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HINDALCO

Hindalco Industries Limited



Q2 FY22 Earnings Presentation

12th November, 2021



SAFE HARBOUR

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Table of Content

1. Sustainability Updates

2. Key Highlights – Q2 FY22

3. Economy & Industry Updates – Global & Domestic

4. Business Performance : Operational & Financial – Q2 FY22

- Novelis
- Aluminium (India)
- Copper
- Consolidated

5. Annexures :

- Consolidated - Key Financials
- Hindalco (India) Business - Key Financials
- Alumina Production Trend

• **Novelis**

• **Aluminium
(India)**

• **Copper**

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Sustainability Updates

Hindalco : Focus on Conservation: Waste, Water, Biodiversity

Environment

Waste Recycling

- **84%** of waste recycled and reused in H1 FY22
- **90%** of Red Mud from three out of four Alumina Refiners reused majorly in Cement Industries in H1 FY22.
- Utkal is conducting pilot projects for mine backfilling and roads.
- **90%** of Ash from Power Plants reused in alternate applications in H1 FY22

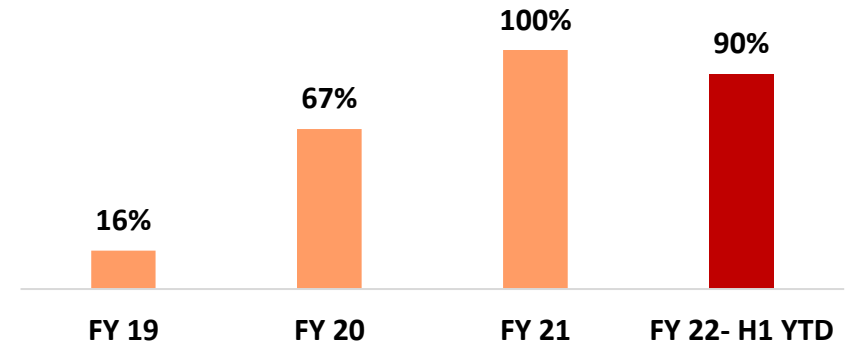
ZLD & Water

- 3rd Party assurance of 7/23 mine sites for water accounting conducted inline with **ISO 14046**
- Water Audit completed at Hirakud; Identified new projects for Water Saving opportunities of ~ 5,000 Kilo Litres/Day
- Rain-Water Harvesting projects completed at 3 plant locations in H1FY22
- 11/15 sites are ZLD; adding one site per year, Committed to **ZLD at all sites by 2025**.

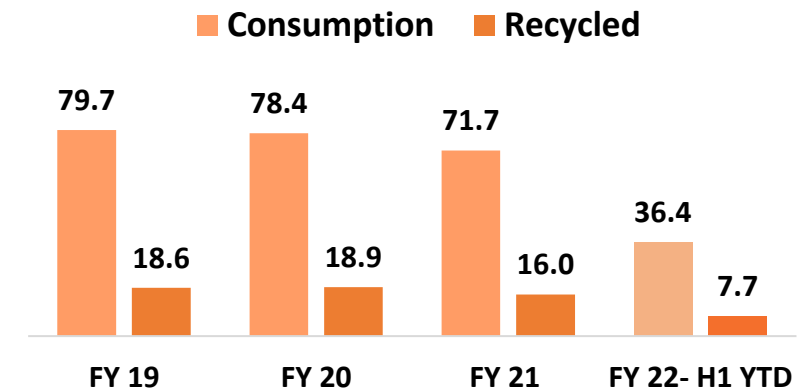
Green Cover & Biodiversity

- Biodiversity Management Plan (BMP) completed for 2 plants & 2 mine sites; under preparation for 4 mine sites.
- **Enhanced the green cover by 236 acres in H1 FY22**; cumulative green cover across all sites is spread over 4,909 acres
- **Normalized Differential Vegetation Index study** completed at Hirakud to determine green belt health and ensure green cover

Total Bauxite Residue (% Recycled from 3/4 Refineries)



Water Consumed & Recycled (million m3)



Hindalco : Focus on Renewables & Safety

Renewable Energy

Total Potential – 246 MW; Target to reach 200 MW by FY25
FY22 (Target 100 MW) – 56 MW of Solar projects already completed

Status of 42 MW under implementation in FY22

- 35 MW Mahan Solar Project Installation is completed; commissioning is in progress.
- 7 MW - Mouda Solar Project is in progress; target Commissioning in Dec'21.

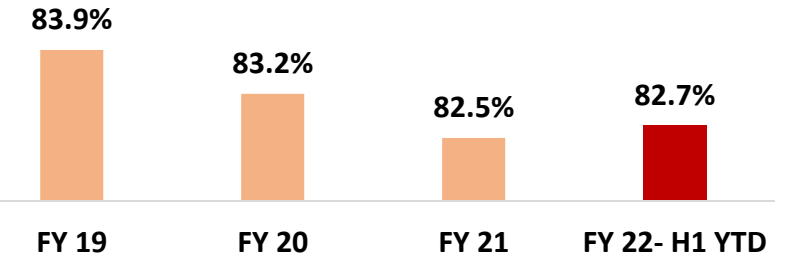
Status of New Projects (96 MW) FY23-25

- 32MW Aditya & Mahan Floating Solar & Mouda Solar with Storage - Technical Specification finalised; Contract finalisation in progress
- 44 MW Belagavi Solar plant - Feasibility & assessment is in progress
- 20 MW Renewable Hybrid project for Dahej – Term Sheet under finalisation

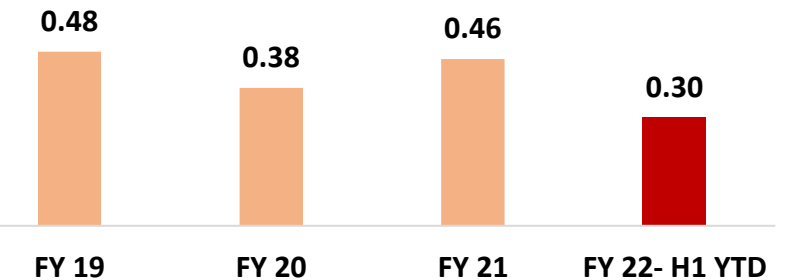
Workforce Health & Safety

- **Serious Injuries & Fatalities (SIF) prevention program:** 695 risk situations identified; action plan for mitigation of 660 situations prepared
- **New Contractor Safety Management Program implementation status:** SAQ score over 90% at each unit; Target 100% in FY22 end.
- **In “Line of Fire” work situations:** 2,543 situations identified and control measures taken for 90% situations
- **Corporate / Cross Entity Safety Audit:** 78 additional SIF situation identified

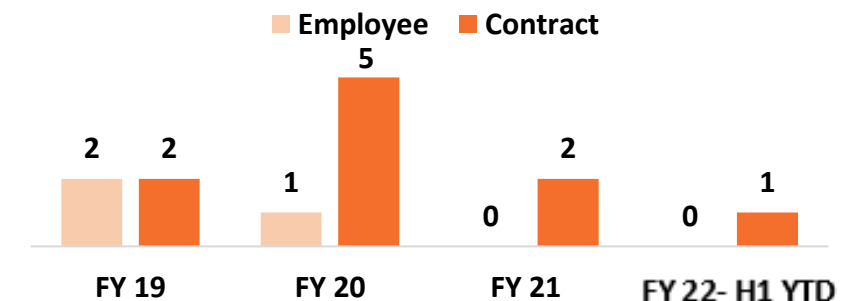
Aluminium Sp. Energy (%) (Indexed to FY12 Base)



LTIFR (Loss Time Injury Frequency Rate)



Fatality (in Nos)





Business Performance Key Highlights - Q2 FY22

Key Highlights : Q2 FY22

Novelis*

- **Shipments of 968Kt (923Kt), up 5% YoY** driven by strong demand across all business segments
- **Adjusted EBITDA at \$553 million (\$455 million), up 22% YoY** on the back of higher volumes and favorable metal cost
- **Record Adjusted EBITDA per ton at \$571 (\$493/t) up 16% YoY**
- **Net Income from continuing operations at \$239 million (vs \$144 million in Q2 FY21) up 66%, YoY**; Net Income (excluding special items#) at \$244 million (\$158 million) up 54%, YoY
- **Achieved annual interest savings of \$35 million** by refinancing of 5.875%, \$1.5 billion senior notes by issuing the following unsecured senior notes :
 - ◇ 3.250%, \$750 million notes due in 2026
 - ◇ 3.875%, \$750 million notes due in 2031.
- **Announced \$130 million investment for plant upgrades at Oswego, US, resulting in additional 124Kt hot mill rolling capacity and enhance finishing capabilities for automotive sheets**

Aluminium (India)

- **Record quarterly EBITDA at ₹3,247 crore (₹1,188 crore) up 173%**, on account of favorable macros, higher volumes and better operational efficiencies
- **EBITDA margin of 42% (25%) which is the highest over a decade** and continues to be one of the best in the industry
- **Aluminium Metal sales at 338Kt (303Kt), up 12% YoY** in line with the market recovery
- **Aluminium VAP (excluding wire rods) sales at 86Kt (63kt) up 36% YoY**, on account of sharp recovery in the domestic demand
- **500Kt Utkal Alumina commercial production has started in Q2FY22** and already achieved its rated capacity

*Note : Numbers in parenthesis() represent Q2 FY21 unless specified *as per the US GAAP #Tax-effected special items include loss on extinguishment of debt, restructuring & impairment and metal price lag, in Novelis*

Copper

- Both Smelters ran optimally despite Q2 being a monsoon quarter
- Cathode production was at 100Kt (73Kt) up 38% YoY ; CC Rods production was maintained YoY at 65Kt
- **Metal sales volume at 110Kt (75Kt) up 47% YoY; CC Rods sales at 70kt (64Kt), up 10% YoY** with the market recovery
- **EBITDA at ₹352 crore (₹242 crore) up 45% YoY**, on the back of higher volumes, better operational efficiencies and improved by-product realizations.
- **Signed a definitive agreement with Polycab to acquire its 100% equity stake in Ryker Base Pvt. Ltd.** which has manufacturing facility to make 225Kt cast and rolled copper wire rods

Consolidated

- Record quarterly financial performance supported by improved macros, thrust on operational efficiencies, cost optimization and a strong market recovery
- **Record quarterly EBITDA at ₹8,048 crore (₹5,171 crore), up 56% YoY**
- **PAT from continuing operations at ₹3,427 crore (vs ₹1,785 crore) up 92% YoY**
- Strong Treasury Balance of \$659 million in Novelis and ₹13,737 crore in Hindalco India at the end of Sept. 2021
- **Net Debt to EBITDA has significantly improved to 1.93x as at Sept. 30, 2021 (vs 2.59x as at March 31, 2021)**

Note : a) Numbers in parenthesis() represent Q2FY21 unless specified

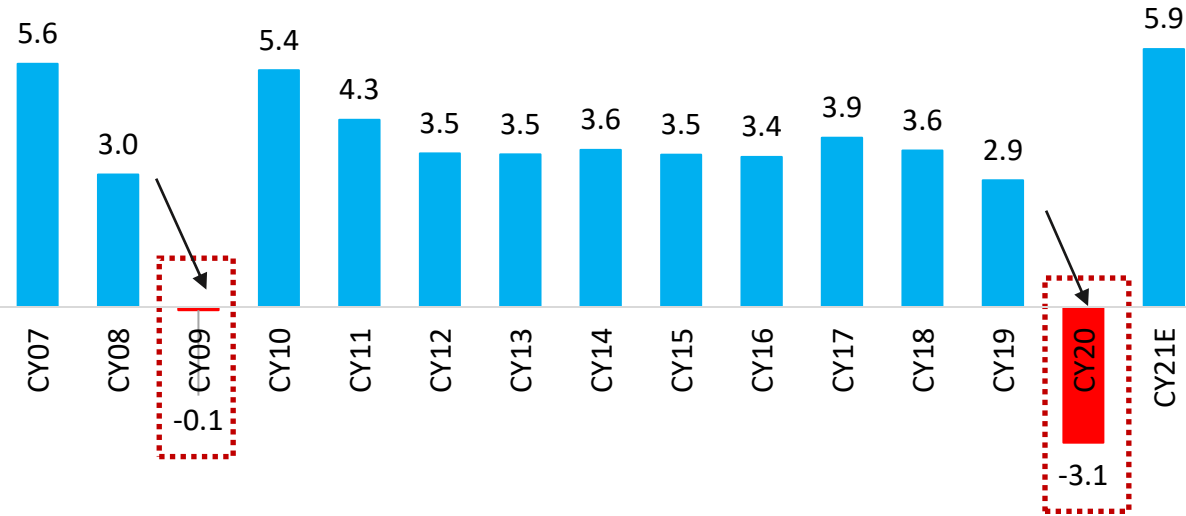


Economy & Industry Updates

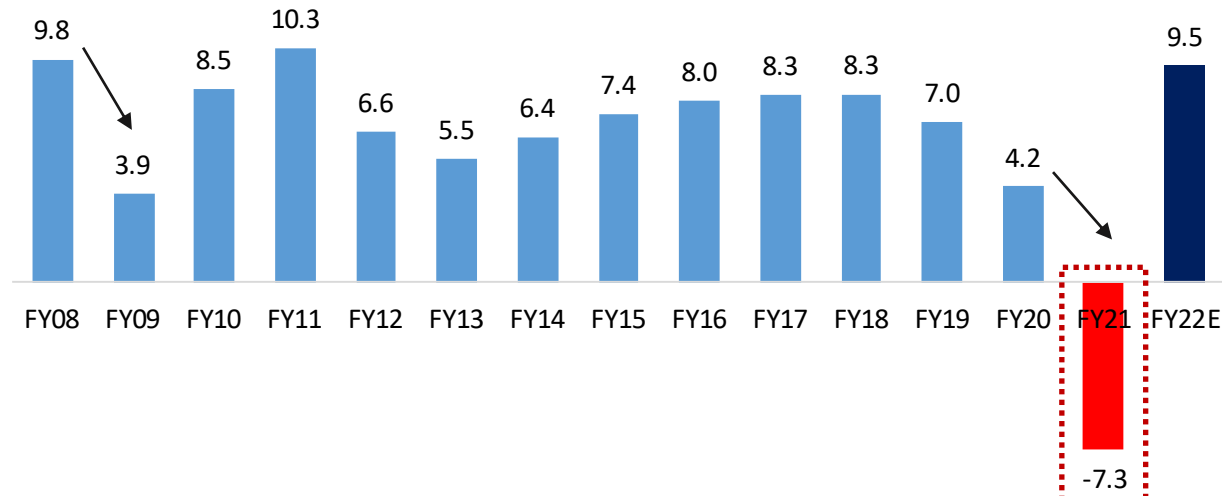
Global & Domestic

Economy Updates

Global GDP Growth (% YoY)



India GDP Growth (% YoY)

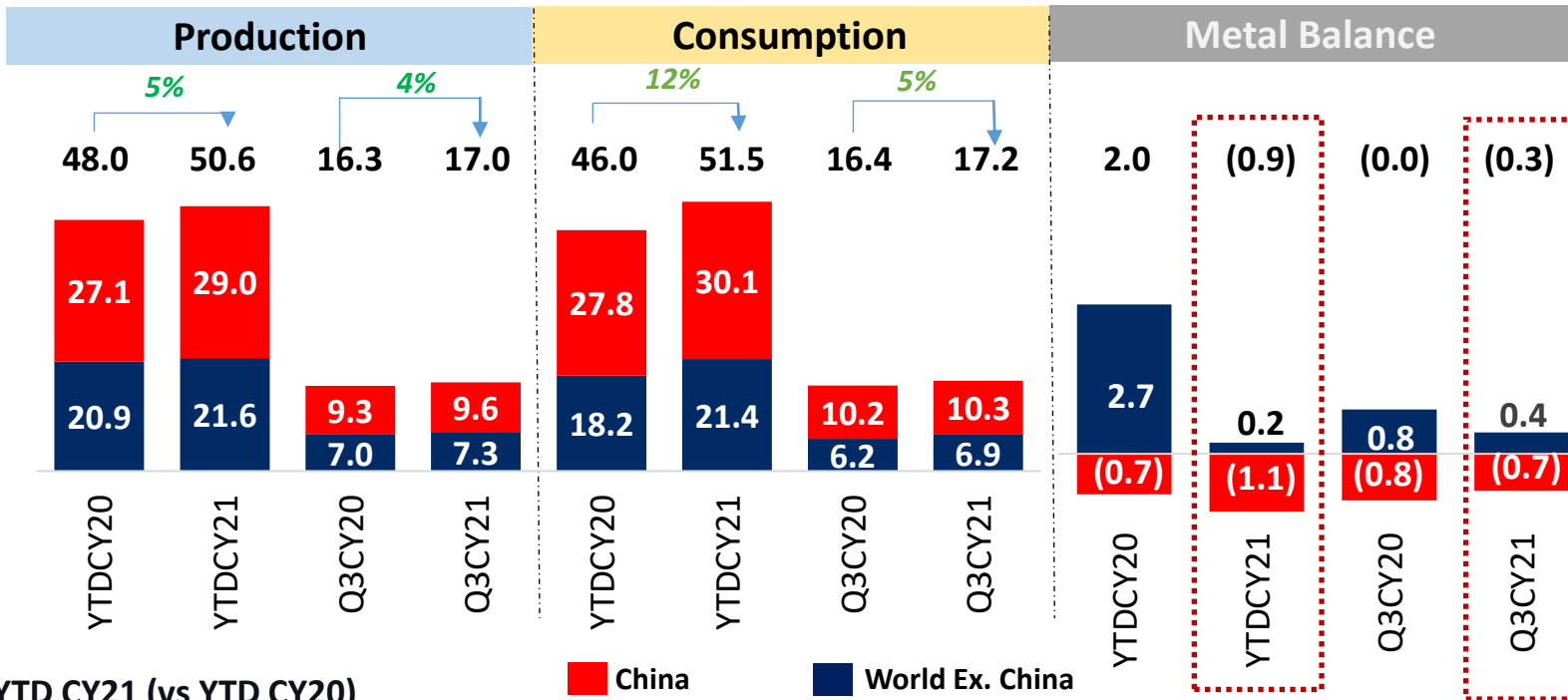


- Global growth is gradually gaining pace, however, supply chain disruptions have led to higher inflation
- Going forward global economic recovery will continue to be supported by vaccine administration and monetary policy actions as supply shortages wane
- GDP growth contracted 3.1% in CY20 and is **expected to rebound to 5.9% in CY21 and 4.9% in CY22 (Source : IMF, October 2021)**
- Risks – Supply chain disruptions and rising global inflation, slow pace of vaccine administration in developing countries

- Indian economy is picking up steam although recovery remains uneven.
- Amidst rising pent up demand, manufacturing sector activity data has shown strong sequential recovery, surpassing pre-covid levels in some sectors
- Step up in vaccination and slump in new cases and mortality rates has rebuilt confidence in economic activity
- IMF and RBI maintain their FY22 GDP growth estimates at 9.5%, after a contraction of 7.3% in FY21.**
- RBI closely monitoring India's inflation growth dynamics, expected to maintain an accommodative stance until growth picks up sustainably

Global Aluminium Industry

Global Demand & Supply Balance (Million Tons)



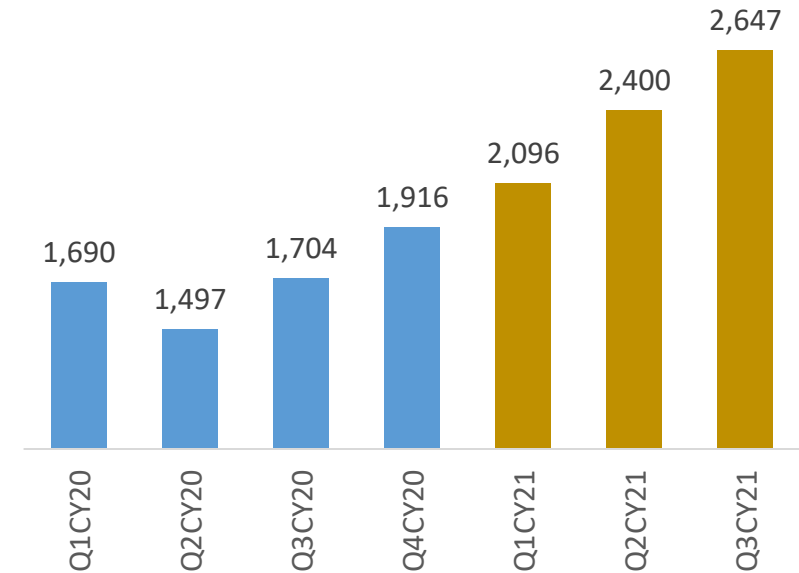
YTD CY21 (vs YTD CY20)

- Global production grew by 5%, consumption increased by 12%, leading to deficit of 0.9 Mt
 - China: Production increased by 7%, consumption grew by 8%, resulting in deficit of 1.1 Mt
 - World Ex-China: Production was up by 3%, consumption rebounded by 17%, causing deficit of 0.2 Mt

Q3 CY21 (vs Q3 CY20)

- Global production expanded by 4%, consumption grew by 5%, leading to overall deficit of 0.3 Mt
 - China: Production rose by 3%, while consumption increased by 1%, resulting in a deficit of 0.7 Mt
 - World Ex-China: Production grew by 5%, consumption improved by 12%, leading to surplus of 0.4 Mt

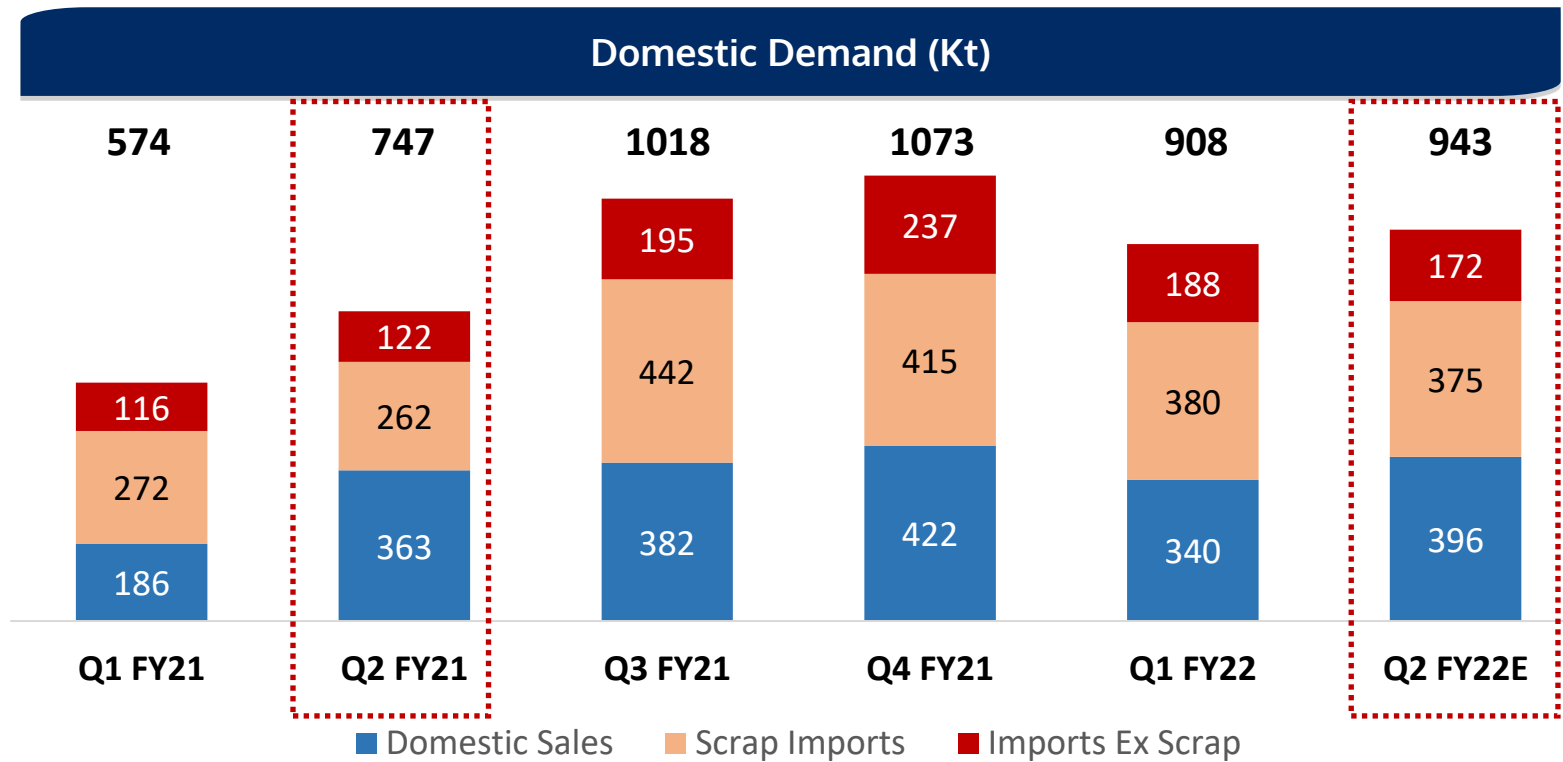
Global Price of Aluminium (Cash -\$/Ton)



Global aluminium prices continued to improve

- Q3 CY21 prices improved to \$2,647/ton up from \$2,400/ton in Q2 CY21.
- Global aluminium prices in QTD (Q4CY21) is \$2,934/ton

Domestic Aluminium Industry



- In Q2 FY22 the Domestic demand is likely to record 943 KT (26% growth YoY) due to low base effect. Sequentially there was an increase of 4%.
- Sequentially domestic markets recovered marginally due to improved Packaging, Electrical, Building & Construction, Consumer Durables, Industrial Machinery. However, auto demand softened due to semiconductor shortage which led to 1% degrowth in scrap imports (Q1 to Q2 FY22)

Aluminium Flat Rolled Products (FRP) Industry

- The global FRP Demand is estimated to grow by ~9% in CY21 (vs CY20 contraction of ~4%) on account of demand recovery and base effect.

Beverage Cans

CY21E Growth in Market Demand

3-6%

- Customer demand continue to rise across all the regions
- Increasing demand of cans is driven by higher at-home consumption as well as increasing share of Cans as the sustainable packaging option for beverages.
- Significant Can maker capacity expansions announced next 2-3 years across all regions

Automotive

CY21E Growth in Market Demand

20-25%

- Short-term uncertainty created by semi-conductor shortage into CY2022
- Strong underlying demand driven by new program adoption and increased consumer preference for SUVs, pick-up trucks, electric and premium vehicles

Specialities

CY21E Growth in Market Demand

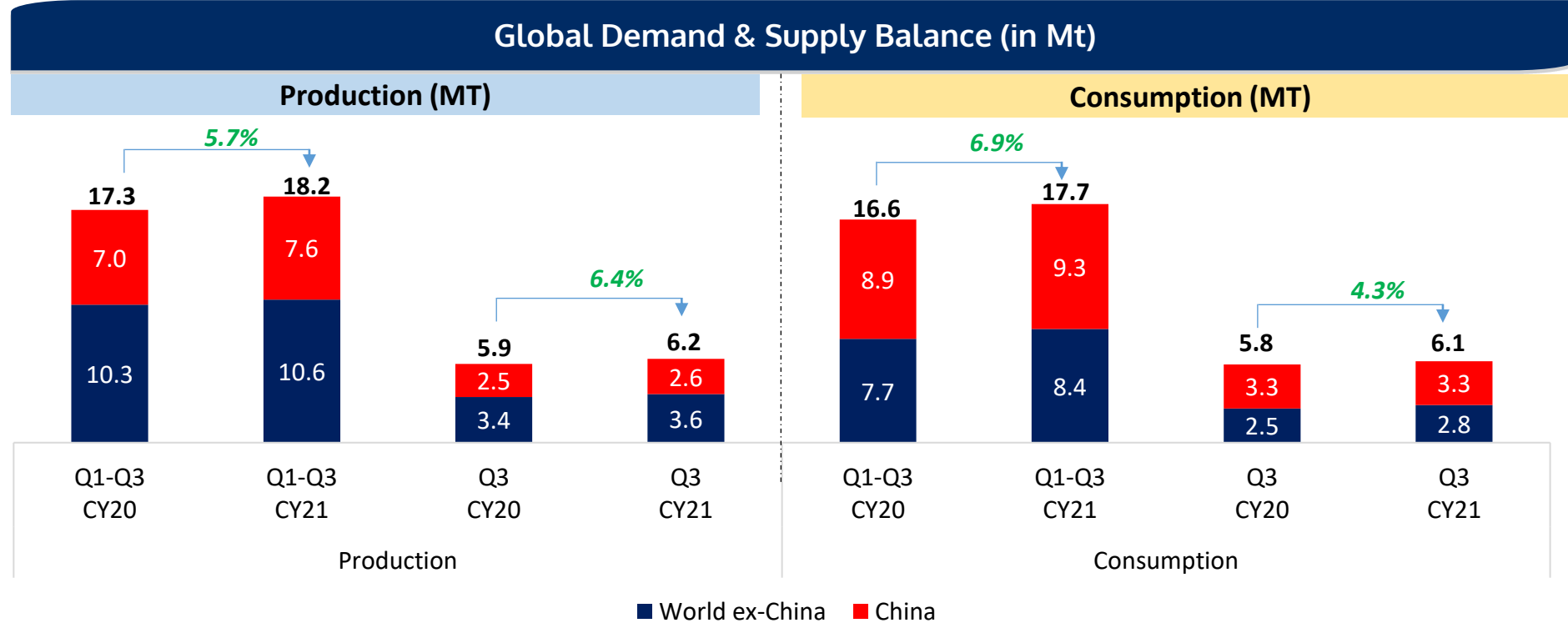
5-10%

- Favorable housing fundamentals in the US and Europe driving strong B&C demand
- Strong demand across markets, including electronics, container and painted products

In Q2FY22, India FRP Demand is estimated to grow 34% YoY due to low base effect. Sequentially, the demand grew by 5% QoQ

- Demand remains strong in packaging, consumer durables. B&C demand improved due to Government projects. However, auto sector faced some headwinds.
- Demand is likely to grow in Q3 FY22 due to strong packaging, Consumer durable, and B&C demand.

Copper Industry (Global)



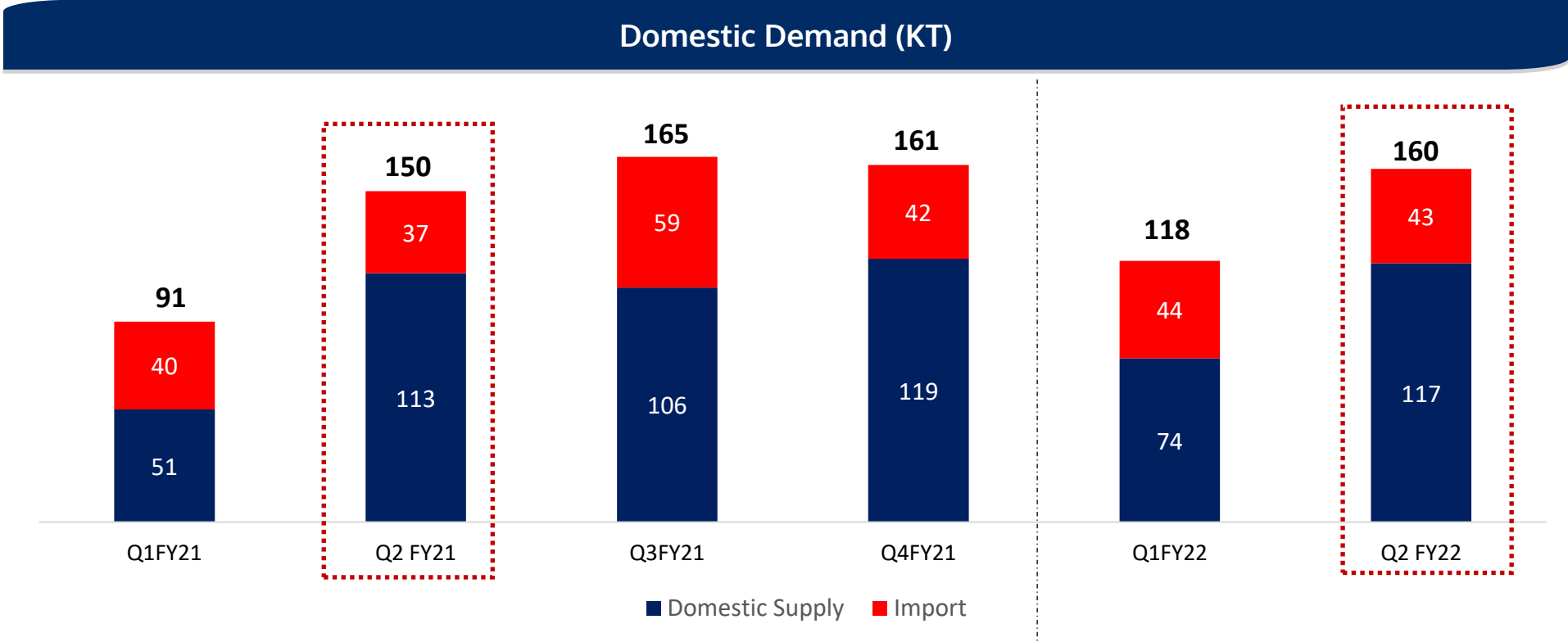
YTD CY21 (vs YTD CY20)

- Global copper production grew by 5.7% and Consumption grew by 6.9% YoY
 - China production grew by ~9% and consumption grew by ~5% YoY
 - World Ex China production grew by ~4% YoY, where as consumption grew by ~9% YoY

Q3 CY21 (vs Q3 CY20)

- Global copper production grew by 6.4% and consumption grew by 4.3% YoY
 - China production grew by 7% YoY while consumption remained same due to lower physical demand.
 - World Ex China Production grew by 6% YoY whereas the consumption grew by 10% YoY on account of faster recovery of the market

Copper Industry (Domestic)



- Domestic market demand grew by 7% YoY at 160 KT in Q2 FY22 vs 150 KT in Q2 FY21.
- Refined Copper demand improved by 36% sequentially in Q2 FY22 and reached Q4 FY21 levels of 161 KT

Key Macro Drivers (Q2 FY22 vs Q2 FY21)

TC/RC



S. Acid Price



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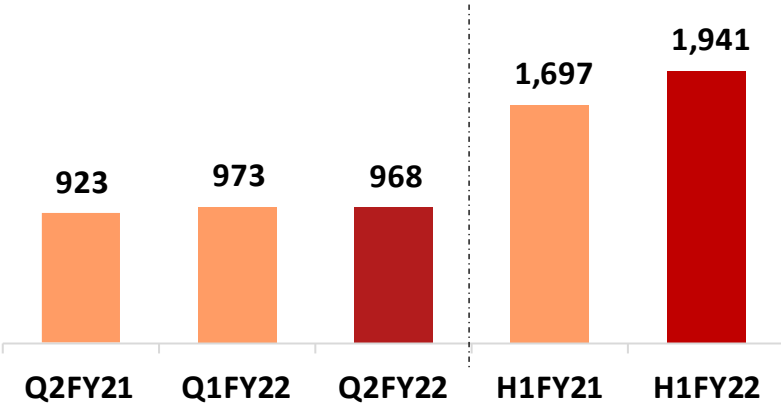
Business Performance : Q2 FY22



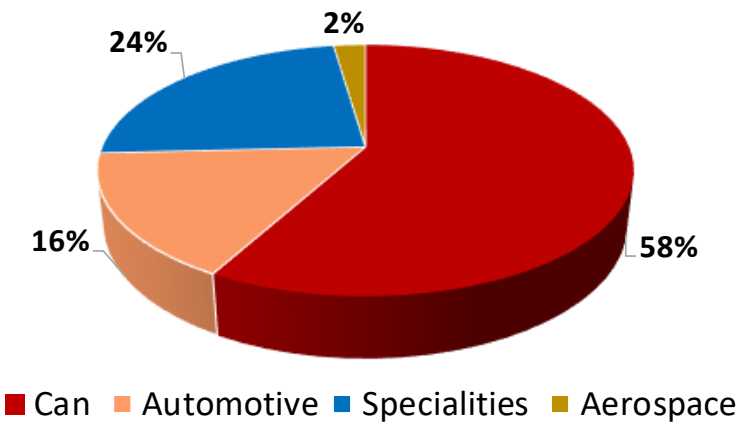
Novelis

Operational Performance – Novelis

Overall Shipments (KT)



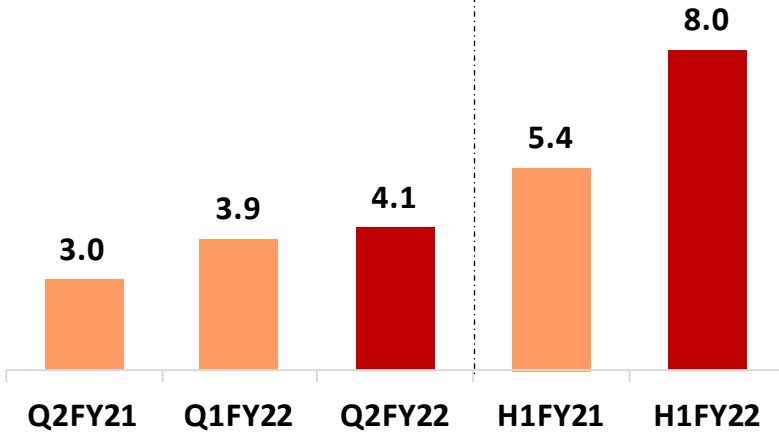
H1 FY22 - Shipments Mix (%)



- Continued exceptional quarterly financial performance backed by favorable markets and operational excellence in Q2 FY22
- Beverage packaging and specialty product shipments benefited from continuing strong market demand across all regions; Automotive demand continue to be impacted by the semiconductor chip shortage
- Recently completed expansion project updates:
 - 100Kt Pinda, rolling & recycling expansion commercial production has started and is ramping up
 - 200Kt Guthrie & 100Kt China Auto finishing lines to increase the total automotive finishing capacity to approximately 1 million tonne
- Aleris Integration updates:
 - Integration work continues with nearly \$100 million run-rate combination cost synergies already achieved in Q2-FY22 (Total Potential to exceed \$120 million)
 - Expansion project in Zhenjiang, China which is part of the integration, is expected to begin in early 2022 with capital investments of \$375 million over 3 years.
 - Strategic synergies from China integration - total potential is over \$100 million
- New Investments in strategic organic capital expansion projects to capture market growth:
 - Announced \$130 million investment for plant upgrades at Oswego, US, resulting in additional 124kt hot mill rolling capacity and enhance finishing capabilities for automotive sheets

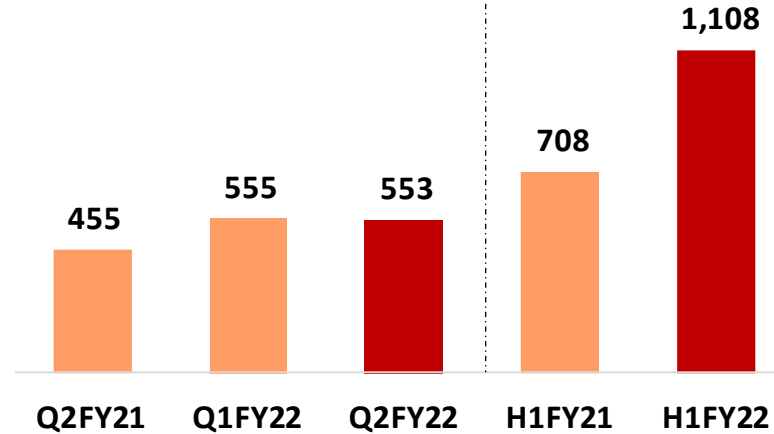
Financial Performance – Novelis

Revenue (\$ Billion)



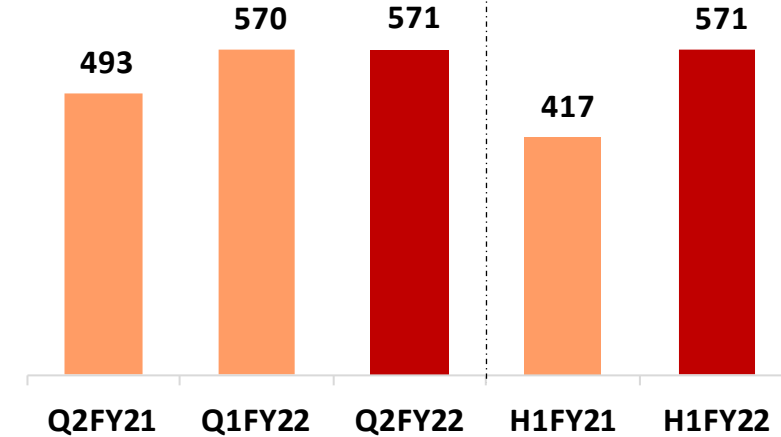
- Net sales in Q2 FY22 stands at \$4.1 billion **up 38% YoY** driven by increase in shipments and higher average aluminum prices

Adjusted EBITDA (\$ Million)



- Adjusted EBITDA at \$553 million in Q2 FY22, up 22% YoY**, on the back of higher volume and favorable metal benefits, partially offset by inflationary cost pressures.

Adjusted EBITDA (\$/tonne)



- All time high adjusted EBITDA per ton at \$571/t in Q2 FY22, up 16% YoY.

Note: All above numbers are as per the US GAAP

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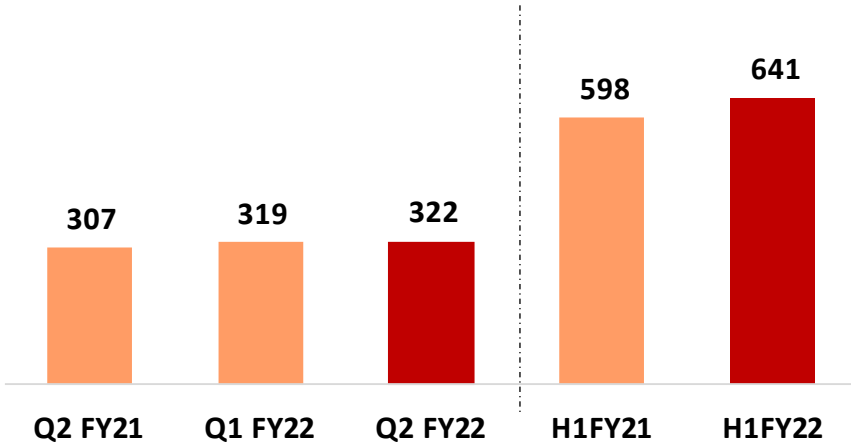


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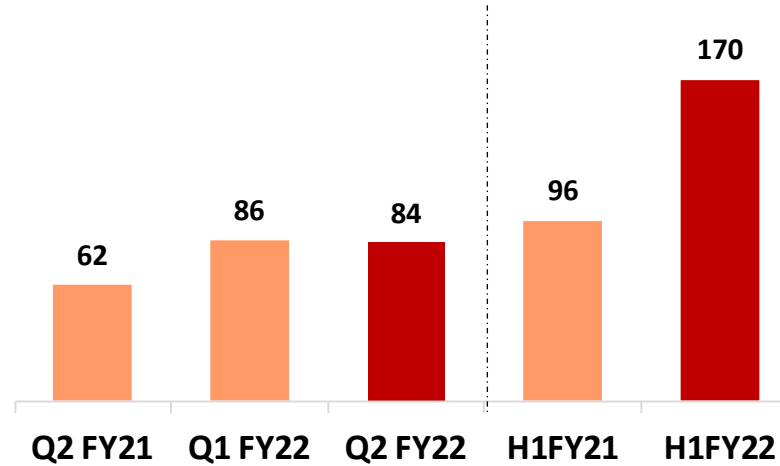
Aluminium (India)

Aluminium Metal & VAP - Production and Sales in Kt

Production : Aluminium Metal (Kt)

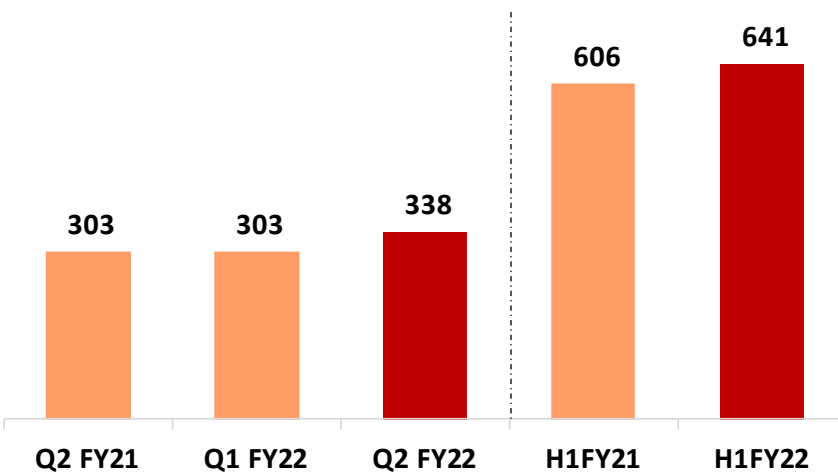


Production : Aluminium VAP# (Kt)

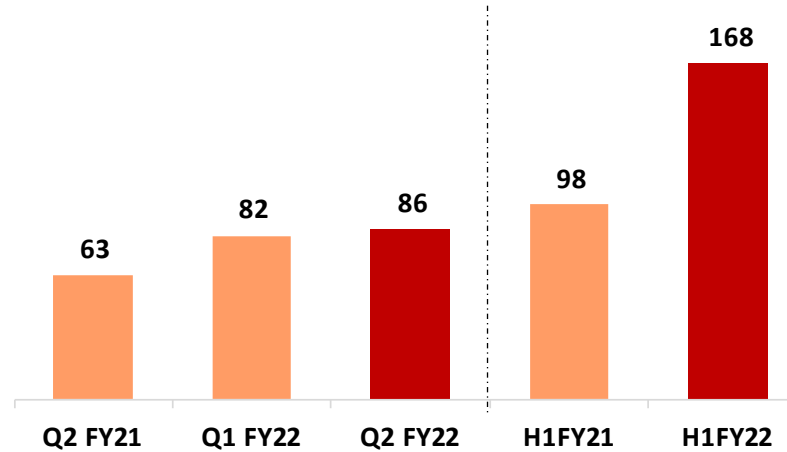


- Aluminium Metal Production up 5% YoY and 1% QoQ
- Aluminum VAP production was higher by 36% YoY in Q2 FY22
- Alumina production in Q2 FY22 was at 793 Kt up 13% YoY and 10% QoQ

Sales: Aluminium Metal (Kt)



Sales: Aluminium VAP# (Kt)

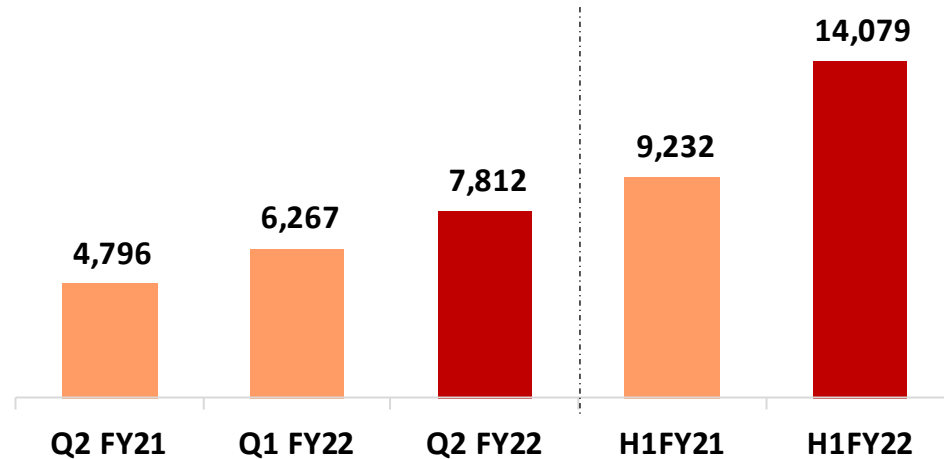


- Domestic Sales as % of total metal sales was 49% in Q2 FY22 (vs 38% in Q2 FY21)**
- VAP sales were 25% as a % to total metal sales in Q2 FY22 (vs 21% in Q2 FY21.)**

VAP includes Flat Rolled Products, Foils & Extrusions

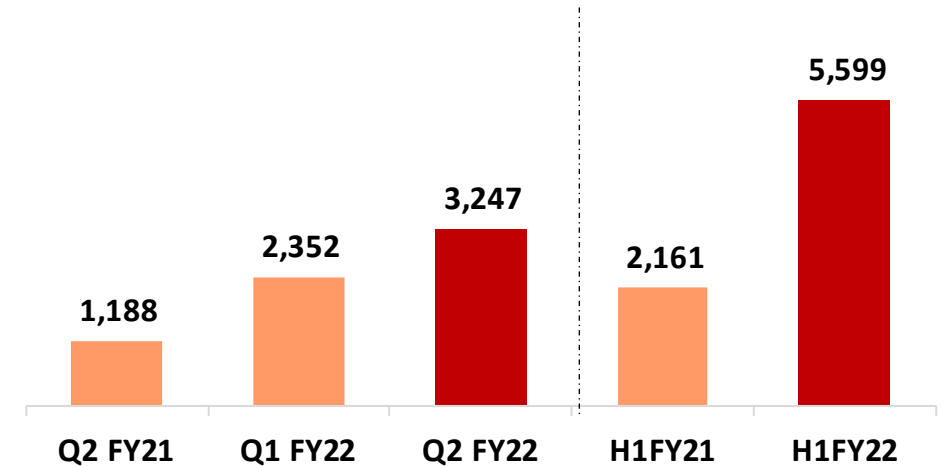
Financial Performance - Aluminium (India)

Revenue (₹ Crore)



- Aluminium revenues were up 63% YoY, with higher global prices of aluminium in Q2 FY22 vs Q2 FY21

EBITDA (₹ Crore)



- Record EBITDA at ₹3,247 crore, up 173% YoY in Q2 FY22 on account of favorable macros, better efficiencies, higher volumes and a strong market recovery
- More than a decade high EBITDA margins of 42%; continues to be one of the best in the industry

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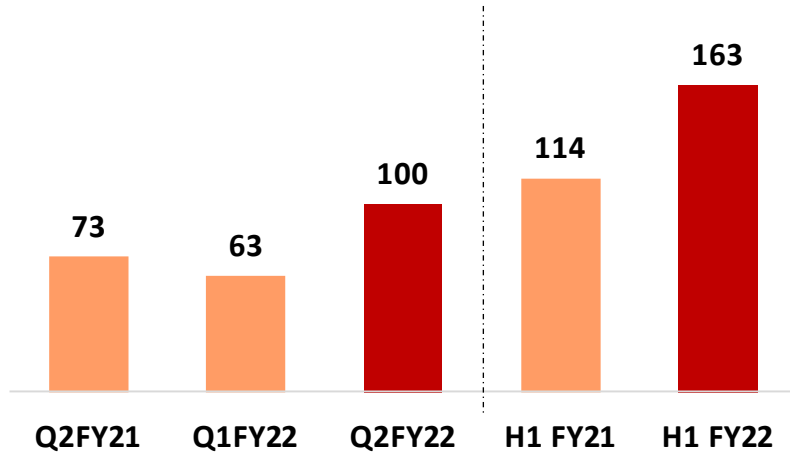


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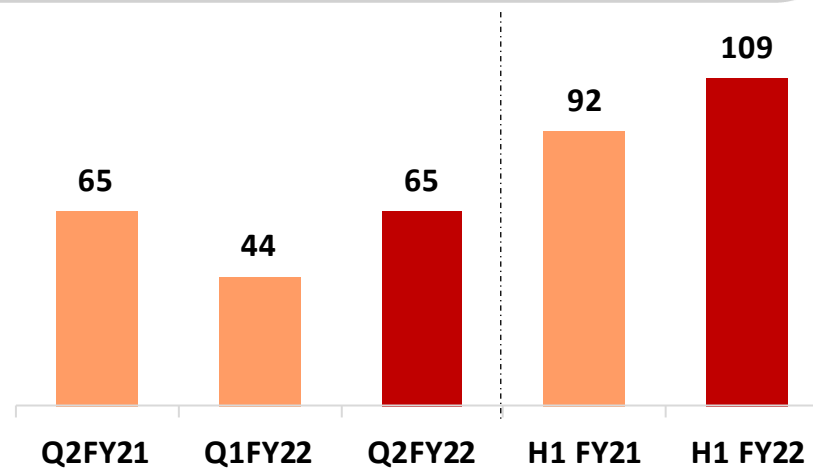
Copper

Copper Metal & VAP - Production and Sales in Kt

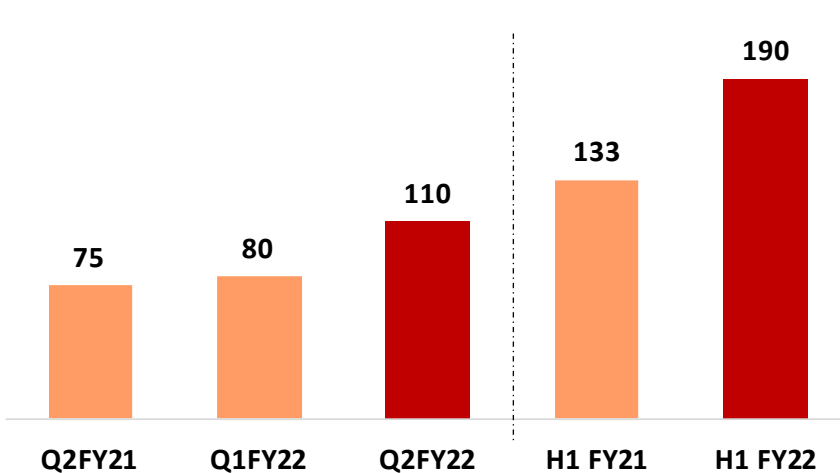
Production : Copper Cathode (Kt)



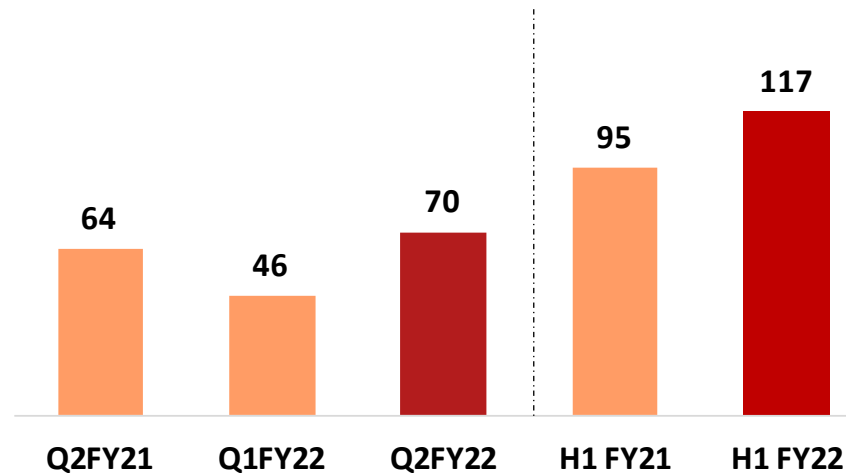
Production : CC Rod (Kt)



Sales : Copper Metal (Kt)



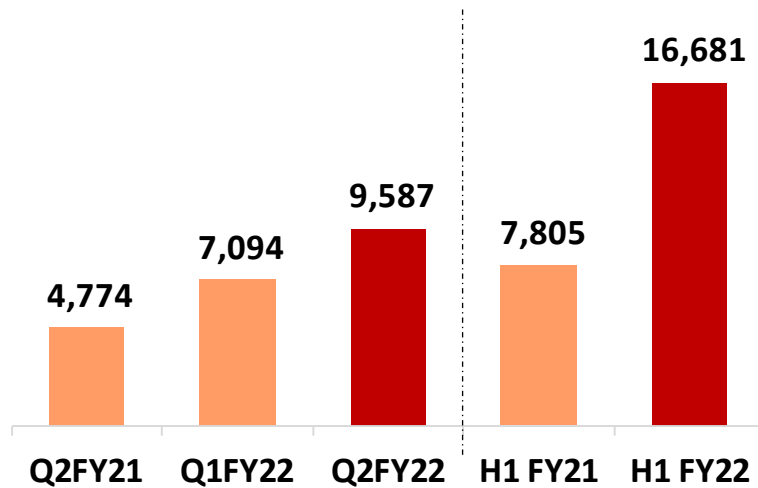
Sales : CC Rods (Kt)



- Cathode Production was higher by 38% YoY in Q2 FY22 whereas Copper Rods Production was maintained YoY
- Record quarterly Metal sales in Q2 FY22 up 47% YoY
- CC Rod sales were up 10% YoY in Q2 FY22

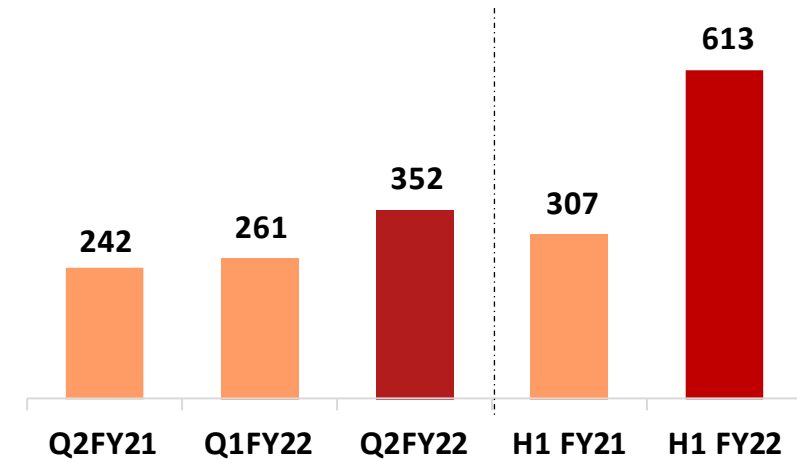
Financial Performance – Copper Business

Revenue (₹ Crore)



- Revenues were up by 101% YoY in Q2 FY22, on account of higher global prices of copper compared to the corresponding quarter of the last year

EBITDA (₹ Crore)



- EBITDA at ₹352 crore in Q2 FY22 compared to ₹242 crore in the corresponding quarter, up 45% YoY on the back of higher volumes, better operational efficiencies and improved by-product realizations.

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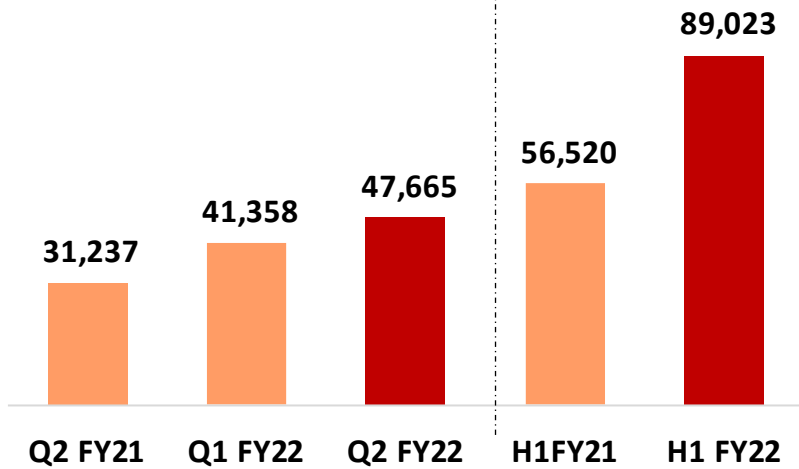


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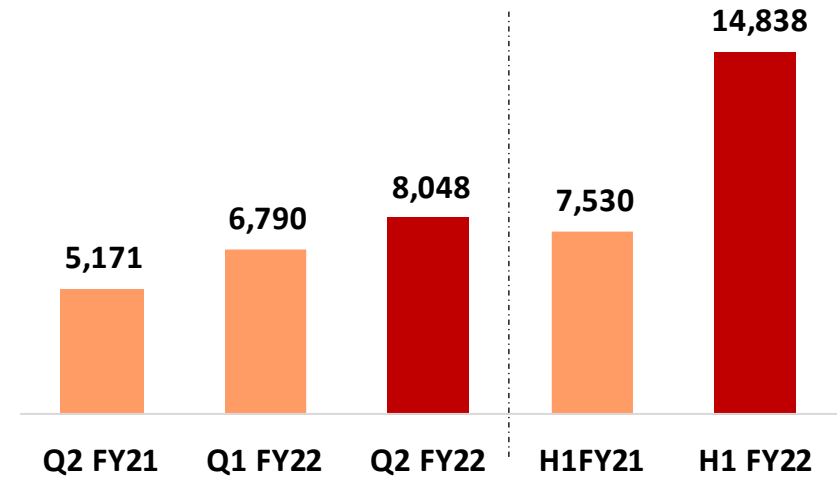
Consolidated Financial Performance

Consolidated Financial Performance

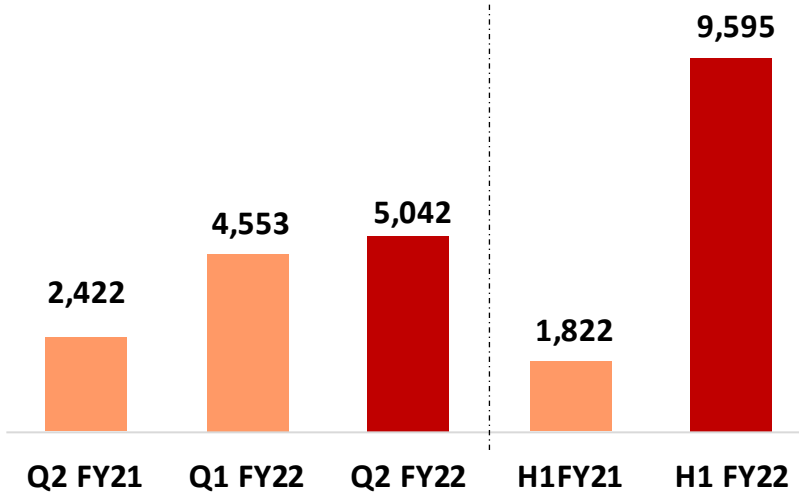
Revenue (₹ Crore)



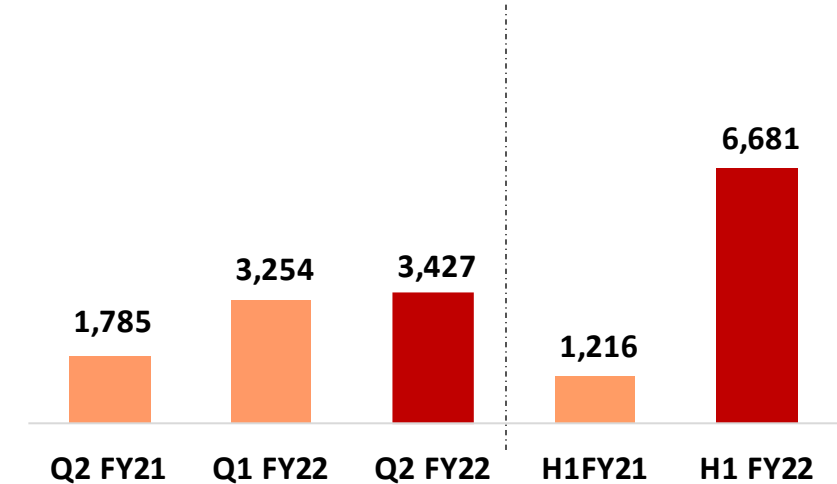
EBITDA (₹ Crore)



PBT after Exceptional Items (₹ Crore)



PAT for Continuing Operations (₹ Crore)

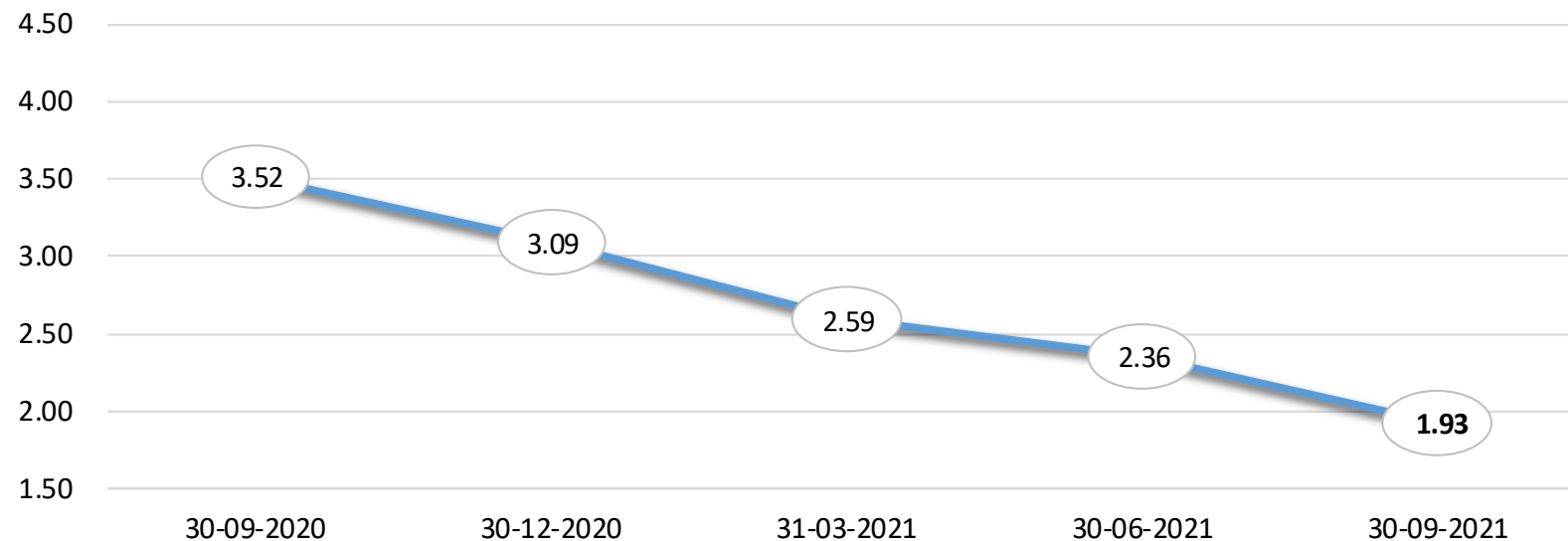


Consolidated (Debt Position)

(₹ Crores)

Particulars	As on	As on	As on	As on	As on
	30-Sep-20	31-Dec-20	31-Mar-21	30-Jun-21	30-Sep-21
Gross Debt	78,266	71,996	65,994	67,836	66,831
Cash & Cash Equivalents	20,265	18,194	18,575	15,923	18,820
Net Debt	58,001	53,802	47,419	51,913	48,011
TTM Adjusted EBITDA	16,491	17,409	18,293	21,997	24,865

Net Debt : EBITDA(x)



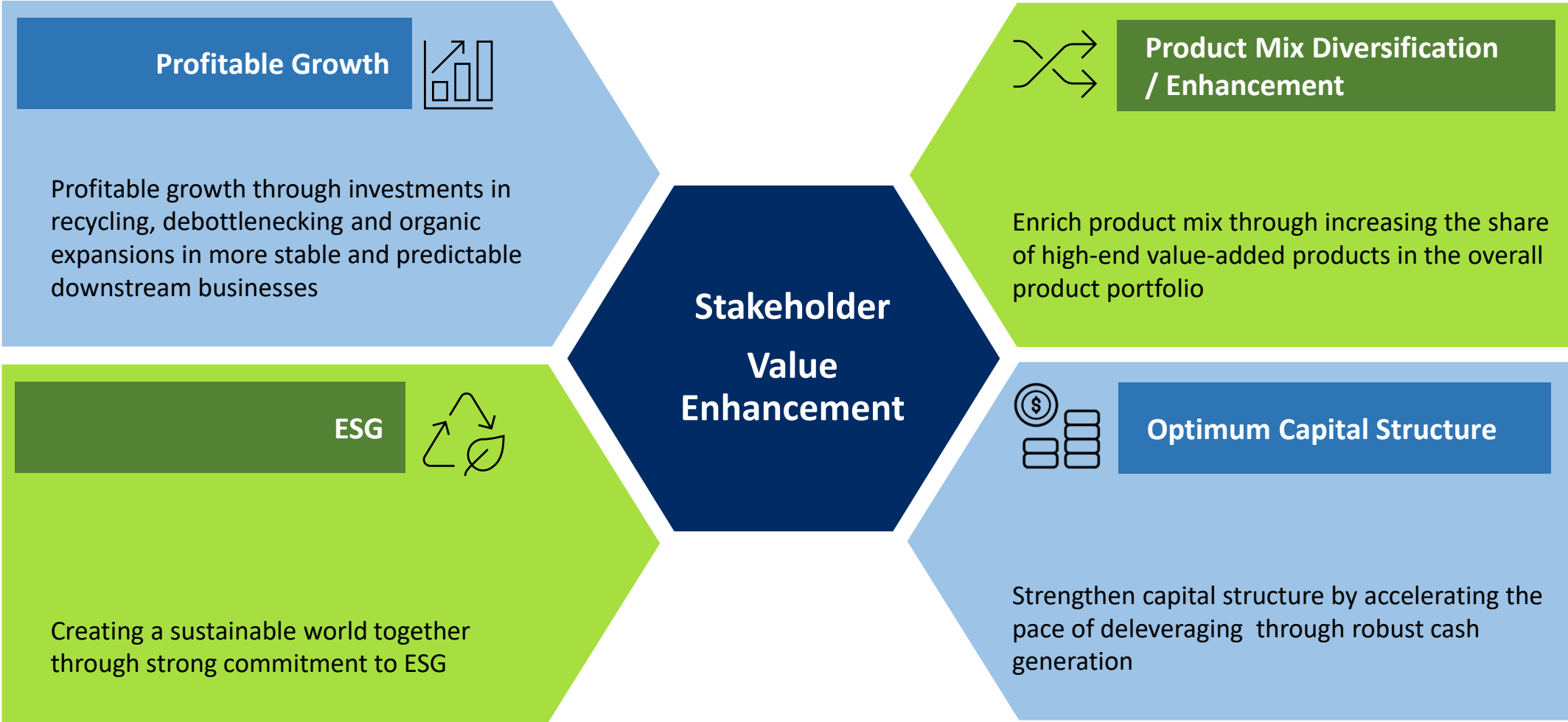
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In Summary

Key Focus Areas





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Annexures

Consolidated – Key Financials

Particulars (₹ Crore)	Q2 FY21	Q1 FY22	Q2 FY22	Change YoY %	QoQ Change %	H1FY21	H1 FY22	Change YoY %
Revenue from Operations	31,237	41,358	47,665	53%	15%	56,520	89,023	58%
Earning Before Interest, Tax, Depreciation & Amortisation (EBITDA)								
<i>Novelis*</i>	3,392	4,090	4,100	21%	0%	5,311	8,190	54%
<i>Aluminium</i>	1,188	2,352	3,247	173%	38%	2,161	5,599	159%
<i>Copper</i>	242	261	352	45%	35%	307	613	100%
<i>All Other Segments</i>	6	(6)	3			7	(3)	
Business Segment EBITDA	4,828	6,697	7,702	60%	15%	7,786	14,399	85%
<i>Unallocable Income/ (Expense) - (Net) & GAAP Adjustments</i>	343	93	346	1%	272%	(256)	439	
EBITDA	5,171	6,790	8,048	56%	19%	7,530	14,838	97%
Finance Costs	982	820	1,291	-31%	-57%	1,974	2,111	-7%
PBDT	4,189	5,970	6,757	61%	13%	5,556	12,727	129%
Depreciation & Amortisation (including impairment)	1,838	1,649	1,735	6%	-5%	3,389	3,384	0%
Share in Profit/ (Loss) in Equity Accounted Investments (Net of Tax)	-	2	-			3	2	
Profit before Exceptional Items and Tax	2,351	4,323	5,022	114%	16%	2,170	9,345	331%
Exceptional Income/ (Expenses) (Net)#	71	230	20			(348)	250	
Profit Before Tax (After Exceptional Item)	2,422	4,553	5,042	108%	11%	1,822	9,595	427%
Tax	637	1,299	1,615			606	2,914	
Profit/ (Loss) from Continuing Operations	1,785	3,254	3,427	92%	5%	1,216	6,681	449%
<i>Profit/ (Loss) from Discontinued Operations</i>	<i>(1,398)</i>	<i>(467)</i>	<i>(10)</i>			<i>(1,538)</i>	<i>(477)</i>	
Profit/ (Loss) After Tax	387	2,787	3,417	783%	23%	(322)	6,204	
EPS (₹/Share)	1.7	12.5	15.4			(1.4)	27.9	

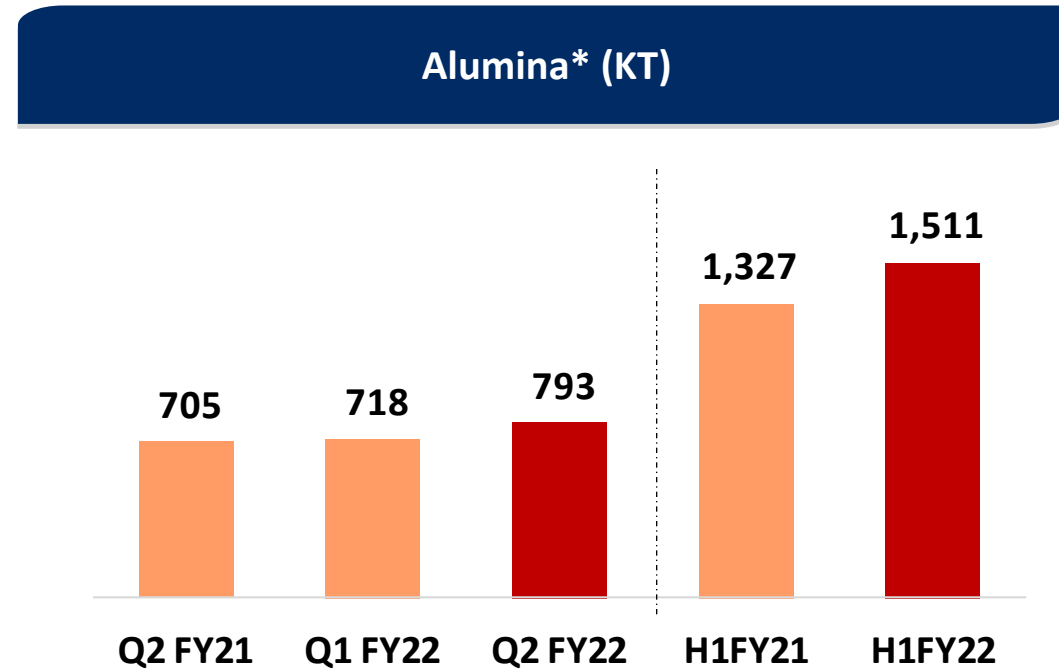
*As per US GAAP ; # Exceptional Income / (Expenses) for Q1FY22, exclude ₹346 crore (net of litigation cost of ₹9 crore) which represents the principal portion on PIS and COFINS related tax credit income as it is included in the Novelis segment result.

Hindalco (India) Business – Key Financials

(₹ Crore)

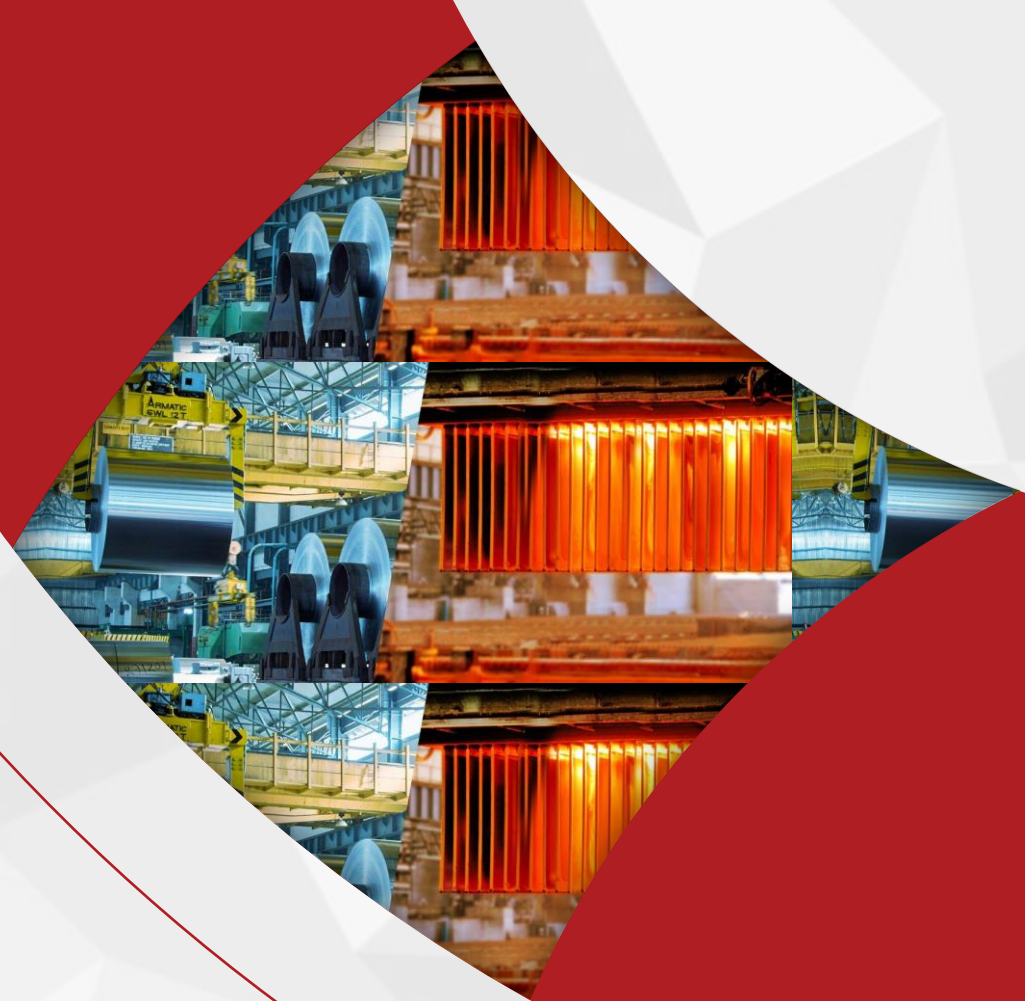
Particulars	Q2 FY21	Q1 FY22	Q2 FY22	YOY Change %	QoQ Change%	H1 FY21	H1 FY22	Change %
Revenue from Operations	9,565	13,349	17,393	82%	30%	17,029	30,742	81%
EBITDA								
<i>Aluminium</i>	1,188	2,352	3,247	173%	38%	2,161	5,599	159%
<i>Copper</i>	242	261	352	45%	35%	307	613	100%
<i>Other Segments</i>	1	1	3	200%	200%	2	4	
Business Segment EBITDA	1,431	2,614	3,602	152%	38%	2,470	6,216	152%
<i>Unallocable Income/ (Expense) (Net)</i>	46	(101)	113			145	12	
EBITDA	1,477	2,513	3,715	152%	48%	2,615	6,228	138%
Finance Costs	389	373	378	3%	-1%	846	751	11%
PBDT	1,088	2,140	3,337	207%	56%	1,769	5,477	210%
Depreciation	642	525	607	5%	-16%	1,156	1,132	2%
Profit before Exceptional Items and Tax	446	1,615	2,730	512%	69%	613	4,345	609%
Exceptional Income/ (Expenses) (Net)	70	-	-			31	-	
Profit Before Tax (After Exceptional Item)	516	1,615	2,730	429%	69%	644	4,345	575%
Tax	189	578	915			233	1,493	
Profit/ (Loss) After Tax	327	1,037	1,815	455%	75%	411	2,852	594%

Production – Alumina



- Total Alumina production was up 13% YoY and 10% sequentially in Q2 FY22
- Record Quarterly production at Utkal Alumina refinery at 504 Kt in Q2 FY22

*Hydrate as Alumina



For Further Queries Please Contact :

Subir Sen,
Investor Relations
Telephone- +91 22 6662 6666
E mail: hilinvestors@adityabirla.com
Website: www.hindalco.com

Registered Office

Ahura Centre, 1st Floor, B Wing
Mahakali Caves Road Andheri (East), Mumbai 400 093
Telephone- +91 22 6691 7000
Website: www.hindalco.com
E mail: hindalco@adityabirla.com
Corporate Identity No. L27020MH1958PLC011238