Coal India seeks EoIs to develop Mozambique blocks

Samit Moitra • KOLKATA

Coal India on Monday floated a global tender for Expression of Interest (EoI) for development of its coal blocks in Mozambique after two failed attempts since 2010.

The tender was issued by Coal India Aficana Limited, a wholly owned subsidiary of Coal India.

Interestingly, this is for the first time that the EoIs are being floated by Coal India's Mozambique subsidiary and not by Central Mine Planning and Design Institute Ltd (CMC-DIL), a Ranchi-based subsidiary of Coal India that handles most of its major tenders for mine developments, and other strategic initiatives such as roping in consultants.

CMC-DIL floated the Mozambique tenders in 2010 and again in 2011, but both these efforts turned into failures for multiple reasons, including issues relating to bank guarantees and also because respondents weren't prepared to effectively mobilise resources - men and equipment - in Mozambique.

Wiser after two failed tenders, Coal India has now decided to float the tender in Mozambique itself to ensure that local mine developers also respond to its call.

Coal India had earlier received prospecting licences of two coal blocks, named A1 and A2, covering an area of 22,400 hectare. The licences allow Coal India to explore and develop the blocks over a period of five years. Following this, the Mozambique subsidiary was formed in 2009.

Tender for EoIs to undertake drilling and exploration was subsequently floated but wasn't awarded.

The last day for putting in bids is May 25 and they will be opened the same day.
HINDALCO STANDALONE Q4 NET DOWN 9.65% TO ₹539.99 CR

Aditya Birla group’s flagship firm Hindalco Industries on Tuesday reported 9.65 per cent decline in standalone net profit at ₹539.99 crore for the fourth quarter ended March 31, largely due to increased tax out-go. The leading aluminium and copper producer had posted a net profit of ₹708.37 crore in the same quarter of 2010-11. The net sales of the company, however, were up 11.87 per cent to ₹7,563.33 crore during the period under review, it said in a filing to the BSE.

Company’s tax outgo increased by over 78 per cent to ₹136.45 crore, while its total expenditure was up 13.45 per cent to ₹9,348.07 crore.
Hindalco Q4 net dips 9.6% on low aluminium price

BS REPORTER
Mumbai, 8 May

Hindalco Industries, the Aditya Birla Group flagship company, today reported a 9.6 per cent drop in fourth-quarter net profit, compared to a year ago, due to low aluminium price on the London Metal Exchange and a steep escalation in the cost of production.

Stand alone net profit for the three months to March fell to ₹640 crore, from ₹708 crore a year earlier. Net sales rose to ₹7,563.3 crore, from ₹6,760.7 crore.

Debu Bhattacharya, managing director of Hindalco, said, “The pressure on the LME will continue and margins will remain under pressure.” He said coal costs were moving only in upward direction, adding to the cost pressure.

Revenue from the aluminium business stood at ₹2,499 crore, compared to ₹2,211 crore in the corresponding period last year. Profit before interest and tax (PBIT) from the segment fell to ₹484 crore, from ₹562 crore. "The results would have been better, but for increased input costs and lower realisation on the back of lower aluminium LME," the company said in a statement.

Revenue from the copper business grew to ₹3,154 crore, against ₹4,637 crore. PBIT advanced to ₹293 crore, from 206 crore. The company said, “Revenues are higher consequent to better mix and by-products sales. PBIT is up by 43 per cent due to higher production, improved efficiencies, higher treatment and refining charges and by-product credit, offset to some extent by higher energy costs.”

Hindalco allotted 150 million warrants on a preferential basis to the promoters on March 22.
Surplus coal may be sold at production cost

SUDHEER PAL SINGH
New Delhi, 8 May

Fearing profit-making by private miners through the sale of surplus coal produced at captive mines, the government plans to impose a policy guideline asking captive mining companies to sell the surplus coal to Coal India (CIL) at production cost, or without any margin.

The proposal, if implemented, would make Sasan coal diversion by Reliance Power an exception, and discourage the production of surplus coal.

The proposal is part of the new policy on the usage of surplus coal, likely to be finalised by the government in a month. An empowered group of ministers (EGoM), headed by Finance Minister Pranab Mukherjee, on April 29, decided to stick to an earlier decision to allow Reliance Power to divert surplus coal produced from mines allotted for the Sasan project in Madhya Pradesh to another project nearby.

"Any surplus coal produced shall be transferred to the nearest CIL subsidiary. The price payable by CIL to the allocatee would be either the cost of production or the notified price of CIL for the corresponding grade of coal, whichever is lower," said the draft policy floated by the coal ministry for inter-ministerial consultations. The draft policy also states the coal so transferred would be sold by CIL through an e-auction.

The government had made coal mining the exclusive domain of the public sector by enacting the Coal Mines Nationalisation Act in 1973. Later, through a series of amendments to the Act, it had allowed private companies to mine coal for specified captive use in end-use projects. Currently, 28 operational captive mines contribute about 35 million tonnes (Mt) of the total 380 Mt of coal produced in India.

Another legislation to allow the entry of private companies into coal mining and sale—the Commercialisation of Coal Mining Bill—has been hanging fire in Parliament since 2000. An EGoM had allowed Reliance Power to divert coal meant for the Sasan plant for use in the company's Chitrangani project in 2004, raking up a controversy over the special dispensation.

"Our worry is private companies with captive mines would now deliberately produce surplus output to make profits, circumventing the existing law that which does not allow these to profit through coal sales," said a senior coal ministry official, on condition of anonymity.
Iron ore export to hit all-time low in FY13

Prolonged ban on mining in Karnataka, high export duty and railway freight rates, among reasons for export slowdown

MAHESH KULKARNI
Bangalore, 8 May

India's iron ore exports are set to fall to a new low this financial year, owing to multiple problems, such as shortages in Karnataka, Odisha and Goa, high export duty and differential railway freight.

Compared to 2011-12, which witnessed a year-on-year decline of 38.5 per cent in exports at about 60 million tonnes, the current year (2012-13) may see an all-time low of 45-50 mt, a drop of 16-25 per cent over last year.

"We are not in a position to make any estimation for exports during the current year. But, going by the prolonged ban on mining in Karnataka, restriction on mining in Odisha and Goa, along with a high railway freight rate and 30 per cent export duty, export of iron ore is no longer a viable proposition," said R K Sharma, secretary general, Federation of Indian Mineral Industries (Fimi).

Iron ore export from Karnataka has been stopped since July 28, 2010. The state government had imposed a ban following large-scale illegal export. While there is no possibility of export resuming from Karnataka this year, the governments of Odisha and Goa have restricted the movement of the ore. The government of Goa is not giving clearance to lift dumps containing 48-52 per cent iron-grade ore.

Odisha, which accounts for nearly a third of the country's iron ore output, is likely to see a slump in production and export this year, following a crackdown on illegal mining that has resulted in suspension of activity at several mines, mainly in the Joda and Koria regions.

Currently, the railways charge ₹2,430 a tonne on iron ore meant for export, to be transported from Barbil in Orissa to the port, while the domestic freight is ₹700 a tonne. The government had raised the export duty on iron ore to 30 per cent in December last year from 20 per cent.

In addition to these domestic problems, the price of iron ore in the international markets saw a year-on-year decline of 22 per cent to $138 a tonne in April this year. The price of iron ore at e-auctions in Karnataka is fixed at ₹2,551 to ₹3,500 a tonne, depending on the grade.

Steel mills face a huge shortage of iron ore in the southern states. Stocks in Karnataka have depleted to seven mt. Of 25 mt reserved for electronic auctions by the Supreme Court, its monitoring committee has so far auctioned 18 mt. With a majority of the remaining seven mt being low-grade ore, steel mills find it unprofitable. Even JSW Steel, which has technology and machinery to enrich the low-grade ore, is facing low productivity at its blast furnaces.

Steel mills in and around the state, which depend on Karnataka ore, require about 100,000 tonnes per day. With the balance seven mt sufficient for about two months, they are again facing the threat of closure, as regular mining is unlikely to resume in the next three months. Government-owned NMDC, the only company allowed by the apex court to extract ore in Karnataka, has not been able to meet its monthly target of a million tonnes. It is producing 600,000-700,000 tonnes per month.

Resumption of mining in Karnataka is expected within the next three to four months, as the companies are yet to prepare a reclamation and rehabilitation (R&R) plans, which then have to be approved by the Central Empowered Committee. Fimi has prepared an R&R plan for about 10 mines and sent these to the Indian Council of Forestry Research and Education, its sources added.

RUST ON VOLUMES
- Iron ore exports declined to 60 mt in FY12, down 38.5 per cent.
- Export duty of 30 per cent and higher railway freight affects volumes.
- Prices in global markets decline 22 per cent to $138 a tonne.
- The government of Goa restricts lifting of iron ore dumps.
- Ban on mining in Karnataka likely to continue for the next three to four months.
- Iron ore stocks in Karnataka decline to seven million tonnes.
Hindalco Q4 net down 9.65%

Mumbai: Hindalco Industries has reported a 9.65 per cent decline in standalone net profit at Rs 639.99 crore for Q4 ended March largely due to increased tax outgo as against a net profit of Rs 708.37 crore in the same quarter of 2011-12. The net sales of the company, however, were up 11.87 per cent to Rs 7,563.33 crore during the period under review, it said. Its tax outgo increased by over 76 per cent to Rs 139.45 crore, while its total expenditure was up 13.45 per cent to Rs 6,948.07 crore.
Hindalco Q4 profit drops 9.65%

Hindalco Industries, a leading aluminium company from Aditya Birla Group, on Tuesday, reported a 9.65 per cent drop in net profit to Rs 6,403 crore for the quarter ended March 31, 2012 as against Rs 7,084 crore in the similar quarter of last fiscal.

Total income increased by 11.69 per cent over the quarter to Rs 7,647 crore from Rs 6,846 crore in the same quarter a year ago. For the year ended March 2012, Hindalco posted a net profit of Rs 2,237 crore as compared with Rs 2,137 crore for the last year representing an increase of 4.69 per cent.

Total income has increased 11.47 per cent from Rs 23,859 crore for the year ended March 31, 2011 to Rs 26,897 crore for the year ended March 31, 2012.
Hindalco Industries Ltd reported better-than-expected results for its stand-alone operations—excluding the performance of Novelis Inc. The stand-alone operations account for only one-third of consolidated revenue, but around 60% of consolidated net profit.

In the March quarter, the company reported a 15% quarter-on-quarter (q-o-q) increase in revenue to ₹7,647 crore and a 21% growth in earnings before interest, tax, depreciation and amortization (Ebitda, a key measure of profitability) to ₹865 crore.

Net profit rose 42% sequentially to ₹640 crore, far higher than the Street estimates of ₹50 crore. This will cheer investors, especially since it has come on the back of an improvement in operating profitability.

Revenue, too, was higher than the Street estimates, helped by slightly higher-than-expected sales of aluminium. Analysts at Motilal Oswal Securities Ltd had estimated that revenue will grow 8% sequentially to ₹7,179 crore, aided by higher realizations for both the aluminium and copper business. But both reported volumes and realizations were higher than the broker’s estimates.

Apart from raw material costs, most other expenses were lower than what analysts had estimated, leading to an unexpected 60 basis points increase in Ebitda margin sequentially. Notably, power and fuel expenses fell by as much as 140 basis points as a percentage of revenue. A basis point is one-hundredth of a percentage point.

Additionally, both the company’s operating segments, aluminium and copper, reported strong results. Based on its segmental results, operating profit of the aluminium division jumped 56% q-o-q.

The copper division reported a 36% jump in operating profit, aided by better output, and treatment and refining charges. Since the copper business is a custom smelting operation, its profitability depends more on treatment and refining charges than on metal prices.

Motilal Oswal’s results preview report stated, “Aluminium prices are still close to marginal cost of production and producers such as Chalco (Aluminum Corp. of China Ltd) and Rusal (United Company Rusal Plc) have reported losses in the third quarter of fiscal 2012 due to lower LME (London Metal Exchange) prices. Large aluminium producers such as Rio Tinto Plc, Rusal and Norsk Hydro ASA have announced price cuts approximately 1.6 mtpa (million tonnes per annum) of capacity located in Canada, Europe and Australia. While reduced capacity and high production cost would cap the downside in aluminium prices, the potential upside would also be limited due to subdued demand in China.”

Hindalco’s shares, which had risen more than 40% in the early part of the year, have given up most of these gains. On LME, aluminium prices have dropped 11% to $2,050 (around ₹1.08 lakh today) per tonne from a high of $2,300 earlier in the year.

The better-than-expected results announcement should lead to an upmove in the stock, although analysts and investors will wait for the consolidated results announcement and the management commentary before making material changes in their estimates.

MOBIS PHALIPUSE
MARK TO MARKET

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Copper may tip into surplus in 2013

Recently released projections of the International Copper Study Group (ICSG) indicate that the demand-supply balance for copper will remain in the deficit zone in 2012, but may change to a surplus in 2013.

In 2011, global production of mined copper was affected by problems such as bad weather, lower copper grades, operational bottlenecks and strikes. ICSG has projected that the situation will improve in 2012, and production will grow by 5.1%, aided by better capacity utilization.

Utilization is expected to rise from 79% in 2011 to 81% in 2012. In 2013, mined production will get an impetus from expansion and new capacities, taking up output by 7.6%. This is despite projects being postponed to 2014 or later because of adverse market conditions.

While mined production is one aspect, refined copper output provides a more accurate picture of the actual metal that will be released into the system. A shortage of copper concentrate in 2012 is expected to restrict the increase in refined copper production to 2.5%, but this will accelerate to 6.9% in 2013 as copper concentrate availability improves. Copper concentrate is obtained from the mining process, which is then processed into metal by integrated mining firms or by custom smelters.

The statistic of real interest is usage of copper, for that will determine the demand-supply balance. While production is determined more by factors such as new capacity, de-bottlenecking and mine closures, consumption depends more on economic factors.

In 2012, refined copper usage is projected to increase only by 2.5% due to a decline in demand in the European Union and slower demand growth of 3.6% in China, which accounts for 40% of the total copper consumption.

In 2013, since production is expected to grow ahead of usage, ICSG has projected a modest surplus of 361,000 tonnes compared with a deficit of 237,000 tonnes in 2012. The situation in 2012, thus, appears comfortable for producers, though much depends on the extent to which growth actually slows in China and Europe.

Copper prices will be tracking these developments and a surplus situation in 2013 may put a cap on prices. London Metal Exchange prices are up 8% since January, helped by demand-supply conditions, though they remain volatile due to fears that China’s soft-landing of economic growth may affect commodity demand.

If prices turn weak, it will affect copper mining firms such as Hindustan Copper Ltd. Shortage of copper concentrate in 2012 is bad news for custom smelters such as Sterlite Industries (India) Ltd and Hindalco Industries Ltd, as it could see their treatment and refining charges getting affected. But the situation should change in 2013, when copper concentrate availability improves, for it will help smelters strike better terms with miners.
Cabinet likely to discuss Coal Regulatory Authority Bill

ANIMESH SINGH
NEW DELHI

A move which would lead to the setting up of a regulator empowered with deciding coal prices, production and supply of the dry fuel and allocation and cancellation of blocks and mining operations, the Union Cabinet is expected to give a nod to the Independent Coal Regulatory Authority Bill, 2012 during its meeting scheduled to take place on May 10.

Though the draft of the bill had been ready since 2010, the Government had been sitting over it and the sudden decision to take up the proposed legislation during the Thursday’s Cabinet meeting could be triggered due to the recent allegations levelled against the manner in which coal blocks had been allocated by it to users.

In fact in May 2010, Coal Minister Sriprakash Jaiswal had informed Parliament that the major objectives of the proposed authority would be more optimal development of coal resources and to ensure that the Indian coal companies raise their level of competence to be at par with international competitors.

A major fallout of the bill’s introduction would be that action could be taken against those companies, which have kept blocks under their custody but have not utilised them till date. This becomes all the more significant, considering the fact that since 1993, the Government has only allocated 213 captive coal blocks to various state-owned as well as private entities. Out of these only 28 coal blocks have been effectively utilised. Moreover in the last three years, only 42 coal blocks have been allocated and none of them have been mined, inform sources.

According to the provisions of the bill, a regulatory authority would be set up, which would be headed by a chairman and four members looking at technical, legal, administrative and financial matters related to the coal sector. Apart from this, an appellate tribunal would also be formed.

The regulatory authority, apart from other things, sources said, would not only have the authority to cancel the allocation of blocks and impose fine in case it is not satisfied with the development of the blocks, but would also help keep the coal prices in check. The body would also try and make the allocation process competitive, sources informed, adding that it would also decide prices of not only coal, but also its other by-products.

Apart from this, the regulator would also underline yardsticks for companies’ performance. Once the regulator comes into being, official sources said, it would limit the Government’s role only to policy making, since at present dry fuel’s prices are fixed by the Coal Ministry.
Unlocking that coal

Allow captive miners to sell in the open market, bring in third-party miners for now and, eventually, allow commercial mining

As per the latest core sector growth figures, coal output expanded only 1.3% in 2012-13, although it improved from last year’s negative 0.2%. Even as we move into the Twelfth Five Year Plan with an ambitious target of adding 75GW of power capacity, the continuing coal crunch threatens to trip the power sector and may impact the country’s growth story. Industry experts peg the immediate shortfall in coal supply for the power sector at 100-120 million tonnes per annum (mtpa) and the situation is only expected to worsen in the future. The incremental coal supply from both domestic as well as imported sources is likely to fuel only 45-55GW of capacity addition in the 12th Plan period, leading to a shortfall of 20-30GW.

Therefore, options to supply the supply of approximately 100-120mtpa of coal need to be urgently explored. This entails a mix of short- and long-term measures, comprising improving coal production and making bulk imports at reasonable prices sustainable.

Over the next 5-10 months, first, it is necessary to ramp up production from operating mines of Coal India Ltd (CIL). This can be done by benchmarking CIL mines with best-in-class mine plans to identify sources of losses (for example, labour, equipment productivity, technology gaps, etc.) and the implementation of an operational transformation programme to enhance production. Increased emphasis on underground mining is another step in this direction. Monitoring progress and de-bottlenecking will lead to a 5-10% production improvement. Other steps include using private sector mine operators, amending the Contract Labour (Regulation & Abolition) Act to include outsourcing and contract works under any sphere of mining activity and eliminating illegal mining interfering with on-site production.

Second, accelerating production and supply from captive blocks should be encouraged. This can be done by incentivising mines producing less than their potential to sell excess production to CIL, creating a robust pricing methodology that helps the developer gain a reasonable premium on the extra mined coal and creating either a single-window clearance or at least a simplified procedure for clearances among various ministries. Reallocation of captive coal blocks to the distribution utility of respective states where the distance between the power plant and the captive block is over 1,000 km will also help in increasing production as it will reduce infrastructure and logistic bottlenecks.

For blocks allocated to government companies and having most clearances in place but yet to start production, the introduction of a Mine Developer & Operator (MDO)-based structure from end-use, which would mine on behalf of the mine owner and get mining charges in return, would be beneficial. Coal could be sold to CIL till the commissioning of the designated end-use project, following which the coal could be diverted back to the designated end-use project.

For the other allocated blocks that are yet to start production, again, creating either single-window clearance or at least a coordinated approach for clearances among various ministries will expedite monetisation. In addition, reserving a certain proportion of coal blocks for the power sector and expediting the competitive bidding of captive coal blocks will give a fillip to coal production.

Third, strategic/sovereign sourcing of imported coal should be seriously considered. Setting up well-capitalised procurer entities with partners from CIL, financial institutions and other select players (NTPC, MMTC, etc.) to import coal and avoid the cost of mining by an estimated 10-20% with doubling of output, increase the likelihood of getting better contracts and also make it possible to make investments in infrastructure, if required. Approaching suppliers incentivised to supply over longer term through index-based contracts (price linked to a basket of international indices having individual weightage) and developing a robust allocation and pricing policy for centrally-procured imported coal are key strategies.

Finally, infrastructural and financial implications related to coal imports must be strategically addressed. These can be eased by re-structuring tariffs to hold power companies responsible for capital costs, plant efficiency and fuel availability but allowing for the impact of changes in laws and regulations in the coal source countries, allowing bulk coal imports for power plants located near coastal areas and allocating domestic coal to inland plants to optimise transportation availability and reduce procurement costs.

A number of steps are needed to ensure fuel security in the long term. Private participants, selected through competitive bidding, can help expand coal exploration and achieve the annual target of 15 lakh metres of drilling. Such blocks may be allocated to private developers tied up with designated power projects as end-use. A coal regulatory body is essential for transparency and pricing.

For streamlining the supply chain, the development and import of Indian-owned foreign resources must be encouraged. Port and handling infrastructure for coal imports can be expanded through the utilisation of investments in overhauling coal berths at greater sea depths, deeper ports and new coal berths. Concurrently, dedicated railway routes and roads for movement of larger trucks can ensure hinterland connectivity.

A trading platform to be anchored by CIL for the sale of e-auction coal and excess coal from captive mines would facilitate trading. Finally, commercial mining must be progressively delinked from end-use.

It is imperative to adopt these measures to ensure that the growth in the power sector is not derailed and power companies are not compelled to scale down their capacity addition targets.

Chandradut Banerjee

The author is director general, CIL
Hindalco Industries
Q4 net down 9.6%

Weak prices of aluminium on LME pull down profit

**fe Bureau**
Mumbai, May 8

A DIITYA Birla Group's flagship company Hindalco Industries said on Tuesday its net profit for the fiscal fourth quarter fell 9.6% on account of higher input costs and weak prices of aluminium on the London Metal Exchange (LME). Net profit for the quarter stood at ₹640 crore against ₹708 crore in the same quarter last year.

The company's net sales increased by nearly 12% to ₹7,647 crore from ₹6,846 crore in the same quarter last year. "Increase in net sales was driven by higher volumes despite lower realisations," the company said in a statement.

Aluminium prices on the LME have been well below the ₹2,500 per tonne mark during the quarter. The double whammy for aluminium makers has been the rise in input costs.

"Nearly 20-25% of aluminium producers are making cash loss," said Hindalco Industries MD Debu Bhattacharya. "This is an untenable situation and general economic theory suggests that either input costs will come down as their consumption goes down or realisations should increase." The first quarter of calendar year 2012 has also started off badly for aluminium producers. The consumption growth of the metal is only 3.3% compared to 9.6% last year.

"There is a surplus of nearly 750 kilo tonnes for aluminium in the market," he added.

The copper business of Hindalco contributed more to net sales than aluminium. Copper's contribution to the top line was ₹5,154 crore while aluminium's contribution was ₹2,999 crore. Profit before interest and taxes (PBIT) in the copper business was also up 43% at ₹293 crore, even as the aluminium business' PBIT fell nearly 14% to ₹484 crore. On Tuesday, Hindalco's shares closed 1.16% higher at ₹117.40 each on the BSE.

"The good performance of the copper business will continue in the coming quarters," said Bhattacharya. "Aluminium will be under pressure as prices on LME will continue to remain weak which will put margins under pressure."

For fiscal 2011-12, Hindalco's net profit grew 4.6% to ₹2,237 crore from ₹2,157 crore last year. Net sales grew 11.4% to ₹36,597 crore from ₹32,859 crore last year. "In the aluminium business, there has been significant cost increase," the company said in a statement.

"It is difficult to guess as to where aluminium prices will move," said Bhattacharya. "But current levels on the LME should sustain and aluminium prices for the year should be in the range of ₹2,200-2,400 per tonne."
Copper to the rescue of Hindalco

Adarsh Gopalakrishnan  
*BL Research Bureau*

The standalone results for the quarter ended March this year of Hindalco enthused markets enough to push the stock up just over a per cent during the day’s trade.

Despite aluminium and copper prices averaging 12-13 per cent lower during the quarter, sales rose by 12 per cent compared with the same quarter a year ago. This was thanks to a stronger rupee and higher sales volumes across product lines.

Profits, on the other hand, were under duress from higher raw material costs. Coal prices which averaged 20 per cent higher resulted in power and fuel rising by a fourth. Operating profits slipped by three per cent. Net profits dipped more sharply by 10 per cent as the company’s tax outgo rose by 76 per cent to Rs 138 crore.

The company’s net profit received a useful nudge from other income. It rose by Rs 39 crore more than making up for the higher interest bill, up by Rs 24 crore. Financing costs, however, did rise quite sharply by 42 per cent on account of increased borrowing by Hindalco to raise funds for its domestic expansion.

At a segmental level, the company’s aluminium operations produced 12 per cent more value-added products. Production of alumina and aluminium metal also rose marginally. The segment is the most energy-intensive for the company. Higher coal prices lowered the segment operating profits by 14 per cent to Rs 484 crore.

Copper, on the other hand, fared better and helped salvage operating-level performance to an extent. Earning a higher fee for processing copper (TeRc) and higher realisations on by-products such as gold and sulphuric acid helped operating profits rise by 42 per cent to Rs 293 crore.

Revenues from the copper business are twice that of aluminium. The company is expected to announce its results for Novelis in due course. Given that Novelis holds the key to Hindalco’s market value, it is the consolidated numbers that will determine the stock’s direction.

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Hindalco net dips 9.6% to ₹708 cr

Hindalco's net profit for the fourth quarter of financial year 2011-12 fell 9.6% to ₹708 crore against the year ago period on weak prices for its main product aluminum and high raw material cost. However, better performance of copper business helped the firm partially offset the impact of lower aluminum prices on London Metal Exchange (LME).

The company reported 12% growth in net revenue at ₹7,847 crore. About the outlook for financial year 2012-13, D Bhattacharya, managing director, Hindalco said: "Pressure on LME prices may keep margins subdued in aluminum industry. Cost pressure in terms of coal prices in India will also pose challenges. Hindalco's aluminum projects including Mahan and Hirakud are scheduled to be completed this fiscal. Our projects will kick in FY13. However, our conversion of Ebitda to bottomline will be impacted by interest and depreciation," said Bhattacharya.

Bhattacharya said in the first quarter of the current fiscal, aluminum consumption growth is only 3.3% against 9.6% last year.
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हिंदुस्तान, दिल्ली
कोल्हा से सिर्फ सिर्फ सिर्फ

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COAL STRUGGLE CONTINUES

Finally, Talks Begin on Disposal of Surplus Coal from Captive Mines

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NEW DELHI

The government has begun consultations on disposal of surplus coal from captive mines amid differences among various ministries over the subject.

The process was initiated after the prime minister’s office asked the coal ministry to withdraw a notified surplus coal policy and hold inter-ministerial consultations.

A senior government official said while coal ministry is against excess production of coal from mines allocated for specific end use, the power ministry has recommended encouraging miners with marginal incentives to boost coal production.

The law ministry had objected to the coal ministry’s notified policy, saying it contravened the stand taken by the government in the Sasun ultra mega power project (UMPP).

The government had in 2008 allowed Reliance Power to use surplus coal from its Sasun captive mines in Madhya Pradesh for another project in the state.

An empowered group of ministers (EGoM) on UMPPs, headed by finance minister Pranab Mukherjee, had recently decided against reviewing the 2008 decision.

On the recommendations of attorney general Goolam Ela Vahanvati, the EGoM asked the coal ministry to finalise a comprehensive surplus coal policy to avoid ambiguities in future.

“The coal ministry has moved a note seeking comments on a proposed policy for disposal of surplus coal,” the official said. “The ministry has maintained that incentivising captive miners would amount to violation of amount commercialisation of coal mining that is prohibited under the Coal Mines Nationalisation Act.”

The coal ministry wants to bar captive coal miners from producing more than the approved quantity. It has also proposed that excess production due to unforeseen circumstances be sold to Coal India at a price lower than the production cost and notified price for that grade.

The policy is in contradiction to a Planning Commission proposal that seeks sale of excess production from captive coal blocks to Coal India at notified prices of equivalent grade.

As per the proposal mooted by the Planning Commission, three-fourth revenue through sale of surplus coal would go to the exchequer while mining companies can retain the rest as incentive for excess production.

The commission has argued that such commercial sale would help bridge the country’s burgeoning coal deficit and reduce dependence on imports.
Hindalco stand-alone net profit drops 9.6%

The company expects near-term margins to be subdued because of cost pressures and flat prices from ₹2,137 crore in 2010-11; revenue increased to ₹26,597 crore from ₹23,859 crore.

Hindalco gained about 1% to close at ₹117.40 a share on BSE Ltd on Tuesday, when the benchmark Sensex fell 2.17% to 16,546.18 points.

Hindalco expects near-term margins to be subdued because of cost pressures and flat prices, the company’s managing director Debu Bhattacharya told reporters. While copper will do well, “there will be an impact on (the) aluminium (business). We don’t know how much. But we are working on several plans to see how to combat it,” Bhattacharya told reporters.

The non-ferrous metals producer is on a fund-raising spree. Over the past two months, the company raised more than ₹5,000 crore by selling shares and bonds for capital expenditure, according to exchange filings.

It raised more than ₹2,000 crore in March by selling share warrants to the company’s founders, and ₹3,000 crore in April in the country’s first rupee-denominated debt offering since 2004.

Bloomberg and Reuters contributed to this story.

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