

Aluminium

Industry Code (as per CMIE Prowess): 0101013505010000'

June 2022

Overall Industry Risk Score: 14/20 Favourable

Sample Size: 20 Companies

Median Rating Value of sample size: A

Individual Parameters Contributing to the Score

Demand & Supply Balance  **16/20**

Moderate Demand

As per CMIE data, Primary Aluminium output reported an increase of 6.7% to 317 thousand tonnes output during February 2022 vis a vis 297 thousand tonnes output in the year-ago month. Healthy growth in export demand has helped in partly offsetting the weakness in domestic demand. Share of exports increased by 62.9% during February 2022 as compared to February 2021. Exports to China witnessed a significant spike. Demand from construction, auto, infrastructure and packaging will drive future growth. Aluminium prices on the LME have been increasing from USD 2,329 per tonne in April 2021 to around USD 3,003 per tonne in January 2022. Prices further increased at USD 3,087 per tonne in February 2022.

Extent of Competition  **12/20**

Neutral

Large players like Vedanta & Hindalco have a market share of 44.36% and 33.43% respectively. Imports of primary aluminium fell by 19.2% in February 2022 compared to the imports recorded in the year-month ago.

Regulatory Risk 16/20

Stable Regulatory environment

Government initiatives such as Aatmanirbhar Bharat will support domestic manufacturers and will reduce dependence on imports. Vehicle scrappage policy will ease the supply of scrap. Government expenditure on infrastructure is creating strong demand for this industry. Other Government initiatives such as Smart Cities Mission, railway projects, and mission to reach a five fold increase in Solar Capacity will spur demand.

Input Related Risk 12/20

Largely predictable supply of inputs from diversified sources or Raw Materials with rare, occasional disruptions / fairly predictable price band

Industry is highly power intensive with power costs accounting for 30-35% of the total cost. Alumina, Power & Labour costs account for 75-80% of the total cost depending on location.