Hindalco announces Q2 FY 2011-12 standalone results [unaudited]

10 November 2011

Hindalco announces Q2 FY 2011-12 standalone results [unaudited]

Click here to view the results (http://hindalconew.thdemo.com/portals/0/documents/investors/downloads/Hindalco_Q2FY11-12_Results.pdf)

	Q2 FY11	Vs. Q2 FY11	H1FY12	Vs. H1FY12
Revenues	**Rs.6,272 crore**	**7%**	**Rs. 12,303 crore**	**11%**
PBITDA	**Rs.845 crore**	**8%**	**Rs. 1,890 crore**	**12%**
PAT	**Rs.503 crore**	**16%**	**Rs. 1,147 crore**	**18%**

Superior results despite severe cost escalation

Financial highlights

(In Rs. crore)	Quarter ended 30 September 2011	Quarter ended 30 September 2010	Half year ended 30 September 2011	Half year ended 30 September 2010

	6,272	5,860	12,303	11,038
	176	82	354	151
Profit before depreciation, interest and tax	845	780	1,890	1,682
Depreciation	174	172	349	341
Interest and finance charges	68	53	134	112
Profit before tax	604	556	1,407	1,229
Provision for taxes	101	122	260	261
Net profit	503	434	1,147	968
Basic EPS – Rupees	2.62	2.27	5.99	5.06

Aditya Birla Group Company, Hindalco Industries Limited's performance for the second quarter has been significantly better than that of the corresponding quarter of the previous year.

Net sales and operating revenue at Rs. 6,272 crore in Q2FY12 were up 7 per cent over Q2FY11, driven by higher volume and improved realisation, despite lower sale of value-added products.

PBITDA increased by 8 per cent with higher volume and realisation in aluminium business and better TcRc and by-product realisation in copper business. Other income was higher by Rs. 94 crore driven by improved treasury yield and enhanced corpus and is inclusive of Rs. 60 crore dividend received from Dahej Harbour and Infrastructure Limited, the company's wholly owned subsidiary. Higher rates led to higher interest and financing charges of Rs. 68

crore vis-à-vis Rs. 53 crore in Q2FY11.

...ne quarter have been impacted very severely by the ... and constrained bauxite and coal availability ...soon.

Net profit increased by 16 per cent to Rs. 503 crore in Q2FY12 from Rs. 434 crore in Q2FY11. EPS stood at Rs. 2.62 in the current quarter vis-à-vis Rs. 2.27 in Q2FY11.

For the half year ended September 30, 2011, revenues rose by 11 per cent, PBITDA increased by 12 per cent with increase in net profit by 18 per cent.

In Q2FY12 aluminium revenues were higher at Rs. 2,213 crore up from Rs. 1,911 crore in Q2FY11, a rise of 16 per cent as a result of higher volumes and better aluminium prices on the LME. Last year's performance was impacted by smelter outage at Hirakud. Despite strong inflationary pressures and constrained supply of bauxite and coal during the monsoon, profit before interest and taxes was sustained.

In the copper business, revenues were at Rs. 4,062 crore vs. Rs. 3,951 crore in Q2FY11, on the back of higher LME and by-product credits. Copper volumes were lower on account of shutdown of one of the smelters up to mid July. However, the copper business being a custom smelting operation, with offset hedging program, was not significantly impacted by the gain or loss on changes in LME/foreign exchange fluctuations. Profit before interest and taxes was higher at Rs. 148 crore from Rs. 129 crore due to higher TcRc and by-product credit offset to some extent by higher energy costs, lower volume due to shutdown and related expenses.

Hirakud: Unprecedentedrains and the flood situation in September disrupted coal supplies to the Hirakud CPP, consequent to which there was a temporary slowing down of production in the smelter. Spot purchases of coal are being made to restore inventory in the captive power plant. Smelter production has since been normalised

ew

...on was lower by 4 per cent due to constrained supplies and poor quality of bauxite. Metal volume was higher by 16 per cent ... at ... production was affected due to smelter outage]. Metal production at Renukoot increased by 2 per cent on the back of continued focus on asset-sweating.

Downstream production declined by 3 per cent in the case of flat rolled products compared to Q2FY11 due to demand sluggishness in domestic market. Extrusion production was lower, consequent upon the continuation of lock-out at the company's Alupuram unit in Kerala.

Production (Mt)	Q2 FY11	Q2 FY11	H1FY12	H1FY11
Alumina	332,383	347,071	666,970	688,490
Metal	143,315	123,325	283,703	263,386
Wire rod	24,442	24,158	47,845	47,483
Flat rolled products	52,439	54,042	101,983	105,415
Extrusions	7,154	9,637	14,475	19,254

Copper

Quarterly cathode production was lower as one of the smelters at Dahej plant faced an extended shutdown. The value-added CCR production was lower on the back of market conditions.

Production (Mt)	Q2 FY12	Q2 FY11	H1FY12	H1FY11
Cathode	74,588	94,104	147,780	170,413
CCR (own)	33,972	43,274	67,673	83,982

Expansion projects:

	Location	Capacity	Power plant	Timelines
Projects under implementation				
Hirakud smelter expansion	Hirakud	161 KTPA to 213 KTPA	367 MW to 467 MW	Early 2012
Hirakud flat rolled products [FRP] project	Hirakud		NA	Early 2012
Projects under evaluation				
Hirakud smelter expansion	Hirakud	213 KTPA to 360 KTPA	467 MW to 967MW	
Belgaum specials alumina	Belgaum	189 KTPA to 301 KTPA	Coal based CPP	
Greenfield projects				
Utkal Alumina [UAIL]	Rayagada, Odisha	1.5 mio-tonne alumina refinery with integrated bauxite Mines *	90 MW	Second half 2012
Mahan Aluminium	Mahan, MP	359 KTPA aluminium smelter **	900 MW CPP**	Early 2012
Aditya Aluminium	Lapanga, Odisha	359 KTPA aluminium smelter ***	900 MW CPP**	Early 2013

	Koraput, Odisha	Alumina refinery with integrated bauxite mines		2014
Aluminium+	Sonahatu, Jharkhand	Aluminium smelter		2015
* MoEF approval for 3 mio-tonne/annum				
** MoEF approval for 325 KTPA and 750 MW CPP				
*** MoEF approval for 260 KTPA and 650 MW CPP				
+ The process of seeking approvals is in progress				

All of the above smelters (Mahan, Aditya, and Jharkhand) have dedicated coal blocks. Both Utkal and Aditya Alumina have captive bauxite mines.

Financial closure was achieved for Utkal Alumina and Mahan Aluminium. Financial closure for debt portion of Aditya Aluminium is currently being pursued.

Mahan Coal: Government of India's Empowered Group of Ministers, constituted for the purpose of deciding on forest clearance for coal blocks, including that for Mahan, continues to hold meetings to discuss forest clearances for coal block at Mahan. These clearances are necessary to allow mining operations to begin. Pending favourable disposition, arrangement for alternate sourcing of coal is being pursued. Additionally, we are in process of making alumina sourcing arrangement for Mahan Aluminium, till UAIL goes on stream. First metal tapping for Mahan is expected by end of this fiscal.

Industry outlook

Macro risks pertaining to the sovereign debt crisis in Europe have accentuated further, leading to frequent episodes of risk aversion in global financial markets and heightened volatility in commodity prices. Weak consumer and business sentiment seem to be threatening the pace of the global economic recovery.

...n consumption growth slowed down mode... ...gh it remained close to 10 per cent on the back of continued robust growth in ... consumption may however lag further in 2012, leading to a large market surplus globally. Aluminium consumption has been lower in India too in line with the overall slowdown in the economic growth. Indian consumption is at similar levels of 2010 due to lower demand in the automotive, electrical, building and construction sectors in this quarter.

Aluminium prices on the London Metals Exchange (LME) averaged USD 2,399 in Q2FY12 – a drop of 8 per cent from the previous quarter. Even as the large metal inventory has remained locked in financing deals taking benefit of the low interest rates, LME has come under further pressure in the current quarter, given the macro developments.

The global cost curve has shifted significantly upward in 2011 compared to the last year. Key input costs have not yet softened notwithstanding the decline in LME. Cost pressures are likely to provide a floor to aluminium LME in case the investor sentiment for commodities worsens further in the next few months.

Copper

In the last quarter, growth in global refined copper consumption slowed to low single-digits. Indian refined copper market is also exhibiting weakness in certain segments such as wires & cables, automobiles and white goods. Even though global refined copper market remains in the deficit mode, copper prices on LME have witnessed a downward pressure in line with the enhanced risk aversion in financial markets.

Concentrates market has tightened in the recent months with strikes and other supply disruptions in mines. Spot TcRc have softened considerably since their peaking around the end of FY11. Current temporary tightness in the concentrates market contributed by recent supply side disruptions is likely to influence contract negotiations for the next year despite healthy growth in mining capacity

...ok

...of FY12 will be difficult due to global uncertainties ...s and persisting cost pressures. The intensity of ...ge which accentuated in H1FY12 due to monsoon related issues is expected to moderate. Overall H2FY12 is expected to be challenging in terms of cost pressure and lower realisations. Various initiatives of asset sweating and cost optimisation are expected to cushion the results. With some of the projects slated to go on stream in H2, the start-up, quick ramp-up and speedy stabilising of production are going to be the key focus areas for the company.

Statements in this "Press Release" describing the company's objectives, projections, estimates, expectations or predictions may be "forward looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the company's operations include global and Indian demand supply conditions, finished goods prices, feed stock availability and prices, cyclical demand and pricing in the company's principal markets, changes in Government regulations, tax regimes, economic developments within India and the countries within which the company conducts business and other factors such as litigation and labour negotiations. The company assume no responsibility to publicly amend, modify or revise any forward looking statement, on the basis of any subsequent development, information or events, or otherwise.