

**ADITYA BIRLA**



**HINDALCO**

**INVESTOR PRESENTATION**

***FY14***

**Performance and Financial Review**

***May 29, 2014***

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**Highlights**

**Aluminium Business**

**Copper Business**

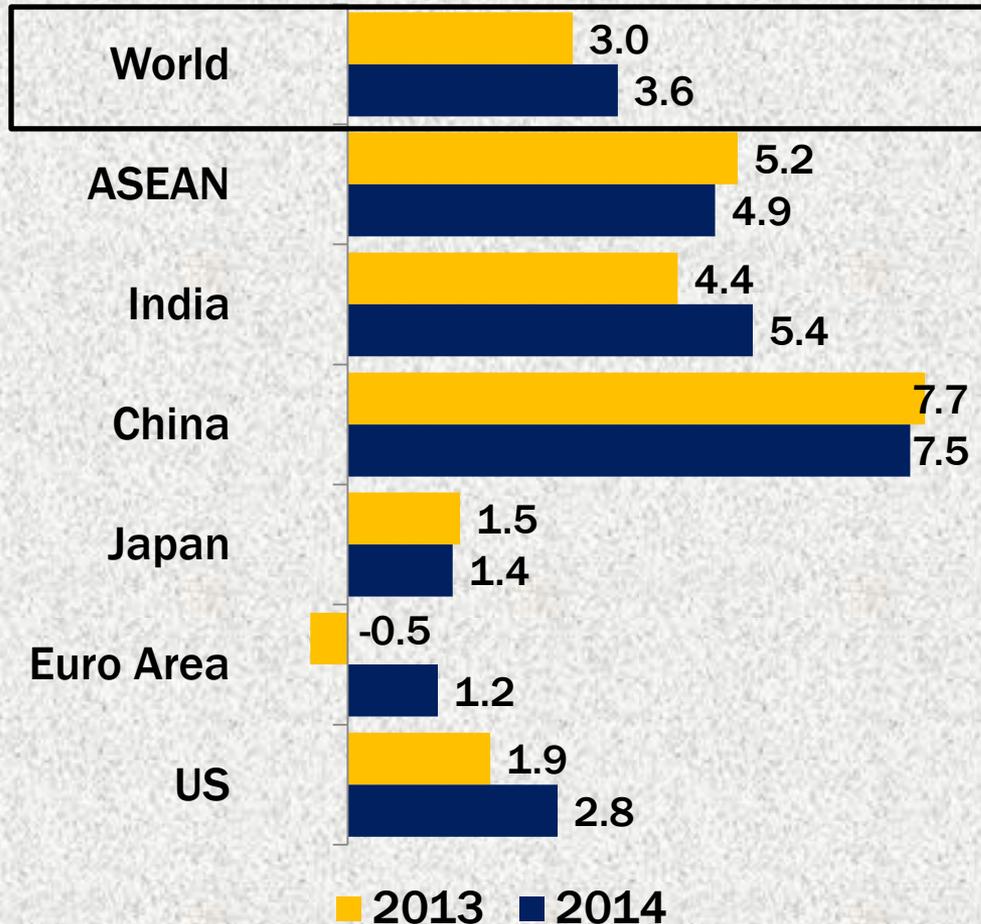
**Projects**

# HIGHLIGHTS



# Global recovery continues, but so do the risks ...

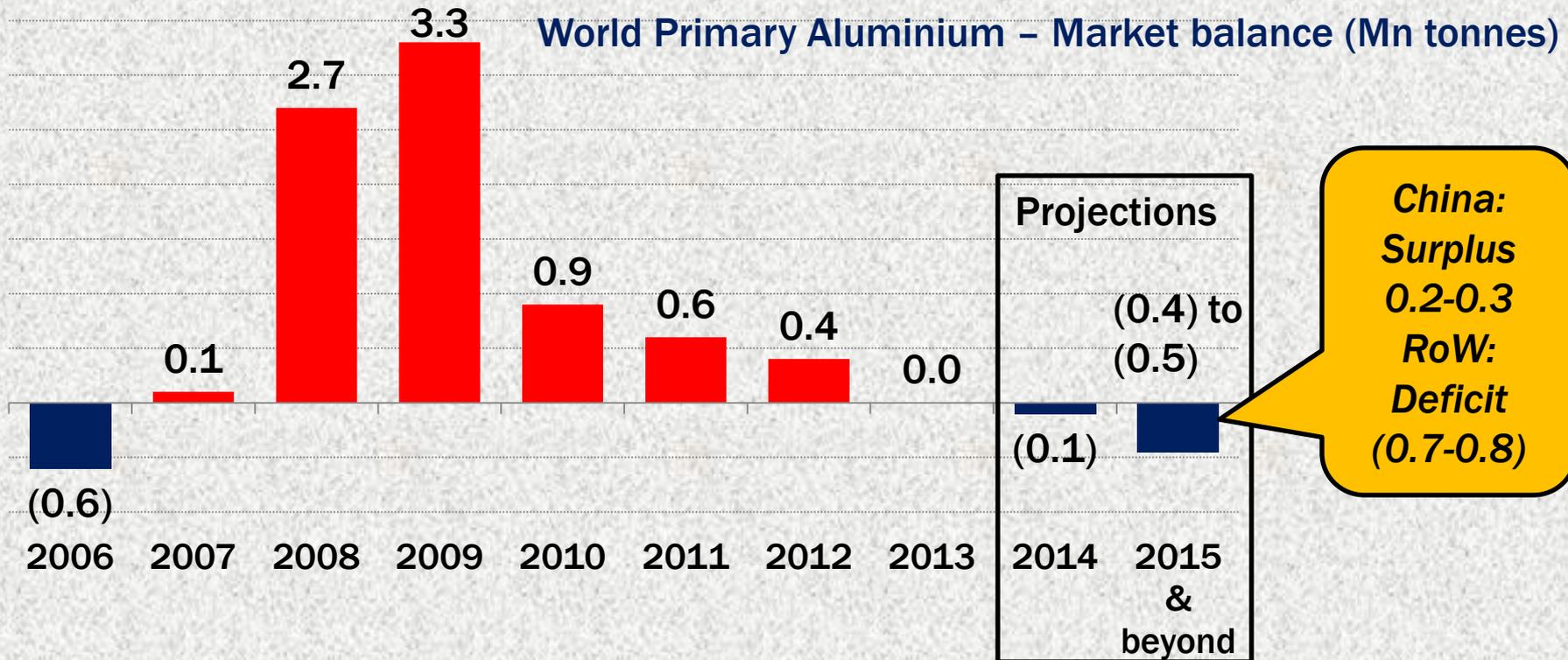
GDP Growth Projections (%)



- ⊙ **Advanced economies** are driving the gradual recovery in economic conditions
- ⊙ Financial markets, however, remain **vulnerable to risks**:
  - ❑ Geopolitical (Ukraine)
  - ❑ Disruptive slowdown in China?
  - ❑ Stretched valuations in US equity and / or fast-tracking of monetary stimulus withdrawal

# Aluminium: Emergence of deficit after years of excess supply

With ~3 Mtpa capacity closures since 2012 and consumption expected to grow at 5-6% p.a., World Aluminium market shifting to deficit scenario, especially in World Ex-China

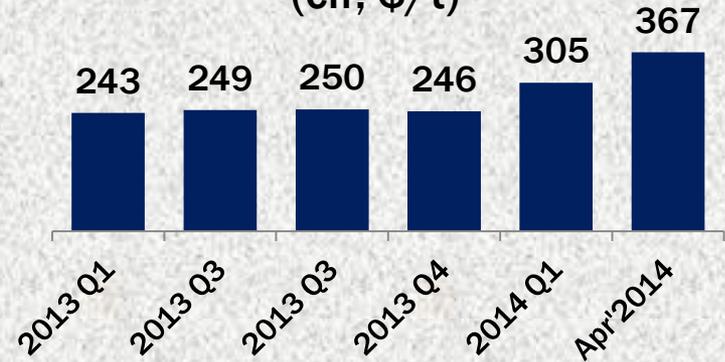


While this is a positive sign for the industry, workout of existing overhang of inventory (90+ days) continues to be a challenge

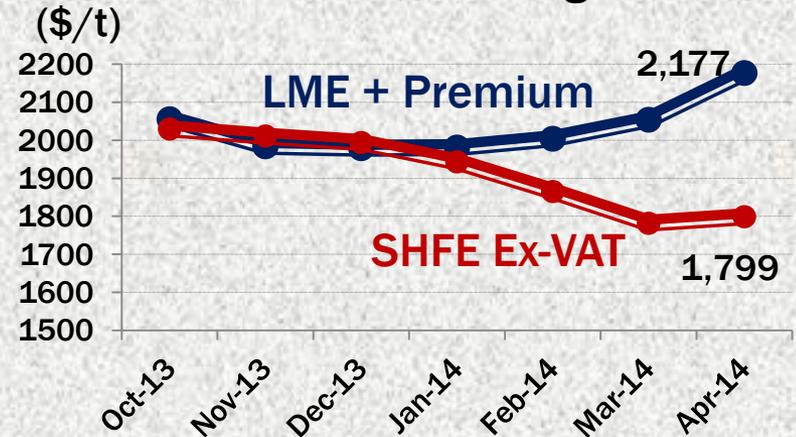
# Aluminium Industry: Key developments

- Changes to LME **warehousing** rules postponed due to Court intervention
- Physical shortages and continuation of stocks locked in financing deals have helped **premium** shoot up further
- SHFE** has crashed significantly in recent months due to rising surplus

Japanese Ingot Premium  
(cif, \$/t)



LME & SHFE – Divergent Paths



# Aluminium Industry: Early signs of recovery...



- LME appears to have bottomed out
- Physical **premium** expected to be strong
- **Environmental issues, policy interventions to curb unbridled growth, Lower SHFE and** tighter credit... resulting in curtailments within China
  - ***If Indonesia's bauxite exports dry up beyond 2014, curtailments could be even higher...***
  - Globally.... Outside China, Over 2.5 Mn tonnes capacity closure as cost inflation makes them unviable...
  - Global Demand continues to remain strong...

***Indian Demand expected to receive a boost....***

# Highlights: FY14



## Strong All-round Performance

Aluminium Metal Volume (Upstream)

Q4 FY14 vs.  
Q3 FY 14

FY14 vs. FY13



Standalone Revenue



Standalone EBITDA



Consolidated Revenue

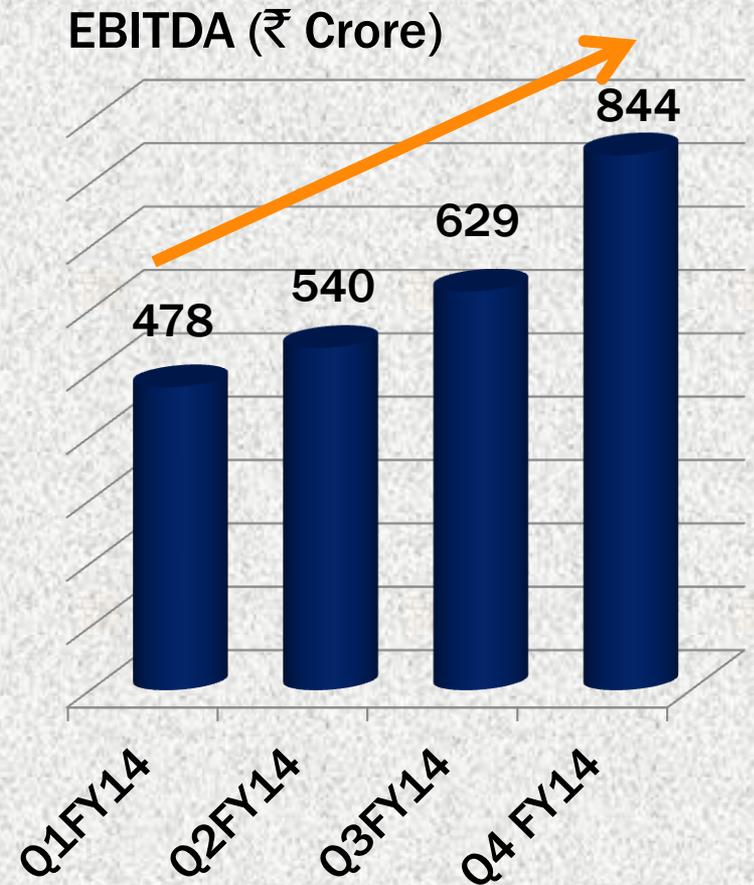


Consolidated PBIDTA



# Strong Operational Result...

- FY14 **EBITDA** up 13%, driven by better operational results in both Al and Cu
- Sequential improvement in EBITDA has continued; **Q4 EBITDA up 34%**
- Significant **jump in Depreciation & Interest**
  - Higher by ₹395 crore in FY14
    - *Trend will continue in coming quarters*
- **Exceptional charges** of ₹396 crore in Q4 pertaining to UP entry tax and MP GATSVA tax have pulled down the Net profit



# FY14: Snapshot of the year

## Aluminium (India)

- ◉ **World class projects** with tight supply chain logistics.. set to deliver ....
- ◉ Ramping up ... Not only primary metal but also ready to produce.... **world class VAP**
- ◉ Strong Exit quarter EBIT margin..

## Novelis

- ◉ **Strategic initiatives playing out well**; firmly leading & driving the **light-weighting story in Auto...**
- ◉ Building on Global Product Portfolio...set to take advantage of Soccer World cup & Summer Olympics
- ◉ \$1-bn EBITDA run-rate regained in exit quarter

## Copper (India)

- ◉ **Record EBIT** ... at ₹ 938 crore .....**Highest ever**
- ◉ Strong Operational performance

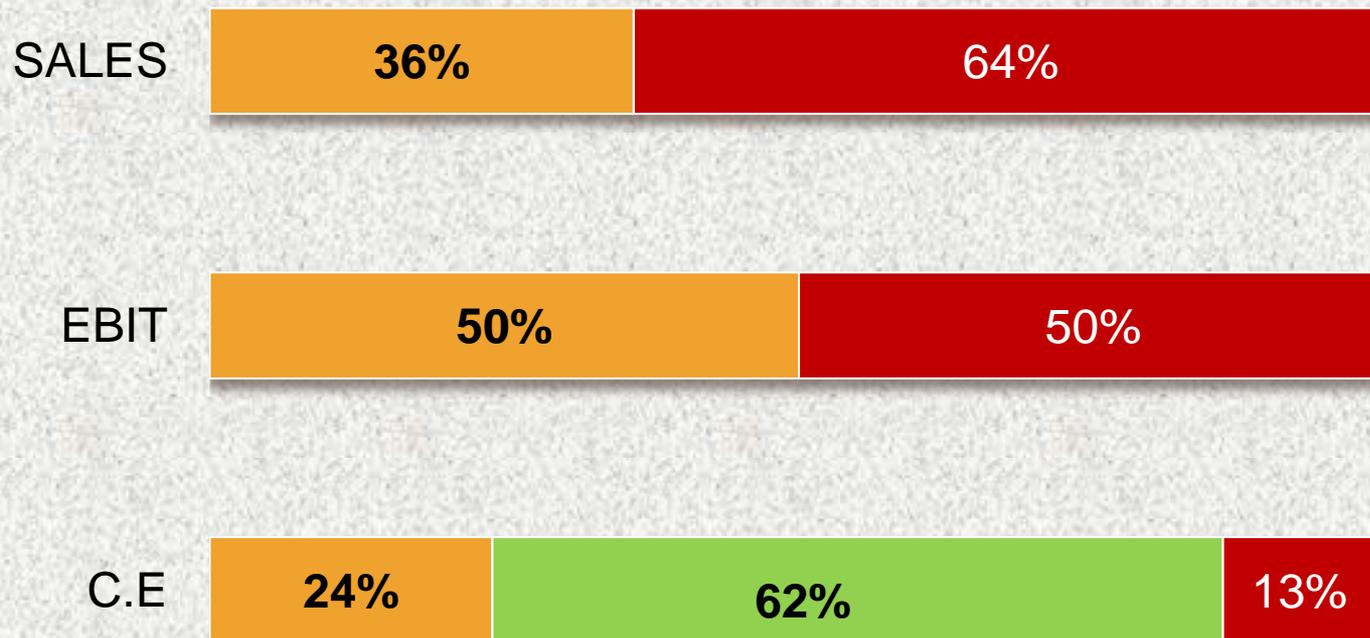
**De-Risked Business Portfolio... to further enhance returns through both volume and value maximization...**

# Financial Performance: Standalone

₹ Cr	Q4 FY14	Q4 FY13	Change YoY	Q3 FY 14	Change %QOQ	FY14	FY13	Change %, YoY
Net Sales	8,435	6,994	21%	7,273	16%	27,851	26,057	7%
EBITDA	844	643	31%	629	34%	2,492	2,204	13%
Other Income	212	231	(10)%	204	4%	1,124	983	14%
PBITDA	1,057	874	21%	834	27%	3,616	3,187	13%
Depreciation	(244)	(173)	41%	(200)	22%	(823)	(704)	17%
Interest	(215)	(158)	36%	(165)	30%	(712)	(436)	63%
PBT before exceptional	598	544	10%	469	27%	2,081	2,047	2%
Exceptional items	(396)	...		...	...	(396)	...	...
PBT	202	544	(63)%	469	(57)%	1,685	2,047	(18)%
PAT	248	482	(49)%	334	(26)%	1,413	1,699	(17)%
EPS (₹)	1.20	2.52		1.62	(26)%	7.09	8.88	(20)%

# Segmental Performance – FY 14

■ Aluminium ■ Greenfield ■ Copper



\*Standalone

# ALUMINIUM BUSINESS

*Aditya Aluminium,  
Lapanga, Odisha*



# FY14 was a historic year for us

Six new facilities, all *new-edge 'Last-Man Standing'* assets, are on stream!

Utkal



Mahan



Aditya



H'kud  
Exp.



H'kud  
FRP



Mouda  
Foils



○ **Expansion programme** pursued since FY09 has is ready to deliver....

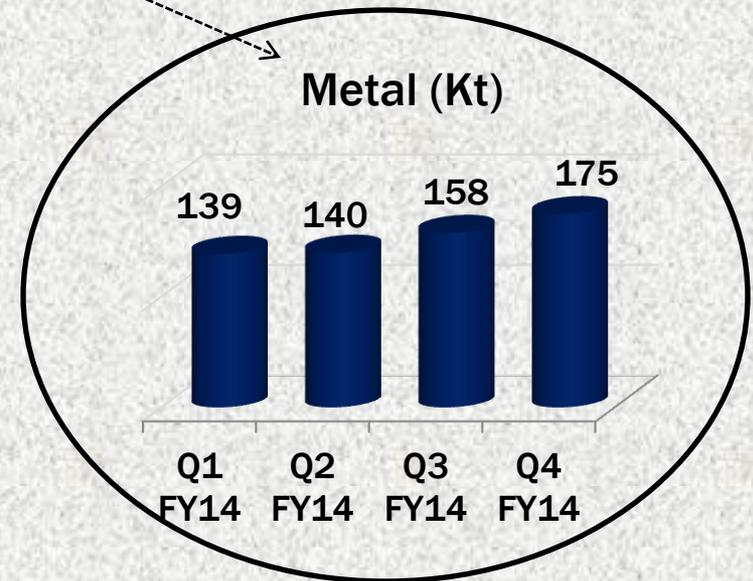
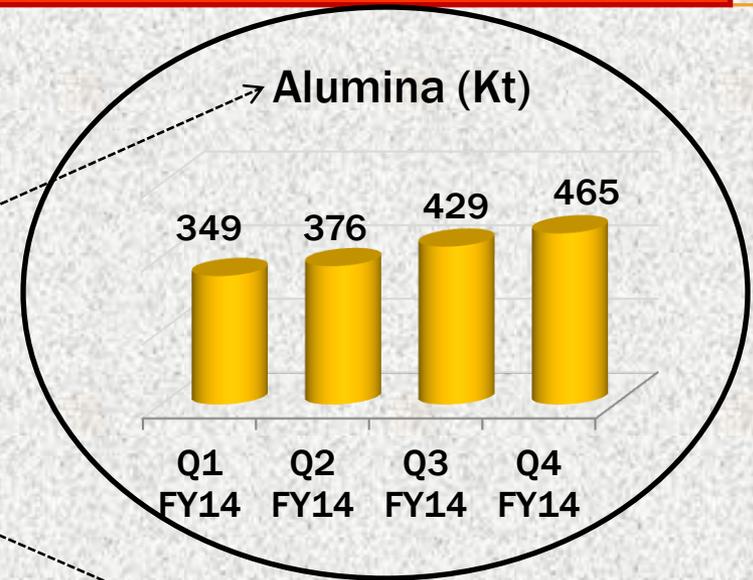
□ ***Creating a 'New Hindalco',***

***Higher volumes, Improved efficiencies, Better product mix***

# Al: Rising Volumes ....

## Production (Kt)

	FY13	FY14	%
Alumina	1,320	1,619	23
Metal	542	613	13
FRP	220	238	8
Extrusions	34.5	38.2	11



- Alumina output includes 277 kt at Utkal
- Metal output includes 57 kt at Mahan & Aditya

*Volumes to grow as projects ramp up to their capacities*

# AI: Key Performance Drivers

- LME dipped sharply, but depreciation of rupee cushioned the impact

	FY13	FY14
LME (\$/t)	1,976	1,773
INRUSD	54.32	60.50
LME (₹/Kg)	107.3	107.3



- Higher volumes



- Higher VAP sales

- Energy cost pressures have continued

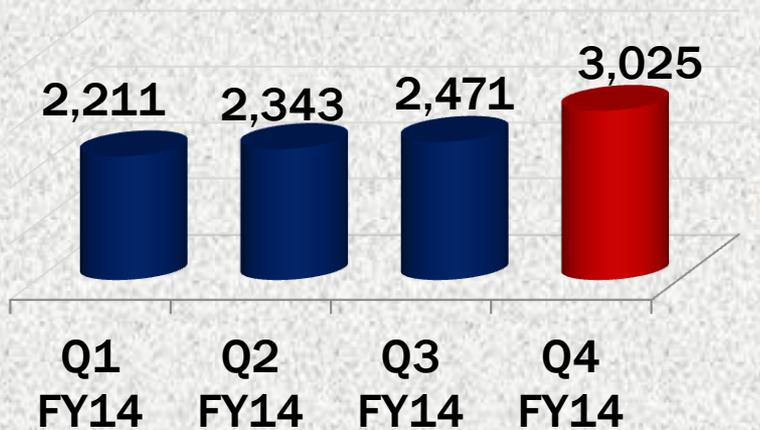


- Existing operations' performance improved; but the result was impacted by higher depreciation and start-up expenses from the new sites

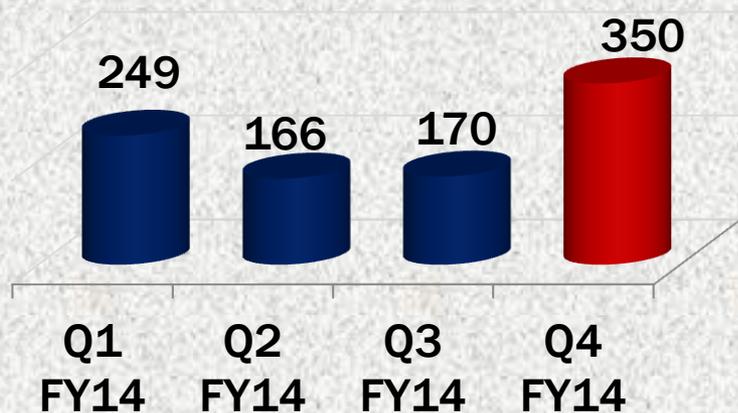
# AI: Financial Performance (Standalone, w/o Utkal)

## Quarterly Trend

Net Sales (₹ Cr)



EBIT (₹ Cr)

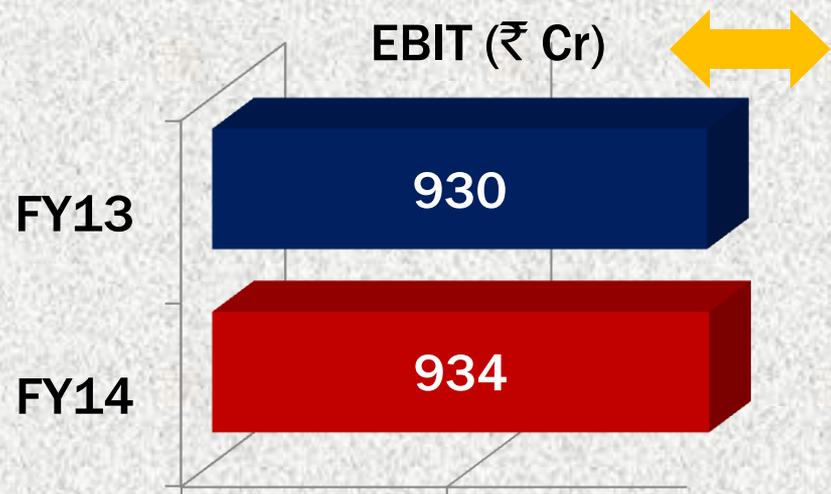


## FY14 Performance

Net Sales (₹ Cr)



EBIT (₹ Cr)



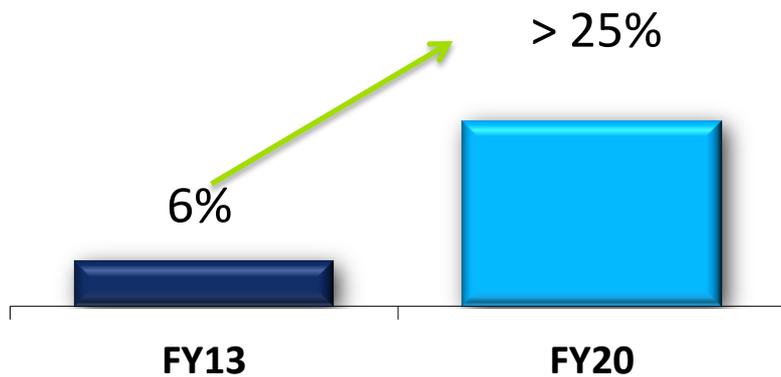
# NOVELIS : HIGHLIGHTS



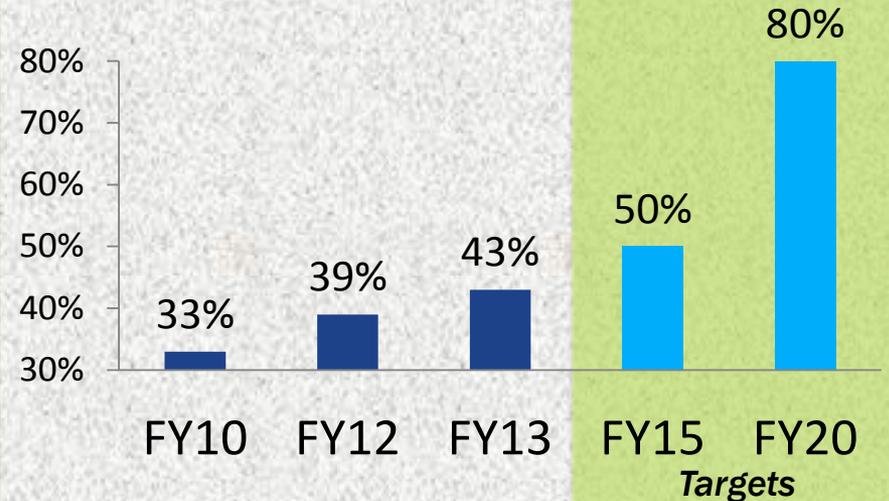
**Undisputed leader in Auto & Can FRP**

# Auto and Recycling: Key Strategies...

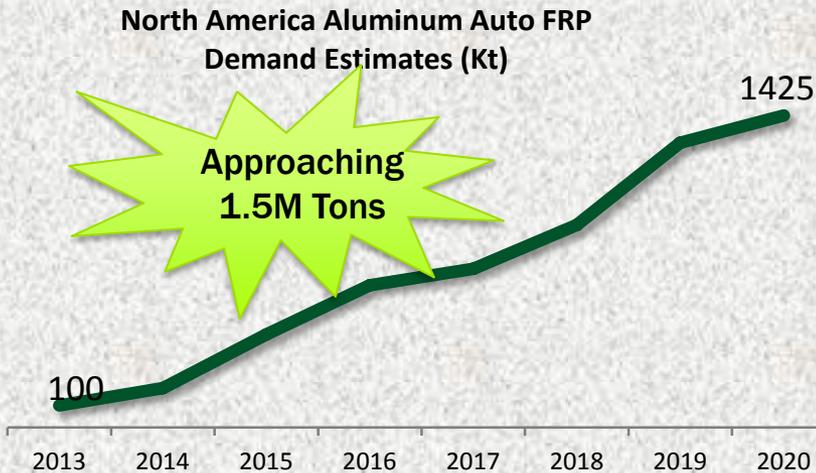
## Auto Share of Novelis Portfolio



## Average Recycled Content in Novelis Products



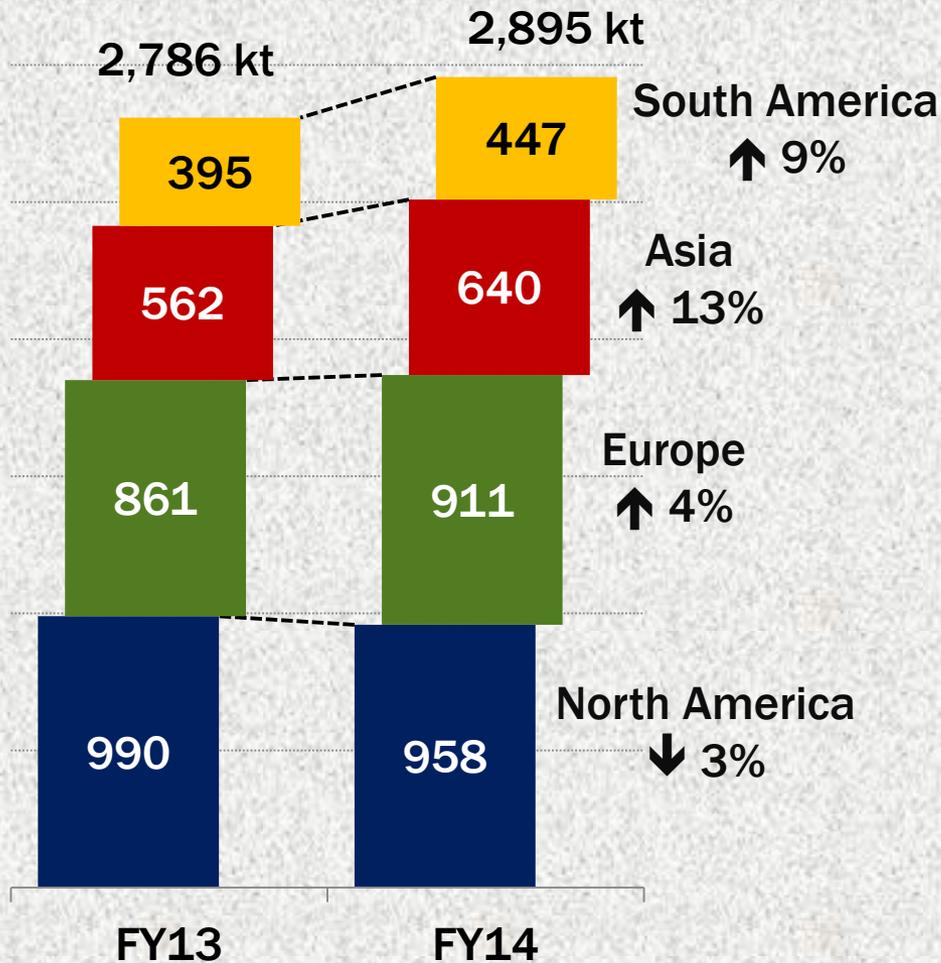
## North America FRP Auto Demand



Industry's First  
Independently  
Certified 90%  
Recycled Content  
Can Body Sheet

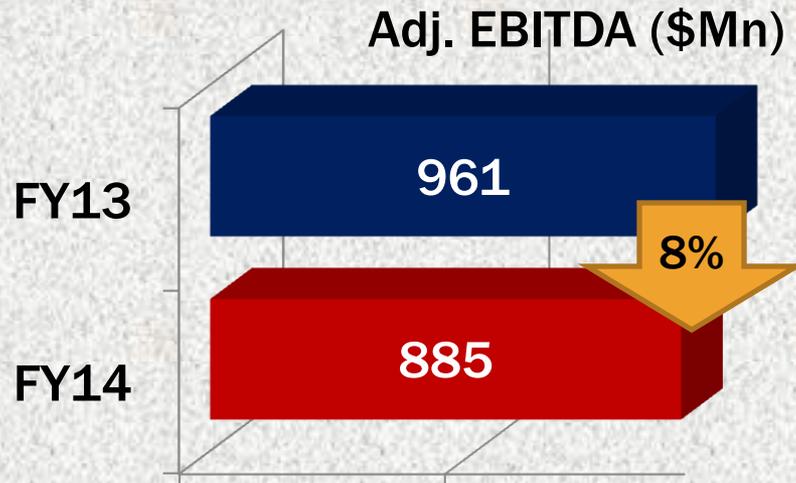
# Novelis: Shipments at a 3-yr high

*Shipments up 4% yoy*



- Record production and shipments in Asia and South America on the back of successful ramp-up of strategic projects
- Declining beverage can activity and increased competitive intensity affected shipments in North America
- Shipments up 8% in Q4 to reach an 11-quarter high with shipments growing in each region

# Novelis: Strong Cash Management in a tough environment



- *Oversupply induced pricing pressures in North America and Asia*
- *However, registered a strong finish to the year with Q4 FY14 EBITDA of \$250 Mn*

**Excellent cash management**

	FY13	FY14
FCF before Capex (\$Mn)	203	702
Yr-end Liquidity (\$Mn)	760	1,020

***Medium-term Outlook remains bright on the back of strategic initiatives in recent years***

# Novelis: Strategic Goals on track ...

Invested \$2 Bn in last 3 years to solidify Global Leadership

Auto Share in Product Portfolio to lead the Light-weighting trend

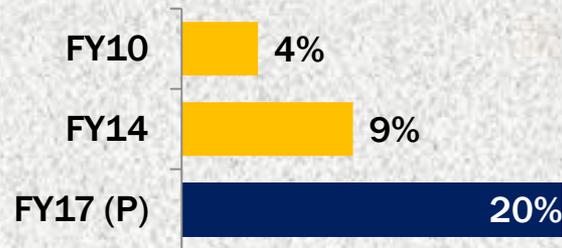
Sustainability : Goal of 80% recycling content by 2020

Global Capacity Additions



- 570 kt of high quality rolling capacity
- 600 kt of auto finishing capability
- ~1mtpa of recycling capacity

Auto Share in Portfolio (%)



- Europe auto shipments up 35% yoy on the back of very strong partnership with JLR
- FY15 outlook bullish with launch of new Ford supply programme



- Recycling content at 46% in FY14 vs. 33% in FY10
- Novelis Evercan™ now commercially available

# COPPER BUSINESS



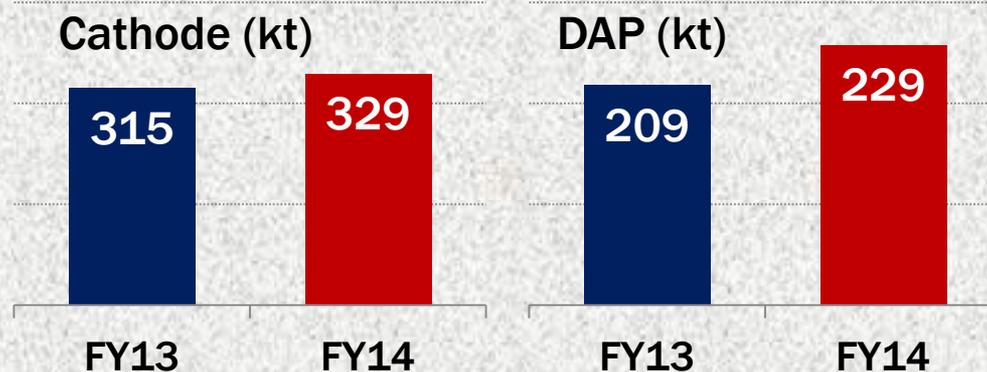
# Cu: Mixed Industry Trends...

	<b>FY14 vs. FY13</b>	<b>Impact (YoY)</b>
<b>TCRC</b>	<b>Higher</b>	
<b>LME (\$/t)</b>	<b>Lower</b>	
<b>Exch. Rate (₹/\$)</b>	<b>Favourable</b>	
<b>Acid Price</b>	<b>Significantly lower</b>	
<b>DAP Realization</b>	<b>Weaker</b>	

# Cu: Robust Operational Performance

Higher production

Improved Cu-III performance post shutdown sustained

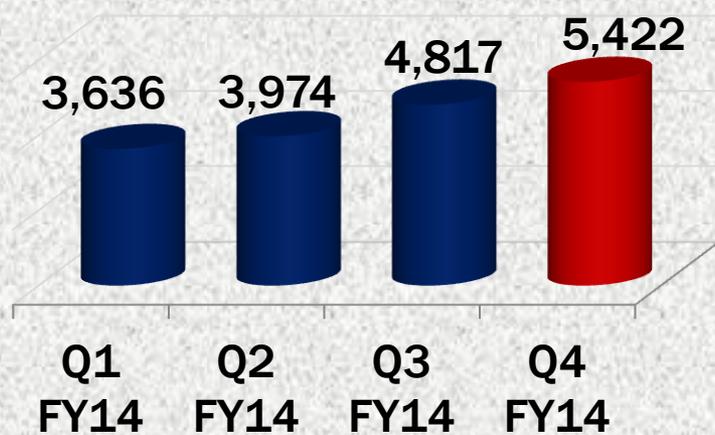


*Steadily improving performance from virtually same asset base*

# Cu: Financial Performance

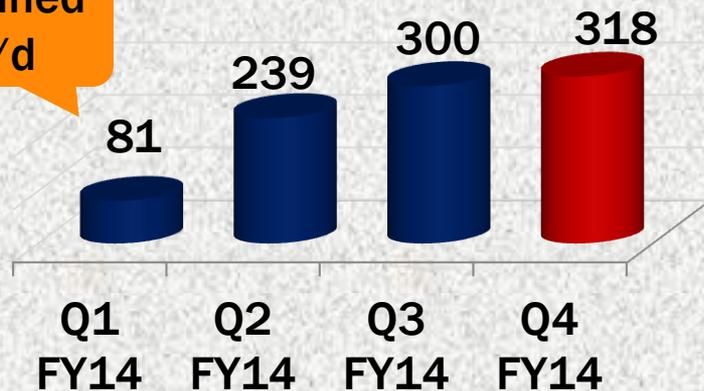
## Quarterly Trend

### Net Sales (₹ Cr)



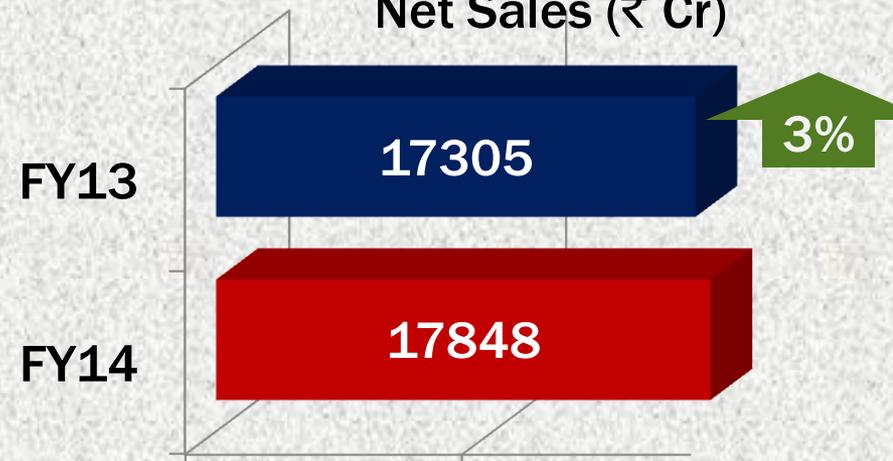
### EBIT (₹ Cr)

Planned  
s/d

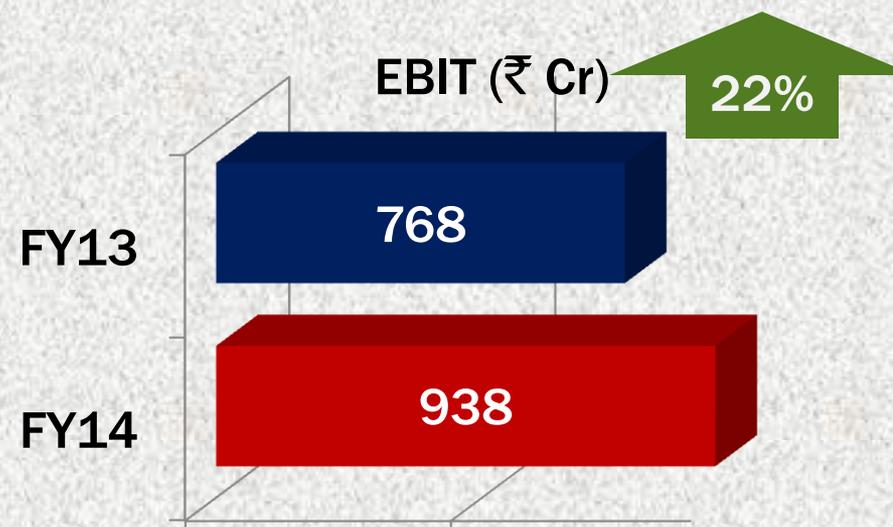


## FY14 Performance

### Net Sales (₹ Cr)

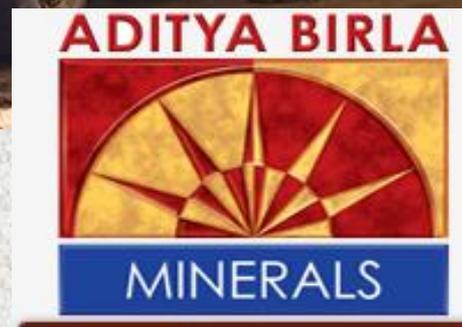
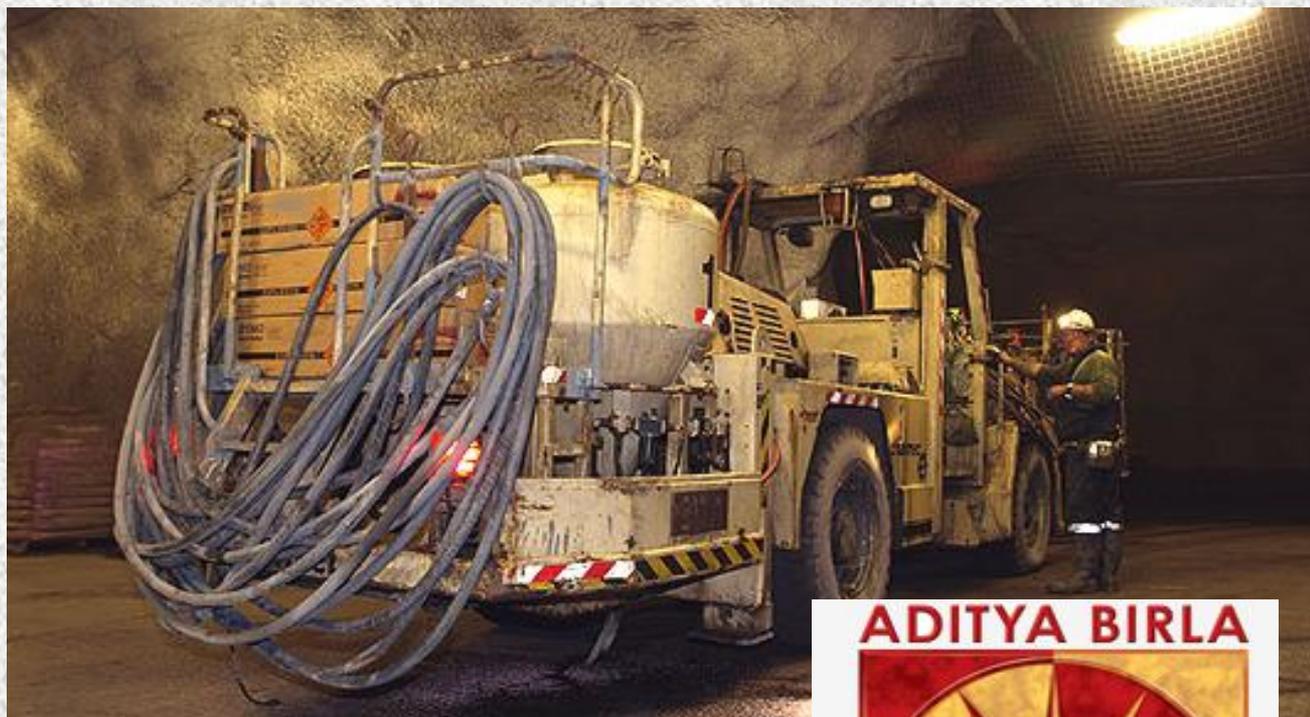


### EBIT (₹ Cr)



# Performance Review

## ABML



# ABML: Performance Update

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- ◎ Nifty **copper production** down 10% to 44kt in FY14
  - *Impact of lower grade (2.08% in FY14 vs. 2.33% in the previous year)*
- ◎ Performance was supported by –
  - *8% reduction in **Nifty site costs***
  - *Slight improvement in **LME** in A\$ terms*
- ◎ **EBITDA** for FY14 maintained at A\$52 Mn – same as in FY13
- ◎ Available options for divestment of **Mt Gordon** are under exploration
- ◎ Nifty mine **operations are currently suspended** after an unfortunate sinkhole incident on 21<sup>st</sup> March
  - *Investigation drilling activities are in progress*

# Highlights: Consolidated Results, FY14

- **Revenues** up 9% at ₹87,695 crore on the back of higher volumes in Aluminium (India) and Novelis
- **PBITDA** increased 5%; Aluminium margins came under pressure
  - Impact was cushioned by higher profitability in Copper segment

Revenue (₹ crore)

EBIT (₹ crore)

	FY13	FY14	Ch.		FY13	FY14	Change
Aluminium	62,259	69,218	11%	Aluminium	4,388	3,764	(14)%
Copper	17,543	17,906	2%	Copper	740	1,025	38%

*Despite better operational results, higher depreciation (up ~ ₹ 700 cr) affected Aluminium EBIT*

# Financial Performance: FY14

(Consolidated)



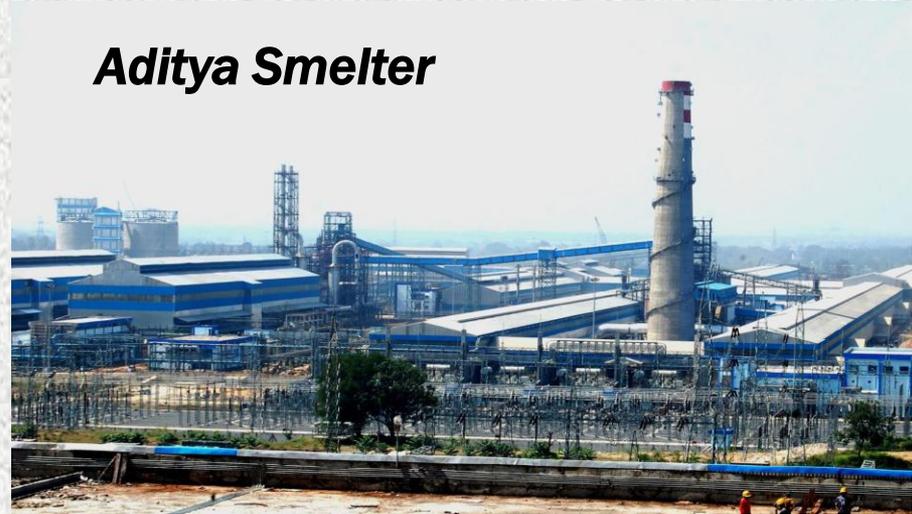
₹ Cr	FY14	FY13	Change	FY14 (\$ mn)
Net Sales	87,695	80,193	9%	14,514
PBITDA	9,303	8,849	5%	1,540
Depreciation	(3,553)	(2,861)	24%	(588)
Financing charge	(2,702)	(2,079)	30%	(447)
PBT before exceptional items	3,049	3,909	(22)%	505
Exceptional items	(396)	...	...	(66)
PBT	2,653	3,909	(32)%	439
PAT	2,175	3,027	(28)%	360
EPS (₹)	10.91	15.81	(31)%	US c 18.1

# PROJECTS : ON STREAM

**Utkal Refinery**



**Aditya Smelter**



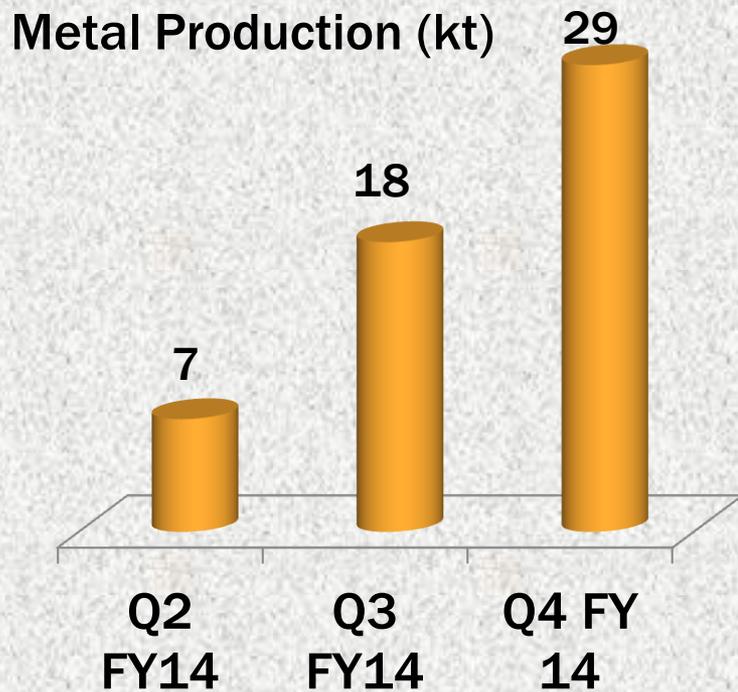
**Hirakud FRP**



**Mahan CPP**



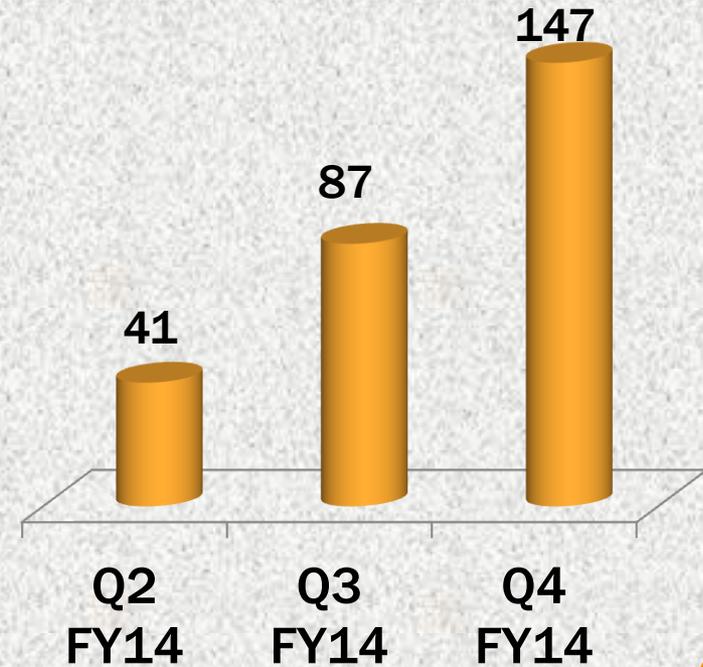
# Mahan: Scaling up



# Utkal: Gaining momentum



Alumina Production (kt)



# Aditya: Ramping up....



# Summing up- FY 15.. Year of Consolidation

## Transition from Investment phase to Consolidation phase.....

Challenges – from business environment and some growth pangs ...

- ⦿ Uncertainty over access to captive coal when Mahan and Aditya are ramping up
- ⦿ Appreciating rupee...
- ⦿ Depreciation & Interest burden from capitalization of large investments

Key Focus...

Ramp-up and stabilization of new factories, to achieve desired technical and quality parameters

Re-balancing Novelis' portfolio.... Thrust on Auto... Strengthening emerging market presence...

*Well poised for the discontinuous & sustainable growth ....*



# Thank you

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