"Hindalco Industries Limited
Q4 FY '24 Earnings Conference Call"
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Moderator: Ladies and gentlemen, good day, and welcome to Hindalco Industries' Financial Year 2024 Fourth Quarter Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference call over to Mr. Subir Sen, Head of Investor Relations at Hindalco. Thank you, and over to you.

Subir Sen: Thank you, and a very good afternoon or morning, everyone. On behalf of Hindalco Industries, I welcome you all to the earnings call for the fourth quarter of financial year 2024. In this call, we will refer to the Q4 financial year '24 investor presentation available on our company's website.

Some of the information on this call may be forward-looking in nature and is covered by the safe harbor language on Slide number 2 of the said presentation. In this presentation, we have covered the key highlights of our consolidated performance for the segment-wise comparative financial analysis of Novelis, India Aluminium and Copper business is also provided. The corresponding segment information of the prior periods have also reinstated accordingly for a comparative analysis.

Today, we have with us on this call from Hindalco's management, Mr. Satish Pai, Managing Director; and Mr. Praveen Maheshwari, Chief Financial Officer. Novelis' management is not part of today's earnings call.

Following this presentation, this forum will be open for question and answers. We will not take any questions related to Novelis, including the IPO filing, due to restrictions under the U.S. federal securities law and the associated quiet period. Post this call, an audio replay of the conference call will also be available on our company's website.

Now let me turn this call to Mr. Pai to take you through company's performance in this quarter.

Satish Pai: Thank you, Subir. Good afternoon and morning, everyone. Thank you for joining Hindalco's earnings concall today. Let me start with our achievements, progress and some key highlights across the metrics of ESG for this year versus the prior period on Slides 5 to 9 of this presentation.

In the financial year 2024, 84% of the total waste generated was recycled and reused. We achieved recycling of 109% of bauxite residue excluding Utkal, 108% of ash in this period. We now have 3 plants certified by Zero Waste to Landfill at the end of this year. Today, I can proudly say that 15 of our plants and 1 mine are now certified as single-use-plastic-free zones.

We are on our way to achieving net water positivity by 2050. We have initiated various desalination and other projects to achieve this goal. In this regard, in our Copper business this year, the Dahej desalination project and tertiary water recycling units enabled a significant drop in freshwater consumption from 17.22 million meter cube per ton of metal in the financial year 2023 to 6.7 million meter cube per ton. We recycled and reused wastewater of 18.91 million meter cube this year, which accounts for 25% of the total water consumed during the year in our Indian operations.

On research and development, we started projects like arsenic precipitation and stabilization in glass form at our Dahej plant, where the trials have begun and are expected to be completed by August 2024. We have successfully completed an all-season study under our biodiversity management plan at 12 of our mines and 9 plant locations at the end of financial year 2024. The CII biodiversity index and carbon sequestration study is now completed at 11 of our plants till date.

In terms of our progress in green energy, we have already achieved 57% of our target of 300 megawatts by 2025 and have commissioned 173 megawatts of renewables -- of solar and wind till date. Further 29 megawatts of solar and wind renewable projects are under execution and expected to be completed by Q2 of this financial year. A 100-megawatt hybrid power project is on course and expected to be commissioned by Q3 of this financial year.

Our aluminum-specific GHG emission was recorded at 19.5 tons of CO2 for each ton of aluminum, which was slightly higher than last year. This was mainly on account of higher power consumption at some of our Dahej smelters due to disruptions in power plants during the year. We expect this to settle down with improved efficiencies in the coming quarters.

Coming to safety. Our LTIFR was recorded at 0.22 this financial year, showing an improvement against last year's performance while remaining amongst the best in the industry. We continue to focus on digitalization initiatives and comprehensive safety audits to further strengthen our systems to monitor safety across all plants. We have successfully developed a virtual reality-based safety module to enhance internal training effectiveness at all our plants. We are sad that there was one fatality of a contract workman that was recorded at our Indian operations this last quarter.

Let me now give you a glimpse of our last quarterly consolidated performance in quarter 4 versus the same quarter of last year on Slide 11. This quarter's performance on a consolidated basis was driven by robust recovery at Novelis and better cost control in the Aluminium India business backed by continuous record performance by the Copper business. Our consolidated business segment EBITDA was up 27%

year-on-year at INR7,907 crores whereas our overall reported EBITDA was up 24% year-on-year at INR7,200 crores this quarter. The consolidated net profit after tax was up 32% on a year-on-year basis at INR3,174 crores this quarter.

At the Hindalco India business level, excluding Novelis, our overall reported EBITDA was up 30% year-on-year at INR3,340 crores this quarter. The net profit after tax was up 67% on a year-on-year basis at INR1,963 crores this quarter. Our Indian Aluminium business is currently hedged at around 22% of the commodity at a price of $2,550 per ton and around 15% of the commodity at a zero collar with a bottom of $2,258 and a ceiling of $2,539 per ton, and 11% of the currency is hedged at INR88.43 per dollar.

On the balance sheet side, our consolidated net debt stands at INR31,536 crores. In the India operations, we had net cash of INR3,439 crores whereas Novelis net debt stands at INR35,937 crores at the end of March 2024. During the year, we repaid long-term debt of INR4,495 crores and bonds of INR700 crores at our Indian operations.

Hindalco at the consolidated level continues to maintain a strong balance sheet with net debt-to-EBITDA well below 2x at 1.21x at the end of March 2024, which is lower than last year. All our strategic capexes in India are mapped to the cash flow generation in the businesses and are in line with our capital allocation policy.

Coming to our business-wise performance this quarter. Novelis shipments were at 951 Kt versus 936 Kt in the prior period, up 2% year-on-year due to increased demand for beverage packaging. Novelis delivered a quarterly EBITDA of $514 million, up 28% year-on-year, driven by favorable metal benefits from recycling and lower operating costs. The resulting EBITDA per ton stood at $540 versus $431 in the previous quarter, up 25% year-on-year.

On Hindalco India's upstream aluminum performance this quarter, shipments were up 4% year-on-year, and revenues were up 5% year-on-year. EBITDA was up 24% year-on-year at INR2,709 crores, primarily supported by lower input costs and higher shipments. The resulting EBITDA per ton stood at $967 per ton, higher by 17% year-on-year. EBITDA margins were also higher at 32% this quarter and continue to be the best in the global industry.

This quarter, the Indian downstream aluminum quarterly shipments were up 17% year-on-year at 105 Kt in Q4 financial year 2024 on account of market recovery and better realization. EBITDA was up 36% year-on-year at INR152 crores versus INR112 crores in the prior period. The resulting EBITDA per ton was at $174 per ton, 15% higher year-on-year, showing a strong recovery, which is in line with increasing demand of value-added products. Our aluminum downstream continues to be an exciting space as we explore new solutions, particularly for new-age mobility.

Our Copper business continued to deliver its best-ever performance this quarter as well. The overall metal shipments were at a record 135 Kt, up 16% year-on-year, of which CCR volumes were at 98 Kt, up 3% year-on-year this quarter. The quarterly Copper EBITDA was at an all-time high of INR776 crores, up 30% year-on-year on account of higher shipments, better realization and stable operations this quarter.

Now let me give you a glimpse of the current broader economic environment on Slides 14 and 15. Global growth is expected to be -- remain resilient even in an environment where geopolitical conditions are not improving. The IMF has forecasted the global economy to grow at 3.2% in 2024, steady with its 2023 pace.

Growth in advanced economies is expected to moderately accelerate from 1.6% to 1.7% in 2024, and growth in emerging market economies is projected to be 4.2% in 2024, moderating slightly down from 4.3% in 2023. U.S. growth is forecast to accelerate, and activity in the euro area is expected to recover from its lows of 2023. The Chinese economy is expected to continue to grow at a moderate pace given the sustained weakness in the housing sector and deflationary pressures.

Risks to the outlook are balanced. A pickup in the manufacturing sector in the first quarter of 2024, easing in supply chain impediments and an expected pickup in global trade growth in 2024 bode well for the global growth outlook. Higher-for-longer interest rates due to the recent higher-than-expected inflation data and worsening geopolitical conditions present downside risks to the global growth outlook. The IMF forecasts global inflation to moderate from 6.8% in 2023 to 5.9% in 2024.

On the domestic front, the momentum for economic activity in India is set to continue. Going forward, the RBI projects GDP growth to remain robust at 7% in the financial year 2025 driven by a broad-based pickup in the private capex cycle, strengthening in private consumption compared to 7.6% in the financial year 2024.

Assuming a normal monsoons and barring further shocks, the RBI projects inflation to decline to 4.5% this financial year, down from 5.4% in the financial year 2024. Headline inflation in India continues to trend downwards, but risks are from continuing geopolitical tension and adverse weather conditions impacting food prices. This will be a key consideration for the RBI policy rate decisions, which has been kept on hold at 6.5% since February 2023.

Moving on to the aluminum industry outlook on Slides 16 to 18. Let me first talk about China. On a yearly basis, the overall production in China stood at 41.5 million tons, at the end of calendar year '23, reflecting a growth of 4% year-on-year. On the consumption side, Chinese demand spurred by 5% year-on-year to 42.8 million tons. As a result, the Chinese market ended up in a deficit of 1.3 million tons in calendar year '23.

The overall production of the world, excluding China, in calendar year '23 stood at 29.1 million tons, reflecting a growth of 1% year on year. The overall consumption declined by 4% year-on-year to 27.3 million tons, resulting in a surplus of 1.9 million tons at the end of calendar year

'23. The overall global production stood at 70.6 million, whereas consumption was at 70.1 million, resulting in a surplus of 0.6 million tons in calendar year '23.

On a quarterly basis, production in China increased by 5% year-on-year to 10.5 million tons in Q1 calendar year '24, led by increased production in Yunnan,Guizhou and Inner Mongolia. On the consumption side, Chinese demand grew sharply by 10% year-on-year this quarter to 10.5 million tons, led by strong solar installation and EV production that was partially offset by weak construction demand. As a result, the Chinese market was balanced in Q1 calendar year '24.

In the world, excluding China, production grew marginally by 3% year-on-year to 7.3 million tons in Q1 calendar '24, led by increased production in Indonesia, Middle East and Canada. However, the consumption continued to remain flat at 6.8 million tons. Hence, the world, excluding China, recorded a surplus of 0.5 million tons this period.

So the overall global production in calendar year '24 Q1 grew by 4% to 17.8 million tons whereas consumption grew by 6% to 17.3 million tons, mainly led by strong demand in China. Thus, the global market saw a surplus of 0.5 million tons.

The global aluminum prices in Q4 were flattish sequentially at $2,199 a ton. However, aluminum prices saw an increase due to new sanctions announced by U.K. and U.S. on Russian metals in mid-April this year. These sanctions led to a sudden spur in LME prices in excess of $2,700, stabilizing later down to $2,500. In Q4 financial year 2024, the Indian aluminum demand is likely to reach 1.2 million tons, reflecting a growth of 5% on a year-on-year basis. While the demand from electrical was strong, scrap imports saw a sharp decline, owing to supply tightness due to the Red Sea crisis. Hence, scrap imports declined sharply by 28% year-on-year this quarter.

The global aluminum FRP demand is expected to grow by 4% in calendar year '24, with demand recovery across all major segments of beverage packaging, automotive, specialty and aerospace between a CAGR of 4% to 7% over the next 3 to 4 years. The Indian FRP demand in financial year '25 is expected to grow by 6% to 8% on a year-on-year basis, reflecting a flattish growth in financial year '24. This increase is led by a strong demand from packaging, automotive and building and construction segment.

On a yearly basis -- turning to the copper industry in Slides 19 and 20. On a yearly basis in calendar year '23, Chinese production increased by approximately 8.6% year-on-year to 11.5 million tons whereas consumption grew by 7.7% year-on-year at 14.6 million tons, driven by demand in infrastructure development for power grid capacity expansion. This has resulted in a deficit of 3.1 million tons.

In the world, excluding China, production declined by 0.3% year-on-year whereas consumption declined by 3% year-on-year, resulting in a surplus of 3.1 million tons in calendar year 2023. So the overall yearly global production grew by 3.6% to 25.6 million tons, and consumption grew by 2.8% year-on-year to 25.6 million tons, resulting in a balanced market.

On a quarterly basis in Q1 calendar '24, Chinese production increased by approximately 2% year-on-year at 2.9 million tons whereas consumption grew by almost 3.1% year-on-year at 3.2 million tons, resulting in a deficit of 0.3 million tons. In the world, excluding China, production declined by 1.4% year-on-year whereas consumption declined by 0.7% year-on-year, resulting in a surplus of 0.7 million tons in Q1 calendar year '24. The overall global production of copper increased by 0.1% year-on-year while consumption in the same period increased by 1.3% year-on-year, resulting in a deficit of 0.4 million tons in Q1 calendar year '24.

On the domestic side in Q4 financial year '24, market demand increased by approximately 15% year-on-year to 225 Kt versus 196 Kt in Q4 financial year '23. On a sequential basis, market demand increased by 14%, with domestic producers' share at 70% this quarter.

During the fourth quarter of financial year 2024, spot market experienced a continuous decline due to a combination of disruptions in large copper mines in Central America, coupled with 4 to 5 new smelters that are being commissioned in Indonesia, India and China during this year. The concentrated market tightness is likely to continue for the next couple of years, resulting in subdued TC/RC levels in the short to medium term. Maintenance shutdown is planned by many Chinese smelters this quarter, which might offer some short-term relief to the spot TC/RC level.

Details of the operational and financial performance in each of our business segments this quarter corresponding to the corresponding period of last year as well as previous quarters are covered in further slides and annexures to this presentation.

Now let me conclude today's presentation with some key takeaways and our way forward. Novelis delivered $540 per ton this quarter, reflecting a robust recovery as the market continues to remain strong for beverage packaging, automotive sectors. Our Bay Minette project is on track and expected to be completed by the second half of calendar year '26.

Once again, our Copper business delivered its best-ever performance this quarter, backed by a strong market and higher realization. We continue to focus on value-added products in Copper and are progressing well in India's first-of-its-kind copper and e-waste recycling facility at Dahej, Gujarat. Meanwhile, our Inner Grooved Tubes project is also on track and is expected to be commissioned by the end of calendar year 2024.

Our resilient India business with its strong balance sheet is providing solid financial prudence to our organic growth strategy. We also continue to focus on resource security in terms of coal and bauxite, thereby reducing our dependency on external sources in the coming year.

Our approach to ESG continues to be comprehensive across the value chain and in line with our 2050 ESG targets. Our first-of-its-kind energy transition initiative is on course to begin the ramp-up of 100 megawatts of round-the-clock, carbon-free power for our Orissa smelter. Additionally, 200 megawatts of solar and wind projects shall pave the way towards a green energy source to produce low-carbon aluminum in India.

Our recent global recognitions are testimony to our ESG efforts as Hindalco continues to be among the top 1% in the aluminum industry in the S&P Global DJSI Sustainability Yearbook of 2024. Also, Hindalco recently won the Energy Transition Changemaker Award at COP28 for setting up one of the first round-the-clock renewable energy projects backed by pumped hydro in the aluminum sector.

We stay focused with our value-enhancing growth strategy directed towards organic growth projects of $6.9 billion to be completed over the next 3 to 5 years in Hindalco and Novelis. We stay committed to maintain the strong balance sheet position and focus on shareholder value creation in the long run.

Thank you very much for your attention. The forum is now open to any questions you may have. Just as a reminder, we will not take any questions related to Novelis, including the IPO filing, due to restrictions under the U.S. federal securities law and the associated quite period.

Moderator: We'll take our first question from the line of Sumangal Nevatia from Kotak Securities.

Sumangal Nevatia: Congratulations on excellent set of numbers. My first question is on the balance sheet. Now the India balance sheet is already net cash, and there could be further potential inflows in the near future. So how do we see the capital structure over the next 2 years as far as India balance sheet is concerned? Are there any substantial inorganic opportunities or strategic investment opportunities? Or we look to run on net cash balance sheet, which, from a return perspective, is not very efficient and dilutive at the margin? So just some thoughts on our capital structure over next few years.

Satish Pai: Yes, I think that the way we look at it, we have this year -- and I'm sort of jumping a normal question I get, we have plans to spend about INR6,000 crores in capex this year. So we have 2 mines that are going to be opening. We have the alumina refinery and -- also starting. So if you take our plans over the next 3 years, both in Copper and Aluminium, we will have significant organic growth opportunities where we will be spending substantial capex. So I think that the strength of the balance sheet will allow us to do our planned organic capex expansion without resorting to borrowing. So that is our current plan.

Sumangal Nevatia: And sir, anything outside of India, internationally, are there any opportunities?

Satish Pai: So look, I think that we are currently very much focused on India because we have -- and I maybe just have to read out again the FRP 2 expansion, the battery foil project, the mines that we have, the copper tube project, the copper e-waste recycling project, the copper foil project that we look at, the smelter expansion with the round-the-clock power works in aluminum, the smelter in copper. We have lots of projects to look at domestically.

Sumangal Nevatia: Okay. Understood. Sir, on the aluminum business, is it possible to guide what sort of cost movement do we expect in the coming quarter and the -- yes, yes, sure.

Satish Pai: So just on the cost, I mean, the large part of the Q4 EBITDA margin, the $967 per ton EBITDA, has all been because the costs have been quite low, especially coal costs. So I think in Q1, we'll probably be another 1% or 2% lower than Q4. But I have to caution that if we are going into a summer and a monsoon period, so -- and we are still dependent quite heavily on linkage and e-auction coal, whereas we have lot of stocks. So saying that today, the cost and the coal availability is very good. So our costs should be sort of 1% or 2% down compared to Q4.

Sumangal Nevatia: Understood. Understood. And just one last question. I acknowledge the disclaimer that you'll not talk about Novelis IPO. But from a Hindalco point of view, in case you're open to share, I mean, what's the thought process given our balance sheet strength? Is it only value unlocking or some other strategic reasons?

Satish Pai: So I think that at this stage, I again probably have to repeat that I cannot answer any questions related to the Novelis IPO filing right now.

Moderator: We'll take our next question from the line of Amit Dixit from ICICI Securities.

Amit Dixit: I have a couple of questions. The first one is on again stretching Sumangal's point a little bit further. Now since balance sheet headroom is there, the progress on RE is also there. Coal availability is also -- we are opening our own mines. So how long do you think we wait for the smelting capacity to be expanded in India? Aluminum smelting, that is.

Satish Pai: Yes, yes, aluminum, I understand. So we are doing the refinery first. And just to let you know that we have started both in Copper and Aluminium, let me add, to do the studies and the scoping out work for smelter expansion. So the groundwork has already started in the last 6 months.

Amit Dixit: Just to follow up on this. So is there any benchmark you have for renewable power that, okay, when we achieve this much renewable capacity, 300-megawatt or something, then we will see what we think of it and if you achieve this much coal security, then we will think of it? Or will it happen -- will everything happen in parallel?

Satish Pai: It will happen in parallel because you see, we have already committed, if you remember that 30% of our aluminum production will be from low carbon sources by 2030. And the RTC power contract that is starting this year is one big part of it because if that works, we can upscale that 100 to 300 megawatts as per our contract. So I think that that's why we are doing it in parallel. We have already started preparing the engineering work, et cetera, for the smelter because we are quite hopeful that the renewable power will work.

Amit Dixit: Okay. Great, sir. And the second question is on Copper. Now if you look at Copper EBITDA, I mean, we have seen that for a very long period of time, the range has moved up. This quarter, of course, it moved up even further. Now how do we see it going ahead? Because some of these advantages that we see particularly related to volume, et cetera, might have changed. TC/RC, of course, is volatile, nobody's control. But I mean, if we are to have a guess, what could be the sustainable -- new sustainable EBITDA from Copper business? Will it be like upwards of up of INR3,000 crores per year? I mean how should we look at it?

Satish Pai: Yes. The Copper head is sitting here. Maybe I should let him take up. No, I think that we should -- you're quite right. I mean last quarter was a bit exceptional. And if you look at our sales level also, it was quite high. I would say that a more sustainable version is around the INR600 crores mark, it can go up and down a little bit, but I would go with that number on a quarterly basis.

Moderator: We'll take our next question from the line of Tarang from Old Bridge Mutual Fund.

Tarang: Sir, just looking at Hindalco India and looking at the balance sheet profile of India, I just wanted to get a pulse on how are you looking at the IRRs of your India capex because the background that I have is, I mean, everything that you're doing around backward integration and alumina and coal both, I mean, very high IRR projects, hopefully.

But there isn't a lot of clarity in terms of what's coming out of the copper recycling project or the foils project or, overall, I mean, the entire downstream bouquet, so to say. So how are you looking at it? And it becomes even more pertinent now because there isn't any leverage in the stand-alone business?

Satish Pai: Yes. I think that the first thing you have to know is that our internal hurdle rate for any project is sort of mid-teens. So we don't do any project that does not give us a mid-teen IRR. Now some of the projects will be much higher. The alumina project is much higher. I have a feeling that the recycled copper one will also be much higher than the mid-teens. But you should be taking into account that none of our projects will be below the mid-teens.

Tarang: At a project level or you're talking about the consol capex for India?

Satish Pai: No, no, no, I'm -- the project-by-project level. And things like the coal mines and all have got a completely different profile because you are replacing the uncertainty of e-auction and linkage with a steady coal cost coming from your mine. So what that gives you is that the volatility of your cost of production. See, if we are backward integrated in alumina, if we are backward integrated in coal, then the only thing left is CP coke and pitch. So you -- our cost of production really becomes much more flattish and predictable.

Moderator: We'll take our next question from the line of Indrajit Agarwal from CLSA.

Indrajit Agarwal: I have a couple of questions. First, sir, can you give us some guidance on what is happening on CP coke, Coal-tar pitch, all those costs right now? Particularly given that aluminum, alumina both has elevated, have those costs also followed?

Satish Pai: Yes. In fact, CP coke, if I take a look at CP coke, let's say, on a year-on-year -- even quarterly -- or quarter, CP coke is down 8% year-on-year. It's down -- full year down by 28%. Pitch is down by 27%. Caustic is down by 28% year-on-year. So all these input costs have come down. So coal costs have remained under control. All these carbon-related costs have come down, which is why our cost of production is where it is, and that's why the EBITDA per ton has been high.

Indrajit Agarwal: And what is the kind of lag or contracts we have for this in the sense that spot prices would reflect like in next quarter? Or there is like a couple of quarters lag over there?

Satish Pai: It's a CP coke because quite a bit of needs to be imported as well. So there is a couple of quarters cover. Caustic is annual contracts. We largely buy from, as you may have seen from our related-party transaction is largely bought from our Grasim subsidiary -- not our subsidiary, sorry, Grasim's subsidiary. Furnace oil is also a couple of quarters of coverage. Pitch is also largely bought domestically, so they happen to be annual contracts.

Indrajit Agarwal: Sure. That's helpful. And any time lines or progress on the coal blocks?

Satish Pai: So we are expecting the Chakla box cut to happen sometime in Q3 of next year -- calendar year.

Indrajit Agarwal: Q3 CY '25?

Satish Pai: Yes.

Indrajit Agarwal: Okay. And lastly, on our downstream project, can you help us understand what is the kind of contracts we have, both in terms of pricing and offtake? Like we understand Novelis broadly that there is the beverage can and other usages, which are longer-term contracts. So here, are the contracts more spot? Or there are some long-term contracts there?

Satish Pai: There are some long term. They -- like the litho contracts are long term. More and more as we sign with auto, we are getting longer term. So I think that as our new capacity comes on stream, the projects are becoming a little bit more long term. There are some things like the cookware contracts, circles are all long term. So there is a mix because we are playing on quite a wide spectrum of the downstream projects.

But once the Aditya FRP project comes in, another 170 Kt gets added. So there, we will be having fixed longer-term contracts on can, foil stock, hard alloys. So I think that in a couple of years, we will be moving towards more long-term contracts and fewer products than what we have today.

Indrajit Agarwal: In that case, our earnings or profitability in downstream will be a lot more stable or predictable versus the volatility that we are seeing today? Is that correct?

Satish Pai: Yes. That's the strategy of why -- by the way, both in Copper and Aluminium, why we are going more and more downstream.

Moderator: Next in line is Satyadeep Jain from Ambit Capital.

Satyadeep Jain: Mr. Pai, first, I want to understand when you look at RE-RTC power, when you state that you want to try it and see if it works, what exactly are you trying to see in that contract? What is the unknown? What is the variable you're trying to solve?

Satish Pai: Yes, good question. So RTC is a bit of a misnomer when you say round the clock. So what RTC power suppliers do, they guarantee you 85% load factor on an average, so it can go down to 50%. It can go, during the day, above 100%. So what you have to do, because the smelter cannot take any disruptions, is that you have to do a load management where we use our internal thermal power to balance out the RTC power we are getting in through the grid. So you can -- we have been doing that for a long time with smaller amounts of power. But when you start to get to 100, 200 megawatts, which is like 30% of what Aditya needs, so we just want to make sure that everything moves smoothly before we increase that.

Satyadeep Jain: You're saying, let's say, the PLI of the power plant of the RE drops, then we have to ramp up your own power plant to offset that? Doesn't the provider also guarantee by procuring something from the grid or something? There's no contract like that?

Satish Pai: No, nobody gives you a guarantee of 100% renewable. So the -- because of the pumped hydro, they are giving you 85% on an average. Otherwise, what happens is that people just buy solar, which is a certain number of hours a day, and then they ramp up the thermal.

Satyadeep Jain: You basically want to try this out and see if the availability factor on this RE is low, can you ramp it up and have round-the-clock power availability for the smelters?

Satish Pai: Yes. So you see we are taking it into Aditya where we use 600 megawatts. We have 900 megawatts of installed capacity. So we'll take in 100 megawatts in the grid from Ayana now of round-the-clock RE. And then we will ramp down our turbines a bit during the high period of RE and then try to balance it out.

Satyadeep Jain: Okay. In the power you're purchasing under this 100-megawatt contract, would this -- how much of a difference is it compared to the -- I imagine your captive power plant is going to be much cheaper?

Satish Pai: It's not much cheaper. The RTC power is a little bit more expensive than our captive now. But the advantage is the captive power rates are fixed for the next 20 years, whereas my thermal power plant with coal inflation will go up. So when you look at it over a number of years, it works out well. That's what we have seen. Plus, the benefits you get from lesser RPO obligations, et cetera.

Satyadeep Jain: Okay. The second question I want to ask on this was when you look at the brownfield, if this works out, then you're looking at possibly brownfield in Aditya and Mahan. I think in the last Investor Day, you mentioned 160, 180 Kt for $760 million or something, if I remember. That worked out to about $4,000. But then that seemed very high for a stand-alone brownfield smelter. Is that a fair number to assume since you've already done scoping studies and all and…

Satish Pai: Yes. I mean right now, we are trying to get the latest cost numbers in. So you have to realize that there has been an inflation in the cost. So just bear with me because we will -- by next quarter, I will have much more accurate numbers on the capex. But we are looking at, as you rightfully said, 180 pots expansion in Aditya or Mahan. Both are the places where we have -- Aditya, we already have the environmental clearances, et cetera. So that's probably where we'll do it, and that's why the RTC power is also coming in.

But the capex number, I will get back to you. But it will be INR6,000 crores, INR7,000 crores type.

Moderator: We'll take our next question from the line of Amit Murarka from Axis Capital.

Amit Murarka: So like Chakla, you said, is now expected by Q3 CY '25. I believe like earlier, the guidance was for end of this year. So could you, first, have it explained why this delay has happened?

Satish Pai: Land, I mean, it's compensatory, afforestation land in Stage 2 forest clearance. And we also had this recent elections coming in, in the middle. So yes, we have had some delays in getting those forest clearances.

Amit Murarka: Okay. But how long will it take to close the land acquisition now?

Satish Pai: I think that's why when I told you calendar year Q3, that is more like July, August, maybe just after monsoon next year. I think we are fairly comfortable that we have got most of it under control now. I mean land is the 90% of the issue in coal mines. So it's all about the land acquisition.

Amit Murarka: Sure. And Meenakshi West, what is the time line?

Satish Pai: So Meenakshi West is probably going to be calendar year '26, not calendar year '25.

Amit Murarka: Okay. And any update on Meenakshi?

Satish Pai: Meenakshi is actually going quite well. That's sort of an exploration cum mining block. So we will, this year, finish the exploration part, get the mining lease finalized. That's our plan.

Amit Murarka: Got it. And also, like what was the alumina sales this quarter?

Satish Pai: So the alumina sales this quarter was about, yes, exactly 227 Kt. And in Q1, we think we'll sell about 160 to 170 Kt.

Amit Murarka: Okay. So when is the alumina brownfield expansion getting completed? It was supposed to be done around this time is what I remember.

Satish Pai: The brownfield is, I think, completed. We have -- that's why the production will ramp up. I think this year, the only issue that we have is for the steam boilers. If we take the boiler for -- uphauling, we may have to reduce for a month or so while we do the rehauling because we need an extra boiler that's coming up. Otherwise, the brownfield expansion has already finished.

Amit Murarka: I missed the comment on aluminum COP this quarter. How did it do Q-o-Q?

Satish Pai: I think Q4 versus Q3 was flat.

Amit Murarka: Right. Any guidance for Q1?

Satish Pai: That's what I said, 1% down.

Moderator: We'll take our next question from the line of Ritesh Shah from Investec.

Ritesh Shah: Sir, first question is on bauxite. If you could just confirm on Baphlimali renewal that we recently had and what it means on the cost, that's one.

Satish Pai: Baphlimali is there already, like up to 2048.

Ritesh Shah: Sir, second question, on the RTC part, you did indicate that we were to upscale from 100 to 300 megawatts. And you also said that we are hopeful. Any time lines over here that we are looking at?

Satish Pai: I said the power will start to come in, in the third quarter of this year, October, November, December. And I think we will take a quarter or 2 to see how the stability works. So then in 2 quarters, we can then decide whether we want to upscale the contract.

Ritesh Shah: That's useful. And sir, lastly, on the hedges. Can you please repeat the number what you indicated? I just missed those.

Satish Pai: Yes. So we caught a little bit of the rally that happened recently as well. So now the average for FY '25 is 22% at $2,550 per ton. And if you remember, we had done a zero collar much before with a bottom of -- that's for 15% at $2,258 with a ceiling of $2,539.

Ritesh Shah: Sure. That's helpful. And sir, lastly, on Copper downstream, there are incremental companies who are getting into the downstream space on the copper side and likewise on the aluminum side as well. So when we look at the incremental capital allocation, you did indicate about mid-teens ROCs. But how do you look at the local markets? Like is it large enough for us to go more downstream? Or is it something that you're targeting more on exports? Some thoughts over here on both aluminum as well as copper, please.

Satish Pai: No, I think that, look, the smaller companies always come in at the lower end of the value chain. They are mostly scrap-based people who do continuous cast, whereas we have been trying to position ourselves -- take, for example, copper Inner Grooved Tubes. This is quite difficult to make copper tubes for air conditioners. There are no small-scale guys playing on it. 100% of these tubes used to be imported into India. And we and there's another company that is setting up these copper tubes.

So we positioned our downstream at the slightly higher value-added because as India is growing, the demand for these higher-end stuff is also growing. So there will always be space, just like the U.S. market, for scrap-based secondaries who are playing at the lower end. And for people like us who will be -- I mean, battery foil, you will not find small scale players playing battery foil for batteries -- EV batteries.

Moderator: The next question is from the line of Ashish Kejriwal from Nuvama Wealth Management.

Ashish Kejriwal: Sir, 2 things. One, is it possible to share how much quantity was hedged in Q4 and at what rate?

Satish Pai: You mean the Q4 that just finished?

Ashish Kejriwal: Yes, sir.

Satish Pai: Let me look at that. The Q4 hedge -- okay, what I can tell you I don't have the volume, but it led to a gain of INR263 crores in Q4 of '24.

Ashish Kejriwal: Okay. I'll ask the volume separately then. And sir, second thing is in terms of Meenakshi coal block, earlier, our plan was that we will give away one of the coal blocks. But now are we going ahead with both the coal blocks? Or something else is there?

Satish Pai: No, that's a good question. The big Meenakshi is still not allocated. I think that the CBA land issue will probably get resolved post-election. And if we get Meenakshi, then we will speed up Meenakshi rather than Meenakshi West.

Ashish Kejriwal: So you would not surrender Meenakshi West then?

Satish Pai: I think we'll take that call after we have got Meenakshi, and then we'll look at it.

Ashish Kejriwal: Sure. And sir, lastly, is it possible to give some sense of our Copper profitability? See, because we understand that most of the profits for Copper business comes from our TC/RC margin. But the higher copper prices also helps us in terms of what free metals and free premium on that. So is it possible to share even on a percentage term, what could be because of TC/RC margin? And the first or rest -- that means that increasing copper prices do have a direct positive impact on our profitability also?

Satish Pai: So look, no, I don't think we'll break it out, but whereas there is a positive impact of higher copper prices, but that is not significant to our profitability. I think the fact that we are selling more copper rods, which is where the demand is at copper rod, we get an extra premium for the conversion. And because of the higher sales, that is a bigger reason than the copper LME for us. And by the way, Q4 hedged quantity was 77 Kt.

Ashish Kejriwal: You're talking about aluminium?

Satish Pai: Yes, your previous question.

Ashish Kejriwal: And sir, at what rate?

Satish Pai: $2,636.

Ashish Kejriwal: Okay. Okay. So sir, coming back to copper-only because every time we got a positive surprise, I'm unable to figure out what could be the next quarters, I mean, for copper. My simple question is, out of the total profits of copper, how much one can attribute to because of the TC/RC thing which is not going up?

Satish Pai: See, we don't look just at TC/RC because -- we look at it as copper and byproducts because there is a significant value chain of sulfuric acid, gold, silver that comes with it. So I think that we would not want to break that up right now. I think the Copper business has got multiple value chains. For us, the copper rod and our expansion over there is certainly helping because the demand has been very strong. And when the demand is strong, it gives us more of a premium on the copper rod.

Ashish Kejriwal: So is it possible to break down into copper rod and copper cathodes? Or that is also not possible?

Satish Pai: No, that -- we would not like to do that.

Ashish Kejriwal: Okay. Because, sir, why I'm asking every time when we ask this question, obviously, when you give average EBITDA, that seems to be on a lower side for the last 4, 5 quarters. So even if 700 is sustainable or 600 is sustainable looks -- every time you get a positive surprise only. So we just want to get a sense on that.

Satish Pai: Yes. I think I would also be happy to continue to give you a positive surprise rather than the other way.

Ashish Kejriwal: And sir, lastly, a few quarters back also, we requested for guidance when we give on aluminum cost. Is it possible to give guidance on a per ton basis rather than percentage?

Satish Pai: No, I think that we are comfortable the way we are giving it. No, I would not like to go to giving you directly the percentage.

Moderator: We'll take our next question from the line of Pallav Agarwal from Antique Stockbroking.

Pallav Agarwal: Just a couple of questions. One was on we've seen a significant increase in the physical MJP premium. So has that also helped the Q4 profitability in the aluminum segment?

Satish Pai: I think that there's been a significant increase in MJP. I think it went to $97 from $70-odd. So the MJPs tend to be between $80 to $110, $120. So it does have an impact on the export part, not on the domestic. So I would not put that it was a big part of our increased profitability. I think the increased profitability when we have analyzed it both in Copper and Aluminium, the stable operations has played a big role because when you have your cost of production under control, then it allows a lot of the margin to drop through.

Pallav Agarwal: Sure, sir. And also just coming back to the copper downstream part. We've seen probably some cable manufacturers trading at very significant or relatively higher EV/EBITDA of 28, 30x. So something like Grasim's foray into the paints business, is that something that you is thought about of probably going into the cables business as well?

Satish Pai: I think we are currently in Hindalco at least focused on increasing our rod capacity to meet the demand. I would just leave it at that.

Moderator: We'll take our next question from the line of Kamlesh Jain from Lotus Asset Managers.

Kamlesh Jain: Congrats for strong set of numbers, sir. Just one question on the part of capex plan, like we had given a guidance of around $3-odd billion projects, like say, in last analyst day. So going forward, like say, is that on radar? Or are we going to increase further the capex guidance? Or how are we placed on that front?

Satish Pai: See, the one thing I'll be honest with you, there are a lot of projects to do. But the market also has got that much capacity to do projects. So if you look at it from EPC contractor point of view and all, we run into quite a lot of issues with getting people and contractors to do that. So we try to keep a balance between what we want to do and what the market actually is capable of doing.

So currently, I think one of the bigger impediments is that a lack of manpower to the EPC contractors. Our Aditya project has been struggling to get enough manpower to complete on time. So there is a tightness among the contractor things. So we could actually do maybe more projects faster, but we are also sort of held back by this problem.

Kamlesh Jain: On the copper side, are we looking to backward-integrate those operations as well because in the past, like we had bought mines in Australia but...

Satish Pai: Yes, we sold that off in 2017. So the Indian government has put up exploration blocks for copper and we have actually one mine called Minjari. So we are going to do the exploration for copper concentrate in India.

Kamlesh Jain: Not anything on overseas, sir?

Satish Pai: Sorry?

Kamlesh Jain: Anything overseas? Overseas mining?

Satish Pai: No. Overseas is, no because everybody is running after them. With this price of copper LME now, no. We are not looking at mines overseas. We are looking in India.

Kamlesh Jain: Okay. And lastly, sir, if I may be allowed, on the hedging part, like we are putting up the smelters and all these smelters are coming at a speed or its one of the best alumina, aluminum pricing. So what is the thought process behind having such a large quantity? And when we are seeing the environment where so much of restraints or constraints are being put up on the new capacity and so much of anti-barriers in terms of duties being imposed across the country? So why we are so adamant? Or is it about this hedging policy, is the reason this year we had roughly around a significant quantity, 22-odd percent? Apart from that quarter is also there. So what is the thought process behind having such a large quantity?

Satish Pai: Always, I think people who have been on the call for a number of years, our strategy going into the year is to have at least 25% hedged as a risk mitigation. So when we find certain rates that can protect our EBITDA, so we try to do that because in this commodity business, it can go up and down.

By the way, I have analyzed the last 7 or 8 years. And you will see that majority of the times, it has played out. If the LME suddenly shoots up in 1 year, that's the only year where it goes off. But by and large, this policy for us has played out. So that's why we do it. And closer to the quarter, if we see a good rate, then we try to lock in for that current quarter like that. So if you take this year, we are at 22%. And I think that unless there is a big spike or something, we will stay at that. It's not a large -- I mean we have 75% open.

Moderator: We'll take our next question from the line of Gopal Nawandhar from SBI Life Insurance.

Gopal Nawandhar: Congrats on good set of results. So my question is on the capex for copper tube business. And viability of this business, is it only dependent on the PLI we are putting the capex? Or do we need any more policy support in terms of import duties and all from the government?

Satish Pai: No, I think, see, the government is trying to replace the imported, and it was all coming from Malaysia. The PLI scheme was put in place to encourage domestic manufacturers. So we have taken advantage of that. So no, we don't need any further government intervention. I think our project got slightly delayed because of environmental clearances, but it will be up and running in December. And the good news is all the capacity is already sort of committed because all the AC guys have been after us.

Gopal Nawandhar: So versus import prices will be better off?

Satish Pai: It's at the same level as import prices.

Gopal Nawandhar: Okay. Okay. And sir, on the power cost side, on green power, will it be cheaper versus what the cost we are incurring?

Satish Pai: So that's why I tried to explain in an earlier question that right today, when we start, it is slightly higher. But it's fixed for the next 25 years. Whereas the price from the coal side, inflationary goes up. So over the period of time, it's -- it works out great for us. But today, when we start in October, if it starts, then the renewable power on the RTC is slightly higher but not by a big margin.

Gopal Nawandhar: Okay. And this -- I think it is 200 megawatt or 100 megawatt?

Satish Pai: 100 we are starting with, with an option to increase by 200 more.

Gopal Nawandhar: And do we have any free power capacity?

Satish Pai: Free power. I don't know what you've seen, but I have -- we have 900 megawatts in Aditya, whereas we require about 675. So there is one turbine. Because of the way boilers need to get refurbished, everyone has one boiler/turbine on standby or as a backup.

Gopal Nawandhar: Okay. Do we plan to utilize it to sell it in the merchant market?

Satish Pai: No. No, because for us, we would have to sell it to the grid, which we won't get a good price. We are not an IPP. We are a captive power plant.

Gopal Nawandhar: Sure, sir. And any thoughts on putting in expansion on the aluminum smelter side, sir?

Satish Pai: I think as we just mentioned, we are looking at expanding in Aditya, the 180 pots, but we will do it after we see how the renewable power works because we don't want to expand with coal-based power.

Moderator: Ladies and gentlemen, due to time constraints, I now hand over the call to Mr. Pai for closing comments. Over to you, sir.

Satish Pai: Thank you. I think that the Q4 was a great quarter, which capped off a good year for us. I think the good news going forward is our costs are under control, and the demand for both aluminum and copper looks pretty strong. So I think that we should be looking forward to a good '24-'25. So thank you all for joining this call.

Moderator: Thank you, sir. On behalf of Hindalco Industries, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.