Aluminium producers pitch for upping duty on imports

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A DETERIORATING demand outlook, suppressed market sentiment in Europe and consumption decline in China has led the domestic aluminium industry to demand for upping the import duty on aluminium to 7.5 per cent and imposition 2 per cent customs duty on aluminium scrap to insulate themselves from adverse market conditions.

Already reeling under overcapacity, high input costs and rising inventories, the aluminium producers led by public sector Nalco have recently told mines secretary Vishwapat Trivedi that unless the euro zone crisis is resolved and Chinese consumption resumes, any steady upward movement in aluminium price is unlikely.

Nalco CMD B L Bagra said in a communication to Trivedi that before March 2002, the customs duty on aluminium metal was 25 per cent and was reduced gradually to 5 per cent ad valorem for unwrought aluminium in January 2007 and has been held at that level since then.

Bagra said that the industry is suffering high input costs with electricity accounting for around 40 per cent. Substantial increase in coal prices coupled with changes made by the coal companies in their pricing system besides low availability of linkage has put additional cost pressure on the domestic aluminium producers.

Bagra said further that Indian smelters would be impacted by low cost aluminium from gas-based smelters in west Asia where production capacity has increased due to cheap gas available in the region.

Making a case for levying customs duty on scrap, Bagra said that as imports of aluminium scrap currently attract zero customs duty, it would adversely impact the domestic industry especially the primary producers.

The mines ministry, however, believes that global aluminium demand is expected to reach 48.2 Million Tonne (MT) in 2012, up 7 per cent fuelled mainly by demand from China and India. With European demand projected to fall, the ministry expects the global demand to balance in the current fiscal.