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Since the anti-dumping duty (ADD) investigation into aluminium wheel imports from China into India was completed on 9 June 2014, domestic cast alloy wheel production has increased as has the imports for wheels. In this special feature, we investigate the impact the ADD has had on the aluminium wheel industry in India over the last four years and explore the opportunity this opens for Indian aluminium smelters.

India imposes ADD on aluminium wheel imports

The Directorate General of Anti-Dumping and Allied Duties (DGADAD) determined that there was material injury to the domestic market because of wheel imports into India. Based on this, the authority had recommended that an anti-dumping duty be imposed on the import of Aluminium Alloy Wheels from China,

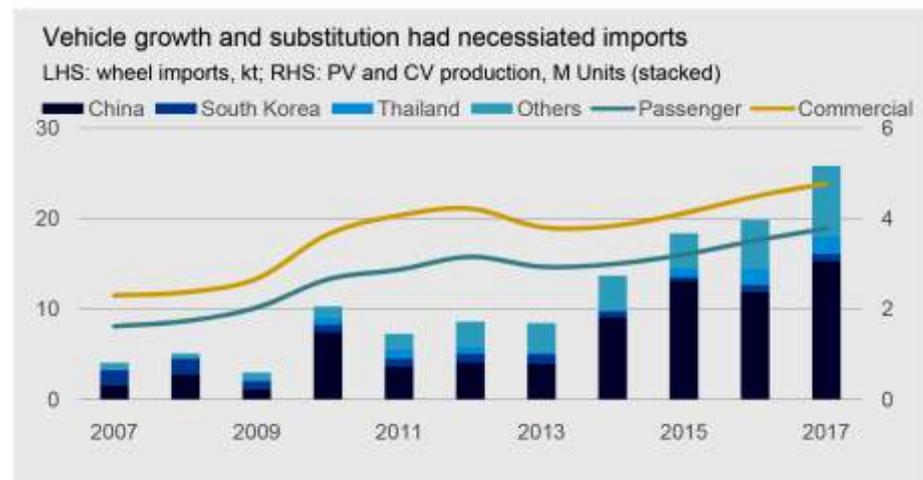
Wheel Manufacturing & Indian Smelters

South Korea and Thailand. The duty rates varied from \$1,060–2,150 /t and were dependent on the exporter and country of origin. The scope of the investigation only included alloy wheels for four wheelers, usually being imported under the trade code of 870870. Wheels for two-wheelers were kept out of the purview of the investigation.

DATA: IHS, CRU; Note: Trade data relates to HS Code 870870; PV: Passenger Vehicles, CV: Commercial Vehicles

What has been the impact?

After the imposition of ADD, in the three-year period 2014 to 2017, passenger car production in India grew at a strong compounded annual growth rate of 8.7%. During this period, adoption of aluminium wheels in the passenger cars



DATA: IHS, CRU; Note: Trade data relates to HS Code 870870; PV: Passenger Vehicles, CV: Commercial Vehicles

segments also grew, largely driven by the needs to lightweight because of fuel efficiency and emission standard norms in India. Aluminium wheel penetration rose from 15% to 40% from 2013 to 2017. Higher demand for aluminium wheels led to a continued rise of wheel imports into India. i.e despite the ADD being imposed, the imports of wheels into India continued.

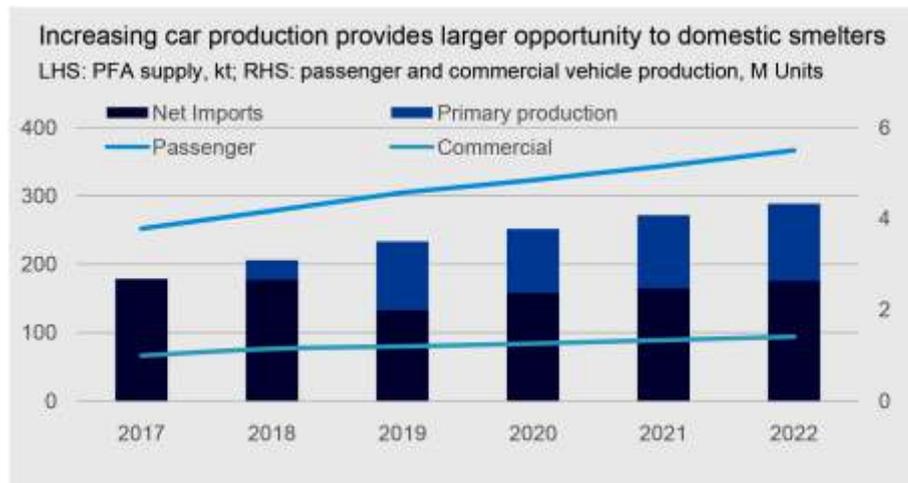
Despite rising imports, the ADD prompted existing wheel producers in India to expand their facilities. Also, many international producers invested in setting up facilities in India, either directly or through joint venture partnerships with domestic players. We detail the plans of the larger players below.

Enkei Wheels (India) Limited: The company has an existing 80,000/m four-wheeler wheel production facility at their plant in Shikarpur. In 2017, they declared plans to double the production capacity at Shikarpur. The new capacity is expected to come online by the end of 2019.

Minda Kosei Aluminium Wheel Pvt. Ltd.: Minda Industries Limited, a domestic auto ancillary manufacturer, tied up with Kosei Aluminum Co. Ltd. of Japan set-up an alloy wheel manufacturing plant in 2016. with an initial capacity of 125,000/m wheel production in Haryana. The company is also evaluating plans to set up another plant of similar capacity in Gujarat.

Steel Strip Wheel Limited: The company initially started operation with steel wheels in 1991. However, the company has expanded to alloy wheel manufacturing with an initial capacity of 125,000 /m. The plant came online in Q1 2018. The company is evaluating setting up another plant with an estimated wheel production capacity of 80,000/m. The expected date of start of operations is towards the end of 2019.

Maxion Wheels: One of the largest wheel manufacturers globally has recently announced plans to set-up a 160,000/m wheel production plant in Pune. The plant is expected to come online by 2019 Q3. The company has also procured sufficient land to double capacity should the market demand increase further.



DATA: CRU

Synergy Castings: Another of the larger alloy wheel manufacturers in India, with a present installed capacity of 80,000/m, has declared plans to expand their wheel making facilities. They have entered a Memorandum of Understanding (MoU) with the Andhra Pradesh government to set-up a greenfield plant with 200,000 /m wheel manufacturing capacity. Depending on the demand in the market, the facility can be expanded to a final capacity of 400,000 /m.

What does this mean for the domestic smelters?

Over the forecast period of 2017 – 2022, we expect passenger vehicle production in India to continue the strong growth witnessed in the last few years, growing at a CAGR of 7.8%. The introduction of Bharat Stage-VI (Indian emission standard norms like Euro Stage) in 2020 is likely to further necessitate light-weighting of vehicles. Increasing car production coupled with the needs to light weighting is expected to increase demand for alloy wheels in the country.

With the expansion plans detailed above, domestic wheel manufacturers are well placed to cater to the increasing demand for alloy wheels. The increase in domestic wheel manufacturing is expected to lead to higher demand for primary foundry alloys (PFA) in the domestic market. By our estimates, we expect that demand for PFA in India in 2022 will be 61% higher than in 2017. Domestic smelters are forecast to move in to foundry to capitalise on this opportunity.

According to our market survey, at present, domestic wheel producers import PFA from smelters in the Middle East and Malaysia and mix them with secondary alloys from domestic producers before casting the wheels. However, we expect domestic PFA production to start in 2018 in India.

Initially, however, the share of the market captured by the domestic smelters is expected to be low, 14% in 2018; the remaining 86% is to be met from imports. However, as domestic producers ramp-up production and start meeting the stringent quality norms of wheel manufacturers, we expect that by 2022 the domestic share of the PFA market will grow to 39%.

One key risk to our PFA supply forecast is how quickly the domestic producers can adopt the quality norms expected by the auto components manufacturers. If they adopt them faster, the share of imports will be lower than forecast. Similarly, if domestic smelters struggle to meet the quality norms, then the import proportion will increase.

DATA: CRU

CRU's Aluminium Casthouse Shapes Market Outlook which will be released in July 2018 will cover aluminium value-added products supply and premiums risk in detail. The Aluminium Casthouse Shapes Market Outlook includes demand, supply, costs, netbacks, premiums and trade forecasts for ingot, billet, slab, primary foundry alloy and wire rod.