



Message from the Managing Director

Sustainability on a global scale

Dear Stakeholders,

In a globalised marketplace, the industry is increasingly prone to extreme disruptions. In recent times, we have already witnessed the volatility associated with global pandemics, climate events and war. At Hindalco, and the Aditya Birla Group at large, the organisational ethos is built on resilience and willingness to take on all challenges. There is another credo equally at play – our ability to welcome change. To anticipate the rising of a new age, replete with new ideas. To embrace new paradigms and the opportunities that arise. That is the essence of sustain-ability at Hindalco.



Through the years and despite the buffets of market volatility, our operational focus has consistently been on smart and strategic growth, shaped by the shift towards digital technologies and driven by our ESG commitments. Our efforts to stay future ready has allowed us to reach and retain the position of World's Most Sustainable Aluminium Company (as per S&P Dow Jones Sustainability Indices Corporate Sustainability Assessment 2020 & 2021). You may be pleased to note that we are the only aluminium company in the DJSI World Index 2021.

Our growth journey has taken us to 10 countries and 4 continents, making Hindalco-Novelis one of the world's largest non-ferrous companies. Novelis is the world's largest rolling products and recycling company in the world. In the past year, Novelis has announced several expansion projects including a \$365 Million highly-advanced automotive recycling centre in Guthrie, North America and a \$375 Million investment to expand its rolling and recycling capabilities in Zhenjiang, China. In India, Hindalco has invested in extending our downstream footprint, thus making us the largest fully integrated aluminum player going from alumina right to value-added and customised products.

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Resilience in Action

Hindalco delivered an exceptional financial and operational performance despite it being a tough year. There were several challenges such as the pandemic, a steep inflation in input costs, volatility in commodity prices, and global supply chain disruptions. In the face of these headwinds, Hindalco persevered and delivered record-breaking profitability for the year. Consolidated Net Profit for the year grew four times to ₹13,730 Crore. Consolidated EBITDA was up 59%, at ₹30,056 Crore in FY2021-22. The powerful financial performance has further strengthened the Company's balance sheet. It has significantly reduced consolidated net leverage ratios from 2.59x in FY2020-21 down to 1.36x at the end of FY2021-22.

We achieved notable milestones across all business segments:

Novelis

- Novelis' capacity crossed 4 Mn MT reinforcing our position as the world's largest FRP (Flat Rolled Products) producer
- Net sales peaked to an all-time high of \$17.1 Billion
- Net income crossed the \$1 Billion mark

₹30,056 CR
EBITDA

₹13,730 CR
Net Profit

1.36x
Net Leverage ratio

- Operating cash flows touched \$1 Billion This strong financial performance has significantly reduced net leverage ratios from the peak of 3.8x post-Aleris acquisition, down to 2.2x at the end of FY2021-22

India Aluminium

All our aluminium plants achieved record production with lowest raw material consumption.

We successfully commissioned the 5,00,000 tonne brownfield alumina facility at Utkal amid the pandemic, ramping it up to rated capacity in less than a week. With our continued focus on operational excellence and cost control, supported by strong macros, Aluminium India business EBITDA touched ₹13,025 Crore, a 139% growth yoy. EBITDA margins at 41% remained one of the highest in the industry. The results were bolstered by an improved performance by our downstream business validating our strategy of building a sustainable business model isolated from metal cycles.

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We made a bold move last year when we unveiled our vision for sustainability, with strong commitment towards achieving carbon neutrality, water positivity, no net loss on biodiversity and zero waste to landfill by 2050.

We also decided to put interim targets for India operations on specific energy reduction by 25% from FY2012, specific freshwater reduction by 20% from FY2019 per tonne of Aluminium, water positivity in downstream and mining verticals, 300 MW Renewable Energy capacity and Zero liquid discharge across units by 2025. We have done exceptionally well on all fronts this year and our sustainability performance is a testament to that.

We completed the acquisition of Hydro's aluminium extrusions business in Kuppam, Andhra Pradesh. The acquisition is aligned with Hindalco's strategy to increase downstream capacity to meet the growing market demand and increase revenue from value-added products. The Kuppam plant will also serve as an archetype for Hindalco's upcoming state-of-the-art extrusions plant in Silvassa in Western India.

Copper

Birla Copper delivered a strong performance across all fronts amid challenges posed by the pandemic, rise in LME and global supply chain disruptions. The business achieved its highest ever domestic sales on the back of stable operations and a sharp market focus. EBITDA for the year showed a 60% growth yoy at ₹1,390 Crore.

In FY2021-22, we completed the acquisition of Ryker's 2,25,000 tonne copper rod facility in Gujarat. Birla Copper now ranks among the world's top-3 Copper Rod players outside of China.

We also entered two new segments— i) Cu-Mg Alloy rods for railways, and ii) Inner Groove Tubes for ACs, where we successfully qualified under the PLI scheme to manufacture these in India. With Copper being a key metal in India's accelerating journey towards Electrification, Urbanisation, Renewables and E-Mobility, Birla Copper is on the cusp of a strong growth trajectory.

Specialty Alumina

The Specialty Alumina business recorded impressive growth in the face of multiple pressures. Specialty Alumina is a very versatile product with applications across various industries

like ceramics, wires and cables, electrical, electronics, refractories (for steel, cement and glass) as well as niche applications like water treatment, solid surfaces, medical and petrochemicals.

In FY2021-22, the business diversified its product offering with multiple new high-tech products for value-added applications in the wire and cables, refractories and abrasives segments. The industry is growing at about 5% globally, and domestically, between 10% to 18% with elevated growth on the higher-end of VAP range. We believe we are well-poised to capitalise on the opportunity with our cutting-edge value-added product range.

Seeding New Growth

The sound financial performance and strong balance sheet positions Hindalco well to embark on a new wave of growth. We have announced a total capital expenditure of about \$8 Billion over the next five years. Our focus is on driving transformational organic growth by expanding the downstream business in Novelis, and India. Novelis has identified potential investment opportunities of more than \$4.5 Billion to serve the increasing demand for sustainable aluminium products. In the India Business, we have announced a capex of nearly \$ 3 Billion. 70% of our consolidated cash flows will be allocated towards high-growth downstream segments - EVs, Mobility, Packaging, Batteries, B&C, Consumer durables.

The Greener, Stronger, Smarter Way

We have taken bold bets to achieve our targets of carbon neutrality, water positivity, no net loss on biodiversity and zero waste to landfill by 2050. We have progressed on all fronts:

- i. We have reduced specific freshwater consumption by 9% and 27% in India Aluminium and

Copper businesses respectively, over the FY2018-19 baseline. This is towards our target of 20% reduction by 2025.

- ii. We have met our current targets of 100 MW renewable capacity, and going ahead, we intend to achieve a renewable capacity of 300 MW by FY2024-25, including 100 MW solar power capacity with hybrid storage.
- iii. Zero waste to landfill is being pursued by all units through external collaborations. Our waste recycling is at 86% this year, up 6 percentage points. We achieved 114% ash utilisation, and near 100% utilisation of red mud at three of our refineries.
- iv. Our goal for No Net Loss on Biodiversity at sites by 2050 is being roadmapped by our partnership with IUCN. We have been implementing biodiversity management plans at five of our sites this year and are adding nine more. The cumulative green belt in FY2021-22 has grown by 10% over the previous year.
- v. We are leading the nation in Sustainable Mining through our engagement with Xynteo. The seven thematic areas and related KPIs is a unique framework which holds the key to sustainable mining.

Many of our efforts and practices have been recognised globally, but we are not resting on our laurels. ESG is a serious commitment to the future.

People come First

We respect and uphold the human rights of all stakeholders. Employees are one of our strongest pillars. Many of our people initiatives have borne fruit. Gender diversity is a key focus area for us and we have pushed for greater diversity hiring at the entry level. Consequently, hiring of

women GETs has gone up from 18% in 2018 to 41% in 2022.

Another noteworthy initiative is the Hindalco Technical University – an online open learning platform that offers world-class learning programmes to our engineers, supervisors and workers on the shopfloor. During the pandemic, HTU delivered 289 learning programmes, benefitting over 60% of technical role holders. Our initiatives for various segments of the workforce make for a great employee experience. Our efforts were recognised with the Great Place to Work Certification by Great Place to Work® Institute (India).

Despite our many successes, sadly, two fatalities were recorded last year. On the positive side, Hindalco has surpassed all its previous safety performances. This can be attributed to the implementation of the 'Serious Injuries and Fatality (SIF) prevention programme', a new and unique initiative in Indian manufacturing which standardises contractor safety management processes across Hindalco.

Guided by the Aditya Birla Group's social vision, Hindalco has been engaged in meaningful welfare driven activities to uplift the lives of underprivileged communities. Our CSR initiatives have touched over 1.26 Million lives across India. Our community expenditure for FY2022 stands at ₹55 Crore.

During the waves of COVID, we made considerable efforts to protect employees across ranks as well as our communities. We increased and improved medical infrastructure at our plant hospitals and healthcare centres, set up oxygen lines in remote locations, and broadened medical coverage to include contract workers, 3rd party employees and their families. As an organisation,

1.26 MN

lives touched through our CSR activities across India

289

learning programmes benefiting 60% of technical role holders

41%

Of women in GET hires in 2022

we stood strong with our people. I am especially proud of the care shown by our employees to support each other and our communities.

Anticipating the Future

Our successes as well as the learnings from our failures inspire us to raise the bar every single time. We believe high performance organisations are by nature sustainability-focused and future ready. Hindalco's achievements are due to the collaborative teamwork of our employees and I take this opportunity to thank everyone for their efforts which resulted in the Company's pathbreaking performance in FY2021-22. I also thank all our stakeholders for your unflinching trust and support. I am pleased to share with you the Integrated Report for FY2021-22 and look forward to your sustained trust in us.



Satish Pai
Managing Director