



Hindalco Industries Limited

Performance Review Q2 FY09

Presentation to the Investors

31st October 2008

Financial Highlights & Overview

Industry & Business Review

Business Outlook

Project Highlights

Detailed Financials

Financial Highlights: Best Ever Q2 & H1

	Q2 FY09 Rs Cr			H1 FY09 Rs Cr		
Sales	5,683		14%	10,331		7%
PBT	926		12%	1,856		14%
PAT	720		12%	1,417		14%

Commodities Affected BY Global Economy Turmoil

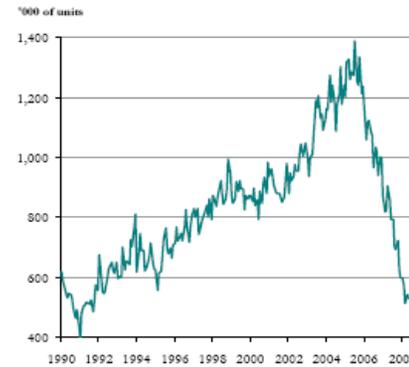
US construction sector in doldrums

- Base Metal demands showing declining trend
 - US Economy showing recessionary trends
 - Waning demand from Europe due to spreading financial crisis
 - Slowdown in Chinese demand post Olympics
 - Indian growth to Suffer

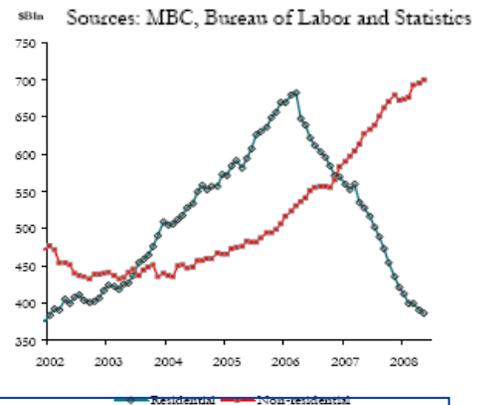
- Demand concerns & credit crunch resulting in a sharp decline in prices

- Continued Cost push

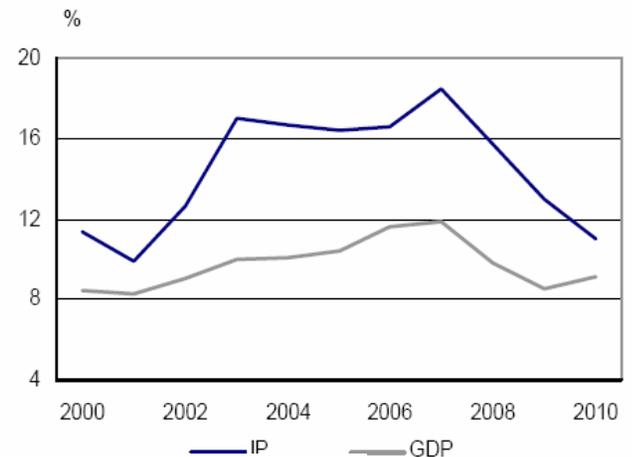
U.S. New Home Sales



U.S. Construction Spending Annualized

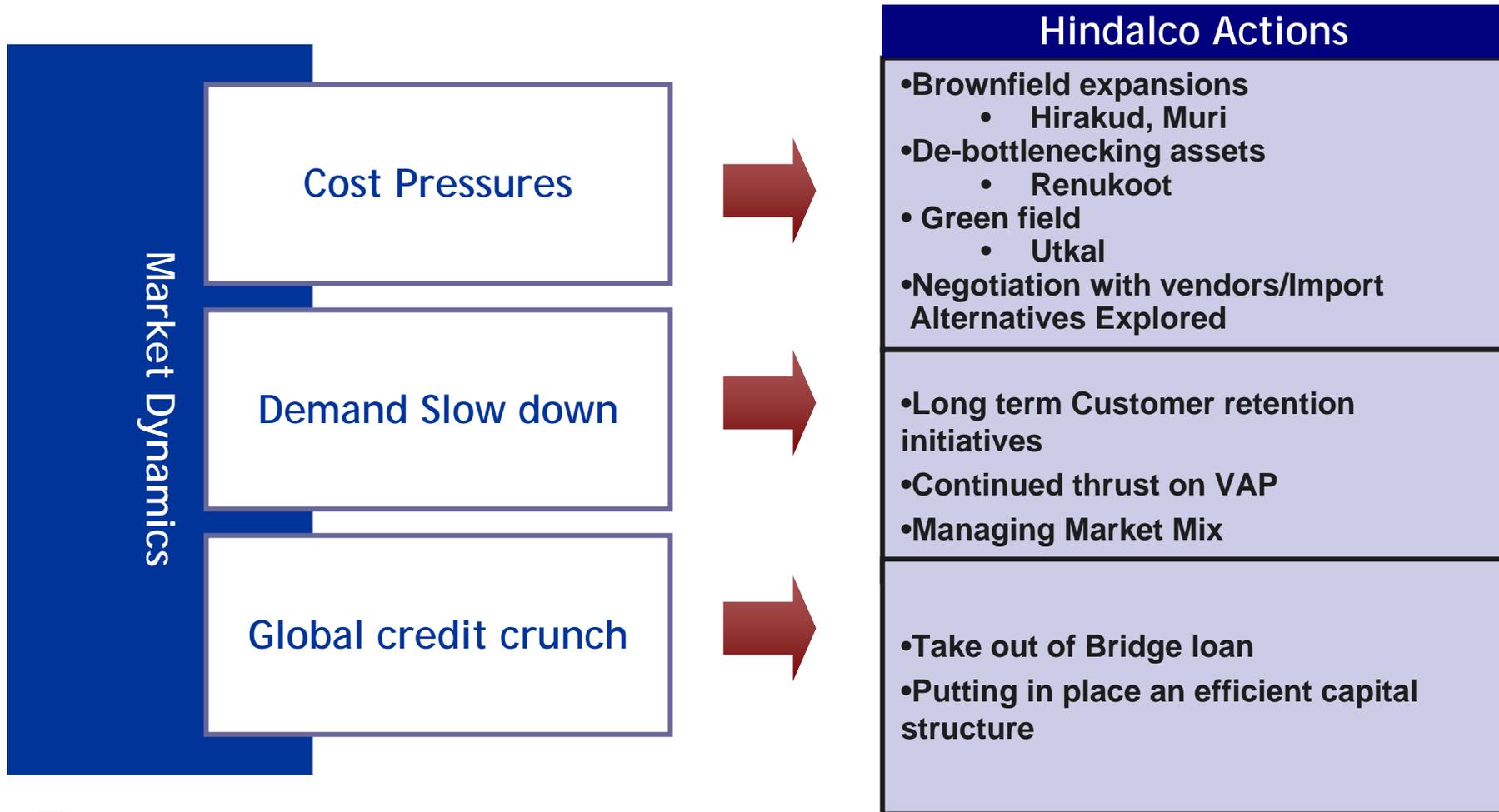


Slow down expected in Chinese Growth



Sources: Standard CIB Research

Prudent & well thought of actions in troubled times



Results at a glance:

Rs Crores	Q2 FY08	Q2 FY09	Change (%)	H1 FY08	H1 FY09	Change (%)
Net Sales	4,967	5,683	14%	9,652	10,331	7%
PBDIT	1,032	1,170	13%	2,038	2,334	15%
PBT	823	926	12%	1,629	1,856	14%
PAT	643	720	12%	1,241	1,417	14%
EPS	5.78	5.87	1.6%	11.21	11.55	3.0%



Aluminium



Key Industry Drivers: Deceptively positive in a challenging environment

Driver	Relative movement*	Impact
LME Average(\$/ton)		
Exchange Rate(Rs/\$)		
Crude derivatives/ Hydrocarbons		

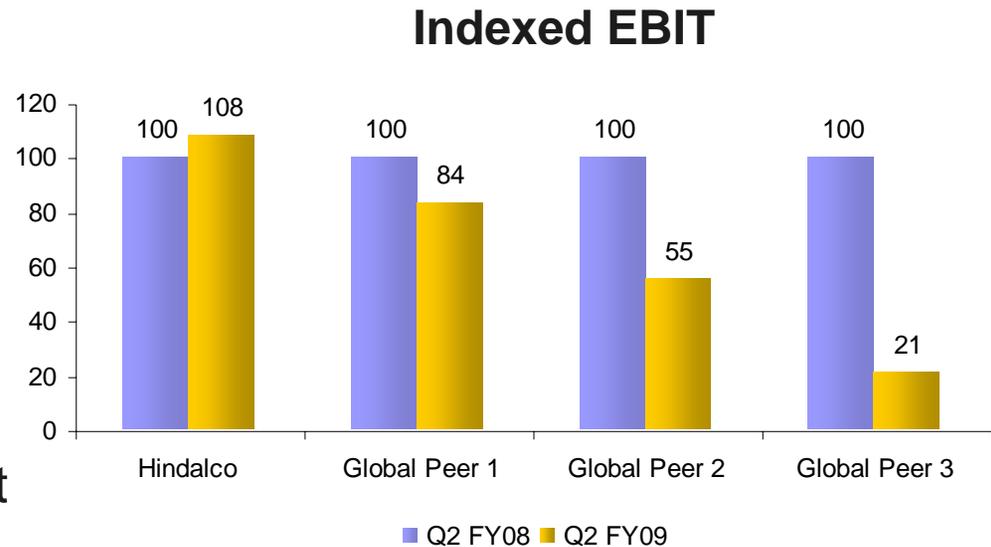
* QOQ basis

Deteriorating Markets

- Slowdown in Aluminium demand
 - US Economy showing recessionary trends
 - Significant slow down in building & construction and automobile sectors
 - Waning demand from Europe due to spreading financial crisis
 - Europe consumption to decline
 - Slowdown in Chinese demand post Olympics
 - Demand growth rate during Q2 FY09 at 15% down from 22% during Q1 FY09
 - Indian growth to Suffer
 - Revised GDP estimates at 7%
 - Slow down in Power sector reform initiatives
- Demand concerns & credit crunch resulting in a sharp decline in prices
 - Equity Markets in trouble, Funds dumping commodities
- Continued Cost push
 - Though signs of softening input prices being felt due to falling crude prices.

Global Peers suffered But Profits of Hindalco Improved

- Anemic Demand
- Continued Cost Push
- Short lived improvement in LME
- Favourable Currency movement



Strong Performance during troubled times

Improved Profitability through Operational excellence

Higher alumina and aluminium Production (up 13% QoQ) on account of Brown field expansions & Asset Sweating

Efficient cost management

Key Customer initiatives



Financials (Best Ever Q2)

Sales

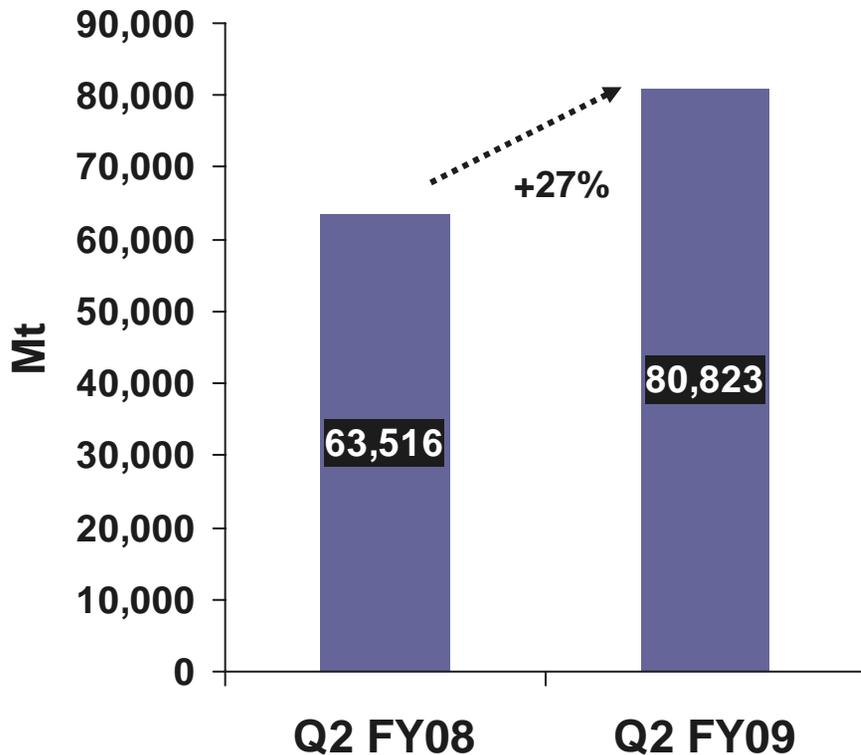
Highest ever for Q2 - Rs 2120 Cr - **Up 18%**

EBIT

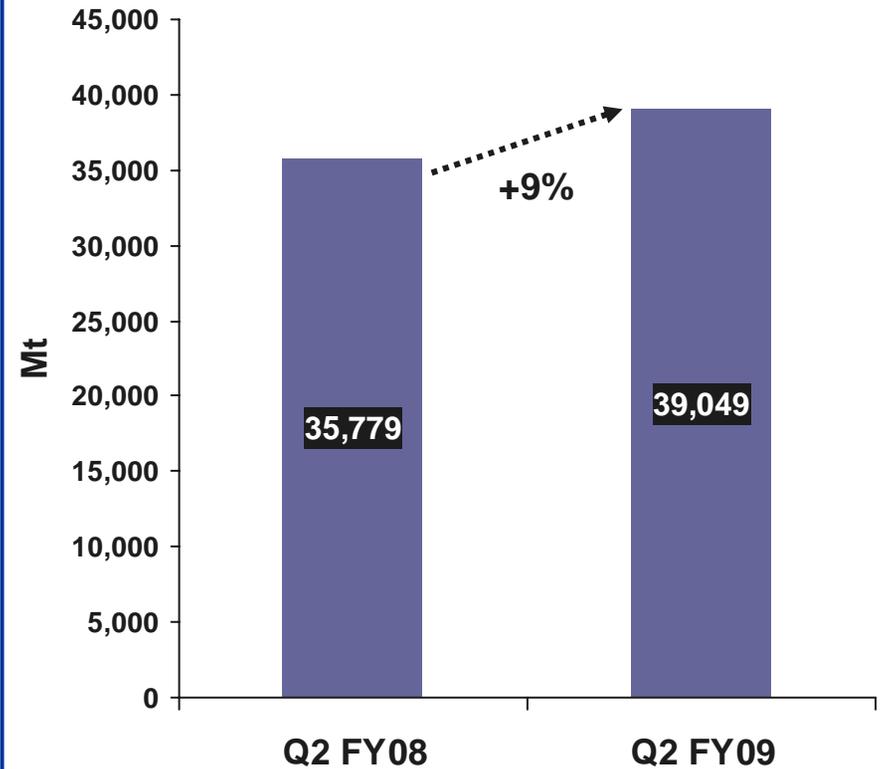
Highest ever for Q2 - Rs.715 Cr - **Up 8%**

Higher Alumina sales including specials

Significant growth in Alumina sales volume



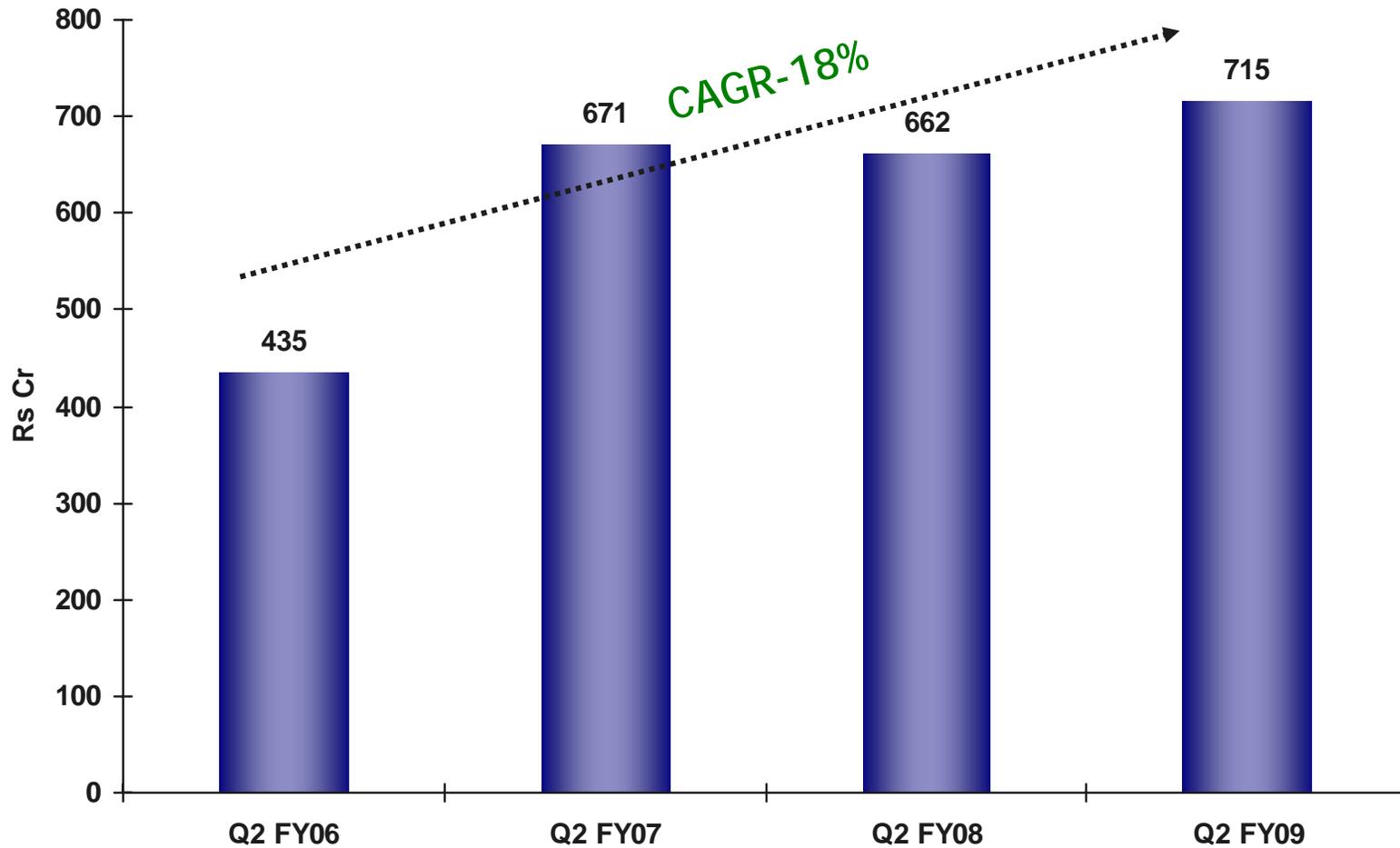
Supported by higher special sales



Aluminium Business Performance:

Rs Crores	Q2 FY08	Q2 FY09	Change (%)
Net Sales & Operating Revenue	1,792	2,120	18%
EBIT	662	715	8%

Best Ever Q2 EBIT



Copper



Key Industry Drivers & Impact

Driver	Relative movement*	Impact
LME Average(\$/ton)		
TC/RC		
By-product prices		
Fertilizer Subsidy		

* QOQ basis

Refined Copper: Fast Losing Steam; Mine output remained Constrained

- Slowing Demand & unprecedented credit crunch led to sharp fall in the copper prices in the recent past
- In 2008 Demand expected
 - to decline in the US, remain stagnant in Europe & Increase at a significantly lower pace in China
- Short term outlook even worse due to credit crunch
- Concentrate availability also remained tight as miners also suffered owing to rising costs and working capital crunch

Challenging Times

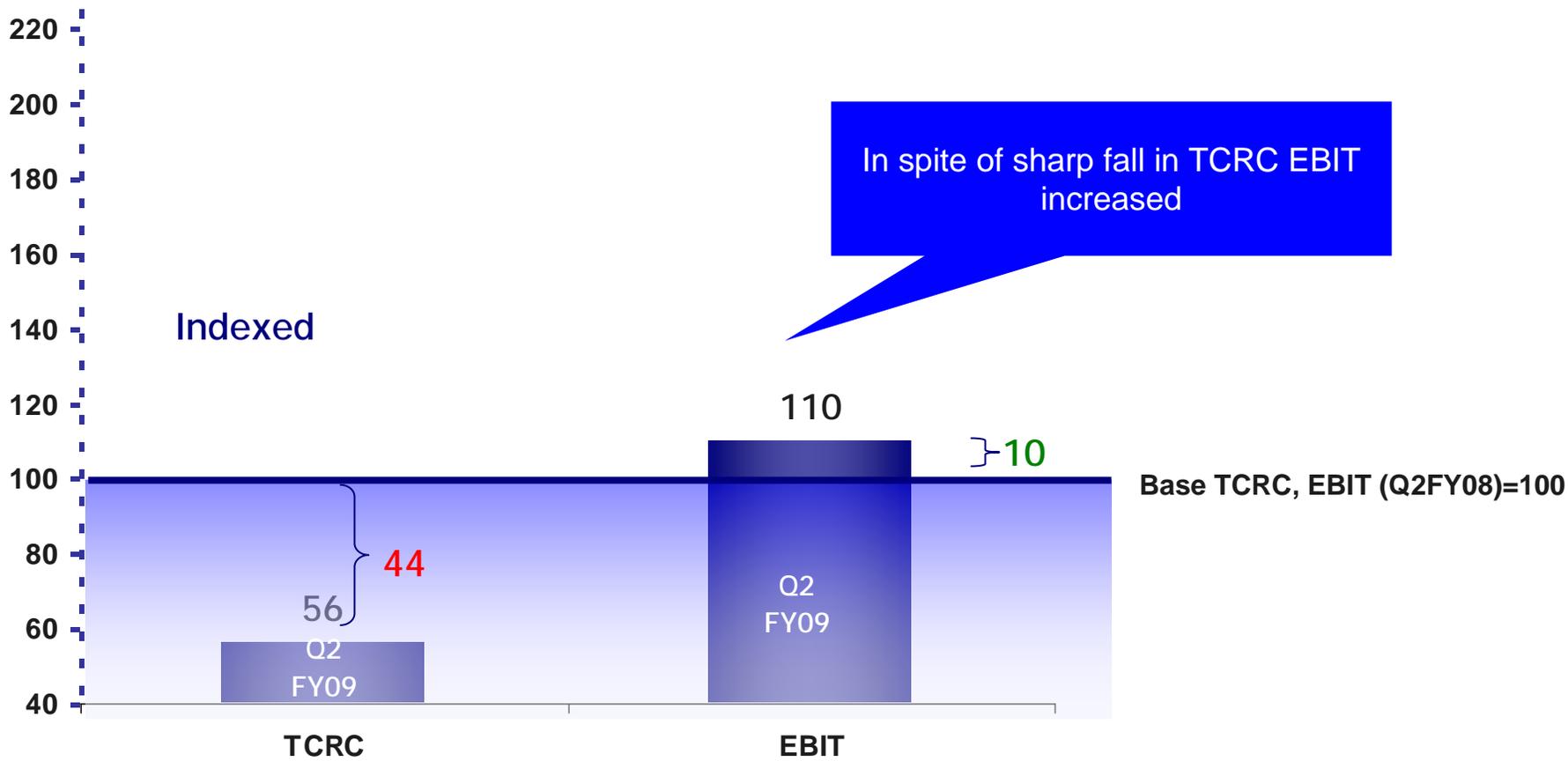
- TC/RC lower by 44% vis-a- vis Q2FY08
- Input price push continued as crude touched record levels before cooling off
- Inflationary pressures leading to rising operating costs

Impressive Performance in challenging times

- Higher Smelter Output (Up 2%) but marginal decline in cathode production (down 2%)
- Improved efficiency & lower conversion cost
- Higher contribution from Fertilisers stream
- Increased sulphuric acid production
 - Production increased to take advantage of higher realisations
 - Maximized spot sales to take advantage of the prevailing higher prices – expected to cool off going forward

- Sale of surplus power to the state grid

Improvement in EBIT despite drop in TCRC



Copper Business Performance

Rs Crores	Q2 FY08	Q2 FY09	Change (%)
Net Sales & Operating Revenue	3,178	3,565	12%
EBIT	126	138	10%

Aluminium Outlook

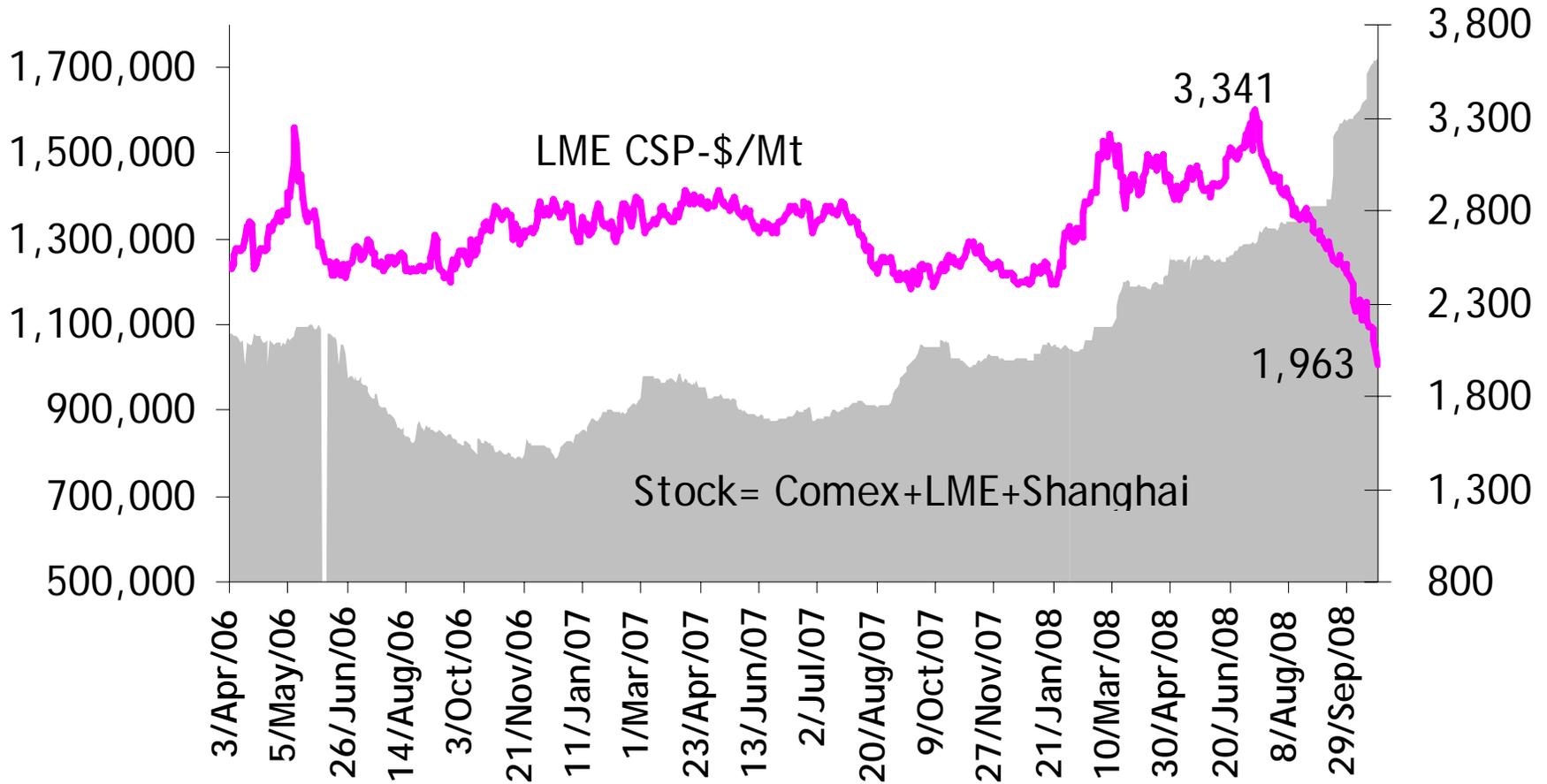
Demand-Supply : Surplus over short term

- Sharp Slow down in Global demand will result in higher inventory in 2009-2010
 - Developing US recession & its extension to Europe will have a major impact
 - China showing signs of moderation after a sharp run up in demand
- Weakness in supply a comforting factor
 - Capacities shutting down in western world, Africa & recently in China due to power related issues
 - Falling Aluminium prices resulting in cuts in production/capacities as more & more capacities become unviable
 - China expected to be net importer in 2009

Costs :Unsustainable with sharp fall in prices

- Cost push to continue despite expected relief in crude & related inputs
 - Any cost benefits will come with a lag and will be offset by price correction
 - Resulting into capacity closures
 - New Capacities/Expansion plans affected due to unprecedented credit crunch and higher finance costs

LME falling with increase in stocks

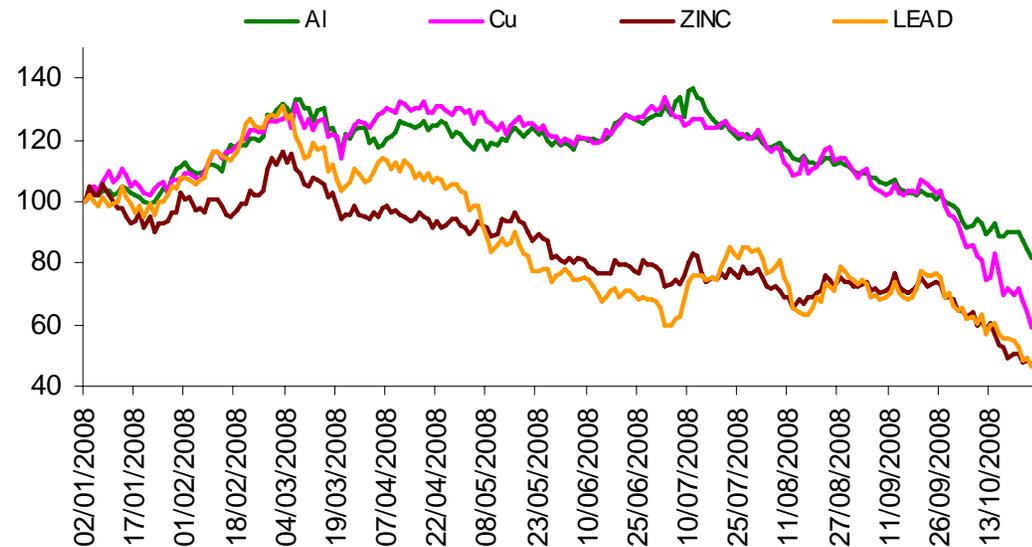


Prices

- Aluminium Prices declined sharply on account of rising economic uncertainty in the aftermath of financial crisis
- According to CRU with a sharp drop in LME, most of the Global smelters are making cash losses
- High cost Chinese capacities closing down
 - Smelters in the western world are contemplating shut down

Meaning.....

Fall in aluminium prices expected to be lower than other base metals



The Crux.....

- Prices are expected to remain subdued However, downside from existing levels is limited
- More Smelters closures expected in coming days
- Cost pressures expected to ease marginally with falling energy prices
- Demand weakness will stay for a while
- Hindalco being among the least cost smelters shall be able to weather the storm better than many others

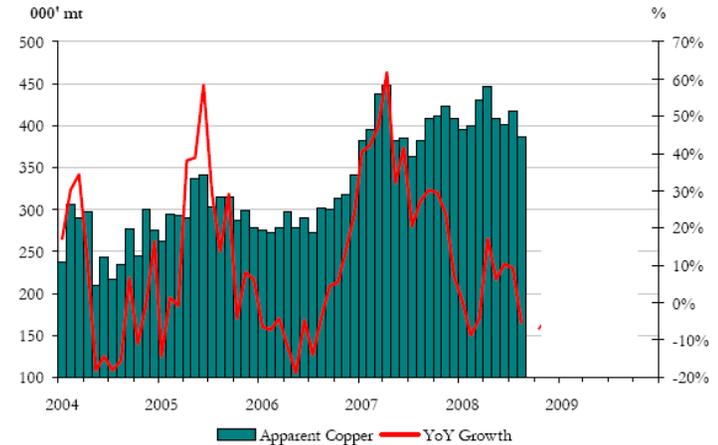
Copper Outlook

Demand Slow down.....

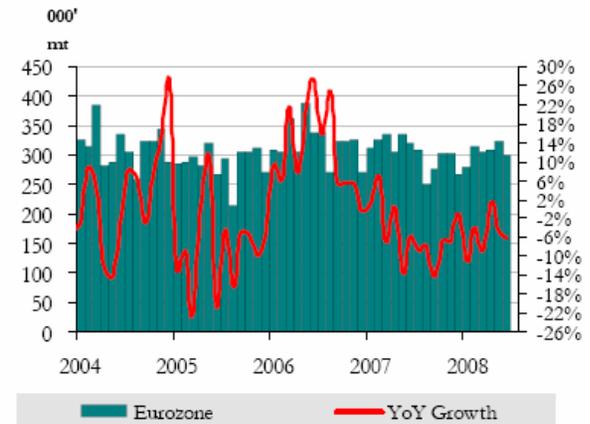
- Demand slump due to slowdown in the end user segments
 - Slow down in the US housing & construction industry
 - Chinese demand growth expected to slow down
 - Survey of 24 major copper smelters in China conducted by ICForex shows that 90 percent copper smelting enterprises in China are not optimistic about the future copper market
 - European demand to remain subdued
 - Indian demand to decline marginally in line with reduced GDP growth forecast
 - Higher interest rate & credit crunch to affect power & housing sector

Sources: CNIA and MBCNY Research

China Copper Consumption



ICSG Eurozone Monthly Copper Demand '000 mt



Still TC/RC to remain subdued over next year.....

- Constrained Concentrate Supply
 - Rising Capital & Operating costs due to
 - increased input, interest costs and Labour issues
 - declining copper grades
 - Liquidity crunch in the wake of Global financial crisis will hamper mine development plans
 - Production problems at Escondida & Freeport

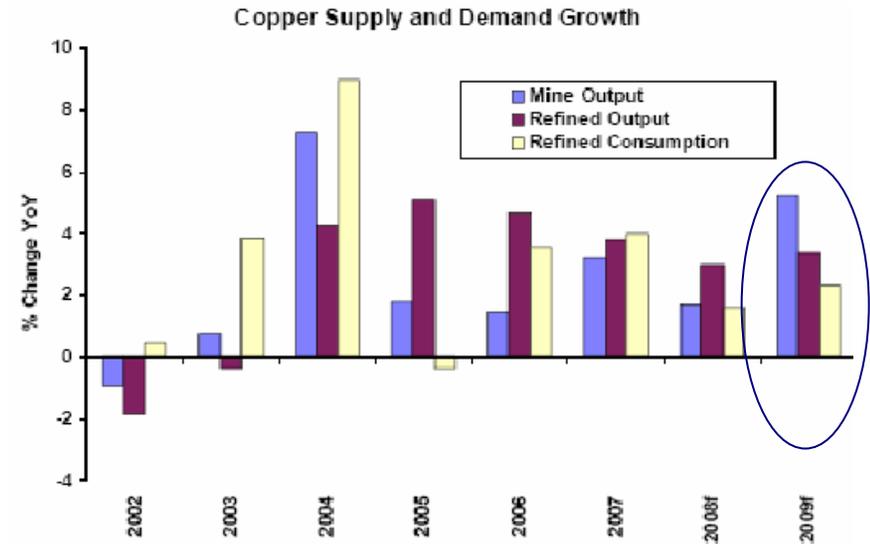
- Declining Refined copper demand
 - Declining demand and falling prices may restore the balance in favour of smelters;

However....

- the bargaining power of miners appear better than that of smelters

TCRC expected to improve over medium term.....

- Prolonged demand slow down and falling by product prices may result in smelter shutdowns
- Expected New smelters will defer their plans
- Larger Miners will continue to produce as they are relatively better off (in comparison to smelters) due to prolong profitable run
 - The fact that mine restart is difficult will also discourage marginal miners from closing down



Source: Brook Hunt & Macquarie

Expected Improvement in concentrate availability

By Products Outlook Bleak

- Precipitous fall in Sulphur prices
 - Government's directive to compulsorily supply sulphuric acid to Indian fertiliser industry at sulphur benchmarked prices led to disproportionate fall in domestic realisations

- Going forward, contribution from by-product streams may not be sustainable

Projects

Muri Alumina Expansion

- Statutory Clearances – Obtained
- Project – Commissioned; under stabilization
- Commissioning:
 - Evaporation - commissioned
 - Calcination - commissioned
 - Bauxite Handling & Bauxite Grinding- - commissioned.
 - HT Digestion and Precipitators commissioned.
 - Wagon Tipplers for bauxite commissioned for coal under commissioning.
 - Railway network operational.
 - Overall plant commissioned & stabilization under progress.
 - Muri plant has reached a capacity of 210 KT from 100 KT.

Muri Project Site



Bauxite Handling



HT digesters



New 10,000 T Alumina silo



New tracks & BTAP wagons

Hirakud Smelter and Power Plant Expansion

- Phase II of the expansion of the smelting capacity from 100,000 TPA to 143,000 TPA was completed in Aug – 08 , as per schedule
- Further work on expansion to 151 KTA is in progress and is expected to be completed by Aug- 09.
- The power generation capacity has been raised from 267.5 mw to 367.5 mw. All the units have been commissioned.

Greenfield Project – Utkal Alumina

- Additional construction resources mobilized at site in full strength. Detail engineering for the main plant area is substantially completed.
- About Rs. 668 crores have already been spent and a commitment of about Rs. 2570 crores already made as on date. Major packages ordered.
- Environment Clearance – MoEF Clearance received for 3,000 KTPA. Clearance for further increase in capacity of mines to 8,500 KTPA is in process.
- Project site team has been strengthened
- Bauxite mining activities to start by end 2009.
- Mechanical Completion Date – Jan' 2011

Utkal Alumina



Laxmipur Jn. To Sorispadar (23.8 Km) under construction, For transportation of heavy project materials to site (15 kms Black Topping completed)



Mines Road : road work under progress to make it motorable (21 Km)



Mundagaon Culvert – completed & open for traffic



33 KV TL from Laxmipur - Plant Site (33 km)
 - Line charging completed and Power supply Agreement - Signed with SouthCo.

Greenfield Projects – Aditya

- Technology agreement with AP signed for Aluminium. SIA clearance from Government received, Engineering Packages have started arriving.
- Alumina Technology tie up with ALCAN signed. SIA clearance for Alumina Technology awaited.
- EPCM contract for 900MW power plant placed on DCPL, Kolkata; EPCM contract for Smelter already signed with EIL, New Delhi, EPCM for Co-Generation awarded to M N Dastoor
- Land acquisition is at advance stage. Formal approval for setting up sector specific SEZ for Aluminium in 115 Ha of land in Sambalpur granted on March 2008. . In-principle approval obtained for 855 ha of SEZ at Lapanga, district Sambalpur. . R & R colony under construction.
- Water : Agreement signed for drawal of water.
- Coal Block: JV Company MNH Shakti Ltd. Registered office opened at Burla, first Board meet done
- Expected date of Smelter Project completion(first metal) : Oct -2011

Greenfield Projects – Mahan Aluminium

- Land: a) 3096 acres of private land. Sect(8) notification issued & measurement completed b) Application for 1730 Acres of land submitted
- Coal: Coal block allotted in Apr'06 in JV with ESSAR. JV formed. Production of Coal likely to start in FY 10
- Water: Water resource department of GOMP has allotted 45.12 cusecs
- Environmental Clearances: pending with the centre (MoEF).
- Power connectivity for construction power being approved
- Smelter Engineering activities by Pechiney in progress, EIL: detailed - engineering jobs for Aditya and Mahan are in progress simultaneously.
- DCPL appointed consultant for power plant and detailed engineering, BTG enquiry issued, bids awaited
- Long term delivery packages – Cranes, Cathode Blocks finalized. More in the pipeline.
- Milestones :
 - First Metal by July 2011
 - First TG unit by Mar-2011
 - Coal by Jan 2011

Jharkhand Aluminium

- The proposed smelter capacity of the Jharkhand aluminium project is 359 ktpa and a CPP of 900 mw
- Land Acquisition: Plant location finalized at Sonahatu block ~20 kms from Muri & 55 kms from Ranchi. Application for Govt. land is submitted. Detailed surveys related to land viz; its type and ownership have been started
- Tubed Coal Mine Allotted- Joint venture formed between Tata power and Hindalco.
- Water Allocation – Clearance received from GoJ for 55 MCM water from Subernrekha basin. Feasibility studies for establishing water sources completed, reports being evaluated
- Expected Commissioning date: June 2012.

To Sum Up..... 'Testing times ahead'

- Financial Market turmoil has reversed the commodity bull run
- Demand slow down, pricing pressures & cost push poses a serious & continuous challenge
- Hindalco has embraced an aggressive growth plan, a combination of organic & inorganic growth
- Challenging times for Hindalco but...
 - Hindalco's cost competitiveness is expected to steer it through these troubled times

Priorities

Maintain Growth Momentum

- Continued stress on operational excellence

Build New Assets

- Progress on planned Greenfield projects & deliver as per schedule

Realise Novelis Synergies

- Financial turnaround
- With continued Operational improvement
- Leverage on technology

Unwavering commitment & disciplined Execution

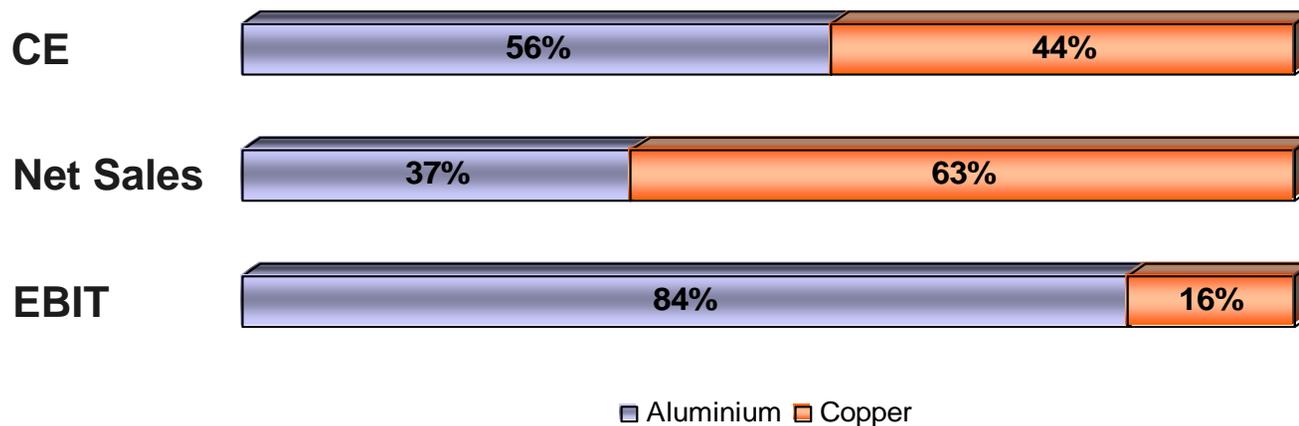
Financials



Detailed Financials

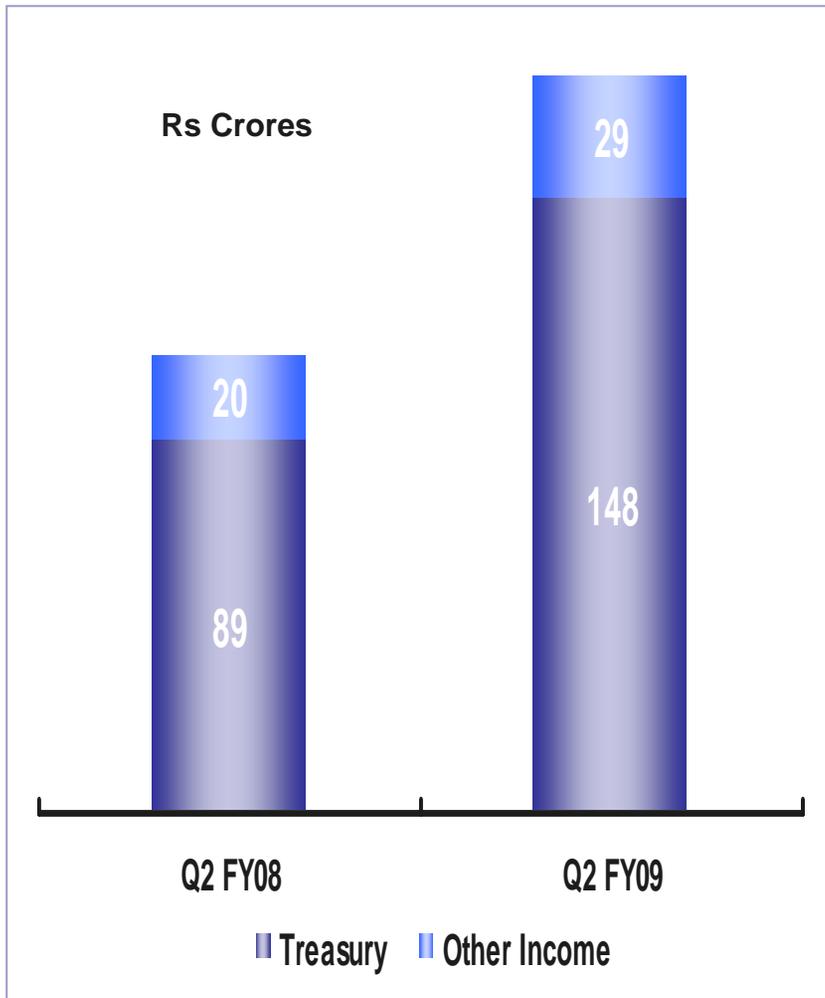
Rs Crores	Q2 FY08	Q2 FY09	Change (%)	H1 FY08	H1 FY09	Change (%)
Net Sales	4,967	5,683	14%	9,652	10,331	7%
Expenditure	4045	4690	16%	7849	8388	7%
Other Income	110	177	61%	234	391	67%
PBDIT	1,032	1,170	13%	2,038	2,334	15%
Depreciation	145	159	9%	289	316	9%
PBIT	886	1011	14%	1,748	2,018	15%
Interest	63	86	35%	120	162	35%
PBT	823	926	12%	1,629	1,856	14%
Tax	181	206	14%	388	440	13%
PAT	643	720	12%	1,241	1,417	14%

Segment Analysis



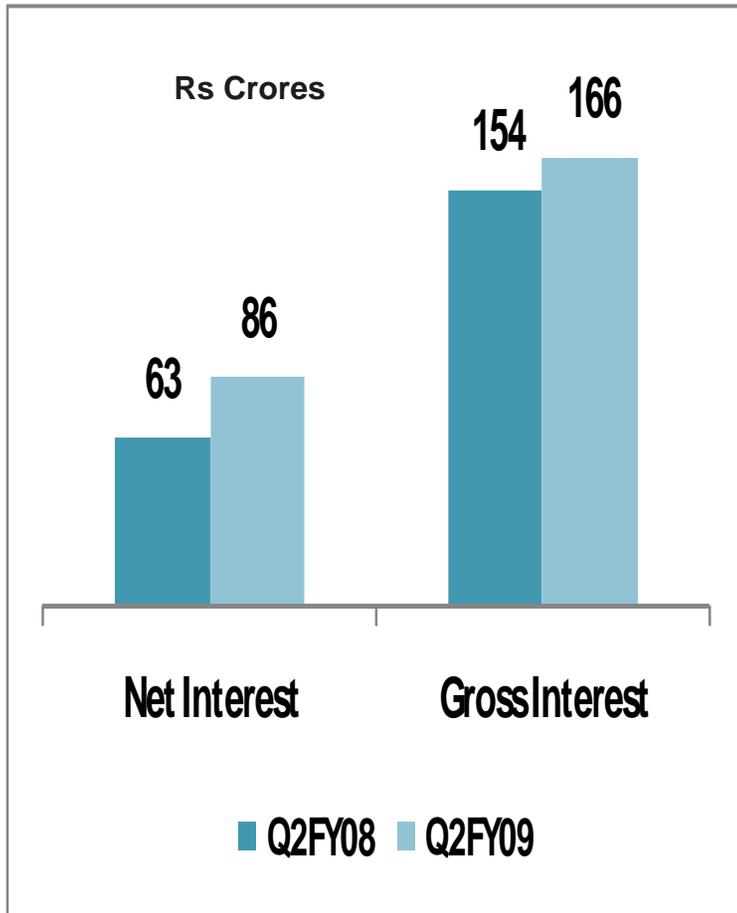
Rs Crores	Aluminium		Change (%)	Copper		Change (%)
	Q2 FY08	Q2 FY09		Q2 FY08	Q2 FY09	
Net Sales	1,792	2,121	18%	3,178	3,565	12%
EBIT	662	715	8%	126	138	10%
EBIT Margins	37%	34%		4%	4%	
Capital Employed	7,683	8,765	14%	5,865	6,820	16%
ROCE	35%	34%		9%	9%	

Other Income



- Treasury income higher due to Higher pre-tax treasury yield & Higher average treasury

Interest & Finance Charges



□ Higher Interest and finance

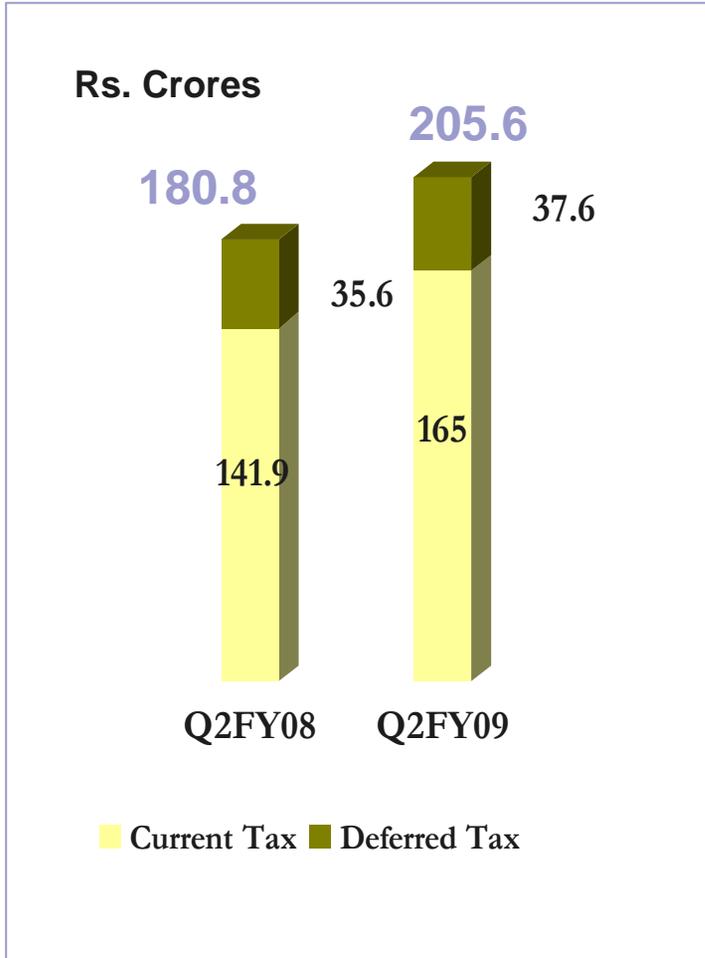
charges

□ Lower interest capitalization

□ Higher average borrowings

□ Higher average interest cost

Taxes



Provision for Taxes Higher mainly due to :-

- Higher PBT & Higher ETR

Aluminium Production

Production	Units	Q2 FY08	Q2 FY09	% chg	H1 FY08	H1 FY09	% chg
Alumina	MT	282,292	296,408	5%	584,722	599,885	3%
Primary metal	MT	118,257	131,314	11%	234,426	255,201	9%
Wire rods	MT	18,031	17,888	-1%	35,464	36,046	2%
Rolled products	MT	57,273	45,172	-21%	114,366	96,506	-16%
Extruded products	MT	11,107	10,206	-8%	21,293	21,225	0%
Foils	MT	7,510	6,647	-12%	14,907	13,930	-7%
Wheels	Nos.	41,576	48,068	16%	86,152	95,060	10%
Power	MU	2,102	2,403	14%	4,266	4,623	8%

Aluminium Sales Volumes

Sales	Units	Q2 FY08	Q2 FY09	% chg	H1 FY08	H1 FY09	% chg
Chemicals	MT	63,516	80,823	27%	140,087	148,958	6%
Primary metal	MT	54,871	64,627	18%	104,410	125,040	20%
Rolled products	MT	45,869	37,818	-18%	87,474	74,174	-15%
Extruded products	MT	11,165	10,181	-9%	20,741	20,338	-2%
Foils	MT	5,968	6,108	2%	13,060	13,357	2%
Wheels	Nos.	45,798	45,353	-1%	92,271	85,500	-7%

Copper Production

Production	Unit	Q2 FY08	Q2 FY09	% chg	H1 FY08	H1 FY09	% chg
Copper Cathodes	MT	79,181	77,540	-2%	158,415	137974	-13%
CC Rods	MT	35,335	34,293	-3%	69,430	64458	-7%
DAP/NPK	MT	34,117	36,598	7%	70,337	65864	-6%
Gold	Kg	3,543	1,190	-66%	5,313	2881	-46%
Silver	Kg	13,166	7,184	-45%	22,109	17279	-22%

Copper Sales Volumes

Sales Volumes	Unit	Q2 FY08	Q2 FY09	% chg	H1 FY08	H1 FY09	% chg
Copper Cathodes	MT	43,327	44,373	2%	88,015	73803	-16%
CC Rods	MT	35,318	34,626	-2%	69,048	65083	-6%
Gold	Kg	3,503	1,190	-66%	5,233	2881	-45%
Silver	Kg	13,166	7,184	-45%	22,643	17279	-24%

Aluminium Sales Revenue (Rs Crs)

Sales	Q2 FY08	Q2 FY09	% chg	H1 FY08	H1 FY09	% chg
Chemicals	146	199	36%	310	356	15%
Primary metal	610	832	36%	1,222	1,622	33%
Rolled products	644	651	1%	1,254	1,218	-3%
Extruded products	170	178	5%	322	354	10%
Foils	144	142	-2%	274	300	10%
Wheels	9	10	2%	19	18	-7%
Others	68	109	59%	153	196	28%

Copper Sales Revenue (Rs Crs)

Product	Q2 FY08	Q2 FY09	% chg	H1 FY08	H1 FY09	% chg
Copper Cathodes	1375	1601	16%	2,784	2,657	-5%
CC Rods	1257	1252	0%	2,381	2,348	-1%
Gold	310	142	-54%	462	341	-26%
Silver	23	16	-32%	40	39	-4%
Others	126	125	-1%	276	153	-45%