Amid dumping and import worries, metal companies use green energy project as 'profit margin shield'

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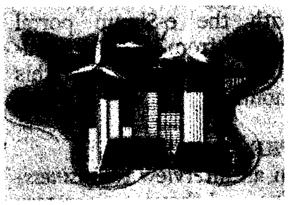

The large-scale investments made in green energy projects have come in handy in reducing costs for metal and mining companies when dumping of metals have eroded profitability and become a major issue for the sector.

Big metal manufacturers, including JSW Steel, Tata Steel, Jindal Stainless, Hindalco Industries and Vedanta Group, have made large investments in various green energy projects, which are slowly going onstream. ArcelorMittal recently started supplying clean energy to AMNS India in Gujarat from its 1-GW solar and wind project in Andhra Pradesh.

JSW Steel has commissioned a 225-MW solar power plant at its Vijayanagar facility to supply power to its steel operations.

Saurabh Jain, Head - Fundamental Research, SMC Global Securities, said that metal companies are aggressively banking on green energy and low-carbon technologies not just for sustainability but primarily to slash their single-largest cost bucket (power and fuel, often 30-45 per cent of total costs) and to build a durable profit-margin shield in an import-battered market.

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By locking in captive solar/wind at ₹2-3/kWh versus grid/coal at ₹7-8/kWh, and by switching to green-hydrogen based DRI or renewable-powered smelters, big players are cutting energy costs by 20-40 per cent while simultaneously earning 10-30 per cent price premiums (and long-term contracts) for "green" aluminium, electrical steel, battery foil and solar-grade stainless, which Chinese and Russian companies cannot easily match once the EU's CBAM (2026) and similar carbon taxes kick in, he said.

However, without a stronger anti-dumping enforcement, imports continue to blunt any sustained price rally through 2026, making the green-tech pivot the only reliable way for metal companies to protect and even expand margins in an otherwise brutal commodity cycle, he said.

Ravi Singh, Chief Research Officer, Master Capital Services, said in energy-intensive industries, energy represents 25-40 per cent of total production costs, which makes renewable energy more attractive. For instance, switching from coal to solar energy via Open Access results in 8-10 per cent lower production costs for several steel manufacturers, he said.