

GREEN POWER, CAPTIVE MINING REMAIN A CORNERSTONE

Aluminium firms race to cut production costs

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Vedanta Aluminium aims for industry leadership in production cost, while Hindalco Industries hopes for higher cost stability. As Indian players strive for cost competitiveness, their global peers are formulating cost reduction strategies.

Captive mining remains a cornerstone in the cost strategies of Indian producers. Moreover, an increased focus on the use of green energy and consequent cost reduction is a common path forward for both Indian and global aluminium makers.

“Vedanta Aluminium is rapidly progressing towards becoming the world’s lowest-cost producer through comprehensive vertical integration and capacity expansion strategies,” said John Slaven, chief executive officer of Vedanta Aluminium, in response to *Business Standard*.

The company’s cost of production (COP) as of December 2023 was \$1,735 per tonne, claimed to be in the lowest quartile globally.

Although similar COP numbers for rival Hindalco are not officially disclosed. Industry analysts estimate them to be in the lowest quartile for some smelters.

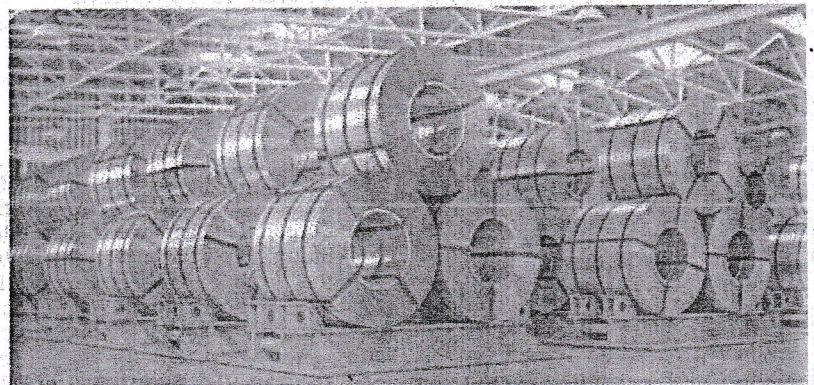
Satish Pai, managing director of Hindalco Industries, in a media call last month, declined to share an outlook on COP. However, he noted that with Hindalco increasing the utilisation of green power sources and more captive coal mines going into production, it will help lower dependence and fluctuations in costs.

Vedanta has a similar strategy.

“Vedanta Aluminium is rapidly progressing towards being the world’s lowest-cost producer through comprehensive vertical integration and capacity expansion strategies, including operationalising several mineral blocks for bauxite and coal secured through government auctions,” Slaven said in his response.

Vedanta is expanding its alumina refining capacity from 2 million tonnes per annum (mtpa) to 6 mtpa and smelting capacity from 2.3 mtpa to over 3 mtpa.

According to analysts, a ramp-up in captive coal production could also help



GLOBAL ALUMINIUM MAKERS COST DISCLOSURES

Company	Cost indicator	\$/tonne
United Company RUSAL (Russia)	Aluminium segment cost per tonne (2023)	2,297
Alcoa (US)	Cost curve position (2023)	Second quartile
Norsk Hydro (Norway)	Implied primary cost (2023)	1,750
Vedanta Aluminium (India)	Cost of production (Q3FY24)	1,735
Emirates Global Aluminium (UAE)	Smelter on the cash cost curve	First quartile

Note: Quartile: A set of values are placed in the ascending order on a cost curve and divided into quartiles, with the first quartile indicating lowest costs; The cost indicators may or may not be comparative, as formulas used by companies to arrive at them may differ
Source: Public disclosures made by the companies

EXPLORING LEGAL OPTIONS, INCLUDING REVIEW PETITION: VEDANTA ON TN COPPER UNIT

Vedanta on Wednesday said it is in receipt of the judgment passed by the Supreme Court on its copper unit in Tamil Nadu and is exploring possible legal options, including filing of review petition as per advice from its legal experts. Last week, the Supreme Court dismissed a plea by Vedanta to reopen its copper smelter plant at Thoothukudi in Tamil Nadu.

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National Aluminium Company, known to be one of the lowest-cost producers of alumina, register a further reduction in costs.

For the lowest-cost producer tag, Indian companies will need to compete with global producers, including those from West Asia.

Hitesh Avachat, associate director with CareEdge, observed, “In the global setup, companies from West Asia have a cheaper gas-based or oil-based power cost advantage. Other global players have well-established value chains, including access to bauxite. Similarly, companies with a captive mine, be it in India or Russia, also gain a cost advantage.”

Pai, in a media call last month, also cautioned that cheaper imports resulting from free-trade agreements with the United Arab Emirates can become a concern.

Avachat added, “The entire value chain decides who can possibly become the lowest-cost producer; it has been beyond smelting costs alone.”

In its interim 2023 report, Russia’s United Company RUSAL noted that production costs were under pressure due to dwindling raw material resources, global inflation, and international sanctions standoffs. In its recent results statement, the company said it continues to focus on research and development to reduce costs.