

Production:

India’s refined copper production fell by a sharp 40% to 457.2 thousand tonnes in FY19 due to closure of Sterlite’s copper unit in Tuticorin. The Tamil Nadu government ordered closure of the 400 thousand tonnes refined copper plant in May 2018 on environmental grounds. The facility has been shut since then. India which exported around 50% of its total copper production in FY18 turned into a net importer of copper and exports dropped significantly in FY19.

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Table 1: Trend in refined copper production

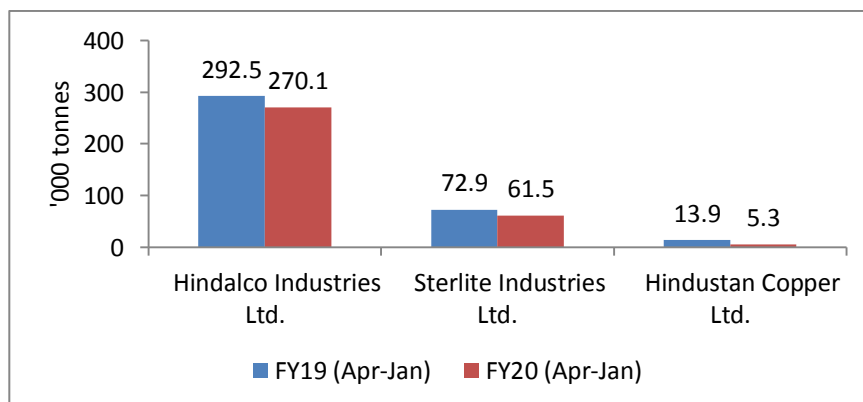
	FY 17	FY18	FY19
	000 tonnes		
Hindalco Industries	377.4	413.8	351.3
Sterlite Industries	402.7	408.2	89.7
Hindustan Copper	18.6	25.9	16.2
Total Production	798.7	765.7	457.2

Source: Ministry of Mines

In the current financial year FY20, India’s refined copper production fell by a further 60% during April-January vs comparable period last year. The country produced 337 thousand tonnes of refined copper during this period as compared with 379.3 thousand tonnes in the corresponding period of the previous year. Lower production during the current year is likely to be on account of increase in share of imports, sluggish demand and lower international prices.

All three refined copper producers namely – Hindalco Industries Ltd, Vedanta Ltd and Hindustan Copper Ltd reported fall in production during the period.

Table 1: Company-wise Refined Copper production



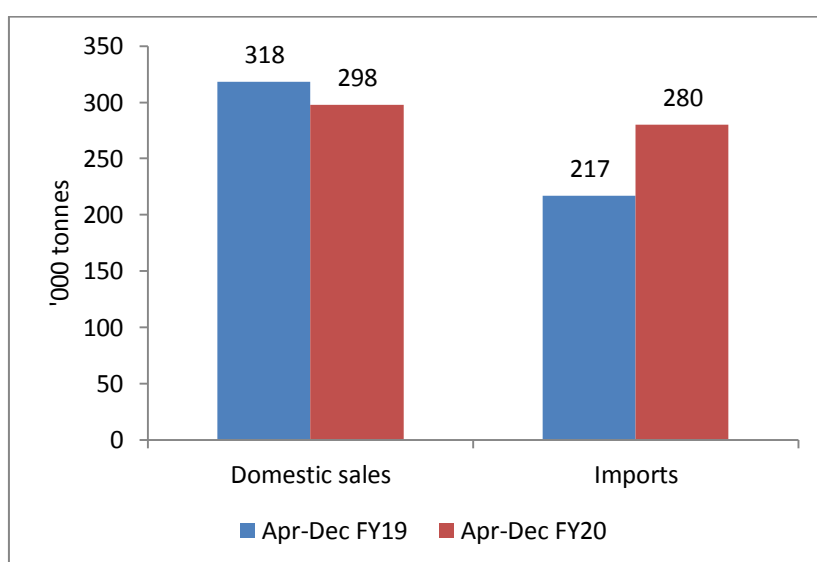
Source: Ministry of Mines

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Imports:

Lower international prices and lower import duties under Free Trade Agreements (FTA) led to rise in imports. While domestic sales of copper companies contracted; share of imports grew during the first 9 months of FY20. Domestic sales of top three companies declined by 6% to 298 thousand tonnes during the period. Import share grew by 29% to 280 thousand tonnes. Market share of imports increased to 51% in Q3 FY20 vs 40% in Q3 FY19.

Chart 2: Domestic Sales vs Imports



Source: Hindalco Industries quarterly report

Downstream copper manufacturers preferred imported copper over domestic cathode due to fall in international prices and lower duties under FTA with Japan.

Japan accounted for 77% of the total imports during the current financial year. This is because of India's preferential trade deal with Japan. There is 5% import duty on import of finished copper products but India enjoys preferential tariff of 0.9% on imports of cathodes from Japan under the FTA.

Table 2: Import of refined copper (tonnes)

	World	Japan	UAE	Zambia
FY 19 (Apr-Jan)	78,341.5	51,620.7	1,277.2	219.1
FY20 (Apr-Jan)	1,32,444.6	1,02,947.5	17,318.8	3,046.4
% growth	69%	99%	1256%	1290%

Source: Ministry of Commerce and Industry

Exports:

Exports on the other hand contracted further during the year due to slowdown in global demand. Export of refined copper fell 13% to 33.8 thousand tonnes during April-January FY20 as compared to the same period last year. China is the main destination for India's copper exports. Global demand for refined copper declined by 0.3% in 2019 after growing by 3% in 2018. Demand from China grew by just 1% in 2019 vs 5% in 2018 due to slowdown in the Chinese economy amid trade tensions with US. China's economy grew by 6.1% in 2019, compared with 6.6% in 2018, slowest since 1990.

Table 3: Export of refined copper

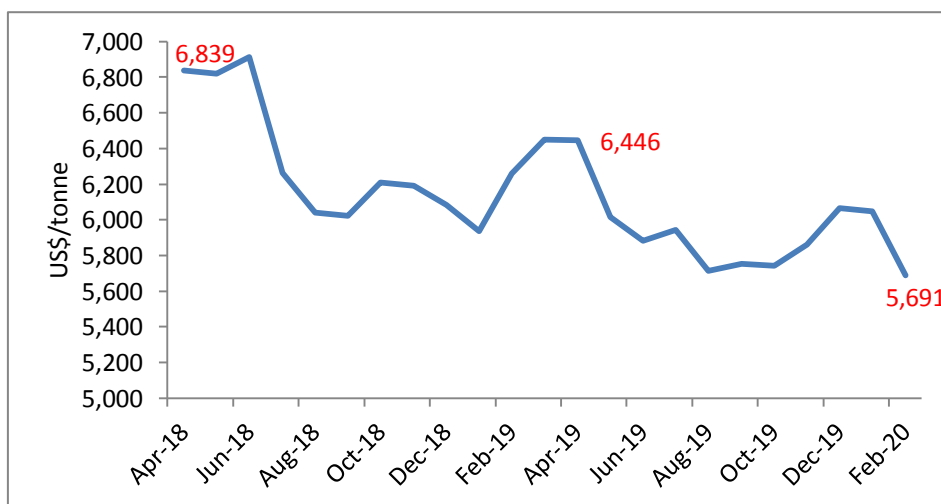
	World	China	France
FY 19 (Apr-Jan)	38,918.0	27,135.0	204.6
FY20 (Apr-Jan)	33,837.4	32,531.3	179.9
% growth	-13%	20%	-12%

Source: Ministry of Commerce and Industry

Copper Prices:

International copper prices went on a downward trajectory during April to October 2019. Slowdown in global consumption and US-China trade war kept prices under pressure. Copper prices at the London Metal Exchange (LME) averaged US\$ 6,446 per tonne in April 2019 and US\$ 5,741 per tonne in October 2019. Prices started to pick up from mid-October onwards as trade tensions between US-China started to ease. However, the outbreak of Coronavirus in China again led to fall in prices. As the outbreak spread to more countries it started to distort the demand-supply scenario. Copper prices fell below US\$ 5,000 per tonne in more than three years in March 2020. On 19 March, copper prices were around US\$ 4,685 per tonne on the LME.

Chart 3: Copper Cathode prices at LME



Source: LME

Rise in Inventory:

The pandemic Covid-19 has impacted the production and demand for base metals. Inventory of copper at the LME and the Shanghai Futures Exchange (SHFE) has been on a rise. Copper stocks at the LME warehouses which stood around 147 thousand tonnes in December 2019 have risen to 231 thousand tonnes as on 18 March 2020. Copper inventories at SHFE stood at 377247 tonnes on 20 March, up from 123,647 tonnes in end of December 2019. Higher inventory levels reflect poor demand which has impacted prices of the metal.

Outlook:

Global demand from the European, Middle East and the US markets is likely to remain muted for the next one quarter and prices for most of the base-metals are likely to remain subdued, owing to significant demand-supply disruptions.

Global copper prices are expected to remain in the range of US\$ 4,500-4,900 per tonne.

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