

Copper Industry: 9M-FY19 update

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

Domestic refined copper production has fallen by 46.1% during 9M-FY19. Fall in production is mainly due to the permanent shutdown of the 400 KT, Tuticorin smelter which accounted for 40% of the country's copper smelting capacity. Cumulatively the output of Hindustan Copper (HCL) and Hindalco was also low due the maintenance of the smelters during the first half of the year.

The drop in domestic production during 9M-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 87.4%, (during 9M-FY18 exports had increased by 25%) whereas imports have increased by 153.4% (during 9M-FY18 imports had increased by 3%).

India imported refined copper from, Japan (71%), Congo (7%), Singapore (6%), Chile (4%), South Africa (4%), Tanzania (3%), Switzerland (1%) & UAE (1%) and exported refined copper to China (75%), Taiwan (10%), Malaysia (7%), South Korea (6%) and Bangladesh (3%) during 9M-FY19. Share of exports towards China has increased, from it being 59% during 9M-FY18 to 75% during 9M-FY19 and share of imports from Japan has increased from it being 66% during 9M-FY18 to 71% during 9M-FY19.

Domestic consumption has risen by 1% on account of increased use of copper in the construction, electrical and automobile industry. Demand for the copper in the domestic market is largely dependent on the electrical (34%), building & construction (8%), automobiles (11%) and the consumer durables segments (8%). It has been observed the consumption of copper always increases during Q3. (Refer appendix)

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

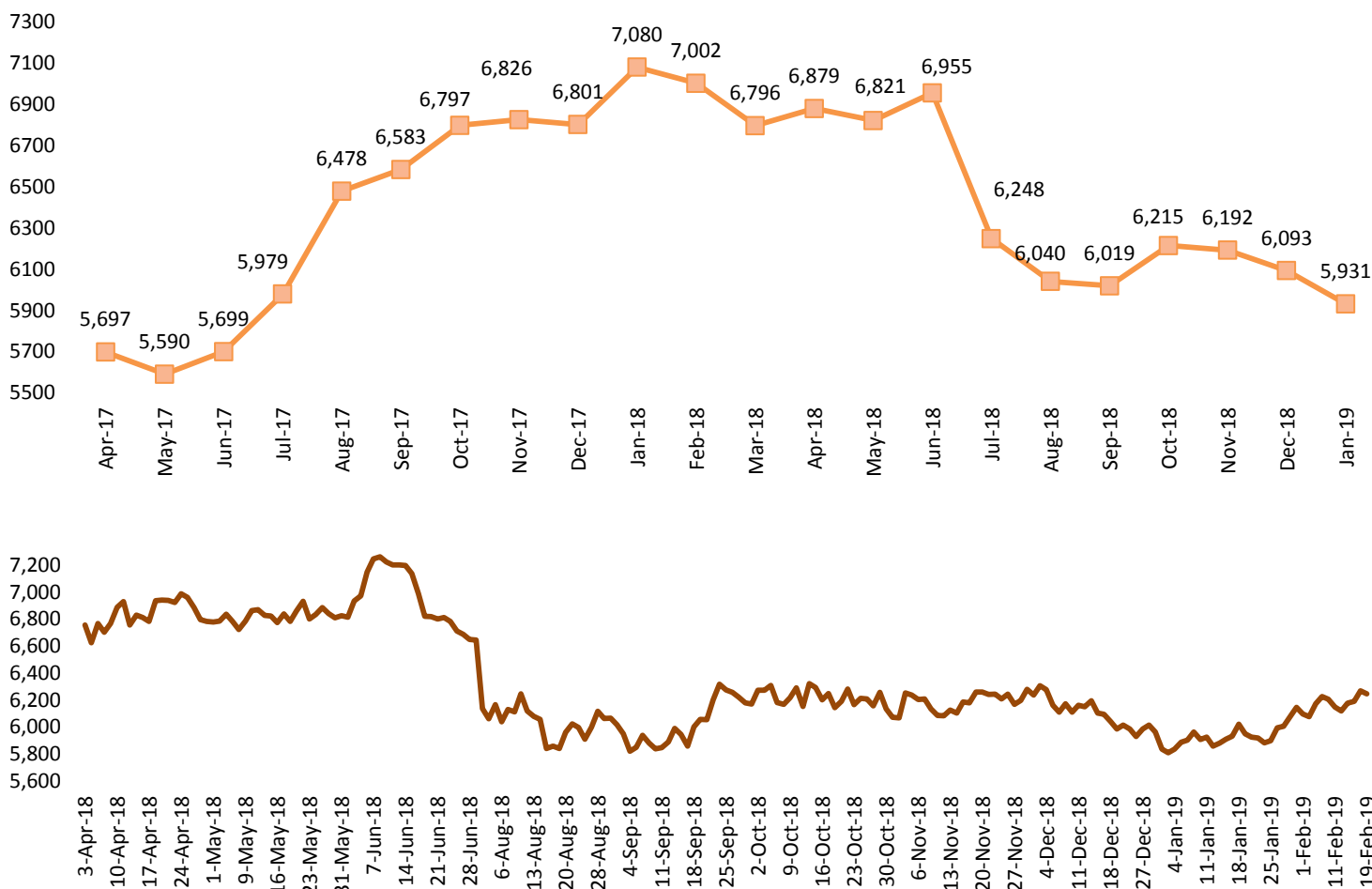
	Production	Change (%)	Consumption	Change (%)	Exports	Change (%)	Imports	Change (%)
9M- FY18	624	8.1%	362	-2.6%	288	25.0%	26	3.0%
9M- FY19	336	-46.1%	366	1.0%	36	-87.4%	66	153.4%

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, CMIE

The tariff wars between China and the US which led to fears of a global slowdown and appreciation of the US dollar had been dragging the global copper prices downwards. The January 2019 monthly price was a 19 month low. However there has been a recovery in the red base metal price since the start of February ever since there has been a dialogue of truce and settlement between the US and China.

CARE Ratings Outlook

With the permanent closure of the Tuticorin smelter, and with the Supreme Court's judgement against the NGT's verdict of the remission of the copper smelter, we believe by the end of FY19, refined copper production will be around 425 KT, registering a 49.6% fall from the FY18 level of production. The SC has objected to the restart of the Tuticorin smelter but has also stated that the company can appeal to the Madurai High Court. So far April-January FY19 production for domestic copper has been 379 KT.

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 480-500 KT by the end of FY19. Impetus on the increase of renewable energy capacity, 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 red metal.

Given that refined copper consumption is to increase in the given backdrop of robust infrastructure activities there will be a further increase in the imports of refined copper.

- India to become a net importer of refined copper by the end of FY19, after years of it being a net exporter.

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

- There seems to be a settlement in trade talks between China and the US.

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%
Q2-FY19	76	-63.9%	105	-16.3%	5	-95.3%	33.9	130.6%
	Production	Change (%)	Consumption	Change (%)	Exports	Change (%)	Imports	Change (%)
Q3- FY17	201	-	113	-	94	-	6	-
Q3- FY18	209	3.9%	117	3.6%	103	9.5%	12	84.4%
Q3- FY19	135	-35.2%	135	15.3%	24	-76.3%	25	110.2%

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

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