

Press Release

Core Sector Dec'24 – Steady Growth

Natural gas and fertilizer production continue to lag behind

January 31, 2025

India's core sector output recorded a 4.0% growth in Dec'24, compared to 5.1% in Dec'23 and a revised 4.4% in Nov'24. The cumulative growth rate of the Index of Core Industries (ICI) for the period April to December 2024-25 stands at 4.2%, compared to 8.3% during the same period in the previous fiscal year, confirming the significant moderation in industrial activity in the current year. Nevertheless, all the core segments except for natural gas showed positive YoY growth, reflecting a steady state of affairs in the current quarter.

Here are our brief comments on each of the core industries

Coal production (weight: 10.33%) marked a 5.3% growth in Dec'24 compared to Dec'23. From April to December 2024-25, the cumulative index also grew by 6.2% compared to the same period in the previous year. The coal production during Dec'24 reached 97.9 million tonne (MT), surpassing the production of 93.0 MT recorded in Dec'23 with a growth rate of 5.3%. The steady growth in coal production and dispatch reflects the Ministry's commitment to achieving coal self-reliance. To further reduce the import of coking coal, the Ministry has launched 'Mission Coking Coal,' aimed at increasing domestic coking coal production to 140.0 MT by FY2029-30, in line with projected demand from the steel sector.

Cement production (weight: 5.4%) saw an increase of 4.0% in Dec'24 compared to Dec'23. The cumulative index saw a 3.3% rise from April to December 2024-25, compared to the same months in the previous year. The Indian cement sector is coming back on the growth track, driven by infrastructure development and an expected rise in construction activities, fuelled by a rebound in government capex, and continued momentum in the real estate and housing sectors.

Electricity generation (weight: 19.85%) registered a 5.1% rise in Dec'24 compared to Dec'23. The cumulative index also grew by 5.3% during the April to December 2024-25 period, compared to the same months in the previous year. India's power consumption increased by nearly 6.0% to 130.4 billion units (BU) in Dec'24, compared to 123.2 BU in Dec'23. This rise in power demand and consumption can be attributed to the increased use of heating appliances, such as heaters and geysers, driven by cold wave conditions, as well as a boost in commercial and industrial activities, which further contributed to the higher power demand. India's total installed renewable energy (RE) capacity reached 209.4 GW as of Dec'24 which will help to improve the share of renewables in the total energy consumption.

Natural Gas production (weight: 6.9%) witnessed a drop by 1.8% in Dec'24 compared to Dec'23. This marks the sixth consecutive month of decline, driven by fluctuating prices. However, the cumulative index rose by 0.7% during the April to December 2024-25 period, compared to the same months in the previous year. The gross production of natural gas in December 2024 was 3,066.0 MMSCM, reflecting a 2.1% decline from 3,132.4 MMSCM in December 2023. Despite this dip, government has set a goal to increase the share of natural gas in the energy mix to 15% by 2030. To increase domestic gas production, Government of India has notified Hydrocarbon Exploration and Licensing Policy (HELP) for the award of exploration acreages, shifting from Production Sharing mechanism to Revenue Sharing mechanism.

Steel production (weight: 17.9%) demonstrated 5.1% growth in Dec'24 compared to Dec'23. The cumulative index increased by 5.8% from April to December 2024-25, in comparison to the same period last year. India's crude steel production surged to 13.6 million tonnes in Dec'24, up from 12.3 million tonnes in Dec'23, reflecting a YoY growth of 10.4%. In Dec'24, the Steel Ministry proposed a 25% safeguard duty on certain steel products to protect domestic interests, while the DGTR launched an investigation into rising imports of specific steel flat products.

Crude Oil production (weight: 8.98%) saw a slight increase of 0.6% in Dec'24 compared to Dec'23. However, the cumulative index fell by 2.1% during the April to December 2024-25 period, compared to the same timeframe in the previous year. India's indigenous crude oil and condensate production for Dec'24 stood at 2.5 million metric tonnes (MMT), recording a modest growth of 0.6% compared to the same period last year. Crude oil consumption and imports continue to rise due to increased demand, resulting in greater reliance on imported oil as domestic production grows slowly. The government has introduced policies designed to promote investment in India's oil and gas exploration and production sector. It is also promoting electric mobility, biofuels, and other alternative fuels to reduce oil imports.

Petroleum Refinery production (weight: 28.0%) grew by a steady 2.8% in Dec'24 compared to Dec'23. The cumulative index also rose by 2.7% during the April to December 2024-25 period, compared to the same months in the previous year. The production of petroleum products rose to 25.3 MMT in Dec'24, up 2.9% from Dec'23. The Ministry reports that refining capacity is increasing, currently standing at around 268-270 MMT per annum, with plans already underway to expand it to 310 MMT per annum.

Overall, India ranks among the top five refining nations globally, owing to its strong infrastructure and strategic geographic location. Additionally, the country is the seventh-largest exporter of refined petroleum products.

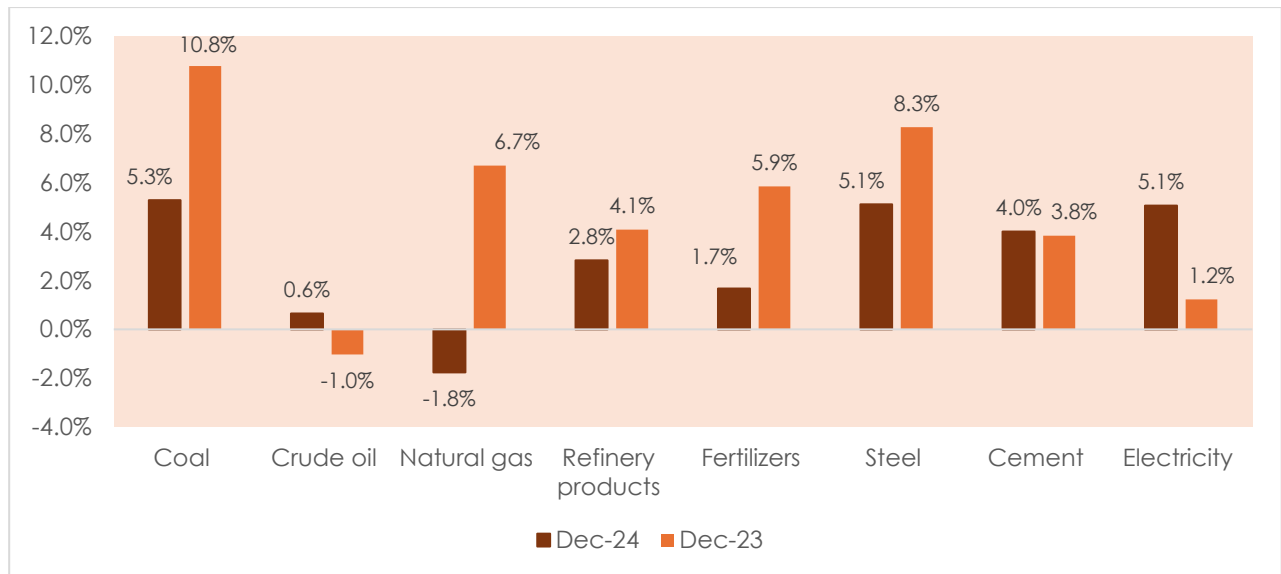
Fertilizer production (weight: 2.6%) experienced a modest 1.7% growth in Dec'24 compared to Dec'23. The cumulative index registered a 1.6% growth during the April to December 2024-25 period, compared to the same months in the prior year. Fertiliser sales grew by 21% in the Dec'24 quarter across key segments such as urea, DAP, potash, and complex fertilisers, driven by farmer purchases for both the ongoing Rabi season and the upcoming Kharif season. However, there are reports of a shortage in DAP

supply due to supply chain constraints and import challenges from West Asia. Indian government has approved a one-time additional subsidy of Rs 3,850 Cr for DAP in Jan'2025, given the increased pressure on retail prices and viability issues for DAP manufacturers.

Says **Suman Chowdhury, Chief Economist and Executive Director, Acuite Ratings & Research** "Core sector growth has been stable at around 4.0% YoY in Dec'24, reflecting a gradual recovery in industrial activity in the second half of the fiscal. While there had been a slackness in steel and cement production in the first half, the annualized output growth figures have largely seen an increasing trend, highlighting the pickup in infrastructure spending. Despite increasing demand for natural gas, its production has been flattish in the current year.

Given the base factor, the growth in core sector is set to moderate in the current fiscal to around 4.3%-4.4% YoY which still compares well with the long term average levels."

Chart 1: Core Sector Growth: Dec'24 vs Dec'23



Core Sector Heatmap: Dec'24 vs Dec'23

Month	Overall index	Coal	Crude oil	Natural gas	Refinery products	Fertilizers	Steel	Cement	Electricity
Dec-23	5.1%	10.8%	-1.0%	6.7%	4.1%	5.9%	8.3%	3.8%	1.2%
Jan-24	4.2%	10.6%	0.6%	5.5%	-4.3%	-0.6%	9.2%	4.1%	5.7%
Feb-24	7.1%	11.6%	7.9%	11.2%	2.6%	-9.5%	9.4%	7.8%	7.6%
Mar-24	6.3%	8.7%	2.1%	6.3%	1.6%	-1.3%	7.5%	10.6%	8.6%
Apr-24	6.9%	7.5%	1.7%	8.6%	3.9%	-0.8%	9.8%	0.2%	10.2%
May-24	6.9%	10.2%	-1.1%	7.5%	0.5%	-1.7%	8.9%	-0.6%	13.7%
Jun-24	5.0%	14.8%	-2.6%	3.3%	-1.5%	2.4%	6.3%	1.8%	8.6%
Jul-24	6.3%	6.8%	-2.9%	-1.3%	6.6%	5.3%	7.0%	5.1%	7.9%
Aug-24	-1.5%	-8.1%	-3.4%	-3.6%	-1.0%	3.2%	4.1%	-2.5%	-3.7%
Sep-24	2.4%	2.6%	-3.9%	-1.3%	5.8%	1.9%	1.8%	7.6%	0.5%
Oct-24	3.7%	7.8%	-4.8%	-1.2%	5.2%	0.4%	5.2%	3.1%	2.0%
Nov-24	4.4%	7.5%	-2.1%	-1.9%	2.9%	2.0%	4.4%	13.5%	4.4%
Dec-24	4.0%	5.3%	0.6%	-1.8%	2.8%	1.7%	5.1%	4.0%	5.1%

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