

**N**ational Aluminium Company (NALCO) was incorporated in 1981 as a Public Sector Company under Ministry of Mines, Govt. of India. NALCO is Asia's largest integrated Aluminium complex having Bauxite Mines, Alumina Refinery, Aluminium Smelter and Captive Power Plant situated in the state of Orissa along with Port Facilities at Vishakhapatnam, all in India.

Alumina produced by NALCO is partly used for Aluminium production and partly exported to various countries because of its world class quality and competitive price. Similarly, Aluminium produced by NALCO has different end products like wire rod, ingots, sow ingots, Rolled products etc. which are sold both in domestic as well as international markets. Price and quality wise NALCO products are internationally acclaimed and competitive. NALCO is engaged in its own R&D activities as well and has the pride to have few patents also. In recognition of the interest of the society, NALCO assigns high importance to protection, maintenance and promotion of environment. NALCO has the rare privilege of getting award from Govt of India for export for consecutive 19 years.

An expert in Corporate Finance, Shri Bajrang Lal Bagra holds the charge of CEO and CFO



- B. L. Bagra

# NALCO Marches Ahead

*The growth of demand in India is mainly triggered by the power transmission industry and the investment in the power transmission is at the very fast pace. And therefore we maintain that the demand of growth of aluminium metal in India will still outpace the general growth rate in the economy. It will touch almost 13% to 15% of the growth rate. The other sectors which are emerging very fast are the transport and the packaging sector in India. In the transport, particularly the new generation cars due to fuel economy as well as the growing awareness about the fuel efficiency of using aluminium metal in the buses, trucks as well as in the railway wagons and passenger coaches that will trigger the demand and there is immense potential of such consumption in India. Therefore for the next even one decade we feel that the demand growth in India for aluminium metal will be in the range of 13% to 15% every year.*

of National Aluminium Company Limited (NALCO), a Navratna PSU under the Ministry of Mines, Government of India. Shri Bagra's astute business acumen has led to the articulation of the company's vision and mission document to provide the road map for the growth plans of the company. Sh. Bagra has been steering the Business Development plans of the company and has chalked out growth schemes involving investment over ₹ 48,000/- crores in India and abroad. Under his stewardship, Nalco has forayed in the renewal energy space. A 50MW wind

power station is being developed in Andhra Pradesh and action for development of another 50MW wind farm is on hand. He also holds the charge of Managing Director of Bharat Gold Mines Ltd. In addition, he is presently the Chairman of CII, Odisha State Council and a member of the National Councils of CII on PSUs and on Sustainable Development. He is on the Board of Directors of IPICOL and IDCO; both are the Government of Odisha undertaking. A man of simple tastes, Shri Bagra can disarm any person with his unassuming persona and gentle smile. He has deep interest in social activities. He has been associated with Gandhi Smriti Pustakalaya as Executive Committee member since 1994. He was General Secretary of All India Bagra Navyuvak Mandal from 1973 to 1978. He was among the key activists while Botswana for community affairs through India Association and Hindu Association. He is Paul Harris Fellow in Rotary and was President of Rotary Club of Temple City Bhubaneswar during 2008-09.

In an exclusive interview with Vaishnavi Naik, BL Bagra, CMD, NALCO, talks about the aluminium demand and company's prospects. Excerpts:

Can you brief about the present and future status of Aluminium industry?

- In the medium term the gross and per capita consumption is going to see a steady rise especially in the developing countries. Use of Aluminium seems to have a correlation with growth in GDP. This is well on expected lines since the use of Aluminium, all over the world is led by packaging and transport industry followed by construction and electrical transmission sectors. However the looming crisis in Europe could lead to a situation like it was in 2008.

In the long term I must acknowledge that I am quite optimistic. Though, sustainability of this energy intensive industry is likely to be challenged especially in the corners of the world which are energy deprived. Moreover, Composites may come in a big way to replace Aluminium in almost all applications that we are talking of today from the transport sector to building construction applications. But it may take a decade to materialize.

How are the coal prices affecting Aluminium Industry?

- In the country, energy requirements for Aluminium making come from coal. The cost of energy contributes almost 40% for Aluminium metal making. It is thus obvious that coal prices directly affect the profitability. Interestingly the price of energy is determined locally based on ground situations in the country and specific locality. But the price of Aluminium is determined based on global demand and supply in the short and medium terms. Thus the price of coal impacts the margins of the producers of Aluminium than the price of Aluminium.

Could you explain the affect of new mining policy on Aluminium industry?

- The effect of the new mining policy would be the same for any other mineral based industry. Yes, there will be pressures on the margins in view of the profit sharing mechanism for coal and 100% of royalty for Bauxite, built into the policy. If Coal India passes on full impact of profit sharing, the cost of



The Smelter Plant of NALCO, the Navratna PSU under Ministry of Mines, Govt. of India, has bagged the prestigious National Energy Conservation Award for the year 2011. Shri B.L. Bagra, Chairman-cum-Managing Director, NALCO, received the award from Shri Sushil Kumar Shinde, Union Minister of Power, during a function held at Vigyan Bhavan in New Delhi, to mark the National Energy Conservation Day.

production of Aluminium shall go further up, squeezing the margins. The 100 % of royalty to be paid for District development fund would have another cost push impact. None of these increases can be passed on by the Aluminium producers to customers and would have to be absorbed in margins only.

However let us remember that such initiatives were necessary for long term sustainability of Mining as an economic activity. Moreover the thrust on technological interventions in the mining sector beginning from prospecting to exploration and mining are

welcome steps.

Nalco has been the 1st company to be registered with LME, what is your experience?

The experience I should say has been more than satisfactory till date. First of all, the credibility of the company as a consistent producer of quality metal was established when we registered with LME.

All our trades in the international market are driven by LME registered contracts which ensures total transparency in the transactions. The LME registered trade contracts also provide for uniform platform for arbitration in case of disputes. Even

*As far as NALCO is concerned, our annual payment of royalty on the bauxite, which we are mining presently, is in the range of Rs 60 crores. However, that was based on the pre-expanded capacity. Now that our second phase of expansion of alumina refinery has just been commissioned, from October onwards our bauxite production will also be higher. For the current fiscal, the additional thing for the year 2011-2012 will be in the range of 75 crores but from the next year on a full year basis. It will be in the range of 85 crores.*

the domestic trades are indirectly linked to prevailing LME prices and the exchange rate, which in turn ensures an equitable platform of opportunity for the buyer and seller and at the same time ensures total transparency in the transactions.

Do you think, now its time that India should have metals and non-metals spot exchange?

The concept is alright theoretically. But I do not consider that the time is ripe for one such exchange in view of the low volumes of trade and the limited number of players.

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