Hindalco

Investor Presentation – Q4 FY17
Mumbai, May 30, 2017
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Agenda

1. Key Highlights
2. Economy & Industry
3. Result Highlights
4. Operational and Financial Performance
   - Aluminium (India)
   - Copper
   - Novelis
Key Highlights
Key Highlights

**Strengthening Balance Sheet**

- Raised USD 500 mn through Qualified Institutional Placement (QIP)
  - Largest non bank QIP in last 2 years
  - Generated demand in excess of USD 1.5 bn (3x Subscription) with strong demand from FII
  - Priced at 2.7% premium to floor price & zero discount to closing price
- Prepaid Rs. 1,031 crore long term loan in FY 2017 & Rs. 4,505 crore in April 2017 – Till date the total per payment stands at Rs. 5,536 crore
- Refinanced USD 4.3 billion long-term debt at Novelis - annual cash interest reduced by USD 79 mn
- Consolidated Net Debt to EBITDA* as on Mar 31, 2017 improved to 3.74x from 6.29x on Mar 31, 2016

**Strategic Divestment**

- Divestment of Aditya Birla Minerals Limited (Australia) completed in July 2016
- Novelis entered into a Joint Venture agreement in May 2017 with Kobe Steel to sell 50% of its ownership interest in its Ulsan, South Korea facility for USD 315 mn

* (EBITDA excluding treasury income)
Key Highlights

**Coal Security**
- With new coal linkage in fiscal year 2017 coal security improved to two thirds of annual coal requirement for Aluminium business

**Aluminium India**
- Record production of Aluminium at 1,266 Kt and Alumina at 2,886 Kt
- Record EBITDA at Rs. 3,473 crore vs. Rs. 2,009 crore in FY16 on the back of strong operations & supporting macros
- GP IV/4 & GP IV/5 coal mines reached their peak capacity; Kathautia mine commenced operation in February 2017

**Copper**
- Copper EBITDA at Rs. 1,456 crore marginally lower as compared to FY16
- Lower sales volume mainly on account of planned shutdown and subdued wire rod demand
- Reduction in raw material prices offset by lower by-product realization

**Novelis**
- Operational efficiencies and strategic product shift drive record results – Adjusted EBITDA* up 13% to USD 1.09 billion
- Record free cash flow of USD 361 million
- Auto shipments up 17% FY17 versus FY16 - Share of Auto shipments increase to 20% in Q4FY17

* Adjusted EBITDA excludes metal price lag
Economy and Industry
Economy

Global Economy – Gaining momentum amidst challenges

- IMF projected world growth is expected to rise from 3.1% in 2016 to 3.5% in 2017
- China registered more than expected growth of 6.9% in Q1 CY 2017; Going forward growth is expected to moderate.
- European Commission expects Euro area to grow by 1.7% in 2017 and 1.8% in 2018

Domestic Economy

- As per the World Bank, the growth of Indian economy is expected to be around 7% in Fiscal Year 2016-17, followed by acceleration to 7.6% in 2017-18
- Enhanced government focus on housing, electrification and infrastructure to drive demand in future
Aluminium Industry

Aluminium Prices Trend (USD/t)

- Environmental & Supply side restrictions in China expected to drive LME up
  - New smelting capacity growth is expected to slow down significantly
  - Under construction projects may be delayed
  - More than 4 mn ton of smelting capacity at risk

- Buoyant demand outlook and lower inventory base to support price outlook
  - In CY 2017 demand outside China expected to surge as manufacturing PMI in major geographies are on the rise

- Trump Administration Opens Trade Investigation on Aluminium imports

Global market is expected to be largely balanced in CY 2017

*May’17 Aluminium LME as on 26th May’2017
Aluminium Industry Drivers

- Realization improved significantly in H2FY2017 driven by Trump infra plan, surge in input cost and expected production cut in China
- Regional premium moderated in FY2017
- Domestic market remains oversupplied due to imports and production enhancements

<table>
<thead>
<tr>
<th>Key macro drivers</th>
<th>FY16</th>
<th>FY17</th>
<th>YoY%</th>
</tr>
</thead>
<tbody>
<tr>
<td>LME (US$ /T)</td>
<td>1592</td>
<td>1688</td>
<td>6%</td>
</tr>
<tr>
<td>Premium (MJP) (US$/T)</td>
<td>120</td>
<td>95</td>
<td>-21%</td>
</tr>
<tr>
<td>Rs./US$</td>
<td>65.5</td>
<td>67.1</td>
<td>2%</td>
</tr>
</tbody>
</table>
Copper Industry

- Mine disruption in Chile and exports ban from Indonesia impacted concentrate supply and thereby affecting TcRc in H2 FY2017
- Increase in scrap availability affecting the refined consumption especially in the developed world - Growth in global refined copper consumption is likely to remain flat at around 2% in CY 2017
- Domestic copper demand remained subdued in FY 2017 - is expected to bounce back in FY 2018

<table>
<thead>
<tr>
<th>Key macro drivers (FY 17 vs FY 16)</th>
</tr>
</thead>
<tbody>
<tr>
<td>TCRC (USDc/lb)</td>
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</tbody>
</table>
Result Highlights
FY17- Strong operating performance
FY17 – Standalone Highlights

- **Revenue**
  - Rs. 39,383 crore (Y-o-Y up 7%)

- **EBITDA**
  - Rs. 5,819 crore (Y-o-Y up 35%)

- **Net Profit**
  - Rs. 1,557 crore (Y-o-Y up 182%)

- **Utkal EBITDA**
  - Rs. 672 crore (Y-o-Y down 6%)

- Higher Aluminium volumes and realization
- Lower input cost
- Stable operations
- Overall strong performance based on stable operations
- Lower realization for Utkal resulting in lower input cost for Hindalco
Operational Performance
Aluminium (India)
### Production Trend

#### Alumina (KT) includes Utkal

<table>
<thead>
<tr>
<th>Quarter</th>
<th>FY16</th>
<th>FY17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q4 FY16</td>
<td>703</td>
<td>709</td>
</tr>
<tr>
<td>Q3 FY17</td>
<td>744</td>
<td>709</td>
</tr>
<tr>
<td>Q4 FY17</td>
<td>2,680</td>
<td>2,886</td>
</tr>
</tbody>
</table>

#### VAP incl. Wire Rod (KT)

<table>
<thead>
<tr>
<th>Quarter</th>
<th>FY16</th>
<th>FY17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q4 FY16</td>
<td>118</td>
<td>119</td>
</tr>
<tr>
<td>Q3 FY17</td>
<td>119</td>
<td>125</td>
</tr>
<tr>
<td>Q4 FY17</td>
<td>423</td>
<td>481</td>
</tr>
</tbody>
</table>

#### Metal (KT)

<table>
<thead>
<tr>
<th>Quarter</th>
<th>FY16</th>
<th>FY17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q4 FY16</td>
<td>307</td>
<td>317</td>
</tr>
<tr>
<td>Q3 FY17</td>
<td>320</td>
<td>317</td>
</tr>
<tr>
<td>Q4 FY17</td>
<td>1,133</td>
<td>1,266</td>
</tr>
</tbody>
</table>

- **Strong production growth** with increase by 8% for Alumina and 12% for Metal - Plants ramped up and operating at designed capacities
- VAP production increased by 14%
- Plant achieved operations at designed capacity
- Cash cost of Alumina refinery is amongst the lowest in the world
Operational Performance Copper
Production

- Cathode & DAP production impacted mainly due to planned shutdown
- CC rod production impacted by lower demand in domestic market
Operational Performance
Novelis
Key Highlights

- Aluminium Auto sheet demand continued to be robust
  - Share of Automotive shipments at 18% up from 15% last year.

- Lower can shipments mainly due to weaker economic conditions in Brazil and the Middle East impacted overall shipments.

- Significant cost reduction through improvement in productivity, asset utilization and better metal mix
  - Inputs from recycled materials increased from 51% to 55% for FY2017.

- Continued ramp up of automotive capacity and improvement in operational efficiencies.

Total Shipments (KT)

- FY16: 3,123
- FY17: 3,067

Shipment Mix

- FY16
  - Can: 21%
  - Auto: 64%
  - Specialties: 15%

- FY17
  - Can: 22%
  - Auto: 60%
  - Specialties: 18%
Financial Performance
Financial Highlights – Standalone

(Rs. crore)

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Q4 FY17</th>
<th>Q4 FY16</th>
<th>Q3 FY17</th>
<th>Q3 FY16</th>
<th>Full Year FY17</th>
<th>Full Year FY16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue from Operations</td>
<td>11,747</td>
<td>9,263</td>
<td>9,915</td>
<td>39,383</td>
<td>36,713</td>
<td></td>
</tr>
<tr>
<td>Earning Before Interest, Tax and Depreciation (EBITDA)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aluminium</td>
<td>918</td>
<td>837</td>
<td>876</td>
<td>3,473</td>
<td>2,009</td>
<td></td>
</tr>
<tr>
<td>Copper</td>
<td>497</td>
<td>384</td>
<td>330</td>
<td>1,456</td>
<td>1,467</td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>155</td>
<td>166</td>
<td>200</td>
<td>890</td>
<td>849</td>
<td></td>
</tr>
<tr>
<td>Total EBITDA</td>
<td>1,570</td>
<td>1,387</td>
<td>1,405</td>
<td>5,819</td>
<td>4,325</td>
<td></td>
</tr>
<tr>
<td>PBDT</td>
<td>1,029</td>
<td>814</td>
<td>817</td>
<td>3,496</td>
<td>1,935</td>
<td></td>
</tr>
<tr>
<td>Earning before Exceptional Items and Tax</td>
<td>648</td>
<td>473</td>
<td>459</td>
<td>2,068</td>
<td>653</td>
<td></td>
</tr>
<tr>
<td>Exceptional Income/ (Expenses) (Net)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>85</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Profit Before Tax</td>
<td>648</td>
<td>473</td>
<td>459</td>
<td>2,153</td>
<td>653</td>
<td></td>
</tr>
<tr>
<td>Profit/ (Loss) After Tax</td>
<td>503</td>
<td>400</td>
<td>321</td>
<td>1,557</td>
<td>552</td>
<td></td>
</tr>
<tr>
<td>Earnings per Share (EPS) - Basic (In Rupees)</td>
<td>2.4</td>
<td>(1.2)</td>
<td>1.6</td>
<td>7.6</td>
<td></td>
<td><em>(0.6)</em></td>
</tr>
</tbody>
</table>

* After considering impact of expenses/losses not taken through P/L
• Strong performance on account of steady plant operations, higher volumes, supportive macro factors and lower input cost; However input cost started hardening in Q4 FY17
**Utkal**

**EBITDA (Rs. crore)**

- **Q4 FY16**: 112
- **Q3 FY17**: 140
- **Q4 FY17**: 265
- **FY16**: 717
- **FY17**: 672

**• Strong performance on back of stable operations**

**• During FY17 international alumina prices were relatively lower impacting Utkal’s EBITDA. However lower alumina prices result in lower input cost for Hindalco**
Copper

**Revenue (Rs. crore)**

- **Q4 FY16:** 4,194
- **Q3 FY17:** 5,000
- **Q4 FY17:** 6,202
- **FY16:** 18,362
- **FY17:** 19,408

**EBITDA (Rs. crore)**

- **Q4 FY16:** 384
- **Q3 FY17:** 330
- **Q4 FY17:** 497
- **FY16:** 1,467
- **FY17:** 1,456

- Revenue up due to higher overall realization
- EBITDA for FY17 slightly lower vs. last year: Lower volumes, lower by-product realization & TcRC offset by lower input cost.
• EBITDA grew by 13% driven by higher auto shipments, operating efficiencies and better metal mix with higher percentage of recycled content
• Record Adjusted EBITDA per ton at USD 354 in FY17

* Adjusted EBITDA excludes metal price lag
## Financial Highlights - Consolidated

(Rs. crore)

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Full Year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FY17</td>
</tr>
<tr>
<td>Revenue from Operations</td>
<td>102,631</td>
</tr>
<tr>
<td>Earning Before Interest, Tax and Depreciation (EBITDA)</td>
<td></td>
</tr>
<tr>
<td>Aluminium</td>
<td>4,033</td>
</tr>
<tr>
<td>Copper</td>
<td>1,438</td>
</tr>
<tr>
<td>Novelis</td>
<td>7,194</td>
</tr>
<tr>
<td>Others</td>
<td>894</td>
</tr>
<tr>
<td>Total EBITDA</td>
<td>13,558</td>
</tr>
<tr>
<td>PBDT</td>
<td>7,816</td>
</tr>
<tr>
<td>Earning before Exceptional Items and Tax</td>
<td>3,347</td>
</tr>
<tr>
<td>Exceptional Income/ (Expenses) (Net)</td>
<td>(8)</td>
</tr>
<tr>
<td>Profit Before Tax</td>
<td>3,340</td>
</tr>
<tr>
<td><strong>Profit/ (Loss) After Tax</strong></td>
<td><strong>1,900</strong></td>
</tr>
<tr>
<td>Earnings per Share (EPS) - Basic (In Rupees)</td>
<td>9.2</td>
</tr>
</tbody>
</table>
Hindalco: Sustainable Performance

- **Stronger Balance Sheet**
  - Accelerated the pace of deleveraging

- **Robust Operational Performance**
  - Robust performance on the back of stable plant operations along with higher Aluminium prices

- **Improved Coal Security**
  - GP IV/4 & GP IV/5 coal mines reached their peak capacity
  - Kathautia mine commenced operations in Feb’17

- **World Class Alumina**
  - Continued cost advantage due to close proximity of the bauxite mine and efficient operations

- **Novelis**
  - Continued focus on high growth automotive segment and cost optimization

- **Key Risk**
  - Increasing Imports and domestic production
  - Drop in Aluminium prices, due to sustained high level of production in China
  - Increasing input cost
Thank You

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