



**Performance Update**  
for the Half Year ended 30th September, 2007

**HINDALCO INDUSTRIES LIMITED**

Regd. Office: "Century Bhavan", 3rd Floor, Dr. Annie Besant Road, Worli, Mumbai-400 030

## **Dear Shareholders,**

It gives me great pleasure to share with you the results for the first half of Financial Year 2007-08 (FY08). Net sales and operating revenues have grown by 8 per cent to Rs. 96,376 million as compared to Rs. 89,079 million in the corresponding period in FY07. The rupee has appreciated from Rs. 45.93/USD to Rs. 41.01/USD in the current year. Despite the strengthening of the rupee which resulted in the lowering of aluminium prices, net profit for the first half of FY 2007-08 at Rs. 12,457 million is up by 4%, vis-à-vis Rs. 11,991 million in the corresponding period of previous year.

The first half of FY08 saw a marginal increase in Aluminium and Copper spot prices. As you know, LME is a pass through for the Copper Business.

Your Company continued to operate at higher than rated capacity/close to rated capacity in almost all of its production facilities. To counter a decline in domestic aluminum prices and a slump in copper-refining fees, your company increased output.

### **Strategic Initiatives**

Your Company has acquired the shareholding of Alcan Inc consisting of 78,564,384 shares of Rs. 10/- each in Utkal Alumina International Ltd. (Utkal). Consequently, Utkal is now a wholly owned subsidiary of your Company.

### **Brownfield Projects**

The expansion of the Muri Alumina refinery from 110,000 tpa to 450,000 tpa is slated for commissioning in the third quarter of the current fiscal. The construction of refinery and powerplant is almost complete. The production level would go up from December 07 after the commissioning and stabilisation of the plant. The high Temperature digestion, which is the latest technology would commence from January 08.

At Hirakud, Phase II of the expansion of the smelting capacity from 100,000 tpa to 143,000 tpa is well on track and is expected to be completed by June-08. The power generation capacity will move from 267.5 MW to 367.5 MW by December 2007.

### **Greenfield Projects**

#### **Aditya Aluminium**

Aditya Aluminium, the integrated aluminium project, encompassing 1-1.5 million tpa alumina refinery, 260,000-358,000 tpa aluminium smelter and 750 to 900 MW captive power plant is progressing as planned. A major portion of the total land required for the project has been acquired. Environmental clearances have been obtained for the Smelter, the Captive Power Plant (CPP) and the Refinery. A joint venture agreement with Mahanadi Coal Limited and Neyveli Lignite Corporation Ltd. has been inked for coal requirements. The water drawal agreement is also finalized. The Smelter is expected to be commissioned by March, 2011 and the refinery by May, 2011.

#### **Mahan**

The Mahan Aluminum project with a smelter capacity of 325 to 358 ktpa and CPP of 750 MW is on schedule. The land acquisition for the project is underway. Your Company has been allotted a coal block in a JV with Essar Power for the coal requirement of the CPP. Preliminary Environmental clearances have been obtained. Power connectivity for commencing construction has been approved. The Water resource department has provided the necessary facilities as well. This project is expected to roll on by October, 2011.

#### **Latehar**

For the Latehar project with a smelter capacity of 325 to 358 ktpa and CPP of 750 MW, a Tubed Coal mine has been allocated jointly with Tata Power. Preliminary Environmental clearances have been obtained. Land acquisition is in progress. The expected date of commissioning is March, 2012.

## Utkal Alumina International Ltd.

Work on Utkal Alumina's 1.5 MTPA Alumina Refinery is underway. Your Company has acquired the land for the plant and facilities. The second phase of the rehabilitation and resettlement process is in progress. Mining activities will start by March, 2009. The commissioning of the Plant is scheduled for March, 2010.

## Hindalco Almex Aerospace Limited

This project for the manufacture of high strength aluminium alloys for applications in the aerospace, sporting goods and surface transport industries is on target. It is slated for commissioning in the fourth quarter in the current fiscal.

Having dwelt at length on our projects and initiatives, I would like to take you through the financial and operational details for the first half of FY08.

## FINANCIAL REVIEW AND ANALYSIS

	<i>Rs. in Millions</i>		
<b>Particulars</b>	<b>H1 FY08</b>	<b>H1 FY07</b>	<b>FY07</b>
Net Sales & Operating Revenues	96,376	89,079	183,130
Other Income	2,344	1,884	3,701
<b>PBDIT</b>	<b>20,404</b>	<b>21,082</b>	<b>43,851</b>
Interest	1,194	1,149	2,424
Depreciation	2,874	3,421	6,381
<b>Profit Before Taxes</b>	<b>16,336</b>	<b>16,512</b>	<b>35,046</b>
Provision for Taxes	3,879	4,521	9,403
Current Tax	3,064	4,458	9,841
Deferred Tax	765	19	-551
Fringe Benefits Tax	50	44	113
<b>Net Profit</b>	<b>12,457</b>	<b>11,991</b>	<b>25,643</b>
EPS (Rs. For the period)	11.2	12.2	25.5

The result needs to be seen in the backdrop of the adverse macro-economic conditions as given:

- Domestic Aluminium realisation down by 8% YoY from Rs. 118,625/T to Rs. 109,203/T.
- INR appreciating by 11% (US\$ from Rs.45.93/\$ during H1 FY07 to Rs.41.01 /\$ during H1 FY08).
- Aluminium Customs duty lowered from 8.08% to 5.72%.
- Alumina spot price fell by 22% from US\$416/Mt during H1 FY07 to US\$341/Mt during H1 FY08.
- Copper duty differential slides from 5.1% to 3.1%.
- Copper TC/RC fell from 32.5c/lb to 27.5 c/lb and it is expected to reduce further.

Regardless, Hindalco continues to deliver through

- Increased metal production enabled by
  - o Timely progress of Hirakud Phase-II expansion- which grew by 41% compared to H1 FY07.
  - o De-bottlenecking smelter assets at Renukoot- metal production enhanced by more than 4000 Mt.
  - o Copper anode production increased by 14 Kt on improved performance.
- Continued sweating of assets in downstream businesses resulting in
  - o 10% increase in sheet production and 15% increase in Extrusion production.
- Focus on the paring input costs – especially pertaining to major cost elements like Coal and Bauxite.
- Other income went up by Rs. 460 million (ie. 24 %) due to improved yields on treasury investments and higher average treasury.
- Interest charges increased by 4 % due to higher loan drawal.
- Depreciation charge reduced by Rs. 547 million as HI FY07 include an amount of Rs. 727 million being impairment loss recognized in respect of Smelter II of Copper unit at Dahej, Gujarat, which was a one time charge.

Let us now turn to operational details.

#### OPERATIONAL REVIEW AND ANALYSIS

All the aluminium plants operated at consistently high capacity utilisation. The full advantage of Phase I of Hirakud expansion helped in increasing metal production by 8%. The downstream assets purchased in the last two years were fully utilized, in addition to improved production from other plants. The production of value added products (VAP) grew by 9 per cent. Rolled products and Extrusions production extended by 9 per cent and 16 per cent respectively. Alumina production is less than last year primarily due to the hooking of existing alumina refinery with expanded facility at Muri.

	Production				Sales Volumes (MT)			Net Sales (Rs. in Million)		
	Unit	H1 FY08	H1 FY07	Chg (%)	H1 FY08	H1 FY07	Chg (%)	H1 FY08	H1 FY07	Chg (%)
<b>Aluminium</b>										
Alumina	MT	584,722	593,903	-2%	140,088	156,337	-10%	3,098	3,932	-21%
Aluminium Metal	MT	234,426	216,480	8%	69,088	62,188	11%	7,936	7,622	4%
Wire Rod	MT	35,464	34,273	3%	35,322	34,192	3%	4,280	4,483	-5%
Rolled Products	MT	114,366	104,766	9%	89,096	80,705	10%	12,675	11,994	6%
Extruded Products	MT	21,293	18,393	16%	20,735	18,263	14%	3,220	2,884	12%
Aluminium Foils	MT	13,143	13,321	-1%	12,201	13,130	-7%	2,528	2,675	-6%
Alloy Wheels	No.	86,152	100,064	-14%	92,271	98,589	-6%	192	205	-7%
Others								1,459	1,266	15%
<b>Total</b>								<b>35,387</b>	<b>35,062</b>	<b>1%</b>

Margins were maintained due to increased Value Added Products; better sales mix and higher sales volume.

## Copper Business

In copper, Cathodes and CC rods production increased by 16 % and 29 % respectively on YoY basis on the back of the ramp up of the copper-III smelter and consistent production from smelter-I. The operations at copper smelter –II continue to remain suspended as cost of production is not economically feasible.

	Production			Sales Volumes (MT)			Net Sales (Rs. in Million)			
	Unit	H1 FY08	H1 FY07	Chg (%)	H1 FY08	H1 FY07	Chg (%)	H1 FY08	H1 FY07	Chg (%)
<b><i>Copper</i></b>										
CC Rods	MT	69,430	54,016	29%	69,048	53,261	30%	23,814	18,532	29%
Copper Cathodes	MT	158,415	136,062	16%	88,015	78,556	12%	27,842	27,817	0%
Gold	MT	5.31	4.19	27%	5.23	4.38	19%	4,618	3,943	17%
Silver	MT	22.11	20.25	9%	22.64	20.59	10%	401	373	7%
Others/ By Products								4,370	3,377	29%
<b>Total</b>								<b>61,045</b>	<b>54,042</b>	<b>13%</b>

# Copper Cathodes includes production for captive purpose.

The profitability in copper business improved despite the fall in TcRc, consequent to better by-product realization and improvement in operational efficiency.

## Industry Outlook

### Aluminium

Global primary aluminium consumption has witnessed a strong demand growth of 8.8 %.

US production levels remained flat, the construction market continues to disappoint and demand from the transportation markets remain weak. The demand from Western Europe has been relatively stronger, while that from Japan continued to be unexciting. China remains the strongest driver of the demand as the metal grew at 34% in this period, with transportation, construction and foil sectors remaining firm on the back of strong industrial activity.

### Copper

The year-to-date has witnessed good demand for copper. The world refined copper consumption growth is forecast at 4.3% for 2007, driven by China, the Gulf and Europe. The exchange stock continues to remain below normal levels and a weak US exchange rate will support current copper prices throughout 2007. The first half of 2008 may see an improvement in exchange stocks and market moving towards a balance.

The tightness in the concentrate market is the result of rapid expansion in the smelting capacity - mostly in China and India. Smelters have been buying on aggressive spot terms thereby placing miners in an advantageous position in their negotiations for fixing long-term benchmark TCRC for 2008 which is expected to be lower than 2007. Smelters with large spot exposure are not likely to meet their entire requirements and consequently production cutbacks cannot be ruled out. Increasingly smelters are scouting for participation in mine development to secure long-term concentrate contracts. A few new major mining projects under implementation are expected to come on-stream during 2010/11. This would change the market balance.

### **Employee Stock Option Scheme (ESOS)-2006**

The ESOS Compensation Committee of your Company, at its meeting held on August 23, 2007, approved the grant of 19,40,250 Stock Options, under the "Employee Stock Option Scheme - 2006", each option being convertible into one Equity Share of the Company upon vesting, at a price of Rs. 98.30 per share. The options will vest in 4 equal annual installments after one year of the grant and shall be exercisable within a period of 5 years from the date of vesting.

### **Conclusion**

Higher Volumes from asset sweating of existing plants and from the Brownfield Expansion along with the continued focus on maximizing free cash flow will be the major driver for the growth of your company in the coming quarters. A stronger Rupee and soft alumina prices will put the profit margins under pressure. However, with the benefits of Brownfield expansions and various cost optimization initiatives in both Aluminium and in Copper businesses, will help sustain performance, going forward.

## HINDALCO INDUSTRIES LIMITED

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<b>UNAUDITED FINANCIAL RESULTS FOR THE QUARTER ENDED 30TH SEPTEMBER, 2007</b> (Rupees in Million)					
Particulars	Quarter ended 30/09/2007 (Unaudited)	Quarter ended 30/09/2006 (Unaudited)	Half year ended 30/09/2007 (Unaudited)	Half year ended 30/09/2006 (Unaudited)	Year ended 31/03/2007 (Audited)
<b>1 Net Sales &amp; Operating Revenues</b>	49,597	46,342	96,376	89,079	183,130
<b>2 Other Income</b>	1,098	1,108	2,344	1,884	3,701
<b>3 Total Income</b>	50,695	47,450	98,720	90,963	186,831
<b>4 Expenditure</b>	41,826	38,558	81,190	73,302	149,361
(a) (Increase)/Decrease in Stock	2,868	(6,207)	566	(15,866)	(4,425)
(b) Consumption of Raw Materials	28,163	33,275	59,178	67,585	110,553
(c) Purchase of Traded Goods	83	74	158	74	230
(d) Employees Cost	1,560	1,312	2,881	2,461	5,196
(e) Power and Fuel	4,568	4,946	8,798	9,693	18,486
(f) Depreciation	1,446	2,080	2,874	3,421	6,381
(g) Other Expenditure	3,138	3,078	6,735	5,934	12,940
<b>5 Interest &amp; Finance Charges</b>	632	515	1,194	1,149	2,424
<b>6 Profit before Tax</b>	8,237	8,377	16,336	16,512	35,046
<b>7 Tax Expenses</b>	1,809	2,401	3,879	4,521	9,403
<b>8 Net Profit</b>	6,428	5,976	12,457	11,991	25,643
<b>9 Paid-up Equity Share Capital</b> (Face Value : Re 1/- per Share)	1,111	986	1,111	986	1,043
<b>10 Reserves</b>					123,137
<b>11 Earning Per Share (EPS)</b>					
(a) Basic EPS (Rs.)	5.78	6.06	11.25	12.17	25.52
(b) Diluted EPS (Rs.)	5.78	6.06	11.25	12.17	25.52
<b>12 Public Shareholding</b>					
(a) Number of shares			841,777,721	848,720,228	845,583,773
(b) Percentage of shareholding			68.60%	73.21%	72.94%

<b>SEGMENT-WISE REVENUE, RESULTS AND CAPITAL EMPLOYED UNDER CLAUSE 41 OF THE LISTING AGREEMENT</b> (Rupees in Million)					
Particulars	Quarter ended 30/09/2007 (Unaudited)	Quarter ended 30/09/2006 (Unaudited)	Half year ended 30/09/2007 (Unaudited)	Half year ended 30/09/2006 (Unaudited)	Year ended 31/03/2007 (Audited)
<b>1. Segment Revenue</b>					
(a) Aluminium	17,850	18,520	35,387	35,062	73,444
(b) Copper	31,783	27,825	61,045	54,042	109,776
	49,633	46,345	96,432	89,104	183,220
Less: Inter Segment Revenue	(36)	(3)	(56)	(25)	(90)
<b>Net Sales &amp; Operating Revenues</b>	<b>49,597</b>	<b>46,342</b>	<b>96,376</b>	<b>89,079</b>	<b>183,130</b>
<b>2. Segment Results</b>					
(a) Aluminium	6,621	6,710	13,044	13,835	29,292
(b) Copper	1,261	1,233	2,384	2,211	5,171
	7,882	7,943	15,428	16,046	34,463
Less: Interest & Finance Charges	(632)	(515)	(1,194)	(1,149)	(2,424)
	7,250	7,428	14,234	14,897	32,039
Add: Other un-allocable Income net of un-allocable expenses	987	949	2,102	1,615	3,007
<b>Profit before Tax</b>	<b>8,237</b>	<b>8,377</b>	<b>16,336</b>	<b>16,512</b>	<b>35,046</b>
<b>3. Capital Employed</b>					
(a) Aluminium	76,743	67,890	76,743	67,890	74,511
(b) Copper	58,651	73,242	58,651	73,242	49,307
	135,394	141,132	135,394	141,132	123,818
Un-allocable/ Corporate	108,121	65,024	108,121	65,024	85,275
<b>Total Capital Employed</b>	<b>243,515</b>	<b>206,156</b>	<b>243,515</b>	<b>206,156</b>	<b>209,093</b>

**Notes:**

- The Company has formed a joint venture company namely Tubed Coal Mines Ltd with The Tata Power Company Ltd as per the condition of allotment letter of Ministry of Coal for the purpose of exploration of the Coal block allotted by the Government in the State of Jharkhand. Hindalco holds 60% stake in the Joint venture and balance 40% is held by The Tata Power Company Ltd.
- The Company has acquired the shareholding of Alcan Inc. consisting of 78,564,384 equity shares of Rs. 10/- each in Utkal Alumina International Ltd. (Utkal). Consequently, Utkal is now a wholly owned subsidiary of the Company.
- The Company has granted 1,940,250 stock options (for equal number of equity shares) to eligible employees on 23<sup>rd</sup> August, 2007 under Employees Stock Option Scheme ("the Scheme"). As per the Scheme, one-fourth of the number of shares granted will vest on yearly rest over a four year period at a fixed exercise price of Rs. 98.30 per share.
- As per the terms of the Rights offer made by the Company in January 2006, the Company has sent the final call money notice to shareholders holding partly paid up shares for payment of final call money @ Rs. 48 per share amounting to total Rs. 11,130 million. Amount received till 30<sup>th</sup> September, 2007 on this account is Rs. 775 million.
- The proceeds of the rights issue aggregating to Rs. 11,113 million have been utilized for the purpose of defraying issue related expenses of Rs. 366 million and subscription to shares of a subsidiary company to the extent of Rs. 2,543 million while the balance amount is temporarily invested in short term liquid securities. Further, Rs 775 million received towards final call money as on 30<sup>th</sup> September, 2007 was lying in the Call money account opened with the Bank for this purpose.
- Disclosure relating to number of complaints from investors during quarter -

Pending as on 1st July, 2007	Received	Resolved	Pending as on 30th September, 2007
0	23	23	0

- Figures of previous periods have been regrouped wherever found necessary.
- The above results have been reviewed by the Audit Committee and have been taken on record at the meeting of the Board of Directors held on Wednesday, 31<sup>st</sup> October, 2007. Limited Review has been carried out by the statutory auditors of the Company as per clause 41 of the listing agreement with Stock Exchanges.

**By and on behalf of the Board**

**D. Bhattacharya**  
Managing Director

**Place: Mumbai**  
**Dated: 31st October, 2007**

BOOK-POST



**HINDALCO INDUSTRIES LIMITED**

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Infomedica India Ltd.