
CAPEX cuts - Chelyabinsk Zinc to cut investments

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It is reported that, Chelyabinsk Zinc Plant, Russia's largest zinc producer, has abandoned plans to develop a mine near its main production asset and will slash investments after plummeting metal prices led to a first half loss.

Mr Sergei Moiseyev chairperson of Chelyabinsk Zinc said that the Company would make a dramatic reduction to its investment program after the firm recently reported a net loss of RUB 907 million compared with a year ago profit of RUB 1,2 billion. He said that "Chelyabinsk Zinc has been through different storms. This is the big one, but I am confident that we have the resources and experience to face it."

Chelyabinsk said that, first half revenues declined 29% to RUB 5.7 billion as a 37% drop in average zinc prices outweighed a 5,5% increase in output. The cost of sales as a percentage of revenue was 90% in the first half of 2008 versus 71% a year ago, cutting the company's gross profit margin to 10% from 29%. Earnings before interest, taxation, depreciation and amortization fell 71% to RUB 654 million.

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