2023, slightly more than the official target, but the recovery was far shakier than market expectations, with a deepening property crisis, mounting deflationary risks and tepid demand casting a pall over the outlook for this year. The International Monetary Fund says China's economic decline is likely to continue over the next four years as the world's second largest economy deals with a range of challenges from a rapidly aging population, higher unemployment and a property crisis.

China's consumer prices fell at the fastest annual rate in 15 years in January 2024, missing street forecasts and underlining the challenges for policymakers trying to revive investor confidence in the world's second-largest economy. The country's consumer price index fell 0.8 per cent year on year in January, the fourth straight month of declines and the biggest contraction since 2009. The official NBS Manufacturing PMI in China was at 49.2 in January 2024. It was the 4th straight month of contraction in factory activity, as Beijing struggled to spur economic recovery amid deflation pressure, feeble demand, and persistent weakness in the property sector.

China's property crisis to impact metal industry. China's property market, a key driver of the country's economic growth and commodity consumption, received yet another headwind with a Hong Kong court on January 29, 2024 ordering debt-ridden property development giant, China Evergrande Group, to liquidate after failing to reach a restructuring deal with creditors. The property sector accounts for a significant portion of China's consumption of steel, aluminum, gasoil, copper, bitumen and some petrochemical products. Property construction accounts for over 30 per cent of China's steel demand and the sector has been plagued this year by major developers experiencing liquidity crunches and falling sales, with sales by floor area declining in 2023 from 2022. Property is China's largest aluminum consumer, accounting for about 30 per cent of total demand. Copper demand from construction and home appliance sectors makes up more than 20 per cent of the country's total demand. Meanwhile, House Price Index M-o-M in China decreased to (-) 0.40 per cent in December 2023 from (-) 0.30 per cent in November of 2023.



- EU CARBON TAX TO HURT EXPORT OF METALS:**

The European Union’s (EU) plan to collect a carbon border tax with effect from January 1, 2026, could raise the cost of India’s exports. Beginning October, 2023, Indian exporters were supposed to submit documents on their processes roughly every two months. The EU will soon have 'verifiers' to check submissions from Indian exporters on their processes. Currently, this applies to steel, aluminum, cement, fertilizer, hydrogen and electricity, but it will be expanded to all imports into the EU in the future.

The EU's Carbon Border Tax (Carbon Border Adjustment Mechanism (CBAM)) is a policy measure that aims to put a fair price on the carbon emissions generated during the production of certain goods imported into the EU. It is part of the 'Fit for 55 in 2030 package', which is the EU's plan to reduce greenhouse gas emissions by at least 55 per cent by 2030 compared to 1990 levels in line with the European Climate Law. The CBAM will apply to imports of cement, iron and steel, aluminium, fertilizers, electricity and hydrogen from countries that have less stringent climate policies than the EU.

The carbon border adjustment mechanism being implemented by the European Union will have an adverse impact on India's exports of metals such as iron, steel and aluminium products to the EU. From January 1, 2026, the EU will start collecting the carbon tax on each consignment of steel, aluminium, cement, fertilizer, hydrogen and electricity. India's over 25 per cent of exports of iron ore pellets, iron, steel, and aluminum products go to the EU. In 2022, India's 27 per cent exports of iron, steel, and aluminium products of value \$8.2 billion went to the EU.

GOVERNMENT INITIATIVES AND RECENT DEVELOPMENTS

- **GOVT WORKING ON PLI 2.0 FOR STEEL SECTOR IN 2024**

The government is working on Production Linked Incentive (PLI) scheme 2.0 as well as looking at ways to ensure adequate raw material supply for the steel sector in 2024. While a robust economic growth will increase the demand for steel, industry players remain concerned about rising imports and high raw material prices amid geopolitical uncertainties. Production and consumption of steel have shown a strong recovery after the coronavirus pandemic that impacted the sector in 2020-21. The government had approved the PLI scheme 1.0 to boost the production of speciality steel that would help create additional capacity of around 25 MT.

- **CENTRE PUSHES QUALITY CONTROL ON COPPER, NICKEL, AND ALUMINIUM AHEAD BY SIX MONTHS**

The government has issued mandatory quality norms for copper products, drums and tin containers to curb the import of sub-standard goods and boost domestic manufacturing of these goods. Two separate notifications - Drums and Tins (Quality Control) Order, 2023; and Copper Products (Quality Control) Order, 2023 - in this regard were issued by the Department for Promotion of Industry and Internal Trade (DPIIT) on October 20, 2023. Items under these two orders cannot be produced, sold, traded, imported and stocked unless they bear the Bureau of Indian Standards (BIS) mark. Violation of the provision of the BIS Act can attract imprisonment of up to two years or a fine of at least Rs 2 lakh for the first offence.

- **JAPAN KEEN TO MAKE INVESTMENTS OF AROUND 5 TRILLION JAPANESE YEN IN INDIA**

The government said Japan is keen to make investments of around 5 trillion Japanese yen in India across various sectors including steel. The Japanese delegation discussed tremendous growth prospects in India in the steel sector which is to grow to 300 MT capacity by 2030 from 160 MT at present. Both, India and Japan have decided to support the cooperation between the public and private sectors of the two countries, which will lead to the appropriate development of the global steel industry.

- **INDIAN STEEL ASSOCIATION, AISC PARTNER TO UNLOCK OPPORTUNITIES IN STEEL**

Indian Steel Association (ISA) has signed an agreement with ASEAN Iron and Steel Council (AISC) to unlock new avenues of growth and sustainability in steel sector. ISA is the apex industry body which represents the issues and interests of the domestic steel industry. ISA and AISC signed a MoU for bilateral cooperation. It aims to leverage the strengths, expertise, and resources of both organizations to unlock new avenues for growth, innovation, and sustainability in the steel industry.

- **INDIAN STEEL, ALUMINIUM PRODUCTS TO GET GREATER MARKET ACCESS IN US**

The commerce ministry said the US has agreed to provide greater market access to certain Indian steel and aluminium products, a development which would help increase outbound shipments of these goods. This was part of the agreement reached between the two countries which have decided to terminate six trade disputes at the World Trade Organisation (WTO). The six cases are countervailing measures on certain hot-rolled carbon steel flat products from India, certain measures relating to solar cells and modules, measures relating to the renewable energy sector, export-related measures, certain measures on steel and aluminium products, and additional duties on some products from the US.

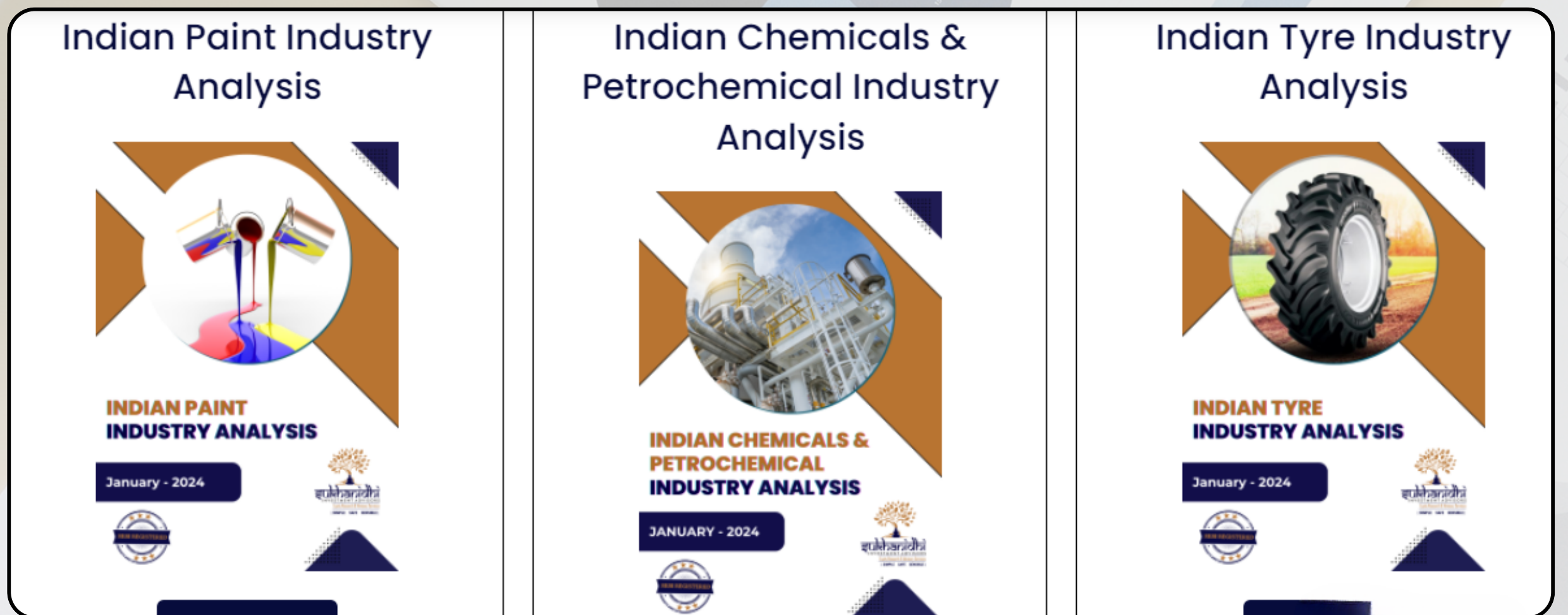
OUTLOOK

The Indian metal industry's outlook looks promising in coming time in line with rise in domestic production and robust growth in the country economy. Metal can play a major role in the country's ambitious plans of self-reliant India and \$5 trillion economy by 2024-25. Metal is among major focus area due to the dependence of a diverse range of sectors on its output as India works to become a manufacturing powerhouse through policy initiatives like Make in India.

There is huge scope for the metal industry in coming time with the government's focus on better infrastructure development in the country. In recently announced Interim Budget 2024-25, the government has substantially increased capital expenditure (Capex) outlay to Rs 11.11 lakh crore. Also, initiatives like PM Awas Yojana, which aims to construct two crore houses, and the railway corridor programme under the PM Gati Shakti are likely to aid metal industry indirectly. The commitment to building two crore houses and development of railway corridors and airports will significantly contribute to the growth of the steel sector. Moreover, the government's focus on PLI 2.0 for steel sector is going to be a major development in the industry to grow in coming time. Also, automobile sector is one of the end users of metal industry. In coming time, the automobile sector is going to perform well with rising demand, government support, emerging EV trend, easing concerns over semi-conductor issue.

However, there is downside risk for the growth of the country's metal industry due to downturn in China, the world's major consumer of metals. The China's economy is suffering slowdown in recent time as its GDP growth slows, inflation is rising. Also, the property sector of China is going through crisis as house prices have declined. This overall can impact the Indian metal demand in China and impact to some extent on the future outlook of the industry.

TO CHECK OUR LATEST INDUSTRY ANALYSIS



<https://sukhanidhi.in/industry-anaylsis/>



USEFUL ? RESHARE !

It's the best thing you can do to help others.



For More Industry
Updates.....



WWW.SUKHANIDHI.IN

