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India can be self-reliant in PFA: Ajay Kapur

Vedanta Limited announced that it has become the first aluminium smelter to initiate commercial production of primary foundry alloys for the automotive sector. **Ajay Kapur, CEO Aluminium and Power Business, Vedanta Limited** speaks exclusively to Davis Index about the PFA market in India and the world.

Why did Vedanta decide to venture into manufacturing of alloys for the auto sector?

Vedanta Aluminium was the first in India to supply PFA (primary foundry alloy) to the domestic auto sector. Till then, the entire quantum of PFA demand was being fulfilled through imports. Under the government's 'Make in India' initiative, we are striving to fulfil requirement of aluminium by producing top-of-the-line value-added products from our facilities in Jharsuguda and BALCO. Looking at the promise of the auto market and its import dependency, we decided to tap into the opportunity and develop indigenous capabilities in the process. Under a pilot project in FY17, we started supplying a limited quantity of PFA to fully understand the value chain of PFA in the auto sector inside-out.

How much has Vedanta invested in this venture and what is be the capacity?

In FY19, we invested around $20-25mn to create state-of-the-art casting facilities with 240,000mt annual capacity. In 2019, at the 59th Society of Indian Automobile Manufacturers (SIAM) annual convention, we announced the formal launch of our PFA product line for the Indian automotive industry, and the products have been very well accepted by the market. We have a PFA casting capacity of 240,000mt spread across our plants in Odisha and Chhattisgarh.

What is India's position in primary foundry alloys market for auto components sector?

India's foundry market for automotive components is small (only 10pc of total foundry market — 10mn mt of cast iron + aluminium) in comparison to USA's foundry market, which is at 14mn mt per annum, of which 3.3mn mt, or 24 pc is aluminium. With an increasing focus on

higher performance with better safety and lower emission, this gap will shrink. There is immense scope for Indian aluminium producers to tap into the emerging market in the automotive sector. Even though India has world's second largest aluminium production capacity, imports were meeting the PFA demand.

Does Vedanta have plans for expansion of primary foundry alloy production in India?

We supply aluminium alloys in the form of ingots and cast bars to alloy wheel manufacturing units. In developed countries, a total of about 21 PFAs (primary foundry alloys) are used in the automotive segment to achieve light-weighting in the form of various auto parts and components. In India, we majorly use PFAs only for manufacturing alloy wheels and cylinder heads. So, there is immense scope for exploring the usage of aluminium in other auto parts like engine, suspension, front end carrier, instrument panel support, rear frame, chassis and many more. Vedanta Aluminium is planning to collaborate with downstream industry players to unlock the entire potential of aluminium used in the auto sector and cater to the rapidly evolving aluminium requirements of the Indian automotive industry.

What is the present requirement for aluminium in alloy wheels for two- and four-wheelers in India? How much of it is fulfilled by domestic producers?

The domestic market is dominated by two-wheelers with 81pc market share while that of passenger vehicles was at 13pc in the last fiscal year. In FY20, 17.4mn two-wheelers and 2.7mn four-wheelers were sold in India. Aluminium alloys are used by the domestic auto industry majorly as alloy wheels. Around 95pc of two-wheelers have aluminium, averaging at 7kg per bike, taking the consumption of aluminium alloy in this segment to 115,000mt per annum. On the other hand, only 20pc four-wheelers use aluminium, around 40kg per car in high-end models – which takes the total consumption of aluminium to around 21,000mt per annum. This adds up to a requirement of 136,000mt of aluminium in these two auto segments.

Moreover, steel wheels can be potentially converted to aluminium alloy wheels due to the trend of using tubeless tyres. This will further contribute 80,000mt to aluminium's usage in the alloy wheels category. So out of the total size of 216,000mt, the domestic aluminium producers are currently catering to only 100,000mt or 46 pc per annum. Hence, there is a big opportunity for auto and auto component manufacturers to source domestic aluminium alloys because of cost and fuel-efficiency and minimising dependence on imports.

India imports majority of alloy wheels from China. How much do we import, and do Indian industries have the capacity to produce alloy wheels locally?

As per our understanding, around 0.5mn alloy wheels are sold in the aftermarket per annum which consumes about 5,000mt of aluminium. Out of the total alloy wheel aftermarket, the domestic manufacturers' share is 25-30pc only. The rest is taken care of by imports directly in the form of wheels -- majorly from China. So, there is huge scope for domestic players to offset those imports. Though some top wheel manufacturers in the country have already lined-up efforts to bridge the gap, other auto and auto component manufacturers too, with the help of strategic partnerships with domestic players, can bring the imports down.

Do you think Indian industries can export alloy wheels to cater to global demand?

Yes, India has the potential to become an export hub for alloy wheels, given the size and scale of total global requirement. For instance, as India's largest producer of PFA, Vedanta can support this development by supplying against Advance Licences from our SEZ Unit in Jharsuguda, helping domestic suppliers compete with pricing in the process. India has the domestic capacity to cater to the market's needs at domestic and global levels.