

# Hindalco Industries Ltd

## Investor Presentation

### Q2 FY12

**November 10, 2011**

# Presentation Structure

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**Highlights & Financial Performance**

**Performance Review & Outlook**

**Projects Update**

# Highlights and Financial Performance

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# H1 FY12: Highlights

## Aluminium India

Steady performance despite severe cost pressures  
Projects progressing well

EBIT  
5%

## Novelis

Momentum continues on the back of higher EBITDA per ton

Adj.  
EBITDA  
10%

## India Copper smelter

Strong operating performance though production impacted by shutdown

EBIT  
14%

# Standalone Results at a glance...





₹ Cr	Q2 FY11	Q2 FY12	Change (%)
Net Sales	5,860	6,272	7
PBITDA	780	845	8
PBT	556	604	9
PAT	434	503	16
EPS (₹)	2.27	2.63	16

₹ Cr	H1 FY11	H1 FY12	Change (%)
Net Sales	11,038	12,303	11
PBITDA	1682	1,890	12
PBT	1,229	1,407	14
PAT	968	1,147	18
EPS (₹)	5.06	5.99	18

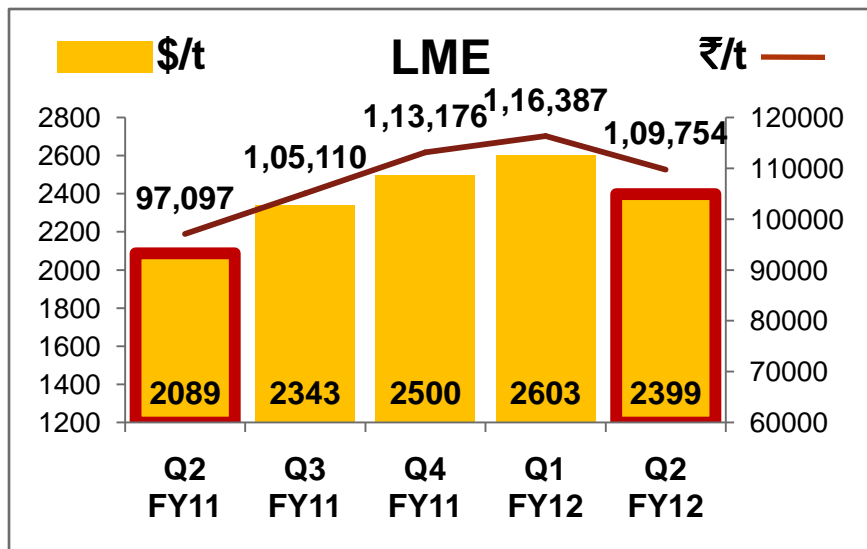
# Performance Review & Outlook



# Key Business Drivers and Impact

Driver	Change ( %) H2 FY 12 Vs H2 FY 11	Impact
Aluminium LME Average	20	
Copper TC/RC	>20	
Exchange Rate (₹/\$)	(2)	
Indian coal prices	30	

# AI: Business Environment



**While LME has started to soften....**

**Cost pressures have continued ...**

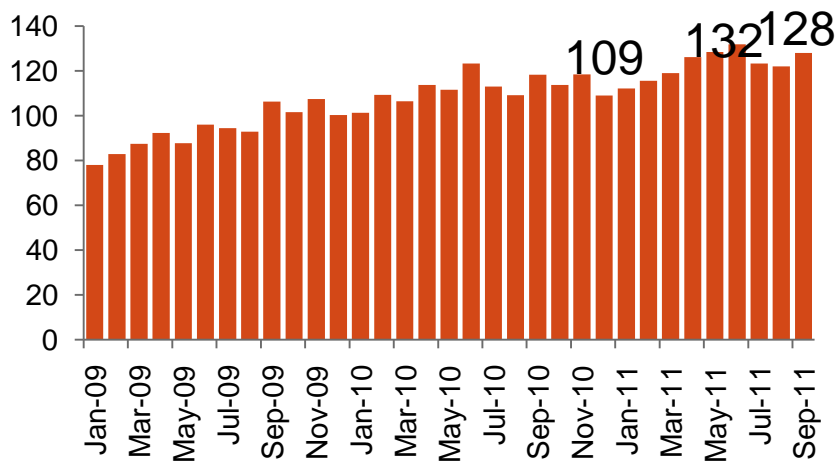
- **Input prices continued to remain strong.....**
- **India specific challenges:**
  - **Coal cost increase**
  - **Regional disturbances affecting production**
  - **Monsoon rains impacting raw material quality & availability**



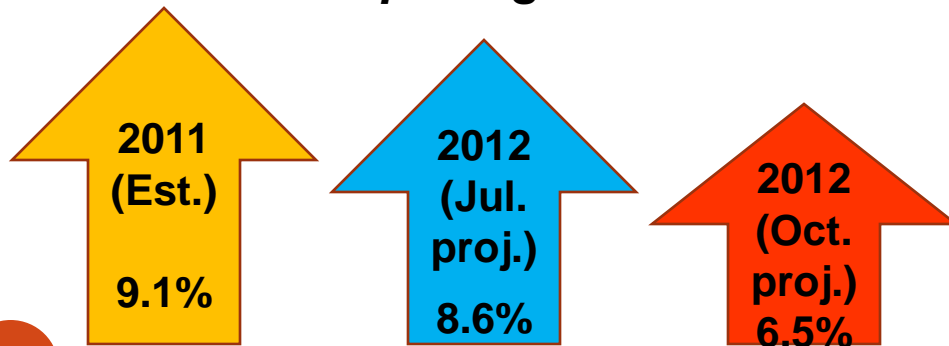
# Aluminium Demand: Perceptible slowdown

**Global demand holding steady so far ...**

**Daily World Al. Consumption (kt)**



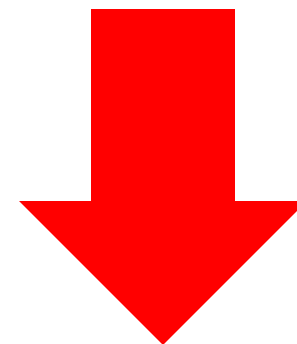
**But projections suggest slowdown in world consumption growth**



Source: Industry estimates

**Growth moderation in India**

**Stagnant demand in H1 FY 12**

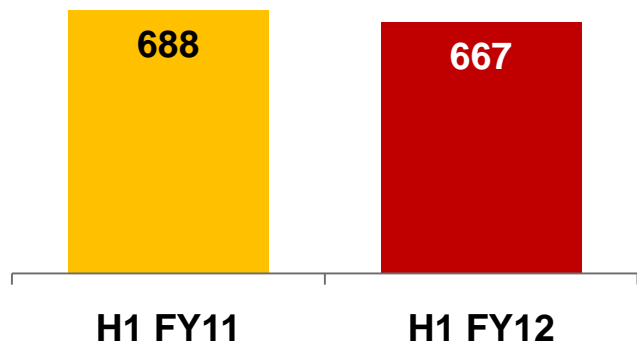


**Demand uncertainty across several segments, Especially rate sensitive**

# AI: Operational Performance

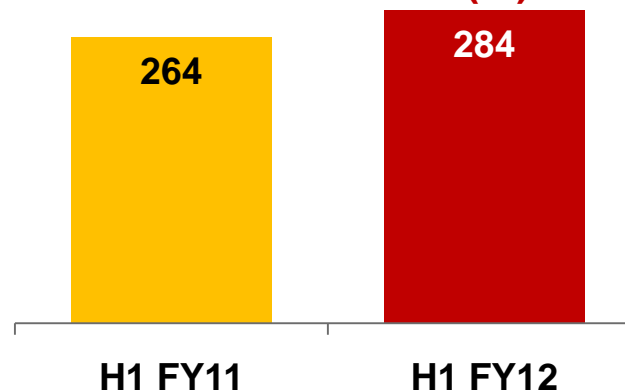
*Alumina production affected by bauxite availability & quality ...*

**Alumina (kt)**



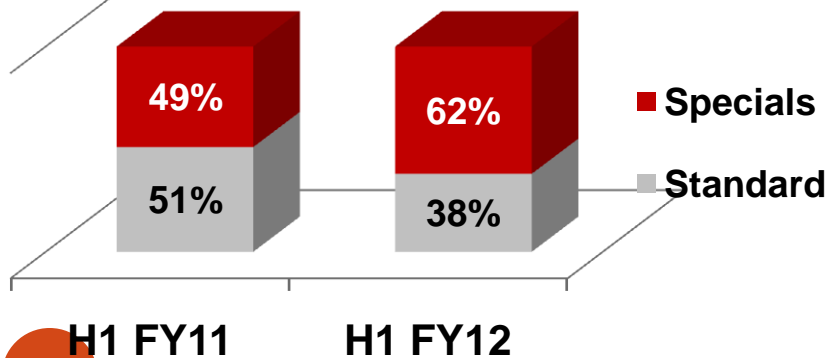
*... Metal production up 8%*

**Aluminium (kt)**

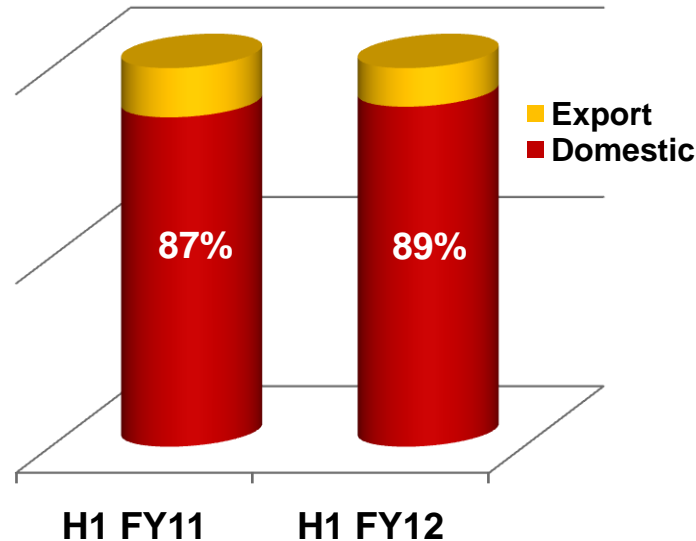


*But we sold more specials*

**Composition of Hydrate / Alumina sales**



*Maximize domestic sale of metal*



# Aluminium Business: Financial Performance



(₹ cr)	Q2 FY11	Q2 FY12	Change (%)
<b>Net Sales &amp; Operating Revenue</b>	<b>1,911</b>	<b>2,213</b>	<b>16</b>
<b>EBIT</b>	<b>424</b>	<b>429</b>	<b>1</b>

(₹ cr)	H1 FY11	H1 FY12	Change (%)
<b>Net Sales &amp; Operating Revenue</b>	<b>3,778</b>	<b>4,306</b>	<b>14</b>
<b>EBIT</b>	<b>976</b>	<b>1,028</b>	<b>5</b>

# LME outlook remains clouded

**Continued  
excess supply  
conditions**

- World production expected to exceed demand by 0.8 mn tones in 2011, 1.2 mn tones in 2012

**Macro risks  
accentuated**

- Recurring episodes of risk aversion
- Vulnerability of Europe and US to negative events

**Cost pressures**

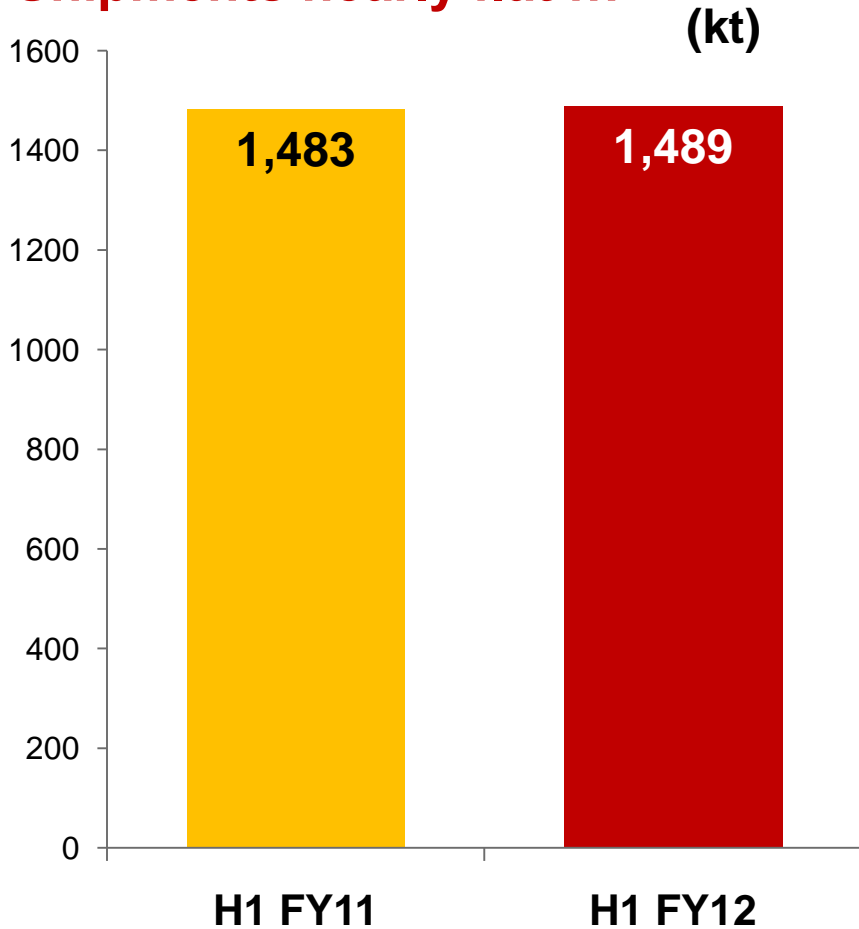
- Upward shift in cost curve likely to provide a floor to LME
- 90<sup>th</sup> percentile of cost curve at \$2,500; may lead to closures if LME remains ~2,200 for long

**Large  
overhang of  
inventory**

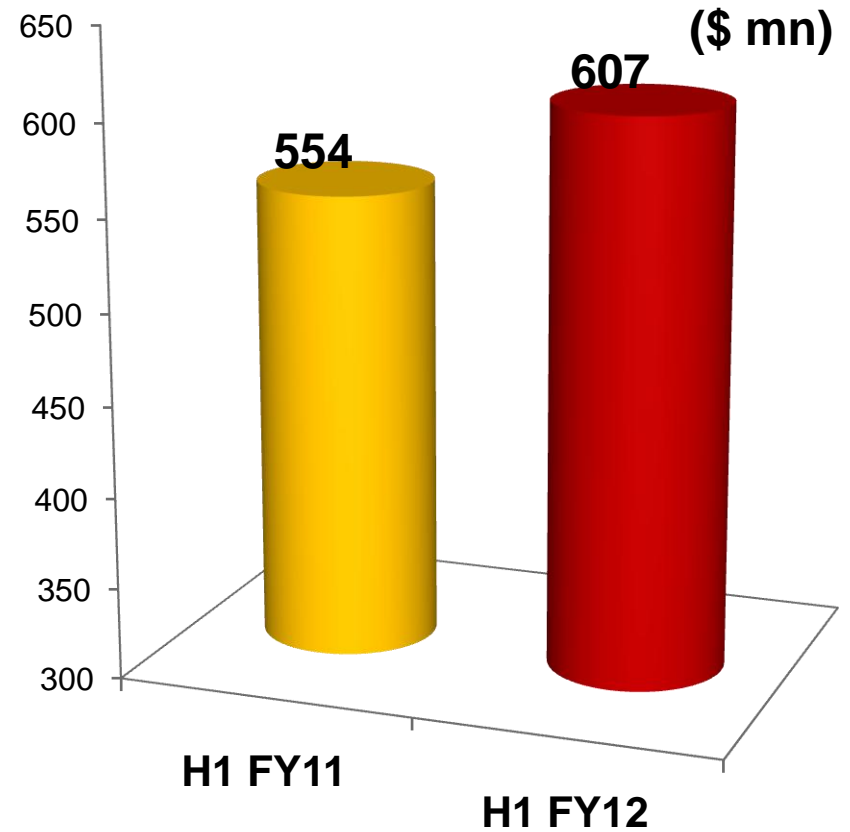
- Global inventory ~86 days of consumption
- However, financing deals likely to survive for now as interest rates remain low

# Novelis H1 Performance

Shipments nearly flat ...



Adj. EBITDA up 10%



# Novelis Update (Q2 FY12)

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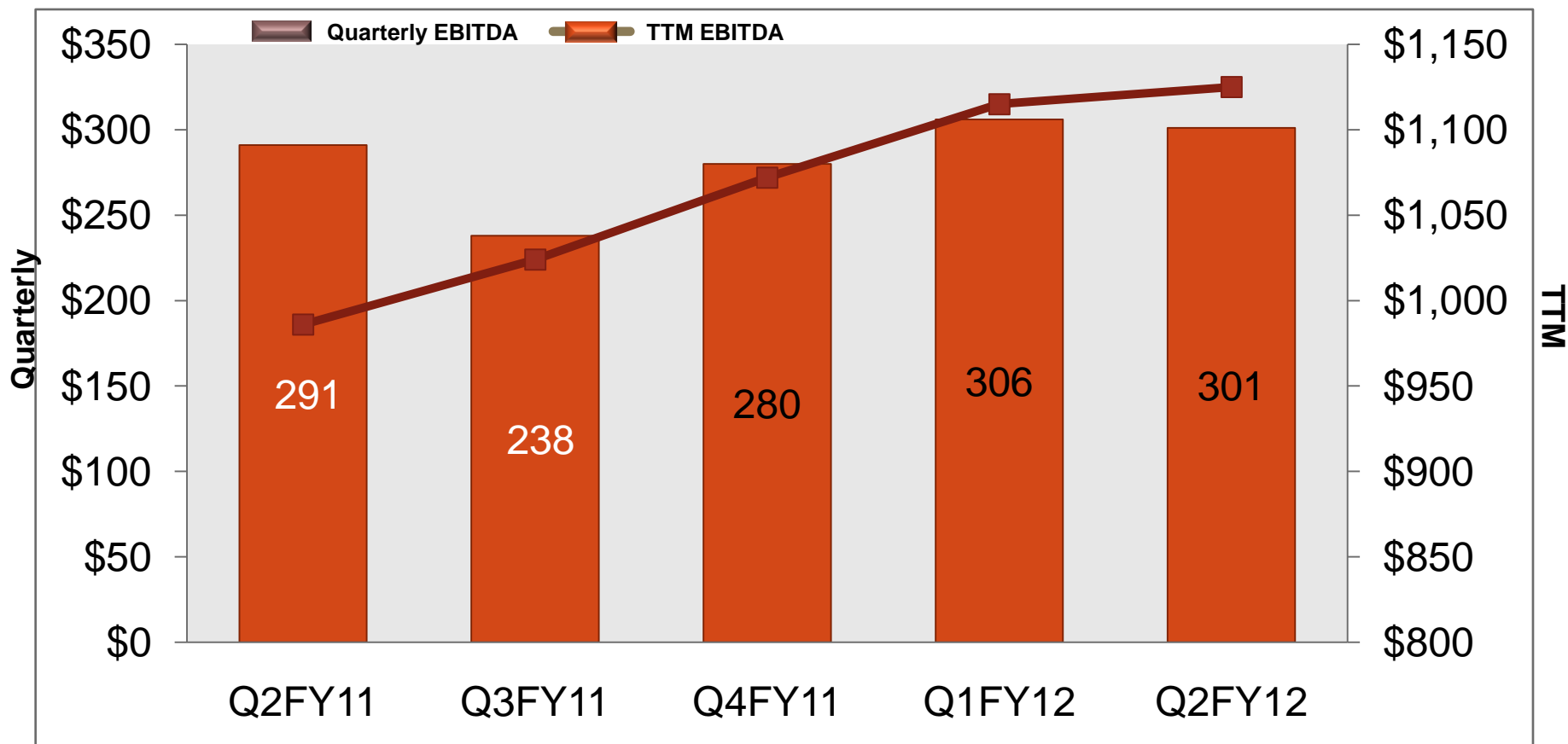


- **Shipments Down 2% to 720 Kilotonnes**
- **Net Sales Up 14% to \$2.9 Billion**
- **Strong Adjusted EBITDA Up 3% to \$301 Million**
- **Free Cash Flow Before CapEx of \$237 Million**
- **Liquidity of \$993 Million**
- **Net Income of \$120 Million**
- **Three large mill expansions (Brazil 220 kt, Korea 350 kt and North America 200 kt) on track and budget**

**Strong Second Quarter Results**

# Novelis: Adjusted EBITDA Trend

(Millions)

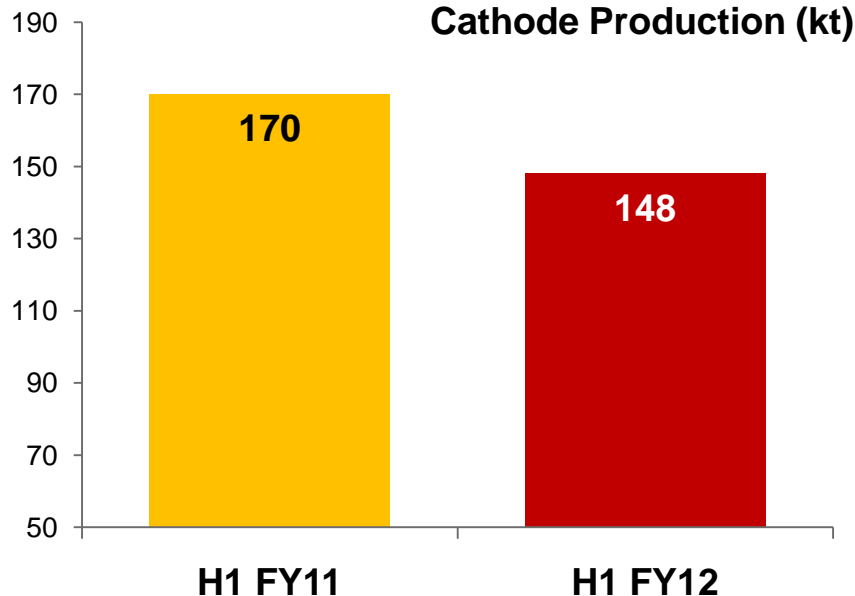


**Driving Consistent & Predictable Results**

# Copper: Operational Performance

**Copper production down 13%**

Cathode Production (kt)



**Copper Production lower due to planned shutdown**

**Impact of lower production was offset by ...**

**Stronger Tc/Rc**

**Higher by-product credits**

**Focused Marketing approach**



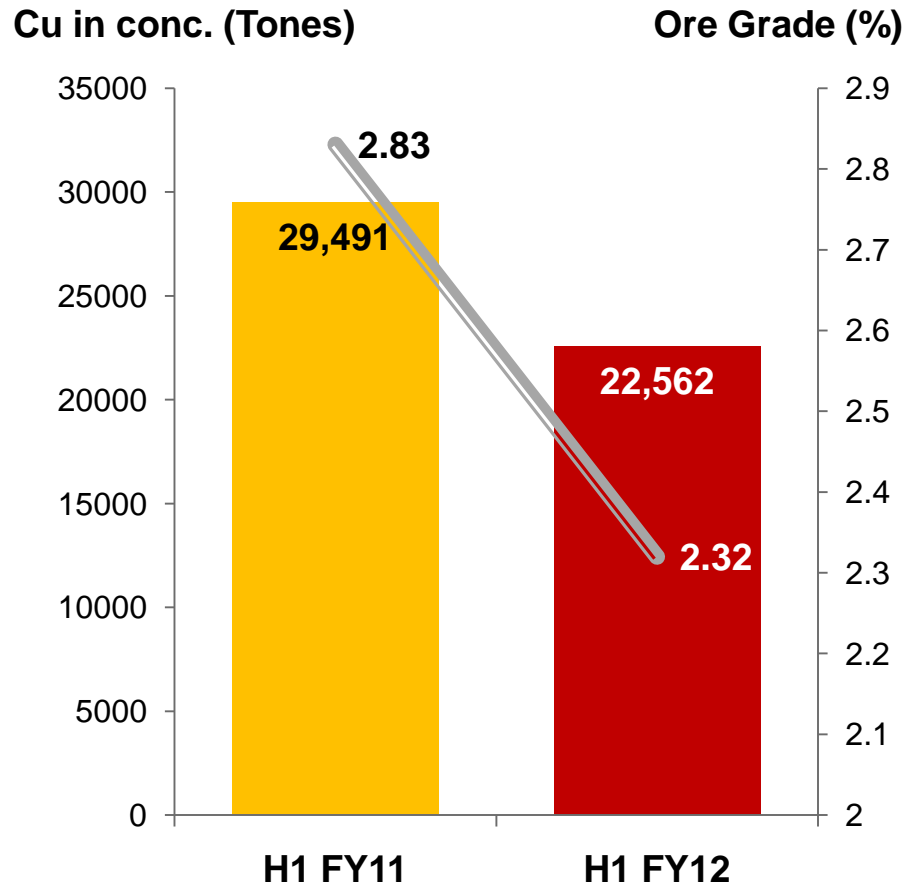
# Copper Business: Financial Performance

(₹ cr)	Q2 FY11	Q2 FY12	Change (%)
<b>Net Sales &amp; Operating Revenue</b>	<b>3,951</b>	<b>4,062</b>	<b>3</b>
<b>EBIT</b>	<b>129</b>	<b>148</b>	<b>15</b>

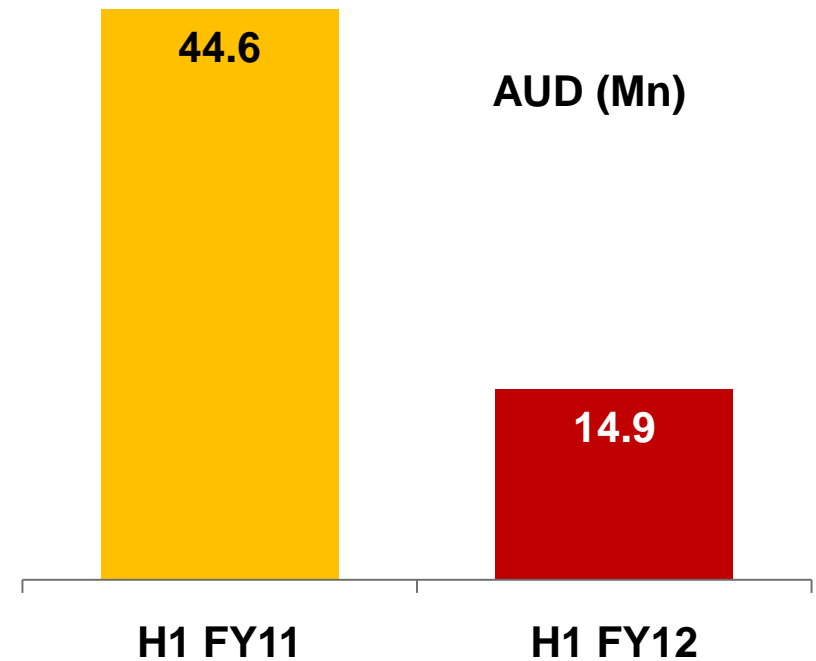
(₹ cr)	H1 FY11	H1 FY12	Change (%)
<b>Net Sales &amp; Operating Revenue</b>	<b>7,265</b>	<b>8,002</b>	<b>10</b>
<b>EBIT</b>	<b>253</b>	<b>293</b>	<b>16</b>

# ABML Update

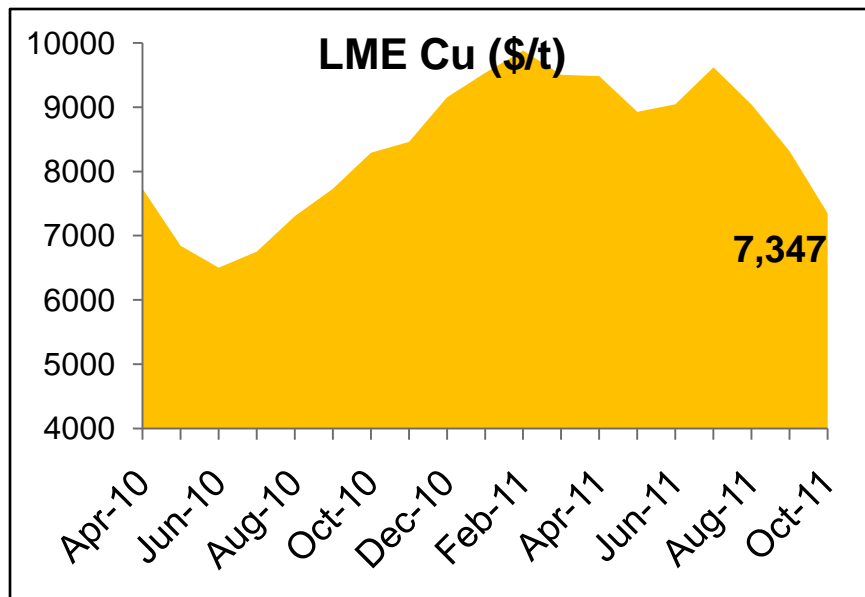
**Nifty Sulfide Production declined 23%  
due to sharp fall in ore grade**



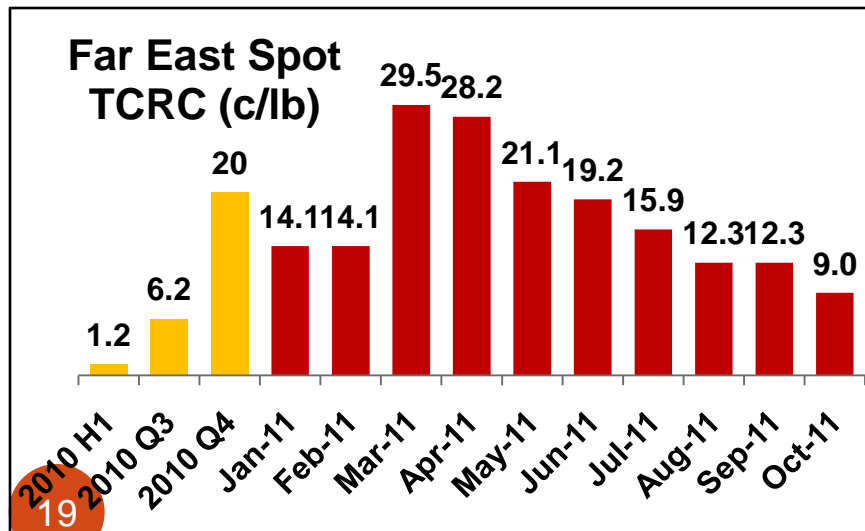
**EBIT - impacted by lower  
production, cost pressures and  
AUD strength**



# Copper: Consumption moderating but Tc/Rc likely to be under pressure



- LME under pressure due to macro risks and growth concerns
- World refined copper consumption expected to grow 4.4% in 2011 (vs. 11.3% last year)



- Spot TCRCs moving back to levels prior to earthquake in Japan – on account of mine strikes
- Weak trend in spot TCRC may have a bearing on contract negotiations for 2012

# Our three strategic pillars enabling us face this challenging environment



## Cost Leadership

- Our Position on cost curve getting affected by India-specific cost rigidities

Greenfield projects to help re-affirm cost leadership

## Balanced Portfolio

- Expected to help in a downturn
- Novelis and India-Copper far less affected than upstream businesses

Conversion businesses on even stronger footing now than in 2008/09

## VAP Focus

- Slowdown impacting demand in certain segments (India FRP, copper rods)

We remain committed to our medium-term VAP targets

# Projects Update



# Greenfield Projects Update



Project	Progress	Expected completion
<b>Mahan Aluminium, MP</b>	<ul style="list-style-type: none"><li>• Gearing for commissioning</li><li>• 16,500 people at site</li><li>• Forest clearance for coal block awaited</li><li>• Applied for tapering linkage for coal</li></ul>	<b>Early 2012</b>
<b>Utkal Alumina, Orissa</b>	<ul style="list-style-type: none"><li>• 10,000 people at site</li><li>• Boiler #1 hydrostatic test completed</li></ul>	<b>Second half 2012</b>
<b>Aditya Aluminium, Orissa</b>	<ul style="list-style-type: none"><li>• Construction progressing</li><li>• ~7,000 people working on project</li><li>• Financial closure for debt portion being pursued</li></ul>	<b>Early 2013</b>
<b>Aditya Refinery, Orissa</b>	<ul style="list-style-type: none"><li>• Majority land acquired</li><li>• Construction power line energized</li></ul>	<b>2014</b>
<b>Jharkhand Aluminium</b>	<ul style="list-style-type: none"><li>• Land acquisition started</li><li>• 55 MCM water allocated by State Govt</li></ul>	<b>2015</b>

# Activity at Sites: Mahan smelter

Pot room "A" inside view



Pot room "B" inside view



Alumina Silos



Central Passage



# Activity at Sites: Mahan CPP

Unit # 1 and 2



CHP TP-04



Cooling Tower



DM Plant





# Activity at Sites: Utkal

Predisilication Area



Digestion area



Precipitation area



STG1: EOT Crane erection



# Brownfield Projects Update

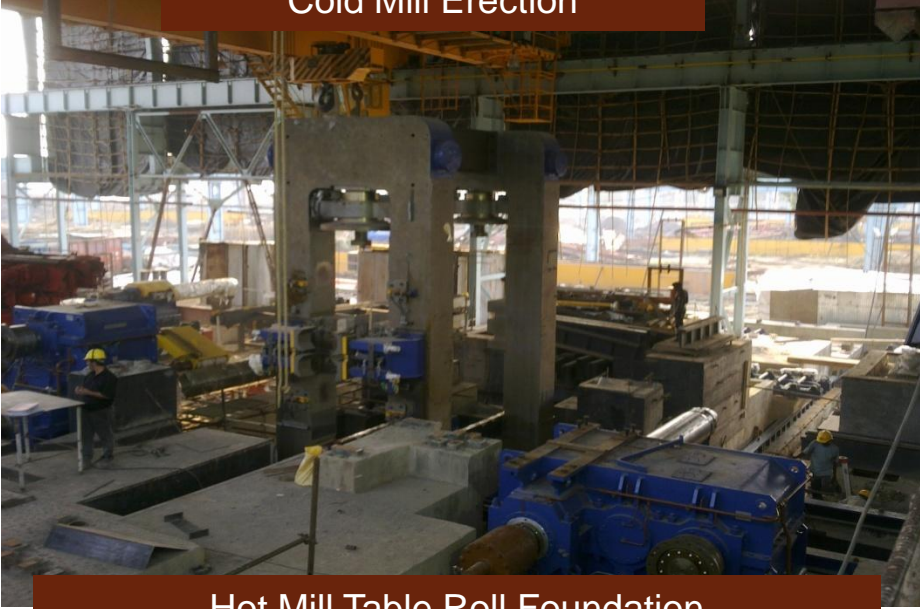
Project	Progress	Expected completion
<b>Hirakud Smelter Expansion I</b>	<ul style="list-style-type: none"> <li>• Strong progress</li> <li>• ~90% procurement completed</li> <li>• Civil work in advanced stage</li> </ul>	<b>Early 2012</b>
<b>Hirakud FRP</b>	<ul style="list-style-type: none"> <li>• ~2,800 people at site</li> <li>• Placement of equipments in progress</li> </ul>	<b>Early 2012</b>

## Brownfield projects on the drawing board

Project	Scope
<b>Hirakud Smelter Expansion II</b>	213 ktpa to 360 ktpa, 500 MW additional power capacity
<b>Belgaum special alumina</b>	189 ktpa to 301 ktpa with coal-based co-gen

# Activity at Sites: Hirakud FRP

Cold Mill Erection



Cold Mill Coil Inspection System



Hot Mill Table Roll Foundation



Slitter Foundation



Thank you

## Forward Looking & Cautionary Statement

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*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.*

# Aluminium Production

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In Tonnes	Q2FY11	Q2FY12	Variance
Alumina	347,071	332,383	-4%
Metal	123,325	143,315	8%
FRP	54,042	52,439	-3%
Extrusions	9,637	7,154	-26%
Wire Rods	24,158	24,442	1%

# Copper Production

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Production	Units	Q2 FY11	Q2 FY12	variance
Copper Cathodes	MT	94,104	74,588	(21%)
CC Rods : Own	MT	43,274	33,972	(21%)

Production lower due to bi-annual shutdown