Hindalco announces Q1 FY2011-12 results

12 August 2011

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		Vs. Q1 FY11
Revenues	Rs.6,031 crore	16%
EBITDA	Rs.1,045 crore	16%
Net profit	Rs.644 crore	21%

EBITDA crosses Rs. 1,000 crore mark for second consecutive quarter

Standalone financial highlights (unaudited)

(In Rs. crore)	**Quarter ended 30 June 2011**	**Quarter ended 30 June 2010**
Net sales and operating revenues	6,031	5,178
Other income	178	69
EBITDA	1,045	901
Depreciation and impairment	175	169

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ncing	67	59
x	803	673
es	159	139
Net profit	644	534
EPS (Basic) (Rs.)	3.36	2.79

Hindalco Industries Ltd, an Aditya Birla Group company, today announced its unaudited financial results for the first quarter ended 30 June 2011. Its performance in the quarter has been significantly better than the comparable quarter in the previous year.

Net sales at Rs. 6,031 crore in Q1FY12 were up 16% despite flat volumes, mainly on the back of higher LME.

The adverse impact of strong inflationary pressures largely in energy products and rupee appreciation were mitigated by improved operating efficiencies in both its copper and aluminium businesses. Higher value-added by-product credit and TcRc in the copper business also contributed towards sustaining the company's performance.

Other income was higher by Rs. 109 crore driven by improved treasury yield and an enhanced corpus, consequent to return of capital from Novelis. Other income is inclusive of Rs. 69 crore received as dividend from Aditya Birla Minerals Ltd, the company's Australian subsidiary.

EBITDA exceeded Rs. 1,000 crore, despite steep input cost escalations. Better realisation, higher other income and improved operating efficiencies fuelled this rise.

Profit before tax at Rs. 803 crore, registered a 19% growth. Net profit after tax stood at Rs. 644 crore up 21% over that of Rs. 534 crore in Q1FY11.

Strategic initiatives

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The existing joint venture [JV] agreement with Almex Inc. USA
on to Hindalco-Almex Aerospace Limited [HAAL], a
company has been terminated with effect from
and the company has acquired 8,011,000 equity shares held by Almex in HAAL.

Business segment results

Of the Rs. 6,031 crore revenue, the aluminium business contributed Rs. 2,093 crore vs. Rs. 1,867 crore in Q1FY11. EBIT at Rs. 599 crore was up 8% vs. Q1FY11. The results would have been better, but for the increased input costs (especially coal) and an appreciating rupee.

In the copper business, revenues for the quarter were higher at Rs. 3,940 crore, a rise of 19% from Rs 3,314 crore in Q1FY11, mainly on account of higher copper LME and by-product realisation. The benefits of the marked improvement in operational efficiencies and higher TcRc were partially offset by higher energy cost and bi-annual shutdown. Despite the spike in energy cost, EBIT at Rs. 145 crore was 17% higher over the corresponding quarter of the previous year.

Operations review

Aluminium

Alumina production was lower at Renukoot, due to constrained bauxite availability. Metal production has been maintained at 140 Kt level; higher production from the new pots at Hirakud is expected from Q2FY12 onwards.

Flat Rolled Product (FRP) production was lower due to the sluggishness in the market. Production of Extruded products was affected as operations at Alupuram, Kerala continued to be hampered, following the lock-out declared on February 22, 2011.

Production (MT)	Q1 FY12	Q1 FY11
Alumina	334,587	341,419
Aluminium Metal	140,387	140,061
Flat rolled product	49,544	51,373

	7,321	9,617

n was lower on account of the bi-annual shut down at one of the smelters at Dahej. The smelter is back in operation from July 201 . CCR production fell in line with market conditions.

Production (MT)	Q1 FY12	Q1 FY11
Copper cathodes	73,192	76,309
CC rods: Own	33,701	40,708

Expansion projects

Brownfield

Hirakud smelter expansion: The smelter expansion at Hirakud from 155 KTPA to 161 KTPA was completed in Q4 FY11. A further expansion from 161 KTPA to 213 KTPA, along with a 100 MW captive power plant [CPP] will be commissioned in early 2012.

The next phase of expansion of the smelter from the proposed 213 KTPA to 360 KTPA, with a corresponding increase in CPP capacity from 467.5 MW to 967.5 MW is under evaluation. The environmental clearance is in place.

Hirakud Flat Rolled Products [FRP] project: This project is underway with the transfer of all the critical equipments for FRP production from the Novelis plant at Rogerstone, UK to Hirakud. In addition, orders have also been placed for related and balancing equipment.

The erection of the cold rolling mill has started at the site. Almost 50% of the structural fabrication and erection is complete. The project will enable the company to produce a wide range of superior engineering products, including can-body stock, for both domestic and export markets. The project is slated for completion towards end-2011. Around 3,000 people are working at the site.

Belgaum Special Alumina: A feasibility study on the specials plant
189 KTPA to 301 KTPA, with a coal based co-
er plant along with natural gas firing for its rotary
on.

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Greenfield

An overview of the projects is as indicated below:

Project	Description	Location	Commissioning	Financing
Utkal Alumina [UAIL]	1.5 mio-tonne Alumina Refinery with integrated Bauxite Mines *	Rayagada Odisha	Second half 2012	Financial Closure completed with debt-financing of Rs. 4,906 crore. Drawdown over Rs. 2,200 crore till date
Mahan Aluminium+	359 KTPA Aluminium Smelter & 900 MW CPP**	Mahan, MP	To start by End 2011	Financial Closure completed With debt-financing of Rs. 7,875 crore. Drawdown till date Rs. 3,400 crore

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	59 KTPA Aluminium Smelter & 00 MW CPP ***	Lapanga, Odisha	To start by Early 2013	Equity part already tied up. Debt financing to be launched shortly
Aditya Alumina	Alumina Refinery with integrated Bauxite Mines	Koraput Odisha	2014	
Jharkhand Aluminium	Aluminium Smelter	Sonahatu Jharkhand	2015	
* MoEF approval for 3 mio-tonne/annum				
** MoEF approval for 325 KTPA and 750 MW CPP				
*** MoEF approval for 260 KTPA and 600 MW CPP				
+ The process of seeking approvals is in progress				

Of late, the uncertainty in the regulatory environment has impacted the progress of some of these projects and has posed challenges with respect to the commissioning of these projects as per schedule.

These greenfield projects are located in remote places, devoid of adequate infrastructure, which need to be developed. The execution gets impacted by local factors that may not be conducive to planned progress. The company is building necessary infrastructure to support the execution of the projects to sustain commercial operations, when these are commissioned.

While the critical long lead equipment for UAIL, Mahan and Aditya have been tied up and committed, severe inflationary pressures are being witnessed, triggered by the increase in fuel prices, for ongoing civil and other related

Developments during the quarter

Mahan Coal: The Forest Advisory Committee of the Ministry of Environment and Forests (MoEF) has recommended that the forest diversion proposal for Mahan Coal block be rejected. However the minister has referred the matter to a Group of Ministers (GoM) which has been constituted for the purpose of deciding on forest clearance for coal blocks, including that for Mahan. The issue of Mahan Coal block is likely to be discussed in the next meeting of the GoM. The company has already made detailed representations and is hopeful of a favourable disposition by GoM, considering the merits of the case and the investments already made.

To meet the coal requirements during the interim period, the company has made an application for tapering linkages which are being considered by the authorities. The company is also exploring open market purchase and imports to meet the shortfall, if any, until satisfactory resolution of the matter.

Given the changes that may be involved in the approval and coal sourcing pattern, the scope and cost of the project may undergo some modifications.

Mahan Aluminium Project: This 359 KTPA aluminium amelter, along with a 900-MW CPP, is coming up in Bargawan, Madhya Pradesh.

Contractors have mobilised about 17,000 people at the site. Engineering for the project is complete and installation of major equipment for both the smelter and the CPP is going on full swing at the site.

Civil foundation, fabrication and erection of structures have

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progressed substantially at both the smelter and the CPP. The
e for commissioning of the first set of pots and two
e first metal from the project is expected to be
2011.

Utkal Alumina International Ltd. (UAIL): The construction of the alumina refinery along with a 90 MW captive co-generation plant is on track at UAIL, a 100% subsidiary of the company. The output from UAIL would feed alumina to the Mahan and the Aditya Smelters. Contractors have mobilised more than 9,000 people at the site. The erection of major equipment like boilers, evaporators and turbines is in full swing.

The project progress is broadly on scheduled lines. As indicated earlier, some of the major contractors who have not delivered in line with their commitments are being replaced. The performances of the other contractors are being closely monitored.

Despite overruns in cost, the project capital cost continues to be favourably benchmarked with the capital cost of other comparable global projects. The operating cost of this project will continue to be in the lowest cost quartile of the global cost of production and will be value accretive.

Aditya Aluminium: Stage II forest clearance in the Aditya Smelter and Power Plant has been received. It is expected that first metal will start flowing by early 2013.

Industry outlook

Following the deepening of sovereign debt crisis in Europe and the downgrade of US sovereign rating recently, macroeconomic risks have accentuated. Setting of risk aversion into financial markets can potentially have an adverse impact on investment flows into commodities and therefore, on prices of aluminium and copper on the London Metal Exchange (LME).

Aluminium

Global aluminium consumption in Q1FY12 showed a robust growth of 9% vis-a-vis Q1FY11. There has been an increasing demand from all the major economies. China had a double digit growth due to

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high demand from construction, electrical and packaging sectors. and trend, however, could be vulnerable in the ; due to macroeconomic headwinds.

uminium consuming sectors reflect a steady performance. Although there has been some slowdown compared to the strong growth trend witnessed last year.

Aluminium prices averaged USD 2,600/t for Q1FY12, the highest since Q2FY09. This increase is attributable to the hardening of cost structures, inventories locked up in warehouses, and investor interest in aluminium. While the cost push and warehouse deals could continue to provide support to prices, downside macro risks mentioned earlier, need to be watched out for.

Copper

Even though medium-term demand prospects for copper remain bright, globally as well as in India, its consumption is witnessing some deceleration on account of high relative copper prices and concerns over the strength of the global recovery in some economies.

Concentrates market had eased up since late 2010, following maintenance shutdowns / disruptions in major smelters. The market has begun to tighten again following strikes at some of the major mines, delays in anticipated mine projects and decline in ore grades. The spot TcRc have corrected from their peaks seen about a quarter ago. Going forward, concentrates market balance will depend upon the resolution of mine supply issues and ramp up of new projects. Hindalco is unlikely to be affected by any adverse movements in the concentrate market as the company is adequately covered for supplies during remaining FY12.

Company outlook

The environment in both the businesses has become very challenging due to volatile LME, spiralling energy and other costs and non-availability of coal. The regulatory uncertainty is compounding the concern.

The long term prospect of aluminium and copper consumption in
y augur well for the company. Capacity
er implementation will enable the company in
on of being a premium metals major, global size

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