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Hindalco Announces Q3 FY 2011-12 Standalone Results [Unaudited]

Superior results despite adverse macro-economic condition and steep inflationary cost pressure

Financial Highlights

(In Rs. Crore)	Q3FY12	Q3FY11	9MFY12	9MFY11
Net sales	6,647	5,975	18,950	17,013
Other income	90	61	444	212
PBITDA	805	801	2,695	2,483
Depreciation	175	171	524	512
Net Interest	79	52	214	164
Profit before tax	551	578	1,958	1,807
Provision for taxes	100	118	360	379
Net profit	451	460	1,597	1,429
Basic EPS - Rupees	2.35	2.41	8.34	7.47

Hindalco, the Aditya Birla Group Flagship Company today announced its unaudited results for the third quarter (Q3) ended December 31, 2011.

Net sales and operating revenue at Rs. 6,647 crore in Q3FY12 are up 11% over Q3FY11, driven by higher volume and marginally better realisation.

PBITDA is maintained at Q3FY11 levels. The benefits of higher volume and realisation have been negated by the cost surge of over Rs. 300 crore. Other income is higher by Rs. 29 crore due to improved treasury yield and enhanced corpus. This has been offset by higher interest and financing charges on account of higher rates.

Net profit is marginally lower at Rs. 451 crore in Q3FY12 from Rs. 460 crore in Q3FY11.

For the nine months ended December 31, 2011, Revenues rose by 11%, PBITDA increased by 9% with an increase in net profit by 12%.

Higher volumes and slightly improved realisations resulted in 13% improvement in Aluminium revenues. However, the EBIT is lower at Rs. 310 crore due to spiralling input cost of around Rs. 250 crore.

The capital employed for Aluminium Business at Rs. 21,172 crore as on December 31, 2011 includes Rs. 13,631 crore relating to Mahan, Hirakud Rolled and Aditya Aluminium Projects. The balance largely relates to the existing Aluminium operations.

In the Copper Business, revenues stood at Rs. 4,418 crore vs. Rs. 4,000 crore in Q3FY11, on the back of higher LME and by-product credits. Copper volumes also rose on account of improved efficiency. Profit before interest and taxes increased by 51% to Rs. 216 crore from Rs. 143 crore due to improved

efficiencies, higher Treatment and Refining Charges (TcRc) and by-product credit, offset to some extent by higher energy costs.

Operational review

Aluminium

Alumina and Aluminium production registered growth of 7% and 8% respectively backed by improved operating efficiencies. Metal production rose on the back of continued focus on asset-sweating.

Downstream production also grew in the latter part of Q3FY12. Extrusion production was lower, consequent to the lock-out at the Company's Alupuram Unit in Kerala. This has since been lifted (December 24, 2011).

In Tonne	Q3FY12	Q3FY11	9MFY12	9MFY11
Alumina	343,086	320,310	1,010,056	1,008,800
Metal	146,374	135,829	430,077	399,215
Wire Rods	25,247	23,672	73,092	71,155
FRP	55,598	46,188	157,581	151,603
Extrusions	7,190	9,292	21,665	28,546

Copper

Quarterly cathode production was successfully ramped up after the planned shutdown in the last quarter. Cathode production was up by 9%. Value-added CCR production was higher by 11 Kt.

In Tonne	Q3FY12	Q3FY11	9MFY12	9MFY11
Cathode	87,748	80,224	235,528	250,637
CCR (own)	38,426	26,996	106,707	111,465

Expansion Projects

All the projects are progressing well. There is no material development to report since the last quarterly Press Release.

Industry Outlook

The sentiment in the financial markets has improved since the beginning of this calendar year. The improvement is, however, vulnerable to the looming macro-economic risks pertaining to the European crisis and slowing global growth momentum. These risks could have implications for the commodity prices, including metals – even though energy inputs have an upside risk pertaining to geo-political developments.

Aluminium

World aluminium consumption growth in Q3FY12 was 6% over the corresponding period last year. Other than Europe, most of the economies witnessed growth in consumption with China growing in double digit. Aluminium prices on the London Metals Exchange (LME) averaged USD 2,089 in Q3FY12 – a drop of 13% from the previous quarter. LME stocks were at the higher level of 4.9 million tonne, an increase of 0.4 million tonne in December, attributed to attractive warehousing deals and low interest rates.

In response to low metal price and high operating cost, some of the major producers have announced production cuts, which are expected to support and boost the metal prices in the next quarter. While the

macroeconomic environment has weakened significantly, the outlook for Aluminium demand appears positive and will be led by North America, China and major emerging nations.

Indian consumption is at levels similar to that of 2010 due to lower demands in the automotive and building and construction sectors in this quarter.

Copper

Global refined copper consumption was virtually flat during the quarter, reflecting the overall weak economic conditions. Recently, copper prices on LME have hardened on account of falling trend in exchange inventories, sharp rise in Chinese imports and the improvement in the risk appetite. The continuation of the momentum of Chinese imports is, however, uncertain.

Indian refined copper market, which was earlier exhibiting weakness, improved in Q3 due to demand from the cables sector. Other user segments like winding wire, automobile and transformers were relatively flat.

In the concentrates market, supplies are encouraging after resumption of normal production in most of the mines hit by strikes or technical issues in Q2FY12. This year's annual negotiations for term contracts have not been able to produce a single benchmark. Annual settlements of TcRc between miners and smelters for the next year are 7%-13% better than those in the previous year.

The outlook on realisation of co-products like sulphuric acid and DAP, which were generally robust in 2011, remains softer for the coming quarters.

Company Outlook

Volatile LME and Foreign Exchange fluctuation along with spiralling energy cost is posing a major challenge in the short term context. Hindalco's portfolio of LME - neutral copper smelting operation and integrated aluminium operation is providing the strategic balance in the volatile commodity cycle.

Capacity expansions under implementation will enable the company to grow at a rapid pace and consolidate its leadership even further. The focus continues to be on timely completion of the projects and successful ramp-up of production.

Statements in this "Press Release" describing the company's objectives, projections, estimates, expectations or predictions may be "forward looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the company's operations include global and Indian demand supply conditions, finished goods prices, feed stock availability and prices, cyclical demand and pricing in the company's principal markets, changes in Government regulations, tax regimes, economic developments within India and the countries within which the company conducts business and other factors such as litigation and labour negotiations. The company assume no responsibility to publicly amend, modify or revise any forward looking statement, on the basis of any subsequent development, information or events, or otherwise.