

Rise in Demand for Copper



- P. RAMNATH

P Ramnath, Chief Executive Officer, Sterlite Copper has done his B.Tech in Chemical from Osmania University, Hyderabad and PGDM from IIM Bangalore.

Over 30 years of rich and diverse experience, have worked in senior positions in corporates like Jubilant Life Sciences, Praxair India, SNF Ion Exchange, Bakelite Hylam Ltd and Reliance Industries Ltd. Prior to joining Vedanta, he was the Chief Operating Officer of JK Paper.

"The International Copper Study Group (ICSG) projected that the refined copper market will see a smaller deficit of around 130,000 tonnes in 2016, compared to the prior estimate of 230,000 tonnes made earlier.

This clearly suggests that the supply-demand scenario will recalibrate to favor prices in the medium to the long term. As emerging markets, especially the BRICS intensify power, infrastructure and telecommunication networks, and demand for copper will rise", says **P. Ramnath, Chief Executive Officer, Sterlite Copper** in an exclusive interview with **Metalworld**. Excerpts



How is the present situation in Global & Indian Copper industry?

- Globally the copper concentrates sector remains muted owing to the structural change in China's economy. August 2015 in particular saw prices dip below the psychological barrier of \$5,000/tonne. Current economic projections across geographies indicate that the sideways trend for the concentrates will continue in the near to the medium term.

For India however, the situation is not as grave while on the one hand, lower concentrates prices will help save foreign exchange on the other hand it will benefit refiners as there will be some positive impact on margins. Currently, the applicable TC/RC for CY2015 is 107/10.7 against 92/9.2 for

CY2014; an improvement of 15%.

During the first half of 2015, there were series of mine disruptions either due to torrential rains and strikes in Chile or lack of rains in Zambia and Papua New Guinea. There were some forced closures due to low LME prices as China's growth was moderating. The spot TC/RC levels touched levels of 70/7. However, over last one month due to some smelter shutdowns or planned maintenance activities, the TC/RCs have started inching up to current levels of 90s.

The current consumption of copper in all forms is about 900kt and the consumption trends will continue to rise for sometime to come. With the renewed thrust on Infrastructure and manufacturing under Government's "Make in

India" campaign, we expect a very healthy demand growth.

How do you see the future prospects for this industry?

- We are extremely optimistic about the future of the copper industry. The International Copper Study Group (ICSG) projected that the refined copper market will see a smaller deficit of around 130,000 tonnes in 2016, compared to the prior estimate of 230,000 tonnes made earlier. This clearly suggests that the supply-demand scenario will recalibrate to favor prices in the medium to the long term. As emerging markets, especially the BRICS intensify power, infrastructure and telecommunication networks, and demand for copper will rise.

What are your expectations from present policy makers ?

- The government is making all the right moves to boost the economy. From framing policies to introducing a devolved and empowered ways to facilitate business, a lot of positive changes are being seen on ground.

The falling copper prices would definitely be a great advantage to the Industry and would provide further impetus to the economy. The various Free Trade Agreements (FTA) signed by the Government allows easy access to these companies in Indian market. The Indian Copper Industry is currently facing a surge of imports due to the FTAs especially the AIFTA (ASEAN India Free Trade Agreement) and the India-Japan CEPA (Comprehensive Economic Partnership Agreement).

The India Japan CEPA has enabled the 3rd largest copper producer in the world with to avail a concessional duty for its Copper cathodes and Copper Wire Rods resulting in an increase of close to 900% in FY2014-15 over



FY 2013-14 and the imports of Copper Rod less than 6mm from the ASEAN region by 2016 has led to 40% increase in imports in 14-15 over previous FY. This is leading to an inverted duty structure since the copper industry is dependent on imports for in Copper Concentrate requirements.

As the Indian domestic market is in surplus, refiners are being forced to export some of the production. With increasing imports from countries with which India has

signed FTA the market share for the domestic players has shrunk over last few years.

To boost competitiveness of the Indian companies in the International markets, Government used to provide these producers with export incentives earlier. But during the last Union Budget, the Government abruptly suspended this facility. The removal of these export incentives has led to a 'Double Whammy' situation for the producers.