

Alcoa grows 14% as aluminium prices jump

Alcoa, the New York-based aluminium firm, typically the first major US firm to report earnings each quarter, has been benefiting from past efforts to close unprofitable smelters in high-cost areas. Meanwhile a combination of stronger aluminium pricing as well as investments in new aerospace and automotive products and better productivity have helped Alcoa's performance rebound to a profit of \$US268 million for 2014, from a loss of \$US2.3 billion in 2013.

During the quarter, Alcoa completed the sales of a number of its plants and completed its acquisition of jet-engine parts maker Firth Rixson, part of Alcoa's efforts to reduce its exposure to volatile commodities prices.

In the latest quarter, Alcoa's primary metals segment swung to income of \$US267 million, from a year-earlier loss of \$US35 million. Third-party realised prices, or the amount Alcoa received from customers, climbed 20

per cent from a year earlier to \$US2,578 per tonne.

Overall, Alcoa reported a profit of \$US159 million, or 11c a share, compared with a year-earlier loss of \$US2.34 billion, or \$US2.19 a share. The year-earlier period included asset write-downs of \$US1.7 billion in its primary metals business. Excluding acquisition-related costs, asset write-downs and other items, earnings rose to 33c from 4c. Revenue increased 14 per cent to \$US6.4 billion.

Analysts polled by Thomson Reuters expected per-share profit of 29c and revenue of \$US6.04 billion.

Segment profit for the company's global rolled products division, which makes sheet for cars, soared to \$US71 million from \$US21 million, mainly driven by strong productivity, higher metal prices, and higher volume in North American automotive and aerospace. The segment expects to continue to increase production during the current quarter to serve



growing demand for aluminium-intensive vehicles.

Alcoa's engineered products division, which makes parts for the aerospace sector, recorded income decline of 1.8 per cent to \$US165 million. However, excluding \$US12 million of impacts related to the integration of Firth Rixson, Alcoa said the engineered products division's operating income improved for a 19th straight quarter.

Alumina segment income surged to \$US178 million from \$US70 million a year earlier, mostly owing to higher pricing, favourable currency impacts and energy costs and stronger productivity.

China challenges India in diamond polishing

Soaring output from China has challenged India's long-held position as the world's top diamond polisher, compelling the latter to seek help from ally and top rough diamond supplier Russia to defend its market share.

India has traditionally relied on the middlemen in trading hubs of Antwerp, Tel Aviv and Dubai for its supply of rough diamonds, which mainly come from Russia or Africa. Most of the world's diamond output is sent to India for cutting and polishing before being retailed around the world.

But China has managed to break the established trade route by getting diamonds directly from African mines in which Chinese companies have a stake. This has boosted the value of China's net exports of polished diamonds by 72 per cent in the past five years to \$8.9 billion. While India's exports, supplied by firms such as Asian Star (ASAN.BO), Gitanjali Gems Ltd (GTGM.NS) and Venus Jewel, rose 49 per cent to \$14 billion over that time, shipments have seen a sharp drop this year.

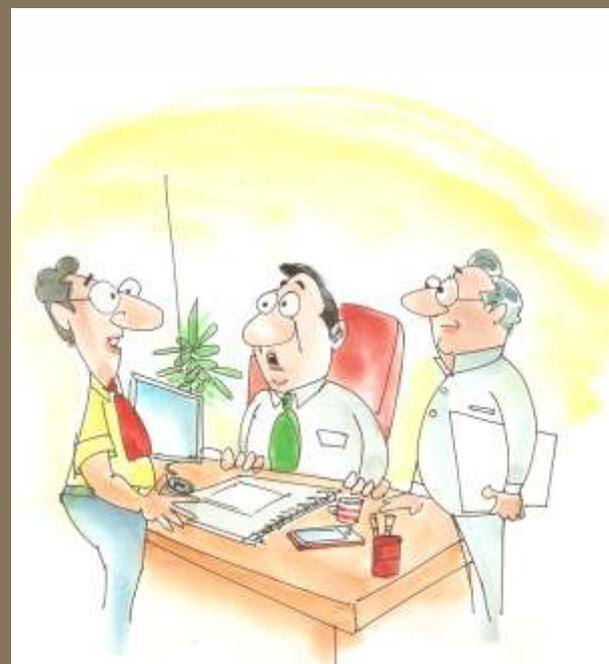
"China's active procurement of rough supply from African countries was reducing the supply available to Indian manufacturers," said Sandeep Varia, an executive of Indian industry body Assocham. "Many units across the country had to lay off workers due to losses."

As a result, China's share of the global polished diamond market has tripled to 17 per cent in the past decade, according to data from the United Nations. India's share has fluctuated between 19 and 31 per cent.

This section is a compilation from various company press releases, business dailies & trade publications

METAL PUNCH

- Shrinivas Prabhudesai



"Sir, my prediction was right. Economy picked up by 0.001% in last quarter!"