

Press Release

Consistent growth in Core sector

Refinery Products & Cement give strong start to Core Sector in 2025

March 3, 2025

India's core sector output, a key indicator of infrastructure industries, recorded a growth of 4.6% in Jan'25, compared to 4.2% in Jan'24 and a revised 4.8% in Dec'24. January data marks a good start to the year and represents the fifth consecutive month of growth in core sector output after an unexpected contraction in Aug'2024. The cumulative growth rate of the Index of Core Industries (ICI) for the period April to January 2024-25 stands at 4.4%. In Jan' 2025, the industrial sector was driven by solid growth in cement and refinery products. However, this momentum was tempered by a slowdown in coal, electricity, and steel production. As in the earlier months, natural gas and crude oil output remained inconsistent, declining by 1.5% and 1.1% YoY respectively, partially offsetting the overall gains.

Here are our brief comments on each of the core industries

Coal production (weight: 10.33%) experienced a steady 4.6% growth in Jan'25 versus Jan'24. From April to January 2024-25, the cumulative index shows 6.0% growth compared to the same period in the previous year. In Jan'25, India's coal production rose by 4.4% to 104.4 million tonnes (MT) from 100.1 MT in Jan'24. This growth underscores the sector's resilience and continued expansion. As the world's fifth-largest holder of geological coal reserves and the second-largest consumer, coal remains a vital component of India's energy landscape, accounting for about 55% of the national energy mix despite the gradual shift to renewable energy. Coal gasification is emerging as a key strategy for energy security, with a target of 100 MT by 2030.

Cement production (weight: 5.37%) posted a sharp growth of 14.5% in Jan'25 as against Jan'24. From April to January 2024-25, the cumulative index grew by 4.6% compared to the same period in the previous year. After a deceleration in 2024 due to a high base and factors like heatwaves, elections, monsoon and labour shortages, the cement sector is poised for a Q4FY25 turnaround driven by higher demand, improved prices and operational efficiency. The industry is on the verge of transformation, fuelled by strong demand from infrastructure and housing, along with a focus on sustainability and innovation. The government's visible increase in capital expenditure in Q3/Q4, coupled with a boost from the private sector, is set to further propel India's cement sector.

Electricity generation (weight: 19.85%) grew at a slower pace of 1.3% in Jan'25 over Jan'24. Over the period from April to January 2024-25, the cumulative index rose by 5.0% compared to the same period in the previous year. In Jan'25, India's power consumption rose by 2.7% to 137.4 billion units, a modest increase attributed to above-normal temperatures that reduced the use of household appliances amid the ongoing winter season. Despite this, the country is bracing for a significant surge in peak power

demand, which is projected to reach 270 GW during the summer of 2025, according to government estimates.

Natural Gas production (weight: 6.88%) contracted by 1.5% in Jan'25 compared to Jan'24, extending its decline for seven consecutive months. Despite the decline, the cumulative index for the period from April to January 2024-25 showed a slight increase of 0.5% compared to the same period in the previous year. In Jan'25, India's gross natural gas production was 3,066 million metric standard cubic meters (MMSCM), marking a 2.3% decrease from the previous year. However, the cumulative production from April to January showed a marginal 0.1% increase, reaching 30,376 MMSCM. India is strengthening LNG supply partnerships and increasing natural gas consumption to improve the share of gas in India's energy mix from 6% to 15%. This reflects a strategic push towards cleaner energy sources and strong demand from the industrial, oil refining, residential, commercial, and transport sectors. Given the shortage of domestic production, the imports of LNG are on the rise. India became the world's fourth-largest LNG importer in 2024, accounting for ~7% of global imports.

Steel production (weight: 17.92%) saw a 3.7% rise in Jan'25 relative to Jan'24. Over the period from April to January in the fiscal year 2024-25, the cumulative index for steel production grew by 5.9% compared to the same period in the previous year. India's crude steel production surged to 13.6 million tonnes (MT) in Jan'25, up from 12.8 MT in Jan'24, reflecting a YoY growth of 6.8%. This can be attributed to increased domestic demand, particularly from construction and infrastructure projects, as well as government policies supporting local production.

Crude Oil production (weight: 8.98%) fell by 1.1% in Jan'25 as opposed to Jan'24. Its cumulative index also declined by 2.0% from April to January 2024-25 compared to the same period in the previous year. In Jan'25, India's crude oil production stood at 2.5 million metric tonnes (MMT), registering a 1.2% decline from the same period last year. India's crude oil import landscape is undergoing significant changes. While U.S. exports to India are rising, Russian shipments have declined due to U.S. sanctions, which have disrupted the India-Russia oil trade. In response, Indian refiners have diversified their procurement by increasing imports from alternative sources, notably the U.S. and the traditional route that is the Middle East. This strategic shift reflects India's adaptability to geopolitical developments and policy changes.

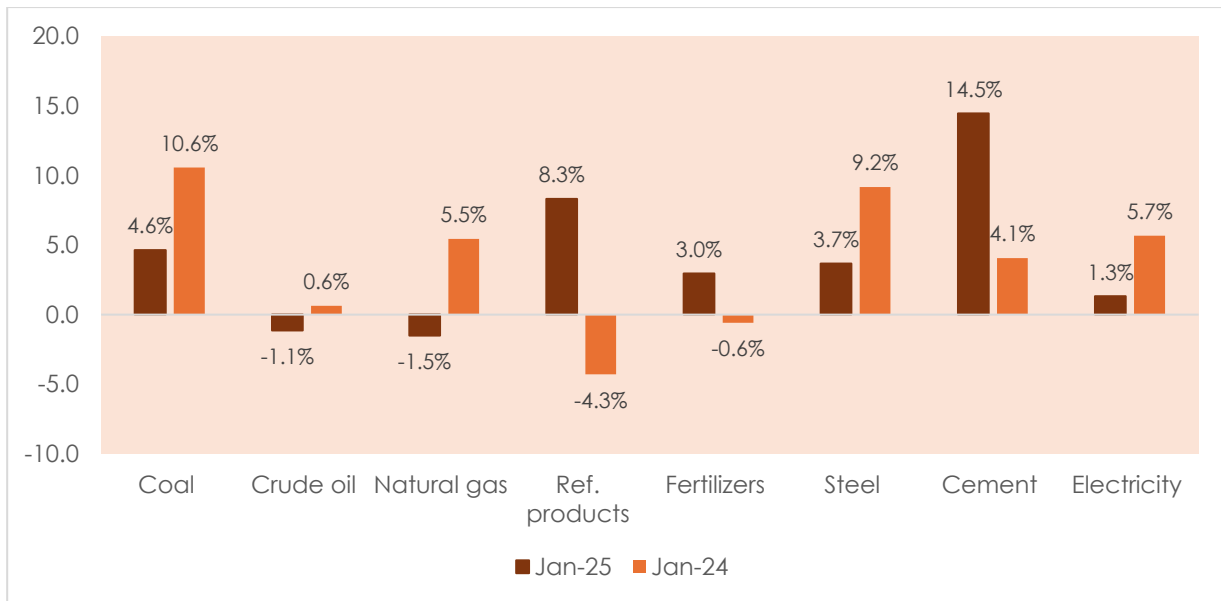
Petroleum Refinery production (weight: 28.04%) increased by 8.3% in Jan'25 over Jan'24. Its cumulative index increased by 3.3% from April to January 2024-25 over the corresponding period of the previous year. In Jan'25, the production of petroleum products saw a notable increase of 24.9 million metric tons (MMT), which represents an 8.3% growth compared to Jan'24. This total was comprised of 24.6 MMT from refinery production and an additional 0.3 MMT from fractionators. These trends show that demand is experiencing growth in both domestic and international markets, leading to increased capacity utilisation in refineries.

Fertilizer production (weight: 2.6%) went up by 3.0% in Jan'25 compared to Jan'24. Its cumulative index increased by 1.7% from April to January 2024-25 over the

corresponding period of the previous year. India experienced an improvement in fertilizer sales, driven by increasing agricultural demand and supportive government initiatives. However, there were some production challenges with Urea and DAP (Di-ammonium Phosphate) production, decreasing by 8.1% and 20.5%, while NP/NPK complex and SSP (Single superphosphate) production saw an uptick by 40.8% and 28.3%, respectively, during Jan'25 over Jan'24.

Says **Suman Chowdhury, Chief Economist and Executive Director, Acuite Ratings & Research** "While industrial growth in the current fiscal has been relatively weak and inconsistent, the core segment has shown a steady trajectory after a surprise contraction in Aug'2024. Coal, Cement, Steel and Electricity continue to be the key driving segments for the core sector with an average cumulative growth of over 5% in the first ten months of the fiscal. On the other hand, there have been challenges in the fertilizer sector where output has been impacted by volatile raw material prices. The domestic oil and gas segment – be it crude oil, natural gas and refinery products continue to face persistent operational and global market headwinds. Overall, we expect core sector output to settle at around 4.5% in FY25."

Chart 1: Core Sector Growth: Jan'25 vs Jan'24



Core Sector Heatmap: Jan'25 vs Jan'24

Month	Overall	Coal	Crude Oil	Natural gas	Ref. products	Fertilizers	Steel	Cement	Electricity
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	3.8	7.8	-4.8	-1.2	5.2	0.4	5.7	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	4.8	5.3	0.6	-1.8	2.8	1.7	7.3	4.6	6.2
Jan-25	4.6	4.6	-1.1	-1.5	8.3	3.0	3.7	14.5	1.3

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