



# Hindalco Industries Limited

**Performance Review  
Q3 FY09**

**Investor Presentation**

**30<sup>th</sup> January 2009**

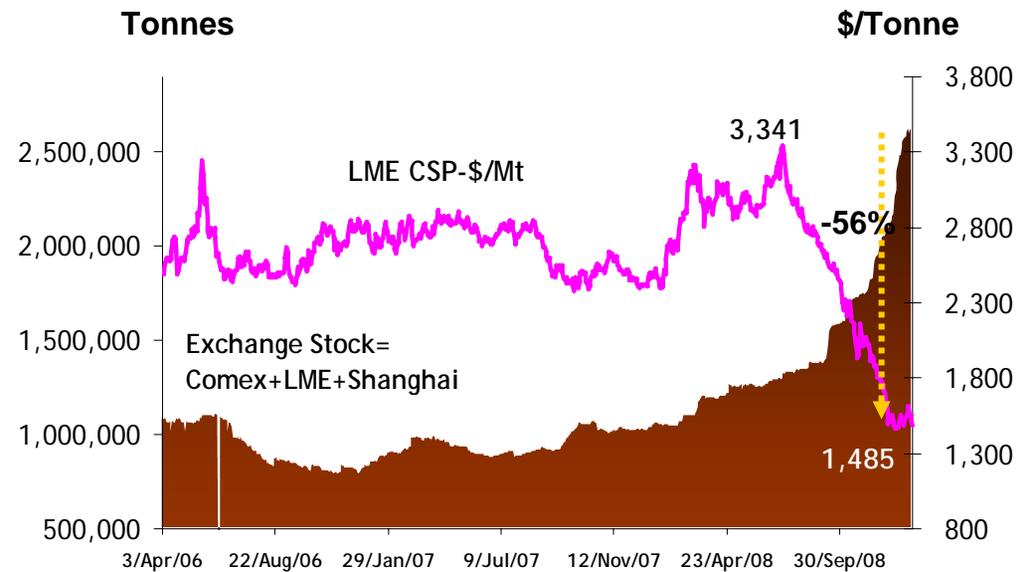
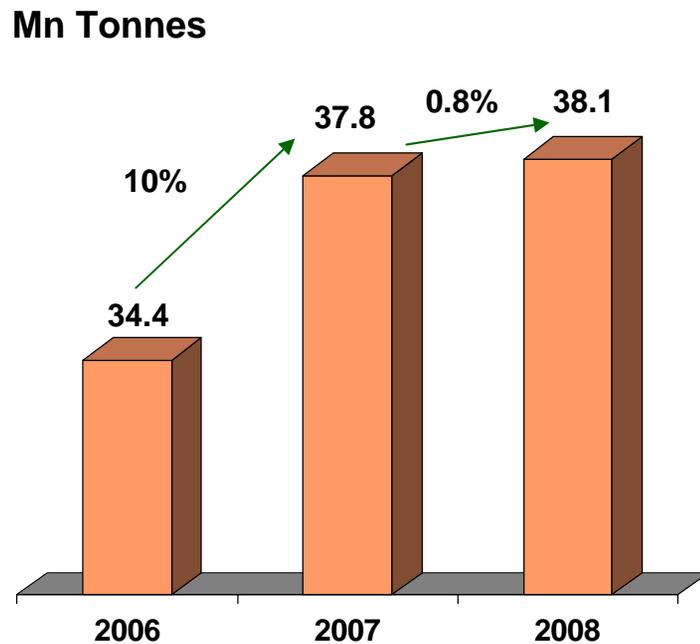
# Backdrop: Financial Crisis & Global Meltdown

- As the Financial crisis spread through the Globe....
  - The financial system witnessed severe liquidity crunch
    - Banks lost trust in the peers
    - Stock markets collapsed as funds felt redemption pressure
    - Suddenly Fear & uncertainty engulfed till then vibrant Global financial markets
- This led to ....
  - Sudden brakes on all booming commodity intensive sectors such as infrastructure, automobile and Real estate
  - Slowdown in emerging economies, notably BRIC economies; the global demand drivers in the recent times
- The recession that had started in the US expanded to the Globe

# Demand slow down led to a crash in commodities ..... Aluminium

Slowing Global demand...

....Resulted in stock buildup & price collapse



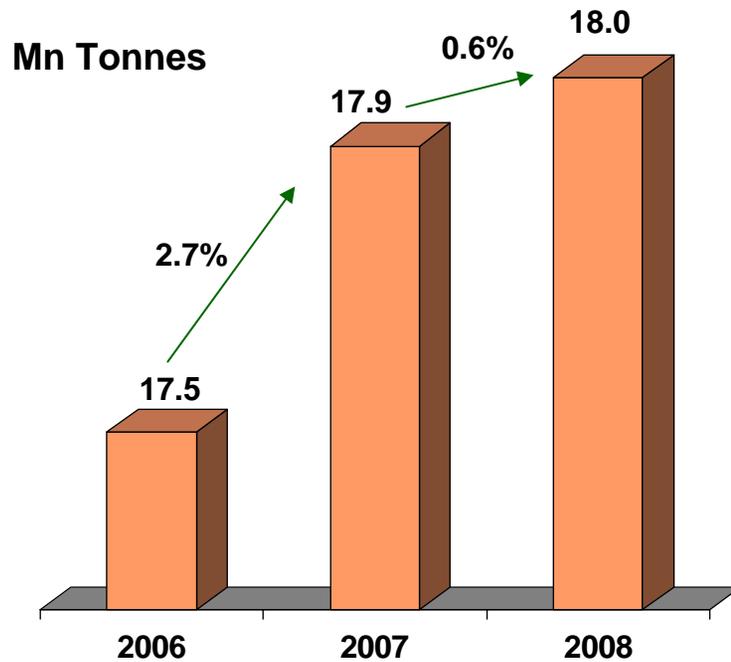
Source: Reuters

Source: CRU Jan'09

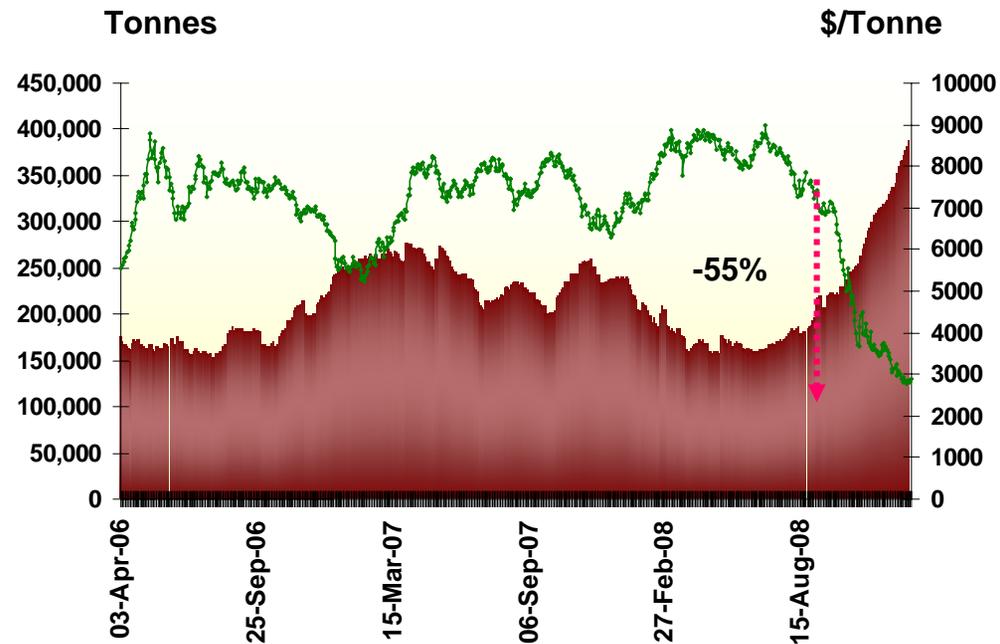
- Aluminium price down by 56% within 6 months
- Overall Inventories at 4.5 Mn Tonnes- highest levels since 1994

# Demand slow down led to a crash in commodities ..... Copper

Slowing Global demand...



....Resulted in stock buildup & price collapse



Source: Reuters

Copper prices down by 55% within 3 months

Source: Brok Hunt Dec'08

# Key Industry Drivers

Driver	Q3 FY08	Q3 FY09	Change %	Impact
Aluminium LME Average(\$/ton)	2,443	1,821	(25%)	↓
Copper LME Average (\$/ton)	7,239	3,940	(46%)	↓
Exchange Rate(Rs/\$)	39.5	48.8	24%	↑
Domestic Al Ingot Realisation (Rs/ton)	1,03,137	97,142	(6%)	↓

# Financials:

Rs Crores	Q3 FY08	Q3 FY09	Change (%)	9M FY08	9M FY09	Change (%)
Net Sales	4,539	4117	-9%	14,191	14,448	2%
EBIDTA	801	779	-3%	2,604	2,722	5%
PBT	706	675	-4%	2,335	2,532	8%
PAT	543	545	0%	1,784	1,962	10%
EPS	4.01	3.37	-16%	14.1	13.61	-4%

Number of shares: 170.05 Cr in Q3 FY09  
122.57 Cr in Q2 FY08

# Hindalco Highlights...

- Hindalco's robust business model kept it in relatively good stead
  - Copper business acted as a natural hedge against the vagaries of commodity cycle
    - Underlines the importance of conversion business model
      - The role Novelis is expected to play in the long term
  - Copper business performance depicted a sharp improvement even in these troubled times
    - Copper EBIT increased by over 23%
  - Low cost operations in aluminium helped Hindalco in partially offsetting the sharp fall in prices and decline in offtake
    - Brownfield expansions yielding higher volumes

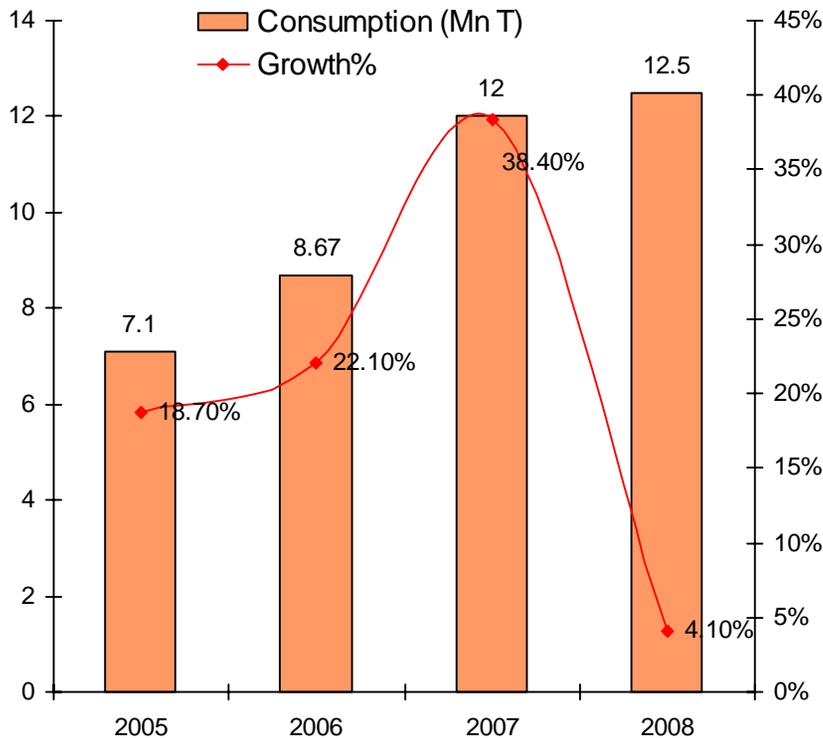


# Aluminium Business Performance



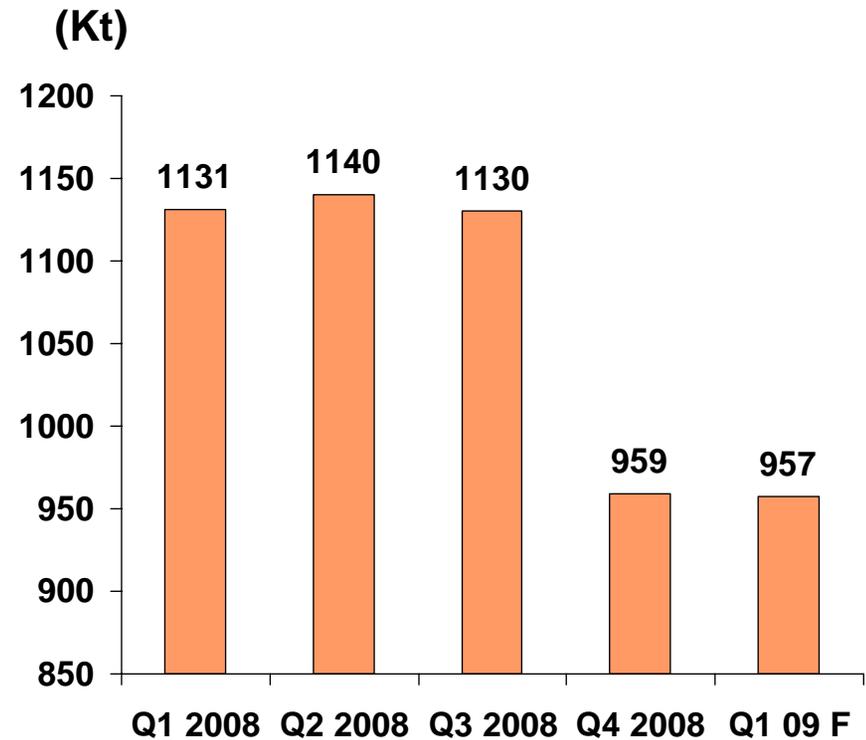
# Backdrop: All-round drop in Aluminium demand

Chinese demand -Plummeted



Source: Antaike-Jan'09

De-growth in Sheet & Plate consumption in USA and Canada

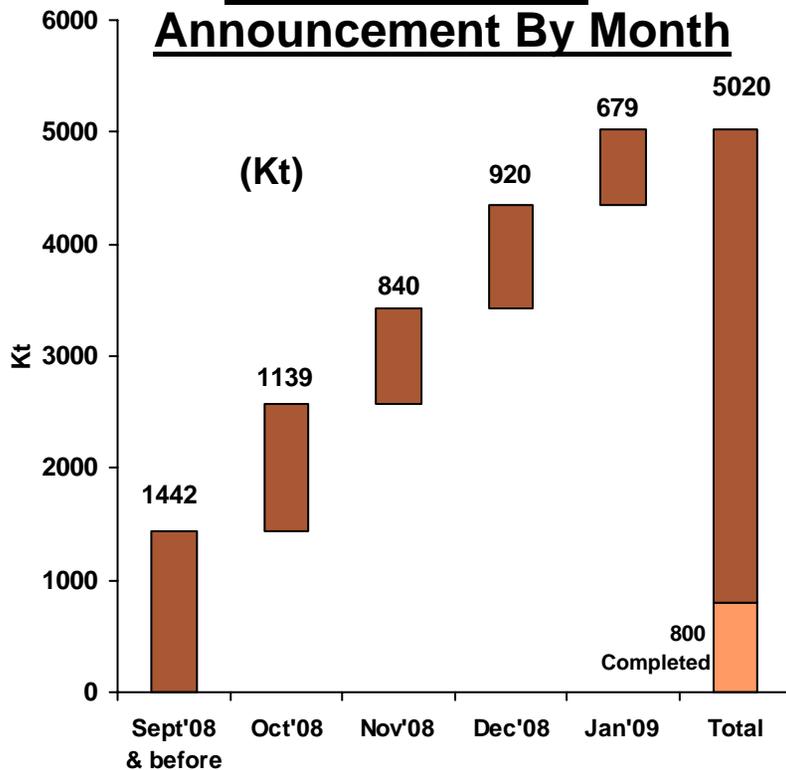


Source: CRU Jan'09

# Supply: At Current Prices, > 90% of the Smelters are unviable

## Production cuts

### Announcement By Month



## Production cuts By Region

(Mn Tonnes)

Country	Aug'08 Prodn-annualised	Announced Curtailment	%Curtailed
China	14.0	3.0	21%
North America	5.7	0.8	15%
Eastern Europe/Russia	4.7	0.6	12%
Western Europe	4.6	0.2	5%
Asia/Middle East	4.0	0.1	2%
Latin America	2.7	0.1	3%
Oceania	2.3	0.1	4%
Africa	1.7	0.1	6%
<b>Total</b>	<b>39.6</b>	<b>5.0</b>	<b>13%</b>

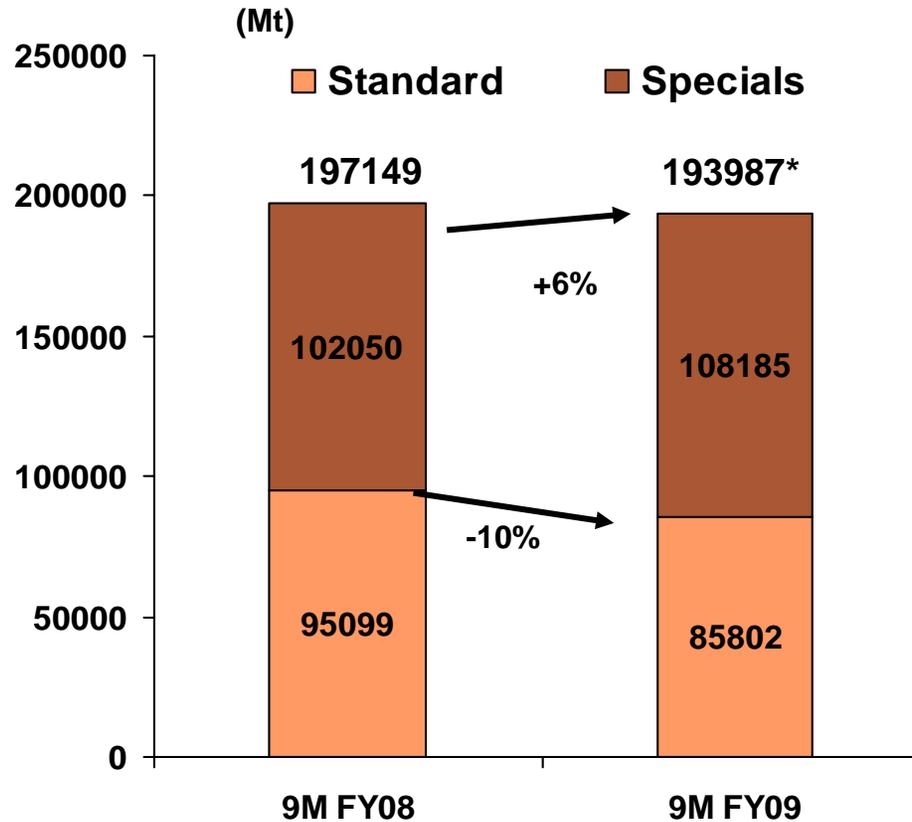
**Announced curtailment of 5 Mn Tonnes amounts to ~13% of Global output**

Source: Alcoa Jan'09

# Aluminium: Performance at a glance

<b>Rs Crores</b>	<b>Q3 FY08</b>	<b>Q3 FY09</b>	<b>Change (%)</b>
<b>Net Sales &amp; Operating Revenue</b>	<b>1736</b>	<b>1980</b>	<b>14%</b>
<b>EBIT</b>	<b>578</b>	<b>530</b>	<b>-8%</b>

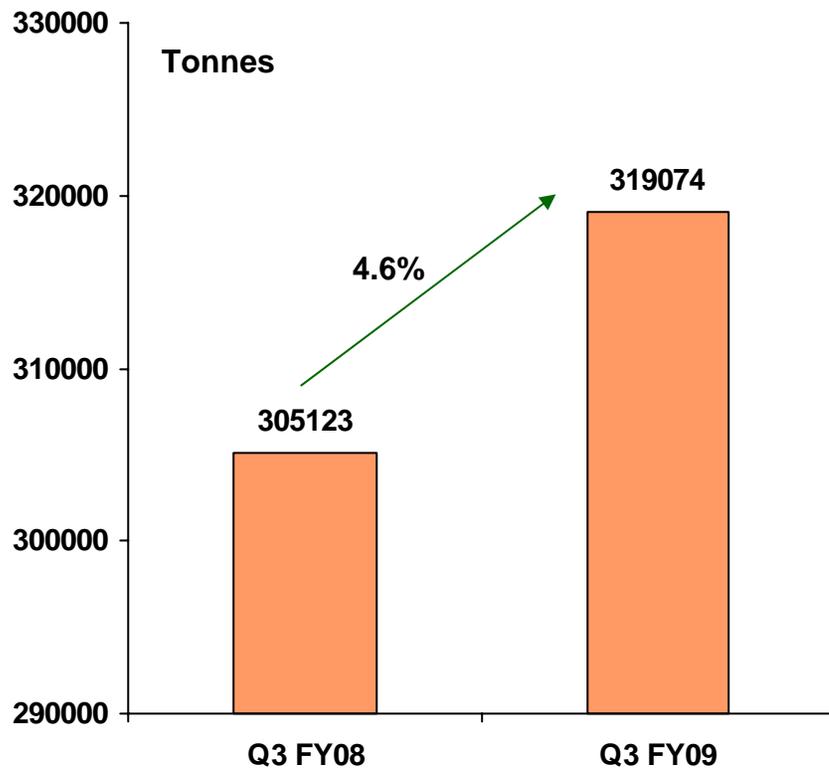
# Higher Sales of Specialty Alumina



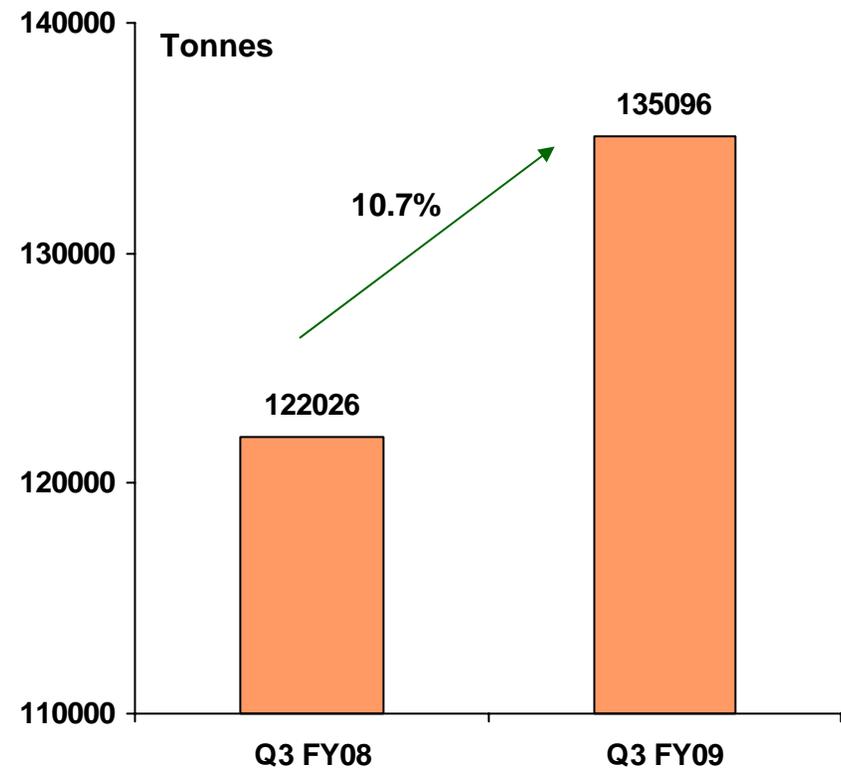
\* Overall sales declined due to higher captive consumption

# Increase in Production volumes

## Alumina (Hydrate)

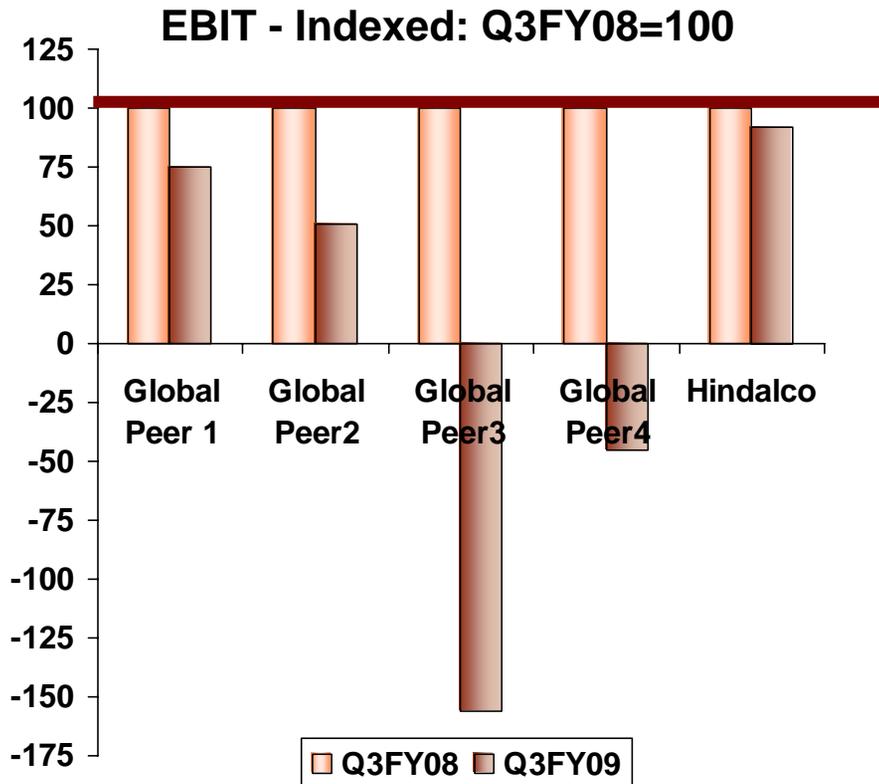


## Aluminium

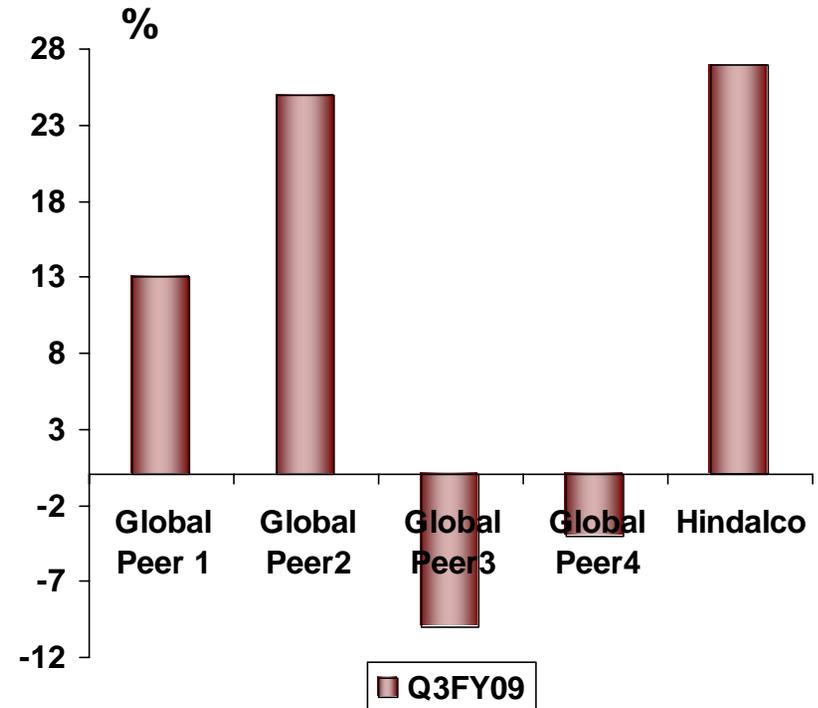


# Peer Comparison: Hindalco - Creditable performance

How the players performed vis vis corresponding quarter last year



**EBIT Margins for the current quarter**



# Copper Business Performance



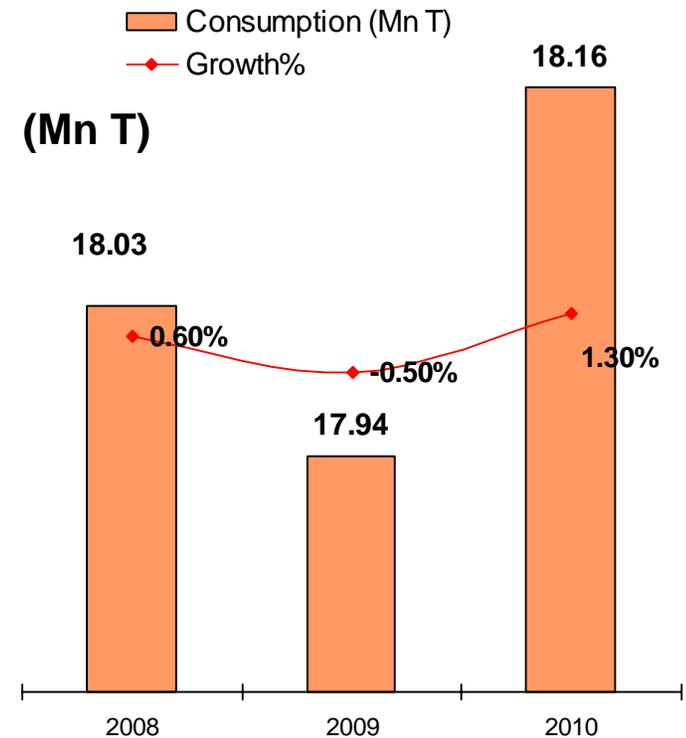
# Challenging Times

- TC/RC down by 33% vis-a- vis Q3FY08
- Sharp decline in demand of refined copper globally
- Sharp fall in By-product prices

# Declining Demand

- Global demand for refined copper set to decline in 2009 due to apparent Global recession
- Global slowdown in Copper intensive sectors such as housing, infrastructure & consumer durables

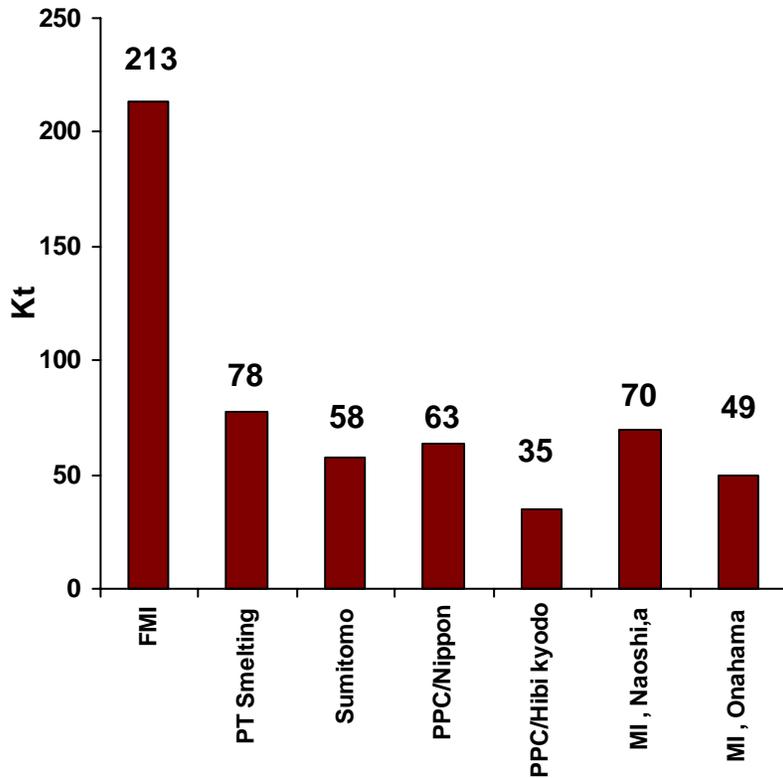
## Global demand – Moderate Decline



Source: Brook Hunt Dec'08

# High Cost Smelters Cutting down production as by-product credit dries up

(Kt) Production cut Announcement



Particular	Total Estimated production in 2009 (kt)	Production Cut (%)	Production Cut (kt)
US	640	-25.0%	213
Indonesia	700	-10.0%	78
Japan	3591	-6.3%	226
China	445	-10.0%	49
<b>Total</b>	<b>5376</b>	<b>-10.5%</b>	<b>566</b>

**Announced curtailment of around 566 kt amounts to ~ 3% of Global output**

Source: Fertilizer Week 16.01.09

# Impressive Performance in challenging times

## ■ Production performance vis a vis Q3 FY 08.....

- Improved efficiency & lower conversion cost
- On the back of bi-annual shutdown in smelter III,
  - Output declined by 12%
    - Highest ever smelter output in Dec'08
  - Cathode production declined by 7%
  - However, Value added Rod production increased by 15%
- Higher contribution from Fertilisers stream

# Copper: Performance at a glance

Rs Crores	Q3 FY08	Q3 FY09	Change (%)
Net Sales & Operating Revenue	2,806	2,139	(24%)
EBIT	94	116	23%

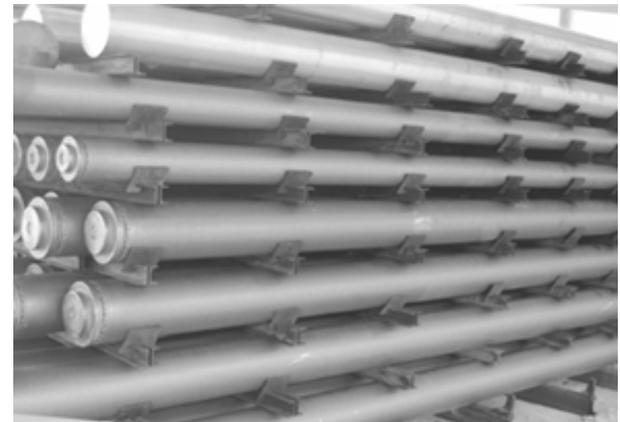
# Projects

# HAAL

- Project commissioned during Q3 FY09
- Value accretive project with enormous potential
- Commercial production started in December
- 1060 MM Dia billet cast on 6<sup>th</sup> of Dec 2008

(Largest Aluminium alloy billet ever produced in India)

- First shipment dispatched to local forging units.
- Exports commenced during Jan'09.



# Muri Alumina Expansion

- Statutory Clearances – Obtained
- Project – Commissioned; under stabilization
- Commissioning:
  - Bauxite Handling & Bauxite Grinding- - commissioned.
  - HT Digestion and Precipitators commissioned.
  - Railway network operational.
  - Overall plant commissioned & stabilization under progress.
  - The entire steam and power requirement is being met by the new captive power plant.
  - 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 155 KTA is in progress and is expected to be completed by Aug- 09. First group of pots mechanically completed in Jan-09.
- The power generation capacity has been raised from 267.5 Mw to 367.5 Mw.



# Greenfield Projects – Mahan Aluminium

- Land: Section 9(1) letter issued to 1 of 4 villages by Dist authorities. Balance villages in process.
- Coal: Coal block allotted. Production of Coal likely to start in FY 10
- Environmental, Rail & Water clearances have been obtained. Land for compensatory afforestation identified.
- Basic Engineering packages from AP received on schedule.
- Detailed Engineering work by EIL is in progress and enquiries/orders for major packages already placed/being placed.
- DCPL : consultant for power plant and detailed engineering. BTG order finalization by Feb -09. Final negotiations are in progress.
- Milestones :
  - First Metal by July 2011
  - First TG unit by Mar-2011
  - Coal by Jan 2011

# Greenfield Project – Utkal Alumina

- Detail engineering for the main plant area is substantially completed.
- All necessary statutory approvals are in place for construction of Project
- Team is in place for the execution of project
- About Rs. 750 crores have already been spent, Commitment made for about Rs.3000 Crore
- Most of Major Orders (long delivery) placed
- L & T has been finalized for the civil, structural and tankages. This is expected to expedite the project.
- Environment Clearance – MoEF Clearance received for 3 million TPA.
- Bauxite mining activities to start by mid 2010.
- Mechanical Completion Date – Jan' 2011

# Utkal Alumina



**CPP area: Piling work commenced in boiler and coal bunker area (M/s Rammana Rao & associates)**



**Township: Civil foundations work under progress (M/s Gulf Oil)**



**CPP area: Civil foundations work under progress in power plant area (M/s GDCL)**



# Greenfield Projects – Aditya Smelter & CPP

- Technology agreement with AP signed for Smelter. SIA clearance received.
- Basic Engineering is 70% complete, received on time.
- Detailed engineering consultant EIL- for smelter & DCPL for CPP. Work is in progress
- Major proprietary equipments for smelter ordered.
- Plans to finalize orders in Feb-09 – Boilers, turbines, conversion substation. Total order value : Rs. 3000 Cr.
- Commitment made till Dec-08: Rs. 1264 Cr.
- Land acquisition is at an advance stage. 1357 acres registered in the name of the company.
- Water : Agreement signed for drawl 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 – Aditya Refinery & mines.

- Alumina Technology tie up with ALCAN signed. SIA clearance for Alumina Technology received.
- Land acquisition is at an advance stage.
- EPCM for Co-Gen plant awarded to M/s M N Dastur & Co.
- Construction & Operation power : Work is going on as per plan.
- Railways: Rail layout plan approved by East Coast Railways.
- Expected date of Refinery Project completion( delayed ) : June – 2013.

# Jharkhand Aluminium

- Land Acquisition: 7000 acres of land earmarked till date and Topographic and Demographic survey completed. Socio-economic survey is started now.
- CSR activities are ramped up. Visit of Sonahatu people to Renukoot complex was done. This was extremely fruitful and positive.
- 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..... ‘ Difficult times’

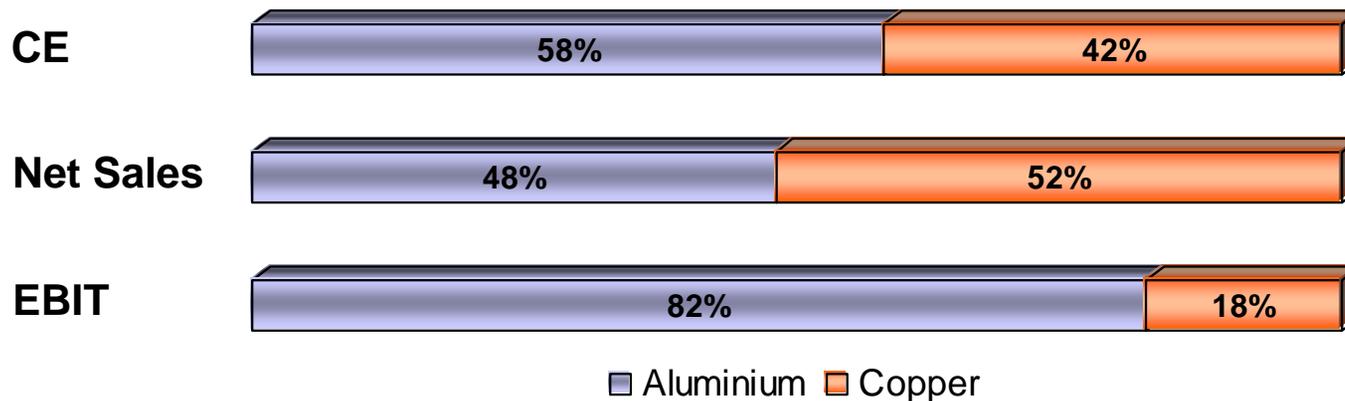
- Financial Market turmoil has reversed the commodity bull run
- Demand destruction, pricing pressures poses a serious & continuous challenge
- Hindalco’s robust integrated model has helped in partially offsetting the impact of sharp fall in the commodity prices
- Copper business performance improved in these challenging times; underlying the importance of conversion business model in the falling commodity price cycle
- These are challenging times for the business, however with a ‘focused approach’ the management would face these challenges to overcome them

# Financials

# Results

Rs Crores	Q3 FY08	Q3 FY09	Change (%)	9M FY08	9M FY09	Change (%)
Net Sales	4,539	4,117	-9%	14,191	14,448	2%
Expenditure	3,738	3,338	-11%	11,586	11,726	1%
Other Income	114	150	32%	349	542	55%
PBDIT	915	930	2%	2,953	3,264	11%
Depreciation	147	161	10%	436	477	9%
PBIT	768	769	0%	2,517	2,786	11%
Interest	62	93	50%	182	255	40%
PBT	706	675	-4%	2,335	2,532	8%
Tax	163	131	-20%	551	572	4%
PAT	543	545	0%	1,784	1,962	10%

# Segment Results



Rs Crores	Aluminium		Change (%)	Copper		Change (%)
	Q3 FY08	Q3 FY09		Q3 FY08	Q3 FY09	
Net Sales	1,736	1,980	14%	2,806	2,139	-24%
EBIT	578	530	-8%	94	116	23%
EBIT Margins	33%	27%		3%	5%	
Capital Employed	7,814	8,666	11%	5,756	6,224	8%
ROCE	30%	25%		7%	8%	

# Aluminium Production

Production	Unit	Q3 FY08	Q3 FY09	% Chg	9M FY08	9M FY09	% Chg
Alumina	MT	304,059	319,074	5%	888,781	918,959	3%
Metal	MT	121,971	135,073	11%	356,397	390,274	10%

# Copper Production

Production	Unit	Q3 FY08	Q3 FY09	% chg	9M FY08	9M FY09	% chg
Copper Cathodes	MT	78,334	72,877	-7%	236,748	210,851	-11%
CC Rods	MT	34,471	39,737	15%	103,901	104,195	0%

# Aluminium Sales Revenue (Rs Crs)

Product	Q3 FY08	Q3 FY09	% Chg	9M FY08	9M FY09	% Chg
Chemicals	131	138	5%	441	494	12%
Primaries	612	1,025	67%	1,834	2,646	44%

# Copper Sales Revenue (Rs Crs)

Product	Q3 FY08	Q3 FY09	% chg	9M FY08	9M FY09	% chg
Copper Cathodes	1,402	717	-49%	4,462	3,530	-21%
CC Rods	1,072	1,019	-5%	3,453	3,366	-3%