Invesco Mutual Fund



# India's capex momentum: A structural tailwind for metals

## Insight Edge | November 2026

**Metals are at the crossroads of India's key growth trends: a robust domestic capex cycle and accelerating global electrification, particularly in renewable energy. Together, these cyclical and structural tailwinds underpin a compelling investment case for metals.**

Capital expenditure (capex), resilient consumption and improving commodity prices are supporting near-term earnings. At the same time, India's infrastructure and manufacturing push is aligning with global trends such as electrification, renewable energy, electric vehicle (EV) adoption and digital infrastructure, creating a longer runway for growth.

This is an especially favourable phase for India. Steel, the cornerstone of domestic metal demand, is expected to grow at 7.9% in 2026 and accelerate to 8% in 2027, making India one of the fastest-growing major steel market globally (Data source: Worldsteel Short Range Outlook October 2026).

The non-ferrous segment is also benefiting from increasingly favourable fundamentals. Strong domestic consumption, elevated international prices and persistent supply constraints are creating a supportive environment for aluminum and copper.

As a result, volume growth, pricing power, operating leverage and structural demand visibility are converging to support both earnings growth and long-term investment potential.

## Low per-capita consumption provides significant growth headroom

India's metal consumption has historically tracked economic growth and rising incomes. India's rising GDP has translated into disproportionately higher metal demand, with steel consumption growing at 11–14% annually during FY22–FY25 despite GDP growth moderating from 9.7% to 6.5%. The divergence reflects India's infrastructure-led growth, rising construction activity and manufacturing expansion. Despite this, per-capita consumption of key metals remain well below global benchmarks, offering significant headroom for demand growth. As the economy expands, higher consumption, increased manufacturing activity and greater mobility are expected to drive sustained demand for metals.

| Per capita Consumption (kg) | USA | China | India | Global |
|---|---|---|---|---|
| Refined Copper | 5.9 | 10.7 | 0.5 | 3.2 |
| Aluminum | 14.9 | 28 | 2.5 | 11 |
| Steel | 280 | 645.8 | 86.7 | 221.8 |

Source: Copper Vision Document dated July 2025

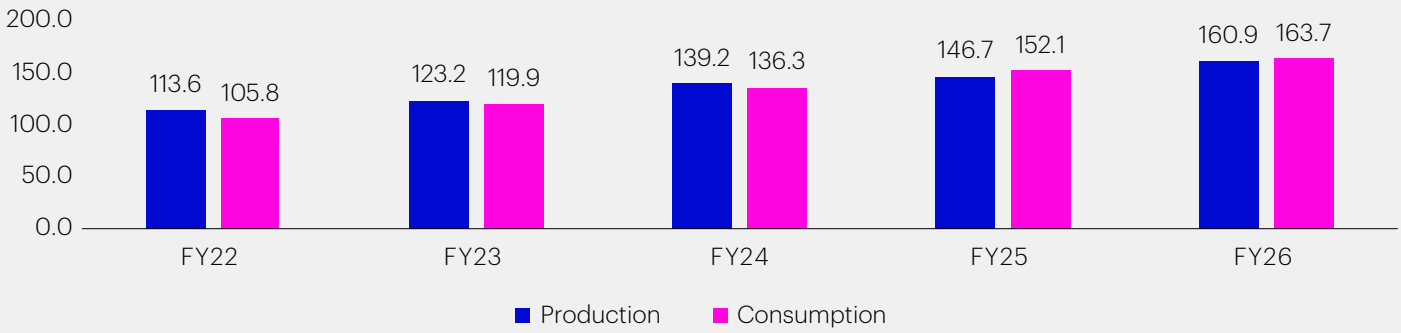
## From commodity cycle to structural growth

Given the diversity of end-use industries, cycles across metals vary widely and are accompanied by distinct investment narratives.

## Ferrous metals, particularly steel, largely move in tandem with domestic capex and economic growth

Construction, infrastructure, automobiles, capital goods and railways remain the primary demand engines. Government-led infrastructure spending is particularly important given the high steel intensity of roads, railways, housing and urban infrastructure.

**FInished Steel Production & Consumption (in MT)**




Source: Ministry of Steel, PIB. Report dated May 2026

India's National Steel Policy targets crude steel capacity of 411 million tonne and finished steel demand of 332 million tonne by fiscal 2035, underscoring the industry's long-term potential.

**Non-ferrous metals,** by contrast, are increasingly tied to structural themes such as electrification, energy transition and digital infrastructure. Demand for copper and aluminum is becoming more closely linked to the global energy transition than to conventional construction activity.

**Critical minerals needed for clean energy technologies**

| | Copper | Nickel | Zinc | Aluminum |
|---|---|---|---|---|
| Solar PV | High | Low | Low | High |
| Wind | High | Moderate | High | Moderate |
| Hydro | Moderate | High | Moderate | Moderate |
| Bio energy | High | Low | Low | Moderate |
| Geo thermal | Low | Low | Low | Low |
| Nuclear | Moderate | Moderate | Low | Low |
| Electricity networks | High | Low | Low | High |
| EVs and battery storage | High | Low | Low | High |

Source: IEA

This distinction matters for investors. Steel offers a relatively direct play on India's economic growth and capex cycle, while copper and aluminum provide exposure to the broader electrification theme.

## Troika of demand drivers

### 1. Infrastructure and government capex

Infrastructure remains the single-largest demand driver for steel. Roads, railways, airports, metros, bridges, housing and urban infrastructure all have high steel intensity.

The government's capital expenditure programme provides strong visibility on future demand. Domestic steel consumption is expected to continue growing at a high-single-digit pace, supported by sustained infrastructure and construction activity.

The broader industrial environment is equally supportive. Continued investment in manufacturing, capital goods and infrastructure is expected to sustain metals demand over the medium term.

### Government Policy initiatives to support Indian metal industry

The Government's Production Linked Incentive scheme for speciality steel is beginning to support higher domestic production in high-value segments. By encouraging import substitution, boosting export potential and attracting meaningful investments, the policy can strengthen India's position in strategically important areas of the steel value chain.

The National Critical Mineral Mission aims to reduce India's dependence on imported critical minerals by supporting domestic exploration, processing, recycling and overseas mineral sourcing. This can strengthen India's position in future-facing value chains linked to EVs, batteries, renewable energy, electronics and advanced manufacturing.

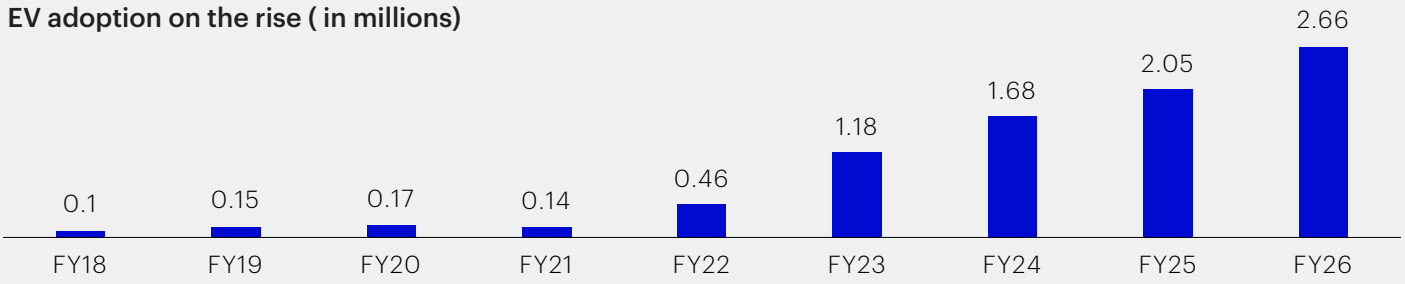
The safeguard duty on certain steel flat-product imports is another supportive policy measure for domestic steelmakers. By imposing a temporary duty on selected non-alloy and alloy flat steel products, the government aims to protect domestic producers from import surges, support market stability and create a fairer pricing environment. While this can aid margins and improve confidence for Indian steel companies, the benefit will depend on demand conditions, raw-material costs and the extent to which domestic producers can maintain pricing discipline.

### 2. Automotive and manufacturing

The automotive sector is an important demand driver for both steel and aluminum.

Higher vehicle production supports demand for flat steel, while aluminum benefits from vehicle lightweighting and the increasing adoption of EVs. Expanding domestic manufacturing capacity and greater localisation of supply chains could further lift metals consumption over the medium term.

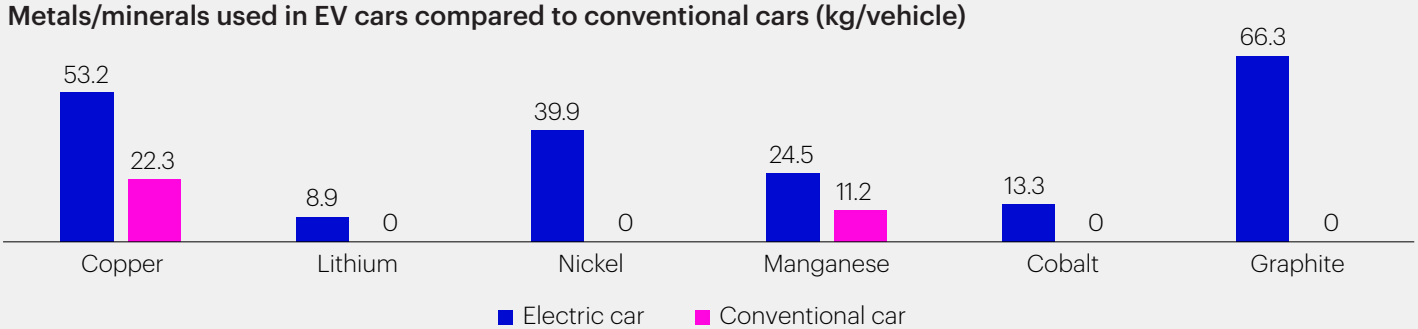
**EV adoption on the rise ( in millions)**




Source: FADA. Data as of April 2026

EVs are particularly significant because they require substantially more copper manganese, nickel & aluminium than conventional vehicles. Charging infrastructure adds another layer of demand.

**Metals/minerals used in EV cars compared to conventional cars (kg/vehicle)**




Source: IEA, Data as of 2021, Data excluding steel and aluminum

### 3. Electrification and renewable energy

The longer-term opportunity extends well beyond traditional infrastructure.

Electricity networks require significant quantities of copper and aluminum. Renewable-energy installations, batteries, EV charging infrastructure and data centres are all highly metal-intensive.

Copper remains indispensable because of its superior electrical conductivity and the limited availability of substitutes in critical applications. Aluminum benefits from both lightweighting trends and the potential for substitution where copper becomes increasingly expensive.

Together, these trends are creating a structural demand pool that could remain supportive long after the current commodity cycle has passed.

## Supply dynamics: Constraints and capacity risks

While India's demand outlook remains robust, tightening global supply conditions are becoming increasingly important for non-ferrous metals.

New copper mines require significant capital investment and lengthy development timelines, even as existing mines contend with declining ore grades and operational challenges. Similar constraints are visible across several base metals.

For aluminum, energy availability and smelting capacity remain critical variables. Given the concentrated nature of global supply, production disruptions can have a material impact on prices.

Steel presents a more balanced picture. While global steel demand is expected to remain relatively subdued, India's growth outlook stands out, making domestic demand a key differentiator.

However, the pipeline of capacity additions warrants close monitoring. Investors must assess whether demand growth can absorb the planned increase in supply.

## Volume to lift earnings, margins remain monitorable

| Sub-segment | Earnings Summary | | |
|---|---|---|---|
| | % Beat | % Met | % Missed |
| Steel (9) | 67% | 0% | 33% |
| Aluminum (2) | 100% | 0% | 0% |
| Copper (1) | 100% | 0% | 0% |
| Diversified Metals & Mining (2) | 50% | 0% | 50% |

Source: Refinitiv, Earnings for June quarter

The earnings table highlights encouraging pockets of strength across the metals sector, alongside scope for a broader recovery as operating conditions improve.

Aluminium and copper led the performance, with all companies in the respective samples exceeding earnings expectations-an encouraging indication of the benefits from favourable prices and operating leverage. The result is based on a small sample of two aluminium companies and one copper company and should therefore be viewed as directional.

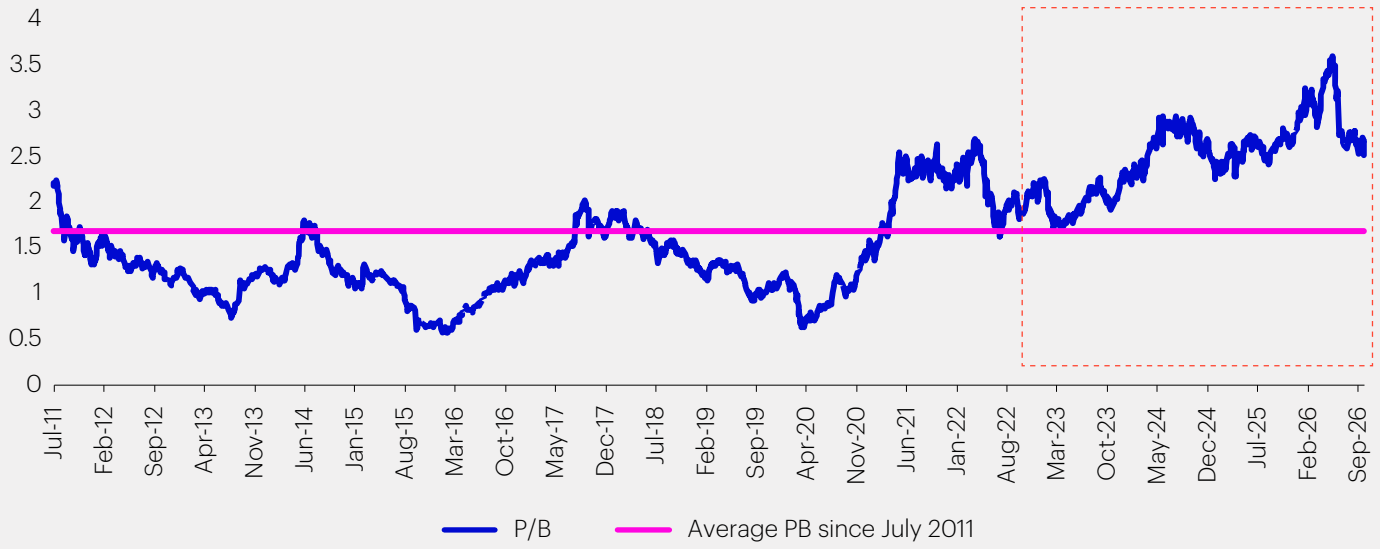
Steel also showed signs of earnings traction: among 9 companies, 67% beat estimates and 33% missed them. With more than half the sample already exceeding expectations, improving domestic demand and realizations could support a wider recovery across producers.

For steelmakers, the next phase of earnings growth could be supported by higher volumes, stronger operating leverage and a favourable spread between finished-steel prices and raw-material costs, providing multiple levers beyond price increases alone.

Overall, the table points to a recovery with multiple growth levers: non-ferrous producers are already benefiting from supportive prices and operating leverage, while steel and diversified players offer further upside potential as volumes strengthen, costs are managed and margin spreads improve.

## Investment rationale

**Valuation rerating driven by improving balance sheet, policy measures and strong demand outlook**




Source: NSE

The investment case for metals is no longer simply a bet on higher commodity prices. It rests on three interconnected drivers.

**First, India's capex cycle provides volume visibility.** Infrastructure spending, manufacturing expansion, urbanisation and automotive demand should continue to support steel consumption.

**Second, improving realisations and operating leverage can drive earnings recovery.** As utilisation rises, fixed costs are spread across larger volumes, allowing earnings before interest, tax, depreciation and amortisation (EBITDA) growth to outpace revenue growth.

**Third, electrification adds a structural growth layer.** Copper and aluminium stand to benefit from investments in renewable energy, transmission networks, EVs and digital infrastructure, reducing their dependence on traditional commodity cycles.

This creates two distinct investment narratives within the sector:

1. **Steel** = India's capex cycle + volume growth + operating leverage
2. **Copper and aluminium** = Electrification + supply constraints + structural global demand

While these varied demand drivers and differing cycles enhance the sector's attractiveness, exposure across steel, aluminium and other key metals provides a broad-based way to participate in the sector's growth journey.

## Sector earnings profile and growth outlook

| Sector | EBITDA margin FY26% | Net profit margin FY26% | YoY Estimated revenue growth (FY27) |
|---|---|---|---|
| Steel (9) | 15% | 8% | 26.4% |
| Aluminum (2) | 15% | 6% | 60.4% |
| Diversified Metals & Mining (2) | 32% | 18% | -26.9% |
| Copper (1) | 48% | 30% | |

Source: Refinitiv, Revenue without other income considered. EBITDA: Earnings before interest, taxes, depreciation and amortization.

Within the metals universe, Aluminium and steel offer a strong growth outlook, with estimated revenue growth of 60.4% and 26.4%, respectively. Copper stands out for its robust profitability, recording EBITDA and PAT margins of 48% and 30% respectively.

## Key risks and monitorables

The favourable outlook must be balanced against the inherent cyclicality of metals and their vulnerability to sharp commodity-price movements.

Raw-material inflation remains the most immediate risk for steel producers. Sustained increases in coking coal and iron ore prices without a corresponding rise in steel realisations could compress margins.

For non-ferrous metals, global growth remains a critical variable. A sharp slowdown in manufacturing or investment activity could weaken demand for copper and aluminium.

Capacity additions also warrant close attention. While India's long-term demand opportunity is substantial, aggressive supply expansion could create periods of oversupply and weaken pricing power.

Commodity-price volatility is a structural risk as well. Unlike consumer or technology businesses, metals companies have limited control over selling prices, making earnings inherently sensitive to global commodity cycles.

Finally, capital allocation and leverage remain important differentiators. Large-scale expansions can create significant value during upcycles but can also strain balance sheets if commodity prices weaken unexpectedly.

## Opportunity at the intersection

The metals sector sits at a compelling juncture. Strong domestic steel demand, underpinned by India's capex cycle, is supporting a cyclical earnings recovery, while structural demand and supply constraints are strengthening the long-term outlook for non-ferrous metals.

**At the heart of this opportunity is the convergence of two powerful themes: India's sustained infrastructure and manufacturing build-out, and the global transition towards a more electricity-intensive economy.**

These drivers are likely to benefit different metals and companies at different points in the cycle. Building diversified exposure across the sector can therefore help investors participate in its broader growth potential while reducing dependence on the performance of any single company or metal.

**For investors seeking to participate in this broad-based opportunity, an index fund can offer a transparent and diversified route to the metals sector, providing exposure across companies positioned to benefit from India's capex cycle and the global shift towards a more electricity-intensive economy, while reducing reliance on individual stock selection.**

Source: CRISIL intelligence

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