Hindalco Q2 profit up 16% at ₹503 cr

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MUMBAI: Cost escalations and constraints in bauxite and coal availability due to heavy monsoon rains impacted Aditya Birla Group company Hindalco Industries’ net profit and revenue growth for the second quarter ended September.

Hindalco’s second quarter net profit grew 16% year-on-year at ₹503 crore against ₹434 crore last fiscal, while revenues rose 7% at ₹6,572 crore against ₹5,880 crore in the same quarter in 2010-11.

“There were regional disturbances like floods in Orissa and Jharkhand which impacted production,” said D Bhattacharya, MD, Hindalco Industries and added that there will be a demand-supply mismatch in the current and next fiscal year.

In a presentation, the company said it expects a continued excess supply, with world production to exceed demand by 0.8 million tonnes in 2011 and 1.2 million tonnes in 2012.

The company also reported its half-yearly results, with net profit for the first half of 2011-12 up 18% to ₹1,147 crore from ₹968 crore in the same period last fiscal while revenues grew by 11%, to ₹9,393 crore in the half-year ended September 30 from ₹8,183 crore in the same period last year.

Providing an outlook for the remaining six months of the fiscal, the company said that it will be “difficult due to global uncertainties, falling LME prices and persisting cost pressures.”

The company expects to commission its Hirakud smaller expansion project by early 2012, which will increase its capacity to 213 kilo tonnes per annum (KTPA) from 168 KTPA and captive power generation capacity by 100 MW, the statement said.
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NEW DELHI: The e-auction of iron ore this month in Karnataka has received a lukewarm response from steel manufacturers, thanks to the high price of ore on offer.

National Mineral Development Corporation, the only miner operating in the state after a Supreme Court verdict in August, had pegged the price of high grade iron ore at ₹2,000-4,000 per tonne. The result: only 12.4 lakh tonnes of ore was auctioned last week against the targeted 23.2 lakh tonnes.

More than 40 companies are believed to be in the fray for the NMDC e-auctioned iron ore.

"The quality of ore being offered through the e-auction route is not of the desired level," Srinivasa Rao, secretary, Karnataka Iron and Steel Manufacturers Association told HT.

The government, however, denied that ore was being sold at a higher price and was confident that it would find takers by the end of this month.

"Our target this month is to auction 75 lakh tonnes and I am sure we will achieve that," said HR Srinivas, director, department of mines, Karnataka.
Hindalco: Tough times ahead

Weakness in LME prices of copper and aluminium to hurt company in second half

GLOBAL uncertainties have impacted the prices of aluminium and copper in the international markets. While the fall in London Metal Exchange (LME) prices has not hit India's largest aluminium producer, Hindalco, significantly in the second quarter, the second half of the financial year could be challenging.

Aluminium prices on LME averaged $2,399 in the second quarter, down eight per cent from the previous quarter, the company explains. "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," says a company statement.

It's apparent that even as the cost of production has not declined, realisations have been lower than previous quarters. According to the median estimate of 17 analysts surveyed by Bloomberg, aluminium prices will trade at $2,000-$2,350 in the next six months. In that case, there will be further pressure on the earnings of companies like Hindalco. Bloomberg Industries estimates that 25 per cent of production loses money below $2,350 and 50 per cent under $2,000.

If aluminium is likely to come under stress, it's no different for copper. The company has highlighted that the domestic refined copper market has also shown weakness in segments like wires and cables, automobiles and white goods. In the last quarter, growth in global refined copper slowed to lower single digits. To make matters worse, copper prices have also declined on LME, though Hindalco has not been hit by this in the quarter.

However, the difficult global environment is visible in Hindalco's numbers. The company's revenues clocked a year-on-year growth of seven per cent to ₹6,272 crore. However, net profit grew 16 per cent to ₹303 crore from ₹434 crore in year-ago quarter. Revenues from aluminium rose 16 per cent to ₹2,213 crore due to higher volumes and better prices on LME. Going forward, this may change if stability does not return to Europe and North America. In the copper business, revenues were up 2.8 per cent to ₹4,062 crore. As a result of the global macro-economic situation, analysts say, the company has lowered its adjusted Ebitda (earnings before interest, taxes, depreciation, and amortisation) guidance for FY12 to ₹1.10-1.15 billion, yet maintaining capex/cashflow guidance.

MALINI BHUPTA
COPPER DROPS TO 2-WEEK LOW

Copper fell in London to the lowest price in more than two weeks, as the European Union cut its growth forecast for the next year by more than half. Prices also slid as exports climbed at the slowest pace in almost two years in China, the top global copper consumer. Copper for three-month delivery dropped 1.8 per cent to $7,485 a metric tonne by 10:33 am on the London Metal Exchange. Prices reached $7,357, the lowest level since October 24. Copper for December delivery fell 1.8 per cent to $3.3795 a pound on the Comex in New York.

BLOOMBERG
Hindalco Q2 net profit up 16%  

BS REPORTER  
Mumbai, 10 November

HINDALCO Industries has reported a net profit of ₹983 crore for the second quarter ended September 30, against ₹834 crore in the same period last year. The revenues jumped seven per cent at ₹6,272 crore.

The company said the sales were up on the back of higher volumes and improved realisations despite lower sales of value added products.

Managing Director Debabrata Bhattacharya said the global economic recovery was getting stalled and there were great distances to cover before the global economies recover. The company cautioned of weakening business and dropping customer sentiments.

Bhattacharya said the global demand for aluminium was holding up at present, but the global factors will have certain impact on the demand. The aluminium demand projections for 2011 are estimated at nine per cent, but will drop in the future. He said that the latest projections for October 2012 show demand growth at 6.5 per cent. "A 6.5 per cent growth is very good considering that aluminium demand growth is linked to global gross domestic product, which grow at four per cent," he said.
Vedanta H1 operating profit up 18.9% to $1.171 billion

LONDON: Buoyed by a 43 per cent increase in revenue, Anil Agarwal-led Vedanta Resources Plc on Thursday reported an 18.9 per cent rise in consolidated operating profit to $1.171 billion for the first half of the current fiscal. The London Stock Exchange-listed entity had clocked a $985.3 million operating profit in the April-September period last fiscal, it said in a filing to the exchange. The company said its profits would have been higher had there been no mark-to-market foreign exchange losses on account of depreciation of the Indian rupee. Driven by higher sales and realisation across the majority of its operations — including zinc, silver, copper and aluminium mining and power generation — the company's revenue rose to $6.553 billion during the first six months of the current fiscal from 4.581 billion a year ago.
HINDALCO'S 2Q NET PROFIT UP 16%,
EXPECTS SECOND HALF TO BE TOUGH

AGE CORRESPONDENT
MUMBAI, NOV. 10

Aluminium major Hindalco Industries on Thursday reported a 16 per cent increase in net profits to ₹503 crore for the quarter ended September 2011 as compared to ₹434 crore a year ago. However, the company admitted that the second half of the current financial year would be tough due to rising cost pressures and slow down in the global economy.

"The second half of FY12 will be difficult due to global uncertainties, falling LME prices and persisting cost pressures," said MD D. Bhattacharya.

Hindalco adding that the world aluminium production is expected to exceed demand by 0.8 million tonnes in 2011 and 1.2 million tonnes in 2012. "This will force some of the units to close down," he said.

Though the global demand for aluminium held steady till September 2011, with daily consumption of 125-126 kilotones, it is expected to drop by 8.5 per cent in 2012.
ILLEGAL MINING
REPORT TO BE
HARD ON GOA CM

AGE CORRESPONDENT
PANAJI, NOV. 10

Goa chief minister Digambar Kamat will have a tough time explaining the irregularities in the state’s mining sector once the Justice M.B. Shah Commission — the committee set up by Centre to investigate illegal mining in the country — tables its report.

According to sources, the report damns the chief minister, who has also been minister for mines for the last 11 years, for the mining scam which some say is as much ₹20,000 crore.

Reports state that the Shah Commission has stated that as much as 50 percent of the iron ore mines operating in Goa are illegal.
चीन का कॉर्पर आयात बढ़ा

श्रवण 8 • चीन में अब्दुल्ला महीने की कमोडिटीज ट्रेड डाटा के अनुसार अंतर्राष्ट्रीय से पक्ष पतला है कि कॉर्पर आयात में अधिकतम दर्ज की गई है। चीन के कॉर्पर आयात में आकृतियाँ पांचवें महीने बढ़ी कर दर्ज की गई है। रॉयल्स उडर्ज के विदेशी वस्त्र ने कहा कि आपका आयात कमोडिटी की आयात-आयात किस्मी है तथापि कॉर्पर में ट्रेड संक्रामक दिक्षाओं पहले हैं। उन्होंने कहा कि ज्यादातर खरीदने करीब की खरीदार तकनीक ध्वनि के लिए कर रहे हैं। लेकिन आय तकनीक में सुधार होना है तथा इस कमोडिटी को खरीदार तोपकर बनाने के लिए कर सकते हैं। दिखलाई व्यवसाय की कुल में कॉर्पर का आयात 40.2 पीसदी बढ़कर 3.8 तिला हो गया।
Metals drop on global cues

Press Trust of India
Mumbai, Nov. 10
Most metals dropped on the non-ferrous metal market on Thursday on stockists selling, driven by a fall in London Metal Exchange. Tin tumbled by Rs 10 a kg to Rs 1,315 and nickel slid by Rs 5 a kg to Rs 1,095.
Copper armature, copper utensils scrap, brass utensils scrap and brass sheet cutting all moved down by Rs 3 a kg each to 419, Rs 402, Rs 295 and Rs 302 respectively.
Aluminium losses, weak rupee hit Vedanta H1

Aluminium losses, rising costs and the weakening Indian rupee hit India-focused miner Vedanta Resources's profits in the first six months of its financial year, despite higher sales and prices. Vedanta said its underlying attributable profit dropped more than 34% to $186.3 million, below expectations, sending its shares down as much as 8% in early trade. Its attributable profit fell 92%. That was despite a 27% increase in first-half core profit to $1.7 billion, in line with analysts expectations, and a 43% rise in revenue as commodity prices rose.

Vedanta has come under pressure in recent months from high leverage, falling prices and operational headwinds in key commodities like iron ore. Its share price has dropped almost 40% since the end of June against a 19% drop in the FTSE 350 mining sector. “Despite the global economic uncertainty, we believe the long-run outlook for commodities remains favorable,” Vedanta said in the statement.
Hindalco net profit up 16%, sees difficult second half

fe Bureau

Mumbai, Nov 10: The world’s largest aluminium can maker Hindalco Industries, owned by Aditya Birla Group, reported a 16% increase in its net profit to ₹503 crore for fiscal second quarter ended September 30, but cautioned that next two quarters will be difficult owing to an uncertain global economy, falling metal prices and cost hikes.

“Overall, the second half of the financial year is expected to be challenging in terms of cost pressure, domestic demand and margins,” Hindalco vice-chairman and MD Debabrata Bhattacharya said after announcing the results adding that the reporting quarter’s performance was impacted by rising cost and restricted supply of coal and bauxite.

Sales grew 7% to ₹6,372 crore from ₹5,900 crore in the same period previous year driven by high volumes and better margins. Operating profits were up 8% to ₹845 crore on higher volumes and improved realisation.

Analysts said the results were a tad below expectations, but said the company expansions are on track despite a slowing economy.

“Forex losses might have missed expectations,” said P Phani Shekhar, an analyst with Angel Broking. “There might have been some volume disappointment from Novelis, Hindalco’s Canadian subsidiary. There is no material impact on Hindalco shares as it has been performing well,” he added.

Revenues from Aluminium, the primary product, grew by 16% to ₹2,213 crore from ₹1,931 crore in the same quarter previous year, as they sold more at higher prices on the LME. Last year, Hindalco cutdown production as one of smelters cracked. Copper revenues grew slightly by 2.8% to ₹4,082 crore as against ₹3,951 crore as it sold more.
PSUs may buy stake in peers

New Delhi

With the disinvestment programme of the government virtually coming to a halt, coal PSUs may pick up stakes in other public sector units to help the government meet its target of Rs 40,000 crore, a top ministry official indicated today.

"It all depends. If it is financially viable, then why not?", Coal Secretary Alok Perti said when asked if companies under the ministry were open to buying stakes in other PSUs. At the same time, he added that the Finance Ministry had recently sought to know the cash surpluses with Coal India and Neyveli Lignite.
ENVIRONMENT MINISTRY REMOVES OBSTACLES TO SAND MINING

New Delhi: Mining of sand from rivers and estuaries by traditional coastal communities is now possible with the Environment Ministry removing the obstacles to it in coastal states with certain conditions. The ministry's decision came amid growing concerns by environmentalists that sand mining was causing depletion of the rivers and coastal communities only by manual methods in various coastal states.

The Ministry said it decided to remove sand bars in the special order of the Karnataka Government, requesting it to allow sand mining by traditional communities using manual methods. The Ministry said it stipulated several conditions including no mining in eco-sensitive zones, fish migratory and breeding grounds for removal of sand bars by traditional methods.
Bolivia Threatens to Take Over Half of Jindal Steel’s El Mutun Iron Ore Reserves

MEERA MOHANTY
NEW DELHI

Jindal Steel Bolivia (JSB), the Bolivian unit of Jindal Steel and Power, finds itself in choppy waters with the President of the Central American country threatening government takeover of Jindal’s half of the prized El Mutun iron ore reserves.

News reports quoted Evo Morales, Bolivia’s left-wing President as saying: “We hope that this contract can be accelerated and, if not, the state will begin to exploit and export the iron in Puerto Suarez.” Earlier, Bolivia’s energy minister had criticised the Indian company.

JSB has had a volatile relationship with the Bolivian government ever since it won mining rights to half of the 40 mt El Mutun reserves, considered amongst the largest in the world, in 2007. The contract is valid for 40 years.

JSPL Vice-Chairman and Head of Global Ventures, Vikrant Gujral insisted that its share of the iron ore — around 20 billion tonnes — is secure. Gujral said JBL has been assured gas supply for its proposed steel and power plants. “The same energy minister Jose Luis Gutierrez in fact promised to make gas available to the project,” said Mr Gujral, adding that the minister was misquoted.

JBL wants 4 million cubic meters per day of gas by 2014 for its steel and power plants. State-owned gas firm Yacimientos Petroliferos Fiscales Bolivianos (YPFB) is yet to make a firm commitment.

In exchange for iron ore and subsidised gas from the government, Jindal has committed to invest $2.1 billion over the next eight years to build steel, sponge iron and pellet plants and a 450 mw power unit near Puerto Suarez in Santa Cruz. Another Jindal subsidiary, Gas to Liquids International, has also signed an agreement for four blocks of gas which has to be sanctioned by the Parliament.

However, members of the Bolivian government have repeatedly threatened to annul the agreement because of alleged delays and had encashed a $18 million bond. JBL officials said the Bolivian government is responsible for some of the delays.

The latest differences stems from the company’s decision to stop shipment of iron ore until next year, since water levels in the Tamango canal had fallen with the onset of winter. In land-locked Bolivia, the ore has to be shipped down the Paraguay-Paraná river on barges.

“We have a 10,000-tonne order from Paraguay and have already shipped 6,000 tonnes. There is a hull now, movement will be restricted but we can, maybe, consider half loads till water levels rise again in January,” said Mr Gujral.

Speaking at a naval event Morales is reported to have threatened to send in the Navy to ship the ore if JSB would not do it.

Mineral Minister Jose Pimentel has reportedly clarified that a revision or reversal of the agreement can happen only after a government audit of JSB’s investments in May next year. “This is a sign of countries, including ones like Mongolia and Mozambique, moving to enhance the terms of trade in their favour,” said Kameswara Rao, Executive Director - Energy, Utilities, and Mining, PwC.
HINDALCO

Non-availability of Key Minerals may Hurt Ops

CRYSTAL BARRETT

Hindalco’s second quarter performance was hardly a surprise. Novelis, on the other hand, almost doubled its profit despite difficult conditions in its key markets — the US and Europe. While Hindalco’s standalone business is likely to continue to face headwinds on account of higher cost pressures over the next few quarters, it can rely on its Atlanta-based subsidiary — Novelis — to continue to be the earnings propeller.

Novelis, which accounts for nearly three-fourths of Hindalco’s revenues, reported a 94% increase in net profit to $120 million, approximately ₹552 crore, driven by strong conversion premiums and higher average aluminium prices compared with last year. The growth came on back of a 14% rise in revenues to $2.99 billion, or ₹12,486 crore.

The fiscal and political uncertainty on either side of the Atlantic, which has severely impacted business and consumer environment across the globe, has had a major bearing on base metal prices as well. The price of aluminium on the London Metal Exchange which averaged about $2,399 during the September 2011 quarter has fallen over 9% since last quarter. But even as aluminium prices have been on the decline, the costs of power and alumina, which together constitute about 70% of the total production cost, have increased significantly, thereby hurting realisations.

This phenomenon is worse for Indian operators as the rise in coal prices has been the steepest in the region. This, in addition to the higher cost of borrowing, impacted Hindalco’s standalone performance.

The company’s Indian operations are likely to remain under pressure as the availability and price of bauxite and coal continue to be a concern, atleast until its greenfield projects at Mahan, Madhya Pradesh and Rayagada in Odisha are commissioned. This can be expected within 12 months. These projects are currently awaiting the approval from the ministry of environment and forests. At ₹139, the stock trades at 11.85 times and is expensive.
Coal India may consider Peabody acquisition

ANIMESH SINGH || NEW DELHI

Close on the heels of Finance Ministry allowing Coal India Ltd (CIL) to acquire foreign entities, which would enable it to plug the gap between demand and supply, the Maharatna company is in the process of considering some proposals from the US, Australia and Indonesia and if sources are to be believed, one of these could be that of the US-based Peabody.

According to Coal Ministry sources, CIL may revive its interest in acquiring Peabody, with which it initiated talks last year. When asked about it CIL Chairman N C Jha also did not completely rule out the possibility.

"If (the Peabody offer) is still alive, we will go for it. We were not in touch (with Peabody) as we were not clear about their stand. We will ask them if the offer is still valid, as coal does not wait for anybody. It is a hot commodity in the market, especially good variety of coal. We had actively pursued (the deal earlier), but could not move ahead due to some issues," Jha told The Pioneer.

He refused to divulge the names of the other entities in which CIL is interested, citing compliance agreement with them but said that a total of three such listed entities are there, which had shown interest in the Expression of Interest (EOI) floated by the public sector company some time back. "We have some offers from listed entities in the US, Australia and Indonesia, which will be discussed with the CIL board," Jha informed.

Sources close to the development said that Indonesian entity Sinar Mas' Borneo Inclobana and G3 mines in that country, and Massey Energy's Sidney underground mines, in the US, could be among the entities, which CIL is interested in.

Jha informed that CIL had some time back, invited EOI for acquiring or buying stakes in overseas coal entities which are listed. "We had received a lot of offers and had categorized them as per their listed and unlisted status. We did the due diligence on the listed entities," he said.

"Though our board gives a go ahead to a proposal from a listed company, the issue was how to proceed if a proposal comes from an entity of a listed company, which is not listed separately. We raised this matter with the Finance Ministry and it said that listed or unlisted is not the criteria. The valuation should be the criteria. This should be done in proper manner with due diligence," the CIL Chairman added.

The other issue, he said, was about the return on investment on such acquisitions. "Government said that if a foreign entity is being acquired for strategic purposes, then in such cases, the return on investment should not be an issue. Though the Finance Ministry has said that such acquisitions should generate a minimum 12 per cent internal rate of return, (it has added) that if the company feels that an acquisition is needed even if it is generating less than 12 per cent return, then it should be sent to (Finance Ministry) for clearance," he said.

These were primarily the two main issues which had deterred CIL from proceeding ahead with its overseas acquisition plan, Jha said.

Now with the Finance Ministry's go ahead, sources say, the chances of CIL acquiring the aforementioned entities seem brighter.
Traditional coastal communities can now mine river sand

Special Correspondent

NEW DELHI: The government has opened a hole in the ban against sand mining in coastal areas — it has permitted traditional coastal communities to remove sand bars in rivers and estuaries strictly by manual methods only.

While builders have been demanding an opening up of sand mining in coastal areas in order to reduce their costs, environmentalists have been firmly opposing the move.

After examining a proposal of the Karnataka state government in the light of the Coastal Regulation Zone Notification, 2011, the Ministry of Environment and Forests has decided to allow this kind of traditional sand mining in all 11 coastal States and Union Territories, subject to certain conditions.

"Traditional coastal communities" would be the only ones allowed to remove sand bars, using manual methods such as "non-mechanised dinghies or small boats using baskets or buckets," said the order.

Mining would not be allowed in areas identified as eco-sensitive zones, or fish migration and breeding grounds.

Annual permits for such sand mining would be issued by the District Collector, on the advice of a committee that would have representatives of local fishing communities, civil society and scientific experts.

Each permit would come with quantity, time and area restrictions, and compliance would be monitored by the district environmental officer.

Track changes

The State government is also expected to keep track changes using satellite images and GPS to follow the sand accumulation and the mining process.