

Market Overview

India's GDP in FY 2010 was 7.2% and is forecasted to grow between 7.5–8.5% in FY 2011. The acceleration of growth will be driven by favourable domestic structural factors coupled with foreign capital inflows.



Delivering Growth

Diversified, near-term capacity

1,064 ktpa (2010–11)
Zinc and Lead

1,200+ ktpa (2011–12)
Copper

2,500 ktpa (2012–13)
Aluminium

50 mtpa (2012–13)
Iron Ore

16 moz (2012–13)
Silver

5,500 MW (2013–14)
Commercial Energy



India
India's GDP expanded 7.2% in FY 2010 and is forecasted to grow between 7.5–8.5% in FY 2011. The acceleration of growth will be driven by favourable domestic structural factors coupled with strong foreign capital inflows and global cyclical uplift. The structural foundation of India's economic growth remains intact. The acceleration in infrastructure spending will be a key driver of elevated GDP growth.

While India has become more integrated with the rest of the world, its export-to-GDP ratio remains lower than those of other Asian countries. India's total exports account for around 20–22% of GDP compared with anywhere between 40–60% for other Asian economies including China, Korea and Taiwan.

India is therefore less exposed to a slump in external demand. The Eleventh Five Year Plan (2007–12) and Twelfth Five Year Plan (2012–17) of the Government of India provides for a total infrastructure spend from the government and the private sector of nearly US\$500 billion and US\$1,000 billion respectively in several areas including power, roads, railways and telecom. India's per capita metal consumption is comparatively much lower than that in developed countries and coupled with a huge infrastructure spend plan indicates a strong growth potential.

We believe these positive factors will enable us to continue to sell a majority of our metal production in India, where we realise a premium over the LME.

Source: AME, India's Five Year Plans, India Infrastructure Report and Economic Survey of India

Fulfilling local and global demand



Zinc

Refined zinc demand fell 6.2% in CY 2009 to 10.9 mt but is forecasted to increase by 5.2% in CY 2010 and 7.6% in CY 2011 with demand for end use products driving growth.

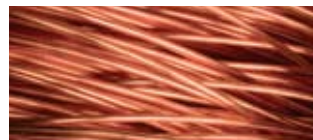
Supply was well disciplined in CY 2009 falling 5.2%. Refined supply is expected to increase as smelters that cut production in 2008 and early 2009 re-commence production. Supply is expected to increase 5.7% in 2010 to 11.9 mt.



Iron Ore

In CY 2009 it is estimated that global steel production fell 8% but is expected to grow 4.9% in CY 2010. Production will surpass 2007 levels in 2012 driven by China and India off-setting falls in North America, the EU and the CIS.

There has been a significant increase in the negotiated iron ore prices in 2010 from the previous year as renewed demand from steel producers in China is causing domestic supply shortages.



Copper

Global refined copper demand was 16.8 mt in CY 2009, down 6.5% from the previous year. Demand is expected to increase by 5.6% in CY 2010 and in CY 2011. The increase in demand in 2010-11 is expected to be driven by increased construction activities and investment globally. The growth in construction spending in China helped offset demand elsewhere in the world, with Asian demand expected to drive growth in demand over the coming years.

On the supply side, global refined copper production was 17.9 mt in CY 2009 and it is expected that the production capability will reach 18.4 mt in CY 2010, up 2.6%.

There exists a positive outlook for copper price as supply/demand dynamics remain favourable.



Aluminium

Following a severe flattening of growth in global demand in CY 2008, aluminium demand is estimated to have dropped by around 10% in CY 2009.

Global aluminium consumption was 34.6 mt in CY 2009 and is expected to increase 5.9% to 36.6 mt in CY 2010 and 5.5% to 38.7 mt in CY 2011 as the global economy recovers. Chinese aluminium consumption is estimated to have grown by 5% in CY 2009 driven by an accelerating recovery, with fiscal stimulus and increased bank lending spurring growth.

Prices are expected to rise steadily over the following years with the ability to switch smelting capacities. Production restarts are also expected not to overshoot demand growth.