

Shift in copper market dynamics: Changing fortune of 2 companies

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Riddled with increasing imports, India's copper industry is gearing up for a change in market dynamics — while a new entrant is planning to add capacities, an older player is facing legal hurdles.

Amid this, raw material imports, commercial viability, and capacity ramp-ups will be the deciding factors on how the industry fares, going forward, said analysts.

Last week, the Supreme Court dismissed a plea by the Vedanta Group to reopen its copper smelter plant at Thoothukudi in Tamil Nadu.

The decision comes at a time, when India's imports of copper are rising (*see table*) and a new entrant — Adani — is preparing ground to start operations.

"We are awaiting the order from the Hon'ble Supreme Court and will evaluate our next steps once our legal team has examined it," Vedanta's Sterlite Copper had said on Thursday.

Concerned spokespersons at the company said they have no further comments to make.

Outside the 400 kilotonne per annum (KTPA) Tamil Nadu unit, Vedanta has little to show in the copper business.

The company owns a 216 KTPA capacity unit at Silvassa (near Gujarat) and Vedanta Resources also owns a majority stake in Konkola Copper Mines in Zambia.

Not everyone feels it is the end of the road for the company.

"This isn't the conclusion; the Supreme Court has pinpointed certain concerns. Once these are addressed, it's likely that the court will grant permission on another petition. It indicates that this is a step in the ongoing process," said Jidesh Kumar, managing partner, King Stubb & Kasiva, Advocates and Attorneys. However, this may not be an easy task, according to an industry analyst.

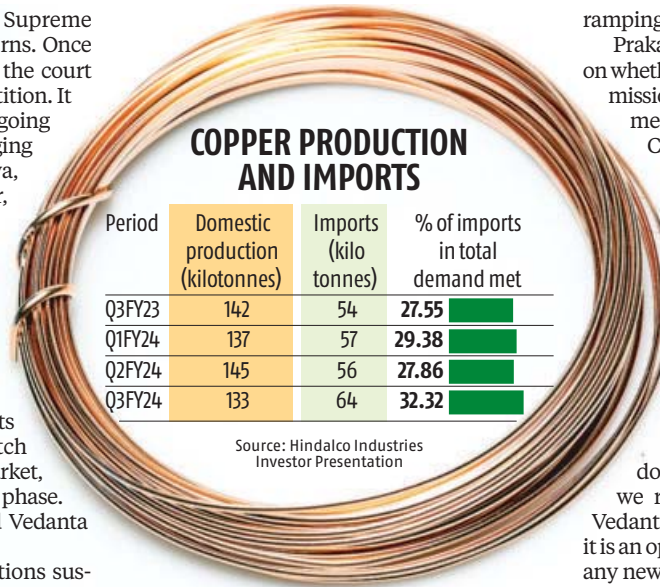
"In case Sterlite Copper re-opens the facility, the key monitorable would be the costs involved in ensuring higher environment compliance and commercial viability," the analyst said.

Even as Sterlite struggles to get its capacity re-opened, Adani's Kutch Copper, the latest entrant in the market, is preparing to commission its first phase.

Earlier, Hindalco Industries and Vedanta were the two major producers.

But with Sterlite Copper operations suspended, Hindalco now contributes most of India's current production.

Vinay Prakash, chief executive officer (CEO), Adani Natural Resources, and managing director (MD) of Kutch Copper, in an email response to *Business Standard*, said, "Construction of Phase I of the complex is in advanced stages and will be operational in March 2024 with 0.5 MTPA refined copper capacity. Following this, we plan to expand capacity by 0.5 MTPA in Phase II. Upon com-



pletion of both the phases, the complex will have a total capacity of 1 MTPA. It will make Kutch Copper the world's largest single-location copper smelter."

Analysts with Cantor Fitzgerald, in a report on Adani Enterprises in January, had said, "We do not forecast the company's copper smelter to be finished until the third quarter of FY25. From then, we expect copper revenue to start

ramping up." Prakash did not directly respond to a query on whether the company looks to an early commissioning of full capacity or plans for incremental capacity in wake of the Supreme Court order last week.

He added, "We are committed to exploring opportunities that align with the nation's priorities to help us achieve our growth objectives. We regularly evaluate various possibilities to determine their potential to support our vision and enhance our overall success."

Filling in the vacuum left by Sterlite's closure may not be an easy task, industry experts said.

"India does not have a sufficient domestic source of copper ore, and so, we rely on imports. In the absence of Vedanta's Sterlite capacity going on-stream, it is an opportunity for other players. However, any new player will have to navigate the same cost viability concerns," said Hitesh Avachat, associate director with CareEdge.

Commenting on Kutch Copper's ore sourcing, Prakash said, "The sourcing involves a strategic mix of short and long-term arrangements with miners and traders worldwide, including from Peru, Chile, and Australia. We are striving to create a base of copper concentrate supply by partnering with major global players. This will ensure consistent supply in desired quantities."