

The NGT verdict: Relief to the Copper industry

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The National Green Tribunal (NGT) announced a verdict in favour of Sterlite (Vedanta) group which results in reopening of the 400KT copper smelter in Tuticorin. The copper smelter will receive a fresh order of renewal of consent within 3 weeks from the TNPCB (Tamil Nadu Pollution Control Board).

The closure of the Tuticorin smelter had resulted in a sharp fall in production. Domestic refined copper production had fallen by 42.1% during H1-FY19. The drop in domestic production during H1-FY19 had led to the domino effect of a sharp increase in the country's imports and fall in the exports thus turning India into a net importer of refined copper (India used to be the net exporter of refined copper). Exports have fallen by 93.6%, whereas imports have increased by 167.9%.

Closure of the Tuticorin smelter had also resulted in the shortage of sulphuric and phosphoric acids which is produced as a by-product and is used as key raw material for the manufacturing of fertilisers thus adversely affecting the downstream chemical and fertilisers industry of South India (the market where it mainly catered too).

CARE Ratings Outlook

With the permanent closure of the Tuticorin smelter, we had predicted the production of domestic copper to fall by 60.7% to 3310 KT, as compared with the level of production achieved during FY18 (India's refined copper production during FY18 was 843 KT). Given the fall in production can now be limited with the resumption of the Tuticorin smelter, **we have revised our estimates.**

- **Production of refined copper is to be around 380 KT by the end of FY19. Hence production of domestic copper to fall by 54.9%.** So far during the current fiscal year, FY19 (April-October) production for domestic copper has been 244 KT.

Demand for the domestic copper market is dependent largely on the electrical and telecom (56%), automobiles (8%), building & construction (7%), consumer durables segments (7%) and general engineering (6%). We estimate **domestic demand is range around 430-435 KT during FY19.**

- The SMART City development, impetus on increase of renewable energy, demand from the automobile segment and capex

activities related in the railways and defense sector is likely to further support the domestic demand for the metal.

Given that refined copper consumption is to increase in the given backdrop of robust infrastructure activities undertaken by the government, there will be an increase in the imports of refined copper.

- India is to still remain a net importer of copper till the end of FY19 with import levels being around 70 KT.

However in the next financial year, with the Tuticorin smelter operating without any impediments, we believe production and exports to rise thus bringing the quantum of imports down and converting India back to its status of being a net exporter of copper.

Table 1: Domestic Production, Consumption, exports and Imports of Copper during FY20 (E)

KT	Production	Consumption	Exports	Imports
FY20(E)	820	521	340	41

Source: CARE Ratings

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