

Operational Update

Operations of aluminium smelter at Hirakud have got affected in July, 2010 due to heavy rains and continuous bad weather including lightning. As per the action plan, currently under implementation, electrolytic cells taken out of circuit will be restarted in a phased manner and the exercise is expected to be completed by end August, 2010. As a consequence of this unforeseen outage, Hirakud metal production is expected to be lower by around 20,000 MT for the current fiscal. However, the company has a comprehensive mega insurance policy which covers property damage and business interruptions.

Outlook and recommendation

The global demand recovery is continuing though at a relatively slower pace after a strong pull back in 2H2009. While pace of growth in China has tempered down with measures to cool down the credit growth while growth in US and Europe was primarily on account of re-stocking.

Aluminium prices are expected to remain flat on account of high levels of inventory and uncertainty over demand from China. As a result, future earnings growth would come through increase in volume than value. With the commencement of new capacities coming on stream during FY 11 and FY12, the company would experience 30% increase in its sales volume during FY12 thus providing some cushion to downside risk to aluminium realizations. **At the CMP of Rs 164.5 the stock is trading at 9.2 times its FY12 earnings of Rs 17.8 and is fairly priced at current levels.**

Result Update



Kyon ki bhaiya, sabse bada rupaiya.

(Rs. In Cr.)

Hindalco Industries Ltd.	Q1FY11	Q1FY10	% Chg.	Q1FY11	Q4FY10	% Chg.	FY201003	FY200903	% Chg.
Net Sales	5145.5	3868.3	33.0	5145.5	5358.5	-4.0	19408.0	18053.0	7.5
Other operational Income	32.7	28.6	14.5	32.7	45.9	-28.7	128.3	166.7	-23.1
Total Oper. Income(TOI)	5178.3	3896.9	32.9	5178.3	5404.4	-4.2	19536.3	18219.7	7.2
Raw Materials Cons.-	2828.1	2819.6	0.3	2828.1	3132.0	-9.7	13225.7	10331.1	28.0
% to TOI	54.6%	72.4%	-	54.6%	58.0%	-	67.7%	56.7%	-
Stock adj. (-)Inc / (+)Dec-	194.2	-317.4	LP	194.2	238.0	-18.4	-755.3	520.6	PL
% to TOI	3.8%	-8.2%	-	3.8%	4.4%	-	-3.9%	2.9%	-
Net Raw Mat adj. for stock	3022.3	2502.2	20.8	3022.3	3369.9	-10.3	12470.4	10851.7	14.9
% to TOI	58.4%	64.2%	-	58.4%	62.4%	-	63.8%	59.6%	-
Other expenses	1095.6	429.9	154.9	1095.6	976.5	12.2	3238.2	3513.5	-7.8
% to TOI	21.2%	11.0%	-	21.2%	18.1%	-	16.6%	19.3%	-
Contribution Net_Sales	1060.3	964.8	9.9	1060.3	1058.0	0.2	3827.7	3854.5	-0.7
Personnel	227.9	207.0	10.1	227.9	222.6	2.4	877.8	818.6	7.2
% to TOI	4.4%	5.3%	-	4.4%	4.1%	-	4.5%	4.5%	-
Total expenditure	4345.8	3139.1	38.4	4345.8	4569.0	-4.9	16586.4	15183.8	9.2
Operating Profit	832.5	757.8	9.9	832.5	835.4	-0.4	2949.9	3035.9	-2.8
<i>% to TOI</i>	<i>16.1%</i>	<i>19.5%</i>	<i>-</i>	<i>16.1%</i>	<i>15.5%</i>	<i>-</i>	<i>15.1%</i>	<i>16.7%</i>	<i>-</i>
Non-Operating Income	68.9	75.3	-8.5	68.9	77.7	-11.3	259.9	636.7	-59.2
Interest	59.3	68.2	-13.0	59.3	70.5	-15.9	278.0	336.9	-17.5
Exceptional Items			-			-	0.0	0.0	0.0
Gross Profit	842.1	764.9	10.1	842.1	842.5	-0.1	2931.8	3335.6	-12.1
Depreciation	169.1	165.3	2.3	169.1	168.4	0.4	667.2	645.3	3.4
PBT before Extra-ord	673.0	599.6	12.2	673.0	674.1	-0.2	2264.6	2690.3	-15.8
% to TOI	13.0%	15.4%	-	13.0%	12.5%	-	11.6%	14.8%	-
Extraordinary Items			-			-	0.0	0.0	0.0
PBT	673.0	599.6	12.2	673.0	674.1	-0.2	2264.6	2690.3	-15.8
Tax Rate	20.6%	19.9%	-	20.6%	1.5%	-	15.4%	17.1%	-
Prov. for Tax	138.6	119.0	16.4	138.6	10.2	1263.8	348.9	460.1	-24.2
% to TOI	2.7%	3.1%	-	2.7%	0.2%	-	1.8%	2.5%	-
Profit after Tax	534.4	480.6	11.2	534.4	663.9	-19.5	1915.6	2230.3	-14.1
<i>% to TOI</i>	<i>10.3%</i>	<i>12.3%</i>	<i>-</i>	<i>10.3%</i>	<i>12.3%</i>	<i>-</i>	<i>9.8%</i>	<i>12.2%</i>	<i>-</i>
Face Value	1.0	1.0	0.0	1.0	1.0		1.0	1.0	0.0
Equity Share capital	191.4	170.1	12.5	191.4	191.4	0.0	191.4	170.1	12.5
EPS (Rs.)	2.8	2.8	-1.2	2.8	3.5	-19.6	10.0	13.1	-23.7
CEPS (Rs.)	3.7	3.8	-3.2	3.7	4.4	-15.4	13.5	16.9	-20.2

Source: ACE Equity

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