



# Hindalco

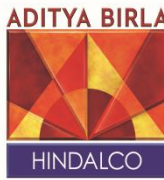
**Investor Presentation – Q3 FY18**

**February 2, 2018**

**Mumbai**



# Forward Looking & Cautionary Statement



Certain statements in this report may be “forward looking statements” within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the company’s operations include global and Indian demand supply conditions, finished goods prices, feed stock availability and prices, cyclical demand and pricing in the company’s principal markets, changes in Government regulations, tax regimes, economic developments within India and the countries within which the company conducts business and other factors such as litigation and labour negotiations. The company assume no responsibility to publicly amend, modify or revise any forward looking statement, on the basis of any subsequent development, information or events, or otherwise.

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Key Highlights

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Economy & Industry

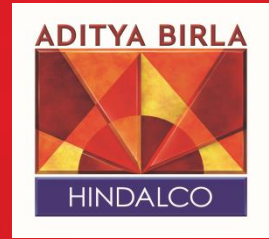
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Result Highlights

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Operational and Financial Performance

- Aluminium (India)
- Copper
- Novelis



# Key Highlights

# Key Highlights of Q3FY18 (1/2)

## Financial performance

- EBTIDA at Rs. 1,611 crore up by 15% Y-o-Y on account of better realization and robust financial performance across businesses.
- PAT of Rs. 376 crore up by 17% Y-o-Y on the back of prepayment and repricing of project loans leading to lower interest costs.
- Profit after Tax for Utkal in Q3 FY 18 was Rs.118 crore vs. loss of Rs. 55 crore in Q3 FY 17

## Aluminium India

- Aluminium standalone EBITDA for Q3 FY18 was up by 7.0% Y-o-Y at Rs. 940 crore on the back of supporting macros and higher volumes, partly offset by increasing input costs.
- New plants continue to operate at designed capacity and efficiency : In Q3 FY18, Production of Aluminium at 323 Kt and Alumina at 734 Kt (including Utkal)
- Domestic Market remained over supplied.
- Q3FY18, Utkal EBITDA Y-o-Y grew by 73% to Rs. 247 crore vs. Rs. 143 crore mainly due to higher realization, partly offset by increase in input costs
- Improved mix as a result of higher proportion of linkage coal helped in controlling coal costs, However, notified price of coal has been increased by 11% effective January 2018

# Key Highlights of Q3FY18 (2/2)

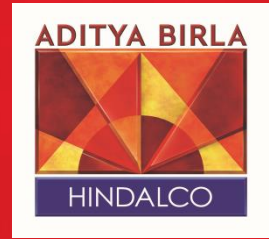
## Copper

- Q3 FY18 EBITDA at Rs. 421 crore, up 28% Y-o-Y on account of favourable macro and higher by-product realization, partly offset by lower copper realization due to over supply in the domestic market
- Cathode and CC Rod production at 101 Kt and 38 Kt in Q3 FY18 vs. 94 Kt and 32 Kt in Q3 FY17 up by 8 % and 18% respectively

## Novelis

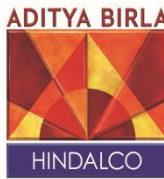
- All time record Adjusted EBITDA\* at USD 305 million – up by 20% Y-o-Y
- Profitability driven up by mix shifting towards Auto, increasing volume, recycled content and operating efficiencies
- Net Profit of USD 121 million for Q3 FY 18 compared to USD 63 million in the previous year

\* Adjusted EBITDA excludes metal price lag



# Economy and Industry

# Global Economy is on Upward Trend



## Global Economy

- Global economy continued to move upwards in Q3CY17\* - 120 countries in Q3CY17 witnessed pickup in economic growth on Y-o-Y terms.
- US, Japan, Germany and Korea among advanced economies and Brazil, South Africa and China in emerging markets posted better than expected growth in CY17
- Global growth\* expected at 3.9% in CY18 vs. 3.7% (E) in 2017 and 3.2% in 2016

\* Source: IMF

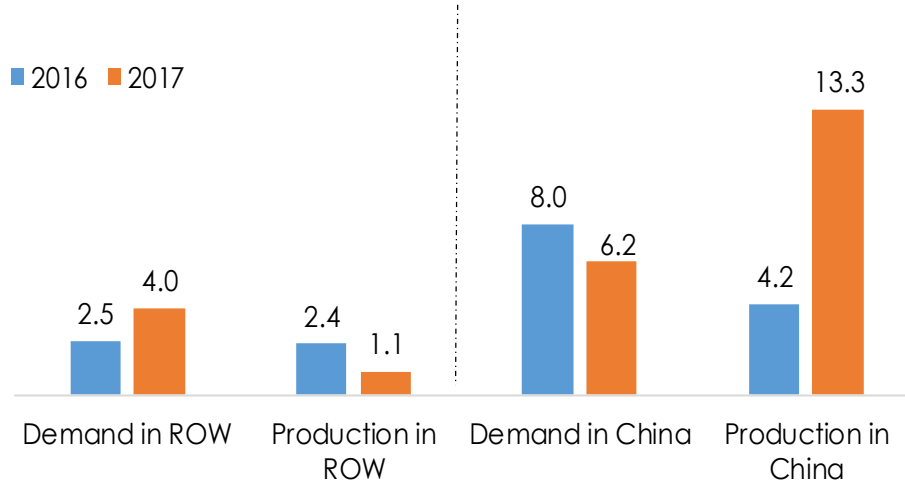
## Domestic Economy

- Indian economy is gradually picking up momentum. In Q2FY18, GDP grew by 6.3% vs. 5.7% in Q1FY18
- Manufacturing PMI touched five-year high at 54.7 in Dec-17
- November IIP growth rose to 17-month high of 8.4%
- Indian economy is expected to grow by 6.7% in FY18 and around 7.5% in FY19

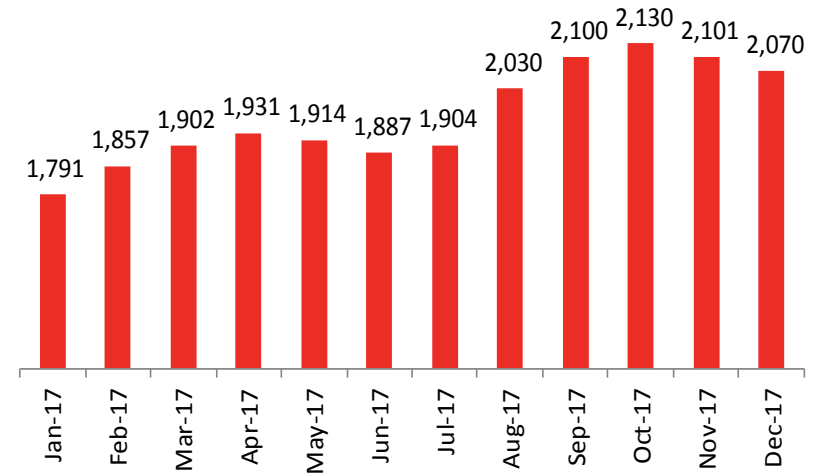


# Aluminium Industry

## Demand and Supply Growth (%)



## Aluminium Price Trend (USD/t)








- Demand growth in Rest of World driven by Automotive, Building & Construction and Industrial sectors. China faced marginal moderation
- Production cuts in China were lower than anticipated. No impact on net capacity and production in China despite production cuts, due to new capacity additions
- Overall global demand primary aluminium matched production in CY17, although China was surplus by 2 Mnt and Rest of the World (ROW) was in deficit by the same quantity

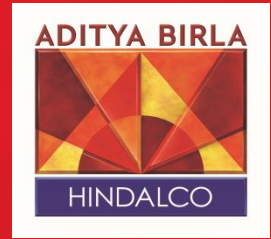
# Aluminium Macro Drivers

- Average LME at its highest levels in the last few quarters.
- Stronger rupee and unprecedented surge in input costs adversely impacted profitability.
- Premiums recovered in Q4 FY18 from lows of Q3 FY18; expected to remain firm on strong demand.
- Over supply in domestic market continued despite a recovery in demand over previous year.

Key macro drivers	Q3 FY17	Q3 FY18	YoY%	Q2 FY18	QoQ%
LME (US\$ /T)	1710	2101	23%	2011	4%
Premium (MJP) (US\$/T)	75	95	27%	90	6%
Rs./US\$	67.4	64.7	-4%	64.3	1%

- The concentrate market recorded marginal deficit of ~92 Kt in CY17, mainly on account of major disruptions at Escondida (Chile) & Grasberg (Indonesia)
- Chinese benchmark TC/RC for 2018 declined around 11% to USD 82.25/8.225 cents vs. USD 92.50/9.25 cents in 2017
- LME during CY17 increased by 27% Y-o-Y, on account of disruptions in Chilean and Indonesian mines, coupled with improved demand
- Codelco declared Cathode premium of USD 75/t for CY18 v/s USD 72/t in CY17
- Over supply in domestic market continued despite recovery in demand over the previous year
- By-product prices improved Y-o-Y

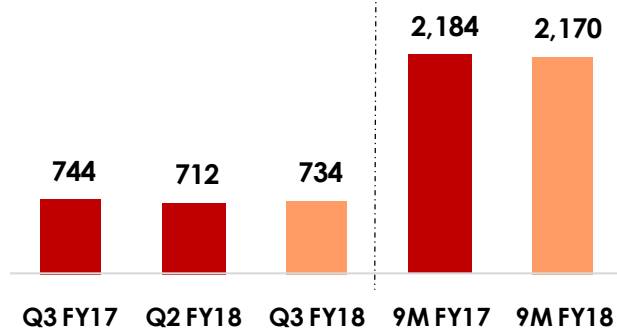
Key macro driver (Q3FY18 v/s Q3FY17)				
TCRC (USDc/lb)	LME (USD/MT)	Rs./USD	Acid Price (Rs./MT)	DAP Realization (Rs./MT)
				



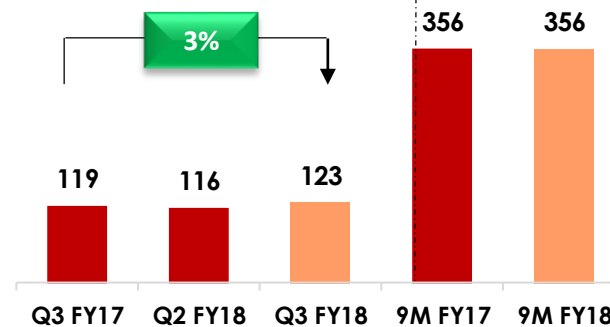
# Operational Performance Aluminium (India)

# Production Trend

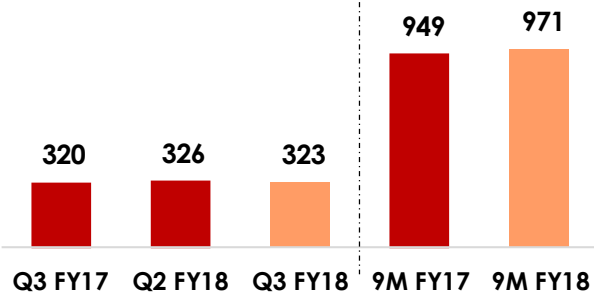
## Alumina (Kt) including Utkal



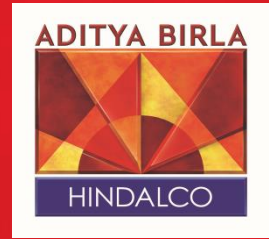
## VAP incl. Wire Rod (Kt)



## Metal (Kt)

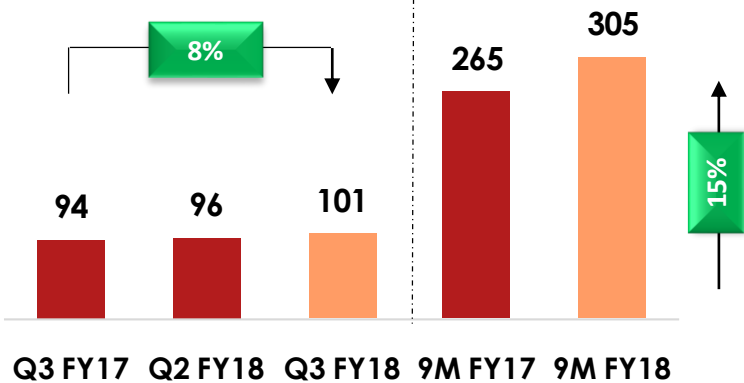


- New plants continue to operate at designed capacities
- VAP production up by 3% driven by Wire Rod

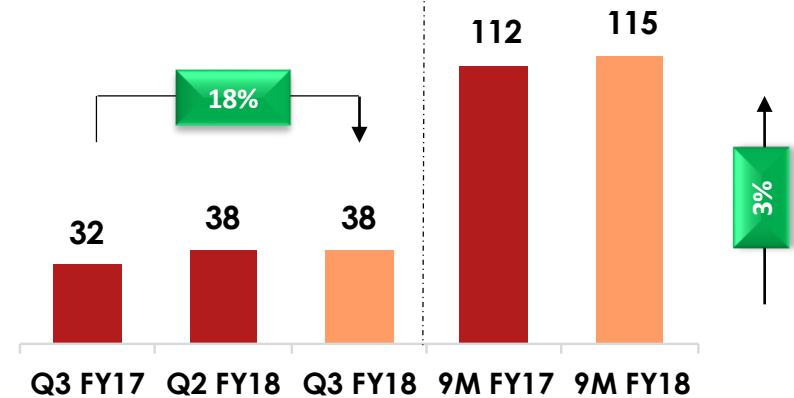


# Operational Performance Copper

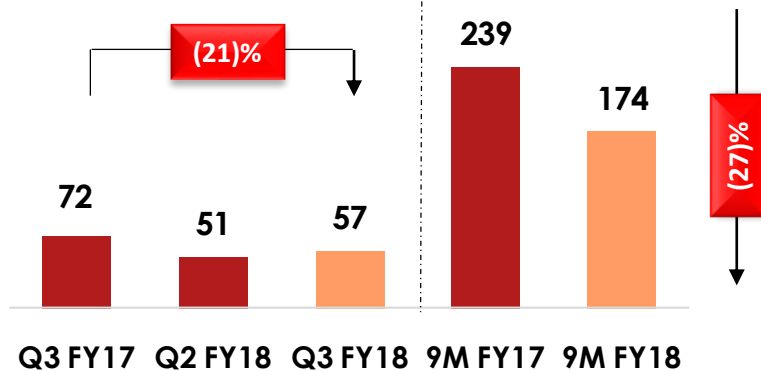
## Cathode (Kt)



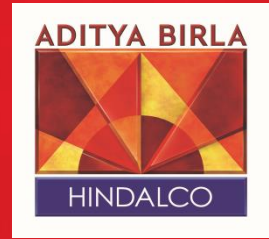
## CC Rods (Kt)



## DAP (Kt)



- Cathode production up by 8% Y-o-Y in Q3 FY18
- CC rod production witnessed a significant growth in Q3 FY18 as domestic market recovered.
- Certain operational issues affected DAP production.

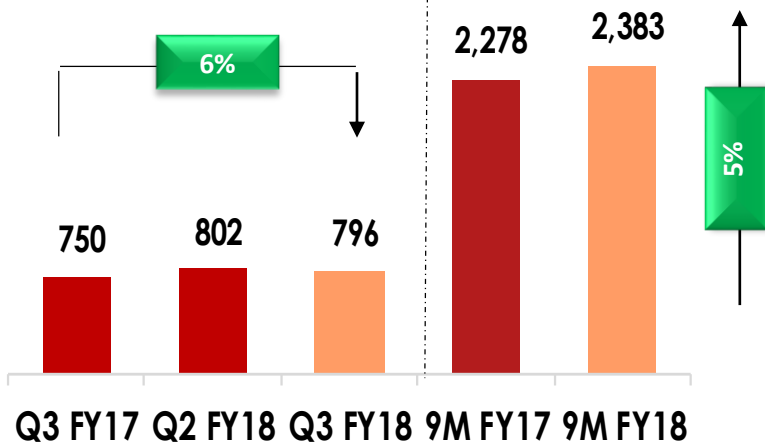


# Operational Performance Novelis



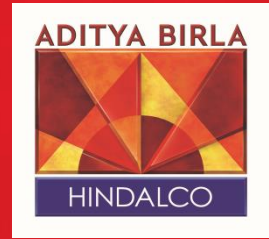
# Key Highlights

## Total Shipments (Kt)



- Total shipments grew 6% Y-o-Y to 796 Kt
- Aluminium Auto Sheet demand continued to be robust - shipments grew Y-o-Y by 12%
- Highest ever Adjusted EBITDA\* per ton at USD 383 due to favorable pricing, higher volume, cost efficiencies and shift in mix towards Automotive.

\* Adjusted EBITDA excludes metal price lag



# Financial Performance

# Financial Highlights – Standalone

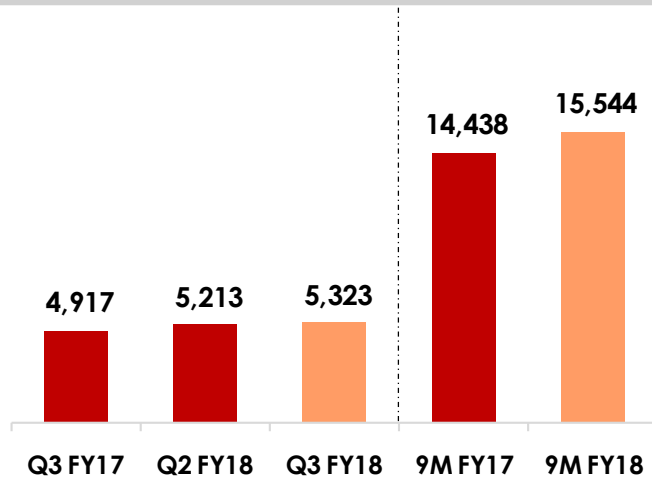
(Rs. crore)

Description	Q3 FY17	Q2 FY18	Q3 FY18	9M FY17	9M FY18
<b>Revenue from Operations</b>	<b>9,915</b>	<b>10,308</b>	<b>11,023</b>	<b>27,636</b>	<b>31,738</b>
<b><u>Earnings Before Interest, Tax and Depreciation (EBITDA)</u></b>					
Aluminium	876	957	940	2,555	2772
Copper	330	467	421	960	1210
Other Income	199	153	250	734	610
<b>Total EBITDA</b>	<b>1,405</b>	<b>1,577</b>	<b>1,611</b>	<b>4,249</b>	<b>4,592</b>
Depreciation	358	380	382	1,048	1142
Finance Costs	588	484	483	1,782	1454
<b>Earnings before Exceptional Items and Tax</b>	<b>459</b>	<b>713</b>	<b>746</b>	<b>1,419</b>	<b>1996</b>
Exceptional Income/ (Expenses) (Net)	-	(105)	(115)	85	(325)
Profit Before Tax	459	608	631	1,504	1671
<b>Profit/ (Loss) After Tax</b>	<b>320</b>	<b>393</b>	<b>376</b>	<b>1,054</b>	<b>1058</b>
<b>Earnings per Share (EPS) - Basic (In Rupees)</b>	<b>1.56</b>	<b>1.76</b>	<b>1.69</b>	<b>5.14</b>	<b>4.75</b>

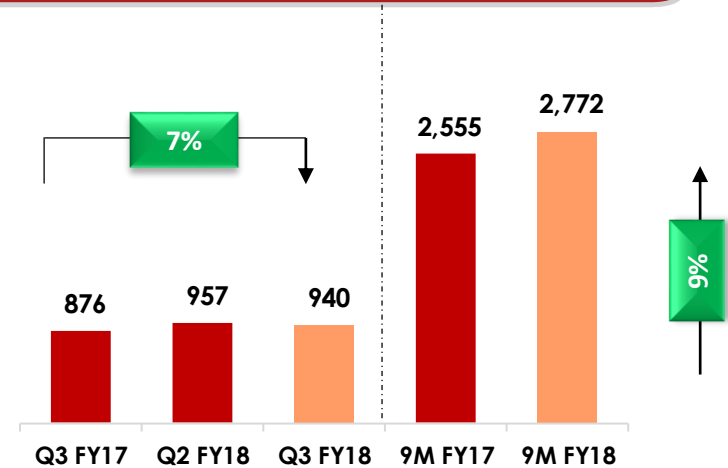
Note: Post the applicability of GST with effect from July 1, 2017, Revenue is required to be disclosed net of GST as per requirement of Ind AS 18, 'Revenue'. Accordingly, the Revenue figures for the quarter and nine months ended December 31, 2017 are not comparable with the previous periods.

# Aluminium Standalone

## Revenue (Rs. crore)

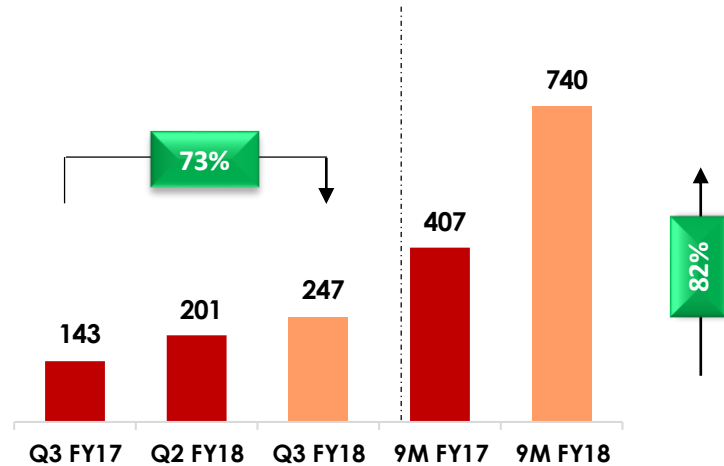


## EBITDA (Rs. crore)



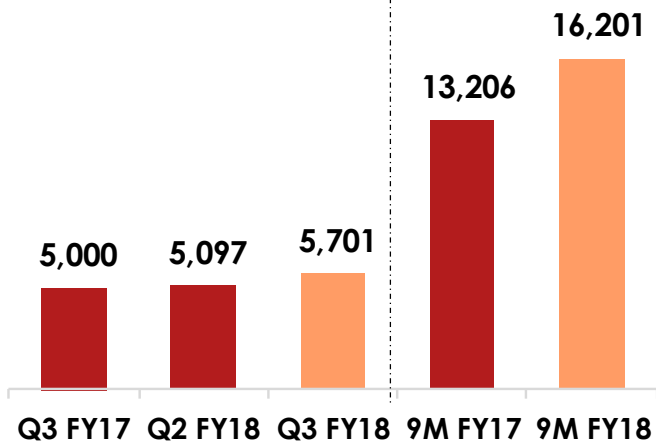
- Higher EBITDA on the back of supportive macros, higher volume, stable operations, partly offset by higher input costs

## EBITDA (Rs. crore)

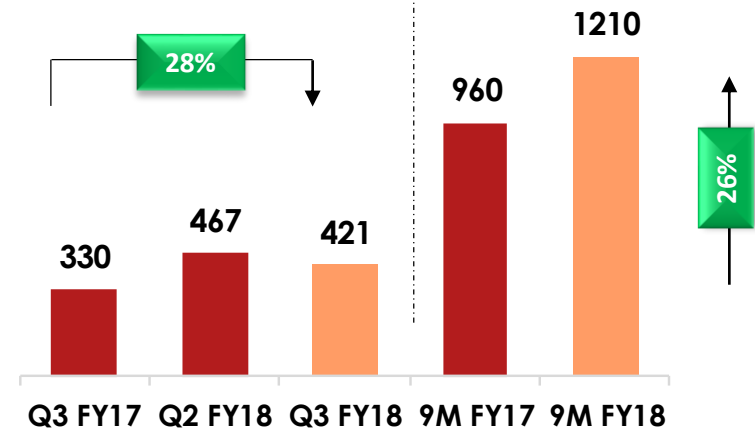


- Strong performance on back of stable operations
- 73%Y-o-Y growth in Q3 FY18, on the back of higher international alumina prices partly offset by higher input costs
- Net profit of Rs.118 crore in Q3 FY18 vs. Rs. 48 crore in Q2 FY18 and Net loss of Rs. 55 crore in Q3 FY17

## Revenue (Rs. crore)

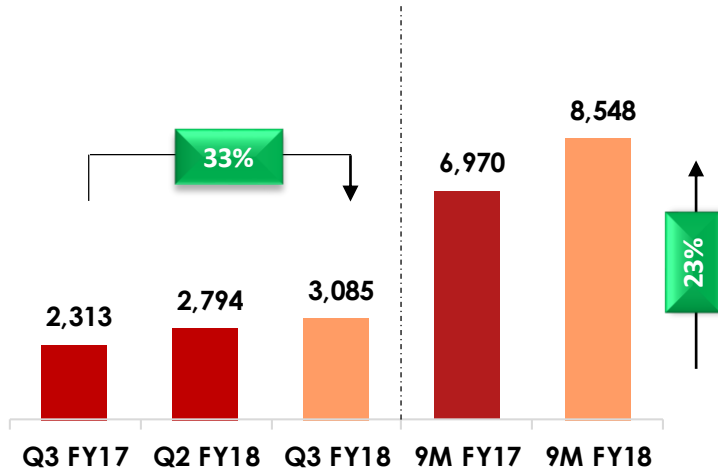


## EBITDA (Rs. crore)

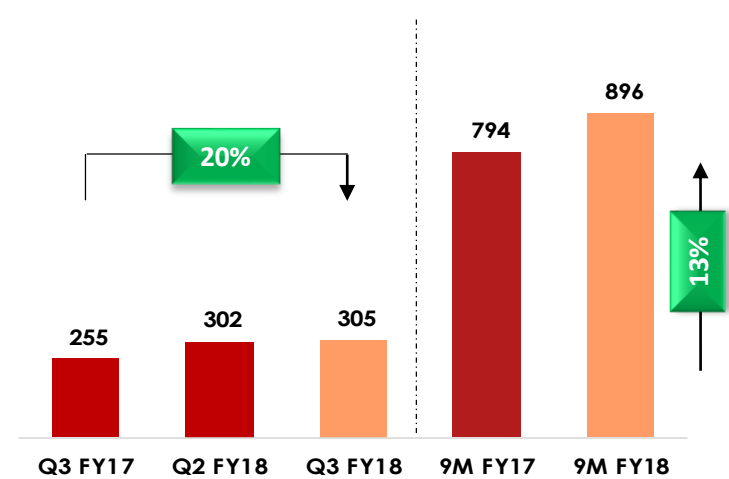


- EBITDA up by 28% Y-o-Y, on the back of supportive macros, higher volumes and higher by-product realization

## Revenue (USD million)



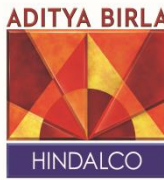
## Adjusted EBITDA\* (USD million)



- Y-o-Y Revenue up due to higher volumes and Aluminium LME
- EBITDA grew by 20% Y-o-Y primarily on account of favorable pricing, higher volumes and better product mix

\* Adjusted EBITDA excludes metal price lag

# Hindalco: Sustainable Performance



## Robust Operational Performance

- Robust performance on the back of stable aluminium plant operations along with supportive macros

## Optimized Finance Costs

- Major interest cost savings due to Prepayment and re-pricing of project loans

## Growth Initiatives

- Post De-leveraging, Hindalco is now more focused on capacity expansion at Utkal Alumina and Copper Rod Mill

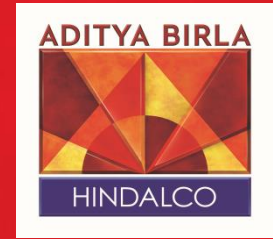
## Novelis - World leader

- Maintained market leadership in Can and Auto Segments and Recycling
- Expansion in Auto capacity

## Key Risk

- **Increasing input cost**
- **Over supply in domestic market**

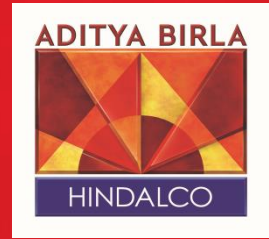




# Thank You

**REGISTERED OFFICE**

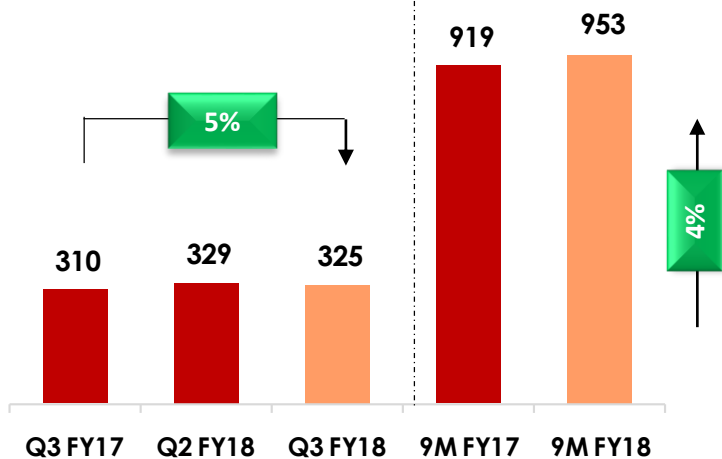
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# Appendix

# Sales Volume

## Aluminium Metal sales in all form (Kt)



## Copper sales (Kt)

