PJSC UMCC invests income into production

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KIEV, UKRAINE, June 12, 2017 /EINPresswire.com/ -- PJSC UMCC invests income into production
Under the requirements of the International Financial Reporting Standards the company adopted this year after reorganization into a public joint stock company, PJSC UMCC reported net income at UAH 70.315 mn in Q1 2017.
This indicator is lower than that of Q1 2016 more than twice – UAH 143.937 mn. However, direct comparison of these indicators is not proper, as the financial reporting in Q1 2016 was complied base on the national standards.
PJSC UMCC reported EBITDA in Q1 2017 at UAH 143.906 mn. The company's net revenues in January – March 2017 reached UAH 542.693 mn.
Decrease of the net financial result of UMCC in Q1 2017 is due to substantial increase of costs for production.
This year, the company's board was forced to increase expenses for stripping works at VMMP subsidiary. Up until now, UMCC hasn't invested into this area of activity at Vilnohirsk plant, as the ore was mined at earlier stripped areas. Now, there is a need for that as the earlier stripped areas have been exhausted, explains Acting Chairman of the Board Oleksandr Gladushko. In 2017, the company will substantially expand the developed areas at the Malyshevske Deposit in Vilnohirsk, he said.
Also, expenses for product sales increased dramatically in January-March 2017. Over this period, these expenses more than doubled compared to Q1 2016 – from UAH 15.732 mn to UAH 35.602 mn.
Besides the predicted production expenses, the cost of energy grew substantially this year, while these costs account for the lion's share of expenses of the company's subsidiaries, specifically in the structure of production costs.
As a result, UMCC's production cost indicator in Q1 2017 tripled over the same period in 2016 – from UAH 180 mn to UAH 370.3 mn.
"Up until now, the company hasn't invested into development of new areas of the deposits, which reflected in the growing income and revenues of UMCC in 2014-2016. However, it is impossible to manufacture products further without these investments. We need to create a production reserve for the future periods," comments Gladushko.
All available material and labor resources were directed at increasing stripping and mining works at VMMP. To motivate the employees of the Vilnohirsk subsidiary, a bonus system was developed for the departments the completion of this important mission directly depends on. Hard work of the employees of mining and conveyor production will be rewarded based on the results of 2017.
"Seriousness of production tasks set for Vilnohirsk subsidiary required from us increase of expenses for the stripping works and for the necessary additional machinery and incentives to the plant's employees," explains Gladushko.
He believes that the net income of the company in Q2 2017 will also decrease for the same reasons, particularly since UMCC's board approved a decision in April to raise base rates and salaries to the employees of the subsidiaries by 10% to alleviate the influence of the inflation processes and motivate people to perform their production tasks.
These measures aimed at supporting the employees will inevitably lead to increase of expenses of the company in the next period.
As a reminder, the Cabinet of Ministers of Ukraine included PJSC UMCC in the list of companies subject to privatization in 2017.

Natalia Kabash
United Mining and Chemical Company
980787393
email us here
