

## Hindustan Copper to begin production at Jhagadia Copper



Hindustan Copper has commenced production at Jhagadia Copper, 19 months after acquiring the latter from Asset Reconstruction Company for INR 210 crore. Renamed as Gujarat Copper Project the erstwhile JCL has production capacity of 50,000 tonnes a year. The company was closed in 2009 for non availability of working capital.

JCL was taken over through an auction in January 2015. Hindustan Copper made a total investment of Rs 300 crore. JCL was promoted by the Khaitan Group of Shalimar Wire Industries and the plan was to set up a secondary copper smelter at Bharuch, Gujarat in 1992. The project was commissioned in 2003 and commercial production commenced from May 2006.

Hindustan Copper estimates copper consumption could grow at six to seven per cent a year, due to improvements in the growth rate of the manufacturing, housing, infrastructure and power sectors, spurred by the government's 'Make in India' program. The electrical and power sectors account for 35% of refined copper consumption, followed by 11% by the transport (automobiles and railways) industry, and another 8% each by the construction & consumer durables industry.

## Japanese Aluminium buyers to pay \$75 per tonne over LME

Japanese aluminium buyers will pay a premium of \$75 per tonne over the London Metal Exchange (LME) cash price for their shipments in the fourth quarter of this year, says analyst.

The settlement with producers, which will serve as the benchmark for Asian physical aluminium markets, marks a near 20-percent decline from the previous quarterly premium of \$90-93 per tonne and is the lowest level since the third quarter of 2009. This is the continuing unwind of the premium bubble that grew out of the load-out queues at LME warehouses in Detroit and the Dutch port of Vlissingen.

Japanese users were paying \$425 per tonne in the first quarter of 2015, a period which marked the worst of the fracturing of the aluminium price between LME paper and physical premium markets.

"We are now in the post-queue world and premiums are returning to their previous function of delineating regional supply and demand dynamics," says Home.

Quite evidently, there remains significant oversupply in the aluminium market. Physical premiums everywhere else are also at or near historical lows. But the tail winds from the queues are still discernible, determining where that oversupply appears.



Japanese buyers have successfully pushed through such a significant drop in quarterly premiums by arguing that the spot market is even weaker, recently trading as low as \$70 per tonne.

There are multiple factors at work in suppressing the Japanese premium right now. Japanese stocks of aluminium have been trending lower but at 304,200 tonnes at the end of August are still high by historical standards. Local demand is running at subdued levels, output of rolled products, for example, falling one percent from year-

earlier levels in July and August, according to the Japan Aluminium Association. Freight rates, a key component of physical market premiums are bombed out. And both Japan and the wider Asian region are battling against the continued export flow of semi-manufactured products out of China.

Exports may be down around five percent year-on-year but China is still pumping out around 350,000 tonnes per month of products, most of it into other Asian countries, displacing primary metal demand.