CMIE Industry Outlook
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03 Feb 2025 5:42 PM, Prajwal Shinde

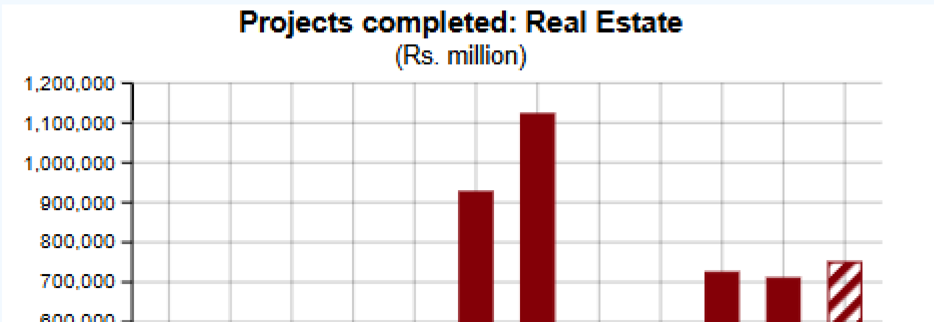
Pig iron production to continue to grow at double-digit rate

Healthy demand and lower imports to drive output

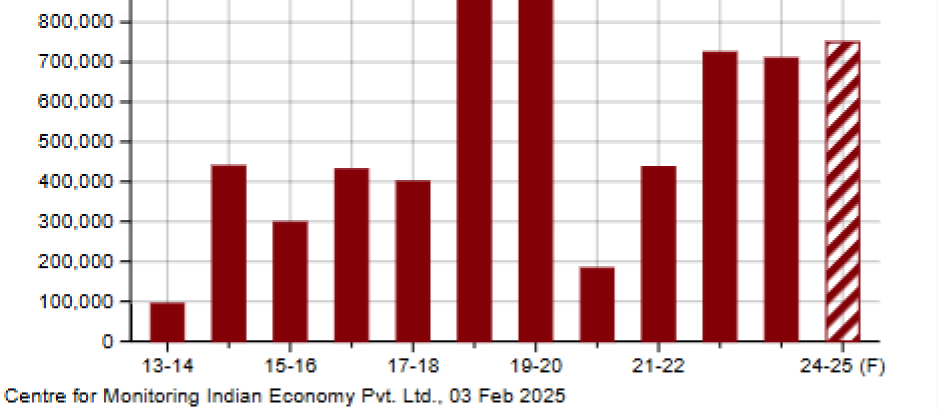
The pig iron industry is expected to report a double-digit growth in its output in the financial year ending March 2025. This will be the second consecutive year of double-digit growth in the industry's production. Growing demand for pig iron from the steel industry is expected to augment production volumes. A decline in pig iron imports is also expected to help improve domestic production this year.

Pig iron production rose by 13.2 per cent year-on-year during the first nine months of the year 2024-25. The industry is expected to produce 8.5 million tonnes of pig iron during 2024-25 compared to 7.3 million tonnes produced in 2023-24. With this, the pig iron output is expected to increase by 16.9 per cent in the current financial year, this is on top of a 24.8 per cent growth in production seen in the previous year. Pig iron, which is primarily used as raw material in the production of steel, ductile iron and cast iron, is expected to witness healthy demand from user segments during the year.

The steel industry is one of the main consumers of pig iron. Steel is used across many industries, notably in construction, infrastructure, capital goods and automobile segments, which constitute more than 85 per cent of the total steel demand in India.



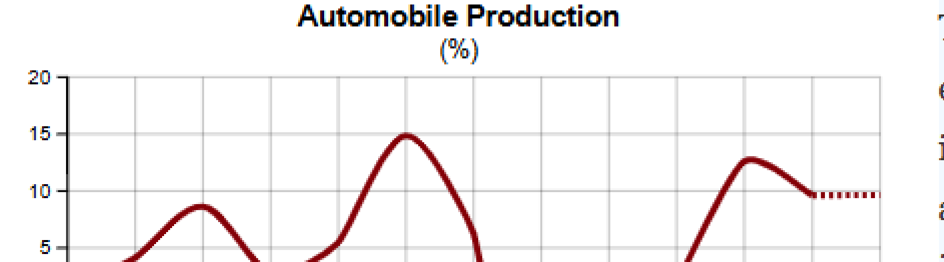
The real estate industry is expected to record its third-highest project completions worth Rs.749.9 billion in the year 2024-25. Traction in the real estate project completions is led by the ongoing year 2024-25. Traction in the real estate project completions is led by the ongoing push for affordable housing under schemes like the Pradhan Mantri Awas Yojana (PMAY) and growing demand for mid and premium housing segments.



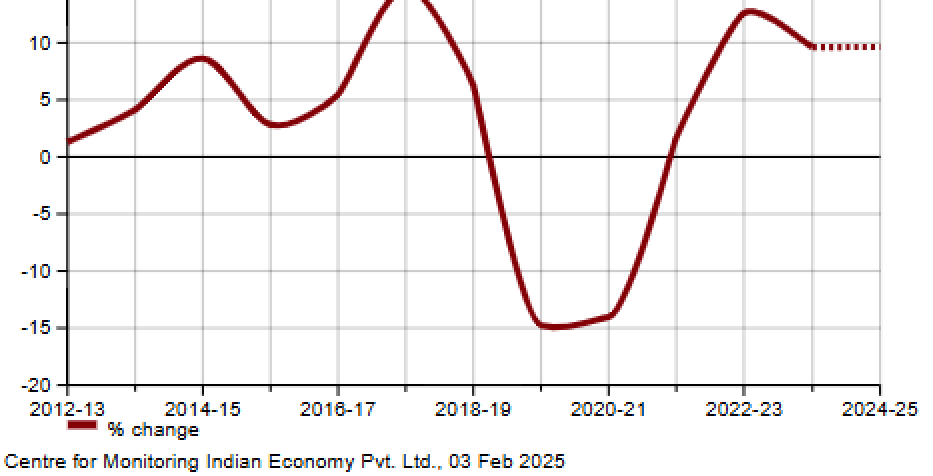
The central government has launched the second phase of the PMAY scheme by extending it for another five years from 2024 to 2029. Under the PMAY-Urban 2.0 scheme, the government will provide financial assistance of Rs.2.3 trillion to build 10 million houses for urban poor and middle-class families. Under the PMAY-Gramin scheme, the government will provide financial assistance of Rs.120,000 and Rs.130,000 to set up houses in plain areas and northeastern & hilly areas, respectively, with a set target of adding an extra 20 million houses in the next five years. Meanwhile, India's residential sales are expected to grow led by demand for the mid and premium housing segments in 2024-25. (click here).

The commercial real estate industry is also expected to perform well this year. In 2024, the net office absorption reached about 50 million square feet, highest in five years, according to reports by real estate consultancies Cushman and Wakefield and JLL Research. The overall office leasing activity hit a record 79 million square feet across India's top nine cities. Project announcement in this segment is expected to grow due to rising demand for office space.

Increased government thrust and a rise in project completions in the real estate sector are expected to increase construction activity and accelerate demand for steel and pig iron during the reporting year. Initiatives like the Smart Cities Mission, PM Gati Shakti as well as significant investment in the development of roads, highways, ports and industrial corridors will further boost the need for construction-grade steel, thereby increasing the demand for pig iron.



Traction in automobile output is also expected to augur well for the pig iron industry, as the metal is used in various auto components. The automotive



industry, as the metal is used in various auto components. The automotive industry is expected to witness healthy growth in its production in the current financial year, owing to factors such as a rise in income levels, easy finance availability, growing preference for personal mobility and a rise in transportation activities due to growing construction and infrastructure projects. The overall production of automobiles, which include passenger and commercial vehicles and two and three-wheelers, is expected to grow by 9.6 per cent in the year 2024-25.

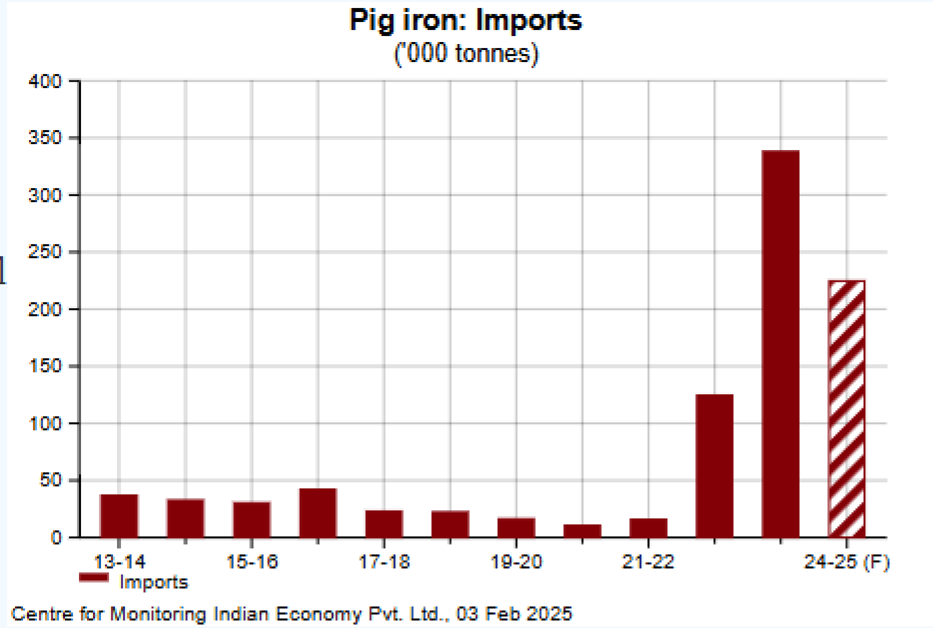
Pig iron's other major user segment, cast iron, is also expected to record higher production this year. Cast iron is a versatile material used in multiple industries, including automotive, construction, agriculture, renewable energy and cookware to name a few. Most of the user segments are expected to perform well this year, which is expected to keep demand for cast iron and pig iron healthy.

Ductile iron is used across many sectors, especially in the infrastructure sector for piping applications. With the government's concerted infrastructure push, demand for ductile iron (DI) pipes is expected to escalate, which in turn will increase the demand for pig iron.

Imports and exports to fall in 2024-25

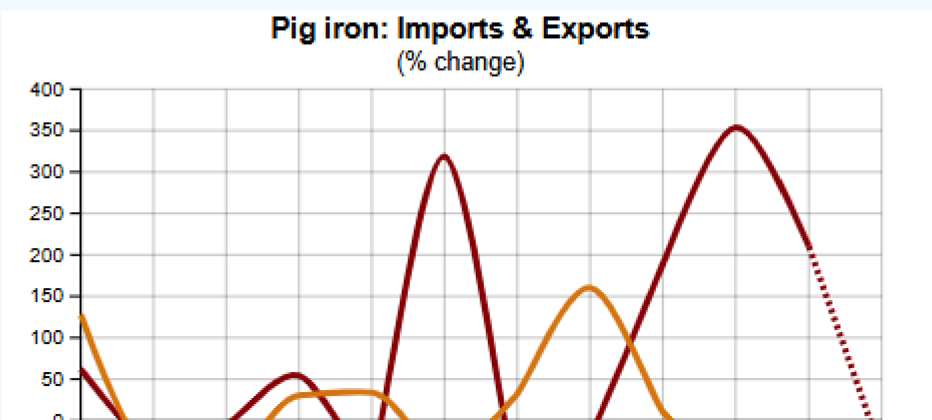
The pig iron industry has witnessed substantial growth in import volumes since 2022-23. Import volumes reached 118,000 tonnes in 2022-23, which was significantly higher compared to volumes hovering between 9,000-67,000 tonnes in the last 14 years. In the previous year 2023-24, import volumes reached an all-time high of 366,000 tonnes, which was more than three times the import volumes seen in 2022-23. Pig iron imports galloped due to a surge in shipments from Russia. Imports from Russia accounted for almost 68.7 per cent and 92 per cent of the total pig iron imports during 2022-23 and 2023-24, respectively.

Before Russia's invasion of Ukraine in

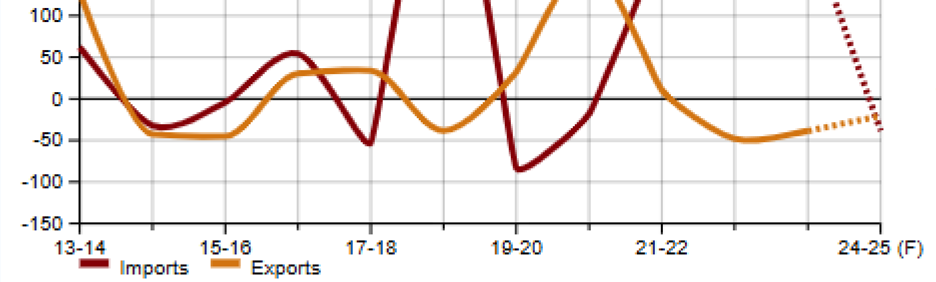


Before Russia's invasion of Ukraine in February 2022, Ukraine and the Russian Federation accounted for about 60 per cent of global merchant pig iron exports, according to S&P Global. Post-war, several countries announced sanctions against Russia. Russia's pig iron supply to the United States of America (USA) has since nearly stopped. Meanwhile, European Union (EU) nations reduced their imports from Russia by implementing certain quotas, with a complete ban scheduled to take place in 2026. Subsequently, the Russian pig iron offerings in India increased as they were priced at least 10-14 per cent cheaper compared to the Indian prices during 2022-23, according to a media report. The import unit realisation of pig iron from Russia stood at Rs.37 per kilogram (kg) and Rs.33.9 per kg in 2022-23 and 2023-24, respectively. The average import unit realisation was higher at Rs.39.6 per kg and Rs.34.7 per kg for 2022-23 and 2023-24, respectively.

Pig iron imports are expected to decline this year after peaking in the previous year. Import volumes fell by 34.7 per cent year-on-year in the first nine months of 2024-25. Imports are likely to be hit by falling prices of pig iron in the domestic market and reduced supplies from Russia following the shutdown of a blast furnace in the country's largest pig iron factory. We expect the imports of pig iron to reduce by 38.6 per cent in the ongoing financial year.



Export volumes, too, are expected to drop this year due to subdued demand and an oversupply situation in the global market. Export volumes plummeted by 40.8 per cent year-on-year in the first eight months of the year 2024-25. The United States of America (USA), which accounted for the



Centre for Monitoring Indian Economy Pvt. Ltd., 03 Feb 2025

of the year 2024-25. The United States of America (USA), which accounted for the highest share in total pig iron exports in 2023-24, recorded a 40.5 per cent year-on-year drop in its shipments from India during April-September 2024. The USA steel market is facing a supply gut situation fueled by domestic production and imports, prompting distributors to refrain from purchasing more material over their inventory. This has led to a fall in demand for India's pig iron in one of its largest importing nations. We expect India's total pig iron exports to fall by 20.4 per cent in 2024-25.

Domestic prices of pig iron to fall further

The average domestic prices of pig iron are expected to fall for the second consecutive year ending March 2025. The oversupply situation in the global market and lower demand from export markets contributed to lower pig iron prices in India during 2023-24, according to the annual filings of KIC Metaliks. The prevailing factors are expected to drag down the domestic prices of pig iron in 2024-25 as well. According to Dr Martin Theuringer, managing director of the German Steel Association and chairman of the World Steel Economics Committee, 2024 was a difficult year for the global steel demand as the global manufacturing sector continued to grapple with persistent headwinds, such as declining household purchasing power, aggressive monetary tightening and escalating geopolitical uncertainties. With weak demand for steel in the global market, demand for pig iron is also likely to have been hampered during the year, resulting in a downward pressure on prices.

Pig iron: Average Prices

Year	Rs./tonne	% change
2017-18	32,964.9	29.92
2018-19	39,189.3	18.88
2019-20	35,614.4	-9.12
2020-21	41,034.5	15.22
2021-22	54,650.3	33.18
2022-23	60,852.8	11.35
2023-24	52,900.0	-13.07
2024-25 (F)	49,892.2	-5.69
2025-26 (F)	48,225.0	-3.34
2026-27 (F)	47,463.0	-1.58

The average domestic price of pig iron dropped by 6.8 per cent year-on-year to Rs.50,042.6 per tonne in the first nine months of the ongoing financial year. We expect the average pig iron prices to slip to Rs.49,892.2 per tonne in 2024-25 from Rs.52,900 per tonne in 2023-24, recording a 5.7 per cent fall

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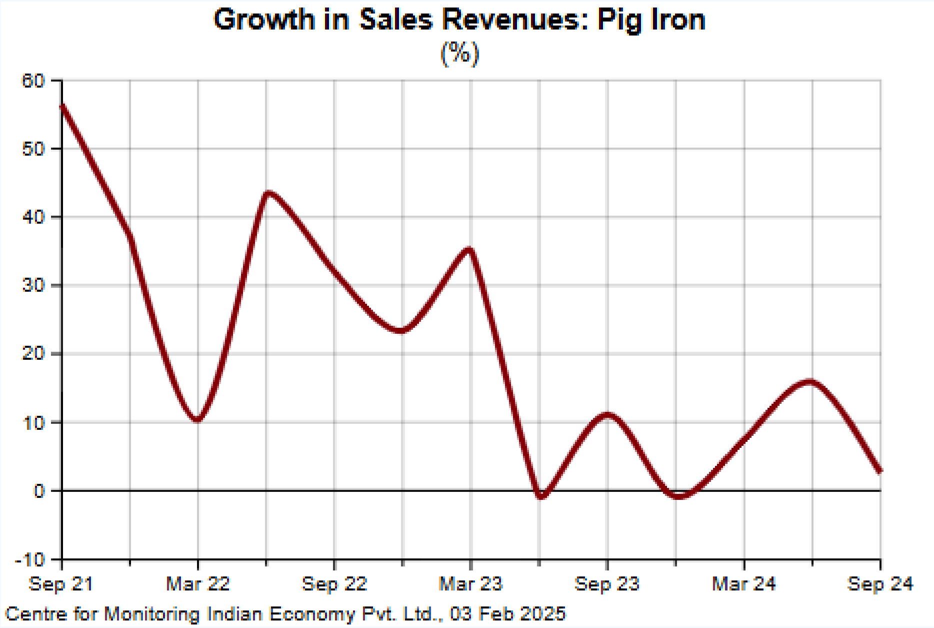
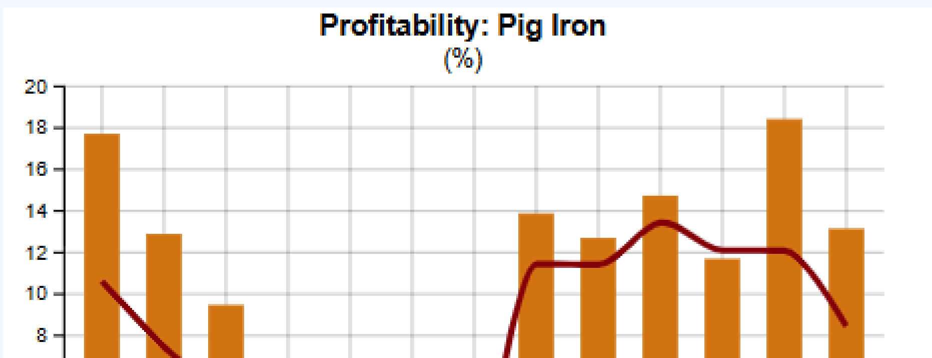
Revenue growth to remain weak

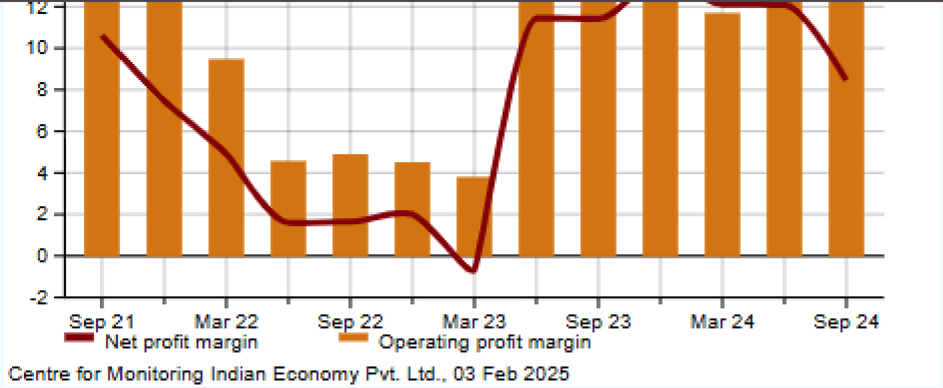


The pig iron industry is expected to report a weak revenue growth in the December 2024 quarter. The industry recorded a marginal 0.9 per cent fall in its revenues during the same quarter last year. Growing demand from steel and other user industries is expected to have improved sales volumes. Sales realisations, however, remained weak. Average prices of pig iron fell by 4.9 per cent during the quarter. We expect the industry's top line to grow by a low to mid single-digit rate in the December 2024 quarter.

The profitability of the industry is likely to be impacted by a rise in the prices of raw materials, weak realisations and a high base. Prices of key inputs, iron ore and limestone, increased by 21.5 per cent and 0.7 per cent year-on-year, respectively, during October-December 2024. Coking coal prices remained at their year-ago levels during the quarter. Profit margins at both the operating as well as net levels are expected to contract on a year-on-year basis in the December 2024 quarter.



In the September 2024 quarter, the pig iron industry recorded a 45 basis points improvement in the operating profit margin to 13.1 per cent, while the net profit margin contracted by almost 300 basis points to 8.5 per cent. The operating profit margin contracted by almost 300 basis points to 8.5 per cent. The operating profit margin improved on the back of higher revenues and lower input costs.

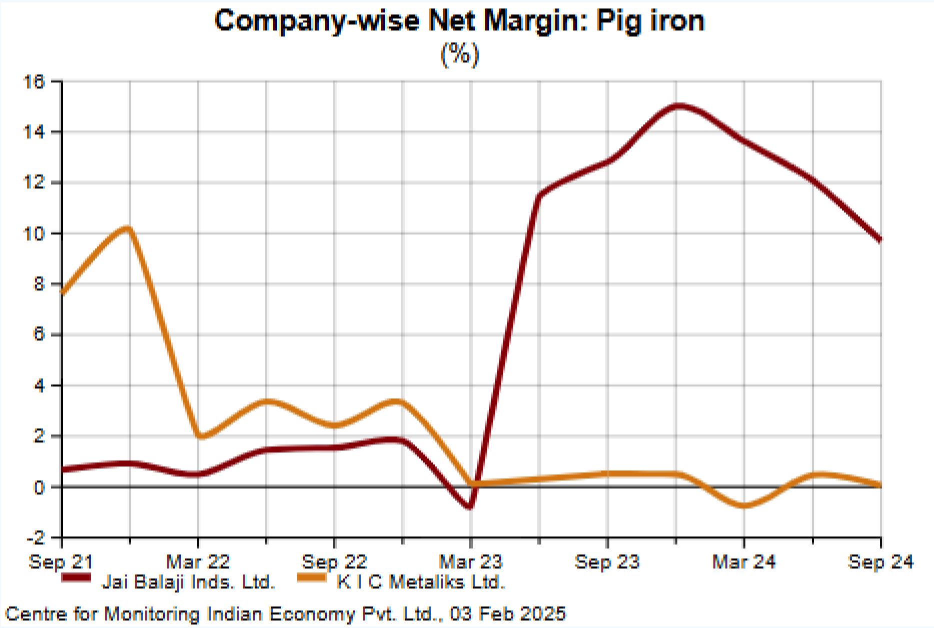


The top line of the industry increased by 2.6 per cent in the September 2024 quarter, over and above an 11.1 per cent growth seen in the same quarter last year. A rise in demand for pig iron from steel, automotive and construction sectors aid growth in the industry's revenues. During July-September 2024, the overall production of finished steel and automobiles increased by 3.1 per cent and 6.4 per cent, respectively, over and above a healthy 15.9 per cent growth seen in both industries in the corresponding year-ago period. Construction and infrastructure activities also picked up during the quarter after experiencing a slow down due to general elections during the June 2024 quarter.

Jai Balaji Industries, which accounts for more than 86 per cent of the industry's total revenues, reported a meagre 0.6 per cent growth in its top line in the September 2024 quarter. The weak growth in the company's revenues is due to a fall in the production and sales realisation of its products - pig iron, sponge iron and Thermo-Mechanically Treated (TMT) bars. Meanwhile, KIC Metaliks, another listed company in the pig iron industry, recorded a healthy 17.8 per cent year-on-year growth in its revenues in the September 2024 quarter.

Raw material expenses of the pig iron industry fell by 1.7 per cent year-on-year in the September 2024 quarter. Jai Balaji Industries, the largest listed company in the industry, in its earnings call, stated that the prices of coking coal, a key input used to make pig iron, were substantially lower compared to the previous few quarters and the prices of iron, another key raw material, remained more or less flat during the quarter.

Contrary to raw material expenses, salary expenses and other operating expenses rose during the September 2024 quarter. Operating expenses corresponding to the total goods sold rose by 2.1 per cent, slightly slower compared to the 2.6 per cent revenue growth seen in the said quarter. The operating profits of the industry increased by 6.3 per cent year-on-year and profit margins improved by 45 basis points to 13.1 per cent in the September 2024 quarter.



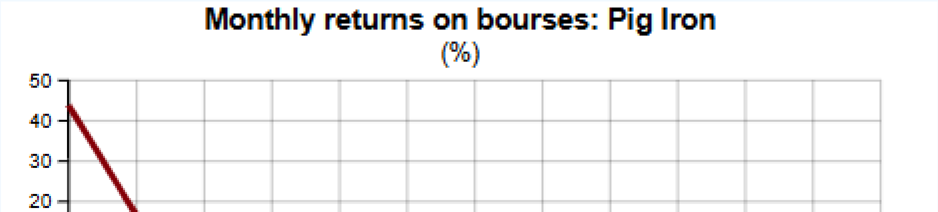
Interest expenses of the industry fell by 17.8 per cent year-on-year, while depreciation increased by 6.9 per cent year-on-year in the quarter. Tax expenses surged during the September 2024 quarter. The net profits of the pig iron industry declined by 24.3 per cent in the reporting quarter. Net profit margin contracted by almost three percentage points to 8.5 per cent in the same quarter.

Jai Balaji Industries' net profit margin contracted by a steep 310 basis points to 9.7 per cent. KIC Metaliks' net profit margin contracted to 0.1 per cent in the September 2024 quarter from 0.5 per cent in the corresponding year-ago quarter.

Quarterly Financial Performance: Pig Iron

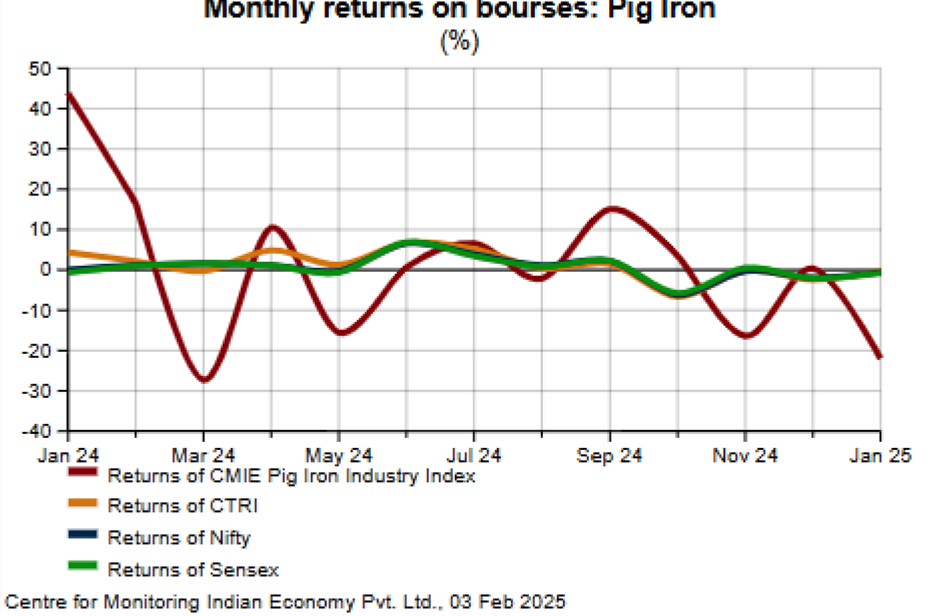
Quarter	Total income	Net sales	Operating profit	Net profit	Operating profit margin	Net profit margin
	Y-o-Y % change	Y-o-Y % change	Y-o-Y % change	Y-o-Y % change	%	%
Sep 2023	12.52	11.12	189.89	677.36	12.65	11.42
Dec 2023	-0.24	-0.91	226.17	570.35	14.69	13.44
Mar 2024	14.35	7.46	234.04		11.65	12.11
Jun 2024	15.93	15.90	53.91	22.53	18.38	12.09
Sep 2024	2.23	2.60	6.25	-24.32	13.10	8.46
Note: All income and profit figures are net of prior period and extraordinary transactions.						

CMIE Pig Iron Index plunges by 22% in January 2025



The CMIE Pig Iron Index, comprising two companies Jai Balaji Industries and KIC Metaliks, slumped by 22 per cent in January 2025 after yielding a flat 0.4 per

The CMIE Pig Iron Index, comprising two companies Jai Balaji Industries and KIC Metaliks, slumped by 22 per cent in January 2025 after yielding a flat 0.4 per cent returns in the previous month. Share prices of Jai Balaji Industries fell by 24.9 per cent, while that of KIC Metaliks rose by three per cent in January 2025. The index underperformed the benchmark indices Nifty and Sensex by 21.4 percentage points and 21.1 percentage points, respectively. It also underperformed compared to the overall CMIE Total Returns Index (CTRI) by 21.6 percentage points in the first month of the year 2025.



The index was trading at a price-to-earnings (P/E) multiple of 30.9 times in January 2025. It traded significantly lower compared to a P/E multiple in the range of 41-43 times in the last four months ended in December 2024. Trading volumes also fell to Rs.1.1 billion in January 2025 from Rs.2.3 billion in the previous month. Market capitalisation fell to Rs.124.6 billion in January 2025 from Rs.165.4 billion in December 2024 owing to a drop in the market capitalisation of Jai Balaji Industries. The company witnessed its market capitalisation decline to Rs.123.1 billion in January 2025 from Rs.163.9 billion last month.

Performance on bourses: Pig Iron

Month	Index	No of cos in Index	Mkt Cap.	P/E	Trading Volume		Liquidity	Returns
	Numbers		Rs. million	Times	Rs. mn	Mn shares	Times	%
Sep 2024	35,794.82	2	193,239.8	42.91	4,372.4	4.7	0.19	15.06
Oct 2024	37,051.62	2	200,024.8	44.42	3,251.7	3.2	0.17	3.51
Nov 2024	30,983.95	2	167,268.6	41.53	1,347.5	1.5	0.19	-16.38
Dec 2024	31,093.18	2	165,359.1	41.06	2,309.3	2.5	0.19	0.35
Jan 2025	24,265.95	2	124,580.5	30.93	1,110.6	5.7	0.23	-21.96