

# Positioned among the global best

By Omer Ahmed Siddiqui

FY19 has been quite eventful at Vedanta, as the aluminium major has joined the league of global 1 million tonne production & export clubs. **Abhijit Pati**, CEO – Vedanta Ltd., Jharsuguda, details on the production operations and future expansion plans

## How has been the aluminium business at Vedanta last year?

Last year we completed 10 years of operation at Vedanta Ltd., Jharsuguda and 2018 has been a year of significant achievements. Early in February, we broke into the global 1 million tonne production club, as India's first single-location smelter. We closed FY19 at a run rate of 1.39 MTPA, highest ever metal production till date. At 50 per cent, our value added products portfolio is strongly growing towards our vision of 100 per cent VAP. We crossed the 1 million mark in aluminium export volumes. Our stronghold on nearly a fifth of domestic primary market is stable and increasing. Our export volume to the American markets grew more than 80 per cent; in Asia it grew by 40 per cent and nearly 20 per cent in Europe, between FY18 and FY19.

## What is the scenario of aluminium market in India?

India is the third largest primary aluminium producer in world, China and Russia being the top two. Out of global total primary aluminium production of 64.4 million tonnes in 2018, India produced 3.7 million tonnes. Today, the per capita consumption of aluminium in India is around 2.5kg, much lower than the world average of 12 kg and significantly

lagging behind China with a per-capita consumption of 33kg on average.

India's aluminium consumption (both primary & recycled) in FY19 grew by 10 per cent over the previous fiscal, to reach 4 million tonnes. India's total primary aluminium import in FY19 was nearly 2.3 million tonnes, a 20 per cent hike over FY18, while scrap imports charted an almost similar increment to 1.35 million tonnes. Primary aluminium exports rose in an almost equivalent manner to nearly 2 million tonnes in FY19, against 1.7 million tonnes in FY18. With automobile, building & construction, and packaging industries expected to be major growth drivers, India's aluminium consumption is expected to grow at a CAGR of 7 per cent.

## 3. Tell us about the aluminium production operations of Vedanta?

Vedanta Ltd.'s aluminium business of 2.3 MTPA produces more than half of India's annual aluminium output, which currently stands at 3.7 million tonnes. The division comprises three operations – Vedanta Ltd., Jharsuguda, BALCO and Vedanta Ltd., Lanjigarh. The Jharsuguda aluminium smelter & power complex is the largest amongst the three, with installed smelting capacity of 1.75 MTPA. It is India's largest single-location aluminium and

power complex, situated in western Odisha. Bharat Aluminium Company, or BALCO, houses a smelting complex of 0.55 MTPA at Korba, Chhattisgarh. Both these units are supported by Vedanta's 1.8 MTPA installed capacity alumina refinery at Lanjigarh.

Vedanta Ltd., Jharsuguda's production from smelters was 1.39 million tonnes last fiscal, which was the highest ever metal production in the company's decade long history, while BALCO logged 0.57 million tonnes in aluminium production.

## Do you have plans to expand production capacity?

With an installed capacity of 1.75 MTPA, the Jharsuguda operation has a stable production run rate of nearly 1.4 MTPA. Our short-term plans are to operationalize the entire installed capacity in the next 2 years. On the product front, we intend to strengthen

our Value Added Product portfolio. We expect our signature downstream project to commence in the next 2-3 years. We are exploring the opportunity of building an Aluminium Park near the current smelting complex with the state govt., which will create and nurture a vibrant downstream aluminium ecosystem, contributing to the national agenda of Make In India and making India self-reliant.

## How much of the aluminium produced by Vedanta is consumed in the domestic market and what part of the output is exported?

Our products are used in a wide range of downstream industries like building & construction, automobiles, electricity transmission, foils & packaging, and so on. We produced 1.39 million tonnes of aluminium in FY19. We exported more than a million tonnes of products, mostly billets and ingots, to the global

market marking a 40 per cent hike in our exports over previous fiscal. We clocked sales of 0.26 million tonnes in the domestic market, primarily through sales of wire rods, ingots and billets.

## Which seaports do you use for exports? In terms of containers (TEUs) what is the volume being exported by Vedanta? Which are the export markets?

We use Kolkata, Vizag, Haldia and GPL for exports. In terms of TEUs, Vedanta Ltd., Jharsuguda exports 4.3 LMT to Asia, Americas and European markets.

## How do you source raw material for producing aluminium?

We are based in one of the most mineral rich states in India. Odisha has all requisites for sustaining a thriving aluminium manufacturing setup. The major raw materials required for

aluminium production are alumina and power. To cater to our power requirements, we have established 3615 MW of thermal power generation complex. For both alumina and coal, we prefer domestic supply. Our alumina requirements are primarily catered to by Vedanta Ltd.'s Lanjigarh refinery, and the balance is imported. Coal is sourced from Coal India Ltd. subsidiaries. As Vedanta Ltd., Jharsuguda is at the pithead of MCL, the greater bulk of our coal requirements is usually sourced from MCL.

## How do you manage logistics between your factory and the seaports?

We rely on both road and railway networks for material and product movement to and from the plant. Nearly 85 per cent of export is done through railways. The usage of roadways is predominantly for transport of coal from mines to plant. We have a structured process for selecting ports to handle our inbound and outbound logistics. We assess infrastructure for handling specific raw materials, turnaround time, connectivity to rail and road networks, mechanized handling of material, minimal warehousing and direct evacuation of cargo to factory through rail. Amongst all of the aforementioned parameters, compliance in terms of safety and licenses is of paramount importance to us.

## Are there any issues in service provided by freight forwarders and seaports?

Unavailability of technology savvy and stable manpower with freight forwarders and seaports has been a challenge. The manpower is migratory in nature, and there are frequently new members who take time adjusting to technology and business. Indian freight forwarders need to look to the global best for benchmarking and adopt best practices and best-in-class technologies.

