
Industrialization in Orissa -A Case Study of the Export Trend of NALCO**Dr. Shikta Singh****Asst. Professor, KSOM, KIIT University.****ABSTRACT**

In line with trends in the global aluminum industry, the Indian Aluminum industry is also witnessing important changes. These changes are expected to bring about wide ranging shifts in strategy and the way business is done in the industry in India. Some of the important changes are the process of Consolidation, Brownfield expansion strategies and Greenfield projects. Companies in India are increasingly looking towards achieving large economies of scale. Apparently, this seems to be a strategy for survival against large MNC's within and outside the regions. Without such consolidation the Indian industry may be on it's way-out. Strategies such as Brownfield expansions and Greenfield projects are other routes adopted by the companies in recent past. From 5 independent companies till about a few years ago today the industry comprises essentially of just three players The Aditya Birla Group including HINDALCO and INDAL, Sterlite Industries including BALCO and MALCO and the Public Sector Undertaking (PSU) NALCO. As far as the public enterprises NALCO is concerned, it plays a predominant role in the state to meet the aluminum needs of the people. In this context, here an attempt has been made to study the export trend of aluminums and its performance in the industrial scenario of Orissa which plays a prominent role in the development process of the states economy.

Objectives of the Study:

- To study the Global Aluminum Trade vis-à-vis Indian presence.
- To examine the opportunity to NALCO of export marketing potential of aluminum and alumina
- To examine performance of NALCO in export activities

Research Methodology:

While it is not feasible to cover all the companies in such a short-span of time, the research is dependent on the primary and secondary data and information gathered during the course of the study and interactions with the staff members of NALCO. The sources include public statements issued by the company files and records available with the documentation center, the marketing finance (export) cell at the corporate Office.

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Introduction:

Rapid industrialization is a potent factor, which contributes to the process of economic development. **Industrial Development** has become synonymous with the term '**Economic Development**'. There is no doubt that the term 'economic development' and 'industrial development' have different connotations while economic development is a generic term which embraces all forms of economic activity that serve to foster the development within the different economic structure. But modern economic development is so dependent on industrial development and it is the fact that effective industrial growth is very essential for successful economic development, particularly in a developing Country, like India.

India's industrial development began in the 19th century. Until independence, it was assumed that progress had been returned by colonial rule; that once the country became master of its destiny speedier development would be possible. It was believed that true economic progress lay in industrialization; that most of India's problems, particularly its grinding poverty, disguised unemployment and social backwardness amongst many sections of the Indian people would gradually disappear along with industrial development. Hence, it was during the second Five Year Plan, that industrial sector was given priority and since then till today the goal of industrialization has always been kept in the forefront of the government policy measures. The purpose of industrialization process can be sustained more effectively if surpluses of enterprises are reinvested largely on economic criteria and it is due to industrialization that various backward and forward linkages to the industry have been created.

Industries in Orissa: An Overview

Prior to independence, industrial activity in the state was virtually non-existent, except the exploitation of Iron ore and Coal to cater to the needs of industries in other states and for the railways. However, after independence, some medium and large industries were set up and the pace of industrial progress in Orissa has quickened.

Emphasis is being given to ferroalloys, electronics, Iron industry, aluminum industry and various agro- based industry. The initial foundation for industrial development in the state was laid with the establishment of a steel plant at Rourkela, an aluminum factory at Hirakud, Ferro-Manganese plant at Joda and expansion of the existing cement, paper and engineering industries during the second plan period. In the sixties, the ferrochrome plant at Jajpur Road, Cement Plant at Bargarh, Cables and rerolling Plants at Hirakud were established. The decade of 1980s saw a spurt in industrialization through small and medium industries set up through private entrepreneurs, mostly with the assistance from OSFC & IPICOL. Big industries like NALCO, Paradeep Phosphate and Coal based Plants at Talcher, Kaniha and Banharpal set up in the public sector further strengthened the industrial sectors. It also included the setting up of two Sponge Iron Plants in Keonjhar district a Refractory in Dhenkanal district and mineral sands separation plants of Indian Rare Earth Ltd. at Chhatrapur in Ganjam district. Hence, Orissa appears on the investment map of India with a long list of investment proposal mainly promoted by foreign investors. The majorities of the new projects are solely attracted by the rich mineral resources of Orissa and are therefore located in mineral rich regions. Hence, the state has witnessed an industrial upsurge due to the favorable industrial atmosphere in the state and at present the state government has signed more than 46 MOU with abroad.

An Overview of Aluminum Industry:

Aluminum has now emerged as the second largest metal to be consumed after steel with a total Production capacity of around 40 million MT. This poor Man's silver is replacing steel in a significant manner and reaching the height of applications in several industries including transportation, construction, Railways, electrical, automobiles, aviation etc. Aluminum is the third most abundant

element in the earth's crust (other two being non-metals; silicon & oxygen) and constitutes 7.3% by mass. Aluminum is tapped extensively and increasingly used in a myriad of applications from the humble household utensils to components of aerospace research. It thus promises to keep momentum and shine brighter in the near future.

Indian Scenario:

India, the ninth largest economy in the world is poised to join the elite superpowers. Manufacturing which contributes about 30% to the GDP is playing an increasingly critical role in this transformation. Steel and aluminum industries will be major components in the manufacturing sector aided largely by the rich mineral wealth in the country. Needless to say, with its huge reserves of bauxite, abundant reserves of coal the Indian aluminum industry is growing and gearing it to meet the increasing global demand. Indian Aluminum Industry came into existence with the commissioning of Aluminum Production Co. of India Ltd., (Now INDAL) in Kolkata in 1938. India accounted for around 7.3% of global bauxite production. India's production of aluminum aggregated 1.11 MT in 2006 accounting for 3.8% of global production. Though there are more than 200 bauxite mines operating in the country, most of these are small open cast and manually operated. Fifteen major deposits account for 75% of the country's production. The Indian aluminum industry is highly concentrated with only five primary plants in the country from three business groups.

- The Aditya Birla Group: Including HINDALCO, INDAL
- The Sterlite Industries : Including BALCO, MALCO
- Public Sector Undertaking: NALCO

Table-1 reflects the production trend of Aluminum in country from 2000-2008.

Table-1

Production of primary producers of Aluminums in India

PRODUCTION (IN MT)								
Name of the Company	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
YEAR								
HINDALCO	2,96,657	3,07,157	3,18,068	3,89,197	-	4,38,536	4,50,725	4,84,645
INDAL								
BALCO	1,15,670	99,489	1,26,569	1,29,893	-	2,10,702	3,52,772	3,96,551
MALCO								
NALCO	2,30,516	2,31,674	2,44,708	2,98,208	-	3,58,954	3,58,735	3,59,213
TOTAL:-	6,42,843	6,38,320	6,89,345	8,17,297	-	10,08,192	11,62,232	12,40,409

Source : National Directory of Aluminum Industries, 2007.

Table-1 depicts the primary producers of aluminum production of other companies in India since 2000-01 and also shows NALCO's position, amongst the other producing companies. The total production of the aluminum producing countries comes out to be 6.42 lakh MT in the year 2000-01. Amongst all the producers of aluminum HINDALCO (including INDAL) secures the first position in producing aluminum of rarely 2.96 lakh MT, followed by NALCO producing 2.30 lakh MT of aluminum in 2000-01. BALCO (including MALCO) secures the third position. Hence, the production shows an increasing trend are the years, excepting that of BALCO, which has shown a fall in its aluminum production from 1,15,670 MT in 2000-01 to 99,489 MT in 2001-02. The total production stands to be around 10.08 lakh MT during 2005-06 showing a percentage growth of annual 56.83% as compared to 2000-01. In the current year the total production has further boosted up to 12.4 lakh MT in 2007-08 showing a percentage rise of 23.03% as compared to 2005-06. Individually, HINDALCO is the leading producer in the country with a total production of nearly 4.84 lakh MT in 2007-08, BALCO, the second largest producer had a total production of 3.96 lakh MT and NALCO had a total production of 3.59 lakh MT in 2007-08. This depicts that NALCO is in the third position in the production of aluminum.

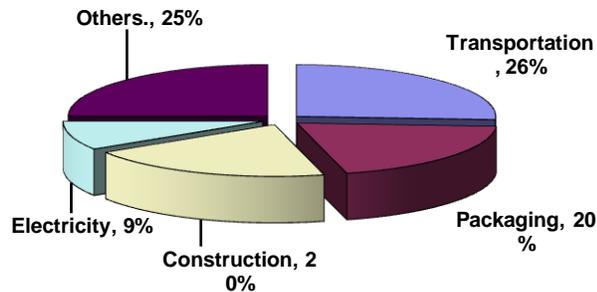
The development of the industry in India is well placed. From humble beginnings of a 2500 MT capacity plant set up by INDAL in 1938 the industry today has a combined capacity of close to 9,29,000 MTPA. The country has been endowed with the 5th largest bauxite reserves in the world. Both NALCO and HINDALCO are integrated set-ups and are largely independent where their raw material supplies are concerned. The Indian companies are among the lowest cost producers of aluminum in the world. With the dynamics of the industry changing, a study in this industry is more exciting and provides ample learning opportunities.

Aluminum: Its uses and Application:

Aluminum has only been produced commercially for about 150 years, and is still a very young metal. Mankind has been using copper, lead and tin for thousands of years and yet today, more aluminium is produced than all other non-ferrous metals combined. It is an indication of the revolutionary role that aluminium is playing in industry and in our lives. Some of the many uses of aluminium are in discussed below.

- Transportation (automobiles, aero planes, trucks, railway coaches, boats, etc).
- Missiles and Spaceships.
- Building and Constructions.
- Packaging (cans and foil, etc).
- Consumer durable goods (fan blades, cookware, air conditioners and lamp caps).
- Electrical transmission lines.
- Machinery and Sports equipment etc.

Figure -1 reflects its various uses in percentage.

Figure - 1

The above figure depicts that in the developed world, 20% of the aluminium is consumed by the construction industry. Consumption by the electrical segment is just 9%. Consumption of aluminium by the transport sector is 25%. The developed world also consumes a higher amount of aluminium in the form of aluminium foils used for packaging purposes.

INDIA – Poised to take up:

Aluminium production in India commenced in 1938 with the commissioning of Aluminium Corporation of India's (Indal) plant started with sheet production using imported aluminums ingots Canada having a capacity of 2,500 ton per annum. The plant in 1959, Hindustan Aluminium Corporation (Hindalco) was set up at Renukoot in U.P with the initial capacity of 20,000 ton per annum. MALCO, a public sector undertaking was commissioned in 1965 with a capacity of 10,000 ton per annum. Balco, a PSU with a similar capacity of 10,000 ton, followed this in 1975. In 1970's, the government regulated and controlled the aluminium industry through price distribution controls and barriers to entry. In seventies Aluminum Control Order compelled the Indian companies to sell 59 % of the aluminium produced for electrical purposes. The government decontrolled the industry in 1989 with the removal of the Aluminium Control Order. The industry was de-licensed in 1991 and was allowed liberal import of capital goods and technologies. The demand for aluminium grew 6% in the 1980. Aluminium demand post liberalization registered a growth rate of 12%. This coupled with the increase in the global aluminium prices (\$1800/ ton in 1994) led to increase investments in this sector. The downstream capacity in the aluminium industry spurted due to sufficient duty differential between aluminium ingots or primary metal and value-added downstream products. In March 1993 while the duty on aluminium ingots was 25% the duty on downstream products was 70%. However, with the change in the tariff structure undertaken in the 1997 budget, duty on semi-fabricated metal was lowered to 25%. This change adversely affected the fortunes of the downstream products.

Competitive analysis:

The entry barriers for setting up an integrated aluminum plant are really high. This includes bauxite mining, alumina refining, and smelting of alumina into aluminum. The latter requires continuous and consistent supply of power. Among the Indian companies, HINDALCO and NALCO have substantial capacities with captive power facilities and are relatively protected from power shortage unlike other Indian companies namely INDAL, BALCO and MALCO. The entire sector faces threats from cheaper

imports with the aluminum prices being linked to the LME. Aluminum companies from Russia, China as well as Bahrain are known to dump cheap aluminum into the domestic market. On the raw material front, the integrated aluminum companies are protected. They have their own Bauxite mines and also possess their own plant. The only commodities procured are CPC coke, caustic soda. Aluminum faces threat from substitute material such as Steel, Plastics, HDPE and copper. In the electrical sector, aluminum faces threat from copper, which is a good conductor. However, copper is more expensive than aluminum. Steel is used predominantly in automobiles in India. Another area where aluminum finds use and could replace steel is in the manufacture of aluminum wheels. HINDALCO and NALCO have already made a foray into the manufacture of aluminum wheels. In India, these are either served in tetra packs or glass bottles. HINDALCO and NALCO are mulling over the possibility of entering this segment.

India's dismal per-capita consumption, strong latent demand from the power sector and low intensity of aluminum consumption (only 300 known applications against more than 2,500 in other developed markets) suggest good potential for aluminum consumption in India.

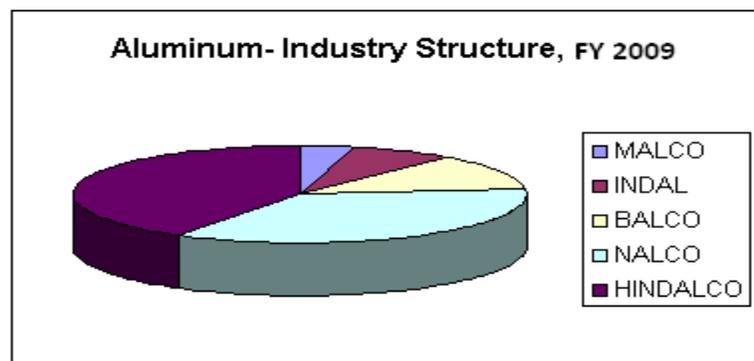
The intensity of aluminum consumption in India remains low, both by developed and emerging market standards. With the low intensity of use in construction and packaging, the power and auto sectors remain the main drivers. Over the past few years, because of low investment intensity in the power sector, aluminum demand growth has been more or less stagnant. Unlike China, where demand from the construction sector (33% of aluminum demand growth) has been the key driver of aluminum consumption, in India demand from the construction sector has been a modest 8%. This is attributed to a variety of factors, of which the lack of standardization in aluminum products used in construction is a key factor.

The Indian aluminium industry is segregated into primary and secondary or downstream aluminium producers. National Aluminium Company Ltd (Nalco), Hindalco Industries (Hindalco), Indian Aluminium Company Ltd (Indal) - part of ADITYA BIRLA group, Madras Aluminium Company Ltd (Malco) and Bharat Aluminium Company Ltd (Balco) - part of STERLITE group are the major aluminium producers in the country. The total installed capacity of primary aluminium in India is about 6, 60,000 tones. India is ranked 7th worldwide in case of alumina production and the 10th worldwide in case of aluminium.

Industry Dominated by NALCO and HINDALCO:

Domestic aluminum production is concentrated in the hands of three key producers – Nalco, Hindalco and Sterlite/Balco. Following the privatization of Balco in 2000, Nalco is the only state owned aluminum producer in India. Balco's announced capacity expansion program will make it almost as large as the other two producers by FY10.

Figure-2



NALCO is the largest producer and exporter of alumina in the country, followed by HINDALCO (only subsidiary INDAL Exports alumina). BALCO has announced that it intends to set up a Greenfield alumina refinery in Orissa over the next three to four years. HINDALCO is to re-activate plans to set up a 1m tonne Utkal alumina refinery – a joint venture with ALCAN. All the Indian producers (with the exception of Indal) are vertically integrated, with operations ranging from captive bauxite mining and power generation to production of aluminum products. HINDALCO, thanks to its subsidiary INDAL, produces the highest value-added products in India. INDAL has traditionally been India's only producer of high grade sheets and foils and has a leading market share in most segments.

Company Profile of NALCO in Orissa:

Nalco is considered to be a turning point in the history of Indian Aluminum Industry. Its establishment has underlined the industrial importance of Orissa in particularly. In a major step forward, NALCO has not only addressed the need for self sufficiency in aluminum but also given the country a technological edge in producing this strategic metal as per world standards. A framework for the Orissa Aluminum complex was evolved following the discovery of large reserves of Bauxite ore in the East Coast Belt. On March 28, 1978, the Govt. of India authorized Aluminum Pechiney of France to prepare a feasibility report on industrial exploitation of bauxite for the establishment of an integrated aluminum complex in the country. Feasibility studies focus on Panchpatmali, five flat topped hills in local parlance, 30 Km east of Koraput in Orissa and 130 km north of Visakhapatnam Port, containing the single largest deposit of 370 million tones of bauxite of unquestionable potential.

In May 1980 Bharat Aluminum Company Limited (BALCO), the forerunner in Public Sector Aluminum Industry put forth the Orissa Aluminum Complex proposal to the Govt. of India and a Memorandum of understanding (MOU) was signed between the Govt. of India and the Republic of France for the setting up an Alumina – Aluminum Complex in the state of Orissa as a “Flag Project” of Indo-French Cooperation. The Govt. took the colossal investment decision on 1st Nov. 1980 and on 7th January 1981, NALCO was registered. With a vision to be a Company of global repute in the Aluminum Sector, NALCO got incorporated in 1981, as a public sector enterprise under the Ministry of Mines, Govt. of India. The then Prime Minister of India Late Smt. Indira Gandhi laid down the foundation stone of NALCO at Damonjodi on 29th March 1981. Thus there ushered a turning point in the 50 years old history of Indian Aluminum Industry with NALCO. The company started its operation with an initial investment of Rs.2408 crore, which was partly financed by Rs.1119 crore equivalent Euro dollar loan raised through a consortium of international banks and the balance of Rs.1289 crore through equity from the Govt. of India. After the grant of the first phase expansion in 1998, the project cost was Rs.7180.58 crores; showing an increment of 198.20% from its initial investment.

During the year 2004-05 the company completed the commissioning of remaining facilities under the first phase expansion and started the second phase expansion. The govt. of India has approved the 2nd phase expansion of the company's Integrated Aluminum at an estimated capital cost of Rs.4091.51 crore on 26.10.2004. Hence with an initial investment of Rs.2408 crore, NALCO has now created a National Asset of worth more than Rs.10, 000 crores, yielding rich dividends for the Country, for the state and for the people at large. The main Mission of the company is to achieve growth in business with a global competitive edge providing satisfaction to the customer, employee, shareholder and the people of Orissa at large.

Production trend of NALCO in Orissa:

Keeping in view, the dynamic role of the Public Sector Undertakings (PSUs) in India, an attempt has been made to make an in depth micro level study of NALCO in relation to its growth perspective and its

performance. This section mainly focuses on the trends in physical output with respect to its production & export turnover as a major parameter of growth of the Aluminum Company taking into consideration the secondary data.

Table-2**Production Trend from (2003-2009)**

Particulars	Unit	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Production							
Bauxite	MT	48,16,762	48,51,726	48,54,253	46,23,278	46,84,684	47,00,027
Alumina	MT	15,56,100	15,75,000	15,90,000	14,75,200	15,75,500	15,76,500
Hydrate Aluminum	MT	2,98,207	3,38,483	3,58,954	3,58,734	3,60,457	3,61,262
Power (net)	MU	5,122	5,613	5,679	5,968	5,609	5,541

Source: Annual Report of NALCO (2003 – 2009)

Table-3**Sales performance of NALCO from 2003-2009**

Sl.No.	Particulars	Unit	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
01	Export Sales							
	Alumina	MT	9,34,874	9,09,081	8,62,616	7,73,573	8,59,943	8,51,886
	Aluminum	MT	1,29,718	1,32,730	95,747	92,678	1,00,847	82,317
02	Domestic Sales							
	Alumina/ Hydrate	MT	17,784	21,177	12,994	10,920	11,307	20,929
	Aluminum	MT	1,66,650	2,05,797	2,58,094	2,61,636	2,43,064	2,71,274

Source : Annual Report of NALCO (2003 – 2009)

Table-2 and 3 depicts the company's overall performance in terms of production and its sales, both export as well as domestic sales. The study uses 6 years data from 2003 – 2009. Over the last 6 years bauxite, alumina, aluminum and power have shown a striking rise in production and as far as export and domestic sales of alumina and aluminium is concerned, they have also shown a phenomenal increase. But the figures, since 2006 shows a declining trend in production, export and domestic sales.

Marketing:

In the marketing front the performance of NALCO has been excellent. The Company has achieved the highest ever sale of metal, rolled products and special grade Alumina / hydrate during the year. With the launching of NALCO Special Products Alumina (NSPL) – 102 in the overseas market through export of 41 MT to Vietnam during the year 2007-08, yet another milestone was reached. To strengthen the marketing efforts, a new stockyard in Chennai was opened during this period. MOUs were signed with 151 domestic customers for sale of metal during 2007 – 08 as against 118 MOUs during the previous year. The domestic sales of metal were affected from the smelter plant at Angul and nine stockyards at Kolkatta, Baddi, Jaipur, Faridabad, Bhiwandi, Silvassa, Bangalore, Chennai and Visakhapatnam. The Sales break-up of the company is reflected in Table 12. A brief note pertaining to sale performance has been provided.

Alumina & Hydrate:

An amount of 4, 95,723 MT of Alumina and Hydrate was exported to various overseas buyers while only 4,124 MT of alumina was domestically used in the year 2000 – 01. The figures have shown a phenomenal rise over the periods. In the year 2008 – 09, the quantity of alumina and hydrate that was exported was 8, 51,886 MT and the amount consumed in the domestic market in the same year were 20,929 which are very insignificant as compared to the world market. Hence, these figures give a very clear implication that NALCO has a major share of sale of alumina in the international market.

Aluminum:

The company has achieved the highest ever total metal sale of 3, 53,335 MT (The metal sale excludes 4642 MT consumed internally for project and production activities) to be written as footnote in the Year 2007 – 08, out of which 1, 00,847 MT of aluminum was exported and an amount of 2, 43,064 MT has been sold domestically. The domestic market remained strong during the year with the improved demand for the primary products. But in 2008 – 09 the export of aluminum has fallen to 82,317 MT and the domestic sales have increased to 2, 71,274 MT. These have been a backdrop in export turn over due to decrease in international demand for aluminum and general global meltdown in the economy. Moreover, the percentage increase or decrease in the growth rate of export sales of alumina & aluminium can be depicted in the following table-4.

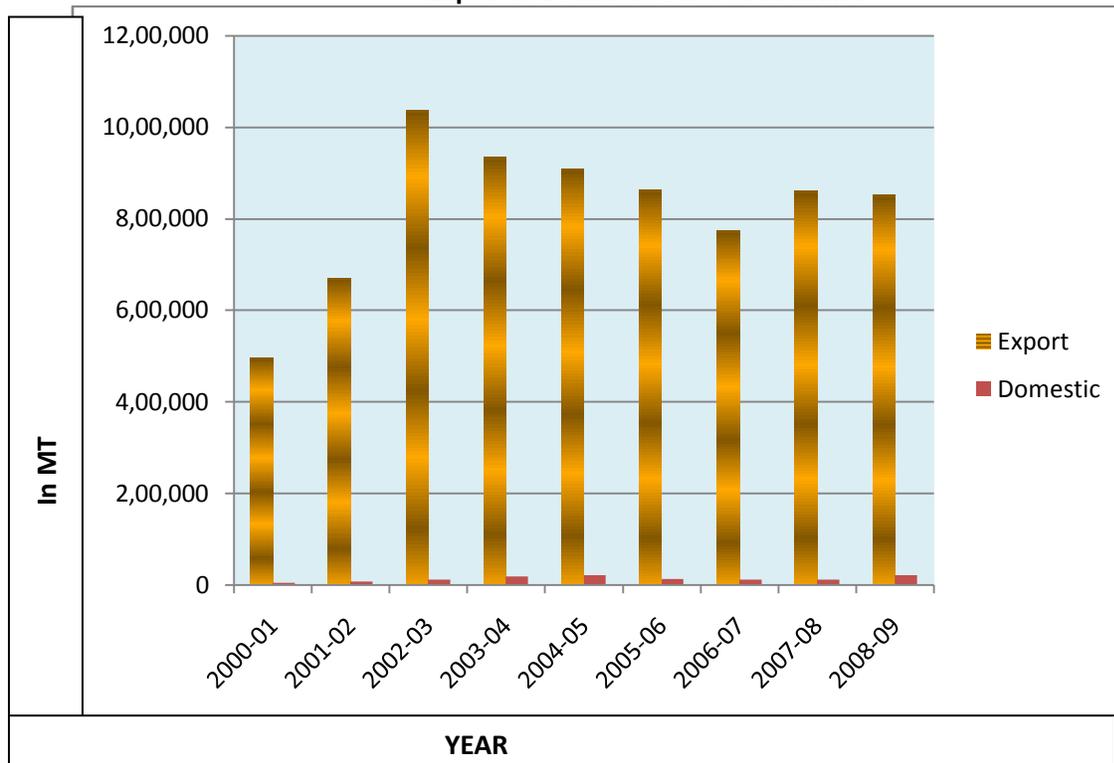
Table-4
Export Sales (2000-2009)

Year	Alumina (in MT)	% increase (+) or Decrease (-) 9 years	Aluminum (in MT)	% increase (+) or decrease (-) over last 9 years
2000-01	4,95,723		1,18,868	
2001-02	6,70,120	→ 35.18%	1,06,282	→ (-)10.59%
2002-03	10,37,287	→ 54.79%	1,07,302	→ 0.96%
2003-04	9,34,874	→ (-)9.87%	1,29,718	→ 20.89%
2004-05	9,09,081	→ (-)2.76%	1,32,730	→ 2.32%
2005-06	8,62,616	→ (-)5.11%	95,747	→ (-)27.86%
2006-07	7,73,573	→ (-)10.32%	92,678	→ (-)3.21%
2007-08	8,59,943	→ 11.17%	1,00,847	→ 8.81%
2008-09	8,51,886	→ (-)0.945	82,317	→ (-)18.37%

Source-NALCO's Annual Report.

The above table reflects a clear idea on the export sales of alumina and aluminum as well as the percentage increase or decrease in their growth rates over the last 09 years. The table shows that the growth rate of export sales of alumina has been reducing from 2003 – 04 onwards since the company had started using more of alumina for its domestic use for the production of aluminum, and as the price of aluminum is high in the Global Market. By producing more of aluminum and its products the company can earn more foreign exchange. More over the export of aluminum has shown a negative trend in its percentage growth since 2005 – 06 except the year 2007 – 08. The reason being, decline in the demand for aluminium in the world market. This table can be explicitly explained in the form of the following bar diagram fig- 3.

Figure -3
Export & Domestic Sales of Alumina

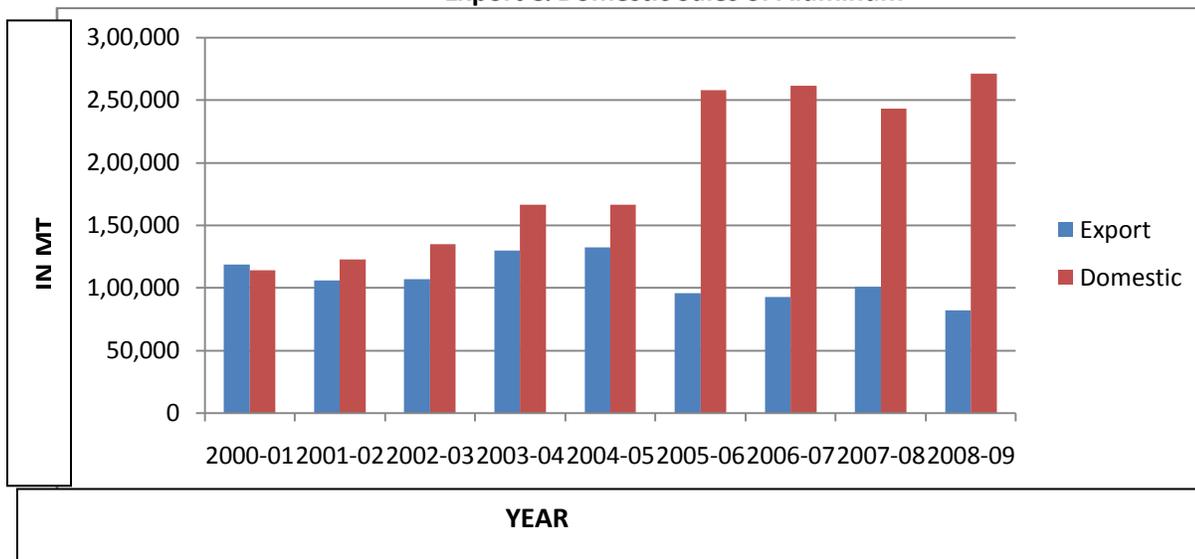


the last nine years.

Table -5
Domestic Sales during the last 9 years

Year	Alumina (in MT)	% increase or decrease over last 9 years	Aluminum (in MT)	% increase or decrease over last 9 years
2000-01	4,124		1,14,082	
2001-02	6,297	52.69%	1,23,095	7.9%
2002-03	11,190	77.70%	1,35,193	9.83%
2003-04	17,784	58.93%	1,66,650	23.27%
2004-05	21,117	19.08%	2,05,795	23.49%
2005-06	12,994	(-)38.47%	2,58,094	25.41%
2006-07	10,920	(-)15.96%	2,61,636	1.37%
2007-08	11,307	3.54%	2,61,636	(-)7.09%
2008-09	20,929	85.09%	2,43,064	11.60%
2008-09	20,929		2,71,274	

The table-5 very clearly reflects that there has been a steady increase in the domestic sales of alumina since 2000-01 i.e. an amount of 4,124 MT till 2004-05 i.e. an amount of 21,117 MT. But the year 2005 and 2006 have seen a significant decline, but the trend has again risen during 2008 – 09 and showing a domestic sale of 20,929 MT of alumina. As far as aluminium is concerned, the figures have shown on increasing trend except in the year 2007-08. There has been a growth percentage of 85.09% in alumina and 11.60% in case of aluminium in 2008-09 as compared to previous year. These figures can be more clearly depicted in the form of the following bar diagram.

Figure –4**Export & Domestic Sales of Aluminum**

These two bar diagrams (figure – 3 and 4) shows a very interesting aspects of NALCO.

It shows that there has been a steady decline in the export of Alumina and slow increase of sale of alumina in the domestic market. This is because monetary wise export of alumina is less lucrative than that of export of aluminium which is a finished product and fetches a much higher rate globally. Domestic consumption of alumina has also increased as other aluminium industries are producing aluminium to meet the sudden urge of aluminium demand worldwide. Hence, NALCO was more tilted towards exporting aluminium world wide rather than alumina to earn foreign exchange.

Export of aluminium has also taken a quantum leap in 2003-04 and 2004-05 i.e. to the extent of 23.49% because of high demand for aluminium in the international market. But the year 2008-09 has seen a disastrous fall in its export. This has been due to the decline in the international demand for aluminium and general global meltdown in the economy. Another associative reason is that there has also been a fall in the demand for aluminium in China after Olympics.

Moreover, domestic sale of aluminium has also increased in the form of 'Finer Products', which generates still higher revenue than aluminium metal. These finer products includes aluminium foil, cans, alloy wheels, production of Car parts and bodies, aluminium sheets, aluminium used for aviation, space crafts are increasingly being made in India. Hence its growth has been quite significant. Hence, the export trend of NALCO seems to be quite appealing.

The company is vertically integrated and is among the lowest cost of producers of primary aluminium in the world. Nalco is a significant exporter of alumina, which helps it earn valuable foreign exchange. Nalco has acquired a 100% stake in International Aluminium products Ltd, which manufactures cold rolled products. At the same time, the company has decided to shelve the proposed venture into the wheel of aluminium segment and its foray into the manufacturing of aluminium cans.

In spite of being a public sector company, the management has continued to focus on its core business and diversifications planned have also been synergistic. But the public sector tag continues to haunt the valuations of the company and it continues to get a lower discounting than its peer group. Aluminum, with emerging new applications and different geophysical sector of the world showing spiraling growth in consumption and demand is the metal for the 21st Century. With per capita consumption of Aluminium in India is poised to grow manifold in coming years, thanks to the spurt in sectoral consumption pattern due to Government policy initiative in electricity and auto sector and new usage of aluminium. Geographical proximity to Asia Pacific region which will remain the major markets for coming years provides Nalco has a natural advantage both in Alumina and Aluminium. Linkage with LME prices, synchronization of spurt in international prices with that of the expanded capacity of Nalco along with strong demand drivers in both domestic and overseas market will augur well for the company in days to come.

Hence, Nalco is the second largest of primary aluminium in India. It has shown an improved performance since FY 2004 in almost all key performance areas. Net sales increased by 30% to Rs 5108 crore. While the net profit rose by 41.20% to reach Rs 1272 crore in FY 2008-09. The company achieved a new landmark in aluminium export of 1,00,847 tones, and the export earnings rosed to Rs 2085 crore in FY 2008-09. The long term outlook for the use of aluminium is bullish and NALCO as an experienced player in this field has established its footage.

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