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Global scenario:

After remaining in deficit for two years, the global market for refined lead metal was nearly balanced in 2019, with supply exceeding demand by 8 thousand tonnes. Lead prices have remained under pressure due to weakness in demand, mainly from the automobiles sector.

Globally about 74% of lead is consumed by the automobiles sector in the form of lead-acid batteries. Automobile manufacturers across countries have halted their production to contain the spread of Coronavirus. This has impacted base metal prices. LME lead prices have fallen steadily since January and prices touched 4-year low in April 2020.

Table 1: World Refined Lead supply and demand ('000 tonnes)

	2017	2018	2019
Mine production	4,620	4,673	4,706
Metal production	11,569	11,796	11,752
Metal consumption	11,724	11,869	11,744

Source: International Lead & Zinc Study Group (ILZSG)

Global refined lead consumption fell by 1.1% to 11.7 million tonnes in 2019 mainly due to lower demand from the automotive sector. Global automotive production declined for two consecutive years in 2018 and 2019 by 1.1% and 5.2%, respectively. Refined lead metal usage fell mainly due to 0.5% fall in consumption in Europe (17%), 1.8% in China (42%), 6.7% in Japan (2%) and 1.4% in the United States (14%) in 2019.

Despite increases in India (5.5%), Mexico (3.8%) and the United States (9.8%), world refined lead metal production fell by 0.4% to 11.8 million tonnes in 2019. This was due to lower output from China which accounts for half of the world’s production. Production also declined in Canada and Japan.

Share of recycled or secondary lead production in total global refined lead output increased to 63.5% in 2019 compared to 62.5% in 2018.

Inventories reported by the London Metal Exchange (LME), Shanghai Future Exchange (SHFE) and producers and consumers remained at 385 thousand tonnes in 2019 same as at the end of 2018.

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Indian Scenario:

Hindustan Zinc Ltd (HZL) is the only integrated lead producer in the country. In other words, primary lead in the country is produced entirely by HZL. The company has 57% market share of domestic primary lead consumption.

HZL has two smelters Chanderiya and Dariba in Rajasthan having capacity of 85 thousand tonnes and 116 thousand tonnes per annum of lead metal, respectively. Thus, the smelting capacity for primary lead in the country presently is 201 thousand tonnes per annum.

In addition to primary lead, large quantity of secondary or recycled lead is also consumed. There are around 448 lead recycling plants with a production capacity of 1,698 thousand tonnes in the country. *However, since most secondary lead producers are from unorganized sectors, credible production data with regard to the same is not available.*

As per our calculations, the amount of secondary lead was 72% of total lead production in India in 2019 as given in the table below. The storage battery scrap is the main source of secondary lead production in India.

Table 2: Indian primary and secondary Lead scenario ('000 tonnes)

	2017	2018	2019
Mine production	175	195	201
Refined production (primary + secondary)	570	623	650
Refined usage (primary + secondary)	557	597	611
Primary Lead	167	195	185
% of secondary Lead in total	71%	69%	72%

Source: Ministry of Mines, ILZSG, CARE Calculation

In the current financial year FY20, primary Lead production fell by 7% to 149 thousand tonnes during April-January FY20 as compared to the corresponding period of the previous year. Temporary operational issues at HZL's DSC lead smelter, led to lower rate of production and consequent increase in lead mined metal stock.

Table 2: Lead demand-supply scenario in India in current year ('000 tonnes)

	Apr-Jan FY19	Apr-Jan FY20	% change
Primary Lead production	160.3	149.1	-7.0%
Import of Refined Lead	104.2	84.6	-18.8%
Export of Refined Lead	116.4	104.9	-9.8%
Apparent Consumption (Primary)	148.1	128.8	-13.0%

Source: Ministry of Mine, Ministry of Commerce

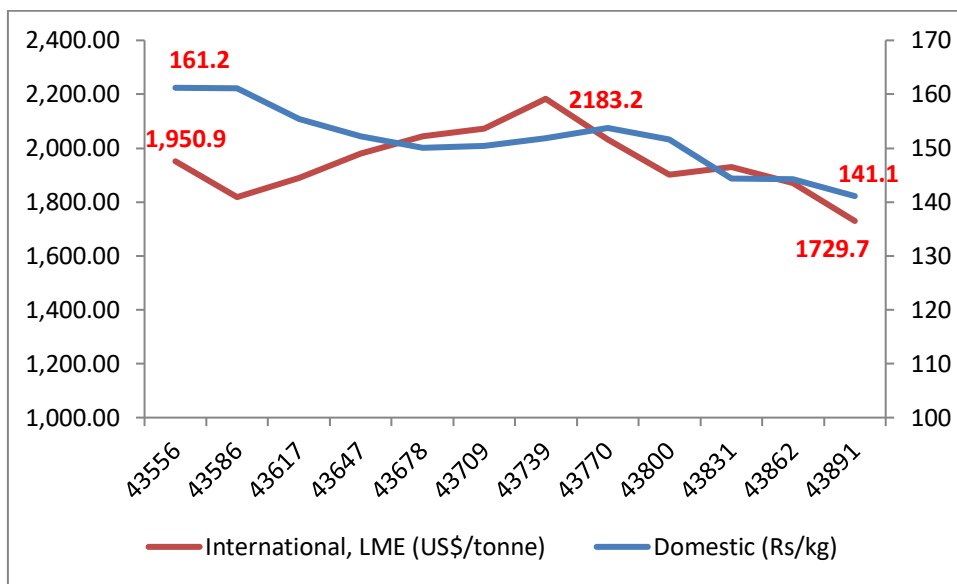
Over the years, India was a net importer of lead and in FY18 it turned into a net exporter. Refined lead exports jumped 62% in FY18. This can be attributed to the increase in production of recycled lead.

Import of lead fell sharply by 18.8% to 84.6 thousand tonnes during April-January FY20 vs the comparable period last year and exports too fell by 9.8% to 104.9 thousand tonnes. Lower demand from user industries impacted consumption of metal which fell by 13% to 128.8 thousand tonnes during the period.

The growth of lead industry is closely linked with the growth of auto sector as well as power back up industry like UPS/invertor market. It also depends upon the growth of electric vehicles market. Domestic automobiles production fell by 13% during April-February FY20. India’s industrial output grew by just 0.5% during April-January FY20.

Lead prices:

Chart 1: Trend in Domestic and International prices of Lead



Source: LME

Lead prices which remained sluggish during the first half of FY20 hit a high of US\$ 2,265 in October however prices came under pressure due to the outbreak of Coronavirus. Lead prices have fallen steadily since January 2020. Supply deficit for two consecutive years has sharply reduced inventory of lead at the warehouses. Global Inventory of Lead at various exchanges and with producers and consumers stood at 385 thousand tonnes in 2019, same as 2018. Lower inventory and supply tightness failed to lift lead prices which remained under pressure due to lack of demand mainly from the auto sector. The outbreak of Coronavirus has forced several automobile companies to shut down their factories to stem the spread of virus. The demand from power back up sector like UPS/invertor was impacted due to shutdown of manufacturing facilities and overall slowdown in manufacturing activities.

Going forward, though demand from automobiles sector is expected to remain weak, replacement demand for batteries (accounting for around 50-60% of demand from auto sector) is likely to support fall in demand for lead acid batteries.

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