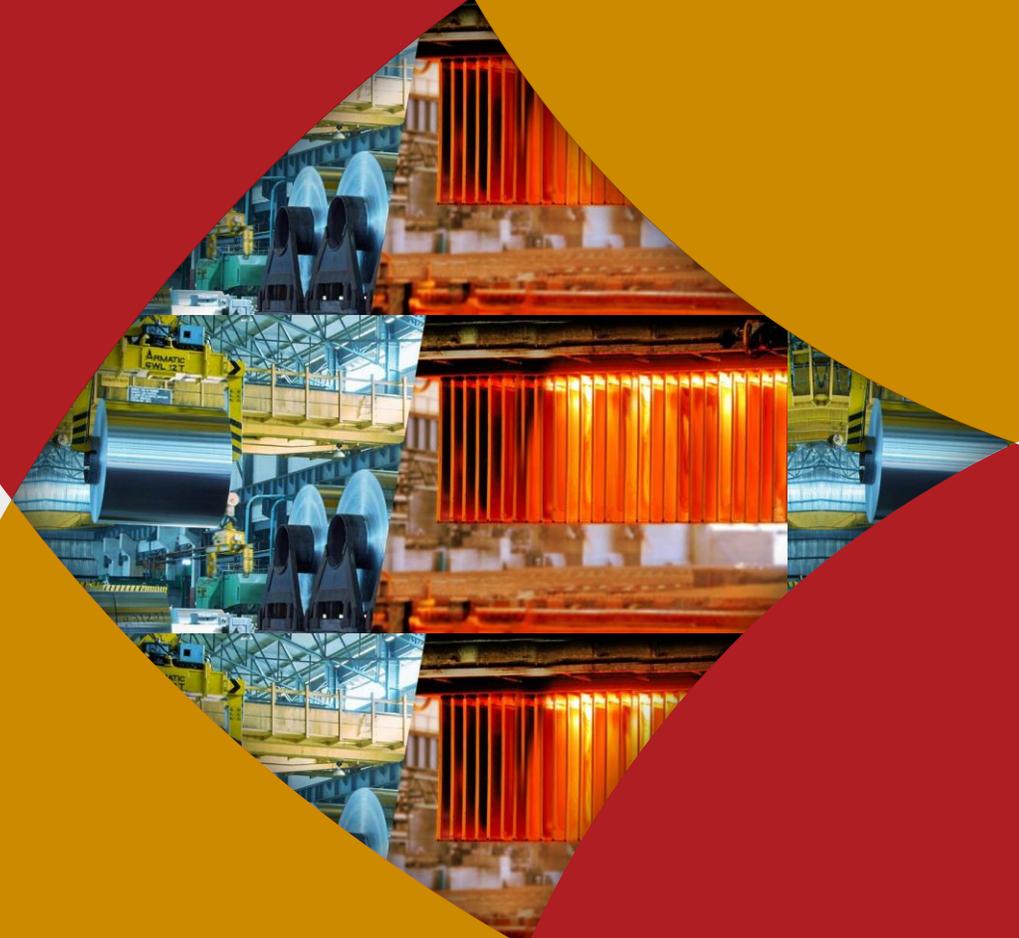


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HINDALCO

# Hindalco Industries Limited



Q3 FY19 Earnings Presentation

12<sup>th</sup> February, 2019

# SAFE HARBOUR

*Certain statements in this report may be “forward looking statements” within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the company’s operations include global and Indian demand supply conditions, finished goods prices, feed stock availability and prices, cyclical demand and pricing in the company’s principal markets, changes in Government regulations, tax regimes, economic developments within India and the countries within which the company conducts business and other factors such as litigation and labour negotiations. The company assume no responsibility to publicly amend, modify or revise any forward looking statement, on the basis of any subsequent development, information or events, or otherwise.*



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| Result Highlights : Financial Performance – Q3 & 9M FY19   | 20 |
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- Aluminium
- Copper
- Novelis Inc.

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# Key Highlights – Q3 FY19

# Key Highlights – Q3 FY19

## Hindalco Standalone (Plus Utkal Alumina)

- EBITDA at Rs. 1,926 crore vs Rs. 1,861 crore in Q3 FY18, up 4% reflecting strong performance, on account of supporting macros and better realization, despite rising input costs
- Significant reduction in Interest Cost, 12% YoY, on account of prepayment of loan
- Profit Before Tax at Rs. 944 crore vs Rs. 858 crore in Q3 FY18 (before exceptional items), up 10%, due to lower interest cost and higher EBITDA
- Profit after Tax at Rs. 713 crore vs Rs. 484 crore in Q3 FY18, up 47% reflecting a strong performance
- Net Debt to EBITDA (on TTM Basis) at end of Dec, 2018 further improves to 2.36x from 2.67x at end of March, 2018
- Focus on deleveraging continues - prepaid long term loan of Rs. 1,575 crore in October 2018

## Aluminium (Hindalco Plus Utkal Alumina)

- EBITDA at Rs. 1,286 crore vs Rs. 1,188 crore in Q3 FY18, up 8%, on account of supporting macros and better realisations.
- EBITDA margin at 21% in Q3 FY19, best amongst its peers
- Aluminium Metal Production at 324 Kt through stable operations
- Production of Alumina at 749 Kt, up 2%, due to better operational performance
- Utkal expansion on track, expected to be commissioned by FY21

# Key Highlights – Q3 FY19

## Copper

- EBITDA at Rs. 431 crore vs Rs. 421 crore in Q3 FY18, marginally up, on the back of better by-product realization and volume.
- Copper Cathode production at 105 Kt in Q3 FY19 vs 101 Kt in Q3 FY18
- CC Rod production, up 59% at 66 Kt vs. 41 Kt in Q3 last year based on ramp-up of the new CCR-3 facility
- Achieved 58% VAP (CC Rod) sales of the total sales volumes in Q3 FY19 vs 40% last year
- DAP production up 34% to 76 kt in Q3 FY19 vs 57 kt in Q3 FY18

## Novelis Inc.

- Record Q3 Adjusted EBITDA at US\$ 322 million and shipments at 800 Kt.
- Can shipment grew 4% YoY in Q3 FY19
- Adjusted EBITDA per ton of US \$ 403 (up 6% vs US\$ 383 in Q3 FY18)
- Net Income at US\$ 78 million in Q3 FY19 (US\$ 121 million in Q3 FY18 including non-cash income tax benefit of \$34 million from the U.S. Tax Cut and Jobs Act of 2017)
- Various regulatory approvals for Aleris acquisition in progress and the transaction is expected to close in Q2 FY20 (Jul-Sept'19)

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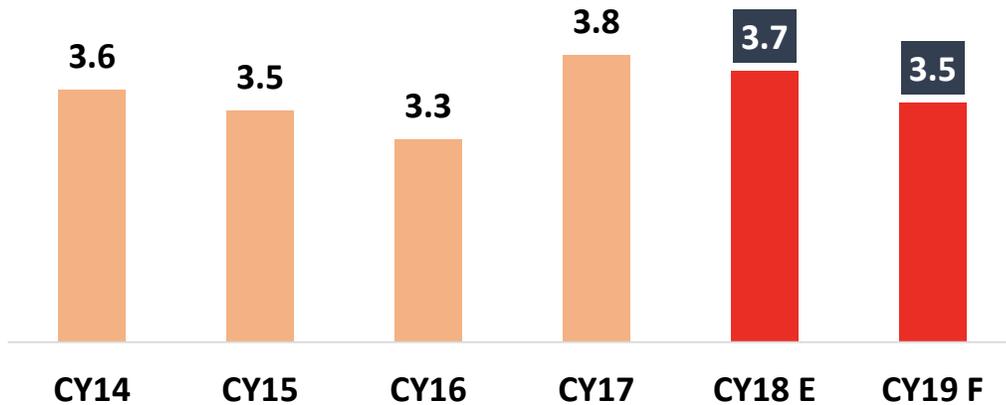


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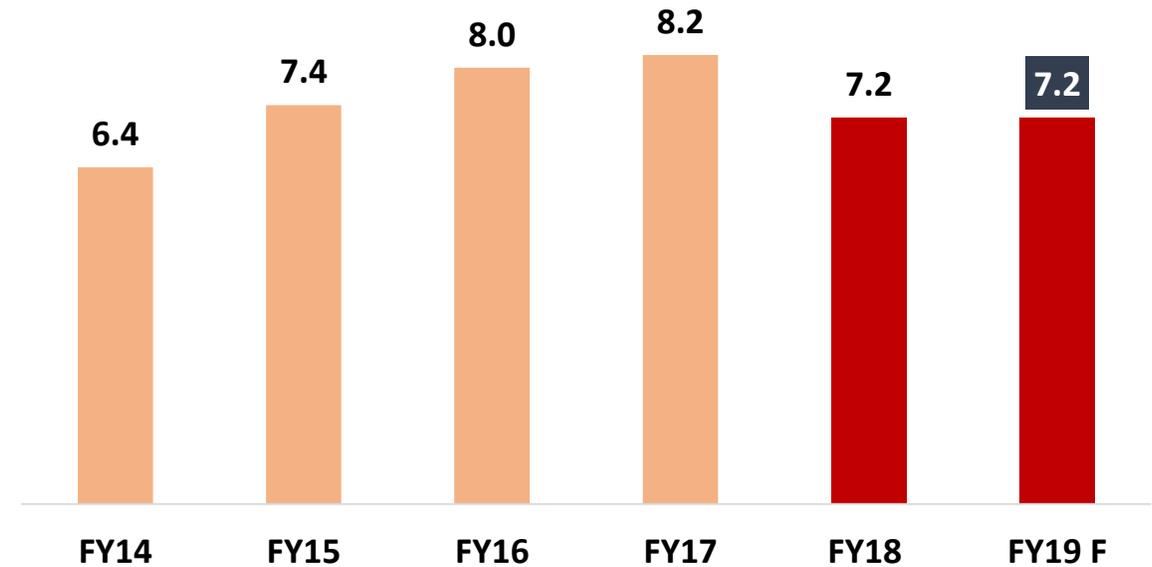
# Economy & Industry : Global & Domestic

# Economy Updates

## A Weakening Global Expansion



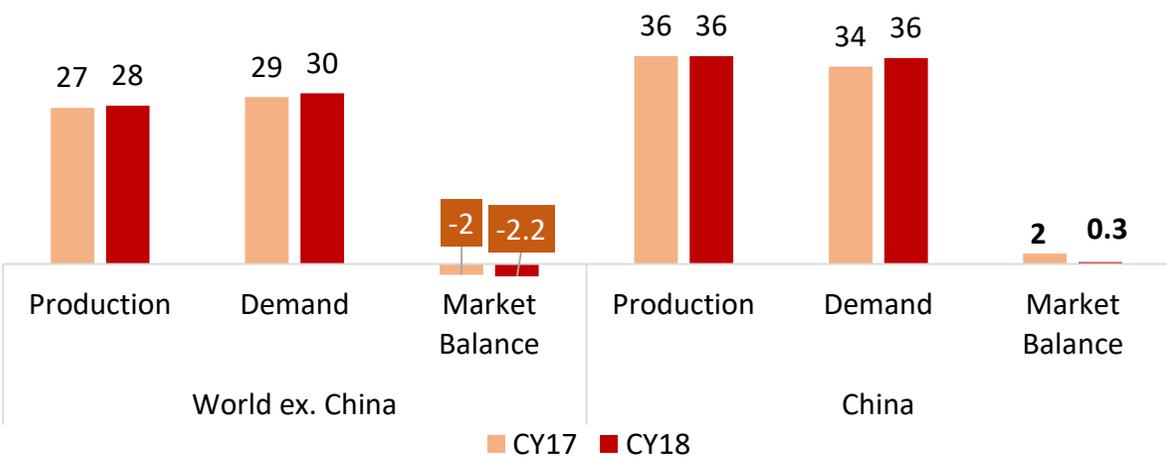
## India - Fastest Growing Economy in the World



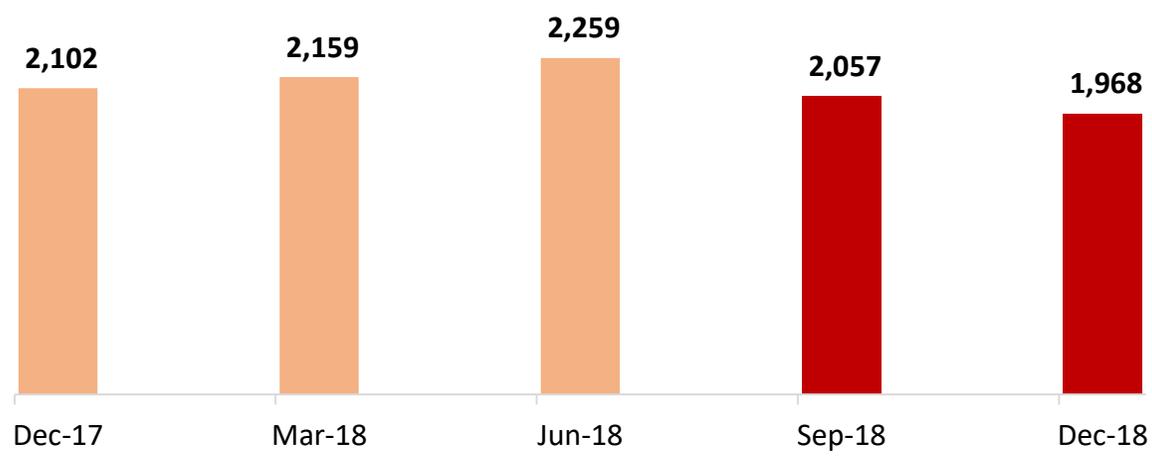
- IMF marginally moderated the global growth due to uncertainties and softening of demand. Trade War, Brexit and geopolitical issues are the key risks to global growth.
- India will likely to continue as the fastest growing economy in the world. However, growth in FY19 is expected to be at the same level as it was in FY18.

# Aluminium Industry

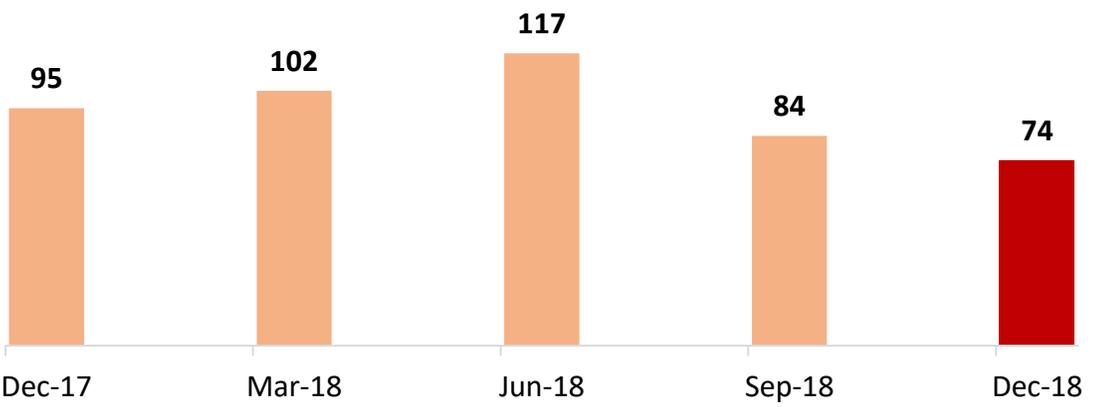
**Global Scenario (MnT)**



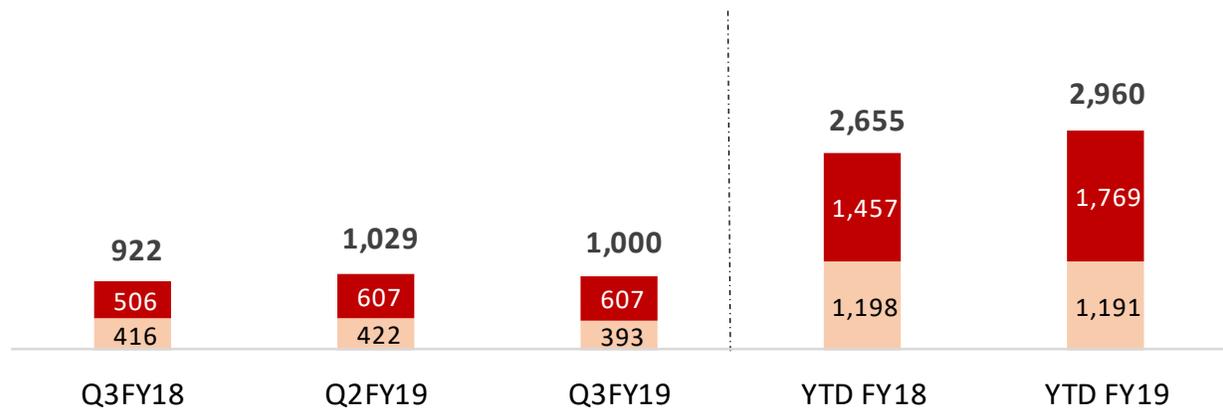
**Movement of LME (USD/t)**



**Movement of Domestic Premium (USD/t)**



**Domestic Demand (KT)\***

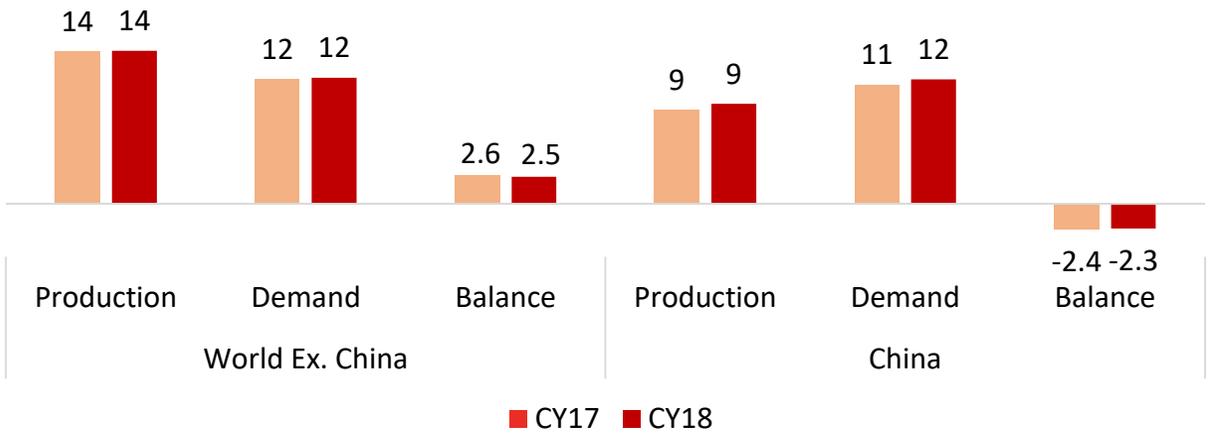


\* Including downstream

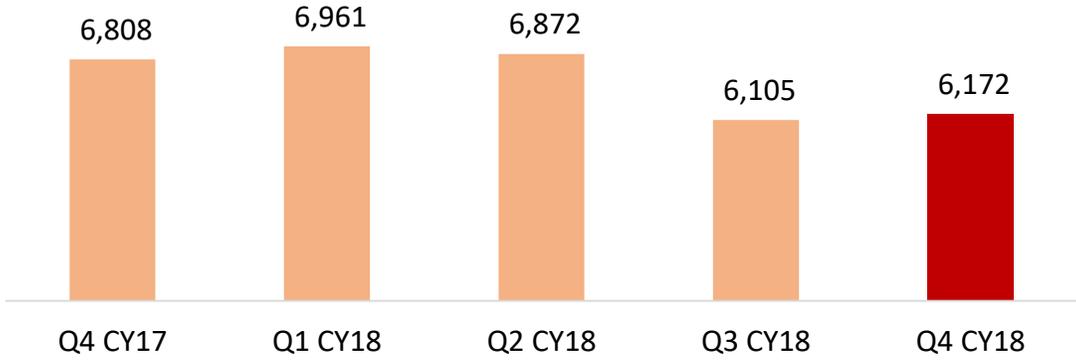
Domestic Sales Total Import incl Scrap

# Copper Industry

## Global Market Scenario (MnT)



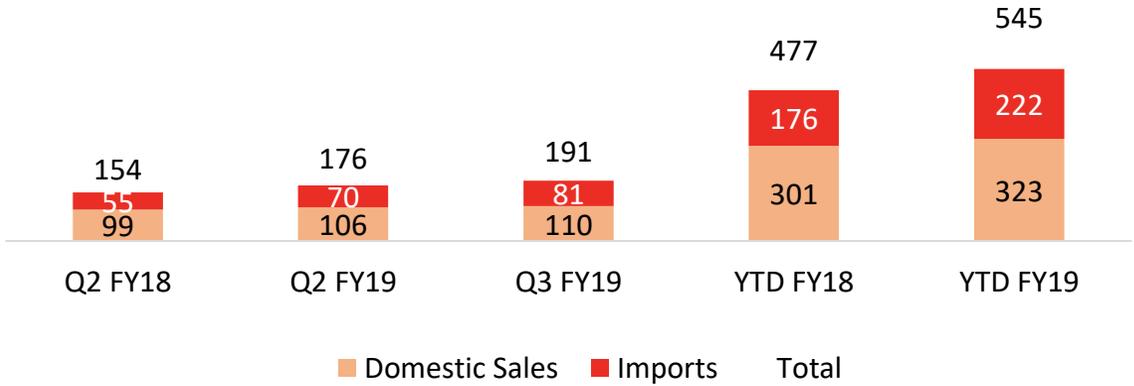
## LME Price of Copper (USD/t)

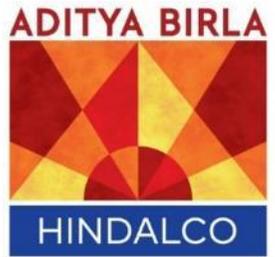


## Key Macro Drivers (Q3 FY18 vs Q3 FY19)



## Domestic Market Recorded Significant Imports Growth





# Result Highlights : Operational Performance – Q3 FY19

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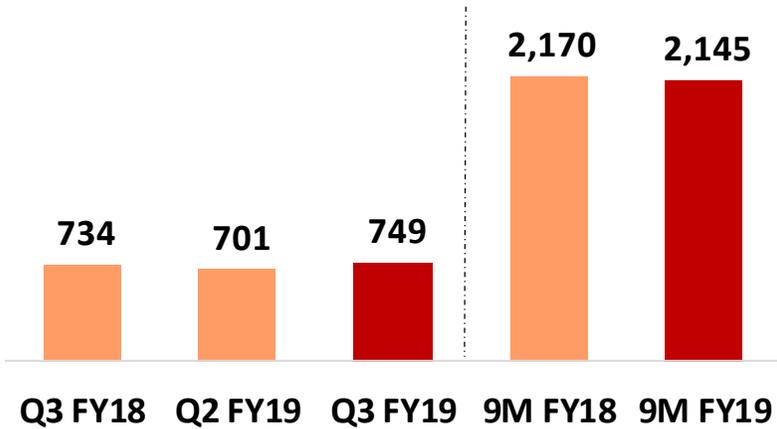


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# Operational Performance : Aluminium

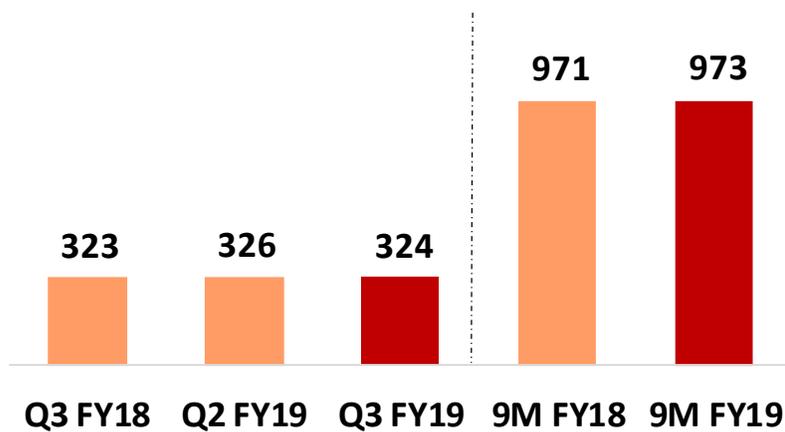
# Production – Alumina, Aluminium Metal & VAP

## Alumina\* (Inc. Utkal Alumina) KT



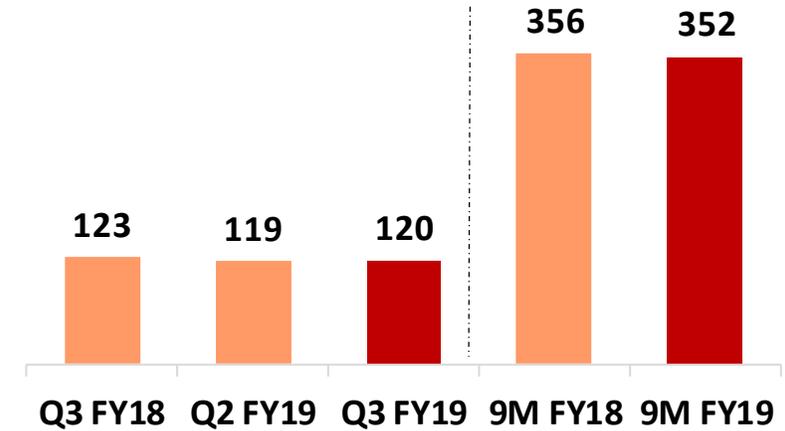
- Alumina production reached optimal utilization in Q3 FY19

## Aluminium Metal (KT)



- Stable Aluminium Metal Production

## VAP incl. Wire Rod (KT)

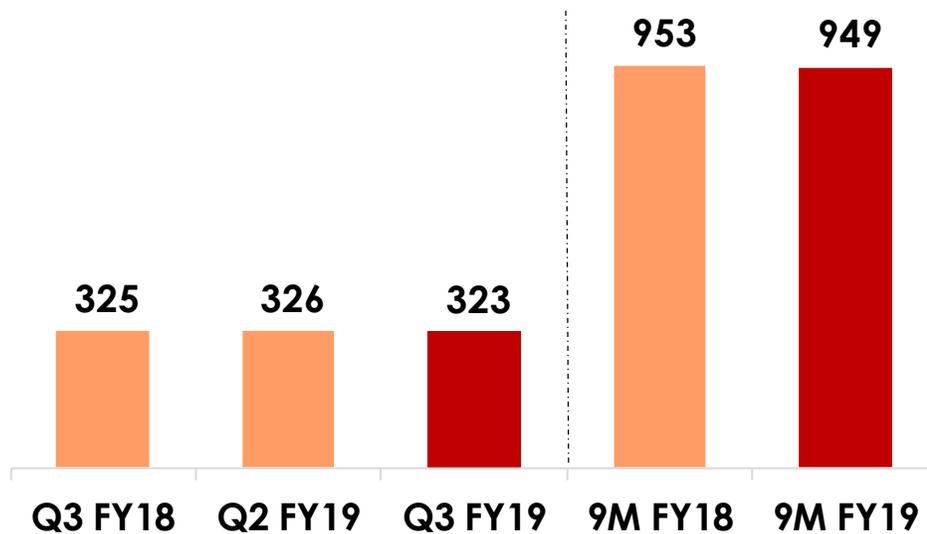


- Value Added Product (VAP) production lower due to lower output of Wire Rods

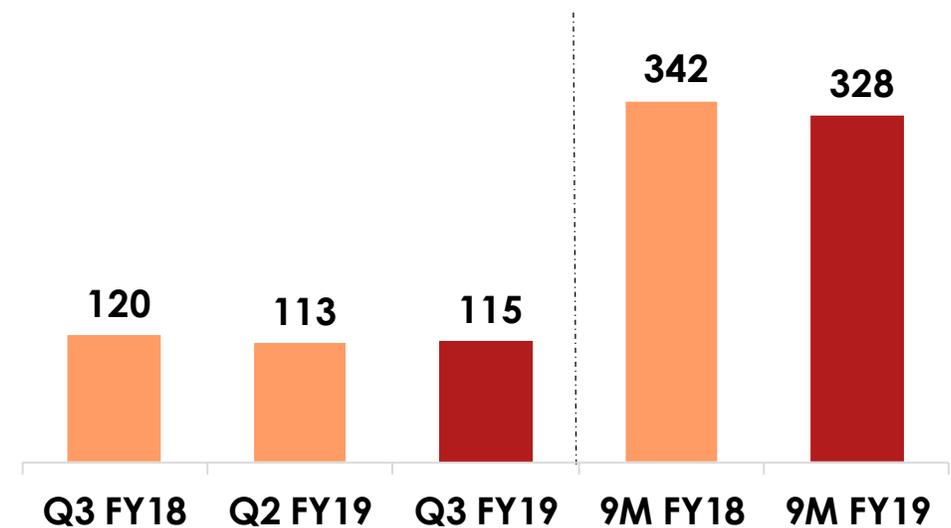
\*Hydrate as Alumina

# Sales Volume – Aluminium Metal & VAP

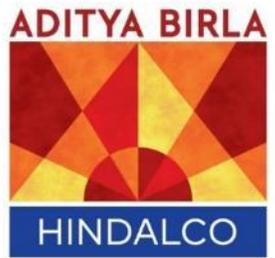
## Aluminium Metal Sales in all forms (KT)



## Al. VAP Sales (incl. Wire Rod) - KT



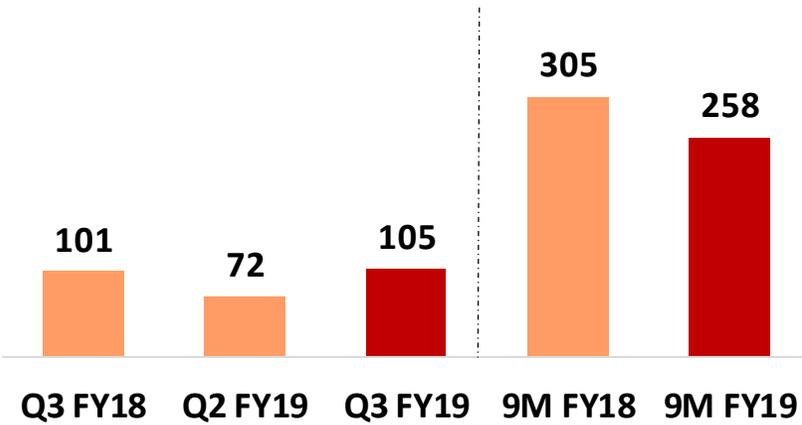
- Aluminium VAP (including wire rods) sales in Q3 FY19 was 35% of total metal sales (Vs 37% in Q3 FY18)



# Operational Performance : Copper

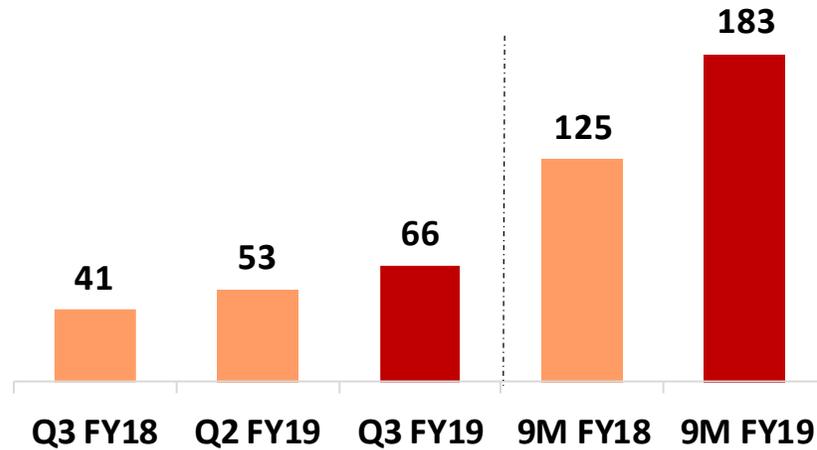
# Production – Copper & VAP

### Cathode (KT)



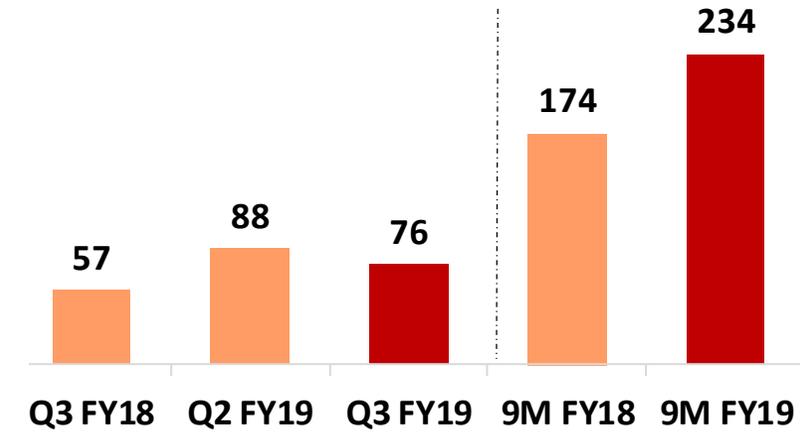
- Cathode production higher with optimal capacity utilization, after maintenance shutdown

### CC Rod (KT)



- CCR – 3 ramping up as per schedule

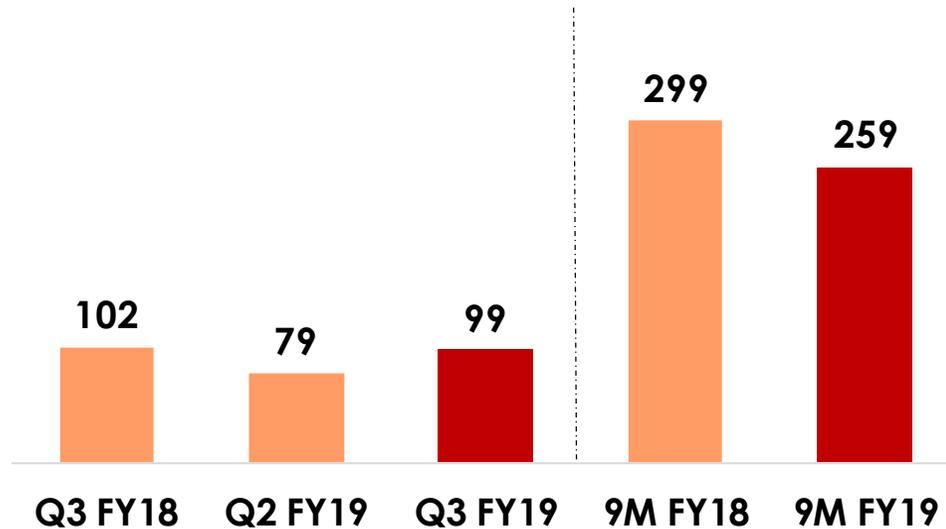
### DAP (KT)



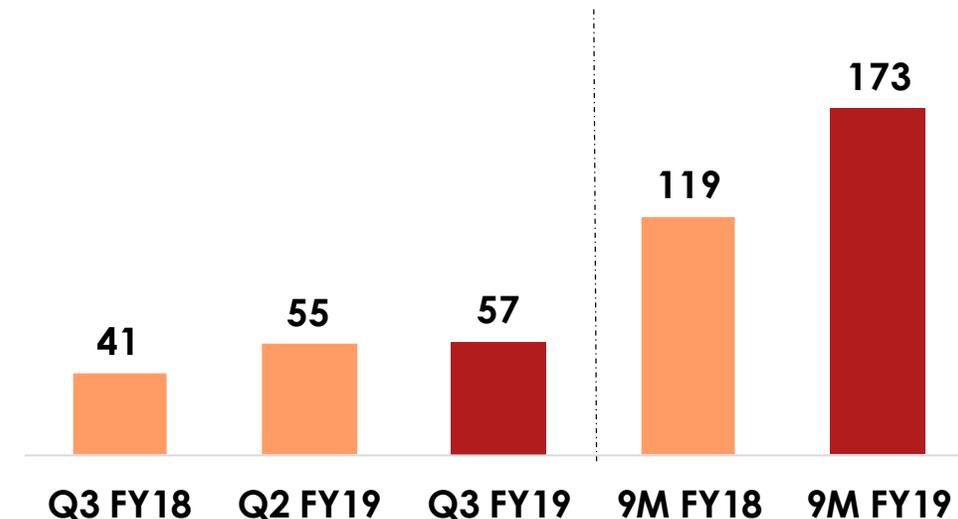
- DAP Production is higher

# Sales Volume – Copper & VAP

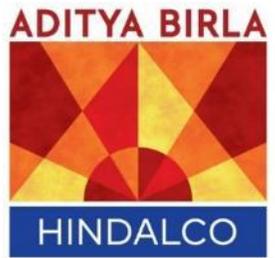
## Copper Metal Sales in All Forms (KT)



## CC Rods (KT)



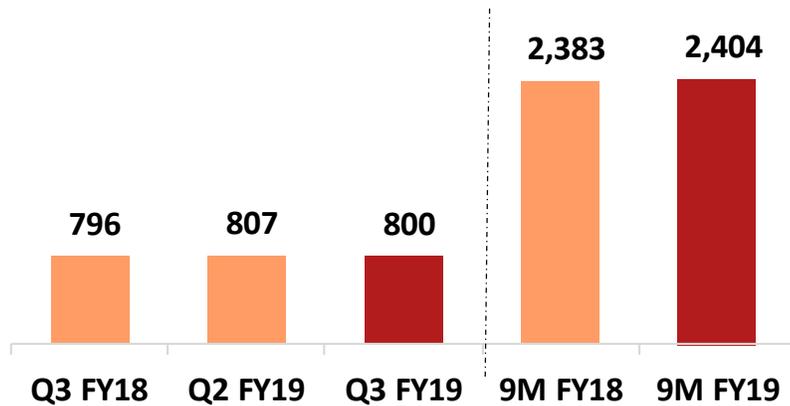
- CC Rods sales volumes were higher by 40% in Q3 FY19 on account of ramp up CCR -3 vs. corresponding period
- CC Rods sales in Q3 FY19 was 58% of total Sales (Vs 40% in Q3 FY18)



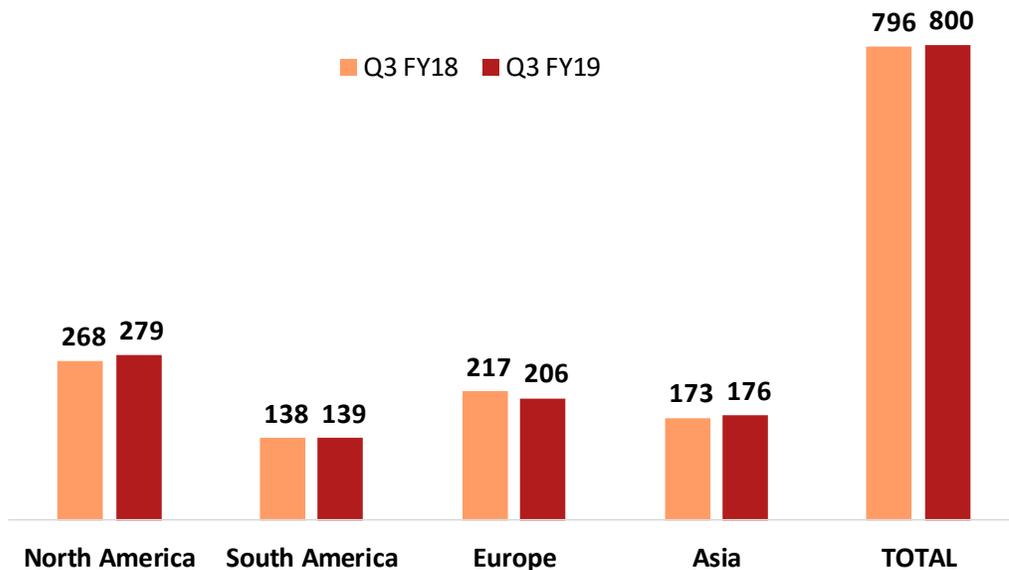
# Operational Performance : Novelis Inc

# Operational Performance - Novelis Inc.

## Overall Shipments (KT)



## Regions wise Shipments (KT)



- Record Q3 performance on the back of :
  - Solid operational performance
  - Strong customer demand for sustainable, lightweight aluminum
  - Optimized product mix
  - Continued cost focus
- Shipments increased 1% to 800 Kt
- Global demand for Aluminum Flat Rolled Product (FRP) was strong
- Automotive shipments remains stable YoY
- Beverage Can market was strong and shipments grew 4% YoY
- Automotive expansion projects in US & China are under construction and on schedule
- Announced expansion plan in Brazil of 100 Kt Rolling Capacity & 60 Kt recycling
- Aleris acquisition regulatory approvals in progress; transaction is expected to close in Q2 FY20.

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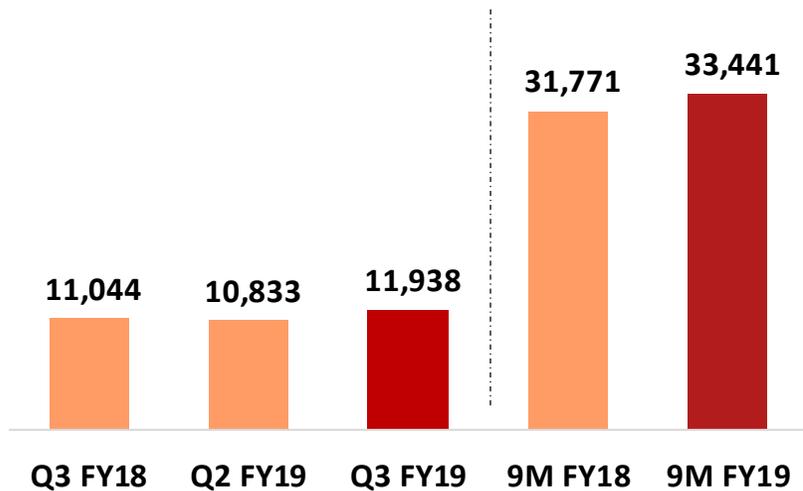
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# Result Highlights : Financial Performance – Q3 & 9M FY19

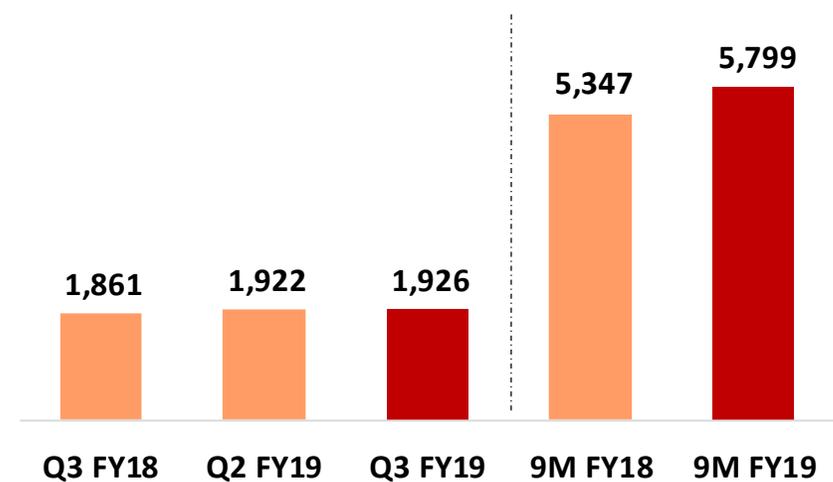
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# Hindalco Standalone plus Utkal Alumina

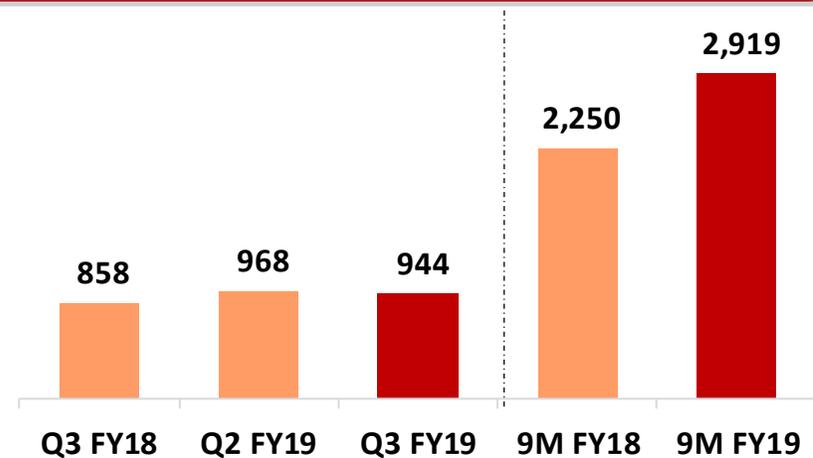
## Revenue (Rs. Crore)



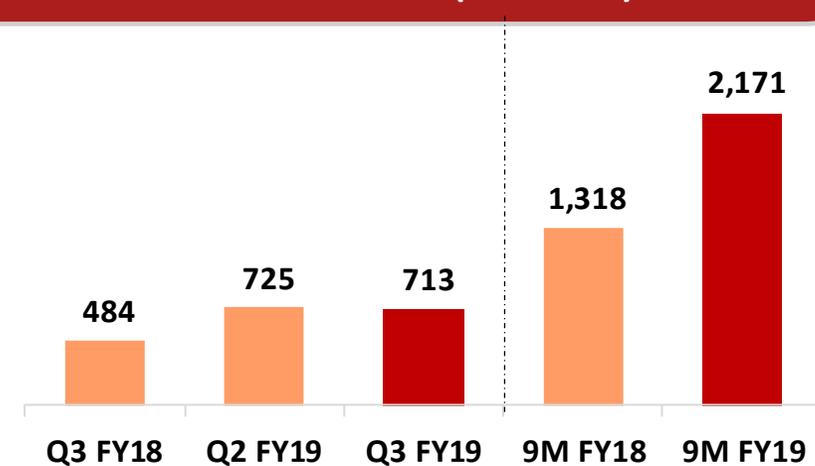
## EBITDA (Rs. Crore)



## PBT (Before Exceptional Items) (Rs. Crore)

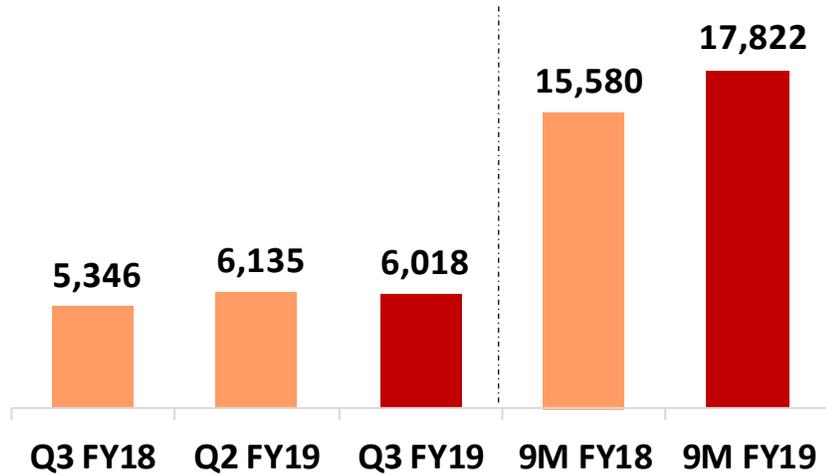


## Profit After Tax (Rs. Crore)

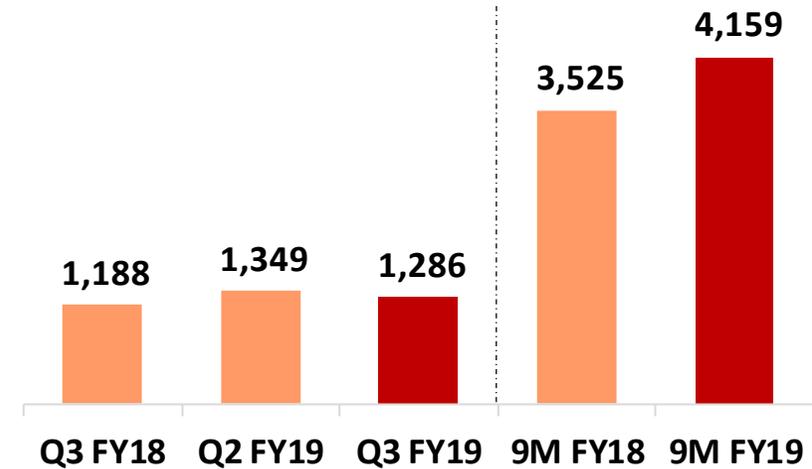


# Hindalco Aluminium plus Utkal Alumina

## Revenue (Rs. Crore)



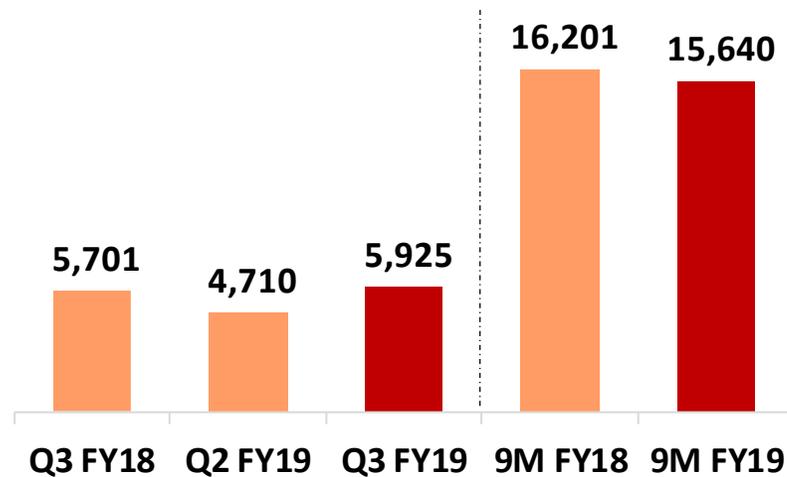
## EBITDA (Rs. Crore)



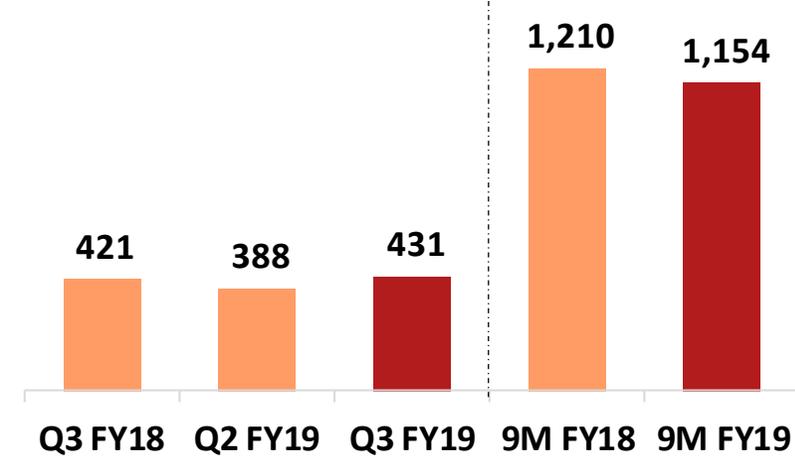
- EBITDA up 8% YoY in Q3 FY18 on account of better macros and stable operations, despite pressure on input cost
- EBITDA up 18% YoY in 9M FY19
- EBITDA margins at 21% in Q3 FY19 and 23% in 9M FY19.

# Copper Business

## Revenue (Rs. Crore)



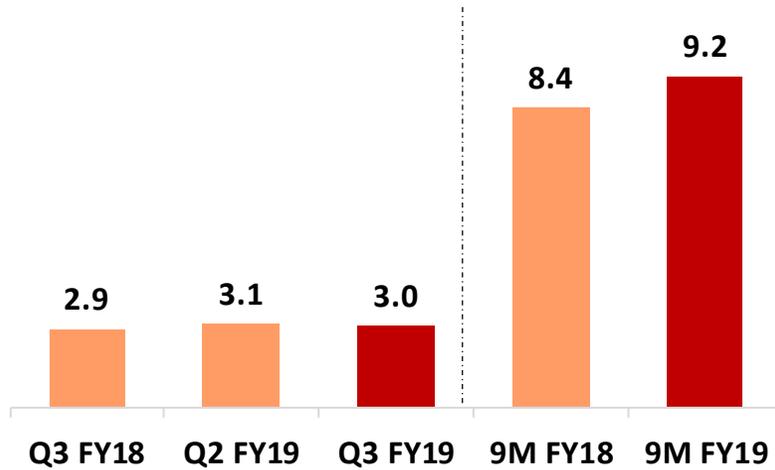
## EBITDA (Rs. Crore)



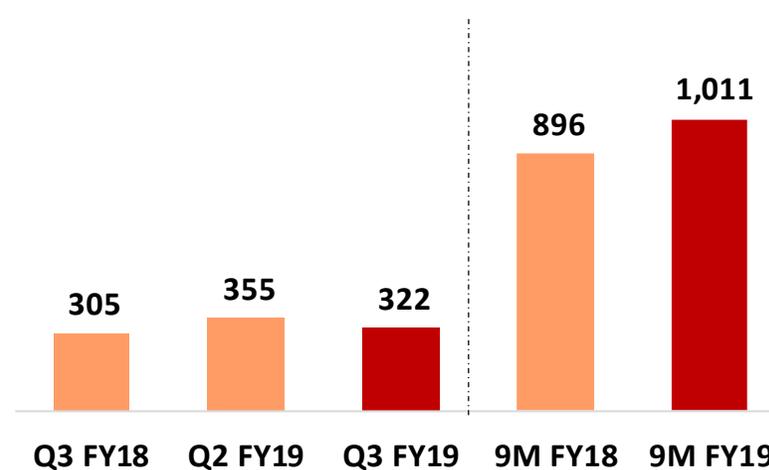
- Revenues were higher on account of better by-product realization and volume
- EBITDA was marginally higher YoY

# Novelis Inc.

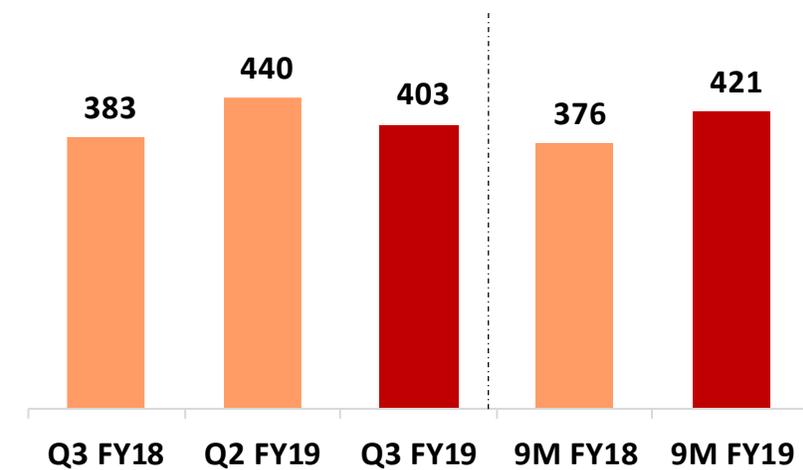
## Revenue (USD Billion)



## Adjusted EBITDA (USD Million)



## Adjusted EBITDA (USD/tonne)



- Revenues at US\$ 3.0 billion in Q3FY19 vs US\$ 2.9 billion in Q3 FY18, up 3% YoY, driven by higher total shipments and a more favorable product mix
- Adjusted EBITDA up by 6% at US\$ 322 million vs from US\$ 305 million in Q3 FY18 on account of higher shipments, favorable product portfolio mix, favorable metal costs and other cost efficiencies.
- Adjusted EBITDA per ton was higher by 5% at US\$ 403 in Q3 FY19 vs US\$ 383 in Q3 FY18

# In Summary

## Sustainable Business Performance

- Robust quarterly performance, despite headwinds in business environment
- Profitable growth, aided by significant reduction in financing cost
- strong performance by Novelis, on the back of higher shipments, better product mix and cost efficiencies

## Strengthened Balance Sheet

- Consolidated Net Debt to EBITDA at 2.65x at the end of December 2018.
- Deleveraging continues at Hindalco – Prepaid project loans of Rs. 1,575 Crore in Q3 FY19

## Growth Opportunities

- Utkal expansion is on track
- Copper CCR-3 expected to cross 100 Kt production in FY19
- Novelis automotive expansion projects on schedule.
- Aleris acquisition is on schedule, various regulatory approvals in progress

## Key Risks

- High input costs
- Rising imports of Aluminium & Copper into India
- Weak global demand, led by China
- Impact of Brexit

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**Thank You**

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# Appendix

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# Financial Key Figures – Hindalco Standalone plus Utkal Alumina

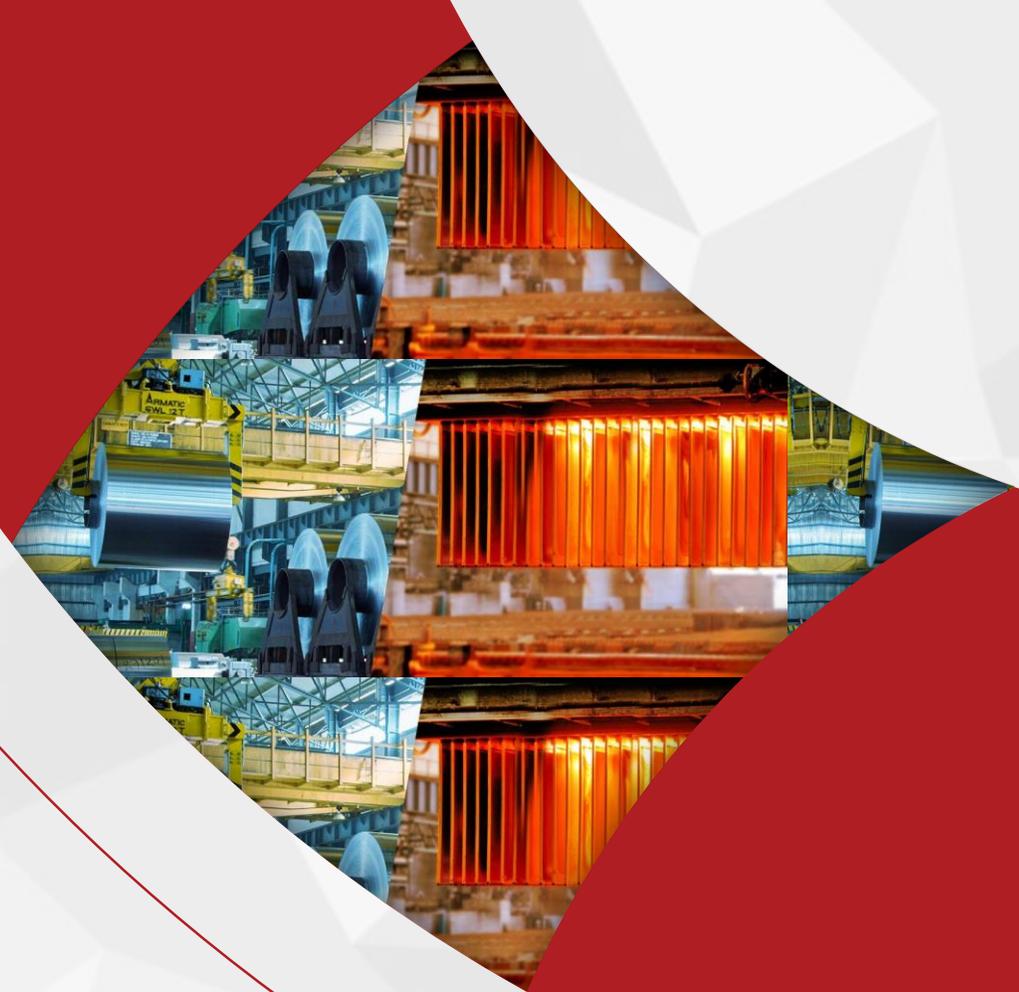
(Rs. Crore)

| Particulars  | Q3 FY18       | Q2 FY19       | Q3 FY19       | YOY<br>Change % | 9M FY18       | 9M FY19       | YOY<br>Change % |
|--|---------------|---------------|---------------|-----------------|---------------|---------------|-----------------|
| <b>Revenue from Operations</b>                                       | <b>11,044</b> | <b>10,833</b> | <b>11,938</b> | <b>8%</b>       | <b>31,771</b> | <b>33,441</b> | <b>5%</b>       |
| <b><u>Earning Before Interest, Tax and Depreciation (EBITDA)</u></b> |               |               |               |                 |               |               |                 |
| Aluminium (includes Utkal)   | 1,188         | 1,349         | 1,286         | 8%              | 3,525         | 4,159         | 18%             |
| Copper   | 421           | 388           | 431           | 3%              | 1,210         | 1,154         | -5%             |
| Others   | 252           | 186           | 209           | -17%            | 612           | 486           | -21%            |
| <b>Total EBITDA</b>  | <b>1,861</b>  | <b>1,922</b>  | <b>1,926</b>  | <b>4%</b>       | <b>5,347</b>  | <b>5,799</b>  | <b>8%</b>       |
| Finance Costs  | 540           | 479           | 477           | -12%            | 1,715         | 1,421         | -17%            |
| <b>PBDT</b>  | <b>1,321</b>  | <b>1,443</b>  | <b>1,449</b>  | <b>10%</b>      | <b>3,632</b>  | <b>4,379</b>  | <b>21%</b>      |
| Depreciation   | 462           | 475           | 505           | 9%              | 1,382         | 1,459         | 6%              |
| <b>PBT before Exceptional Items and Tax</b>                          | <b>858</b>    | <b>968</b>    | <b>944</b>    | <b>10%</b>      | <b>2,250</b>  | <b>2,919</b>  | <b>30%</b>      |
| Exceptional Income/ (Expenses) (Net)                                 | (115)         | -             | -             |                 | (313)         | -             | -100%           |
| <b>Profit Before Tax (After Exceptional Item)</b>                    | <b>743</b>    | <b>968</b>    | <b>944</b>    | <b>27%</b>      | <b>1,937</b>  | <b>2,919</b>  | <b>51%</b>      |
| <b>Profit/ (Loss) After Tax</b>                                      | <b>484</b>    | <b>725</b>    | <b>713</b>    | <b>47%</b>      | <b>1,318</b>  | <b>2,171</b>  | <b>65%</b>      |

# Financial Key Figures – Hindalco Standalone

(Rs. Crore)

| Particulars   | Q3 FY18       | Q2 FY19       | Q3 FY19       | YOY<br>Change % | 9M FY18       | 9M FY19       | YOY<br>Change % |
|---|---------------|---------------|---------------|-----------------|---------------|---------------|-----------------|
| <b>Revenue from Operations</b>                                | <b>11,028</b> | <b>10,833</b> | <b>11,938</b> | 8%              | <b>31,754</b> | <b>33,364</b> | 5%              |
| <b>Earning Before Interest, Tax and Depreciation (EBITDA)</b> |               |               |               |                 |               |               |                 |
| Aluminium   | 945           | 744           | 515           | -46%            | 2,788         | 2,270         | -19%            |
| Copper  | 421           | 388           | 431           | 3%              | 1,210         | 1,154         | -5%             |
| Others  | 252           | 160           | 255           |                 | 612           | 500           |                 |
| <b>Total EBITDA</b>   | <b>1,618</b>  | <b>1,292</b>  | <b>1,201</b>  | -26%            | <b>4,609</b>  | <b>3,924</b>  | -15%            |
| Finance Costs   | 483           | 424           | 434           | -10%            | 1,454         | 1,269         | -13%            |
| <b>PBDT</b>   | <b>1,135</b>  | <b>868</b>    | <b>767</b>    | -32%            | <b>3,155</b>  | <b>2,655</b>  | -16%            |
| Depreciation  | 388           | 400           | 429           | 11%             | 1,158         | 1,233         | 7%              |
| <b>Earning before Exceptional Items and Tax</b>               | <b>748</b>    | <b>468</b>    | <b>338</b>    | -55%            | <b>1,998</b>  | <b>1,421</b>  | -29%            |
| Exceptional Income/ (Expenses) (Net)                          | (115)         | -             | -             |                 | (325)         | -             | -100%           |
| <b>Profit Before Tax</b>                                      | <b>632</b>    | <b>468</b>    | <b>338</b>    | -47%            | <b>1,672</b>  | <b>1,421</b>  | -15%            |
| <b>Profit/ (Loss) After Tax</b>                               | <b>377</b>    | <b>309</b>    | <b>247</b>    | -34%            | <b>1,060</b>  | <b>970</b>    | -8%             |
| <b>Earnings per Share (EPS) - Basic (In Rupees)</b>           | <b>1.70</b>   | <b>1.38</b>   | <b>1.11</b>   | -35%            | <b>4.76</b>   | <b>4.35</b>   | -9%             |



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