

Next Decade for Indian Aluminium Industry

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Abstract

Aluminium market in India is expected to expand in the coming years. Increasing automotive productions and fast infrastructural development will play major roles in driving the growth of global as well as Indian market. Construction and building segment are anticipated to lead the market in near future. India is the second largest producer of aluminium with a share of around 5.7 % of the global aluminium output in Fiscal Year 2021 (FY21). Growing aluminium sector of India leverages its vast deposit of bauxite (nearly 10 % of the world's bauxite reserves), coal and other minerals. Primary aluminium production capacity doubled to over 4 Mt in the last one decade along with export rising from 0.25 Mt to around 2.3 Mt in FY21. The Indian aluminium industry has matured over the time and has become quite resilient now. It is expected to have more stable and sustainable growth in the next decade. While the global aluminium market is growing at a Compound Annual Growth Rate (CAGR) of 4 % and anticipated to reach the volume approximately 73 Mt by 2027, India with its current GDP growth rate is expected to increase its aluminium demand to double by next 8 to 10 years. There are many contributing factors for this rapid growth and resilience of the Indian Aluminium Industry.

Competitive Advantage: India holds a fair advantage in cost of production and conversion costs in alumina. It has a diverse mineral base. It produces 95 minerals (4 fuel related minerals, 10 metallic minerals, 23 non-metallic minerals, 3 atomic minerals and 55 minor minerals including building and other minerals).

Supportive Government Policy: The NITI Aayog (National Institution for Transforming India), the apex public think tank of the Government of India acts as nodal agency in catalysing economic development and fostering cooperative federalism through the involvement of State Government of India in the economic policy-making process using a bottom-up approach. National Mineral Policy 2019 promotes transparency, clear regulation and enforcement with balanced socio-economic growth. Production Linked Incentive (PLI) Scheme is improving production in more than a dozen industries.

Demand Growth: Rise in domestic infrastructure development, automotive production, aviation, defence sector and power sector are driving growth in metals and mining sectors. Increasing urbanisation fuelled by socio economic growth in India is further aiding in this rapid growth.

Attractive Opportunities: There is significant scope for new mining capacities in bauxite and coal. Enhanced focus is on secondary recycled aluminium to reduce carbon footprint. There are government initiatives for generation of renewable energy in both public and private sector companies. The manufacturing units are marching ahead to reduce waste generation from coal and alumina production. The leading primary producers like Hindalco, Nalco and Vedanta have reached a resilient stage and will be on a sustainable organic growth trajectory during the next decade. Brownfield expansions are expected here. Considering the huge unfolding opportunity, new domestic players are exploring resources and locations for setting up new smelting complexes in India and abroad. Downstream operations are also on a rapid growth trajectory. While Hindalco is taking a leading role here, the small and medium industries are coming up with complementary production systems that will make India self-reliant. Global market shall benefit from this, as various countries adopt China plus one strategy.

Keywords: Indian aluminium industry, Sustainability, Growth opportunities