

## Copper Industry: H1-FY19 update

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### Domestic Production, Consumption, Exports and Imports of Copper during H1-FY19

Domestic refined copper production has fallen by 54.8% during H1-FY19. Fall in production is majorly attributable to the permanent shutdown of the 400 KT, Tuticorin smelter which accounted for 40% of the country's copper smelting capacity. During the first half of the year, Hindustan Copper (HCL) and Hindalco output was also restrained due to the shutdown their smelters for maintenance purposes. This too has added to the decline in production of the metal.

The drop in domestic production during H1-FY19 has 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%, (during H1-FY18 exports had increased by 35.8%) whereas imports have increased by 167.9% (during H1-FY18 imports had fallen by 24.2%).

India imported refined copper from, Japan (73%), Congo (9%), Singapore (8%), Switzerland (2%), Tanzania (2%), South Africa (2%), Chile (2%) & UAE (1%) and exported refined copper to China (73%), South Korea (18%), Bangladesh (5%) and Malaysia (3%) during H1-FY19. Share of exports to China has increased, from 57% during H1-FY18 to 73% during H1-FY19 and share of imports from Japan has increased from 58% during H1-FY18 to 73% during H1-FY19.

Domestic consumption has risen by 5.1% on account of increased use of copper in the construction, electrical and automobile industry. Demand for copper in the domestic market is largely dependent on the electrical (34%), building & construction (8%), automobiles (11%) and the consumer durables segments (8%).

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Table 1: Domestic Production, Imports, Exports and Consumption of Refined Copper (KT\*)

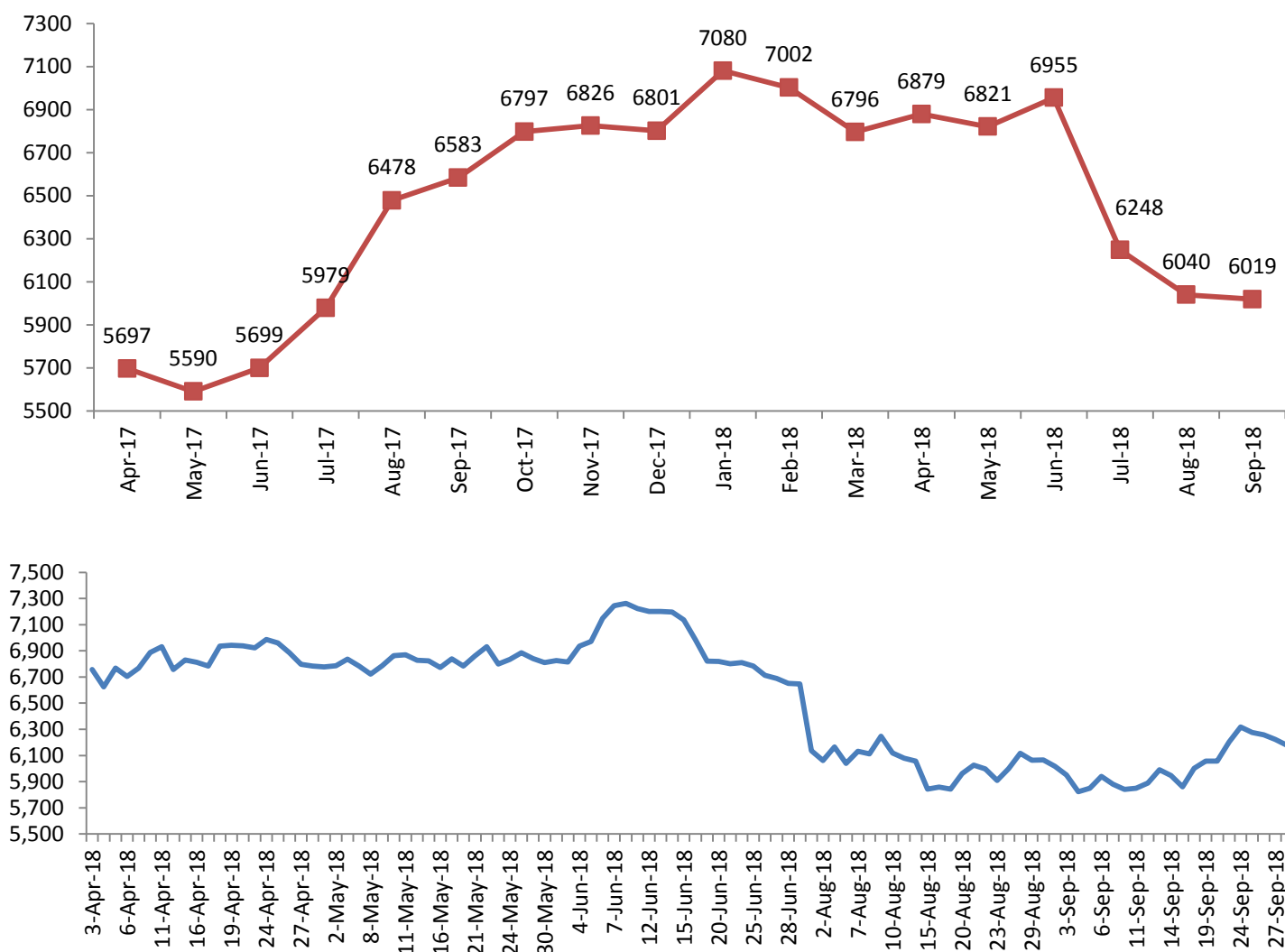
	Production	Change (%)	Consumption	Change (%)	Exports	Change (%)	Imports	Change (%)
H1-FY17	376		261		136		20.69	
H1-FY18	347	-7.7%	178	-31.7%	185	35.8%	16	-24.2%
<b>H1-FY19</b>	<b>157</b>	<b>-54.8%</b>	<b>187</b>	<b>5.1%</b>	<b>12</b>	<b>-93.6%</b>	<b>42.01</b>	<b>167.9%</b>

Source: Ministry of Mines, Ministry of Commerce, CARE Ratings

\*KT kilotonnes

### Global Copper Price Movements

Chart 1: Price movements of LME Copper (USD/tonne)



Source: LME

The global on-going trade wars, appreciation of the US dollar and fears of a global slowdown have been dragging the prices of copper to a 13 month low.

## CARE Ratings Outlook

With the permanent closure of the Tuticorin smelter, we had predicted the production of domestic copper to fall by 40% to 510 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 has been more than anticipated due to the planned shutdown of the copper smelters of HCL and Hindalco, we have revised our estimates.

- Production of refined copper is to be around 331 KT by the end of FY19. Hence production of domestic copper to fall by 60.7%. So far (H1-FY19) production for domestic copper has been 157 KT.
- Production from the other two players to pick up during Q3 and Q4 due to the remission of the copper smelters.

Demand for the domestic copper market is dependent largely on the electrical (34%), building & construction (8%), automobiles (11%) and the consumer durables segments (8%). We estimate **domestic demand is range around 530-535 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 a further increase in the imports of refined copper.

Global copper prices to hover around **USD 6,200-6,300 per tonne during the short to medium term period on a monthly basis.**

- LME Copper prices are to remain volatile till there is some settlement between the trade/tariff wars which are prevalent in the global economy.
- The winter cuts which will be announced soon in China might elevate copper prices.

## Appendix

### Domestic Production, Consumption, Exports and Imports of Copper

	Production	Change (%)	Consumption	Change (%)	Exports	Change (%)	Imports	Change (%)
Q1- FY17	168		126		50		8	
Q1- FY18	206	22.9%	123	-2.0%	86	70.1%	3	-64.9%
Q1- FY19	109	-47.1%	111	-9.6%	7	-91.6%	10	221.6%

	Production	Change (%)	Consumption	Change (%)	Exports	Change (%)	Imports	Change (%)
Q2-FY17	205	-	133	-	86	-	14	-
Q2-FY18	210	2.4%	126	-5.8%	99	15.6%	15	5.0%
<b>Q2-FY19</b>	<b>76</b>	<b>-63.9%</b>	<b>105</b>	<b>-16.3%</b>	<b>5</b>	<b>-95.3%</b>	<b>33.9</b>	<b>130.6%</b>

Source: Ministry of Mines, Ministry of Commerce, CARE Ratings

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