

# 'Aluminium export can touch \$10 bn with govt help'

India with its plentiful reserves of bauxite and thermal coal has the potential to become a leading aluminium supplier, says **AJAY KAPUR**, CEO-Aluminium and Power, Vedanta, in an interview with Kunal Bose. Edited excerpts:

**With a 6 per cent fall in demand in 2019-20, India's aluminium consumption in the 2020-21 first quarter collapsed 57 per cent. What is it looking like for the whole year?**

The demand destruction was because of production slump in all end-use sectors of aluminium. Now, with economic activities getting back on track, demand is picking up. Global aluminium use is driven majorly by India and China. We have seen around 10 per cent demand growth in India in the past. Based on current market behaviour, you can expect a demand squeeze of 8 to 10 per cent this fiscal.

**As in steel, in aluminium too, exports have come to the rescue of Indian smelters. How much of the production will be exported this year?**

The capacity use in smelters is around 90 per cent. With imports having a 60 per cent share of domestic market, we are left with no option but to depend heavily on exports.

This year, the industry will end up exporting up to 65 per cent of production. Government support for exports will provide Indian aluminium producers a level playing field vis-à-vis global suppliers.

**Will you recommend a relook at duty free imports from FTA countries? What about reining in scrap imports?**

The harsh reality is that despite sufficient local production capacity, imports rule. FTAs have not helped us in metals. On the contrary, they have worked to the advantage of partner countries. This is particularly true for aluminium and related products under HS code 76. The industry has raised concerns about growing imports and trade deficit

under FTAs. To our relief, New Delhi is reviewing some critical FTAs such as ASEAN-India FTA.

A major concern for us is growing imports of scrap, which now constitute 63 per cent of the aluminium imports. Chinese restrictions on scrap imports have resulted in a major diversion of global scrap supply to India. Scrap imports are eating into the share of primary aluminium due to import duty differential of 5 per cent between primary metal and scrap. Incidentally, except for aluminium, all other non-ferrous metals such as copper and zinc have identical import duty for primary metal and scrap. Worryingly, the country still lacks BIS quality standards for scrap recycling, usage and imports, resulting in dumping of sub-par and sometimes hazardous scrap into India.



**AJAY KAPUR**

CEO-Aluminium and Power, Vedanta

**How can we improve global competitiveness of Indian aluminium?**

Indian aluminium exporters are at a major disadvantage vis-à-vis global competitors who

are beneficiaries of various state incentives and subsidies. Our industry has to put up with the burden of unrebated central and state taxes and duties, constituting 15 per cent of aluminium production cost — amongst the highest in the world. This is adversely impacting global competitiveness of Indian smelters.

The industry is making major contribution to the country's forex earnings. Aluminium's share of India's total exports increased from 0.6 per cent in FY14 to 1.62 per cent in FY20. During this period, our aluminium exports are up almost three times, from \$1.9 billion to \$5.1 billion. The industry has potential to double exports to \$10 billion. India could well become a leading aluminium supply hub for the world. This is why we want the government to implement remission of duties and taxes on export products (RoDTEP) at the earliest.

**What do you think of the government's move to club bauxite and coal deposits for auction?**

It's a great idea. The move will give raw material security to aluminium makers and leverage our competitive advantage of abundant reserves of high quality bauxite and coal. Availability of raw materials in a transparent and efficient manner will surely improve the fortunes of the domestic industry.

