

# India Metals Report Q3 2012

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## Abstracts

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Indian metals production will hit headwinds in 2012 as market growth moderates in the face of a slowdown in the automotive industry. Producers may also struggle to secure raw material and energy supplies for their operations, according to this latest India Metals Report from BMI. Indian crude steel output grew 5.6% to 72mn tonnes (mnt) in 2011 with declining activity in the automotive market and disruptions to raw material supplies undermining growth. BMI estimates consumption growth falling to 6.6% (68.7mnt) in 2011. Finished steel consumption is forecast to reach just under 100mnt in 2016. Factors depressing demand growth include the effects of higher interest rates on the automotive and construction sectors – the country's top steel using industries.

Aluminium consumption was estimated at 1.5mnt in 2011 and BMI expects it to reach 1.9mnt in 2016 due to growth in domestic manufacturing. A decline in activity in the automotive market coupled with raw materials supply problems and continued delays in capacity expansion will limit growth to 2.7% in 2012. Vedanta's expansion project, which is raising its smelting capacity from 1.6mn tonnes per annum (mtpa) to 2.5mtpa, along with a recovery in the aluminium market and hope that constraints to growth will be alleviated, should support 35% growth in primary aluminium output set to reach 1.97mnt in 2016, rising 3.0% y-o-y. In addition, we have raised our forecast for net exports from 132,000 tonnes to 261,000 tonnes in 2011. Lower levels of domestic consumption than previously forecast should ensure that India maintains a trade surplus in aluminium over the medium term and does not descend into deficit.

Indian refined lead output grew 5% to 175,350 tonnes in 2011 as Vedanta subsidiary Hindustan Zinc Ltd's (HZL) new 100,000tpa Dariba complex, commissioned in Q311, bolstered output. However, recyclers will retain a significant share of production. By 2012, Indian lead smelting will have reached the limit of capacity. However,

consumption will continue to rise, forcing the market to depend on imports, which should reach 75,000 tonnes by 2016.

Indian refined zinc output grew 11% to an estimated 778,000 tonnes in 2011, leading to an exportable surplus of around 85,000 tonnes. Domestic demand rose 8.6% to 616,000 tonnes in 2011 and is set to reach 896,000 tonnes by 2016, an increase of over 45% over the period. Production growth strengthened in 2011 after industry leader HZL brings its Rajpura Dariba smelter up to full capacity. India will remain balanced between supply and demand with modest net exports over the next five years. Beyond 2011, the medium-outlook for consumption is broadly positive.

Copper refinery output rebounded in 2011 with growth of 7.7% to 697,000 tonnes largely correcting the downturn in 2010. A positive long-term outlook means that Indian copper prices are likely to remain well supported. Indeed, the sustained growth of the Indian market will help support international copper prices.

The expansion of Sterlite's capacity should push output up. This should make India a significant exporter of refined copper, with exports rising to 367,000 tonnes in 2016

## Contents

Executive Summary

SWOT Analysis

India Business Environment SWOT

Industry Forecasts

Lead

Table: India's Lead Production & Consumption

Steel: Surplus To Decline

Table: India's Steel Industry ('000 tonnes, unless otherwise stated)

Table: India's Steel Industry ('000 tonnes, unless otherwise stated)

Copper: Output Growth To Moderate

Table: India's Copper Production & Consumption

Aluminium: Surplus To Decline

Table: India's Aluminium Production & Consumption

Zinc: Consumption Growth To Outpace Production

Table: India's Refined Zinc Production & Consumption

Macroeconomic Outlook

Commodities Forecast

Steel To Average US\$500/tonne In 2012

Table: BMI Steel Forecasts

Table: Steel Price Data, (US\$/TONNE)

Monthly Metals Update

Steel Prices Have Topped Out

Copper: Relative Outperformer But Still Weak

Tin To Outperform

Aluminium: Substantial Support Around US\$1,900/tonne

Nickel: Oversupply Pushing Prices Lower

Break Of Support On The Cards For Lead

Zinc: Downward Trend Continues

Table: Select Commodities – Performance & BMI Forecasts

Competitive Landscape

Steel

Table: Crude Steel Production Capacity By End-2012 (mtpa)

Table: Indian Steel Market Share By Major Players (%)

Table: Major Indian Steel Projects' Status, 2011

Aluminium

Table: Aluminium Smelters In India, 2010

Regulatory Landscape

Company Profiles

Vedanta Resources

Table: Vedanta – Financial Data

National Aluminium Company (NALCO)

Steel Authority of India Ltd (SAIL)

BMI Methodology

How We Generate Our Industry Forecasts

Cross Checks

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