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# FOUNDRY FRONTIER

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# HOW IS THE IRAN CONFLICT AFFECTING THE DOMESTIC FOUNDRY AND SCRAP SECTORS? AN OVERVIEW

BigMint

**The ongoing geopolitical conflict in the Middle East has upended global supply chains, impacted critical raw material imports of the Indian foundry mills and led to inflation in the energy and metals markets. How is geopolitical crisis impacting the imported and domestic scrap sector for the Indian casting industry? How will unavailability of high-grade scrap affect the foundry industry? BigMint looks at these issues in depth**

The ongoing geopolitical crisis in West Asia has started impacting day-to-day operations of Indian foundry mills, particularly in raw material procurement and production cost management.

## Challenges facing foundries

Key operational challenges highlighted by procurement teams include:

- LPG gas supply disruptions have emerged as a major concern. Imported LPG availability has tightened significantly, leading domestic suppliers to increase prices sharply. Local LPG prices have risen nearly three times compared to previous

levels, directly increasing foundry production costs.

- Supply of phenolic resin and other foundry chemicals has also been affected due to disruptions in import shipments and longer delivery timelines. This has created procurement uncertainty for several foundry units dependent on imported consumables.
- Ferrous scrap procurement has become increasingly challenging, especially for prime grades such as fabrication processed scrap, CR-busheling, and OEM CRC scrap. A foundry operator in Ludhiana said that imported scrap offers have increased sharply by around INR 4,000-5,000/t, making imported material less viable for several consumers.





● Due to elevated imported scrap prices, induction furnace mills and secondary steelmakers have increasingly shifted toward local procurement of prime-grade scrap. This has intensified competition in the domestic market and created shortages for foundry mills relying on high-quality processed scrap.

Rising raw material costs, supply-side disruptions, and tighter availability of prime-grade scrap are placing additional pressure on foundry margins and operational planning.

### **Domestic scrap scenario**

For processed plate cuttings and CR-busheling scrap grades, domestic scrap prices have increased by around INR 3,000/t from February to mid-May 2026 across major foundry hubs in the country, as per BigMint's latest analysis.

The sharp rise in prices has been mainly

supported by:

- LPG gas shortages, higher gas prices impacting processed scrap conversion costs
- Supply chain disruptions due to the West Asia conflict
- Labour shortages at scrap processing yards and foundries
- Tight availability of premium CR-busheling grades

The continuous rise in raw material prices has directly impacted foundry production costs. Buyers are currently not in a position to offer higher procurement rates to scrap suppliers, as finished casting realisations have not increased proportionately.

Owner of a steel casting workshop in Chennai told BigMint that current scrap procurement prices are already operating at elevated levels, resulting in pressure on foundry margins. Due to this, several foundries have started quoting lower buy prices by around INR 1,500–2,000/t compared to earlier traded levels.

At the same time, sellers and recyclers are also compelled to continue supplying material to foundries despite lower realisations, as demand from alternate sectors remains limited.

### **Processed scrap supply disruption**

Ferrous scrap stockists and recyclers have been facing operational challenges due to shortages in LPG gas supply. LPG is a critical input used for gas-cutting operations to process scrap material such as plate cuttings and heavy melting scrap. Reduced availability and a sharp rise in LPG prices have directly increased processed scrap conversion costs, resulting in higher domestic scrap prices across major foundry hubs.

Supply tightness has also been observed in CR-busheling and low- and high-manganese grades. Several OEMs and downstream manufacturers are facing reduced scrap generation due to production cuts. In addition, some major foundries rely on imported CRC material for manufacturing finished products. Due to the ongoing geopolitical tensions and elevated freight and raw material costs, importing CRC has become commercially unviable for several buyers.

### **Labour shortage**

Production activity at several foundries and mills has been impacted by labour shortages. Many daily-wage workers from north India and Odisha have temporarily returned to their native villages during the agricultural season, leading to lower operating rates at foundries and scrap processing units.

### **Focus on exports**

India's foundry casting exports continued to remain supported by strong overseas demand for industrial valves, spun pipes, automotive castings, and pump and compressor housings, driven by infrastructure and industrial sector requirements. However, the ongoing West Asia crisis has started impacting shipment movement, freight availability, and transportation costs, creating logistical challenges for exporters.

India exports nearly 15–20% of its total foundry production to international markets. The country produces around 15–16



million metric tonnes of castings annually, with export value estimated at nearly \$4.1–4.3 billion. India is currently the world's second-largest casting producer after China. Major export destinations include the United States, Germany, Italy, the United Kingdom, and Japan.

### Outlook

For June 2026 supplies, market participants expect domestic ferrous scrap prices to decline further by around INR 1,000–2,000/t amid cautious buying activity, production pressure at foundries, and weaker procurement sentiment. Availability of labour is expected to improve from June onward, as daily wage workers will return from their hometowns after the onset of the monsoon season. This could support processing activity and stabilise supply conditions.

At the same time, rising fuel prices and transportation costs may restrict any major correction in scrap prices. As a result, the overall decline in foundry-grade ferrous scrap prices is expected to remain at around INR 1,000-1,500/t during June.

On the demand side, the outlook remains stable, with no major weakness observed in the foundry sector. Sufficient order flows from agricultural castings, automotive components, and engineering products continues to support production activity across major clusters.



