



Gränges wins auction to acquire aluminium business in US



Gränges AB has emerged as the winner in the court supervised auction to acquire Noranda Aluminum Holding Corporation's downstream aluminium rolling business in the United States. The final bid values the business and related assets to USD 324.2 million on a cash and debt free basis. The transaction is

anticipated to be accretive to Gränges earnings per share in 2016.

Gränges and Noranda have obtained required clearances for the transaction under US antitrust laws and Gränges has secured committed bank financing for the transaction. Gränges' Board of Directors may also consider to utilize the mandate given by the Annual General Meeting 2016, which entitles the company to issue new shares in Gränges up to 10 per cent of the total number of shares outstanding.

Should Gränges receive final approval as buyer from the US Bankruptcy Court, an announcement is anticipated in mid-July, 2016. Closing is expected during the third quarter of 2016.

Australia's DIIS estimates global alumina deficits in 2016 and 2017



Australia's Department of Industry, Innovation & Science has projected global alumina deficits of 4 million mt in 2016 and 2017.

Global consumption in 2016 is anticipated to rise 3 per cent year on year to 116 million mt and production to rise 3 per cent to 112 million mt, the DIIS said in a report.

The office anticipates global alumina consumption rising 7 per cent in 2017 to 125 million mt, supported by higher aluminum output in China, Russia and the Middle East.

It said global alumina production is anticipated to increase by 7 per cent to nearly

121 million mt, driven by capacity restarts in China and new output in Jamaica, India, Indonesia, Vietnam and the UAE.

The DIIS said it would expect the price of alumina to average \$238/mt FOB Australia in 2016, rising to average \$250/mt in 2017, underpinned by an expected increase in production costs and higher global aluminium production.

The price of Australian alumina averaged \$300.47/mt FOB in 2015, according to S&P Global Platts data. Platts Australian alumina price assessment averaged \$222/mt FOB and \$252/mt in the first and second quarters of 2016 respectively.

Corpus Christi Port offers to buy Sherwin Alumina plant



The Port of Corpus Christi had recently announced that it made a bid to buy the Sherwin Alumina plant, which is in bankruptcy. The Port said it offered \$33 million for the plant and offered to spend \$13 million in capital, deferred maintenance and environmental improvements if Sherwin Alumina or another company continues to operate the plant.

However, industry experts are of the opinion that it would be difficult for the Port to carry on with the alumina business. The aluminium processing business is like oil refining. Most of its maintenance and operating cost is fixed costs including capital, labour and energy cost in the form of natural gas and electricity. When the plant has to operate at reduced capacity due to economic recession and low demand, it's impossible to reduce the fixed cost as capacity declines. Those plants have to operate at full capacity to be efficient and profitable. At reduced capacity, they have huge losses. Companies in those businesses have to have a very deep pocket to survive losses during recessions and hope to make it back in booms, the analysts opine.

In addition, China is a major producer of alumina and aluminium. During recessions and low alumina demand, China subsidizes its alumina plants with tax money and it dumps alumina in the U.S. and elsewhere at prices below cost to protect Chinese worker jobs in its alumina plants. In this context, analysts believe, the Sherwin Alumina plant can never compete with China's tax subsidies and the U.S. government won't use tariffs to protect the U.S. plants.

The port is a governmental entity. Its only revenue is from fees it charges to its shippers and vessel operators. So, according to the people aware of alumina refining business and the Port's financial position, the latter should never engage in a highly competitive business like alumina which is dominated by the Chinese government that is willing to spend any amount of tax money to protect its people's jobs.