

MESSAGE FROM THE MANAGING DIRECTOR

Recognised as a Sustainability Champion

Dear Stakeholders,

The past 18 months have been a defining period in the history of humankind, testing the resilience of people, companies and countries. The pandemic experience has also reaffirmed Hindalco's understanding of business sustainability, where future readiness means a convergence of People, Planet and Prosperity.

For years, we have been working to build a greener tomorrow in line with our commitment to reduce our footprint on the environment. And we continue to consistently create value for the prosperity and wellbeing of all our stakeholders, including our people and communities.

Despite the pandemic-induced volatility in business environment, Hindalco marked some significant milestones. We were recognised as the World's Most Sustainable Aluminium Company by the S&P Dow Jones Sustainability Indices 2020. We completed the acquisition of Aleris – a major milestone on our path to global leadership in the Aluminium sector. The association has already accelerated synergistic benefits through the year and has added to the top line and EBITDA.

₹18,896 CRORE

EBITDA 22% YoY growth

Health and safety being our top priority, we instituted new processes to protect our employees across positions and to support the community.

Hindalco recognises the dedication and hard work of our people that ensured an efficient and consistent functioning of our business operations through the pandemic.

A strong performance

During the year, we delivered a strong financial and operational performance bolstered by operational efficiencies, a robust risk management framework and a sustainable business model. Our consolidated business EBITDA was ₹ 18,896 Crore, up by 22% percent year-on-year and we reported a consolidated PAT on our continuing business of ₹ 5,182 Crore, up by 38% percent on a year-on-year basis. These results were driven by the strong and stable performance of our India operations and a record performance by Novelis.

This was also an outcome of our cost-saving actions, enhanced product mix and lower input costs. We continued to strengthen our balance sheet and brought down the consolidated Net Debt-to-EBITDA to 2.59 times at the end of the financial year from a peak of 3.83 times at the end of June 2020 after closing the acquisition of Aleris.

The Aleris acquisition is a key step towards the diversification of our downstream portfolio into certain premium market segments, particularly aerospace. Post the acquisition, this year proved to be remarkable for Novelis (+Aleris) as it delivered its best performance.

We crossed some significant financial milestones, clocking the highest-ever:

- Shipments of 3,613 Kt
- Adjusted EBITDA of \$1,714 million at Novelis
- Adjusted EBITDA/tonne of \$474 at Novelis

Our India downstream strategy of reducing our exposure to the global Aluminium price fluctuations and increasing the share of value-added products (VAP) across businesses is playing out well.

During the year, more than 80% of Hindalco's consolidated EBITDA was delinked from the volatility of the global Aluminium prices. Our efforts have led to an increase in the share of VAP to total metals with Aluminium VAP sales going up year after year. Our Silvassa extrusion facility announced this year is another step towards increasing the share of VAP. This plant will service the fast-growing market for extruded Aluminium products in the western and southern regions of India.

Our foray into the new generation of high strength Aluminium, which would not have been possible without the support of our R&D team, has enabled us to extend innovative product offerings in the automobile sector.

In our Copper business, the shift towards value added products continues. We are focusing on expansion in the Copper CCR capacity and venturing into newer products like Copper inner grooved tubes used in AC coils and refrigerators.



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Satish Pai
Managing Director

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Future Ready: Capital Allocation Framework

Hindalco introduced its first Capital Allocation Framework indicating how it will distribute its consolidated operating cashflows after meeting maintenance capex and working capital requirements. The framework’s objective is to pursue profitable growth opportunities via organic expansions in India downstream and Novelis, strengthening the balance sheet by deleveraging, creating a clear road map for ESG and enhancing shareholder value.

Further, in FY2020-21 there were credit rating upgrades in Novelis and overall Hindalco. Novelis received credit ratings upgrades on its unsecured notes by both S&P Global Ratings and Moody’s Investor Services in March 2021. Hindalco’s Credit Rating Outlook was

upgraded from ‘Stable’ to ‘Positive’ while reaffirming its present rating of ‘AA’ by CRISIL in April 2021

Greener Stronger Smarter with each step

Hindalco’s ESG commitments include achieving net carbon neutrality by 2050. Net neutrality means for every tonne of carbon dioxide we put into the atmosphere, we take out one tonne from it, thereby achieving a balance. Our pursuits so far have led to a 17% reduction in specific energy consumption in Aluminium production as compared to the base year FY 2011-12 against our target of 25% reduction by 2025.

Our patented in-house energy conservation technology in smelting process is showing good results. This solution, which is being implemented in all our smelting pots in a phased manner, is leading to 200-300 KWH/T of savings post modification of the pot which we are scaling up to cover all pots.

In collaboration with other industries, we continue to strengthen waste utilisation and are confident of achieving our target of zero waste to landfill by 2030. With the constant efforts of our waste management taskforce, we have been able to achieve 80% solid waste recycling, a 15% increase from the previous year. Our aim is to reduce waste disposal to landfill by 5% year-on-year.

Our focus on increasing recycled content in manufacturing downstream products is stronger than ever with our subsidiary Novelis emerging as a leader in recycling with 61 % recycled inputs for all our products.

By 2025, we endeavour to become water positive in all our mining and downstream operations. The measures taken to minimise freshwater consumption are moving us steadily towards our goal of 20% reduction in specific freshwater consumption by 2025 from a baseline of 2019.

Our sustainability-first approach to business received global recognition with Hindalco being ranked as ‘Industry Leader’ in Aluminium Industry segment, in the 2020 Dow Jones Sustainability Indices. Industry Leaders are the top-performing companies in each of the 61 industries represented in the DJSI. Hindalco scored 75 points as against the industry average of 51.

17%

Reduction in specific energy consumption in Aluminium production

Through our CSR initiatives in India, we have touched the lives of more than

1.2 MILLION
People across 10 states

Reinforcing safety through human centric values

Sustainability thinking is embedded in our culture. We take the onus of our employees’ overall wellbeing; endeavour to maintain workplace diversity and ensure equal opportunity for all. With 7% women in total workforce today, we are committed to enhancing our pool of women employees. We respect and uphold the human rights of all our stakeholders, a commitment we have made and live every day in accordance with our Human Rights Policy. A well-defined due diligence process helps us to identify potential risks across our operations.

A key Hindalco strength is our reliable and safe operations. Our safety culture is guided by a robust health and safety framework encompassing all the activities across the organisation. We are proud that all our operational facilities along with corporate offices are IMS (Integrated Management Systems) certified which includes ISO 9001, ISO 14001 and ISO 45001. The three-pronged approach involves felt leadership, world-class

processes and practices and the right strategy for implementation. It has helped us embed a safety culture to achieve ‘zero-harm’.

COVID response

Hindalco strengthened efforts to protect employees across ranks and to support the community during COVID.

We have already covered 93% of employees including contract workers in our vaccination drive. Hindalco enhanced medical coverage to cover all COVID hospitalisation and home treatment of employees, families, contract workers, 3rd party employees and their families. We are also taking care of the rehabilitation of the families of deceased employees.

Plant hospitals and clinics extended quarantine and COVID care facilities to the community. Multiple dedicated medical teams across Hindalco worked round the clock to ensure our communities were taken care of.

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Upholding the commitment of sustainable growth for all

Aligned with the United Nations Sustainable Development Goals (UN SDGs), our CSR strategies are framed to enhance community wellbeing and community development. Through our CSR initiatives in India, we have touched the lives of more than 1.2 million people across 10 states. This year, our community expenditure was ₹ 53.99 Crore.

Our performance is entirely due to the dedication and efforts of our people and I would like to thank every one at Hindalco for your relentless pursuit of the Company’s goals and objectives. I am also immensely grateful and proud of the way Team Hindalco has navigated the challenges of the past year with resolve and commitment. It is a testament to the fact that no challenge is too big for us.

I am pleased to share with you the report for FY 2020-21, which is also our first Integrated Annual Report, detailing the value creation approach for our stakeholders. I welcome your valuable feedback and seek your continued support.



Satish Pai
Managing Director