



Hindalco Industries Limited

Q2 FY10

Investor Presentation

31st October'09



Highlights









Backdrop

Business Conditions & Performance Review

Industry & Business Outlook

Project Highlights

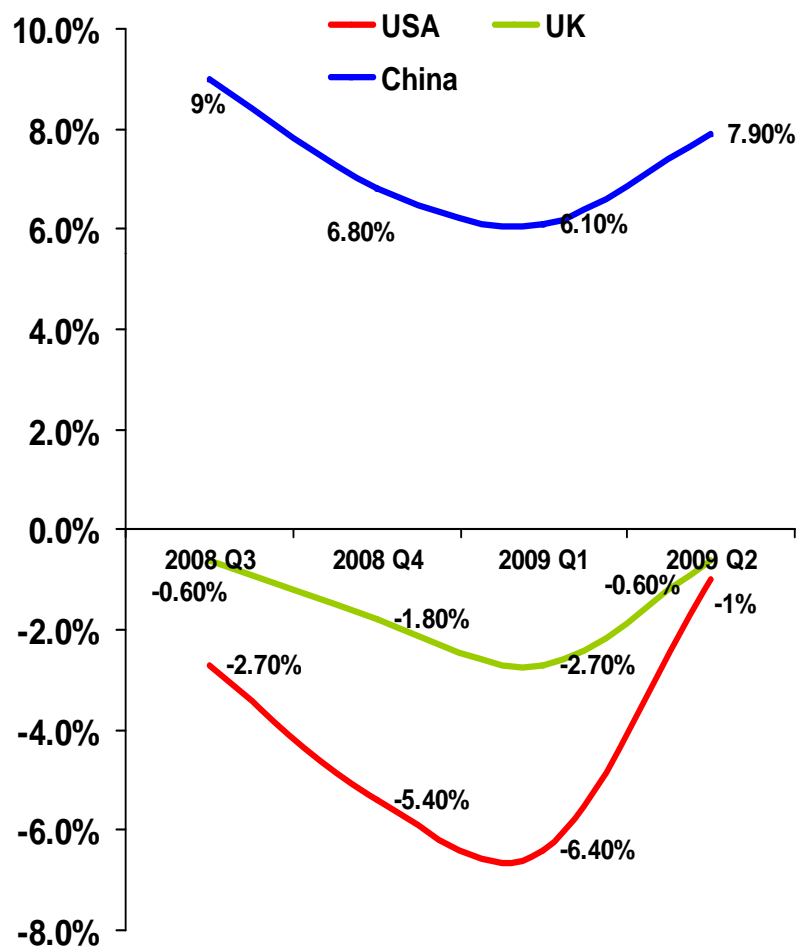
Highlights: Best Ever Q2 & H1 Production Performance

| | Q2 FY10 | | H1 FY 10 | |
|-----------------------|--------------------------------|--|----------------|--|
| | Highest ever Production | | | |
| Aluminium | 139,894 |  7% | 275,333 |  8% |
| Alumina | 311,706 |  5% | 623,623 |  4% |
| Copper Cathode | 89,692 |  16% | 169,474 |  23% |
| Copper Anode | 93,297 |  15% | 169,629 |  19% |

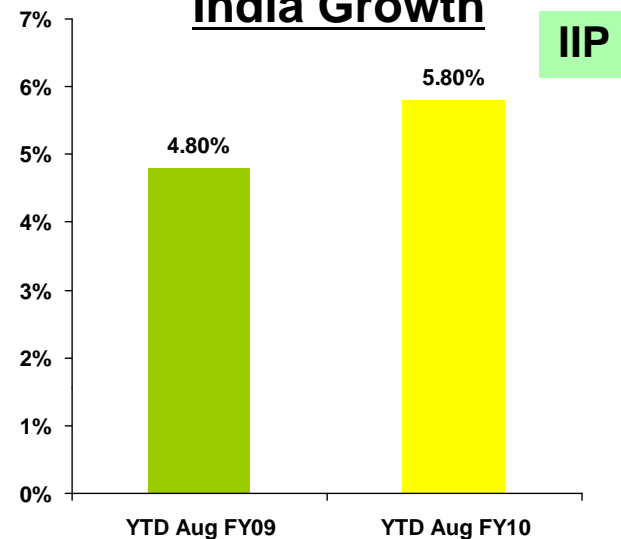
- **Aluminium:**
 - Highest ever quarterly production.
 - Improved product mix.
- **Copper**
 - Highest ever quarterly production
 - Sustained cost focus enabled single digit cash cost of production

Economy: Nascent Signs of recovery

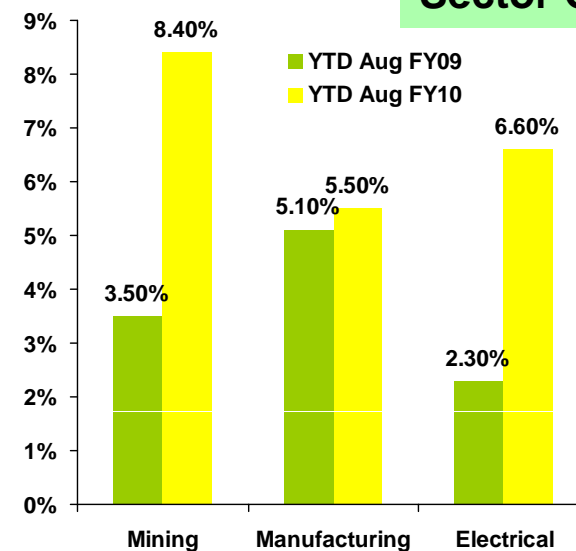
GDP growth- Major economies



India Growth



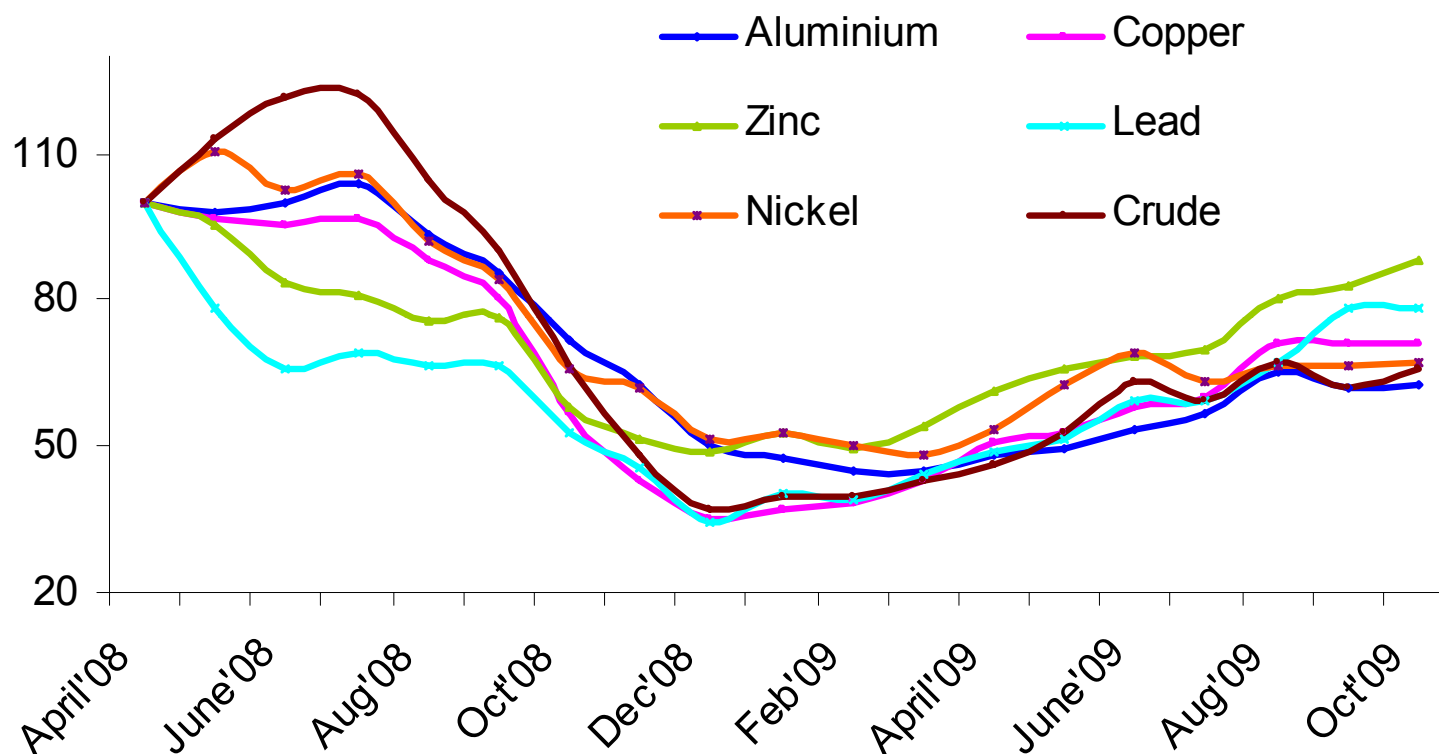
Sector Growth



Source: GOI website






Commodity price trend: Only partial revival, yet prices much below the last year levels

Indexed: Base=100



- Though the commodity prices have rebounded from the lows of Q4 FY09, they are still much below the levels witnessed during Q1 FY09.
- Aluminium Continues to be laggard due to very high inventory levels.

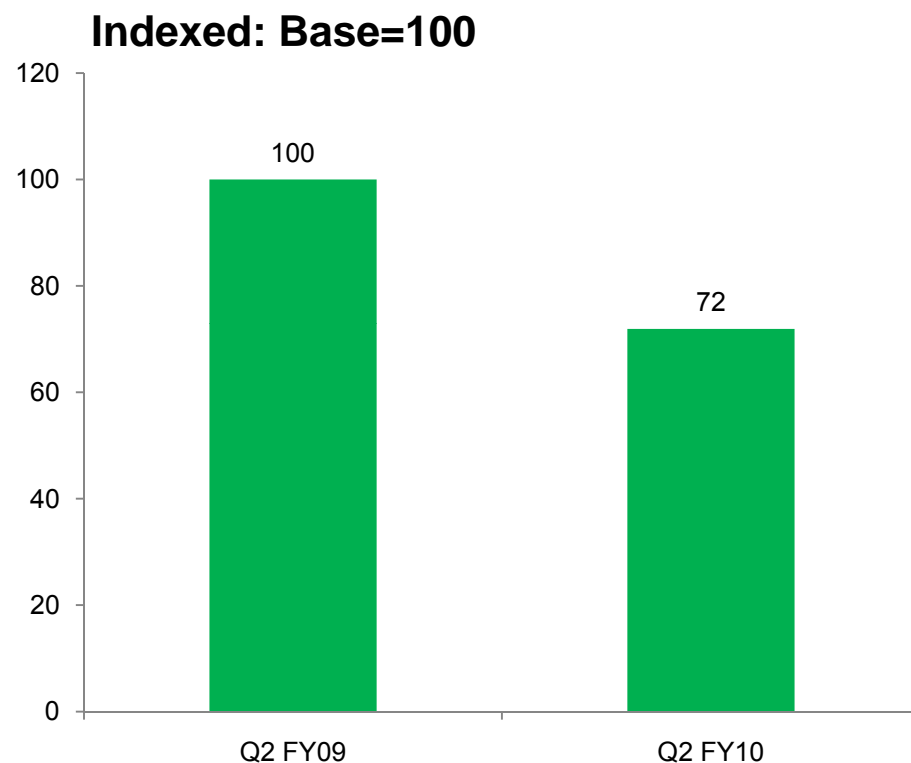
Key Industry Drivers

| Driver | Q2 FY10 vs Q2 FY09 Impact |
|--------------------------------|---|
| Aluminium LME |  |
| Copper LME |  |
| Exchange Rate(Rs/\$) |  |
| Copper Spot Tc/Rc |  |
| Copper By-Products Realisation |  |

Most Macro economic factors unfavourable

The adverse macro economic factors adversely affected the businesses.

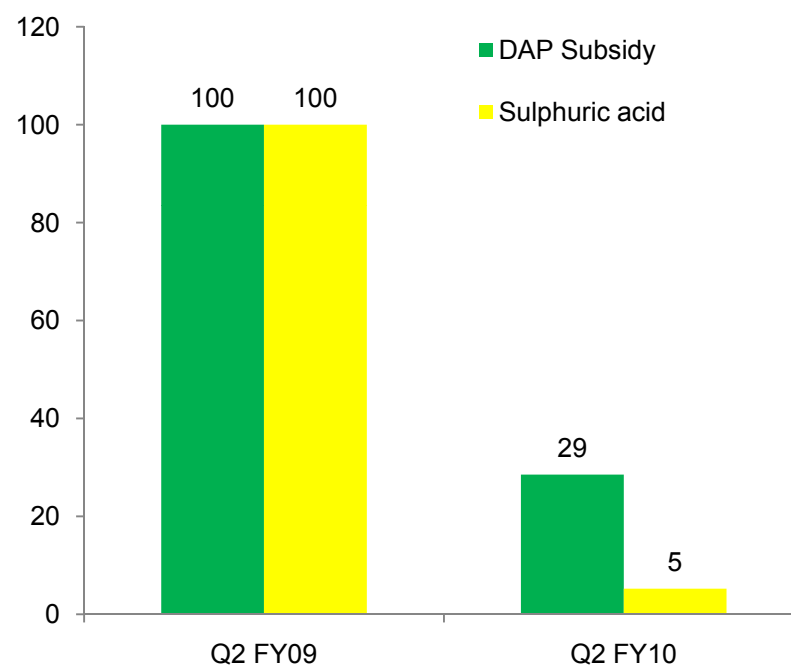
Aluminium Ingot realisation



Aluminium LME Impact-Rs 550 Cr

Copper

Fall in DAP Subsidy & SA realisation
Indexed: Base=100

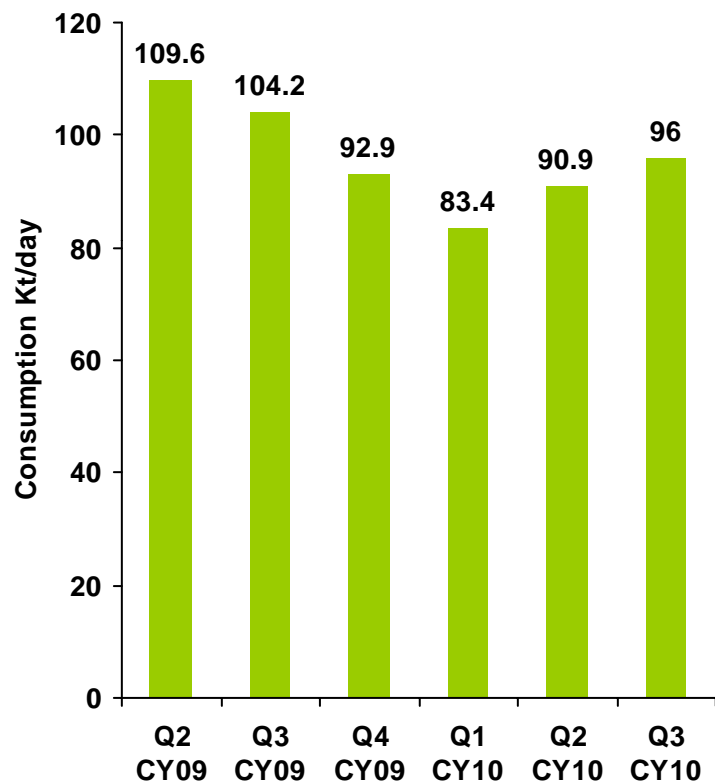


CU Total Impact-Rs 350 Cr

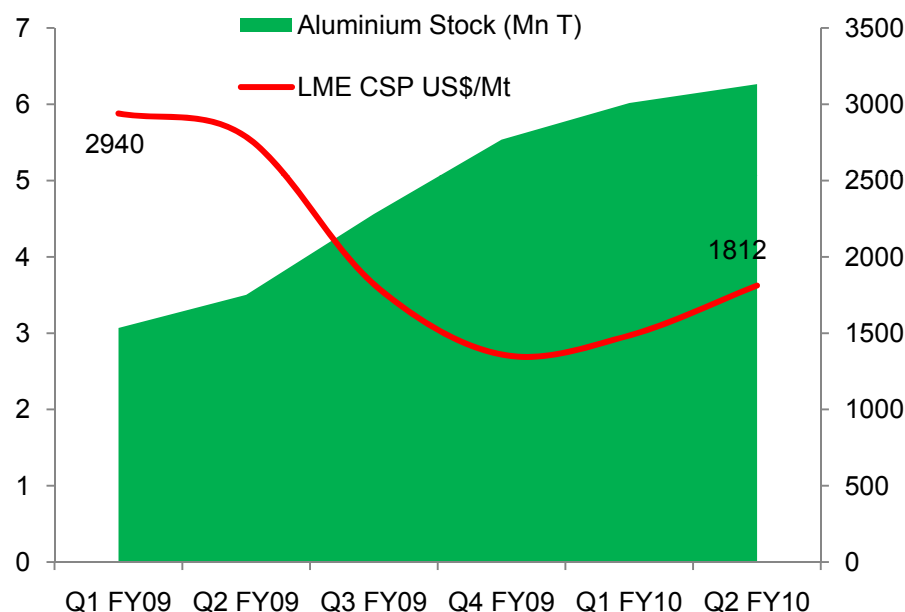
Net Adverse impact for Hindalco of Rs 900 Cr during Q2 FY10.

Business Conditions-Aluminium

Aluminium consumption slowly improving but still well below Previous year levels



...Inventories still a concern



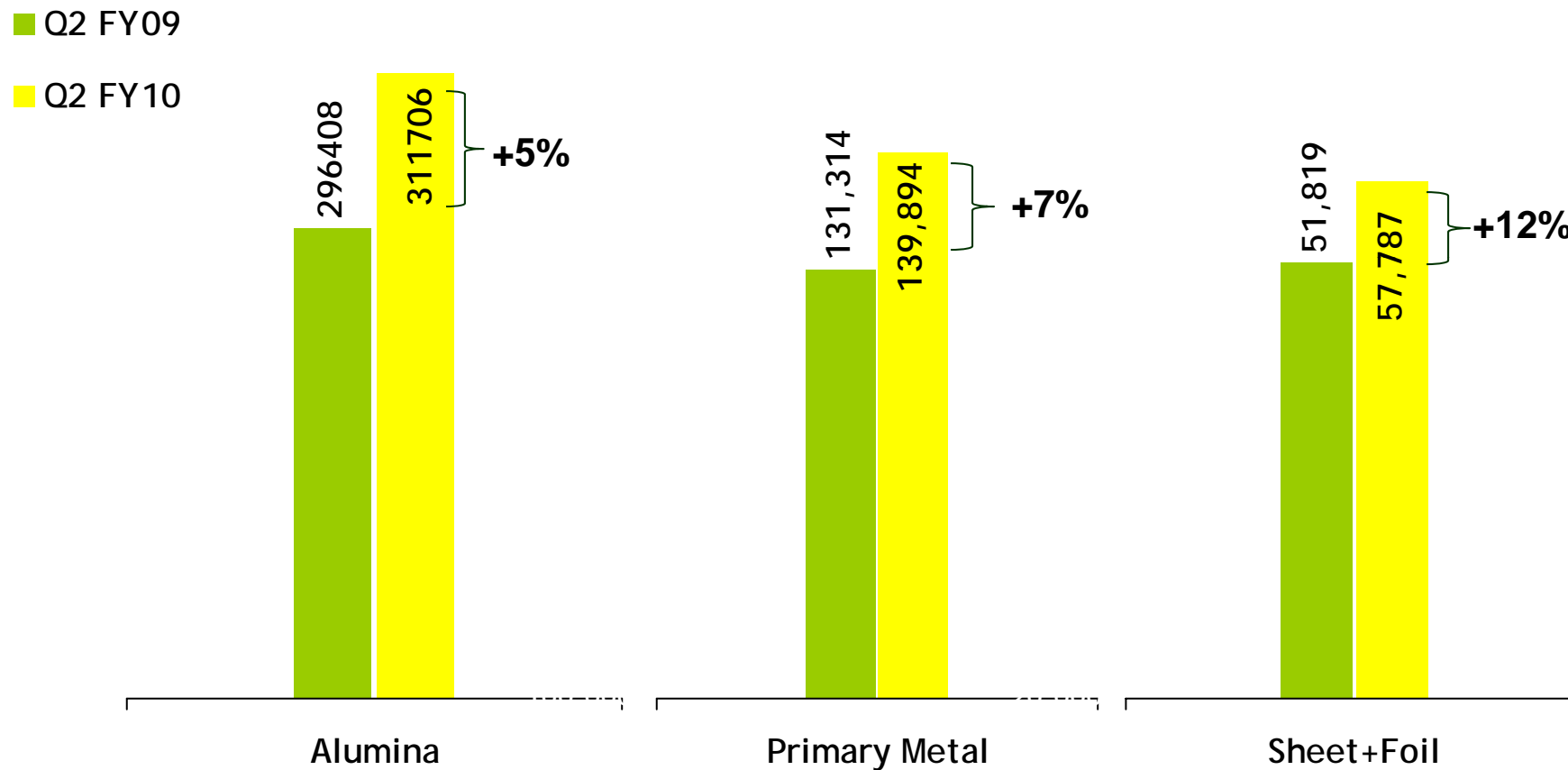
❖ **Early signs of recovery**

❖ **Large inventory of ~6.5 Mn tonnes still persists**

Aluminium Business Performance

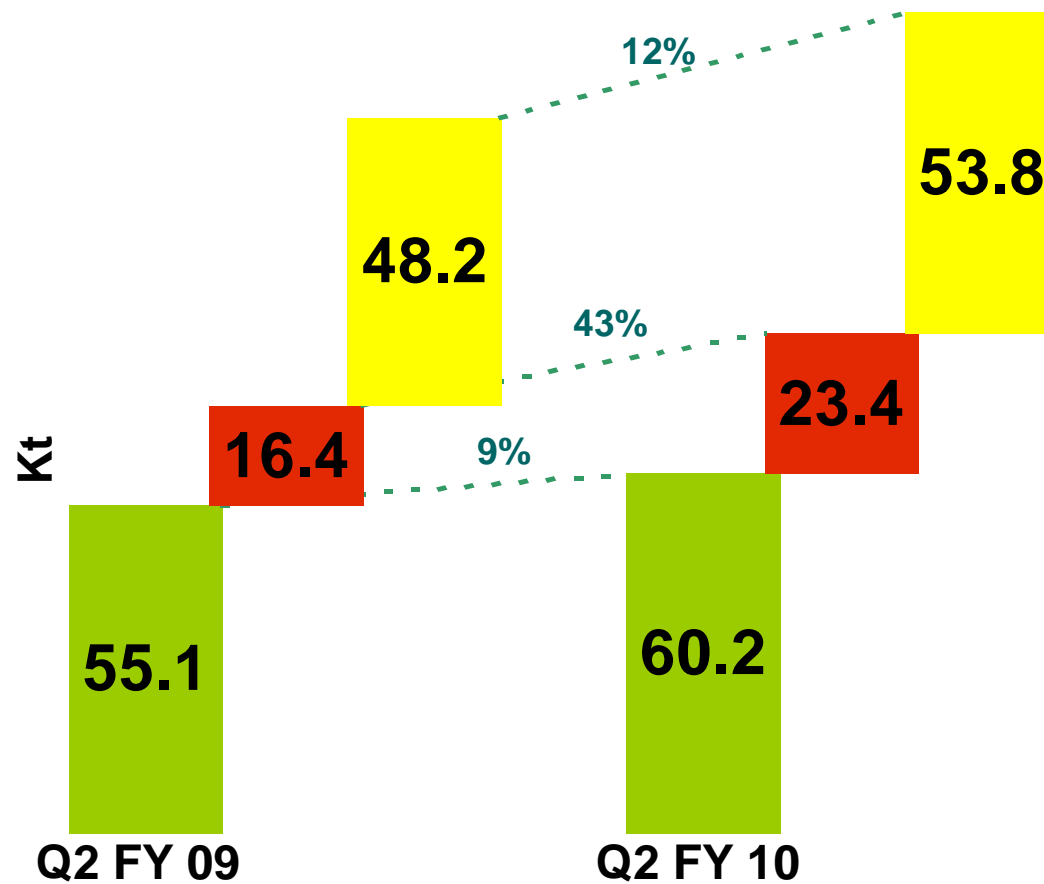


All round improvement in Production (Mt)



Improved downstream Sales volumes

■ Downstream ■ Primary Value added ■ Primary



Business Conditions: Copper

- ❖ **Precipitous fall in spot Copper TCRC's**
- ❖ **Sulphuric Acid realisations continue to remain depressed**
- ❖ **DAP subsidy has fallen sharply from its peak by 79%.**
- ❖ **Improved availability of Scrap led to revival of unorganised sector rod production in North-Significant impact on duty paid Cathode sales**

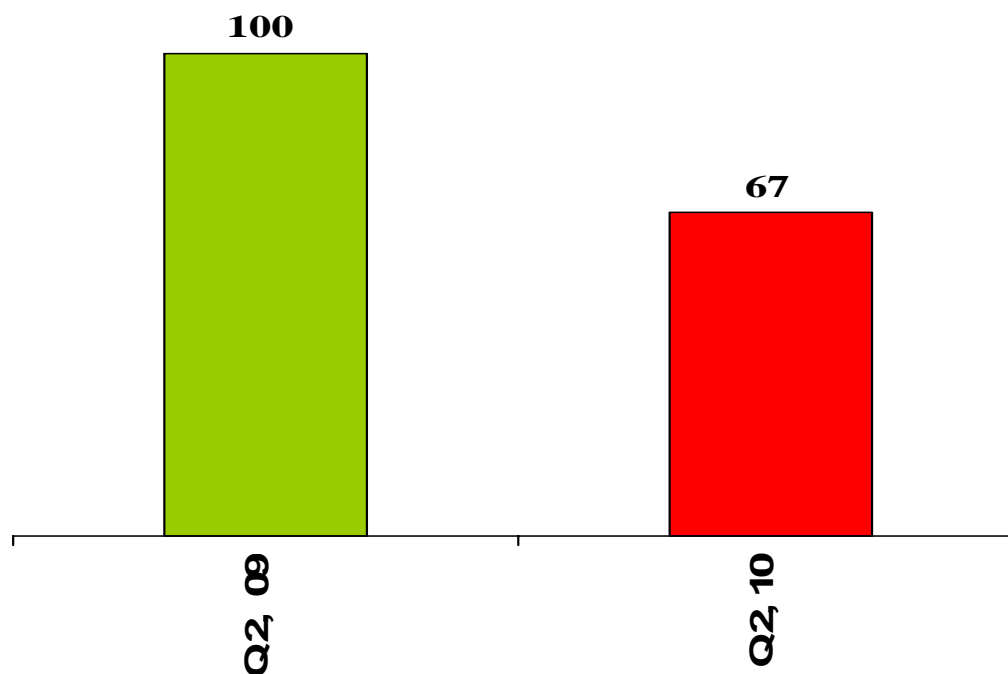
Extremely Challenging Business environment for Custom Smelters

Copper Business Performance



Significantly lower cost of production.....

**Total Cash cost of Production without by-product credits
(Indexed)**



**33% reduction ~ Single digit Cash Smelting cost achieved
in Q2 FY10.**

Domestic Market share improved

- ❖ Market share enhanced by 1 percentage point.

- ❖ Significant improvement in Market and product mix
 - Lucrative Duty paid sales up by 18 %

 - Value added CCR sales up by 10% in Dom market

- ❖ Improvement in export premiums .

13% growth in Overall Sales Volume

In a nutshell : Outstanding Operational performance by both Aluminium & Copper businesses.

❖ **We produced more.....**

❖ Highest ever Al & Cu production

❖ **We Sold More.....**

❖ 15% higher Aluminium sales

❖ 13% higher copper sales

❖ **We improved the product mix and sold at the most lucrative markets.**

However, the adverse macro-economic impact of ~ Rs 900 Cr pulled down the profitability of Hindalco for the Quarter

Hindalco Financials –YOY (Q2)

| Rs Crores | Q2 FY09 | Q2 FY10 | Change (%) |
|-----------|---------|---------|------------|
| Net Sales | 5683 | 4917 | -13% |
| PBDIT | 1170 | 666 | -43% |
| PBT | 926 | 434 | -53% |
| PAT | 720 | 344 | -52% |

Aluminium: Y-O-Y Performance at a glance

| Rs Crores | Q2 FY09 | Q2 FY10 | Change (%) |
|-------------------------------|---------|---------|------------|
| Net Sales & Operating Revenue | 2121 | 1650 | -22% |
| EBIT | 715 | 259 | -64% |

Q2 FY 10 numbers Post AS 30 Adoption

Copper: Y-O-Y Performance at a glance

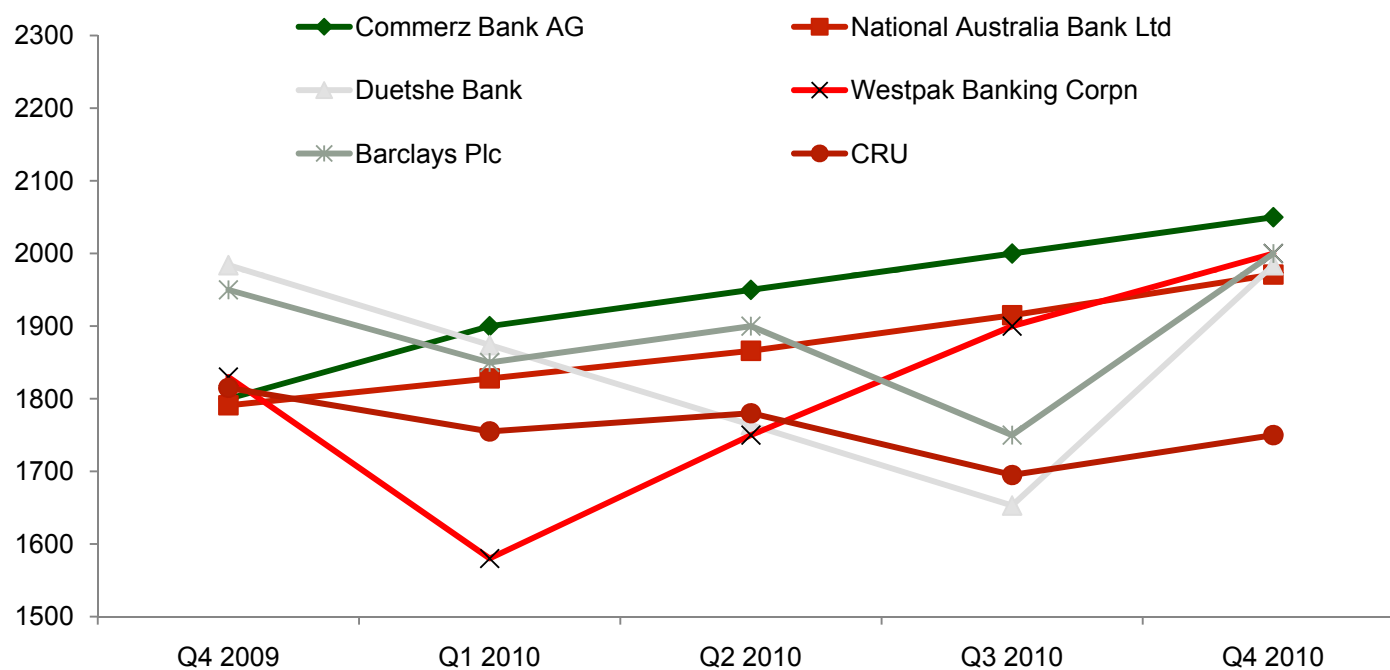
| Rs Crores | Q2 FY09 | Q2 FY10 | Change (%) |
|-------------------------------|---------|---------|------------|
| Net Sales & Operating Revenue | 3565 | 3269 | -8% |
| EBIT | 138 | 217 | 57% |

Q2 FY 10 numbers Post AS 30 Adoption

Outlook - Aluminium



Aluminium prices expected to remain range-bound in the Short term

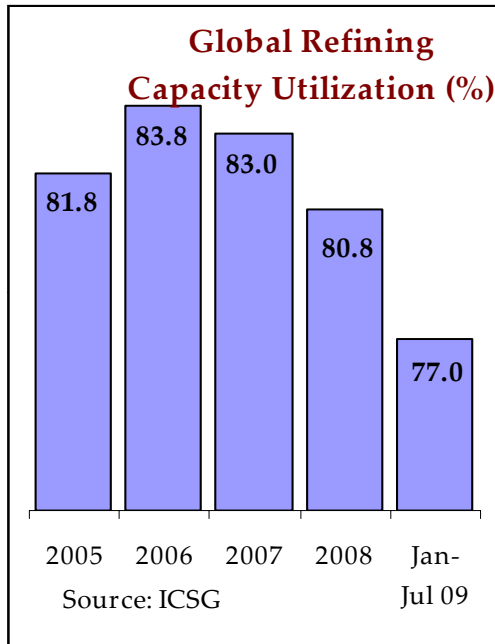


| | Q4 2009 | Q1 2010 | Q2 2010 | Q3 2010 | Q4 2010 |
|---------|---------|---------|---------|---------|---------|
| Median | 1823 | 1839 | 1823 | 1825 | 1992 |
| Mean | 1856 | 1804 | 1833 | 1820 | 1964 |
| Minimum | 1791 | 1580 | 1764 | 1653 | 1971 |
| Maximum | 1984 | 1900 | 1950 | 2000 | 2050 |

Outlook - Copper



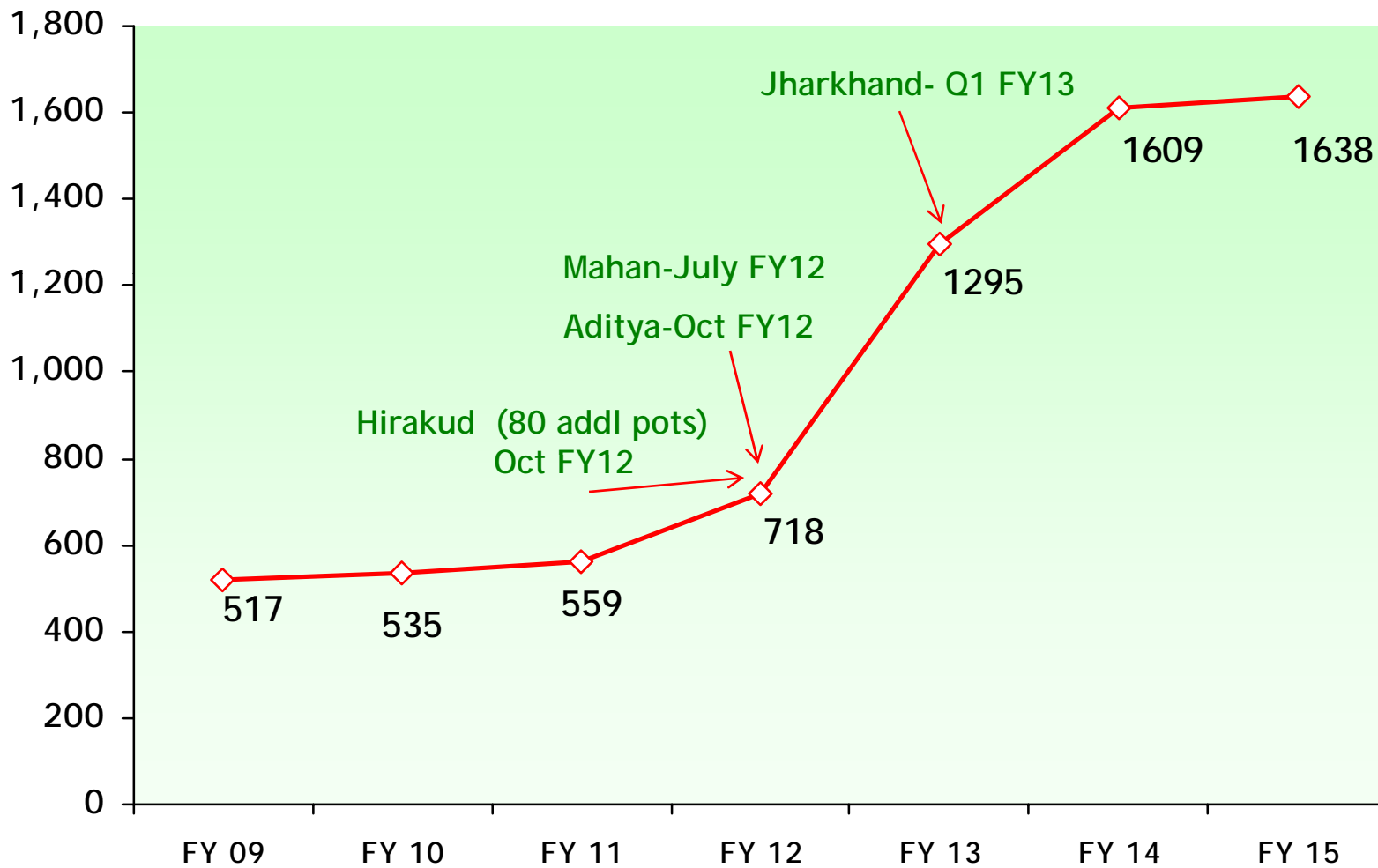
Copper Market Outlook



- LME likely to remain strong on optimism and risk appetite
 - But Refined Cu market surplus may cap further gains
- Cathode premia lower than last year, but holding ground at current level
- Project delays caused tighter concentrate market
 - Far-East spot TCRCs at historic low
 - Unlikely to rebound quickly
- Indian refined copper market growth could be restricted by improved scrap availability, despite improving economy

Concentrate sourcing at remunerative TCRCs would be a challenge going forward

Projects : Aluminium Capacity Growth



To Sum Up...



Challenging Environment

- ▶ Depressed Prices
- ▶ Increasing input costs
- ▶ Low Tc/Rc

Our focus Areas

- ▶ Improve Asset productivity
- ▶ Contain Input costs
- ▶ Maintain Growth Momentum

In the face of severe challenges, the company is unwavering in its commitment to deliver shareholder value.

Thank You



Hindalco announces Q2 FY 2009-2010 results

| | |
|-----------------|------------------------|
| <i>Revenues</i> | <i>Rs. 4917 crores</i> |
| <i>PBITDA</i> | <i>Rs. 666 crores</i> |
| <i>PAT</i> | <i>Rs.344 crores</i> |

Sharp fall in Realisation and by-product credit impacts results adversely

Financial highlights

| (In Rs. crores) | Quarter ended 30 Sep 2009* | Quarter ended 30 Sep 2008 | Half year ended 30 Sep 2009* | Half year ended 30 Sep 2008 |
|----------------------------------|-------------------------------|------------------------------|---------------------------------|--------------------------------|
| Net sales and operating revenues | 4,917.1 | 5,683.2 | 8,816.6 | 10,330.7 |
| Other income | 57.3 | 176.8 | 132.6 | 391.4 |
| PBITDA | 666.4 | 1,170.2 | 1,499.6 | 2,333.9 |
| Depreciation | 165.9 | 159.2 | 331.2 | 316.0 |
| Interest and financing charges | 66.3 | 85.5 | 134.5 | 161.6 |
| Profit before tax | 434.3 | 925.5 | 1,033.9 | 1,856.3 |
| Provision for taxes | 90.3 | 205.6 | 209.3 | 439.6 |
| Net profit | 344.1 | 720.0 | 824.6 | 1,416.7 |
| EPS (Basic) | 2.0 | 5.3 | 4.8 | 10.5 |

*On early adoption of AS-30, the figures of the current quarter and six months are not comparable with those of the corresponding period of the previous year.

Hindalco Industries Ltd. announced its unaudited financial results for the quarter ended 30 September 2009.

The operational performance at Hindalco has been amongst the best ever with highest production of both Aluminium and Copper. However, the impact of sharp fall in sales realization in Aluminium business and lower by-product credits in Copper business have adversely impacted the performance by around Rs. 900 crores.

Net Sales and operating revenue were lower at Rs.4917 crores for Q2FY10 due to subdued commodity prices. The steep reduction in aluminium and copper LME led to a fall in the overall sales revenue and therefore profitability. The benefits of the brownfield expansion cushioned the fall due to lower commodity prices. The decline was also mitigated by the rupee depreciation against the USD and higher sales volume. The other income including treasury income is lower by Rs. 119 crores on account of lower treasury corpus post utilisation for repayment of bridge loan in Nov-08.

Consequently the profit before Depreciation, Interest and tax was also lower at Rs. 666 crores and Net profit was at Rs. 344 crores.

Of the total revenues of Rs. 4,917 crores, aluminium business contributed Rs. 1,650 crores with EBIT of Rs. 259 crores. The 35 per cent fall in LME over Q2FY09 levels dented the top line and the bottom-line. This was partially offset through gains from a weaker rupee, higher volumes and improved product/geographic mix. Lower Sales realisations account for around Rs. 550 crores of the drop in the operating profit. The purchase cost of coal has increased steeply impacting the margin. These macro

economic factors led to 64 per cent drop in the profit before interest and tax for aluminium business from Rs. 715 crores in Q2FY09.

In the copper business, revenues declined by 8% from Rs. 3,565 crores in Q2FY09 to Rs. 3,269 mainly on account of lower copper LME. Copper being a custom smelting operation with offset hedging program is relatively insulated from the vagaries of volatile commodity prices. However lower by-product credit has dented the EBIT by Rs. 350 crores.

The marked improvement in operational efficiency including energy efficiency led to an EBIT of Rs. 217 crores which is 57% higher over Q2FY09.

AS-30 Implementation

Arising from the announcement of the Institute of Chartered Accountants of India dated 29th March, 2008 on Accounting for Derivatives, the Company has decided for early adoption of Accounting Standard (AS) 30 on Financial Instruments : Recognition and Measurement, in so far as it relates to derivative accounting, from 1st April 2009. Accordingly net loss arising on fair valuation of outstanding derivatives as on 1st April, 2009 has been adjusted against general reserve following transitional provisions. Accounting for all derivatives from 1st April, 2009 have been done as prescribed under the AS. Accordingly, net gain / (loss) Rs (47) crores, Rs 199 crores and Rs (31) crores for the quarter ended 30th September, 2009 and Rs (38) crores, Rs 15 crores and Rs 287 crores for the six months ended 30th September, 2009 have been included under Net Sales, Consumption of Raw Materials and Other Expenditure, respectively, with consequential impact on profit for the quarter and six months ended 30th September, 2009. The figures of the current quarter and six months in respect of above items are, therefore, not comparable with those of the corresponding period of the previous year.

Strategic Initiatives

Financing

The Company has decided to raise long term funds not exceeding Rs 2,900 crores through Qualified Institutional Placement / GDR / Other Securities.

Mouda Energy limited

A Captive power plant of 20 MW is proposed at the existing FRP plant at Mouda, near Nagpur to reduce the cost of energy used by the company's plants in Maharashtra. Pre-project activities have started. A wholly-owned subsidiary by the name Mouda Energy Limited has been incorporated on 5th October, 2009 for generation of power to be used captively.

Operational review

Aluminium

The expansion at Muri and Hirakud has resulted in alumina production going up by 66 % at Muri and metal production by 19 % at Hirakud. The overall metal production is up 7%.

The production of rolled/ foil products rose by 12% compared to Q2FY09 and Extrusion production is lower based on market requirements.

| Production (MT) | Q2 FY10 | Q2 FY09 | H1 FY10 | H1 FY09 |
|-----------------|---------|---------|---------|---------|
| Alumina | 311,706 | 296,408 | 623,623 | 599,885 |
| Metal | 139,894 | 131,314 | 275,333 | 255,201 |
| Wire Rod | 23,255 | 17,888 | 45,363 | 36,046 |
| FRP/Foil | 57,787 | 51,819 | 110,691 | 110,436 |
| Extrusion | 9,815 | 10,206 | 18,627 | 21,225 |

Copper

The copper cathodes production is up by 16% and the value added product (CC Rods) is also up by 9 %.

| Production (MT) | Q2 FY10 | Q2 FY09 | H1 FY10 | H1 FY09 |
|-----------------|---------|---------|---------|---------|
| Copper Cathodes | 89,692 | 77,540 | 169,474 | 137,974 |
| CC Rods | 37,490 | 34,293 | 73,731 | 64,458 |

Brownfield expansion projects

Hirakud

The smelter expansion from 143 ktpa to 155 ktpa was completed on time. Work on the smelter expansion from 155 ktpa to 213 ktpa is now underway, part of this will be completed by July 2010 and the rest will be commissioned in FY 12.

Project is underway for transfer of all key equipments for Flat rolled products, from Novelis Plant at Rogerstone, UK to Hirakud. This will enable us to produce Can body stock for local and export market. The project is slated for completion in Q2 FY 12.

Belgaum

The specials alumina production from Belgaum will be ramped up to 316 ktpa from 138 ktpa. A 18 MW Cogen power plant and a Railway siding facility will also be taken up as a part of the project to reduce cost of production substantially.

Greenfield Projects:

Utkal Alumina Project: Construction of 1.5 Mio TPA Alumina refinery at Rayagada, Orissa is in full swing. Around 75 per cent of the project cost has already been committed. Large contractors are working at site and major equipment like Boilers, Evaporators, Turbines have started arriving at site. **Production of alumina is expected to start around July 2011.**

Mahan Aluminium Project: It is an Aluminium Smelter of capacity 359,000 TPA and a captive 900 MW power plant coming up in Bargwan, MP.

All the major approvals are in place & Site activities are progressing well. Major contractors have mobilized at site. A major chunk of land is already acquired. Major orders have been placed for both the smelter and the power plant. Around 58 per cent of the total project cost has been committed. **The first metal from the smelter would roll out by July 2011.**

Aditya Aluminium Project: This integrated Aluminium project is coming up in Orissa, with a 1.5 million TPA alumina refinery, 359,000 TPA aluminium smelter, and 900 MW captive power plant. Major orders have been placed for both the smelter and the power plant. Around 51 per cent of the total project cost for the Smelter & Power Plant has been committed. **The first metal from the smelter is slated for October 2011. The refinery would be mechanically completed by June 2013.**

Jharkhand Aluminium Project: It is an aluminium smelter coming up in Sonahatu, Jharkhand, with a capacity of 359,000 TPA and 900 MW captive power plant. The land acquisition process has commenced. Activities for getting the environmental clearance have also started. Water allocation clearance for 55 mcm of water from the Subarnarekha basin obtained. Tubed coal mine has been allotted jointly with Tata Power. **The first metal from the smelter is expected by June 2013.**

Industry outlook

Aluminium

Global Aluminium demand contracted in the first six months of the Indian Financial Year by 11%. Worldwide production continues to exceed consumption, although in the last few months consumption has been rising faster than production.

At the end of September, LME Stocks have moved down from a high of 4.62 million tons marginally to 4.59 million tons.

China and India are the two growth countries for Aluminium with India growing as much as 14.7% in the first half of the year. Considering that the first half of the last Financial Year was only seeing the beginning of the recessionary period, this is indeed encouraging.

Downstream demand in India has caught on considerably compared to the second half of the last Financial Year. The Electrical and Transportation Sectors have done very well while Building & Construction is showing signs of arrival. Consumer Durables and Packaging have continued on the high growth path.

Copper

Copper prices have sustained their strength, aided by a brighter outlook on global economy and improved risk sentiment. However, rising exchange stocks and muted Chinese imports may cap further uptrend in prices.

The Indian copper market benefited from the robust trend in the electrical segment and poor scrap availability in H1. But increased scrap availability and high LME could act as a dampener for growth in refined copper market in the coming months.

Following last year's financial meltdown, delays in copper mining projects have led to tightness in the global concentrate market, resulting in depressed spot TcRc. The easing of the market seems less likely in the imminent future.

Company outlook

The upward trends in the commodity prices and also demand in the key markets in which the company operates are encouraging, however the higher input cost especially the cost of coal is a concern. With aggressive cost containment, enhanced asset productivity, higher share of value added products and strong fundamentals, the outlook of the company remains cautiously positive in both the short term and long term.

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