INTERVIEW-Hindalco eyes expansion, acquisitions for growth.
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BOMBAY, Dec 9 (Reuters) - Hindalco Industries, a leading Indian maker of non-ferrous metals, aims to expand its aluminium and copper capacity through expansion and acquisitions to attain global reach, its managing director said on Tuesday.

Hindalco is the flagship of India's third-largest conglomerate by sales, the Aditya Birla group.

It is the country's top aluminium producer, with one of the world's lowest cost structures in the business, and also accounts for nearly half of India's copper output.

"We are relatively small by global standards. Therefore it is important that we look at our size very carefully. We have definite ambitions to grow and we are in the process of evolving our plans," Debu Bhattacharya told Reuters in an interview.

Hindalco's aluminium smelter in Renukoot in the northern state of Uttar Pradesh has an annual capacity of 345,000 tonnes, which is scheduled to rise to 360,000 tonnes by March 2005. Its adjacent alumina refinery has a capacity of 660,000 tonnes.

Alumina is extracted from bauxite ore and used to make metal.

Hindalco also controls India's fourth largest aluminium producer Indian Aluminium Company with an annual output of nearly 70,000 tonnes. Together the two firms have a nearly 50 percent domestic market share.

Hindalco also has a joint venture with Canada's Alcan Inc, called Utkal Alumina International Ltd, which is setting up a one million tonne alumina refinery in the bauxite-rich eastern state of Orissa.

"That will give us very significant growth possibility," Bhattacharya said. "One million tonnes of alumina will almost double our current capacity."

STALLED PRIVATISATION

Bhattacharya declined to divulge specifics of the firm's acquisition plans.

"Public sector unit disinvestment certainly will be one of them, but we can't wait for that exclusively because there are many uncertainties involved," he said.

Hindalco had expressed interest in bidding for state-run National Aluminium Company, India's second largest aluminium maker, but the government's privatisation programme has been stalled due to protests from workers unions and political pressure.

Hindalco entered the copper business four years ago with an annual capacity of 100,000 tonnes and expects to have 250,000 tonnes in capacity by next year.

"We have grown very fast even by global standards. Our objective is to grow that further. We are in the process of evaluating what that should be," he said.

This year the firm acquired two copper mines in Australia to help meet its requirement of copper concentrate. It aims to be self sufficient to the extent of 40 percent of its concentrate needs and could look for more mines as it grows, Bhattacharya said.

"The business has done reasonably well, but it is a sub-optimal size.... We have been aided by the protection of import duty. That will not stay. It has already started getting eroded and that is why there is need for growth."

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