

TAMIL NADU

Copper, all in a tangle

Sudhakar P.

Sangeetha Kandavel

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An advertisement in the papers last week had the industry in Tamil Nadu sit up and take notice. The contentious Sterlite Copper plant has put out a notice of its intention to sell its plant in Thoothukudi. Pollution issues notwithstanding, industrialists said that if this announcement was true, there would be implications for investor confidence in the State



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Four years after the Tamil Nadu government shut Sterlite Copper on charges of pollution following several legal battles, a unit of the Vedanta Group put out an advertisement last week announcing that the Thoothukudi smelter was up for sale. While environmentalists

enterprises that rely on copper (a key raw material) are worried that this would further impact businesses in the State.



Antibiotics are medicines used to prevent and treat bacterial infections.

When operational, Sterlite Copper produced approximately 40% of India's demand for copper and contributed around ₹2,500 crore to the exchequer. The Thoothukudi plant has an installed capacity of 4,00,000 metric tonnes per annum (MTPA) at the integrated copper smelter and refinery, with another 4,00,000 MTPA under expansion. Apart from copper, Sterlite was the only domestic supplier of phosphoric acid with a capacity of 220,000 metric tonnes. The acid is a key raw material for fertilizers. This particular plant was also the largest supplier of sulphuric acid in Tamil Nadu, which is used in the detergent and chemical industries. After the closure of this plant on May 28, 2018, the prices of all these raw materials shot up.

Data provided by Hitesh Avachat, Associate Director, Care Ratings, show that India is importing copper at a historically higher price, close to around \$9,600 per tonne, 50% higher than the average prices when India was a net exporter (around \$6,500 per tonne).

Forex fluctuations further add to the pain of the Indian copper market. He explains, “If we look at the end-use consumption pattern, more than one-third of copper goes into the electrical segment. What we have observed in the last four years is the wait time for raw material import has increased from a week to almost a month. “This means these companies must invest more in their working capital (to keep a higher inventory of copper). This also results in a significant impact on profitability owing to the inventory carry cost,” he said.

Copper EX-IM trend

The table indicates that India has shifted from being a large net exporter of refined copper to a net importer of copper during the last four years, since the shutdown of the Thoothukudi plant

(In thousand tonnes)

Year	Production	Exports	Imports	Consumption	Net Imp/Exp
FY13	685	263	24	446	239
FY14	644	256	38	426	219
FY15	762	368	38	432	330
FY16	796	320	33	509	287
FY17	799	339	35	495	304
FY18	766	379	44	431	334
FY19	457	48	92	502	-44
FY20	408	37	152	523	-115
FY21	401	88	155	468	-67
FY22	533	108	139	563	-31

Source: CARE RATINGS

In the last three years, industries in the Coimbatore region have been affected badly by the increase in raw material prices, especially copper, said M.V. Ramesh Babu, president, Coimbatore District Small Industries Association (CODISSIA). “We were thinking that the plant would open some day. This announcement has come as a surprise,” he said. “The Supreme Court should allow the company to restart. The Centre and the State government should support industries but at the same time ensure that they follow stringent pollution-control norms.”

Ar. Rm. Arun, president of the Southern India Chamber of Commerce and Industry (SICCI), said that if there had been any issue in its operation or the treatment of its effluents, the company should have been mandated to rectify the deviations and continue the operations. “Shutting down a plant does not solve the problem. Having shut down the plant, and not allowing any step to be taken, would naturally force the owners to think of what measures they have to take. This plant’s impact on its owners. The Vandana Group is

look into cleaning up any pollution that's been reported upon, before restarting production."

Mr. Arun also pointed out that India has now become a net importer of copper from financial year 2018-19 after the closure of the plant. Imports will continue to increase as domestic demand will double from 1 million metric tonnes to 2 million metric tonnes. He further said several industry sectors that need copper, such as electric vehicle, renewable energy, rail and electricity, would all be impacted by copper shortage, import dependence and the corresponding rise in input costs.

After the closure of the plant, many other industries and ancillary units (that depend on raw materials from Sterlite Copper) have also moved out of Tamil Nadu. An industrialist