



“Hindalco Industries Limited's Investors Day 2021”

February 22, 2021



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Moderator: Ladies and gentlemen, we welcome you to Hindalco's Investors Day 2021. At this moment, all participants are in listen-only mode. Later, we will conduct a question-and-answer session. At that time, you may click on the video question button to ask an audio or video question. If you have any technical difficulty, please use audio question button to connect via telephone line to ask a question. I now hand over the proceedings to Mr. Satish Pai -- Managing Director Hindalco Industries Limited. Thank you and over to you Mr. Pai.

Satish Pai: Yes, thank you very much and I would like to welcome everyone to Hindalco's Investor Meet 2021. For the opening remarks, I would like to hand over to our Chairman – Mr. Kumar Mangalam Birla. Over to you, Mr. Birla.

Kumar Mangalam Birla: Dear all, I hope you and your families are doing well. On behalf of the Aditya Birla Group, I would like to welcome you to the Hindalco Investor Day. We are connecting at a time of steadily increasing global optimism, that's been powered, as you know by a combination of rapid vaccinations and improved economic parameters. Both these give us cautious reason to hope that we are now on the path to normality. The investor community of course, all of you have been present in betting on a sharp rebound in economic activity. As a business group, we have always believed that we are trustees of our businesses and it is our role to generate significant shareholder returns and stakeholder value. We actively engage with our stakeholders and have robust mechanisms to seek and incorporate their feedback.

While our companies have been doing a fine job of this, I thought it would be interesting for me to get an outside-in perspective on our businesses and get a sense of how we are doing and what we can do better. To achieve this, I recently met a wide spectrum of investors actually over the last few months, experience I'd say has been both energizing and enriching. One side that really emerged is a scope for us to engage, in order to help our investors understand our business models and our levers of value creation even better. And this investor day has been planned to achieve exactly that.

Hindalco, as you know, has grown from being India's largest and leading non-ferrous metals Company becoming a global world leader in aluminium. Over the last decade, Hindalco has transformed itself from a company that was heavily dependent on the volatility of the LME to one that is a portfolio of stable and value-added earnings today. It has consistently delivered to its stated commitment of size, scale, operational excellence and profitable growth. This journey has been punctuated by some bold bets and many patient investments. Novelis, which was acquired more than a decade ago, was one such bet. It was viewed with skepticism by many in the investor community, then but has today in fact established itself as one of the best large acquisitions overseas by any Indian corporate.

Aleris, which was recently acquired by Novelis is integrating well, and in just a few quarters, has surprised us positively both on synergies and on operations.



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Much before ESG became the new buzzword, Hindalco and Novelis embraced good corporate citizenship, and made deep investments in driving this very critical agenda. It is not without reason that “Hindalco has been Ranked as the Most Sustainable Aluminum Company Globally in the Corporate Sustainability Assessment Rankings by the Dow Jones Sustainability Index.”

Hindalco is the only Indian company to be recognized as an industry leader this year. Novelis on its part is a world leader in sustainability, with exemplary credentials of being the world's largest recycler. Good corporate citizenship has been a key pillar of our business philosophy as a group and as a company. This is something that we have reinforced with all our actions across ten cities, in which Novelis operates as well.

Despite a proven track record of world-class management and consistent operating performance, over a long arc of time, Hindalco's market cap does not reflect the inherent strength of its businesses and the quality of the strategic pillars that form its foundation. This investor interaction has been planned as a comprehensive response to all your inputs, questions and feedback. The leadership team will engage with you on a broad sweep of issues from explaining the purpose of the company to articulating the strategic pillars of value creation to sharing deeper insights on Novelis's business model to help you to understand the conscious ESG choices the company is making. The team will also be articulating for the very first time, the company's capital allocation framework as also the plans for the shareholder returns..

As I hand over to Satish, Steve, and the team to lay out the roadmap for this ongoing transformational journey, I would like to reaffirm my own commitment and that of the company and of the group to creating long-term shareholder value. I'm sure that all of you will find this interaction insightful and I look forward to more conversations and even more meaningful outcomes. Welcome once again to the Hindalco Investor Day.

Satish Pai:

Yes, thank you, Mr. Birla. I would now like to begin the presentation by first introducing the management team that are there with me here today to take you through this presentation. So, besides me, there is Steve Fisher, President and CEO of Novelis, Praveen Maheshwari -- CFO of Hindalco and the CEO of the Copper business and Devinder Ahuja, who is the CFO of Novelis.

With that, I would like to now start the presentation. So, today, as Mr. Birla told you, we are going to engage with you comprehensively to tell you a lot deeper about Hindalco and Novelis. I will take you through the purpose, our focused approach of how we run operations, and then come to four important points that are going to clearly articulate what we as a company are going to do in the next five years. We will talk about the market outlook and the organic growth strategy both for India and Novelis. We will talk about our ESG strategy and the projects. We will talk very clearly about our deleveraging plans. And then finally we will articulate our shareholders returns plan. After that, we will open it up for a Q&A session.



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But let me first start by introducing you Hindalco Industries Limited. Hindalco Industries is today one of the world's largest non-ferrous companies. On one hand, we have the India operations which has aluminum and copper and on the other hand, you have Novelis, which is a flat rolled products company. If I now draw your attention to the bottom part. Novelis is the world's largest aluminum rolling company with 4 million tons of capacity. Novelis is also the largest and the global leader in aluminum recycling with around 2.5 million tons recycling capacity.

Coming to the India businesses, Utkal with the exploration now, at 2 million tons of alumina is the world's most economical alumina producer. We have in Dahej, the largest custom copper smelter integrated location. We have global operations across 10-countries with the previous year's revenue of \$16.7 billion, \$2.2 billion of EBITDA and around 40,000 employees worldwide. This is comprehensive description of what Hindalco Industries Limited is.

We have in India and in Novelis, engaged deeply with our employees over the last two years and articulated a purpose. Our purpose recognizes that we are a manufacturing company that touches aluminum and copper. Both metals that are critical to the world from a sustainability and for the electrification process and the decarbonization that's taking place. Our purpose that's why emphasizes on the greener, stronger, smarter, and a sustainability angle. Both the purposes of both Hindalco and Novelis are very closely aligned towards this common world of making the world a sustainable place. We believe that our strengths and foundation lies in running safe and reliable operations. The way we manage the company is on the right-hand side you see here the 3C plus 2S model of customer, cash and cost with sustainability and systems, all our management teams KRAs are defined along these five pillars, which are evaluated on an annual basis. Novelis as well, works through the focus five model, also focused on safety, customer centricity, quality, operational efficiency, and ROCE. In each one of these pillars, there are very clearly defined metrics that are evaluated every quarter and every year. And this is how the performance of the management is placed space. So, I wanted to assure you of what you see is a company that gives great emphasis on running safe and reliable operations.

Now, I want to get to the main part of the presentation. We wanted to clearly articulate here as Mr. Birla said, "What are we going to do in the next five years" We are going to focus on four critical pillars that we are going to take you through today. The first one is organic growth for both Novelis and Hindalco in India, which we will describe by taking you through the end markets, the growth potential, and the CAPEX that we plan to spend there. We're going to articulate to you our ESG strategy which is very critical. And the specific things that we are doing on a whole variety of items both on the Environment, Social as well as the Governance point of view. We will then take you through our deleveraging strategy with numbers on how much debt we intend to pay back and our net debt-to-EBITDA targets. And finally, we will describe to you shareholder returns, shareholder value creation, and our plans for the shareholders returns. . So, these four are what we are going to cover over the next hour in great detail.



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To take the first part of the growth strategy, I hand it over to Steve Fisher to take you through Novelis's market outlook and growth strategy. Over to you, Steve.

Steve Fisher:

Great. Thank you, Satish, and good morning, good evening to everybody, and thank you for joining us today. As Satish said, I'll spend just a few minutes with you walking through who Novelis as far as what markets we serve, and some of the absolutely fantastic growth opportunities that we have in front of us. So, for those of you that are not as familiar with Novelis as others, we are the world's largest aluminum flat roll producer. But even just as important, we're the world's largest recycler of aluminum. Now when you take a look at the global FRP aluminum market here on the left side of this slide, it is a very large and diverse market as you can see; 28 million tons delivered in 2019. You can see the diversity in the marketplace, of which, flat roll products go into now. Most importantly here is it this is a growing market at 3% compound annual growth rate through 2025. And Novelis itself participates across many of these end markets but with a focus on our premium end markets that drive higher margins such as beverage can, automotive sheet, aerospace plate and sheet in a variety of specialty products.

Our geographical footprint is across four regions, 33 operating locations, and truly gives us the ability to leverage our global scale and footprint to serve our largest global customers but also to serve regional needs in each of the four regions.

And with the recent acquisition of Aleris and our continued focus on organic growth, our two auto finishing lines, one in China, one in the US and our rolling, recycling and casting expansion in South America, we are well positioned at Novelis to capture the tremendous market opportunity that is in front of us as the aluminum flat roll product industry leader.

So, with that, let me get into a little bit more details by each of these end markets. Starting here with our largest end market, beverage packaging, demand for lightweight, infinitely recyclable aluminum beverage package is forecasted to grow at a very robust 3% to 5% across the world over the next several years. And at Novelis, we've always looked at can as a very recession resistant part of our portfolio, and it continues to be, providing reduced volatility in our business during economic cycles, and clearly seen that during COVID. But over the past few years, we've seen a resurgence in beverage can demand due to consumer preferences for sustainable packaging options. We're driving a package mix shift from other substrates such as glass, steel, towards aluminum. For example, if you look at the bottom right of this chart here, you can see that just in the past year, in Brazil, beer packaged in aluminum cans has risen from 52% to 58%. There is no doubt that this trend was already before COVID but got accelerated during COVID. But we simply believe it was an acceleration of the trend and will remain post COVID.

Another area to watch is seeing new beverage types being launched more and more in aluminum beverage cans. You can see in the upper right chart here that when these new beverage types of sparkling water, spiked seltzer, can cocktails or energy drinks are being launched now much more in aluminum, moving from in 2014 30% of that to now 67% in 2019. And so, when you



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look at these trends, these trends have driven our customers, or can makers to announce significant expansion of can making facilities over the next two to three years. And certainly, this is absolutely a sign that the can market will be a very, very attractive market post-COVID.

Now when you look at the global supply and demand for beverage can sheet capacity, even when you take in a surplus of can sheet capacity in China, we believe the overall supply and demand is relatively balanced. What's important though, is proximity to our customers. That is an advantage. And it's an advantage to Novelis because we are the only aluminum flat roll product player with can capable production across all four major continents. And we continue to invest; we're investing additional 100 kt of capacity in Brazil for can. And you combine that with our continuous improvement initiatives, further balancing investments to improve our recovery rates, debottlenecking of our facilities and our driving of operational efficiencies, we are well positioned to capture the demand we see in this marketplace over the next five years.

Now, moving to the automotive end market, auto OEMs continue to adopt aluminum structures and components to lightweight their vehicles, resulting in a robust demand in this market for aluminum. Global demand for our products remains unchanged at a 10% compound annual growth rate through 2025 even with the modest pullback in vehicle productions that we saw in 2020 due to the COVID pandemic. Now why is that? It's because the mix of vehicles that are selling well are SUVs, pickups, electric vehicles and luxury models. And it's these segments that are being protected and prioritized by auto OEMs because of the margins they make on them, which also favors us because these are the models that have higher aluminum usage. For instance, looking at just the truck and SUV segment, it has recovered sharply since the COVID pandemic and is actually at pre-COVID levels at this point in time. And when you just dive into looking at North America Trucks and SUVs, it makes up 75% of all vehicles produced in North America marketplace and is continuing to grow its share of the overall vehicle pie.

So, light weighting vehicles with aluminum provides a number of benefits, whether it's for regulatory compliance, for safety or performance of these vehicles, but is also further supported by electric vehicles and the increased mileage that is needed from consumers of these vehicles even when you think about eCommerce delivers now over the past year, increasing substantially what they want to do with electric vehicles.

Bloomberg in their 2020 long-term electric vehicle outlook report outlines that there will be significant growth in electric vehicles from today making up about 3% of global car sales to 10% of global car sales will be electric vehicles by 2025, growing to 58% by 2040. So, a large opportunity for aluminum again here, battery electric vehicles have a strong need for light weighting for this range.

Now let's just step back just for a moment to consider the relative size of aluminum versus steel in this market. Aluminum sheet is only a 2-million-ton market versus an 80-million-ton steel sheet market today. This highlights an opportunity for aluminum to continue to penetrate and



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see adoption across vehicle structures and components. Third-party research from Ducker Aluminum released a study in July 2020 that by 2030, the average pounds per vehicle of aluminum will reach 570 pounds, from today in 2020 at 459 pounds per vehicle. And this will be driven primarily by aluminum flat roll sheet which today represents about 23% of the total aluminum pounds per vehicle growing to about 30% in 2030.

So, as we look at this, the growth will certainly come from both a mix of the continued adoption of parts that aluminum sheet provides today, such as hoods, doors, fenders, body and wide. But we will also innovate to extend aluminums to reach in vehicles to high strength structural and safety components, like A and B pillars, crash bars and the rapidly evolving battery boxes for electric vehicles.

Just last week, we announced our strongest 7,000 series aluminum alloy designed for just these type of safety critical applications and offers a clear alternative to the most advanced, high strength steel products.

So, we will continue to leverage our state-of-the-art Novelis Customer Solution Centers and launch new innovative partnerships like Alumobility, which we launched just last week, to work with our customers to enable the continued adoption of aluminum solutions across the vehicle.

Now, the Novelis Specialties portfolio serves a diverse array of end markets in customers around the world. We produce both light and thick gauge material ranging from container foil to electronics, to commercial truck and trailers. And with the acquisition of Aleris, we've added significantly to our portfolio to commercial truck and trailers, heat exchangers, and building and construction which I'll come back to in a few minutes.

Our global footprint and flexible capabilities in this diverse value stream enables portfolio and capacity optimization. And our strategy here will focus on innovating high recycle content products, portfolio optimization and capturing market tailwinds that we're seeing currently driving increased demand. We see very good market demand in Asia due to growing electronics markets, obviously, a lot of people needing at home electronics right now, driving that marketplace. Very solid demand in Europe as well, where we are providing innovative, sustainable sheet for building and packaging solutions. And tailwinds are probably most pronounced in the North American marketplace, where 50% of our specialties portfolio now resides after the Aleris acquisition. And following that acquisition, Novelis North America is firmly number one in commercial truck and trailer, in building and construction, and in container sheet sales. Demand in North America is supported by strong US housing fundamentals, continued light weighting trends and increased eCommerce driving of truck trailer demand, and favorable trade cases. And with the recycle content of the continuous cast builders and construction business we acquired being greater than 90%, that is driving up the average North America specialties portfolio now above 75% recycle content, allowing us to further drive towards a more circular economy.



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Now lastly, with the acquisition we gained entry into the premium aerospace market. And while this is a high value add area end market, it is a relatively small market. Globally, even pre-COVID, this is less than a 400 kt global market. For Novelis, it's less than 5% of our total shipments. So, we're absolutely glad to bring this into our portfolio to grow this to use some of the technology in other parts of our business. But as you can appreciate with the short-term reduction in consumer travel, we are seeing muted demand for the near-term. However, the long-term demand is fundamentally supported by multi-year commercial airframe order backlog.

Novelis is well positioned to capture this long-term aircraft demand. First, just due to our financial position, that will be an advantage in an industry needing to recover from distress across the entire supply chain. Second advantage is the shift of aircraft delivery demand towards Asia Pacific which you can see in the bottom right of this chart. This is uniquely positioning Novelis as the only Western supplier pre-qualified in China in an industry with very high barriers to entry.

And finally, carbon reduction efforts in conversations with aircraft OEMs are gaining momentum. And we believe here we can leverage our long history in recycling to help advance a circular economy in the airline industry like we've done in auto through sophisticated closed loop recycling systems.

Now, with the strong market conditions that I just talked about, with innovative products that we continue to work on and launch, with solid customer partnerships, our financial strength, financial flexibility, coupled with decades of manufacturing and recycling experience at Novelis, we continue to see robust growth and organic investment opportunities for many years to come.

As you can see in the upper left of this chart, we are currently at roughly 4 million metric tons of capacity, including the acquisition of Aleris and including the expansion at Pinda. We will then turn our focus to China, we'll add a cold mill and release capacity at Ulsan, increasing our overall capacity by 0.2 million tons. And then we see a line of sight through continued optimization of our operations and balancing investments that don't come with a lot of capital to get to 4.5 million metric tons of rolling capacity.

With the two auto lines nearing completion, that will increase our overall auto shipments to roughly 1,000 kt, but we will remain committed to the beverage can business and a diversified specialties portfolio.

Our strategy to defend and grow and diversify our business remains absolutely unchanged. And while there's nothing new to announce today, we have approximately \$1.5 billion of growth capital over the next five years earmarked in our strategic plan for further organic growth. We will begin first with our China expansion to fully integrate that facility with our downstream auto finishing lines and drive the \$65 million of synergies that we've talked about. We will continue to implement our world-class manufacturing, automation, and digital initiatives and



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advancements in R&D to unlock further capacity, capture further growth that we see in the marketplace, and to support our sustainability initiatives.

We will also be very focused on further opportunities around casting and recycling capacity. We have identified some projects here. And this will obviously support carbon reductions that we'll be talking about.

There will also be further automotive finishing opportunities with a 10% compound annual growth rate that will come in the market over the next five plus years.

And what's unique here is Novelis has the strength and financial flexibility to invest this \$1.5 billion in these areas over the next five years and continue to meet our deleveraging and return commitments that we'll be talking about further today.

Now here, this is a few of the projects that we've already announced that are underway on this slide. For the most part, the capital spending on the auto finishing lines of Kentucky in the US and Zhenjiang in China is for the most part behind us. Those have started to deliver commercial coils, the US line in December of last year, and the Zhenjiang, China line in January of this year, and will continue to qualify with other customers and ramp up those two lines over the next several years in line with what our customer order book looks like which is very strong.

Pinda is on time, we'll see that commission near the end of fiscal '22. Again, that's a full rolling, recycling and casting expansion for 100 kt.

We'll turn our focus this year to starting and kicking off the China integration which is approximately \$300 million. It's a new cold mill allowing us to fully integrate Zhenjiang mill with our Zhenjiang facility, driving \$65 million in synergies. But it also will be the first ever closed loop recycling system for automotive inside of China, which will also provide a lot of benefits to our customers. And it frees up capacity at Ulsan then to allow us to sell further specialties or beverage can. The timing of that project after we kick it off is roughly two to two and a half years.

So, again, a lot of exciting opportunities in front of Novelis over the next five years and look forward to talking more about some of these organic opportunities and when the time comes to talk more publicly about them.

With that, I'm going to turn the call over now to Praveen to talk through the Indian downstream opportunities and growth strategy.

Praveen Maheshwari:

Thanks, Steve, and just like you saw the entire growth strategy for Novelis, I will now take you through the growth CAPEX and strategy for the Indian business which is primarily focused on downstream as we've been talking to you in various of our communications and interactions. We



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are focusing more on downstream because we believe downstream is more value-added, it is less amenable to fluctuations with LME pricing, it is closer to the customer and particularly in India, there is a clean runway for us to capture this market, because there are not many players which are of our size and scale and we can actually capture a lot of value out there.

So, taking you through the different business segments, first is the aluminum segment, which is the largest part of our business. And as you notice here, the global demand is 90 million tonnes, but the Indian demand at the moment is only 3.7 million tonnes. So, average per capita consumption in India for aluminum is very, very low compared to the global standards. And it shows that there is a huge potential for India to grow in aluminum demand. But if you look at the different market segments, globally, packaging, construction and transport are the big sectors. In India packaging and construction, they're still low and transport put together, they're still pretty low compared to the global standard. So, there's a lot of scope to grow.

Coming to the product segments, extrusion and FRP globally are the two largest segments. In India, they represent almost half of what global standards are. And this is where we are present in a big way in both FRP and extrusions. In fact, in FRP, we are the only large-scale organized players in this area, which is recognized by the customers for its quality products. In extrusion again, we are one of the big ones and therefore we see a lot of potential out there. We believe that like in case of global demand, extrusion and FRP are going to grow much-much faster than the other parts of the product segments. So, we are dominant in those segments, which are likely to grow dramatically over the next few years in India.

So, in terms of the segments, we have building and construction segment where you are aware that India is putting a lot of focus on the housing demand and creating infrastructure for people to live in. And this is going to consume a lot of aluminum going forward. Various applications like doors and windows, roofings, claddings, curtain walling, etc., many such applications for aluminum are present in building and construction segment.

Transport and automotive again like you've seen in the global context, in India as well, has a lot of potential for aluminum. With BS VI in place in India, this will drive the sales of aluminum and aluminum made cars in a big way because of the light weighting.

Various applications like in castings, powertrain parts, cylinder blocks, alloy wheels, etc., many of them would use extrusion and FRP is going to drive the aluminum usage in transportation.

Packaging, we are already present in a big way particularly in the file stock and the file related areas which is used in pharmaceutical in large way but also food and beverage industry, liquor uses the bottle caps, etc., fmcg industry also uses it. So, plenty of usages in the packaging side, and aluminum provides certain unique advantages over other forms of materials which will help it to grow very, very significantly going forward.



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There are many other segments like electronics and electricals, consumer durables, aluminum cookware, machinery and equipment. So, defense, nuclear, railways, ships and boat building, etc., There are many areas where aluminum is increasing its presence, and this is going to help us in terms of invading that market.

Overall, we believe that the growth is going to be significant. We expect that by 2013 total aluminum consumption will be almost doubling from the current level towards over 7 million tons. And a large part of that will be from FRP and extrusion which are the segments where we are currently present and will continue to grow.

The next large business segment for us is the copper market. In copper again, first of all, refined copper demand is likely to grow by about 7% to 8% in the next eight to 10-years from the current levels. And as you're aware, we are the only large, refined copper manufacturing plant in the country, and we are also the largest rod manufacturers at the moment, which is the downstream product for copper. In India, copper demand is largely in the form of rods which is the downstream product for copper business. Large applications of copper is in the form of electrical applications, which goes into building in housing wires, automotive wires, railway systems, industrial cables, motor winding wires, etc., transformer strips and all that. So, really speaking almost everywhere where electricity is going to be used, copper and copper rods are the ones which are going to actually take the center stage. And we are being the big player in this area, we command a premium as well as we are likely to grab the opportunity that is available in the Indian market.

On the infrastructure side, railway electrification is a major push from the government, Metro network and high-speed railways, they are going to drive the demand for copper and copper allies in the system. So, this is another area where we are going to capture the opportunity that is available. There's one more area which is related to the air-conditioning and refrigeration system, heat exchangers and plumbing industry This is where tubes are used and a particular type of use is tubes called inner group tubes which is used for these kinds of applications. This is another part of the segment which is growing very rapidly and is likely to offer a good opportunity for us. We are talking about all these things, because our projects are related to these segments and you will see how we are trying to capture them.

There is a third segment, which is called Specialty Alumina segment. Traditionally, you've seen that this segment is clubbed into aluminum segment for our results. But really speaking, this is a non-metallurgical alumina which is used in certain niche applications, and it is different from the metallurgical use of the alumina. Typically, it's a mix of hydrate and alumina which are the intermediate products also for aluminum, but we do some special treatments to them, and they become value-added products for us and are supplied to various different kinds of industries, and this is also a profitable segment for us. Some of the characteristics of alumina actually make it amenable to these usages. And those are that its ability to withstand very high levels of heat, it is very tough and therefore provide strength. So, for example, in refractories, which are used



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particularly in steel industry, and other industries as well, refractories consume a lot of specialty alumina, which actually help building these factories. Similarly, in making of glasses, it can provide strength as well as clarity. Ceramics, again, strength plays a lot of role there. Wires and cables, particularly the PVC and composites, that's where these products are used. Today, in India, it is likely to grow at about 7% in the next few years. Globally, the growth is about 3%. We are the only manufacturer of these products in the country. And even globally, there are very few players who actually specialize in these products. But particularly in our Belgaum factory, we have been making this for a long period of time and we have the expertise to capitalize on the opportunities that are offered in this area.

There are many future applications also which are very promising, which include lithium-ion batteries, LEDs, advanced ceramics, electronics, all these segments are likely to grow significantly in future and therefore, this particular segment also has a very bright future in our overall segments.

I will now take you through the specific numbers of how we look at the value-added products in terms of capacities and what do we intend to do. These three segments are represented in these three boxes. So, the first one aluminum VAP, so, you will notice that the primary metal capacity is currently at 1.3 million tons and we do not see this going up over the next few years, it is likely to remain here. But what is actually significantly changing is the value-added products capacity, which is in the downstream segment. We are currently at 320 KT, which with the focus that we are putting on this segment, we are likely to see a doubling of this capacity in the next five years both in FRP and extrusion we are likely to invest. While we have not talked about in terms of CAPEX beyond five years, but our thought process is that we should be able to triple this capacity from the current level in the period beyond five years. So, really speaking, what we intend to say here is that this is our current focus, and this is likely to continue to grow here. The advantages of doing this as I mentioned earlier, it is dealing from the LME fluctuations, more stable cash flows, higher value-added products, and of course closer to the customer. And we have the first mover advantage here because really speaking, we are being the only large player, particularly in FRP, we are likely to capture that center stage much-much earlier than any other competitor.

In copper value-added products, first I'll talk about the overall cathode capacity. We have about 421 KT of cathode making capacity. So, this is a refining capacity at the moment in copper business. We intend to get into more recycling. This includes a little bit of recycling as well at the current level, including concentrate and recycling. But we intend to add 100 KT of recycling capacity here and refining so that the total overall capacity for the primary cathode goes up from 421 to 521. Beyond five years, we believe that there would be a scope for another smelter, and therefore a 250 KT smelter should be in place in the period that we emphasize beyond five years. But what is important is that the downstream part of it which is the rods and the tubes and alloy rods, we should be able to take up our capacity of 1015 KT in downstream to about 445KT in



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the next five years and to about 655KT beyond five-year horizon as well. So, downstream will continue to gain focus even in copper business as well.

In the specialty alumina, the total non-metallurgical hydrates and alumina are at about 400 KT at the moment, which will grow to 440KT and 450 KT in the five years and beyond. But what is important here is that the value-added products within the non-metallurgical grade will move up from 314KT to 384KT in the next five years itself, and we see potential for growing into 410KT going forward as well.

So, in a nutshell, what we are trying to emphasize here is that the downstream part of all the three segments is going to continuously grow. And we are going to put a lot of focus in this side of the segment. It also addresses the question of expanding the ROCE and our ROE, because these are likely to be highly value-added products in our portfolio.

A quick look at some of the projects which are identified, we may not have announced all of them at the moment, but that shows our thought process. So, first is of course, alumina in Utkal which is already announced, and which is actually nearing completion in the next few months, this is a 500 KT alumina expansion project, as you all know. Utkal Refinery is the lowest cost producer globally, and this really adds a lot of value to us. This is at a cost of \$200 million.

Other value-added products including recycling in aluminum segment today we are looking at about spends of around \$650 million over the next few years. There are some parts of the projects which are already underway. This is 50 kt of hard alloys finishing assets. There is a 34 kt extrusion that we have already announced in Silvassa. So, that is already under process now, just begun. And there are more capacities to be added on the FRP and recycling over the next few years.

In copper, as we talked about, there will be Inner grooved tubes and alloy rods, there will be a recycling capacity, and some additional copper continuous cast rod projects as well, totally amounting to about \$200 million. In speciality Alumina, as I said, a 70 kt will get added at a cost of about \$40 million over next 5 years. So, little over a billion dollar is something that we see as a potential for the downstream projects in Indian operations.

All these I'm sure will be very beneficial for the company. We have a very detailed process of evaluation of each of these projects, and they all have synergies with our existing operations.

So, this was a brief summary of the Indian side of growth story. I would like to hand over the mic to "Satish now to take us through the ESG Part of Our Initiatives."

Satish Pai:

Yes, thank you, Praveen. And now I'm going to articulate to you our ESG strategy. I think we're going to take this investor show to put out in front of you some clear commitments that we are going to take from an ESG point of view. Firstly, on the Environment. The consolidated



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Hindalco will continue with the renewed focus on increasing the recycle content. We commit to net carbon neutrality by 2050. We commit to zero waste to landfill by 2050. We commit to water positivity in all our mining locations by 2050. And no net loss on biodiversity by 2050. And I'm going to take you through quite a few specific projects on what we are going to do in the next five years along this path.

From a social point of view, as I told you, we are focused on running safe operations with zero harm. We commit to a diversity and inclusive policy. We are committed as you know to community and society along with the creation of sustainable livelihood. And we also affirm strongly to human rights.

From a governance point of view, we commit to the highest levels of value and transparency, strict adherence to a code of conduct, a best-in-class corporate governance, the highest level of information security and cyber security, which is pretty relevant in the world today, and a very strong customer and supplier centricity.

So, as we go through now, I just wanted to point out as I think most of you were aware, that last year the "Dow Jones Sustainability Index Ranked Us as the Number One Aluminum Company." In the recently published "Sustainability Yearbook of 2021, Hindalco has been Rated in the Gold Class Category" compared to some of our well-known competitors that you can see in the bronze class.

And I think the point I want to make, which will set the ground for the slides that will follow is that we are focused on "Net Carbon Zero." But we also take a much broader holistic view to sustainability and the environment. So, we will talk as you will see from a carbon point of view, but also on waste, on water, on biodiversity, on the circular economy. All these are what we take under our ESG commitment. And I think this has been recognized by the Dow Jones Sustainability Index, and hence that they have put us in the gold class.

With that now, I wanted to let Steve take you through a few of the slides on what Novelis has been doing. Steve, over to you.

Steve Fisher:

Thank you, again, Satish. And as you all can appreciate, as the world's largest recycler of aluminum, sustainability has always been at the heart of who we are as a company and will absolutely continue to guide our strategic decision making, as well as where we'll invest to grow our business moving forward. As you can see here, recycling content has increased significantly over the past decade, up 29 points from 30% to 59%, driving significant carbon reductions. But, we have also, as Satish highlighted, made great progress in other areas, whether it be energy reduction, water, or waste reduction.

Now, with the recent acquisition of Aleris, we are currently in the process of evaluating the right framework and standards to adopt to make further strides towards certainly reducing our carbon



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footprint and towards a number of other KPIs in this area. But most importantly, to us is progressing towards the aluminum industry to progress its journey towards a more circular economy itself.

Now, attaining a truly circular economy will be challenging to any material type, it will be a journey, and it absolutely will need to take into account products full lifecycle. With that being said, aluminum is infinitely recyclable, highly durable, retains its properties and definitely making it a perfect candidate for a circular economy. Nearly 75% of all aluminum ever produced is still in use today. And producing aluminum from recycled inputs requires 5% of the energy requirements social versus primary, therefore 5% of associated greenhouse gas emissions. Just last year, Novelis recycled 74 billion used beverage cans alone. And when we can get those used beverage cans back, we can turn them right back into another can within 60 days and put them right back on the shelf. Over and over and over infinitely recyclable, that is what truly a circular economy looks like. But aluminum recycling goes well beyond just used beverage cans. It goes into sophisticated closed loop recycling systems that we've set up with our auto manufacturers, starting with Ford. And here we set up a system when we started to deliver to Ford to ensure that we got all their process scrap right back segregated into our plants so that we could recast it, reroll it, finish it and send it back to Ford. This program is unbelievable, in that it produces 30,000 F-150 bodies from scrap every month. That is truly a great example again of what we mean by a circular economy.

Since 2011, we've invested over \$700 million in recycling capacity, bringing our total recycling capacity to 2.5 million metric tons. And we've identified further opportunities in this \$1.5 billion that we've talked about over the next five years to expand further recycling in casting capacity, because we know what it does from a carbon footprint, and we know this has been a big pull from our customers. But collaboration is going to be key to understand the products full lifecycle. So, we will work with our customers to ensure that we understand exactly what we need to do from aluminum so that we can find ways to continue to expand the use of lightweight, infinitely recyclable aluminum to create more sustainable, recyclable products and promote a more circular economy.

With that, Satish, I turn back to you.

Satish Pai:

So, talking about ESG, let me now take you through what I meant was a more holistic approach. So, starting on this slide, the first thing is about water positivity. Hindalco in India uses nearly 76 million cubic meters of water. And I think that we recycle about 18 million cubic meters. So, I think that getting to a zero-water discharge in our plants is a key consideration. Today, 11 of our 15 plants are zero water discharge. And in the next few years, we would like to convert all the remaining four which are really the older plants like Renukoot, Dahej and Hirakud to zero water discharge. This is a firm commitment that we have made, and we are progressing towards reaching this target in the next few years with projects and investment clearly identified.



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Talking about “Green Cover and Biodiversity,” as you very well know from a statutory point of view, we have to cover 33% of the available plant space with the green cover. Hindalco has taken this scientifically and gone much deeper; we have planted about 2.6 million trees; we have 1,817 hectares covered under green cover and we will be taking this 33% to much more than 50% over the next few years. Greening it on one hand allows you to take up Co2 from the air, but it also gives you oxygen into the air and there are quite sophisticated models that actually give you the value of doing this green cover. So, we track this, and it is in the KRA of each plant manager, the greening percentage of his or her plant. So, for us, this is a key KRA for all our management.

Going on to the next topic, which is the circular economy, bauxite residue we generate about 3 million tonnes and on fly ash we generate about 4.3 million tonnes. In bauxite residue we actually lead the world when it comes to its recycling. Today, we have reached 62%, a vast majority of it going to cement plants to replace laterite, but we also use it for embankment, road building. And now we have a unique project on Mine Backfilling that we are working with the government in India, which is actually being monitored on an international level. Because if you can then take the bauxite residue back to the bauxite mine, then you can establish a complete circular economy with no need for further landfills or tailing dams as they call it. So, in bauxite residue, we think that we are very quickly in the next few years going to get to 100% recycling. If you take fly ash, last year, we have reached 82%. But this year post COVID, we are actually beyond the 100%, largely the fly ash goes to cement plants, but also to making bricks and other technologies that we have invested in. On the fly ash side, we will be over 100% recycle. We are actually taking fly ash from some of our older storage facilities and sending them to cement plants now.

The third point which is Hindalco and Novelis consolidated target, we are all committed to making our sites completely single use plastic free. Most of our plants today are single use plastic free, but we have started to get independent certification. So, three of our plants from the CII now have been certified as Single Use Plastic Free. And this we intend to do across all sites of the consolidated Hindalco.

Let me talk to you a little bit more on “Biodiversity.” As a mining company, this is where Hindalco will really differentiate itself against our international competition. We are working with the International Union for the Conservation of Natural Resources to come up with Biodiversity Management Plans. We already have them on four of our sites, the large mines like Parbat Mali, and the Gare Palma sites, where we do a comprehensive no net loss, that means flora, fauna, as well as life organisms that were there. And this biodiversity plan done with the IUCN actually allow us to reach a point of no net loss of biodiversity.

So, from an ESG point of view, I think this is very critical, especially for the mining industry and towards sustainable mining. And Hindalco actually is taking a leading role internationally in this no net loss on biodiversity.



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I told you right at the beginning, both Hindalco and Novelis are committed towards zero harm. So, you can see here we run a very focused safe operation. Our lost time injury frequency rates are among the industry best, both in in Hindalco, which are presented as well as Novelis. It's mandatory for all management, they are held personally accountable for all safety incidents that happen in their plant. So, I think from a safety point of view, we can confidently say that the consolidated Hindalco is right up there among the world's best companies.

Let me now talk about "Aluminum-specific Energy and the Carbon Footprint." As you know, this is the weakest point for the upstream business in India. Our power for aluminum smelting largely comes from coal. But we have embarked on a very detailed strategy to reduce this carbon footprint. On one hand, we have reduced the specific energy used to make aluminum by 25% from FY'18 to FY'21, and we are committed to progress down that slope with another 25% reduction over the next five years. But besides the specific energy reduction, we are focused on increasing the use of renewable energy. As you know, we already have 42 MW, and we have already got projects underway for another 42. So, we'll be 100 MW in middle of next year to end of next year. And we are focused on putting another 200-MW over this five-year timeframe. We also have probably India's first 20 MW renewable hybrid with solar wind and battery technology being put in place with General Electric for Dahej. Besides that, we intend in our journey towards the "Zero Net Carbon by 2050." We'll start to use natural gas in a big way in our smelting processes. So, currently, we are trying to convert our casting furnaces to natural gas, and soon even the smelting boilers, we are going to start to use natural gas as the pipelines that the Government of India is laying down start to give us natural gas. This is probably, I'm being very transparent, are most difficult challenge for the whole to get to the net carbon zero by 2050. But I what I wanted to assure you is that we have specific progress, specific projects and investments that we are going to make and you're going to see, and we are going to present these every year to show you how we are progressing towards the net zero carbon.

Lastly, as Steve was saying, I think the circular economy is really critical to make this world from a sustainability point of view there. So, I wanted to highlight in India we have taken a leading role in converting railway wagons to aluminum, we had launched, aluminium trailer, aluminum bulker, the first aluminum bus, all aluminum designed by the ARAI will be launched by Mr. Birla in the 1st week of March. The packaging, we are working a lot on aluminum laminated jute bags to get rid of plastic bags. And, of course, we are working on an aluminum LPG cylinder. If you actually read the slide, you will see that the aluminum usage in bulkers, trailers also reduce the fuel used, one liter of diesel actually emits 2.68 tons of Co2. So, by reducing the amount of diesel consumed, we are reducing the carbon that is emitted. And on the same side, it is also making energy use a lot more efficient. The bulkers and trailers they last longer, they don't corrode, the maintenance costs are less. So, we are quite focused on products towards strategy in India that will help to reduce the carbon footprint.

On the Novelis side, we have already talked to you about the sustainable packaging with the cans and beverages as well as the circular economy that we are working on, on the automotive



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side. Aluminum battery inclusive which are going to be needed in electric vehicles, are up to 50% lighter than the equivalent steel design, and extends the vehicles range by up to 10% further on a single charge.

So, if you see our ESG strategy, we talk about carbon, but we talk about waste, we talk about water, we talk about biodiversity, we talk about the circular economy and life cycle products to achieve. So, this we wanted to highlight to you is a comprehensive ESG strategy that Hindalco has adopted, that has positioned us among the leading companies in the world. So, we talked to you about growth and the projects that we had in Novelis and in Hindalco India, we talk to you about our ESG strategy.

And now, I'm going to turn you over to Dev to talk about the deleveraging and the capital allocation and the shareholder returns. Over to you Dev.

Dev Ahuja:

Thank you, Satish. So, a key tenet of our capital allocation framework is the continued focus on reducing net leverage, mainly as a function of a reduction of gross debt. On a consolidated Hindalco basis, we are aiming to reduce total debt by US\$2.9 billion within two years from its peak on June 30, 2020 following the Aleris acquisition. The vast majority of the gross debt reduction that is \$2.6 billion since the June 30th position will come by Novelis through three main areas. First, is the repayment of the entire \$1.1 billion short term bridge loan that was taken out to finance a portion of the Aleris acquisition. This acquisition has proven its success in our ability to achieve targets and repay this bridge earlier than anticipated as a result of strong cash flow, sale proceeds and stronger than expected synergy cost savings. Of the \$1.1 billion loan, \$500 million has already been repaid through the December quarter, with the balance to be paid by the end of this quarter. Additionally, Novelis has also already repaid \$900 million of short-term borrowings since June, primarily by reduction of the ABL. Lastly, Novelis has a \$1.7 billion term loan due in 2022. We expect to refinance \$1.1 billion of this term loan by the middle of the first quarter of fiscal 2022 and repay the balance \$600 million before its maturity next calendar year. So, of the \$2.6 billion reduction at Novelis, \$2 billion will have been repaid by the end of this fiscal 2021. The standalone Hindalco business also has a debt reduction plan in place. Hindalco plans to refinance just a portion of its Indian rupee bonds due 2022 and repay \$270 million in US dollars by maturity. As a result of meaningful debt reduction actions both at Novelis, and in India, we have a clear path to reducing consolidated net debt-to-EBITDA leverage to 2.5x, better than pre-Aleris acquisition levels in less than two years' time.

So, we are clearly on the right track to further strengthen our balance sheet positioning us to share with confidence today, how we are thinking about value creation through capital allocation over the next five years. Underpinning this framework is our utmost confidence that the performance at both Novelis and standalone Hindalco is sustainable. At Novelis, we remain confident that the \$480 to \$500 EBITDA per ton margin guidance can be maintained. The stability of Novelis cash flow post acquisition is enabled by top line sales buoyed by strong and market conditions across regions post-acquisition integration synergies, higher automotive



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shipments as our new capacity ramps up, ongoing operational efficiencies and focus on cost and metal optimization. And in India, improved operational efficiencies, cost control and better domestic market conditions provide confidence in sustainable performance. As a result, we can generate an average free cash flow from operations after normal working capital and maintenance CAPEX of \$1.2 billion or more per year over the next five years. We prioritize that cash flow into three main categories: Growth CAPEX, deleveraging and shareholder returns. I just spoke about the company's sustainable near-term deleveraging plans. At the same time, robust cash generation at both Novelis and Hindalco will allow us to continue to reinvest most of our capital back into the business. We see organic growth cap expand between Novelis and India could approximately be \$2.5 to \$3 billion over the next five years to capture the many growth opportunities you heard about earlier. We will update on those project plans when identified but rest assured, we will maintain our disciplined approach to capital spending. By this, we mean ensuring that all new investments are in line with the company's strategy and purpose, and that the return on such investments is well above the cost of capital. Notably, this capital allocation has to be considered organic, with no large inorganic growth plans through acquisitions.

And lastly, the third pillar of the capital allocation framework is an enhanced focus on shareholder returns. This will be achieved through higher capital appreciation arising from increased earnings and lower leverage as well as increased dividends.

In summary, over the next five years, we will use the following capital framework as our guide. Roughly 50% of our cash flow from operations will be allocated towards organic growth capital. Approximately 30% for debt reduction, and approximately 8% to 10% for shareholder returns. The additional cash balance generated would be reserved for additional organic investment or held in treasury to comfortably navigate potential market cycles.

So, with this now, I'd like to turn the call back to Satish for his closing comments.

Satish Pai:

Yes, thank you, Dev. I think that we have now taken you through the four pillars of what we were planning to do in the next five years which is the organic growth, ESG, deleveraging, and capital allocation framework with focus on shareholder returns. And I think that we will now go over to the Q&A session.

Moderator:

Thank you very much. Instruction to all the viewers. The presentation copy has now been uploaded for your reference on the website of Hindalco and Stock Exchange. We will now begin the question-and-answer session. The first question is from the line of Pinakin Parekh from JPMorgan. Please go ahead.

Pinakin Parekh:

I have three questions to start with. My first question is that the company highlighted organic cash flows of \$1 billion to \$1.2 billion. Can we know what are the underlying assumptions in terms of LME price, Novelis EBITDA per ton and the maintenance CAPEX?



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- Praveen Maheshwari:** LME assumption doesn't really matter for most part of our business forecasts, as most of including Novelis, is something that is really not connected to the LME movements. But yes, generally speaking, we look at the past few years, we look at the projection and based on that we really forecast our predictions. We have good understanding of our markets and that's what we really work on it.
- Satish Pai:** In the LME part, we have taken the chance and not really taken a much higher LME and the EBITDA per ton on the Novelis side, we stick to our original guidance of \$475 to \$500. So, that is the second point I can give you coming to \$1.2 billion.
- Pinakin Parekh:** What will be the maintenance CAPEX in this?
- Satish Pai:** So, the maintenance CAPEX that's built in is \$300 million for Novelis and \$250 million for Hindalco India on an average for the next five years. The \$1 to \$1.2 billion is after maintenance CAPEX, I just wanted to make sure you.
- Pinakin Parekh:** Just to clarify, at this point of time in the December quarter, would it be fair to say that the company is running ahead of these numbers?
- Satish Pai:** Yes, it would be fair to say that, but we have given a five-year outlook and hence to take the point we have tried to stay conservative, because cycles can come up and down, so, we're saying \$1 to \$1.2 billion, but you're right at the end of Q3, we are running ahead of that.
- Pinakin Parekh:** My next two questions are that in terms of the revision of the cash flows, roughly 8% to 10% is towards shareholder returns and roughly 10% to 12% seems to be towards treasury. Now, what would it take for the shareholder return to increase from 8% to 10% in terms of the operating cash flow?
- Praveen Maheshwari:** So, as you know, we have written that it's a percentage of the cash flow as we have defined the discretionary free cash flow which can be put to either deleveraging, put to growth CAPEX and put to the shareholders returns. You should take this as more direction and as a percentage of the overall cash flow. It is obvious that the cash flow is going to increase once the investment and growth CAPEX happens, that will add to the overall profitability and cash flow this will not remain static. But we are trying to give an overall direction in terms of percentages. So, as the basic number increases, the absolute amount of returns will also increase.
- Pinakin Parekh:** My last question is, at this point of time, would the management want to lay out an ROE roadmap as well in terms of over the next five years as the cyclical element of earnings reduces and the steadier annuity business stream of Novelis keeps on increasing, should we expect a large ROE expansion as well?



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Praveen Maheshwari: Yes, there will be an expansion. We would not like to lay down exact numbers here the moment because there are various projects, as you've seen in the pipeline in Novelis as well as in the Indian various business segments. Each one of them has a certain return on capital which will add to the P&L for the company as a whole. It all depends on how quickly we can execute how far we can go and how the business cycles also turn. But our confidence is that this will definitely help. And this is different from upstream investments largely where upstream investments take a lot of time and a lot of effort, a lot of CAPEX, which actually subdues the ROE for a short period of time or medium period of time, but these projects are modular, first of all, as you've seen these are not very large investments per se per module of investment. And then these are incremental, so they leverage on things, trends and the existing infrastructure. So, sure, there will definitely be an expansion of the ROE going forward.

Moderator: Thank you. The next question is from the line of Anuj Singla from Bank of America. Please go ahead.

Anuj Singla: Thank very much for the detailed presentation and outlining your strategy focused on downstream and ESG, I mean, this is the most extensive presentation we've seen from you in recent times on ESG. So, thank you very much for sharing your thoughts. My question is first on the downstream expansions in India. You talked about 900 kt of target in India. My question is what role can Novelis play in that expansion in India. We have seen, you have done a lot of work already. But going further, what kind of collaboration we can see from the value side?

Satish Pai: Yes, I think Anuj, that is a very good question. And if you see the expansion that we first did in what we call the phase-I in Hirakud. And today, Hirakud is now nearly producing 135 kt, the amount of technical support that we received from Novelis over these last three years, has actually enabled us to bring the product quality and consistency up to that point, I'll also share with you that with Novelis support the first can body stock is going out of the Hirakud plant in March going to customers in India. So, for us, the second phase which is the 300 to 600, which is largely going to happen in Hirakud is very much dependent on that technical synergy with Novelis. And I think that with their expertise on rolling mills, on the rolling process, we are going to be able to do this expansion, which is quite people, process, quality dependent. So, I think that the other part of the differentiator for Hindalco is having that Novelis expertise when we do this downstream expansion.

Anuj Singla: The second part is what kind of collaboration on recycling can we see? So, Novelis is obviously the biggest recycler. We have seen your competitors on the steel side, starting a pilot of recycling in northern part of India, how do we see that shape up for us in India?

Satish Pai: So, another very good point. Anuj, we are already in deep discussions with the Novelis experts, in fact, down to the point of what technology and what furnaces need to be bought. But we intended, I think I've been saying it in some of the quarterly calls, we will be putting a big aluminum recycling project in Gujarat over the next few years. And we are doing this very



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closely with Novelis trying to get the right technology mix. So, that is the next place that we will be expanding. I think Praveen talked about the 100 kt of copper recycling that's being put in place, but we are also going to be putting aluminum recycling. So, as Hindalco goes into this downstream strategy in India, recycling will be a big part of that, Anuj.

Anuj Singla: Lastly, on the CAPEX side on Novelis, you have laid out a very firm plan for \$900 million of CAPEX, the total target is \$1.5 billion for the next five years. Where can we see the remaining \$600 billion going, any particular segment we should be focusing on?

Steve Fisher: Just to be clear, the \$1.5 billion is for next five years. And the only thing that sits in there is the remainder of what's left from a capital standpoint to spend on the two auto finishing lines which is not significant, and then the Pinda expansion, and then China, which is \$300 million. The remaining part of that, a larger amount than what you had said, is earmarked towards further organic growth. And again, these are going to be a variety of projects. I think you should be thinking about recycling and casting capacity as we further support our customers pull for high recycle content and lowering carbon footprints, I think you'll see further auto finishing expansions down the road. And then a lot of this is smaller debottlenecking, continued initiatives on automation, on world-class manufacturing, to continue to drive further capacity out of the system, which we've been doing over the last several years. We can't probably get in much more specific than that. I can tell you, as Dev said in his comments, we're excited about the opportunities and we'll do it in a very financially prudent way. But certainly, see a lot of market growth and a lot of organic opportunities in front of us.

Moderator: Thank you. The next question is from the line of from Satyadeep Jain from Ambit Capital. Please go ahead.

Satyadeep Jain: I'm sorry if this has already been asked, on the capital allocation fund, you outline \$1.5 billion in growth CAPEX in Novelis, after the debt reduction, there is significant free cash flow that far exceeds the growth CAPEX outlined. So, as you achieve your deleveraging targets over the next couple of years, and your use of cash flow is largely going to be growth CAPEX from Novelis? And can you also talk about what kind of leakage do you have for returning capital to India at the Novelis level? So, that's the first question.

Praveen Maheshwari: Yes, so really speaking on the growth CAPEX, Steve has already answered, but to your question about the tax cost, we do not see a very significant tax cost. And that's the point we really wanted to make by saying that we are looking at the overall cash flow of Hindalco consolidated level. And that is why we don't differentiate between the cash flows generated in India versus Novelis. We have earlier also brought in dividends or money from Novelis earlier as well. And that has been demonstrated. So, now we look at the company as a whole. And to answer your specific point, we do not see a big tax leakage on this issue as well.



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Satyadeep Jain:

Secondly, on the growth CAPEX opportunities, you mentioned recycling and casting. First of all, as we look at the next five years, is it safe to assume that any foray into extrusions at the Novelis level, or any hot and cold mill expansion outside the China are largely off the table, any expansion that you're going to see is largely going to be what you've already outlined? And secondly, related to that, I mean, recycling economics look attractive. And also, casting is something we associate with the upstream also. So, can you briefly talk about the potential in those segments in different regions for recycling and casting?

Satish Pai:

So, Steve, you want to take the first part, and then maybe Dev can talk on recycling?

Steve Fisher:

Yes, sure. so, as it relates to expansion again, when we talk about casting, we're talking about sheet, so just the front end of our process and a lot of times when you couple casting with recycling, you want to be in the geographical region of where you're collecting your scrap and then you can put it into your hot mills. So, hopefully, that clarifies kind of what we're saying about casting. On the extrusion stamp side, we think we've had a lot of opportunities on the sheet side to continue to penetrate in the markets we're in. So, right now, we are not focused in trying to find ways to introduce new shapes, such as extrusions into the Novelis portfolio at this point in time. And then as it relates to hot mill expansions, certainly, you saw in my prepared remarks, we're moving it from 4 million metric tons to 4.5 million metric tons, a significant move over the next five years. It is on the back of the China expansion, which releases capacity at Ulsan after it integrates with the downstream auto, it's on the debottlenecking, and in some balancing investments that don't come at a lot of costs. For the hot mill, I think it's something we'll have to continue to evaluate with our customer base over the next three to five years, but there's nothing planned at this point in time. But as we continue to see these markets grow, these will be conversations that we'll have to have with our customers to understand the contracting around them and make decisions, but nothing at this point in time.

Dev Ahuja:

So, let me talk about the recycling and the economics of capacity expansions on recycling. So, we actually have a very high level of confidence on the attractive economics of expanding into more recycling and there are a couple of reasons why we feel so: #1, All the macros on scrap availability are actually highly favorable. As the focus on sustainability keeps going up throughout the world, we see attractive recycling rates, therefore ensuring more scrap availability, for example, in the US, about 700 million tons of scrap goes into landfill, and actually the entire the entire system will be sort of working on advocacy of getting more into the system, #1. #2, we also see the auto end of the life cycle starting to help us from the middle of the decade. So, as the first generation, for example, of the aluminum intensive vehicles like the F-150, are phased out, it will increase the availability of scrap and particularly high-grade auto scrap into the system. So, really across the world, the sustainability wave is actually going to make recycling and availability of scrap more attractive. So, we see a high potential in expanding further on the recycling side.



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Satyadeep Jain: Steve, just on bottlenecking, is it possible to share more details on what kind of opportunities do you see in debottlenecking, where those opportunities are, which regions?

Steve Fisher: Listen, I would highlight that with the recent Aleris acquisition, applying what Novelis has done over the last five to 10 years on what we see as capabilities of our assets, applying it to their system, we do see opportunities in both Koblenz and some of the continuous cast assets in North America. So, I think that's one, that will be focused on. The rest is a number of projects, it just continues what Novelis has been doing to increase the system and ability to get more out of the system, I mean, we've increased our recovery rates on auto by over 10 points over the past three to four years, we've increased can by four percentage points, these all add tremendous amount of capacity to the system. But it's a number of projects. So, nothing big enough to highlight outside of maybe the focus on the new Aleris assets.

Moderator: Thank you. Next question from the line of Abhijit Mitra from ICICI Securities. Please go ahead.

Abhijit Mitra: Three questions from my side. First on the CAPEX that you sort of chopped out for Novelis is actually, if we look at next five years horizon, there is no new CAPEX that we could see, which was not what we were probably expecting in the sense that there's so much tailwind on each of the individual products that we see. So, what's the thought process, do you see sort of tying out of this product cycle, something similar to sort of what happened in can, probably during the time of Novelis acquisitions or this product cycles, you're comfortable with them, or you do see some sort of saturation coming in now for the next few years, which sort of explains this CAPEX decision, what's the thought process on this?

Steve Fisher: We want to be clear. We're not announcing new CAPEX projects today but we will be in the future announcing new CAPEX projects. What we've talked about is the opportunity, and we at Novelis know where these opportunities exist, at least \$1.5 billion worth of strategic capital to be spent over the next five years. And that's earmarked already inside of our strategic plan and plans to move forward. Again, they're going to be in the areas that we've talked about whether it be recycling and casting additional capacity, the China facility, debottlenecking, to continue to drive to the 4.5 million metric tons or above or 2.5 million metric tons of recycling capacity to continue to drive and capture the market opportunities in front of us. So, I very much hope you did not take away that there's not opportunities at Novelis, we see good growth in our markets and see very good opportunities and we'll be certainly back in front of you talking about further organic plans for that as and when it makes sense.

Abhijit Mitra: Second is on the India front, you did mention about putting up a new copper smelter. Now earlier during the days of Mr. Bhattacharya, there was a due diligence done on the Hindustan Copper assets, the asset is not going anywhere in terms of production, the mine is there, sitting to be exploited, in terms of integrating that asset or at least look to, because in terms of sustainability, copper also is coming up as an important pick, and overall picture, so, any thoughts on that?



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Satish Pai: So, I'll hand it over to Praveen, but I just wanted to say that I don't think on this call, we can comment anything on HCL, and the government divestment plans and all that. I think that Praveen will talk to you about our plans at this stage.

Praveen Maheshwari: So, as you said, HCL is not on the table at the moment, and therefore nothing can be said about it. But I can talk about, as I said, during my presentation about what we plan to do in copper. And you saw that the immediate plan is for the recycling part, to increase the capacity on the upstream side. And on the downstream side as well, we have already expanded in the last two, three years, and we will continue to expand. In the next five years, we don't see a smelter coming up separately, but we see that potentially coming up beyond five years. So, we are not saying no to that. But it's probably a question of time. So, huge opportunities in copper, as you rightly said, but this is how we tend to take it forward.

Satish Pai: Because we're not being inconsistent, the aluminum upstream, we have no intention. But copper is a converter business with a steadier earning stream and a much better ROC. And I think with the shutdown of our main competitor, India is actually very short in copper stage, and which is why we continue to evaluate, but as Praveen said, the easy step for us to immediately do is 100 kt expansion using copper scrap, which will be also from a sustainability point of view pretty strong. So, that's what we are going to do in the first.

Abhijit Mitra: Lastly, on the ESG front, just to create sort of benchmark with your global peers, I try to look in presentations, but are you disclosing the targets for reducing scope one, scope two and scope three missions? What's the investment that is going towards those over the next few years, if you can also sort of mention that figure?

Satish Pai: We actually are articulating the data in different ways, we talk about it from the specific energy consumption, we talk about it from a carbon per ton of aluminum and we are also introducing into this mix, the various offsets, because when we go internationally, some people will say I have hydro power, so, my smelting is zero or two tonnes of Co2 per tonne. And we are introducing it into this equation that you have to take your scope one, scope two scope three. If you take the smelting as scope one, then your scope three will include the whole transportation of bauxite coming into an alumina refinery, that alumina being transported to your smelter. So, actually, the London Metal Exchange has actually bought into our argument. So, if you can see they are now introducing this LME passport, that requires all aluminum producers to actually disclose the whole value chain. So, we are trying to take this discussion to a full lifecycle of aluminum what is your carbon footprint. And that's where with Novelis and recycling, we think that we are on a much more better position longer term and someone who says "Oh, I have hydro power, and hence I am green carbon." So, we are saying, green aluminum is across the whole cycle of the aluminum production, and also its usage. So, this is the approach that we are taking. The LME has bought into it. The International Aluminum Association, of which, I'm the Vice Chair, is also progressing down the same. So, that's how we are trying to position ourselves.



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- Abhijit Mitra:** The total investment that you see for the initiatives that you have sort of made out?
- Satish Pai:** Every year so like we have another 50 MWs of solar coming in, and solar is roughly Rs.5 crores per megawatt to install. So, we have got that going on, we have got this hybrid project, which is sort of we have signed a 20-year power take agreement. So, the CAPEX is not from our side. So, we are doing a number of initiatives, some of which we put CAPEX, but some of which we just sign an agreement to take the power over 20 years, so the capex is put by the others. So, it's a mixture of both.
- Moderator:** Thank you. The next question is on the line of Indrajit Agarwal from CLSA. Please go ahead.
- Indrajit Agarwal:** I have three questions First, can you shed some light on the competitive scenario of the FRP and extrusion products in India particularly from the import perspective, so, what are the kind of imports are there and what are the restrictions on imports of these products?
- Satish Pai:** First of all, there is no large competitor in FRP. And there's one large competitor which is Jindal Extrusions, but largely the downstream market besides us is a lot of very small players. And hence the product quality and the levels that have been delivered to the Indian market have also been sort of, I would call the mid to lower tier, large part of the higher tier offerings were coming from an imported point of view. So, largely, China, ASEAN countries and some amount from Europe. Now, as we had mapped our downstream strategy, we had looked at all these imports that are happening as well as try to look at the growth in those end sectors. And hence, we came up with our expansion plans of which products we are going to do. So, today, the FRP and the extrusion markets in India are a great opportunity for us. Because as the country is developing, the need for higher end FRP and extrusions is improving. There is not real capability in India to do that high end. And that positions Hindalco along with the technical backup and knowledge of Novelis to actually capitalize on that. So, that's the reason why I think I've been saying for the last two years, and now we are actually down that road to expand into FRP and extrusions in India. The government by the way is taking a lot of efforts to control the imports from from China and ASEAN countries. So, there is, as you know, even some products from Malaysia, there is an anti-dumping investigation on FRP from China. So, a lot of those efforts because the government really wants to cut down imports under its Atmanirbhar Program. I'll give you one specific example. In fact, air conditioners, which I think Praveen actually touched. We actually worked with the government, people and the air conditioner industry, because the government wants air-conditioners to be made in India and then the aluminum film and the copper tubes also to be made in India. So, actually, Hindalco is going to be investing about 200 to 400 crores over the next three years to actually make that aluminum and copper that is needed for the air-conditioners in India so that we can get fully indigenized in that air-conditioning chain.
- Indrajit Agarwal:** Actually, that was my second question. So, any of our projects qualify under the PLI Scheme or anything under government scheme?



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- Satish Pai:** The air conditioner project qualifies under the PLI Scheme that the government is announced.
- Indrajit Agarwal:** My last question is in each of the projects particularly in India, what is the kind of hurdle rate you are factoring in or what is the kind of hurdle rate or IRR we are looking at?
- Praveen Maheshwari:** We don't give out the number of the value of the return, but it is well above the cost of capital. And that's why when I was answering an earlier question, somebody had asked whether the expansion of our ROE is going to take place, I quite clearly elaborated on that the fact that these are modular investments, they build on the strength of the existing infrastructure, the adjacencies that we have, you can see that none of these investments are completely out of the blue, and they all link up to our existing strengths, whether it is a technical strength or whether it is a market strength, it's all linked to that. So, you can be rest assured that this will all add up to expansion of ROE and ROCE going forward.
- Satish Pai:** No project below the cost of capital to Hindalco, which is around 11%, 11.5%, They will be substantially higher than that.
- Indrajit Agarwal:** I remember in a couple of years back, you highlighted downstream capacities going up from 300 to 600 kt and EBITDA going up from \$50 to \$150 per ton. So, for that our total investment is roughly about \$650 million. Is that understanding correct?
- Satish Pai:** \$650 million, no, I think that if I remember right, what I had said, we will do \$300 million to \$600 million. And we'll be roughly spending about Rs.6,000 crores over the next five years is what I had said. I think from that two years point of view, we are now starting to get very specific projects that you have seen detailed out there. And to Steve's point, each of these projects, as we sort of get the details, do the scoping, do the initial project, we know the exact CAPEX, then we will announce it. So, what we have done from a capital allocation framework is allocated the amounts of money that we are going to spend over there. And those projects are going through our internal cycle of what we call board approvals, and then we'll be communicating them externally.
- Moderator:** Thank you. The next question is from the line of Vineet Maloo from Birla Sun Life AMC. Please go ahead.
- Vineet Maloo:** My question is around ESG. So, you've outlined quite a bit of work for yourselves in this initiative and to keep in good times. I just wanted to understand this ESG related CAPEX that we are going to spend, and some will come in from new contracts for external parties. So, whatever we spend, is it part of the maintenance CAPEX of overall \$450 million or is it over and above that?
- Satish Pai:** Vineet, there is a certain amount of CAPEX that we have to put as you know, for Sox, NOx PMI. That we have included in maintenance CAPEX, so which is the FDs, the NOx reduction,



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the ESPs, those are under maintenance, the renewable power, all gas projects, the hybrid with pumped hydro, that we are talking to some people, those are not in that CAPEX, and we largely think those we will do with the partner. I mean, to give you an idea, we don't intend to go captive on renewable power completely. We think that we are going to connect most of our plants to the national grid, and we will be working with partners because of renewable power, whether it is solar, whether it is hetero, you need scale. So, we can put 50 MW, 100 MW in Aditya and Mahan. But to actually get towards net zero carbon, we have to up that game quite a lot. So, there we are going to work with external companies.

Vineet Maloo:

So, some of these projects are actually going to add to your profits, right, like uses of renewables, reduction in specific power consumption, etc., and some might involve a bit of a higher cost, right, like more of zero liquid discharge and all those things. So, is there an assessment what is the net effect on our profitability as a result of these initiatives that we can understand over a period of time?

Satish Pai:

So, there are some projects where we don't go and look at the IRR, to be very honest. If I have to look at zero water discharge, if I have to take a look at the red mud that we are sending to the cement plants, Vineet, actually to put it in our tailings dam is cheaper, but it's just not going to be acceptable going forward. Going green is not going to come for free. We completely accept that...

Vineet Maloo:

I agree, it's a must, what is the net effect, that's all.

Satish Pai:

With that many of the things that we are doing from an efficiency point of view, is actually going to help to keep our costs under control. We have already in the last two years put so much solar, 11 of my plants are ZLD. But if you look at my cost of production for aluminum, we have held it in the first quarter. So, that is the balance that we will be internally doing. We intend to do all our aluminum production in the first quartile. The challenge for us is, of course, Hira, which is right now, the most expensive, but there we are getting in quite a few projects to bring that specific energy consumption down.

Vineet Maloo:

My last question is on the capital allocation part clarification. Honestly, it seems currently you're running ahead of all the targets that you've outlined for deleveraging. And know this is a volatile world. Anything could happen to LME, etc., or to any part of the business. But assuming that you overshoot your cash flows or undershoot your cash flows, how do these buckets change, right, it is not really possible that your growth CAPEX would expand to fill the available resources or reduced to the less available resources, so how do we allocate between the balance of viable stuff, if you're doing much better than expected then would high proportion go to shareholders? I know you highlight percentages, but it's not something as clear to me right now, because those CAPEX might have flex, but it cannot have too much of flex, right.



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Praveen Maheshwari: Vineet, at the end of the day, the capital allocation framework, as we call it, is a dynamic, you would agree with that, there's nothing cast in stone in terms of a number, or even in terms of a percentage, these are more directional. Now, the business situations evolve, the financial markets evolve, there are financings available, there are investment opportunities available, our intention is not to freeze a particular roadmap in concrete today, that this is all that we will do this, there's nothing that don't do. So, what we are outlining broad areas and the broad direction in which we are going to go. Now that maybe 40%, 60% in a particular year is not a guarantee, we are telling you a five year story, the way we look at it today, maybe one year later, two years later, things are a little different, we come back to you, and we'll explain to you if there's a change in the thinking, and if the numbers are changing, we'll come back to you and explain to you what we are doing, what new things are coming up and why we are doing it. So, take it in that spirit I would say and that's how we look at it. But we want to be mindful. The fact that we have these three pillars, they actually indicate or signify the three broad priorities that we have, growth, because we want to make sure that the business grows, EBITDA and the EPS and the ROE actually grow up, so we cannot ignore it. Deleveraging, because we don't want to put the company at risk, we don't want to burden the company with a load of debt in order to grow something like exorbitant kind of rate. So, we have that other parameter. And third, which is the most critical is the shareholders return. We want our shareholders to be happy, both from dividend point of view as well as capital appreciation point of view, which will also come from the first two. So, take it as a framework, not as a specific number or guideline.

Satish Pai: Vineet, by committing to an 8% to 10%, we have already made compared to our past record a significant step up. So, I think you're worried that we are going to make a lot more money and what are we going to do with it? I think what you will have to do is as Praveen said trust us that we have clearly laid out these three pillars, and we are going to work with that. And if suddenly we end up with a lot more money, which we need to reassign, we'll come back to you and tell you how we are going to do it in those three pillars. But I just wanted to make clear before somebody ask, we have no plans to do a large inorganic move. And I think that the whole Aleris acquisition has taught us very clearly that for now going to four and a half, we will have significant antitrust problems, even if the most compelling case comes. So, we are not going to do any large inorganic acquisition.

Moderator: Thank you. The next question is from the line of Gopal from SBI Life. Please go ahead.

Gopal: My question was on basically this getting money from Novelis because we have been, asking this in last couple of meetings, but we always got the answer that there are some tax leakage and all and suddenly in this meeting, we are saying that there are no large tax leakage and the last money which we have got in the Novelis was in 2013. So, is there any change in the thought process or changes in the taxation?

Praveen Maheshwari: So, it's not that we need to get money every month or every year or every quarter, it's not like that. We've seen that Novelis itself needed and it was not 2013, it was 2016 by the way, and



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Novelis has had its own leverage, which was high at some point of time, and recently with Aleris acquisition, they still needed some more. So, what we are trying to convey to you is that the cash is indeed fungible. To your specific question on tax cost, it is not significant as we see it, and we have demonstrated this earlier as well, there is a certain amount of tax cost which is normal, but it is not something that is completely prohibitive for us to bring it into India. Having said that, obviously any requirement that is local, whether in India or in Novelis, the money available there goes towards meeting that requirement. And it doesn't make sense that for India, we bring money from Novelis and from Novelis, we will bring it back to Novelis from India. So, obviously, that is there, but what I want to convey to you is that we look at the overall cash flow in a single bucket because deleveraging, riskiness, growth, etc., at the end of the day you look at us as a single company with a single EPS or the ROE. So, let's look at it that way and we assure you that there is no hindrance in terms of moving the money around.

Moderator: Thank you. The next question is from the line of Ritesh Shah from Investec. Please go ahead.

Ritesh Shah: I had a couple of questions. One was for Steve. My question is, are there any disruption risk that we will look specifically at Novelis level? I wanted to reflect upon a couple of things. One is, can giga press directly or indirectly change the way in which the market operates, I understand it's a very small part of the market, but how are we approaching it? Secondly, micro mill has been there, it has made noise since quite some time, but nothing material has come out of it. That's the second variable. And thirdly, we have spoken about battery cover advanced. If you can highlight something more on the R&D or new product development at Novelis plus others that will be useful. That's the first question.

Satish Pai: Dev, you want to take it because Steve had to drop out, so you go ahead, you have to unmute and...

Dev Ahuja: One thing I can tell you is that we have a number of developments that are happening in the R&D pipeline to take care of future competitiveness, let's start with the recent announcement that we made of our new generation of high strength aluminum, the press release that we just gave last week on 701 alloy. So, basically what that allows us to do is penetrate into parts of the vehicle that were not earlier being penetrated like the pillars which are load bearing parts of the car, we were more on the hanging parts, and this will allow us to penetrate the domain of steel. So, that's one of the examples of a product which we have announced on the R&D pipeline. Outside of that there are some new alloy developments with better surface finish, and we are working on joining technologies, for instance, which will really allow us to become a much more competitive in the coming years. So, bottom line, our R&D pipeline is actually looking pretty attractive in order to be able to sort of continue upping our game on competition. We have a high confidence in that. As far as some of the things that you mentioned, like micro mill, well, as far as we see, there has been no development on that front. And that was a project that was apparently dropped long back. We don't see Arconic talking about it anymore. We really don't think there's any development happening on that front. So, bottom line is we can speak for



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ourselves, and we have pretty, pretty good feeling, very confident about what is inside the R&D pipeline.

Ritesh Shah:

On giga press, this is what Tesla is doing with new make up its cars, effectively, they have a single mode for the entire body. So, it doesn't really impact FRP, but there would be a direct or indirect impact on how we operate if that particular technology gain scale going forward.

Satish Pai:

Okay, okay, I get you. You're talking about the fact that some of the extrusions Tesla are actually doing casting. So, look, I think, as Dev said, there are a lot of things that are being experimented, you could also say at one time composites was supposed to replace aluminum in planes, but it did not. So, I think that we have sort of a risk matrix, and we monitor the developments that happen. So, we are closely monitoring Tesla by the way, Tesla is our customer in China. And I think that casting to replace some of the inherent strengths of FRP are still difficult to see, but we will keep a watch on it. At this stage, we don't see a big reduction in FRP, because the whole car cannot be cast. If you see the Tesla, there were some internal parts, which they said they would cast, but the body, white, the crash parts, the extrusions in the front, those cannot be cast yet.

Dev Ahuja:

And I want to add one more thing. You saw it in some ways in Steve's presentation, but just want to emphasize on that. So, remember that in the last about couple of weeks, a number of the US OEMs have announced their goals for going completely out of fossil fuel-based cars, like, General Motors announcing that by 2035, they will have only electric, right. Just think about the amount of potential opportunity that it is creating for battery plate. And that is something where we are pioneers. Now, we have not even scratched the surface on that. We supply battery plate, but just looking at the sheer volume of electric vehicles that will be coming into the market, that is going to throw up new opportunities, particularly on the battery plate side. So, really, I think that overall, the macros are looking very attractive as we look forward from the point of view of what we have in our pipeline.

Ritesh Shah:

My second question is on ESG. You have indicated carbon neutrality by 2050. It's far out. But any specific targets that we have over here, I understand things that we are doing on solar power, offsets on carbon, but specific to India operations. Is there something over here, you did indicate something about potentially gas, but I honestly hope to hear something about carbon capture and storage given we have been at the forefront of technology, any views on that? And second related question, definitely was expecting something on sustainable bonds given our rating on Dow Jones Index, it's pretty high. So, why is it that we are not looking at it or are we looking at it and we can expect lower interest costs going forward? That's the second point over here. And the third point over here is we recently saw a transaction between BMW and EGA wherein they have spoken about premiums on aluminum which is solar in this case. Do you think this can be a problem? I understand from Dow Jones index point of view, we are doing the right things. But is there a market which one needs to worry about when we look at that?



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- Satish Pai:** I'll handle the one in three. Dev, why don't you just talk about the green bond first?
- Dev Ahuja:** Well, the answer is absolutely yes. We have the green bonds right up high on the radar screen. And hopefully sooner than later we will come back to you with some very specific news on that. So, as part of the refinancing that we are going to do particularly for the term loan that is maturing in 2022, certainly that is a high up on the list of opportunities that we have, and you will hear about it.
- Satish Pai:** So, let me put now the third part, the BMW with EGA. Actually, you need to understand this. First, they give no premium. The second thing that they have done is that they use solar as their energy mix, they have taken the percentage of solar and said that same percentage of aluminum is green. So, if we use the same logic in Aditya, I can say 7,000 tons of aluminum produced in Aditya is green because it uses x percentage of solar. So, I think there's a lot of this type of marketing things going on. Nobody's paying anyone a premium for that. I think we are focused on a bigger holistic picture. And we think that that is ultimately going to pay out. Specific targets in India, I told you. 25% specific energy. Coal energy in India is directly related to Co2. So, when we get 25% more down, that's a direct reduction in Co2. Today, on a ton per ton basis, from about 20 tons of Co2 per ton of aluminum, we are already down to 18. And we are going to take it down by another 25% just from specific energy consumption reduction. And then we are going to add in all the renewable energy and the offsets. So, we are giving specific measurable things that we are doing. If you try to just say that my power is solar, so I have green aluminum for x-percentage, I think this is more marketing than actual. By the way, Novelis buys a lot of aluminum, they pay no premium for hydro aluminum when they buy it.
- Moderator:** Thank you. The next question is from the line of Vishal Chandak from Emkay Global. Please go ahead.
- Vishal Chandak:** My first question was you've mentioned that the per capita consumption of aluminum remains paltry in India compared to the global standards, and there is a huge scope of aluminum consumption in India. Given the fact that the Government of India is coming up with a composite mining license whereby bauxite and coal mines are being auctioned together, do you see any merit in bidding for these or what would make you increase your upstream expansion in India? That's my first question.
- Satish Pai:** Honestly speaking, there are a couple of issues over here. First, I think that we will find it very difficult to do new smelting capacity coal-based right now. I think that it will be quite difficult for us with our whole ESG strategy. But I think more important, you may auction it, but at the auction price, the price of power will still not give you a return on investment or return on capital, that will cross your whack from a smelting point of view, because they are being auctioned at a certain notified price. And we have already told that. I think in my personal opinion, you're going to see Coal India and people like that get into aluminum smelting, like you have already seen



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the announcements. They are cash-rich, and I think they are the ones who can use their own coal to try to smell. It will be very difficult for us to make a business case.

Vishal Chandak:

Second question, again, coming back to the dividend yield that you mentioned, 8% to 10% of your free cash flow goes into dividend payouts, and you also in the past have mentioned that there is a cost attached to repatriation of funds from Novelis to India, in the past, it was mentioned, it's a big cost, doesn't make a lot of sense. But today, it has been mentioned that there is a thought it's not significant. So, if you could elaborate on what is the actual cost in percentage terms?

Praveen Maheshwari:

So, we will not elaborate, to be very frank about it, but what we've been saying all along is also it doesn't make sense to move money around for no reason. There are requirements, there are cash flows in each region, and there are requirements in each region. So, first priority always goes towards meeting that. What we want to tell you is that this will not be a reason for holding back any shareholder returns. So, let's say if we intend to give a certain percentage of the overall cash flows, the fact that cash is let's say, sometimes we hear from some of the analysts is so-called trapped in Novelis, that will not be the case is what we are saying. And when we are saying cost is not significant, we mean it, we have demonstrated earlier also whenever there has been a requirement, we have moved the money around, and it has not cost us a lot.

Satish Pai:

And I think today we are actually articulating that Hindalco shareholders will see a return from the cash generated in Novelis. I think that's the change. Whatever we said in the past, I think this time, we are coming out quite clearly and saying that that's the significant point. And we will do it in an optimal way.

Vishal Chandak:

You've also mentioned that there is a huge amount of growth opportunity for the aluminum FRP business coming from the EV side, and we've not even scratched the surface. So, as and when this opportunity explodes, that's what we believe it should over a period of next five to 10 years, can we expect more of investments coming out of greenfield capacities being set up by Novelis globally to meet this rather than returning the cash to the shareholders or for some other reason?

Dev Ahuja:

I can take that. There were a couple of questions earlier about line of sight to more CAPEX investments based on our capital allocation policy. So, we have kept some space, but not for greenfield to be very clear, I don't think that we will need greenfield, we will need some brownfield investments and balancing investments because we think that with the combination of initiatives, and debottlenecking, we can really eke out capacity, that will be pretty adequate. Let me give you an example to make a very specific point. So, for example, when we add in China 200 kt of capacity, there is a hot mill, all that we need is a cold mill, we will be releasing 200 kt of capacity in Ulsan. Now, that's not small. So, you can imagine that we don't foresee a need for greenfield investment because 200 kt capacity will be released in Ulsan and Ulsan is a very auto capable plant. So, that's why we feel like sort of we have enough in the pipeline to take care of all the demands that are coming in the foreseeable future. So, if you scratch it, it's



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brownfield, but a lot of it can be done post-China, with balancing and debottlenecking investments. We got even more hot mill capacity, for example, Koblenz, it has hot mill capacity of 100 kt, and we will be able to leverage on that hot mill capacity. So, there is more in the system than you guys imagine.

Satish Pai: The constraint has largely been on the finishing assets. And I think as we get more of the finishing assets in the right place, as Dev said, unlocking more of the unused hot mill capacity, for example, if you take India Hirakud facility, it's a 400 kt plus hot mill and today we are producing only about 120, 130 out of it. So, there is still another nearly 300 kt of hot mill in India that we still have to utilize.

Dev Ahuja: One thing that is clear is that finishing capacity we may have to announce more as the current expansion sort of get utilized. That is one area where we are reasonably sure that we will have to put in more finishing capacity as we go forward as an example. But that's really how we see it.

Moderator: Thank you. The next question is from the line of Kamlesh Jain from Prabhudas Lilladher. Please go ahead.

Kamlesh Jain: Sir, one question on the side of this like we are investing heavily in the downstream in India. As the CAPEX rationalization or more still likely CAPEX, can it be done through Novelis like investment on the downstream through the Novelis balance sheet, because it would give us a better way to use the cash flow out accordingly in operation?

Praveen Maheshwari: So, there are many ways to structure the transactions, but it depends on various considerations in terms of where it makes sense, what are the approvals required, what are the formalities to be done, and how do we intend to take it forward in future. I'm not saying it is not possible, but it requires a certain amount of structuring, etc., And as I mentioned in the beginning, that the repatriation of money from Novelis to Hindalco is not such a big concern for us at this point of time. And therefore, we don't need to necessarily follow what you're suggesting.

Kamlesh Jain: Secondly, on the margin part in Novelis. They have very beautifully explained that how the supplies are going to improve. Just one question on the part of the margin question. So, like margins in Novelis has improved from a level to almost double now. So, what is visibility on that front, like, although we are guided that for \$475-\$500 of visibility there, but what could be the earnings on that particular part going forward, I wanted to understand that because there would be a lot of capacity coming up in the market, be it on the beverage cans or the Auto Sheet, so I wanted to understand the competitive intensity on that front?

Dev Ahuja: So first, right out of the door, you have seen that the last two quarters, we were already well above \$500 EBITDA per ton. Now, the reason why we are holding the guidance to \$470 to \$500 is exactly because who knows what kind of headwinds come. I mean, there will be business



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cycles, there will be times when the US B&C market will go through its downturn and so on, and there will be times when there will be some short-term tightness like we see now in the scrap market. The reason why we are guiding to \$470 to \$500 is simply because we want to be cautious about the ups and downs that would happen. Now assume that everything goes in the same trajectory as now, I can tell you that we will be comfortably above \$500 per ton. But let's not assume that everything will be such smooth sailing in the next five years that we won't have any downturns. So, we have factored those in and this margin guidance that we have given you is a reasonably prudent guidance if that helps you.

Moderator:

Thank you. Ladies and gentlemen, due to paucity of time, that will be the last question for today. I now hand the conference over to Mr. Satish Pai for closing comments. Thank you and over to you sir.

Satish Pai:

I just would like to thank everyone for your patience, and we would have liked to do this investor show person-to-person, but we had to do this online. I think there were two important things that we wanted to focus on; one was to show that from an ESG point of view, we are very serious, well-positioned and we intend to follow through; and on the other hand, we wanted to show a very clear capital allocation framework where the priority is going to be organic growth deleveraging and then shareholder return. And we have given you now focus of what we are going to do over the next three to five years. And I hope that we have assured you that we see both the companies and the cash, and we count it altogether, and we think that the Hindalco shareholder will benefit from the combined cash flows that you see on the Hindalco consolidated level. So, with that, I thank you so much for participating and your attention, and I turn it back to the operator.

Moderator:

Thank you very much. Ladies and gentlemen, on behalf of Hindalco Limited, thank you for joining us. That concludes the session. You may now disconnect your lines.