

Platinum Glows as Investment Product

Investors bet on platinum following market speculation that it will rise faster than gold

SUTANUKA GHOSAL
KOLKATA

Biswajit Saha, a Kolkata-based software consultant, is raking in money after placing bullish bets on platinum. He had followed conventional wisdom and invested in gold in the hope of good returns. But Ramesh Sharma, his Mumbai-based friend, showed that platinum offered better returns in short term because labour unrest has hampered platinum mining in South Africa.

Like Saha and Sharma, many investors are placing their wagers on platinum following market speculation that platinum will rise faster than gold.

“The demand for platinum as an investment instrument is on the rise. National Spot Exchange Ltd (NSEL) has sold 40 kg of platinum through its e-platinum scheme in February alone compared to 15 kg in January. Last year, platinum prices fell below gold as the yellow metal appreciated significantly. But there has been a correction in gold prices while platinum is now

trading at \$1,599 per ounce, which is higher by \$18 per ounce than gold. This has led the investors to consider platinum as an instrument for investment,” said Anjani Sinha, MD & CEO of NSEL.

Supply constraints & investment demand will determine platinum prices in near future

Platinum has moved up from \$1,400 per ounce in August 2012 to \$1,740 in February, mostly owing to supply constraints and mining-related issues. Output from South Africa, which mines 72% of global supply, has been badly impacted due to labour strike, health and safety stoppages and shaft closures. Mining costs have been increasing at an average of around 15% in the last five years.

In fact, Anglo American Platinum, which accounts for about 40% of the world's newly mined platinum, has announced closure of its four major mining shafts at Rustenburg, reducing production by 40,000 ounces.



Media reports say Impala Platinum (Implats) has warned its shareholders that the Zimbabwean government plans to compulsorily acquire about 50% of the mining claims owned by subsidiary company Zimbabwe Platinum Mines (Zimplats). This has set the market on fire.

Rohit V Pitale, sales and marketing manager (India) of Johnson Matthey, a precious metals refiner, said: “Since most of the contributions of PGM (platinum group metal) is from South Afri-

ca, any disruption in the mining sector impacts significantly the entire PGM market globally.”

Indian jewellers are planning to introduce platinum coins and bars as over-the-counter investment products. Rajiv Popley, director of Mumbai-based jewellery firm Popley & Sons, said: “We already retail platinum coins and bars at our Dubai showroom. We are planning to do it in India shortly. We are in talks with our overseas manufacturer in Switzerland for a steady supply of products.”

Riddisiddhi Bullion has entered into selling of platinum bullion. Prithviraj Kothari, director, RSBL said: “People are preferring platinum as an investment product.”

Analysts say that although auto catalyst and industrial demand for platinum may be flat compared to previous years, supply constraints and investment and jewellery demand are going to be the major price-determining factors going ahead.

sutanuka.ghosal@timesgroup.com