

### **SYNOPSIS:**

#### ***Consolidating and rebounding, average prices to improve***

The global aluminium industry hit a rough patch, with the global financial crisis, which began in the last quarter of 2008, severely impacting the demand for the industry. The growth in industrial production of most of the major economies, slipped into the negative territory after several years of strong positive growth. The slowing economy severely affected the demand in the markets. The earlier years of strong growth inspired many manufacturers to increase their capacities, thus affecting the supply end as well. The double impact of a slowdown in demand and the expansion of capacities caused an unprecedented increase in inventory levels across the industry. This rise in the inventory levels induced the prices to tumble.

Since April'09, the prices of base metals have shown a substantial improvement after the approval of stimulus plans by various governments across the globe leading to the increase in stock piling by China. Restocking by China and the improvement in the global economic indicators has kept metal prices buoyed through the rest of CY09. While the historical peak prices are not likely to be achieved soon, the improvement in the global demand and the global cost curve provides some support to the prices.

As against the global situation, the domestic aluminium industry continued to record robust growth with an increased demand from the automobile and constructions industries. With the advantage of being one of the least cost producers of aluminium, all the domestic companies are implementing major expansions thereby doubling the domestic capacities and pushing India to become one of the major exporters of aluminium across the world.

In FY10, almost all the manufacturers reported a severe drop in their top-line and their profitability owing to the fall in realisations. Going forward it is expected that, industry margins are likely to improve on account of an increase in realisations as a result of an improvement in the global and domestic demand.

CARE Research's report on the 'Aluminium Industry' provides CARE Research's forecast on the domestic aluminium industry, which covers the outlook on the domestic profitability of players, cost of production, domestic demand-supply balance and India's export competitiveness. CARE Research's forecasts are based on its bottom-up demand forecasting model based on an in-depth knowledge of the metal industry and interaction with key industry players.



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4th Floor Godrej Coliseum, Off Eastern Express Highway, Somaiya Hospital Road, Sion East, Mumbai – 400 022.

Tel:+91- 22-6754 3456 Fax:+91-22-6754 3457

