

Focus on exports helps Vedanta Aluminium cushion Q1 lockdown shock; expects business climate to improve in H2

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Workers at the Vedanta Aluminium Plant

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He told [indoasiancommodities.com](https://www.indoasiancommodities.com) in an interview that Vedanta Group's aluminium business was agile enough to successfully weather a particularly troublesome quarter.

"For the first few days after the lockdown in March, things came to a standstill and in Q1 the aluminium companies managed to produce not more than 40-45 percent of the demand in regular cycle. In April, the production had dropped to just 20 percent which somewhat recovered to 70 percent by the end of June," he said.

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Commenting on the performance of the business in the troubled first quarter, Kapur said [the company](#) focused on its expansive global reach to give a fresh push to sales after bringing in new safety standards at its plant and restoring the supply chain in April.



Ajay Kapur, Chief Executive Officer, Vedanta Aluminium

"Ports got back into the action soon after the lockdown, as the government considered them as essential services hubs. And being a leading exporter from India of aluminium we focused on improving our supplies in international markets. To meet Q1 challenges, we slightly tweaked our approach in export sales. Instead of value-added products, we focused more on delivering basic ingots," he explained.

In its filing to the stock exchange, the Vedanta Group said its aluminium unit touched a production level of 469,000 tonnes in the first quarter against 471,000 tonnes in the same quarter last year. At its biggest production unit Jharsuguda-II, the output remained unchanged at 199,000 tonnes.

However, the net sales realization in the first quarter was under tremendous pressure with prices of aluminium dropping to below \$1500/tonne against an average price of over \$1800/tonne in the last fiscal at the London Metal Exchange (LME).

According to Vedanta Group's exchange filing, the net sales realization for aluminium produced at Jharsuguda and Balco units was at Rs 120,000/MT and Rs 122,000/MT respectively, which marked around 11 percent drop in the figure registered in the corresponding quarter last year.

Kapur said he expected the domestic aluminium business to return to previous levels before the end of the fiscal if there was no further pandemic-led disruptions.

“The way things are unfolding, while Q1 has been a total wash out for the industry in general, in Q2 it can probably touch 80 percent of the similar quarter last year and in October-December quarter, the output may equal to last year’s same quarter number. We can expect small positive uptick in the last quarter,” he said.

According to Kapur, the improvement in LME prices of aluminium in recent months was an encouraging sign for large-scale players.

“China, which generates nearly half of global aluminium demand, has reported recovery one quarter ahead of others. In the recent months, the demand for aluminium in China has grown by 1-2 percent and similar trends have been witnessed in Vietnam and Indonesia. Preliminary signs of recovery can also be witnessed in the US and Israel,” he pointed out.