Hulamin expects efficiency gains to pay

By Mark Allix

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Hulamin, the aluminium products manufacturer, says further cost-cutting and efficiency gains in the year to December will position the group for growth and improved profitability.

Hulamin says changes it has made in the past year resulted in earnings growth of 251%. Image: Hulamin

The company said that normalised earnings were up 251%, with headline earnings per share (HEPS) increasing by 128%.

The cost savings included reducing employee headcount by 10%. At the same time the KwaZulu-Natal-based group made efficiency gains from its manufacturing excellence programme.

But it said declining cost competitiveness and margin pressure was exacerbated by rampant input cost increases, supply disruptions, and imported rolled and extruded products that did not have tariff protection. This had prompted a revalidation of growth assumptions along with generally weak domestic demand.

To this end, a revaluation of plant and equipment saw a R1.5bn after-tax, one-off, non-cash impairment charge.

It said the restructuring of its rolled products operations to achieve international best practice benchmarks was under way. Annualised production in the division had fallen to 192,000 tons in the year.

Production difficulties

Hulamin also said that while certain operations, notably slab production, had improved operating performance and its hot rolling line had maintained high performance levels, cold rolling and the production of can-end stock required supervision.

These factors, combined with a first half's unfavourable product mix and planned replacement maintenance to the Camps Drift hot mill, contributed to rolled product sales being weaker last year than in 2011 and 2012. "This is being addressed in the restructuring of the unit," the company said.

"We remain committed to realising maximum profitability as we optimise the use of installed capacity, while unlocking promising regional growth opportunities," it added.

It said this would be spearheaded by implementing new product scheduling technology and the measured introduction of all-aluminium beverage cans to the product mix. Hulamin also said this would deliver metal sourcing and recycling benefits without sacrificing high value export opportunities.

With the advent of lighter gauge can-body production, the group expected the rolled products division to achieve optimal profit at a lower nominal output level of 220,000 tons a year at full capacity.

Hulamin said group turnover was helped by an improved performance from extrusions and the depreciation of the rand.

But the group also faced potential supply disruptions after BHP Billiton, the world's largest diversified mining company, in January began consultations with employees in its Aluminium SA business on the proposed halting of aluminium smelting and associated services at its Bayside aluminium smelter in Richards Bay.

Hillside was the largest producer of standard aluminium ingots in the southern hemisphere. However, BHP Billiton said that it would support continuing supply to domestic customers, and that the cast-house at Bayside would continue to operate with supply from Hillside as the group assessed "options for its future".