

# Weak Aluminium Prices to have Impact on Metal Industry

## Impact on Hindalco's Financials In Fy14



In his annual report Hindalco Chairman Kumar Mangalam Birla said "As aluminium prices continue to remain weak in the international market, the metals business will face challenges in the near-term. The depreciation and the interest burden from its expansion projects will also have a bearing on the financial results in FY-14.". The company's consolidated capex spend was close to \$2.6 billion. The 2012-13 fiscal was the third consecutive year of the highest ever capex spend.

"These investments, which we have continued, will not only propel us towards the growth trajectory planned for the metals business, but will also, create the lowest-cost production bases on the global cost curve - ones that can withstand any phase of the business cycle," added Hindalco Chairman Kumar Mangalam Birla.

He pointed out that copper business put up yet another robust performance, despite the sharp reduction in sulphuric acid realisations. Deft concentrate sourcing, coal sourcing and a higher proportion of value-added production enabled it to achieve outstanding results.

Strong performance of the copper business, which has a conversion business model, cushioned the pressure on aluminium margins. It once again vindicated the virtue of our de-risked business model in the metals business, he further added.

On the economic scenario, Birla said slow growth, investor diffidence, the rupee falling to an all-time low, power outages and a poor monsoon added to the country's woes. High commodity prices and supply constraints of critical raw material, such as coal and natural gas further compounded the problem.

India's GDP growth slowed markedly in 2012-13, to 5%, down from 6.2% in the previous year. The manufacturing sector recorded a growth of only 1.9% in 2012-13, down from 2.7% in 2011-12. Export growth in 2012-13 was 5.1%, compared to 15.3% in the previous year.

However, Birla said there are good signs, as "we move into fiscal 2013-2014".

"There have been some positive policy developments in the recent months like decline in interest rates and a move towards market-based pricing for diesel and petrol. If this

pricing flexibility persists, it could make a considerable dent in the subsidy bill," he said.

Birla said: "Industrial activity will continue to be adversely affected by regulatory bottlenecks. The recent decline in commodity prices, particularly of crude oil, and continuing buoyancy of FII inflows will pave the way for greater exchange rate stability, and a moderation of inflation.

However, the company's expansion programme is on track. The Mahan Aluminium produced its first metal, while Utkal Alumina commenced charging bauxite to commission the plant. Aditya Aluminium will also go on stream during this year. At the global level, on the projects front, Novelis too commissioned its new cold mill at the Pinda Plant in Brazil. Besides, its rolling capacity expansion in Korea and the automotive finishing line in the US are on track and expected to be flagged off in the current fiscal. An auto finishing line in China has commenced. In pursuit of its goal of recouping to 80% recycled content by 2020, Novelis has embarked upon recycling expansions aggressively, Birla said. ○○○