



Investor Presentation

HINDALCO INDUSTRIES LTD ... Q1 FY2016

# Contents...

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**Highlights and Financial Performance**

**Review - Aluminium Business**

**Review - Copper Business**

# Global Economy – Uncertain times?

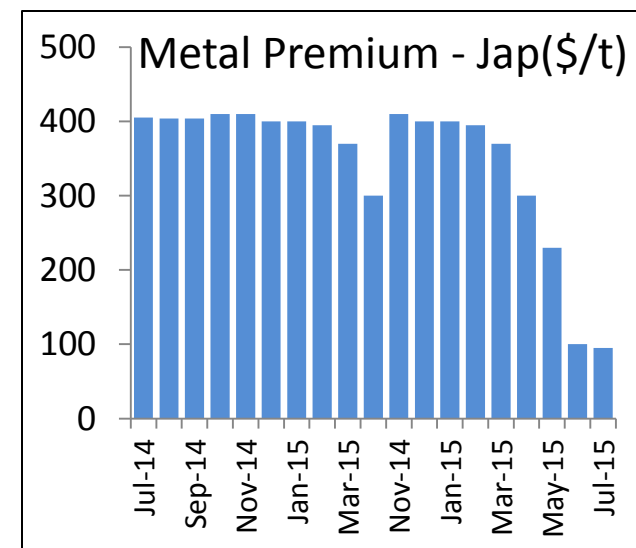
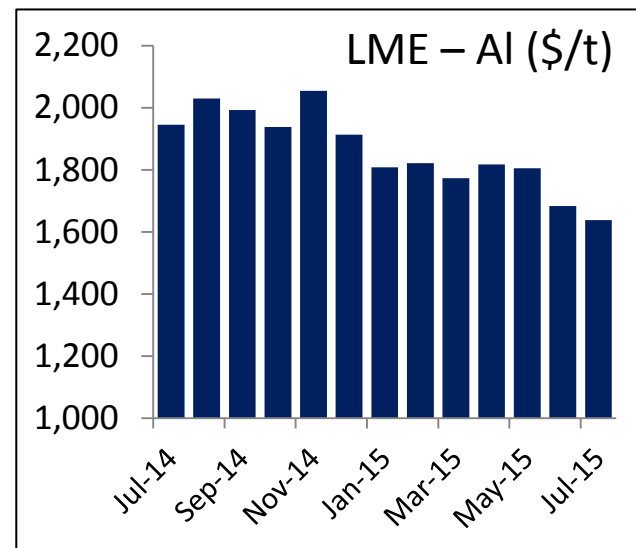


## *Uncertainty leading to risk averseness...*

- Mixed signals: US recovering, While Europe struggling
- China slow down has resulted in sharp uncertainty around commodity consumption growth
- Strengthening dollar, impending fears about Fed increasing interest rates led to sharp decline in commodity prices
- India showing signs of early recovery....
- Crude dynamics impacting sentiments
- Global Stock markets – an uneven performance

# Aluminium: Realizations collapsed...

- Weakness in commodity markets, with increased concerns on Chinese economy
- Al Market balance again in excess; significant surpluses projected for 2015 and 2016
- Inadequate supply side response; China continuing to add capacities
- Softening of global cost curve due to low energy costs and currency movements
- Premium collapsed ...



# Q1 FY16: Highlights... Strong Operational Performance

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## Aluminium (India)

- ⦿ Volumes continue to grow as facilities ramp up
  - ⦿ Higher Revenues despite sharp fall in realisations
  - ⦿ Captive coal expected soon
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## Novelis

- ⦿ Strong Auto sheet Ramp up
  - ⦿ Strategic rolling expansions driving higher shipments
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## Copper (India)

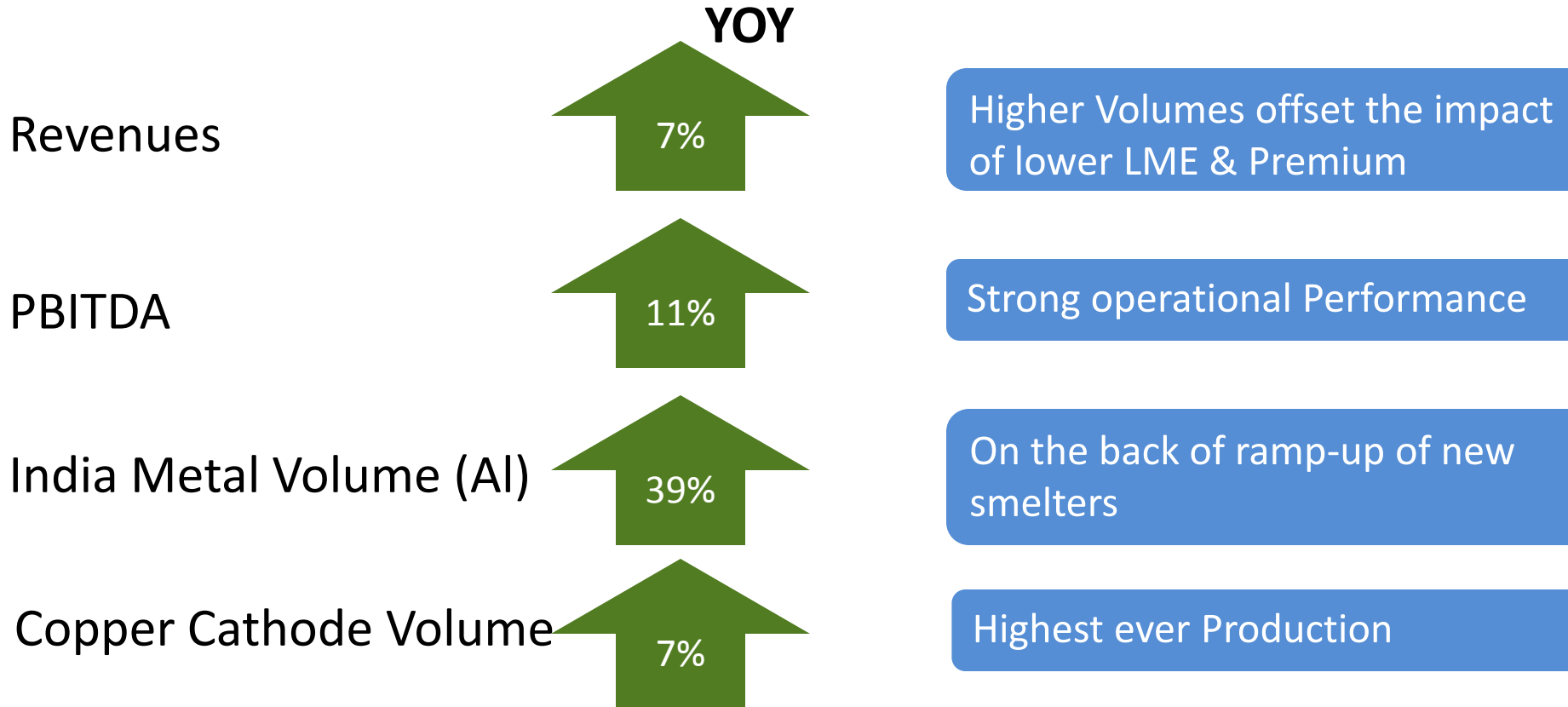
- ⦿ Robust Operational performance
- ⦿ Record Production Volumes

***All round improvement in performance***

# Highlights: Q1 FY16



## *Highest Ever Volumes*



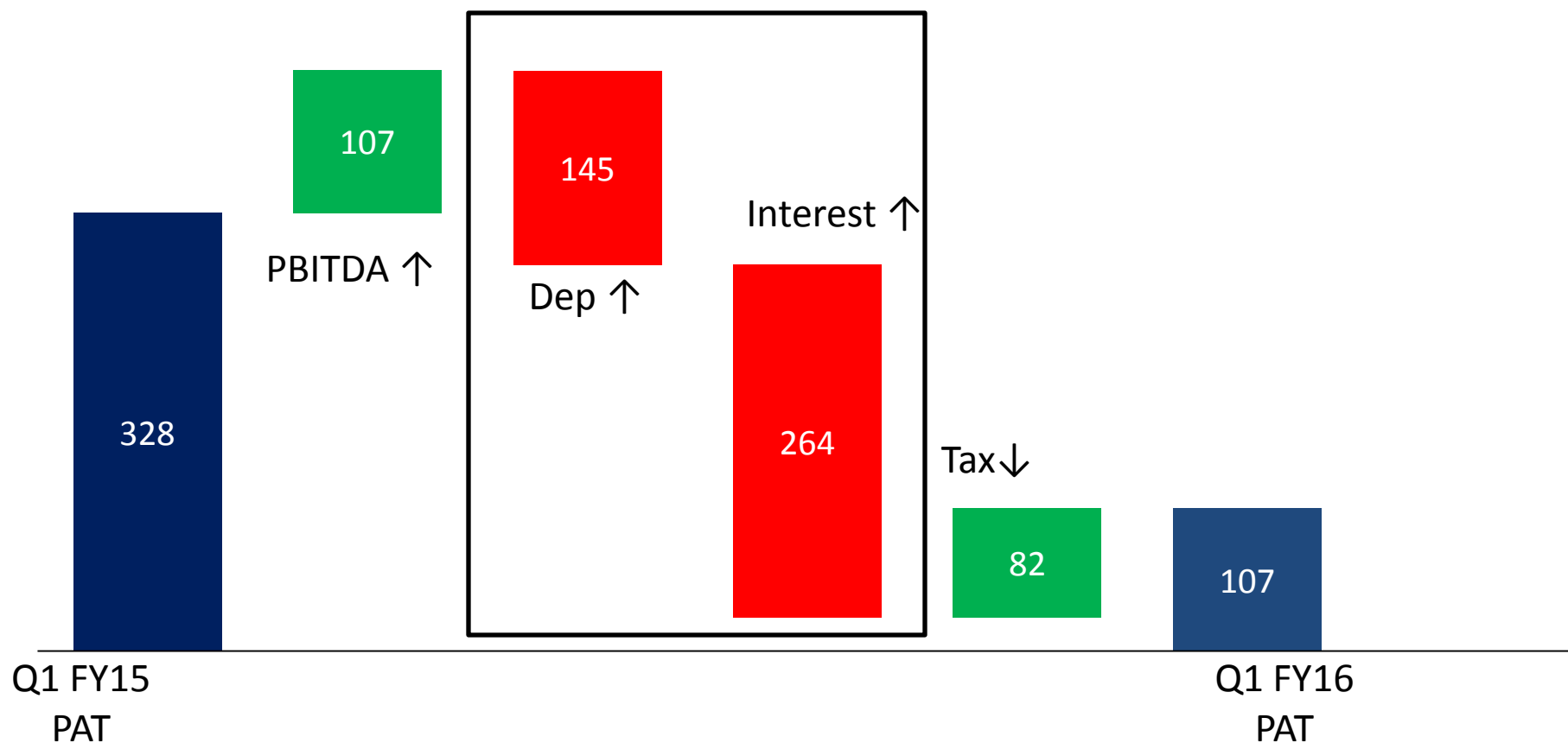
*Improved operational performance*

# Financial Performance:

| (₹) Cr                    | Q1 FY16 | Q1 FY15 | Change %<br>YoY | Q4 FY15 | Change<br>%QOQ |
|---------------------------|---------|---------|-----------------|---------|----------------|
| Net Sales                 | 8,575   | 7,996   | 7%              | 9372    | (9%)           |
| Other Income              | 194     | 216     | (10)%           | 230     | (16%)          |
| PBITDA                    | 1,072   | 965     | 11%             | 1,078   | (1%)           |
| Depreciation              | (332)   | (187)   | 77%             | (238)   | 39%            |
| Interest                  | (602)   | (338)   | 78%             | (466)   | 29%            |
| PBT before<br>exceptional | 138     | 440     | (69)%           | 374     | (63%)          |
| Exceptional<br>items      | ....    | ...     | ...             | (146)   |                |
| PBT                       | 138     | 440     | (69)%           | 227     | (39%)          |
| PAT                       | 107     | 328     | (67)%           | 160     | (67%)          |
| EPS (₹)                   | 0.52    | 1.59    | (67)%           | 0.77    | (67%)          |

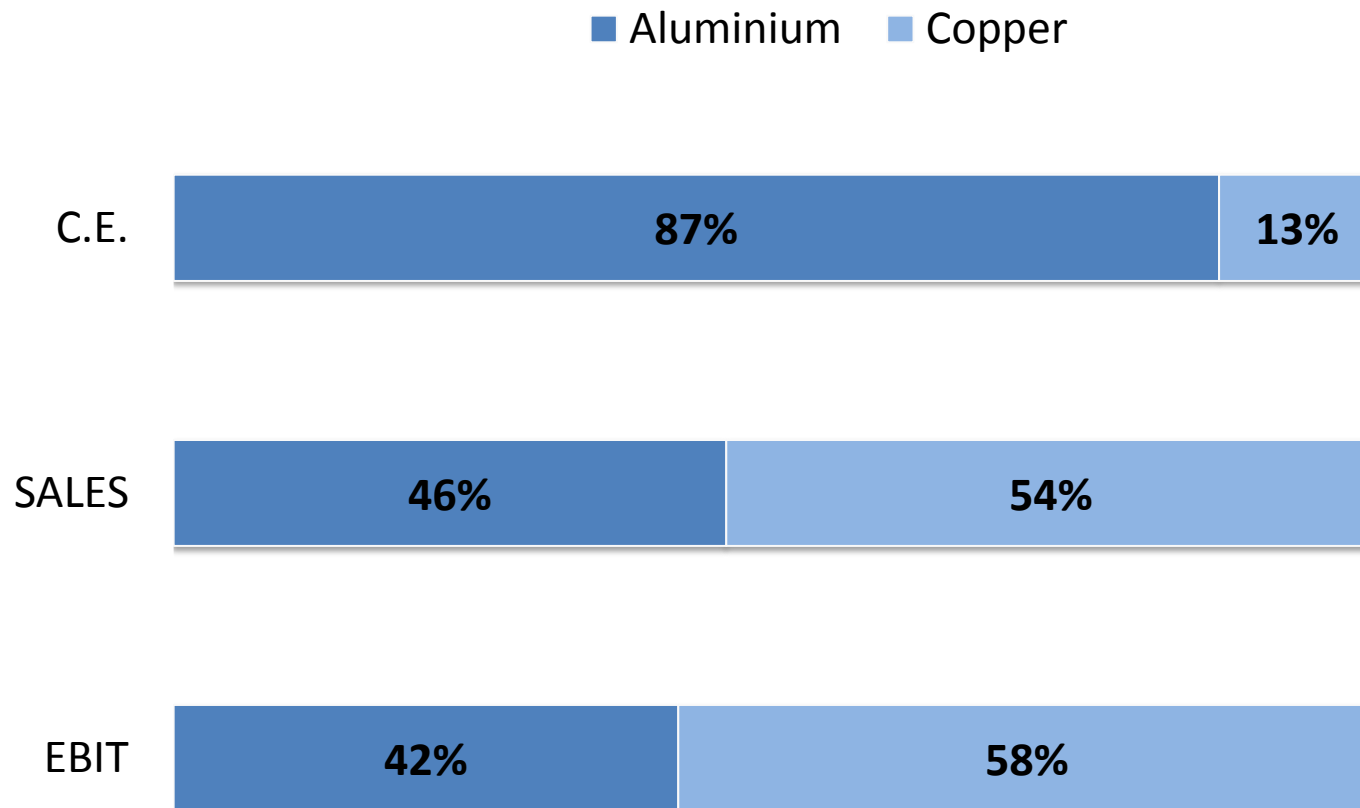
# Financial Performance – Q1 FY16

Despite challenging macro economic circumstances operating profit was higher but sharp Rise in interest & Depreciation led to lower PAT





# Segmental Performance – Q1 FY16





# *Aluminium Business*

# AI: External Drivers

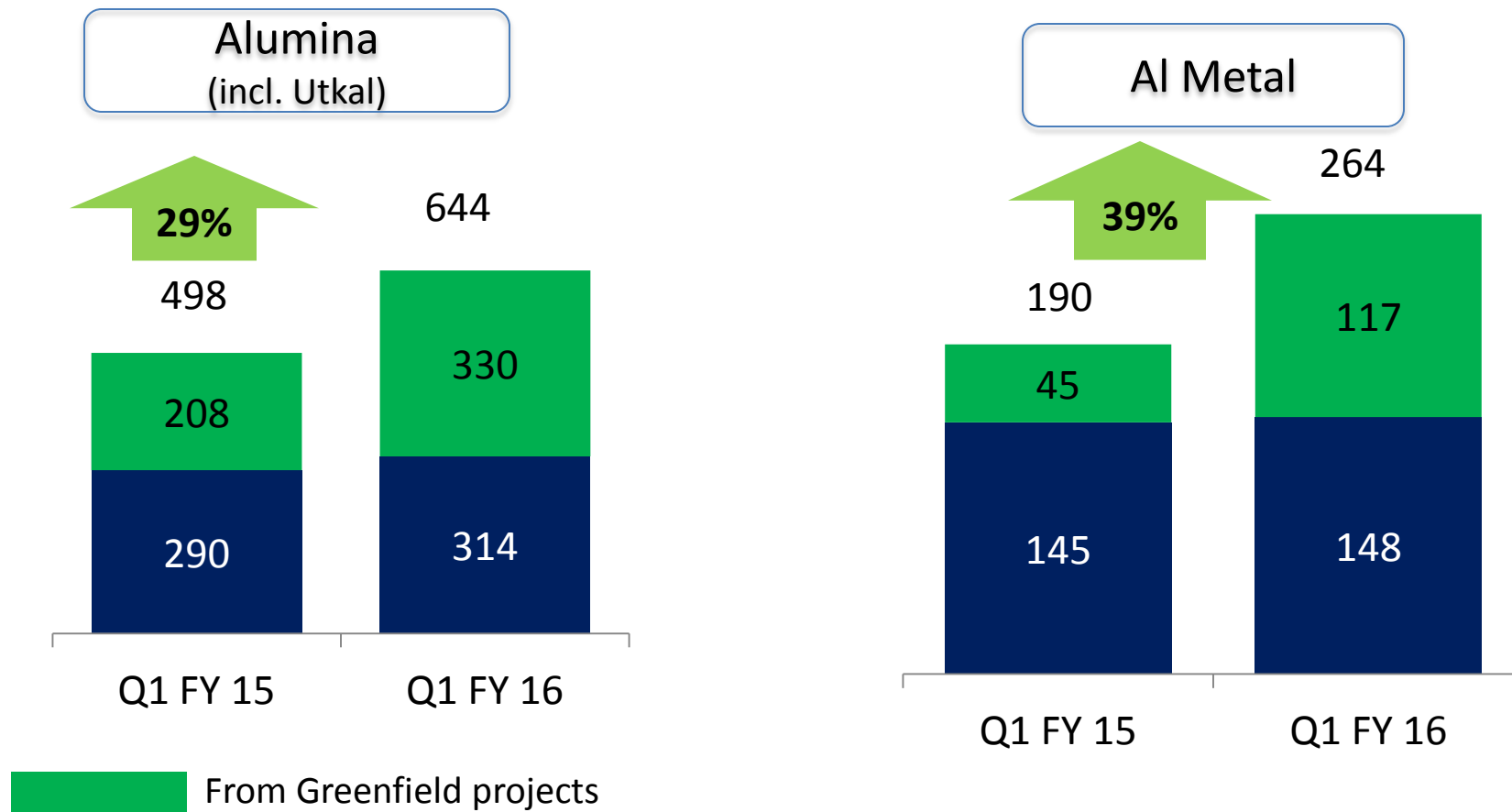
|            | Q1FY16 | Q1 FY15 | Q4 FY 16 |
|------------|--------|---------|----------|
| LME (\$/t) | 1,769  | 1,798   | 1801     |
| INRUSD     | 63.47  | 59.35   | 62.24    |
| MJP        | 198    | 374     | 377      |

- ❖ Realisations declined as both LME and Premium dropped
- ❖ Re mildly supportive but much higher depreciation in other currencies led to sharp fall in global cost curve.. Negating any benefit
- ❖ Coal cost at Hirakud increased sharply due to loss of Talabira 1 Mine

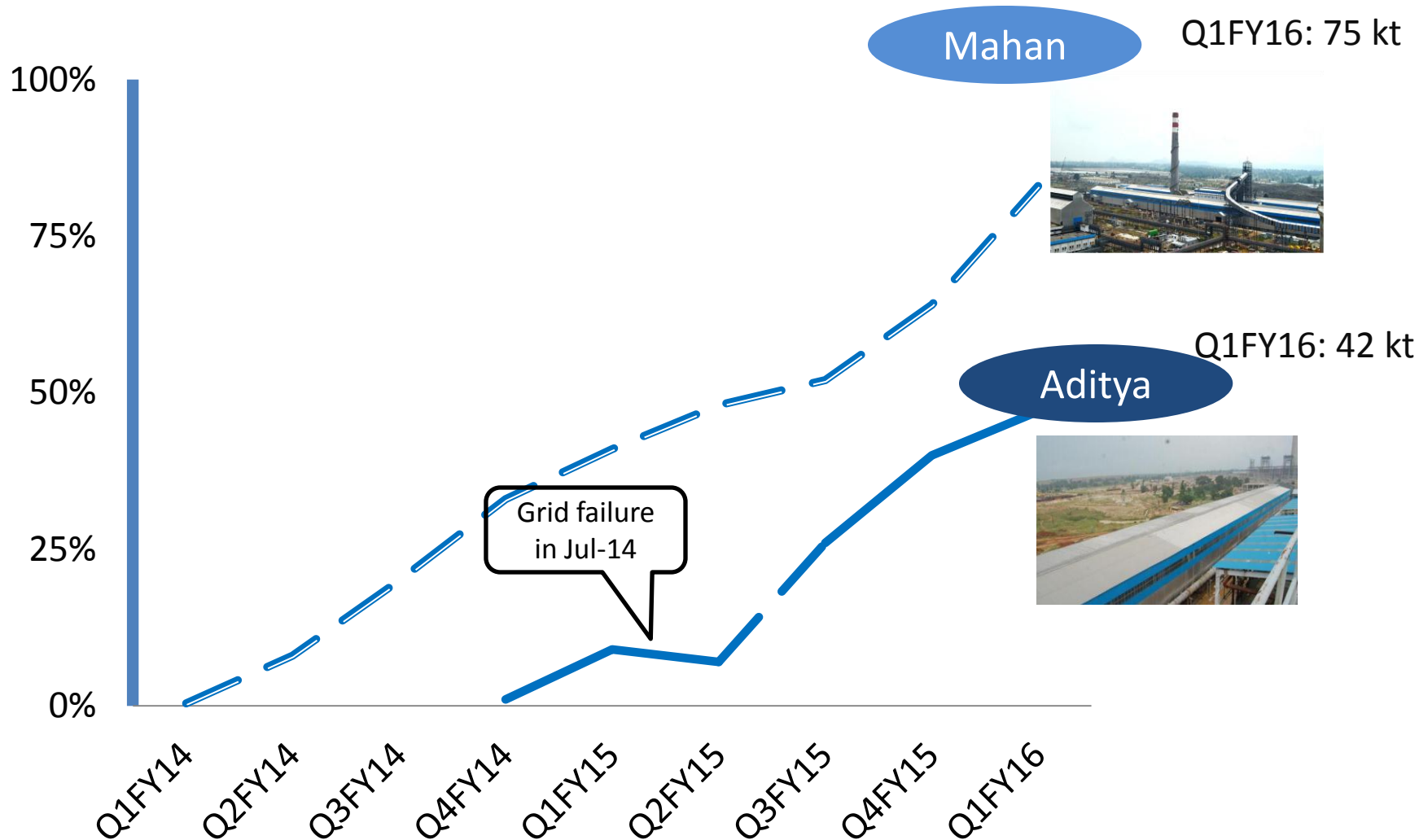
# Al: Robust Operational Performance

(Figures in Kt = '000 tonnes)

*Record volumes on the back of ramp-up of expansion projects*

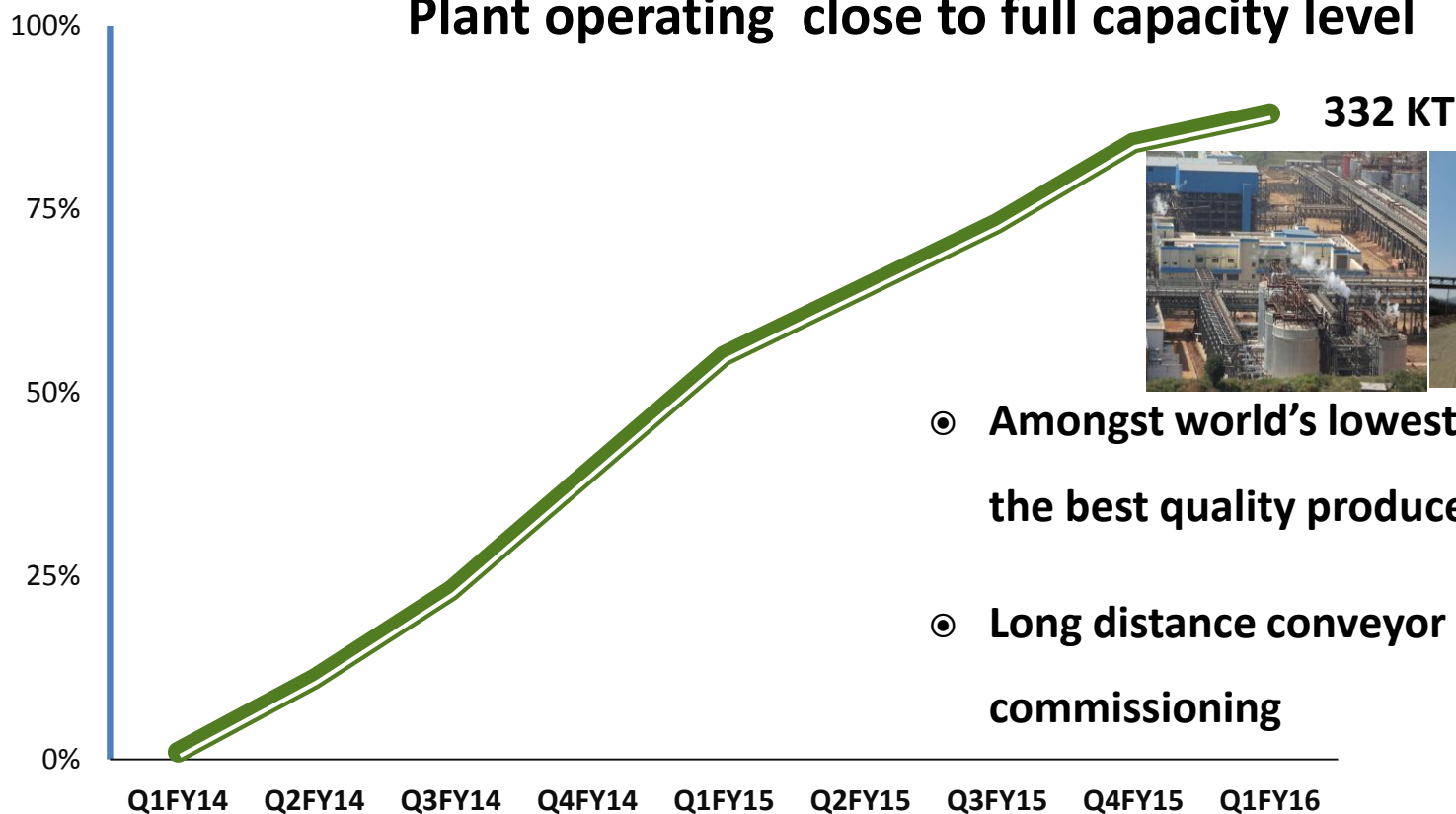


# New Smelters: ramping Up



# Utkal – Efficiency gains kicking in

## Plant operating close to full capacity level

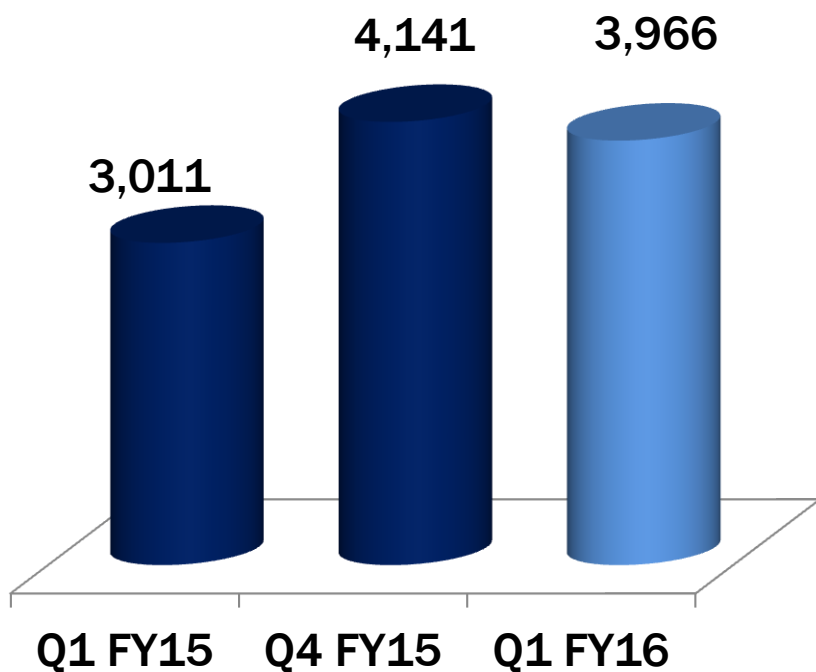


- ⊙ Amongst world's lowest cost and one of the best quality producers of alumina
- ⊙ Long distance conveyor under commissioning

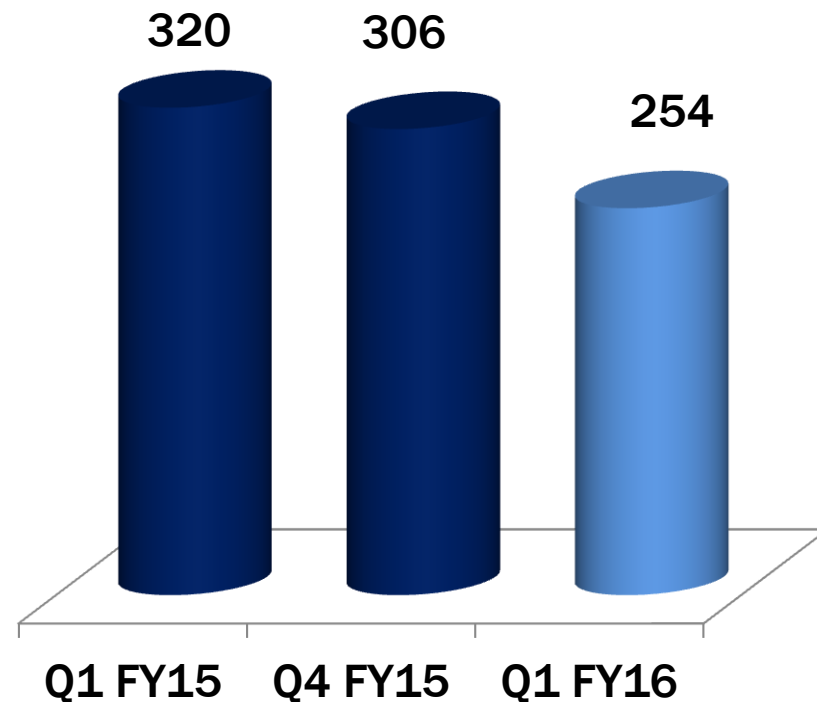
\* Hydrate as Alumina

# Aluminium: Financial Performance

Net Sales (₹ Cr)



EBIT (₹ Cr)



❖ YOY – Revenue up 32%

❖ EBIT declined on account of lower realisation & sharp increase in depreciation

# Novelis





# Novelis- Q1 FY 16 Highlights

YOY basis

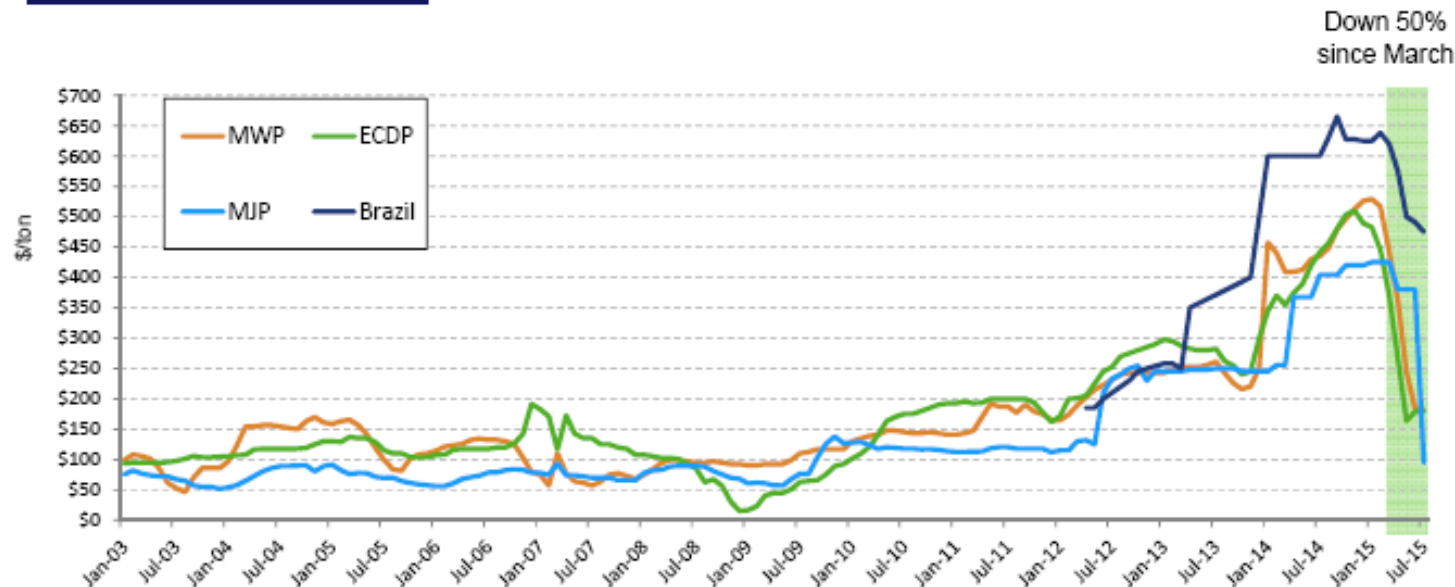
- ❖ FRP Shipments at 768 KT down 2 KT
- ❖ Record Global Auto shipments Up 68%
- ❖ Revenues declined by 2% on account of lower LME and lower regional Premium
- ❖ Excluding Metal Price lag Ebidta declined 9% to \$ 212 Mn
- ❖ Ebidta including negative \$ 85 Mn metal price lag was at \$ 127 Mn

## Challenging macro economic environment



# Novelis- Metal Price lag...

## LMP Timing Impact in our Pass-Through Business Model



- Average local market premium (LMP) unprecedented rise and rapid return to historical levels
- Average LMP has fallen 50% between March and July 2015
- Higher inventory levels today due to capacity expansions and product mix shift
- \$100/t change in LMP could impact EBITDA ~\$40M from metal price lag

**Metal price lag:** On certain sales contracts we experience timing differences on the pass through of changing aluminum prices from our suppliers to our customers. Additional timing differences occur in the flow of metal costs through moving average inventory cost values and cost of goods sold. This timing difference is referred to as metal price lag. Although we use derivatives contracts to minimize the price lag associated with LME base aluminum prices, we do not use derivative contracts for local market premiums, as these are not prevalent in the market.

# Novelis- Summary



- Uncertain market factors to continue
  - FRP demand solid but economic uncertainty causing select market softness
  - Stronger US dollar causing headwinds in Europe
  - Negative metal price lag expected in Q2FY16
- Focus on fundamentals of manufacturing operations
  - Operational excellence and increasing productivity of new assets
  - Further auto shipment growth as production annualizes
  - Manage costs and working capital
- Expect positive free cash flow for FY16






Despite market challenges, business fundamentals remain strong

# *Copper Business*

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# Cu: Favourable Industry Trends...

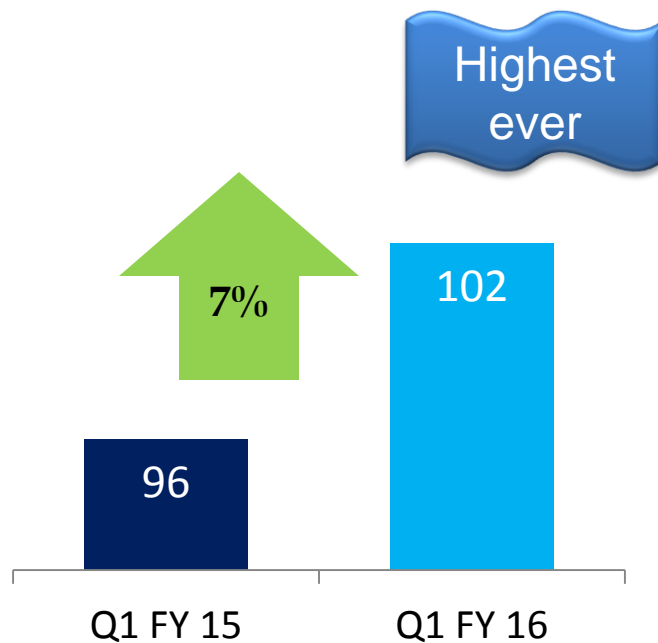
|                   | Q1 FY 16 Vs. Q1 FY 15 | Impact (YoY)  |
|-------------------|-----------------------|---|
| TCRC              | Higher                |    |
| LME (\$/t)        | Lower                 |    |
| Exch. Rate (₹/\$) |                       |    |
| Acid Price        | Higher                |  |
| DAP Realization   | Stable                |  |

# Cu: Robust Production Performance

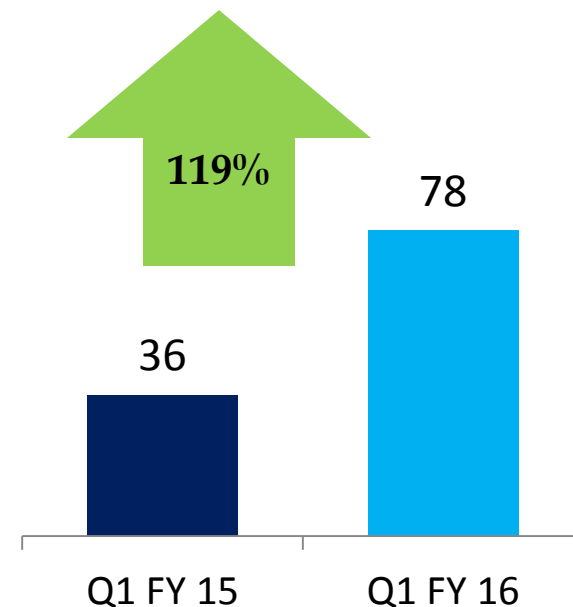
Volumes in Kt = '000 t



## Cathode

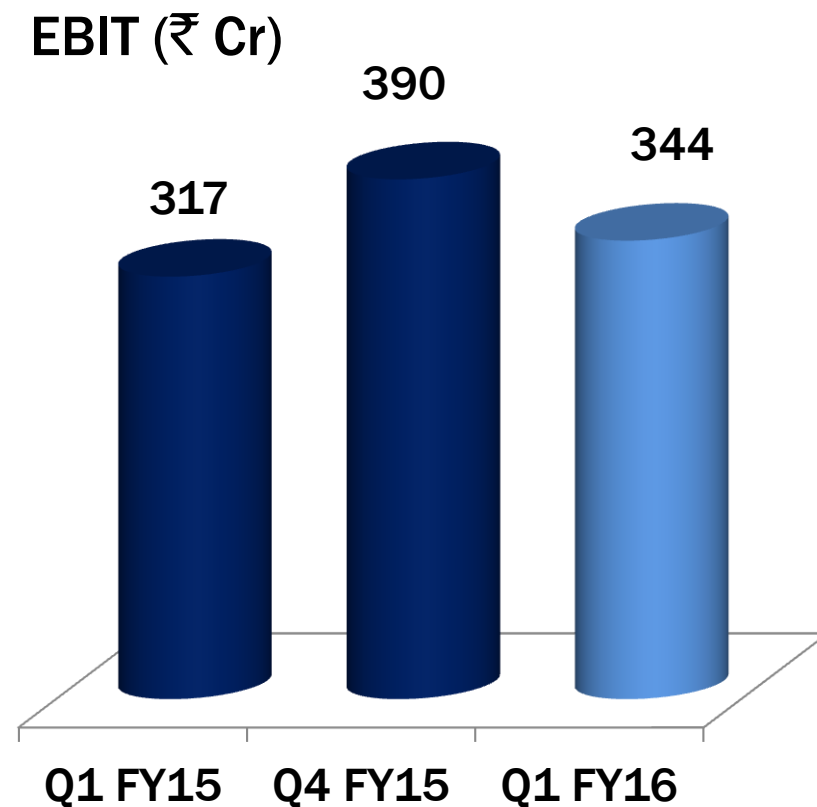
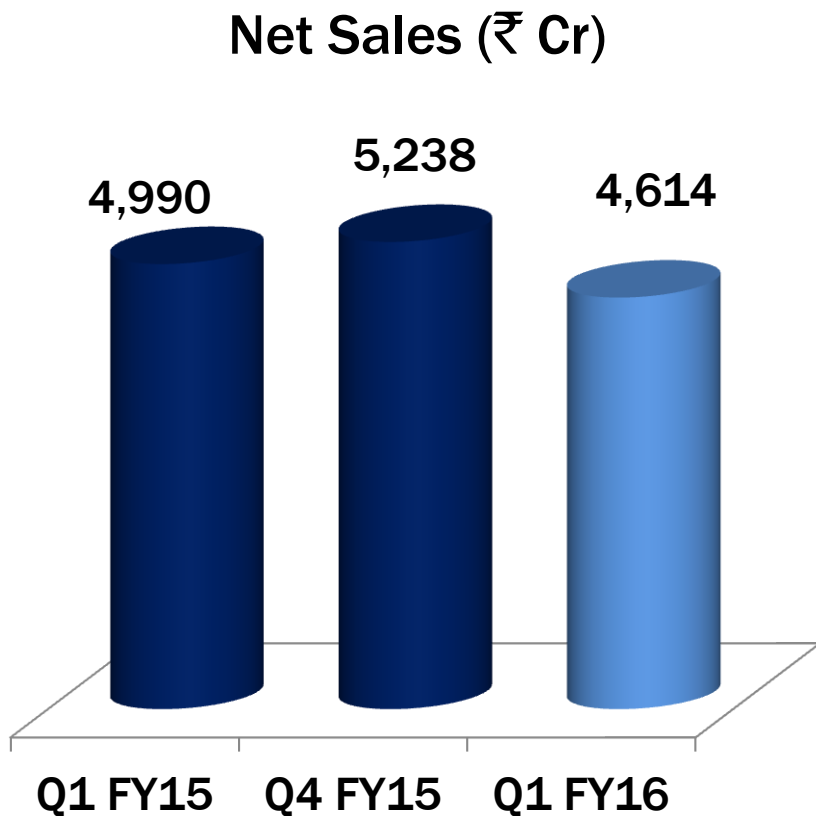


## DAP



***Strong Production growth***

# Copper: Financial Performance



**Consistent Performance**

# In Summary ...

Strong operational performance in Q1FY16, but external environment has worsened significantly

New factories ramping up well; volume growth expected to continue

Copper business likely to maintain its performance on the back of robust operations and favourable value drivers

Novelis' strategic goals on track; strong growth in auto market likely to enrich product mix

*Focus on operational excellence & consolidation*





# Thank you

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