



# INDIAN ALUMINIUM INDUSTRY ANALYSIS

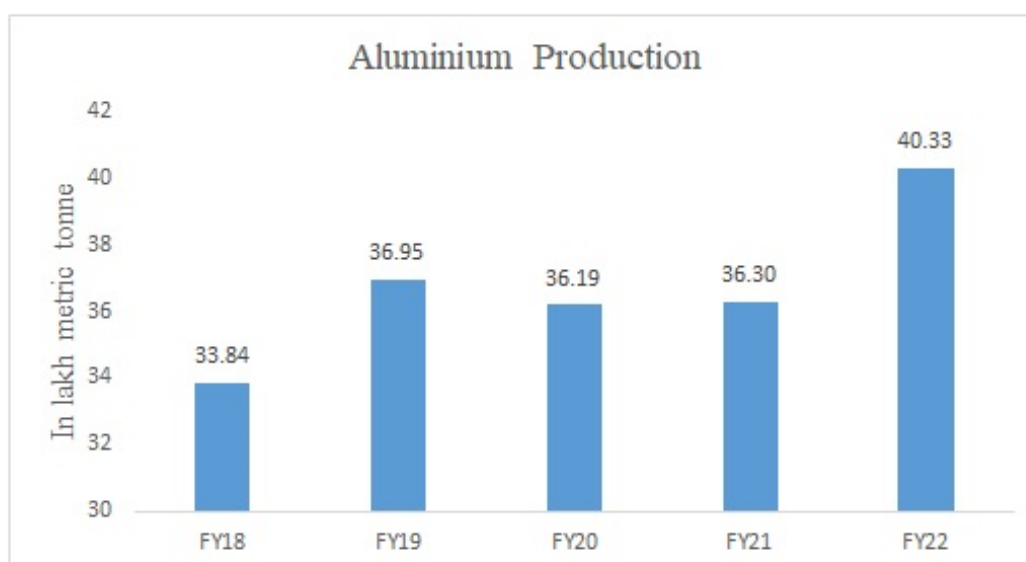
MAY - 2023



Aluminium industry is one of the leading segments of the Indian economy and is expected to play a significant role in its future growth. Aluminium is one of the lightest metals in the world and as a result it is used widely in the production of multiple products. This metal has a shiny silver colour and it is malleable meaning it can be bend without breaking. In nature, aluminium is found in an ore called bauxite. Bauxite is the basic raw material in the aluminium manufacturing process. Bauxite is converted into alumina in alumina refineries. After the iron and steel industry, aluminium is the second most important industry. The Aluminium production process can be divided into upstream and downstream activities. The upstream process involves mining and refining activities, while downstream process involves smelting and casting & fabricating. Aluminium downstream fabricated products include rods, sheets, extrusions and foils. Aluminium is used in the production and distribution of electricity in the modern world, household utensils and electric appliances, aircraft manufacturing, rail coaches, nuclear and defence accessories, and so on. The industry meets the requirements of a wide range of industries including engineering, electrical and electronics, automobile and automobile components, etc. Aluminium is the 3rd most available element present in the earth's crust and the 2nd most used metal after steel.

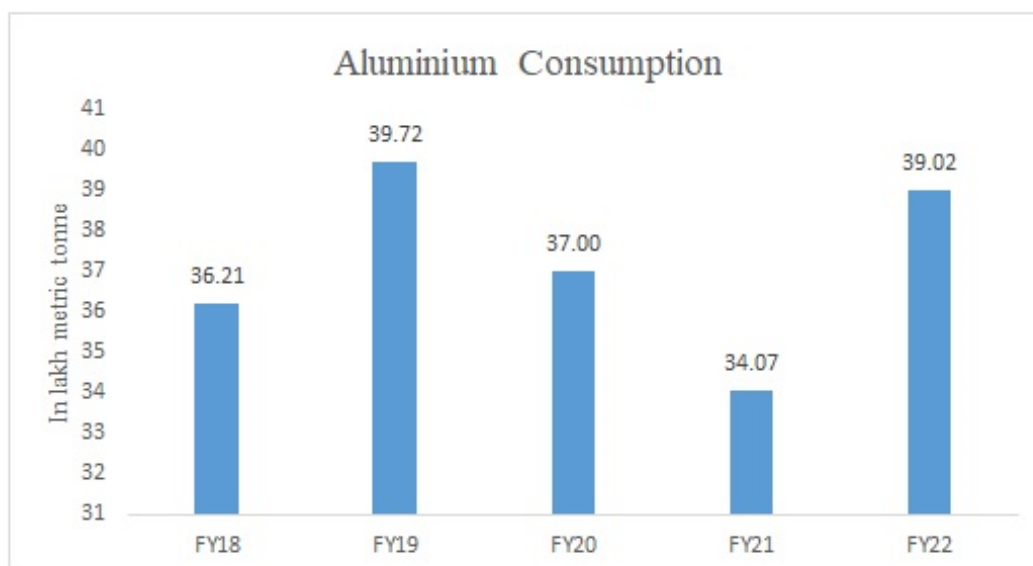
## PRODUCTION OF ALUMINIUM:

Production of Aluminium was up by 11.10 percent to 40.33 lakh metric tonne (provisional) in financial year 2022 (FY22) as compared to 36.30 lakh metric tonne (Revised) in financial year 2021 (FY21). The world production of Aluminium Metal during October–December 2021, was about 16.62 million tonne. The share of India in the world production of Aluminium Metal was 6.14 percent during October–December 2021.



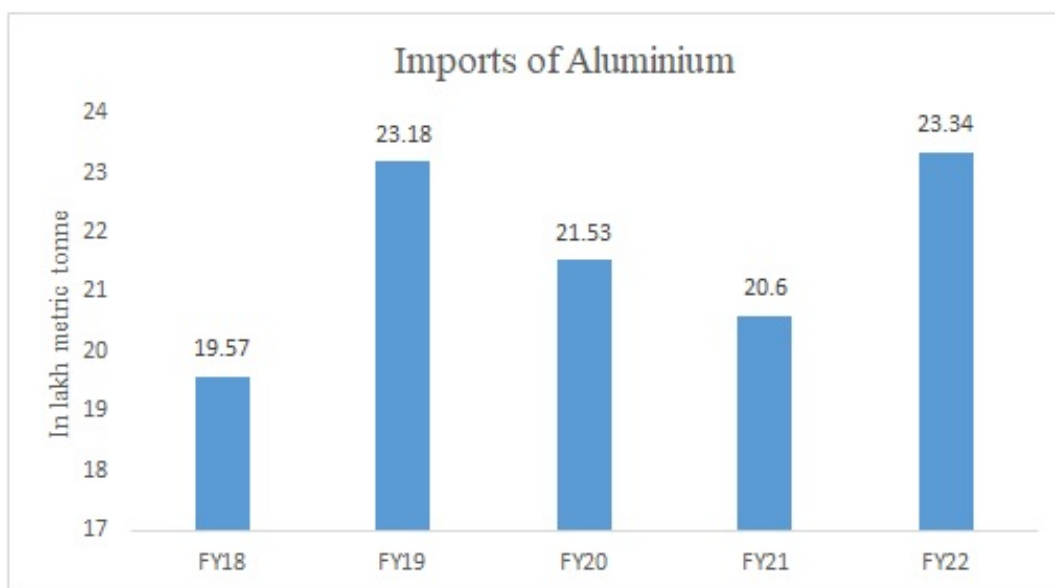
## RISING CONSUMPTION OF ALUMINIUM:

In FY22, consumption of Aluminium rose by 14.53 percent to 39.02 lakh metric tonne (provisional) as compared to 34.07 lakh metric tonne (Revised) in FY21. Consumption rose mainly on account of India has witnessed impressive economic recovery post lockdown of 2021. The demand for aluminium was primarily led by demand from the auto sector. Rising demand from packaging, consumer durables and construction sectors also led to increased demand. With continued structural support from the government through various schemes focusing on infrastructure and manufacturing, demand and industrial activity are expected to witness strong growth in coming future. Per capita aluminium consumption in India is at around 2.5 kg which is far below the global average of 11 kg. This presents a huge opportunity for Indian aluminium industry to growth across various end-use segments.



## IMPORTS OF ALUMINIUM:

Imports of Aluminium rose by 13.30 percent to 23.34 lakh metric tonne in FY22 as compared to 20.6 lakh metric tonne in FY 21. In recent years, there has been a visible surge in aluminium imports, especially from China which constitutes over 85 percent of downstream aluminium imports at present. Moreover, India was also seeing aluminium imports from the US, the UK, Malaysia and the Middle East. Several of these nations support their domestic industries with concessions and benefits, including low interest loans and cheaper power tariffs.

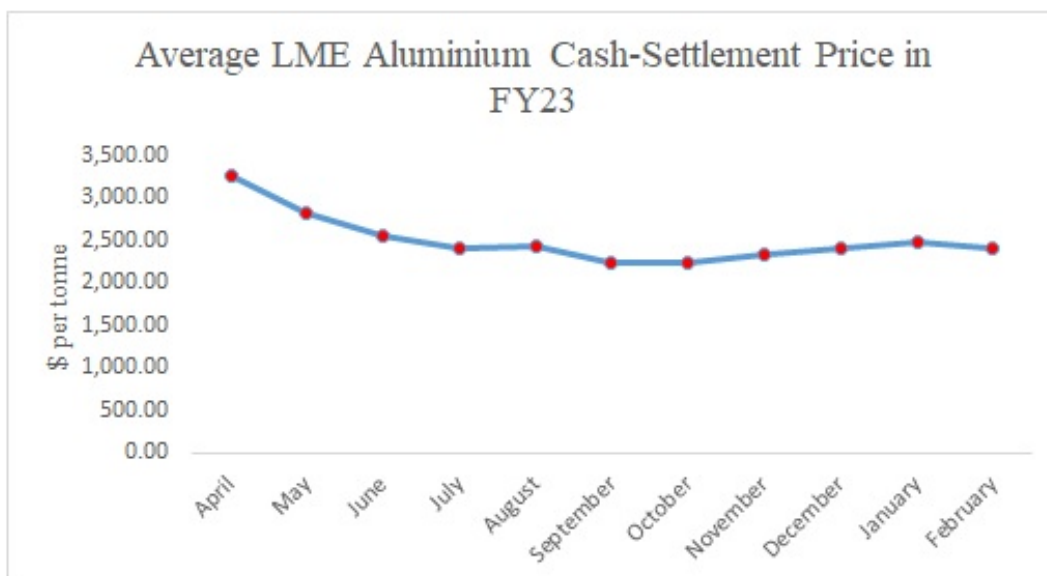


## GLOBAL PRODUCTION AND CONSUMPTION OF ALUMINIUM:

During the year 2021, world production of Aluminium was 67.41 Million Tonne, registering a rise of 4.12 percent as compared to production figure of 64.74 Million Tonne achieved in 2020. At the same time, worldwide consumption of Aluminium rose 9.60 percent from 62.92 Million Tonne in 2020 to 68.96 Million Tonne in 2021. Thus, the market registered a deficit of around 1.55 Million Tonne during 2021. China was the largest producer as well as consumer during the year, contributing 57.24 percent share (38.58 Million Tonne) of the world production and 58.21 percent (40.14 Million Tonne) of the world consumption of Aluminium.

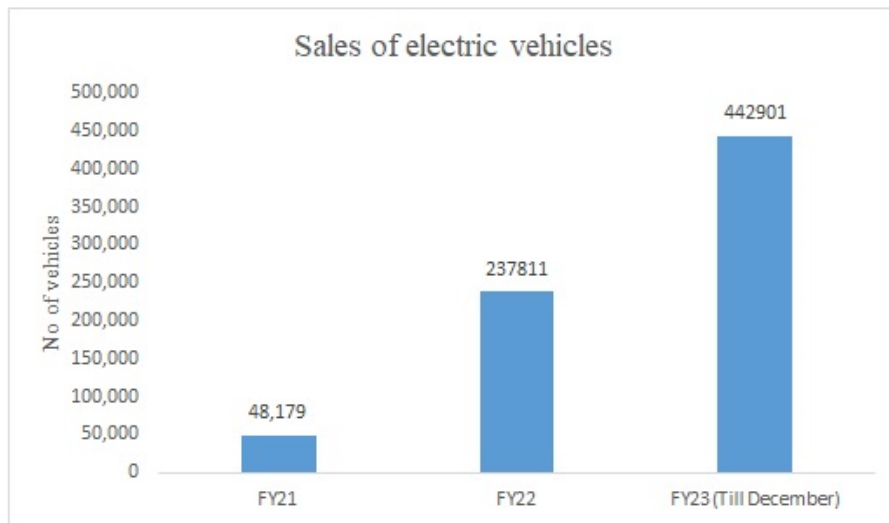
## AVERAGE LME ALUMINIUM PRICE:

The average London Metal Exchange (LME) Aluminium Cash-Settlement price for February 2023 was \$2,417.28 per tonne as against \$3,260.83 per tonne in February 2022 there by registering a decrease of 25.87 percent. However, there is expectation that Aluminium prices will increase in coming times on prospects of more robust demand from China as the country took significant steps to boost its economy and end the strict coronavirus-induced regime.



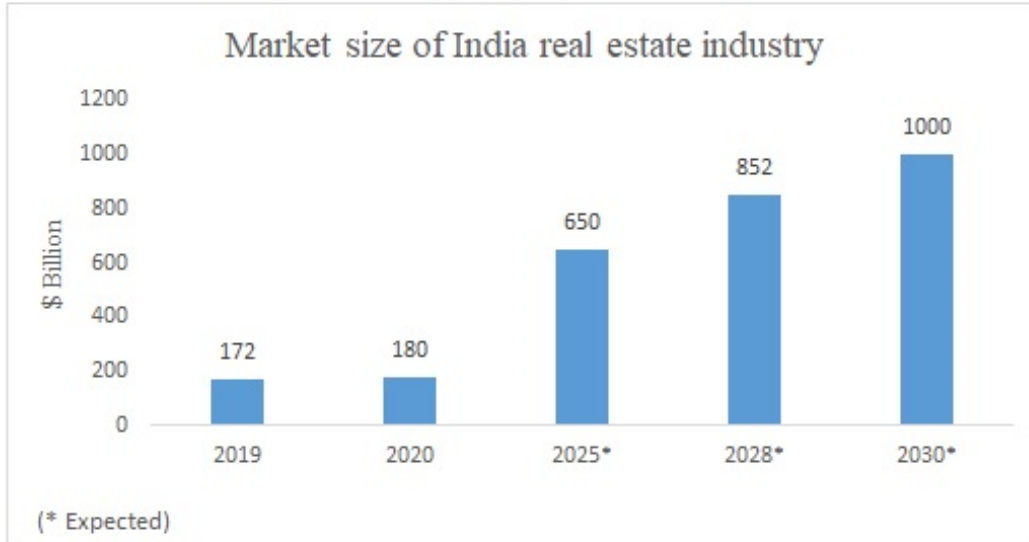
## **RIISING DEMAND FOR ELECTRIC VEHICLES TO HELP IN GROWTH OF ALUMINIUM INDUSTRY :**

The automobile industry has been one of the biggest consumers of aluminium. It is not just used for making the frame and body of vehicles, but also electrical wiring, wheels, ABS brakes, transmission, air conditioner condenser and pipes, and in engine parts like pistons, radiator and cylinder head. The demand for aluminium in electric vehicles (EVs) is going to be primarily driven by the need for light weighting. EVs are currently range constrained. A 100 kg reduction in the weight of an EV can translates into an additional 10-15 percent increase in range. And increased range is critical to drive higher EV adoption and close the gap with internal combustion engine (ICE) vehicles. As the automobile manufacturers bring out design evolution in multimaterial EVs, they will continue to increase the use of aluminium. Plug-in hybrid and full battery electric vehicles use around 25-27 percent more aluminium than the typical internal combustion engine car. The sales of electric vehicles in the country witnessed a surge in the last two years. While 48,179 EVs were sold in 2020-21, the figures increased to 2,37,811 in 2021-22 and 4,42,901 in 2022-23 (till December 9). As on December 9, 2022, 64 original equipment manufacturers (OEMs) of electric vehicles have been registered and 7.47 lakh EVs under FAME India Phase II have been sold. Under FAME India Phase-II, demand incentive/subsidy is given to consumers (buyers/end users) in the form of an upfront reduced purchase price of hybrid and electric vehicles to enable their wider adoption, which is reimbursed to the OEMs by the government of India.



## ALUMINIUM INDUSTRY TO BE BENEFITED BY RISING CONSTRUCTION AND INFRASTRUCTURE SECTOR:

The construction industry in India consists of the real estate as well as the Urban development segment. The real estate segment covers residential, office, retail, hotels and leisure parks, among others. Urban development segment broadly consists of sub-segments such as Water supply, Sanitation, Urban transport, Schools, and Healthcare. Electricity, roads, telecommunications, railroads, irrigation, water supply and sanitation, ports, airports, warehousing facilities, and oil and gas pipelines are the main components of the infrastructure sector. India is an aspirational country and its people are dreaming bigger than ever before, currently India has the biggest urban population in the world to support, but its infrastructure industry is lagging way behind in innovation. Aluminium is widely used in building because of its intrinsic properties of lightness and corrosion resistance. Aluminum is used in external facades, roofs and walls, in windows and doors, in staircases, railings, shelves, and other several applications. The market size of Indian real estate sector was \$172 billion in 2019 and is estimated to grow to \$650 billion by 2025 and beat \$850 billion by 2028 to touch \$1 trillion by 2030.



## OUTLOOK:

Aluminium industry is expected to show strong growth in medium to long term. The recent new areas of demand in electric vehicles industry may further increase the demand for the Aluminium in coming time. In the electric vehicle segment, aluminium is used for structural body frames and battery packs to improve battery efficiency. There will be a considerable increase in demand for aluminium on account of infrastructure for serving EVs. Rising government investment in construction, Infrastructure and railway sectors will also help in growth of Aluminium industry. In India around 80 percent of Aluminium is consumed by construction, transport and electrical sectors. However, consumption of aluminium may be muted in near term on account of persistent worries that a global economic slowdown would curb demand. Aggressive rate hikes by central banks across the world may push the global economy into recession.



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