



Hindalco Industries Limited

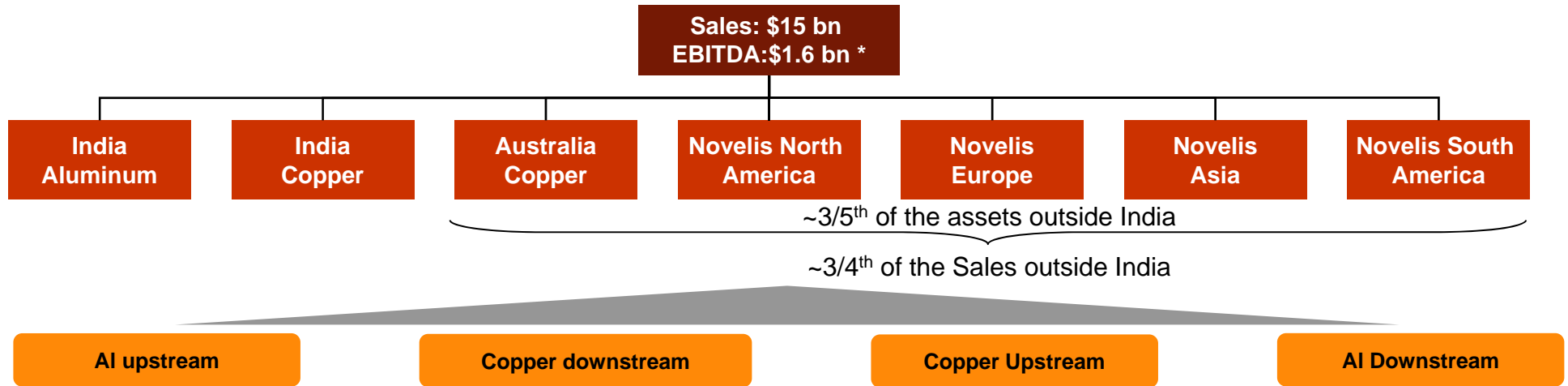
Investor Presentation

September 2013

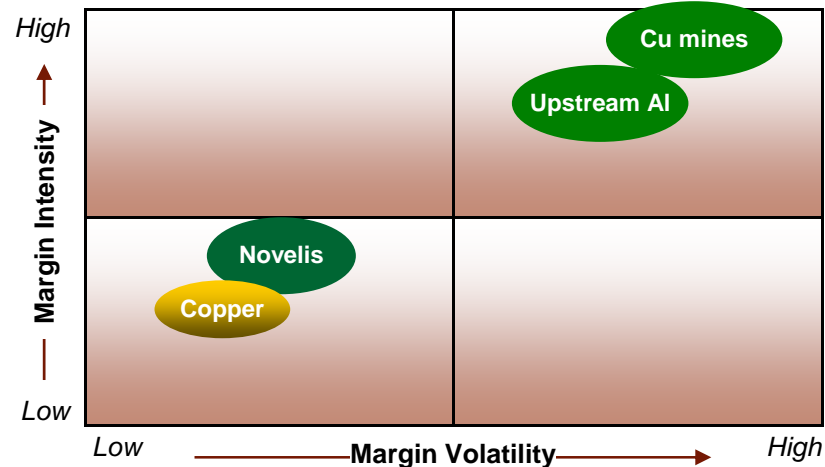
A Metals Powerhouse



Hindalco Industries Ltd: A brief snapshot



Our Approach – Portfolio of businesses



Aluminium:

Integrated operations - Build low cost upstream ; Buy High end Downstream – Global presence

Copper:

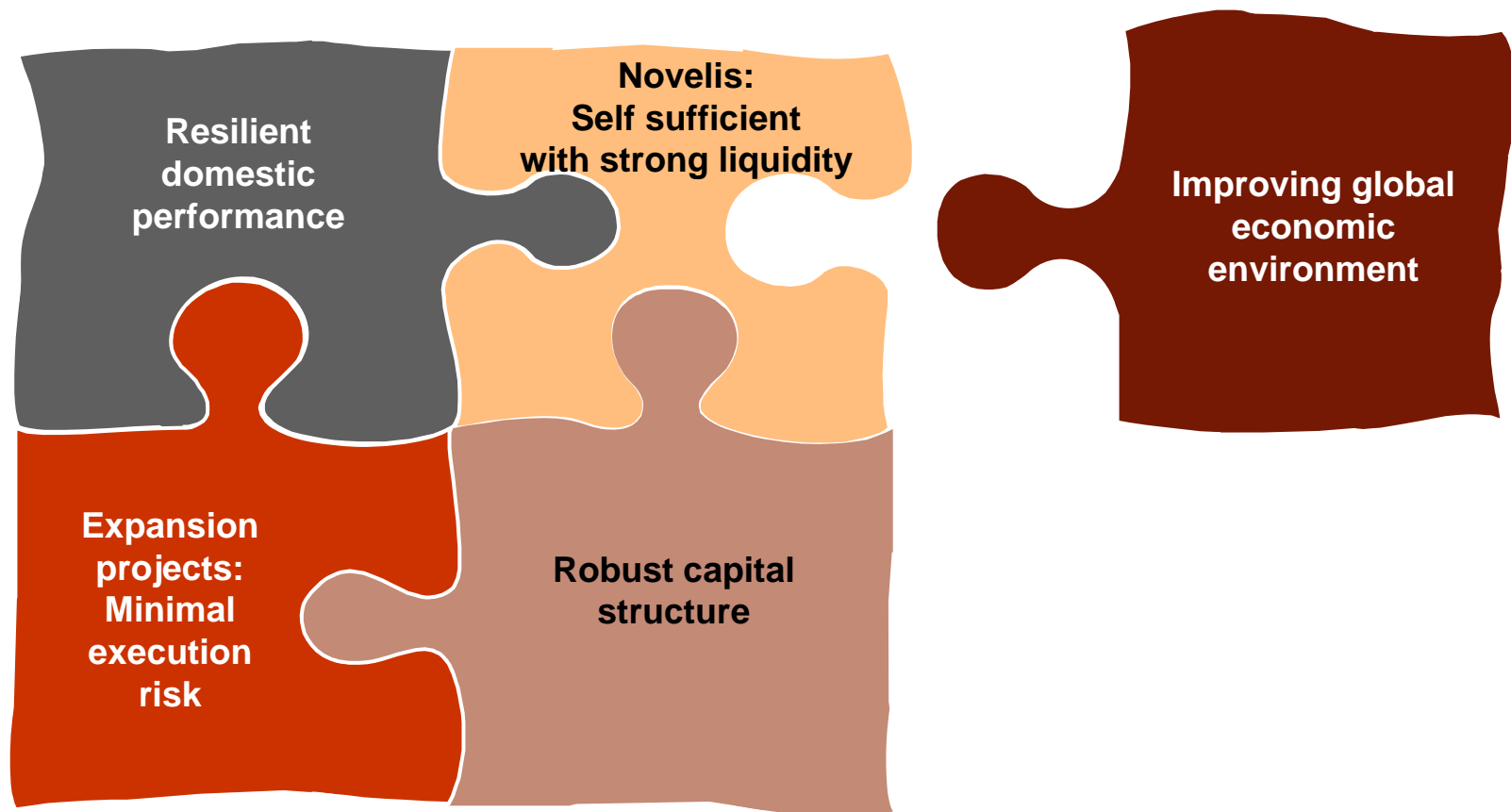
- Partial Integration
- World class operations
- Reduced volatility through development of multiple value drivers



Global metal powerhouse with well diversified portfolio and significant international operations

* FY13, Consolidated results

The Company is at an inflexion point

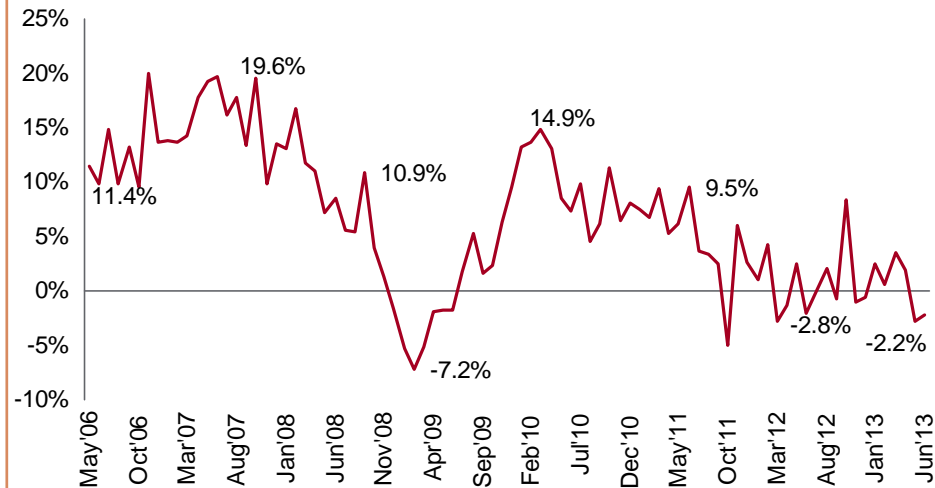


The pieces are coming together

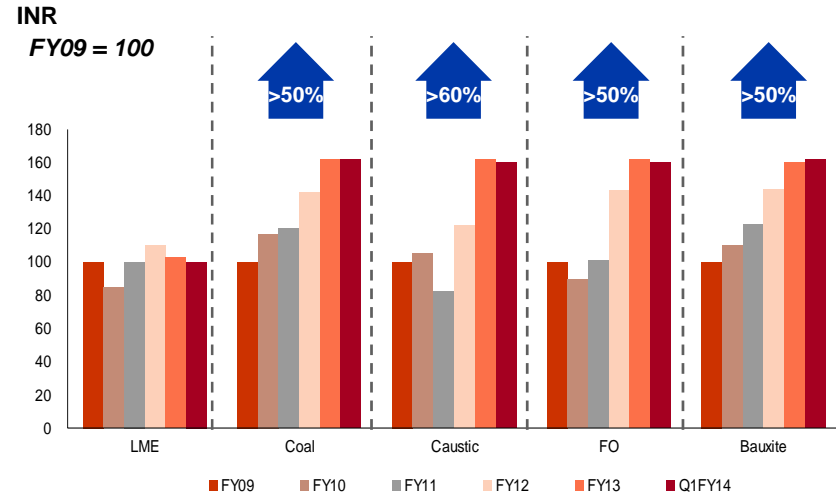
Section I: Resilient domestic performance

Higher realizations amidst a challenging domestic environment

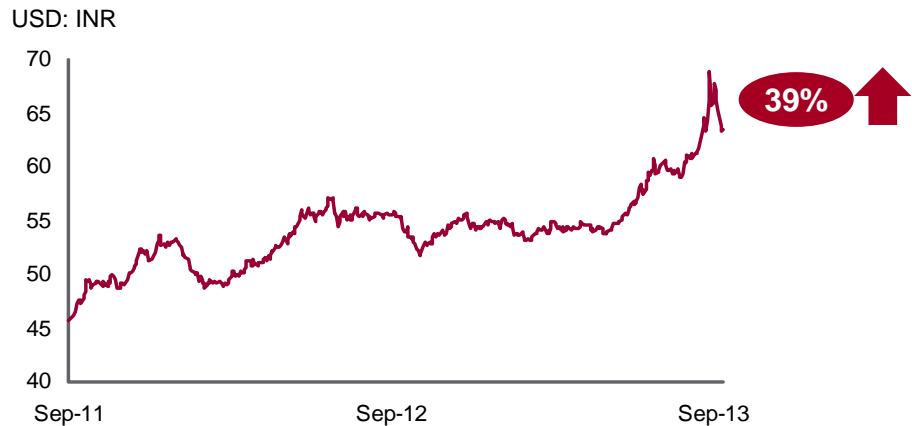
Major decline in industrial production in recent months



Escalating costs with limited movement in LME prices



Declining INR have led to higher net realizations



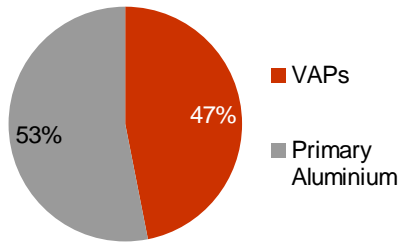
High market concentration enables producers to pass on higher prices

- Short-term challenges remain
 - Hangover from monetary policy tightening
 - Dampened growth in key end-use sectors such as infrastructure and transportation
- Since 2009, operational costs have increased significantly while LME prices have remained relatively low
 - However, weakening INR has led to higher net realizations

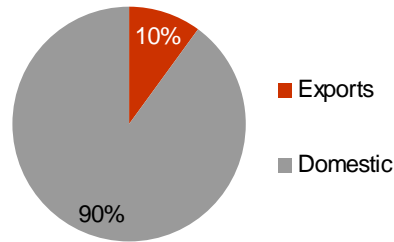
Aluminium India - VAPs and low smelter costs provide key edge

VAPs account for significant portion of production

Product split

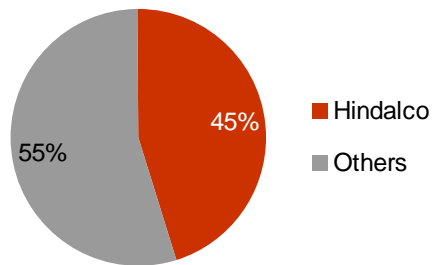


Regional split: Primarily for domestic markets



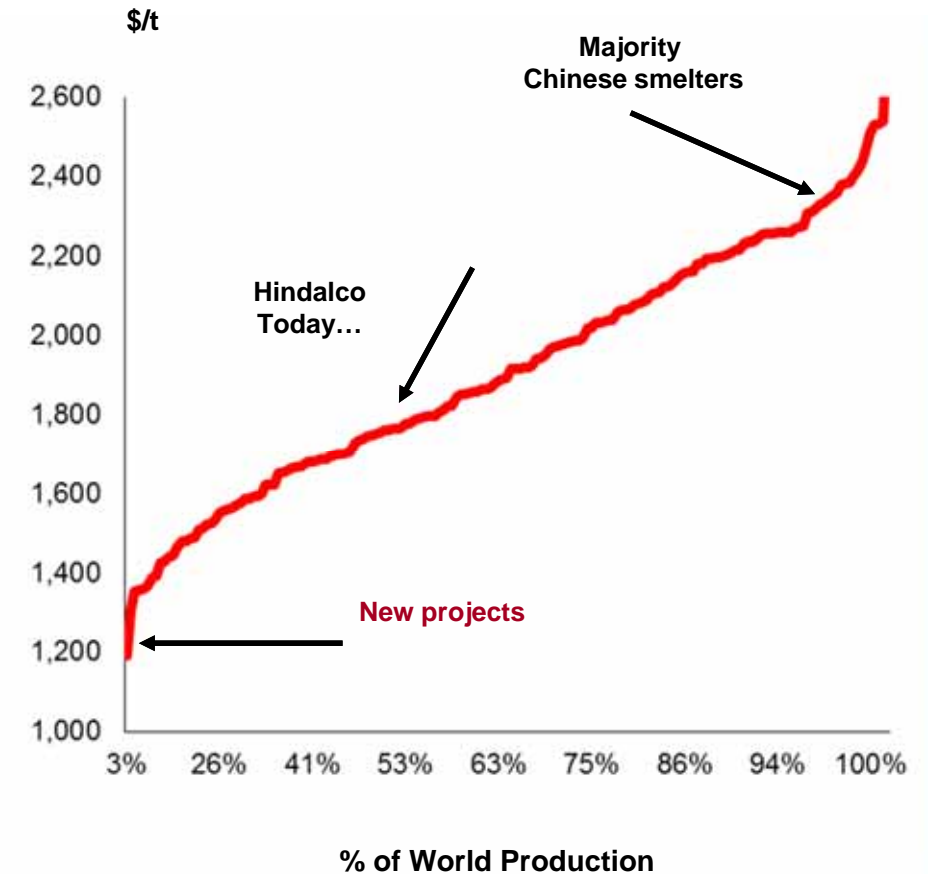
Downstream products command market premium with significant market share in India

Key brands:



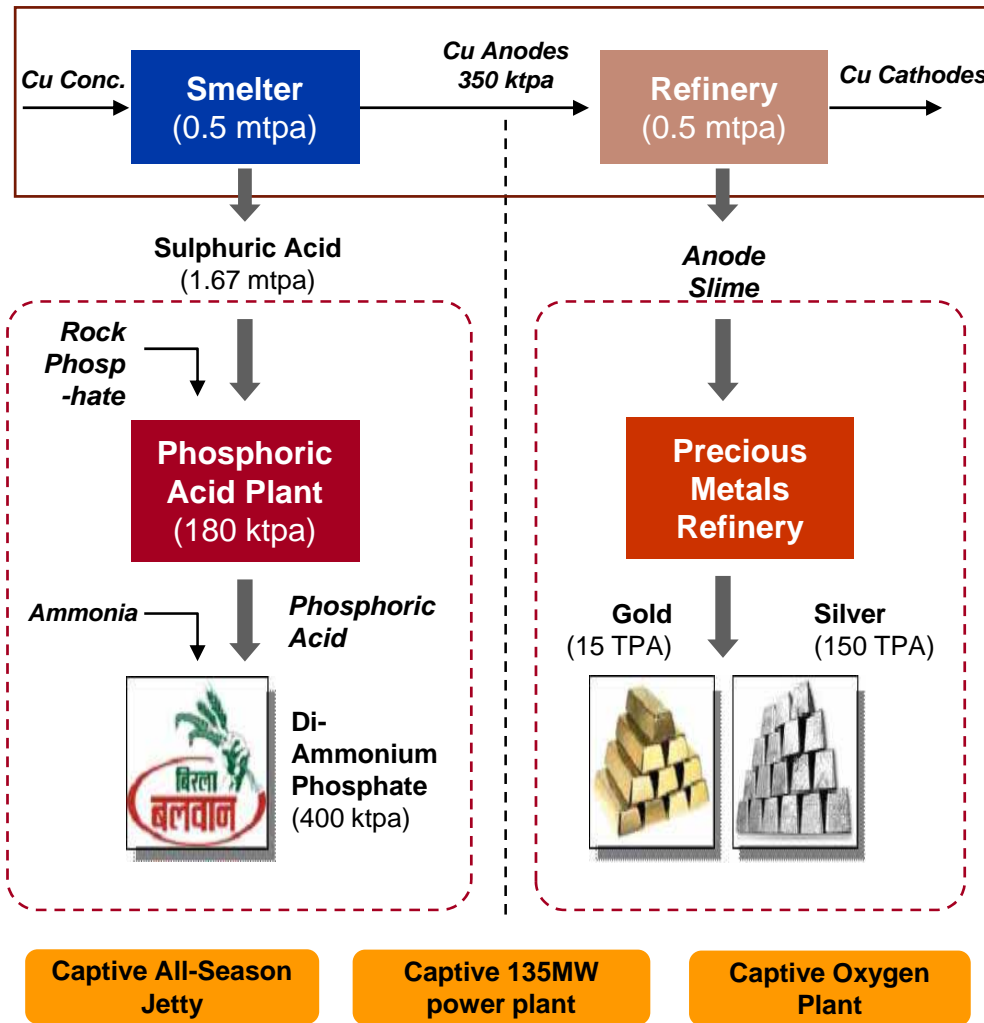
Hindalco has a dominant market share in FRP

Hindalco Aluminium smelters are in the best quartile (25th percentile) on cost



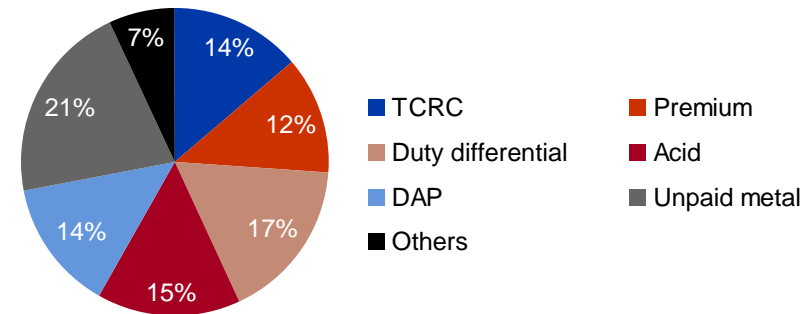
Focus on high margin VAP products and lower production cost to improve profitability

Copper: Reduces volatility for domestic operations



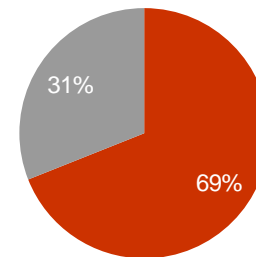
Multiple value driver model, reducing volatility further

Copper Business Contribution

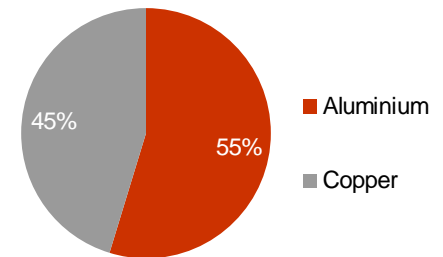


Significant contribution to standalone operations

EBIT segment split (FY12)



EBIT segment split (FY13)



~ 40% cathodes converted to value-added copper rods

~ 50% market share in refined copper market in India

Note: 1 US\$ = 60 INR

Sustainability.....



.....A Key Thrust Area

A Caring Corporate Citizen

Vision

“To actively contribute to the social and economic development of the communities in which we operate. In so doing, build a better, sustainable way of life for the weaker sections of society and raise the country's Human Development Index”



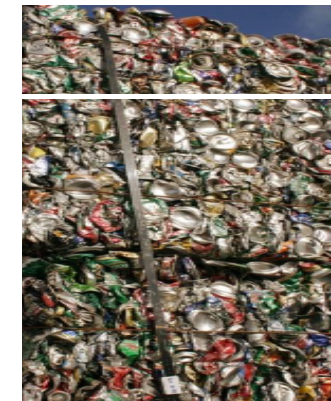
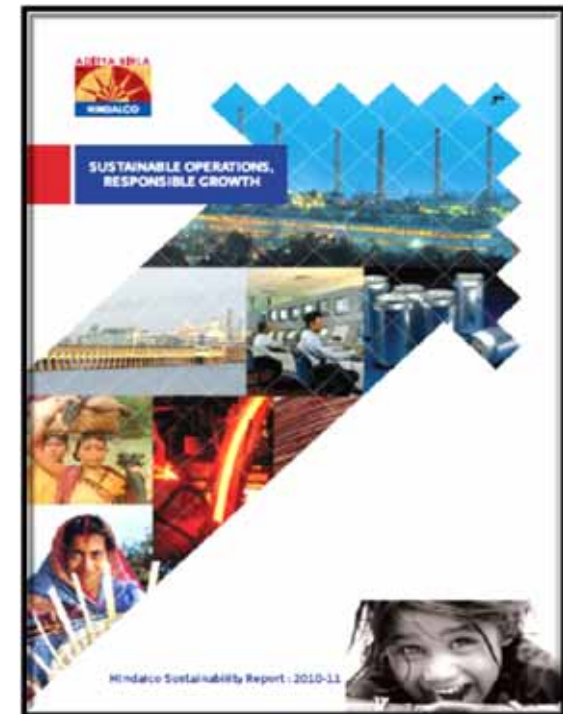
Focus Areas

- Education 
- Health & Family Welfare 
- Sustainable Development & Livelihood 
- Water & Sanitation 
- Rural Infrastructure Development 
- Social Reform 



Ongoing initiatives for sustainable growth

- Tracking and monitoring sustainability metrics as well as carbon footprint
 - First CDM project (Hirakud) registered with UN in Jan'10
- Sharp focus on energy efficiencies
- Water recycling / treatment plants across locations
- Continuous upgradation of environment-related equipments
- 'Waste-to-Wealth' initiatives
 - Gypsum applications for cement
 - Use of fly ash in cement / construction / agriculture
 - Transformation of red mud into forests

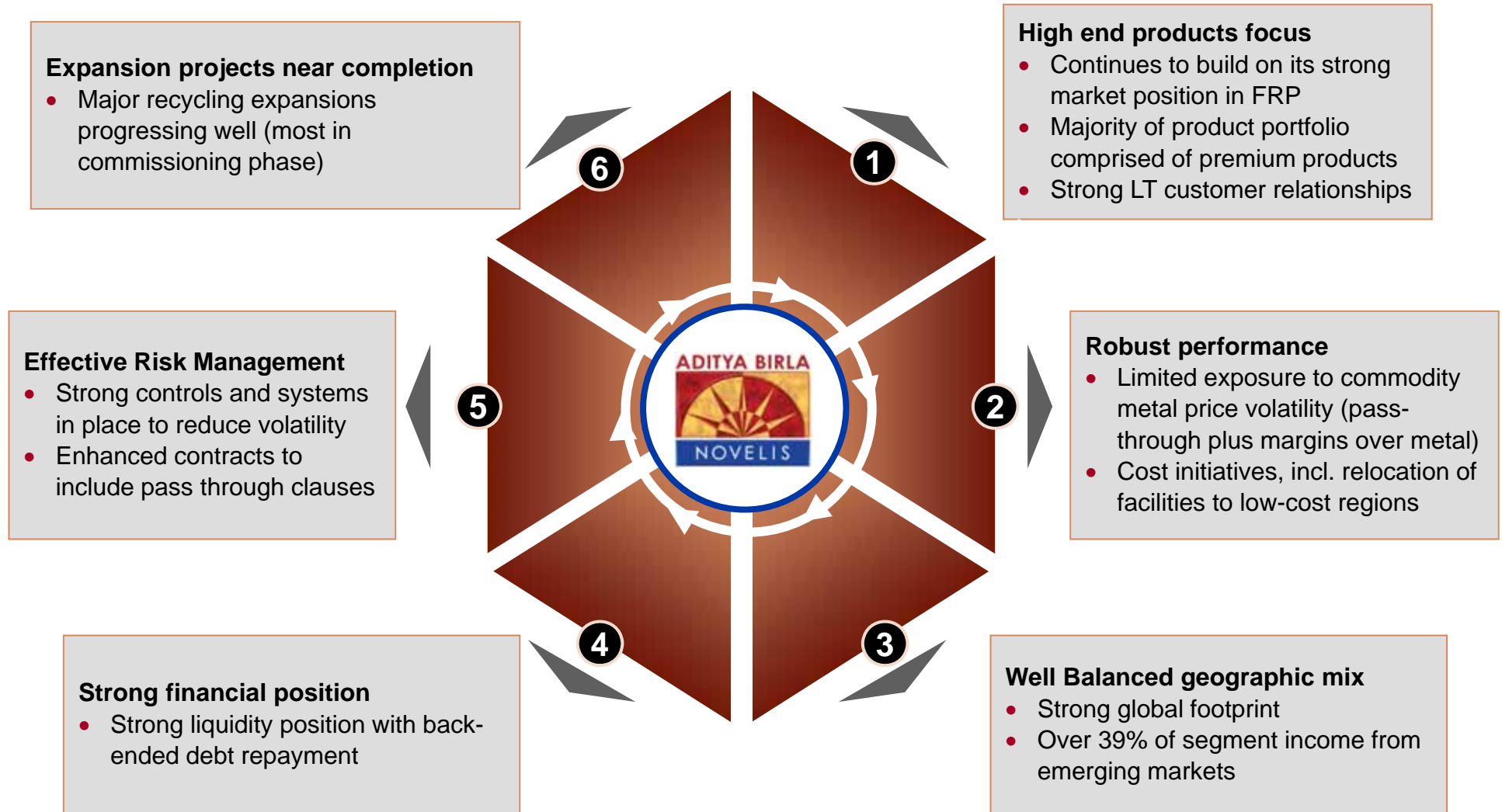


Aluminium Recycling

A major thrust Area

Section II: Novelis: Self sustaining story

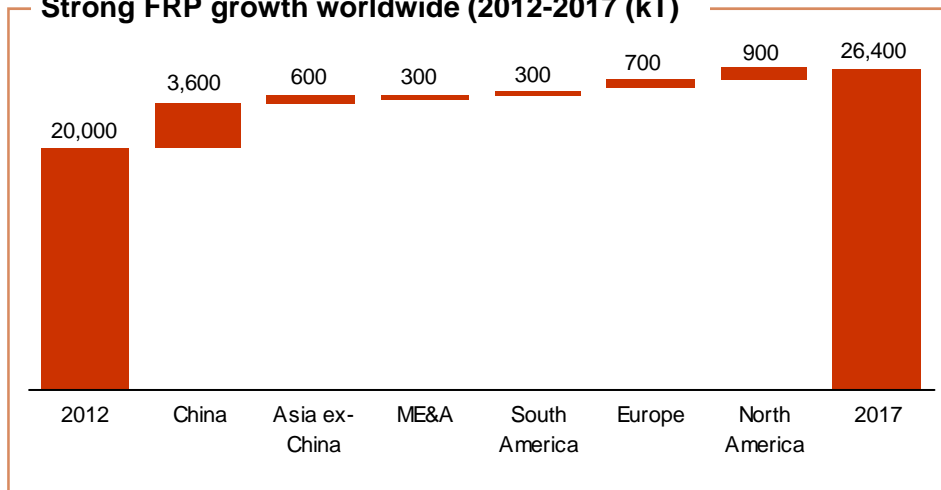
Novelis' Competitive Advantage



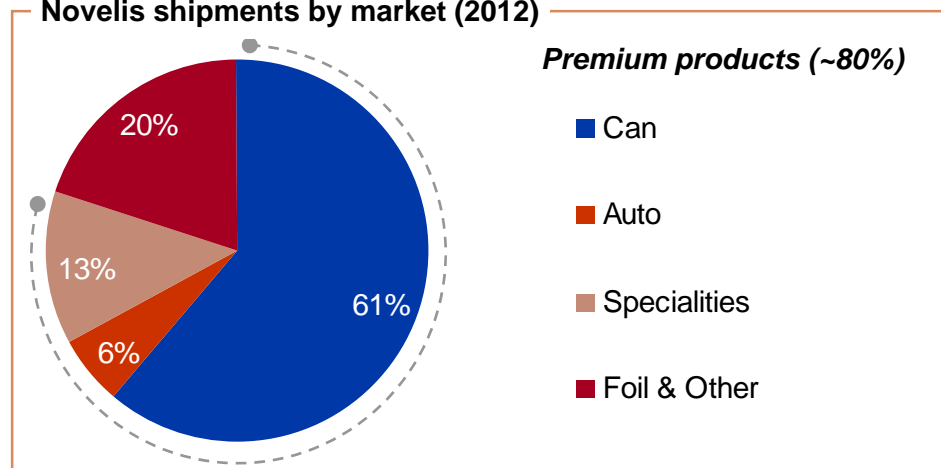
Worldwide assets and expertise provide unique capabilities to regional/ global customers

Well placed to benefit from strong FRP growth

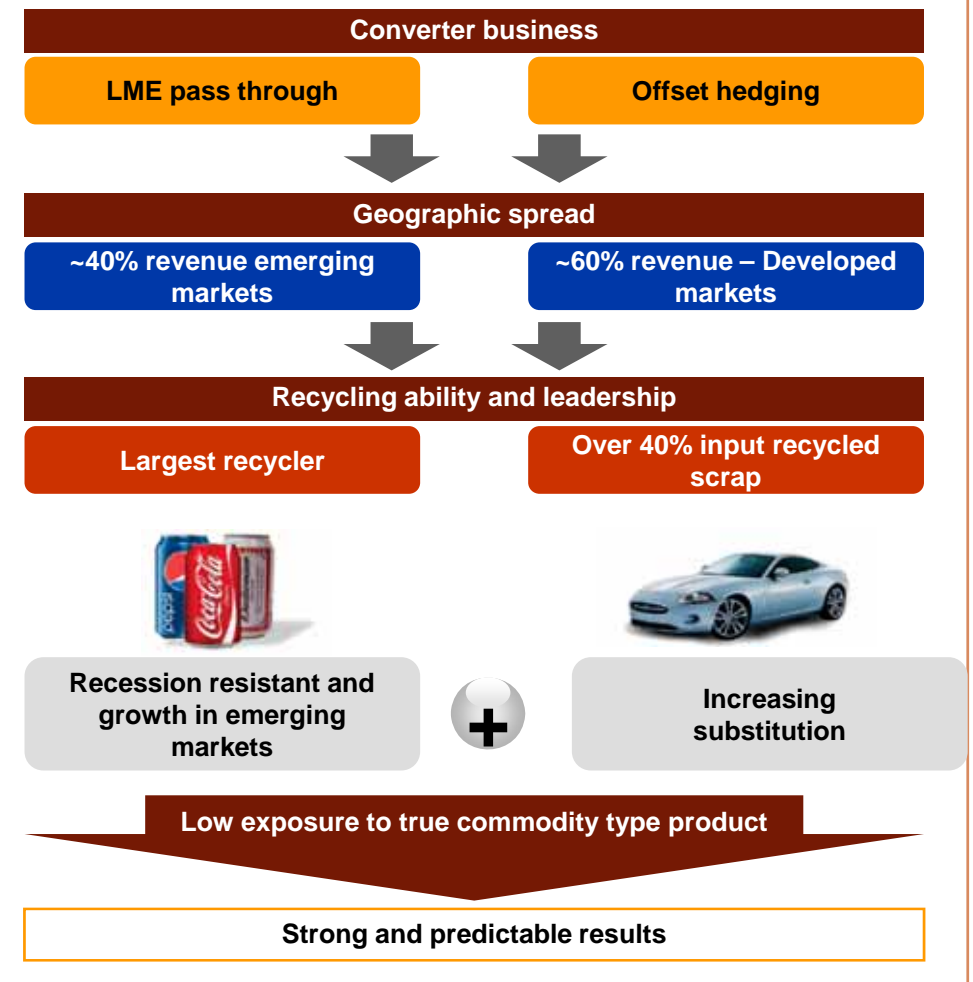
Strong FRP growth worldwide (2012-2017) (kT)



Novelis shipments by market (2012)



Well diversified strategy



Novelis today: De-risked product portfolio

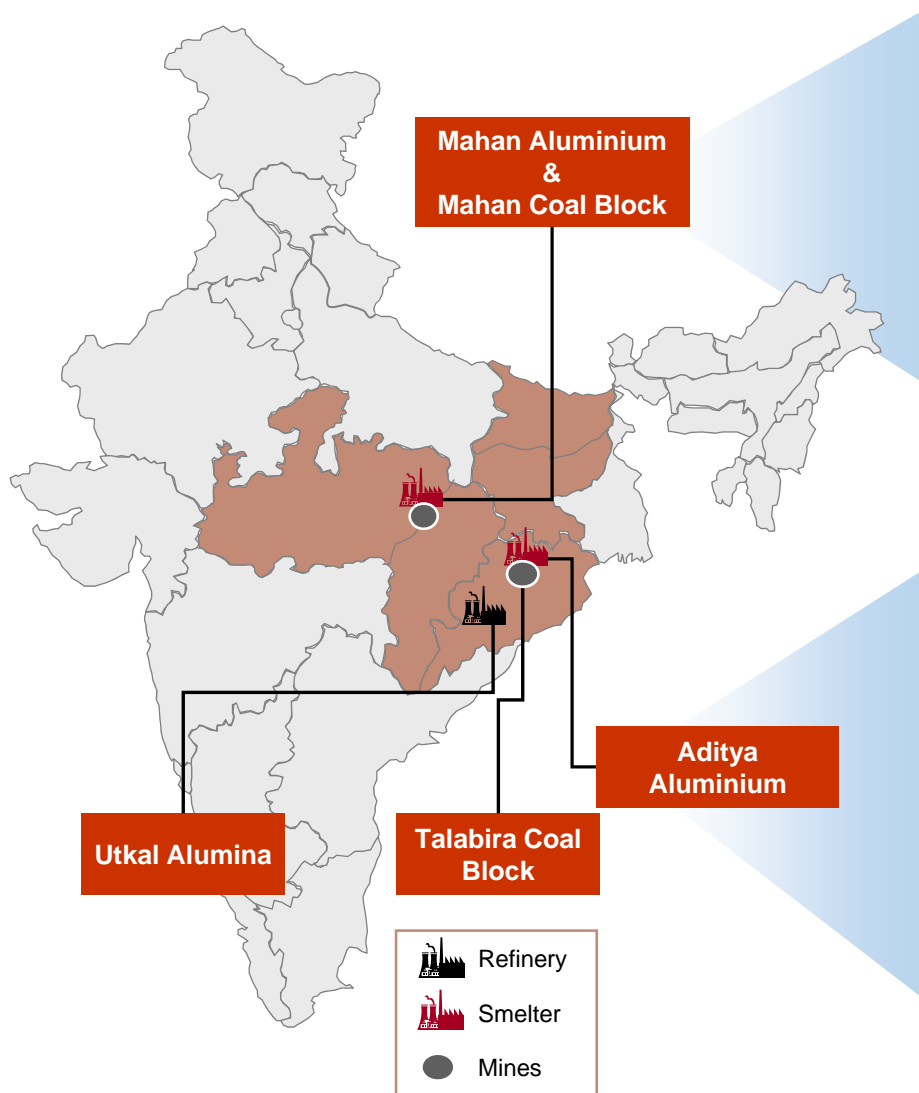
Source: Company estimates

Section III: Key Projects: Minimal execution risk

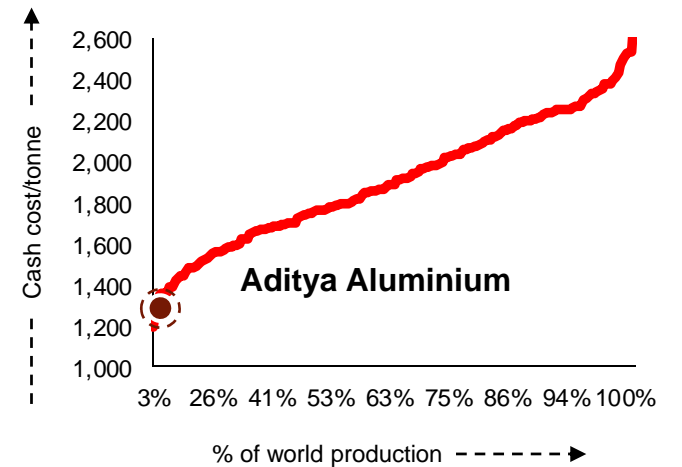
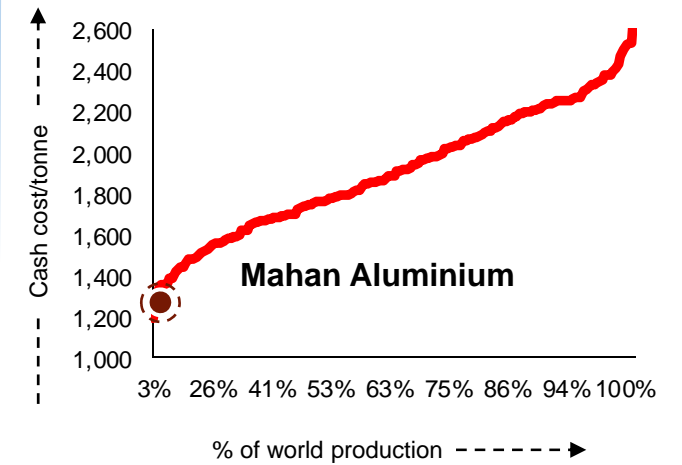
Expansion projects in strategic locations

Key highlights

- ✓ Access to high quality bauxite reserves
- ✓ Abundant coal reserves with high reserve life
- ✓ Relatively cheap labor
- ✓ Power plants located at pit head
- ✓ Proximity to fast growing markets



Cash cost advantage



Projects update: Summary

	Mahan aluminium, Madhya Pradesh	Aditya aluminium, Orissa	Utkal alumina, Orissa
Nature	✓ Smelter	✓ Smelter	✓ Refinery
Scope	<ul style="list-style-type: none"> ✓ 359 ktpa smelter ✓ 900MW power plant 	<ul style="list-style-type: none"> ✓ 359 ktpa smelter ✓ 900MW power plant 	<ul style="list-style-type: none"> ✓ 1,500 ktpa
Current status	<ul style="list-style-type: none"> ▪ Q1 FY14: First metal tapped ▪ Under ramp up 	<ul style="list-style-type: none"> ▪ Construction in advanced stage ▪ H2 FY14: First metal 	<ul style="list-style-type: none"> ▪ Q1 FY14: Went on stream ▪ Under ramp up
Capex (US\$m)	<p>Mahan, MP</p>	<p>Aditya, Orissa</p>	<p>Utkal, Orissa</p>
Project debt (US\$m)	✓ US\$ 1.31 bn	✓ US\$ 1.65 bn	✓ US\$ 0.83 bn
Cost of project debt (%)	✓ State Bank of India base rate + 1.75%	✓ State Bank of India base rate + 0.25%	✓ State Bank of India base rate + 0.5%



Hindalco expansion projects have minimal execution risk; two of the three projects have already been commissioned

Note: 1 US\$ = 60 INR

Utkal: CPP and refinery operational

Plant & Reservoir



Captive Power Plant



Refinery



Mines



Project update

- Project-execution risks are over; went on stream in Q1FY14
- Entire debt refinanced; saving of c.INR150cr p.a.
- Refinancing executed in extremely tough market conditions, even after RBI measures choked off rupee liquidity

Mahan: Trial Production on; Ramping Up



Project update

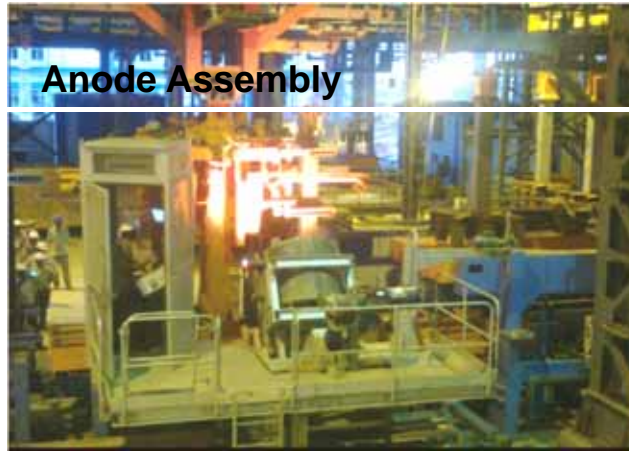
- Project-execution risks are over
- First metal has been tapped in Q1 FY14
- Gradually being ramped up

Aditya Aluminium: Strong progress

Aditya Pot Line



Anode Assembly



Cast House - Melting Cum Holding Furnace



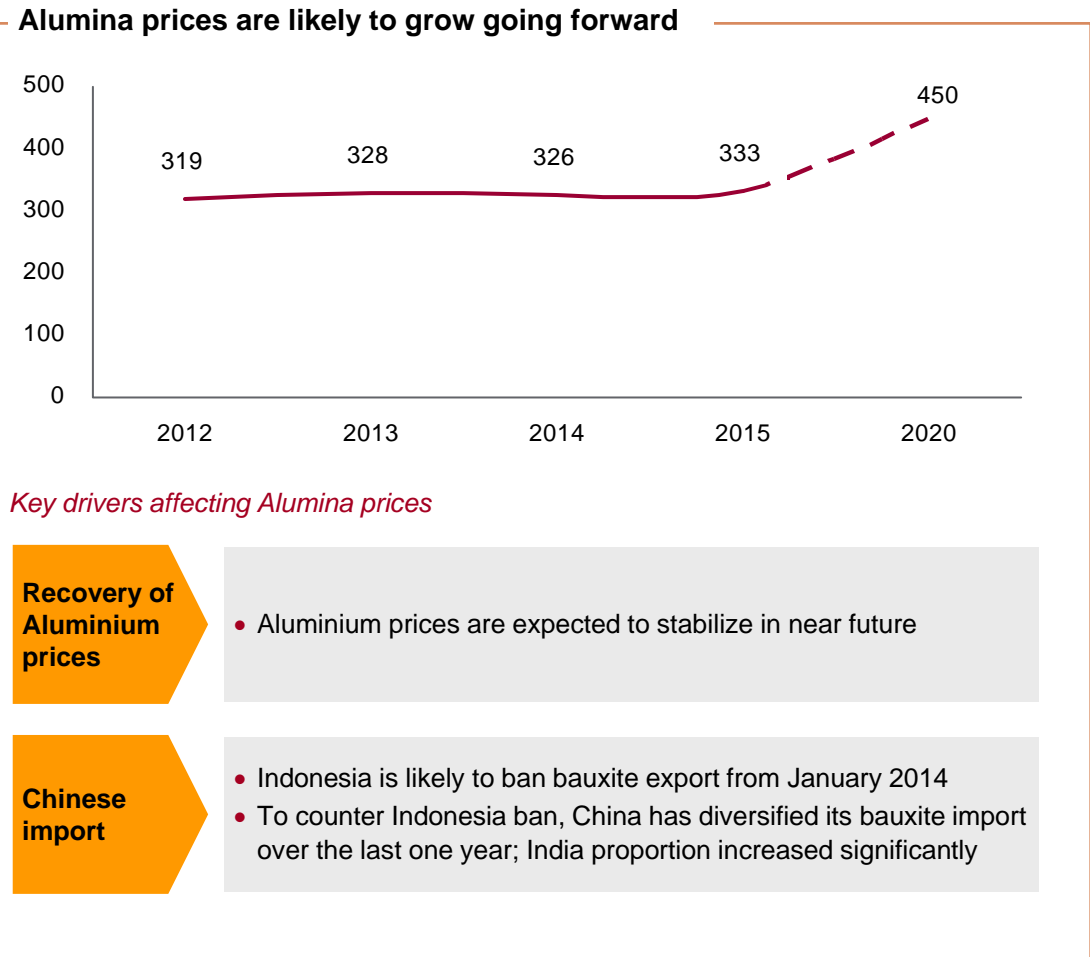
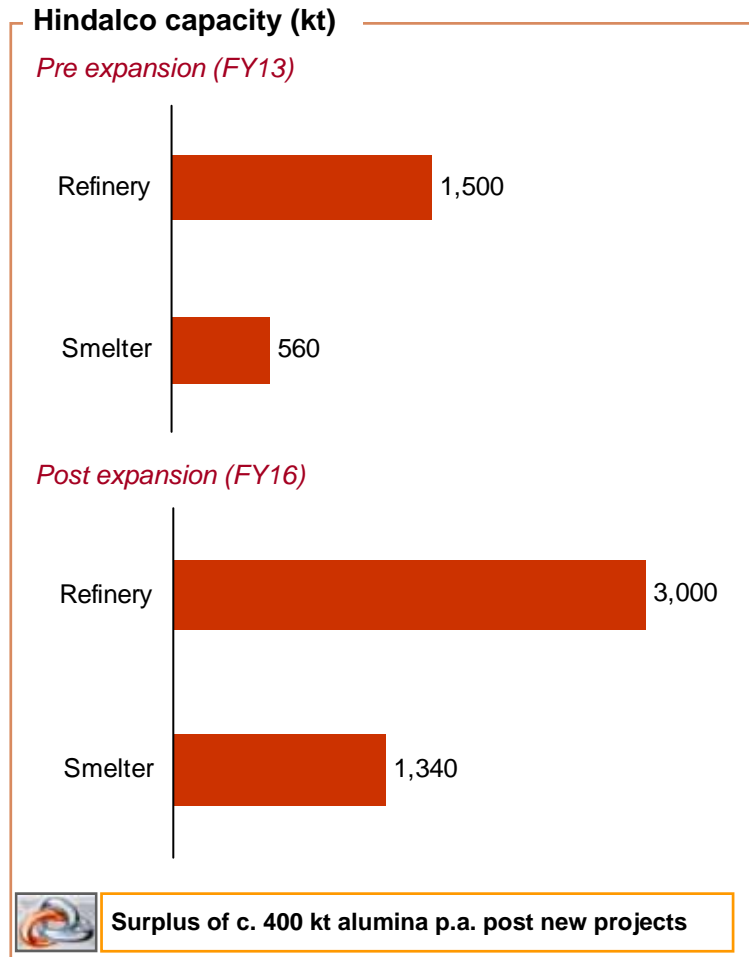
Captive Power Plant



Project update

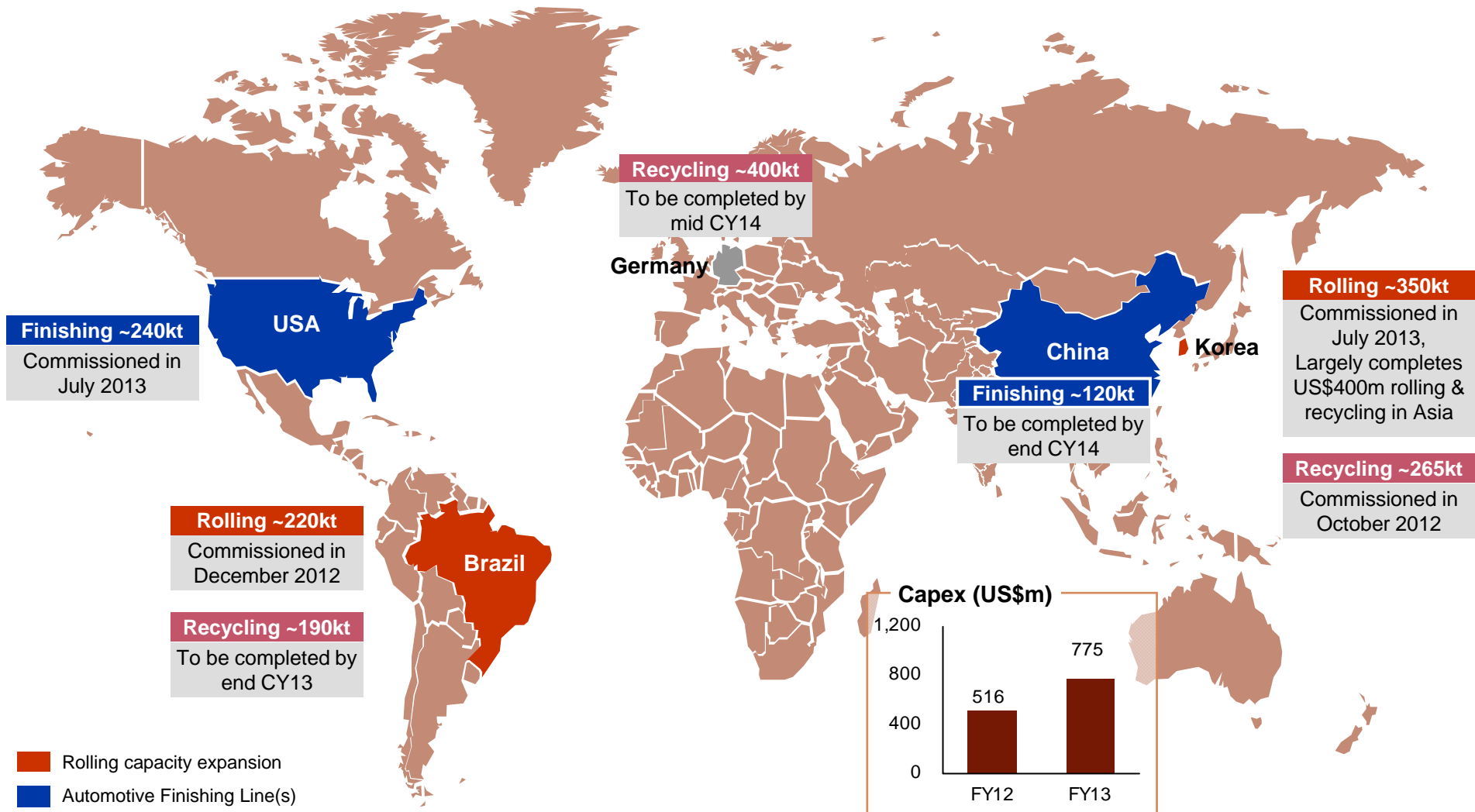
- Project execution risks are over
- 220KV line charged, intake water line and fuel oil system commissioned
- Construction progressing in full stream, > 11,000 people working at site

Post project expansion: Hindalco remains long on Alumina



 **Hindalco likely to benefit from its surplus alumina capacity due to high global alumina prices and export potential to other countries**

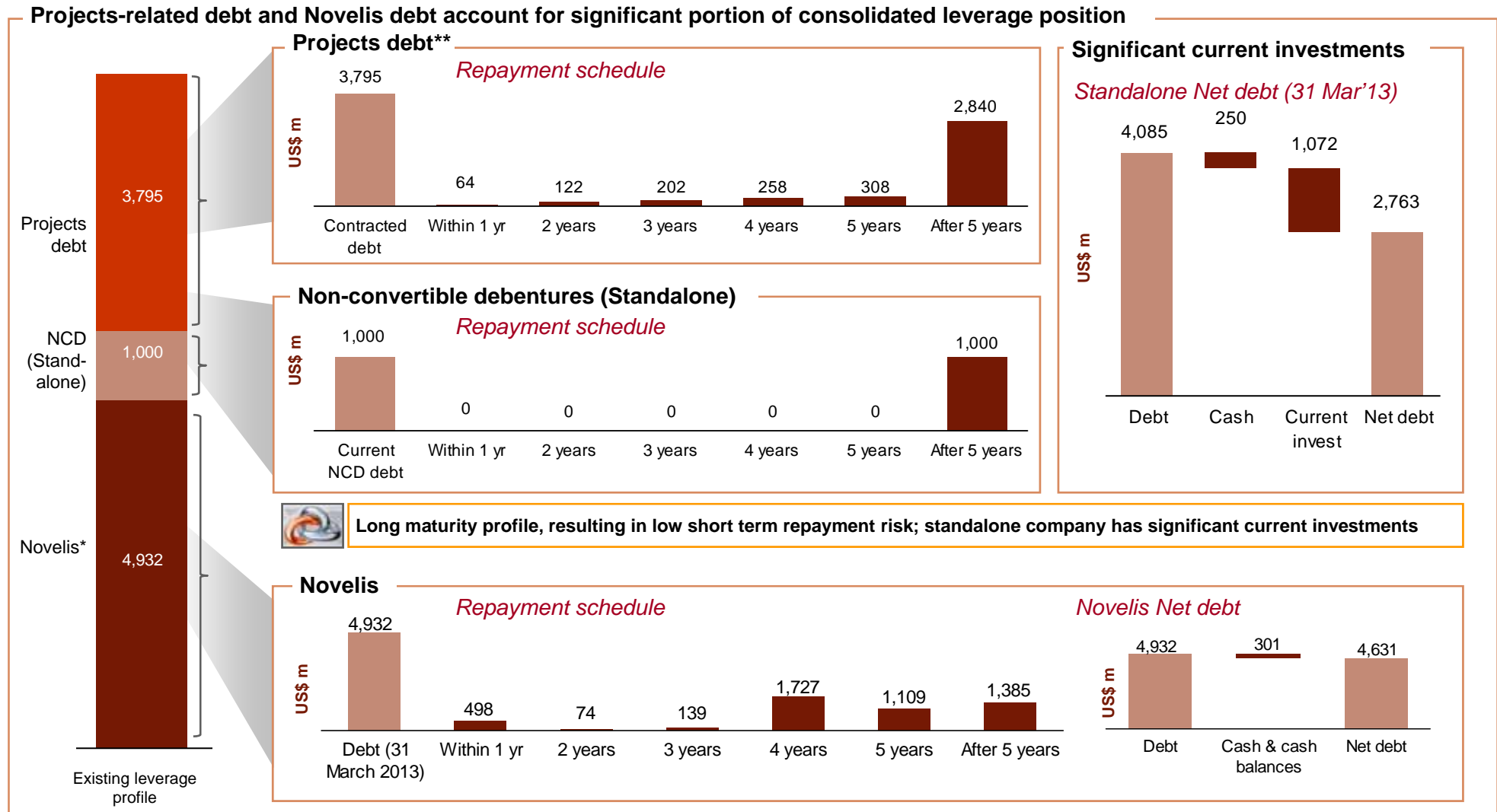
Novelis global strategic investments: Near commissioning stage



Solid execution of strategic expansions; growth plans tailored for secular industry trends

Section IV: Robust capital structure

Debt profile: Project debt is significantly back-ended



No major repayments in the short-term with strong cash flows from new projects put Hindalco in a comfortable position. Flexibility of pre-payment without penalty

Note: 1 US\$ = 60 INR

* Novelis debt as on 31st Mar'13

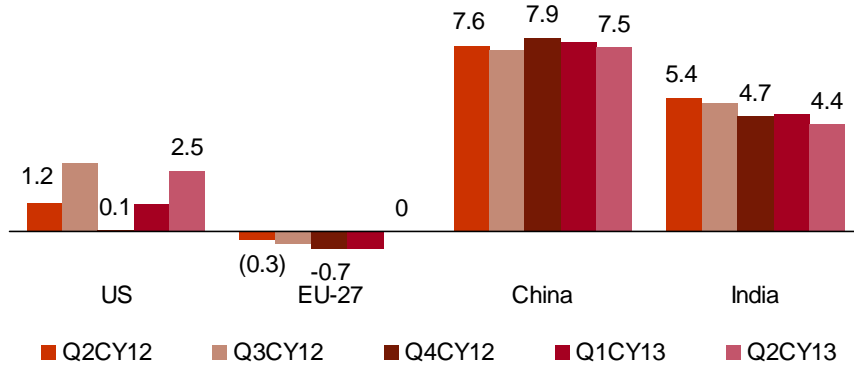
** Projects debt repayment schedule as on date; relates to Mahan Aluminium, Utkal Alumina and Aditya Aluminium projects

Section V: Global economy... Green shoots?

Improving global economic environment

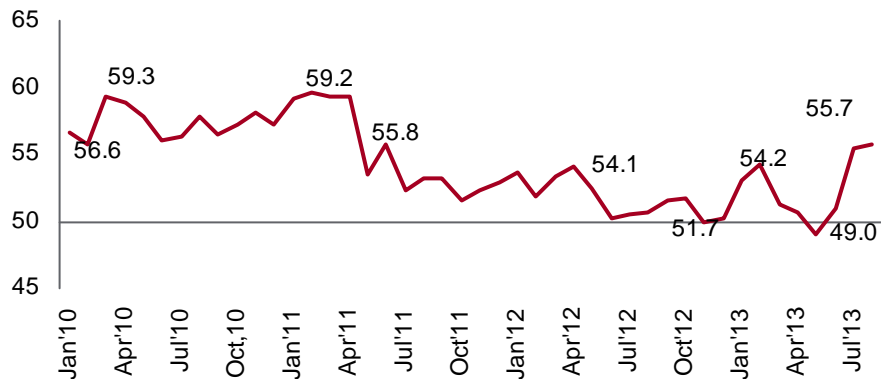
Global economic recovery continues

Quarterly GDP (y-o-y growth)









US manufacturing showing signs of a recovery

Purchasing Managers Index



Strong growth expected in global end markets (2013 vs. 2012)

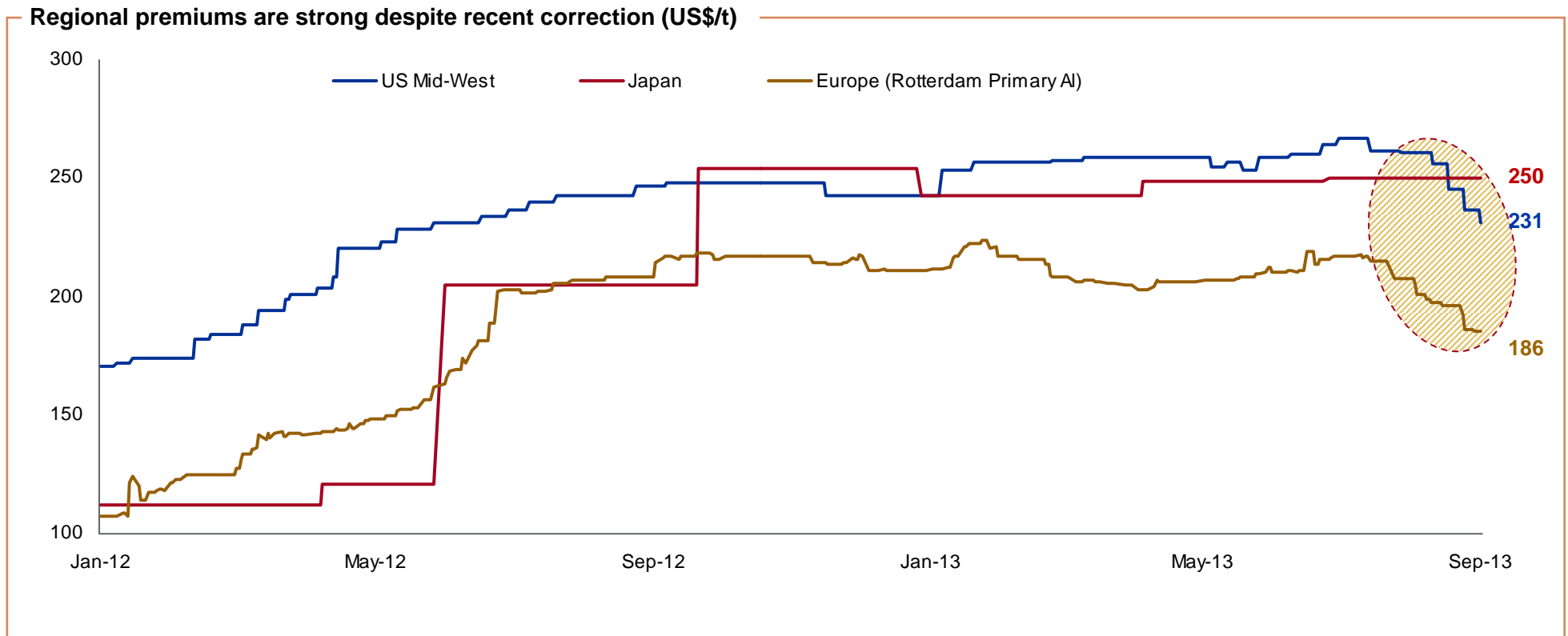
	North America	Europe	China	Global
Aerospace 				↑
Automotive 	↑	↓	↑	↑
Heavy Truck & Trailer 	↓	↓	↑	↑
Beverage Can Packaging 	↓	↑	↑	↑
Comm. Building & Construction 	↑	↓	↑	↑
Electricals 				↑



Improved outlook given gradual recovery in developed markets and continued robust economic growth in China

Source: Bureau of Economic Analysis (BEA), US; Eurostat; National Bureau of Statistics, China; MOSPI, India; Industry research




High premiums supported by tightened market conditions



- Aluminum premiums have increased over time, driven by a combination of warehousing dynamics and financing deals
- The expected change in metal storage practices along with reduced waiting times at log-jammed LME registered warehouses led to a reduction in premium by c.15% in the last 2 months
 - Warehouse operators have been less keen to attract metal into their sheds given expected change in warehousing rules
- However, tightened market conditions likely to provide some level of support to premiums

Structural shift towards Aluminium to drive growth

Key decision factors for choice of metal consumption

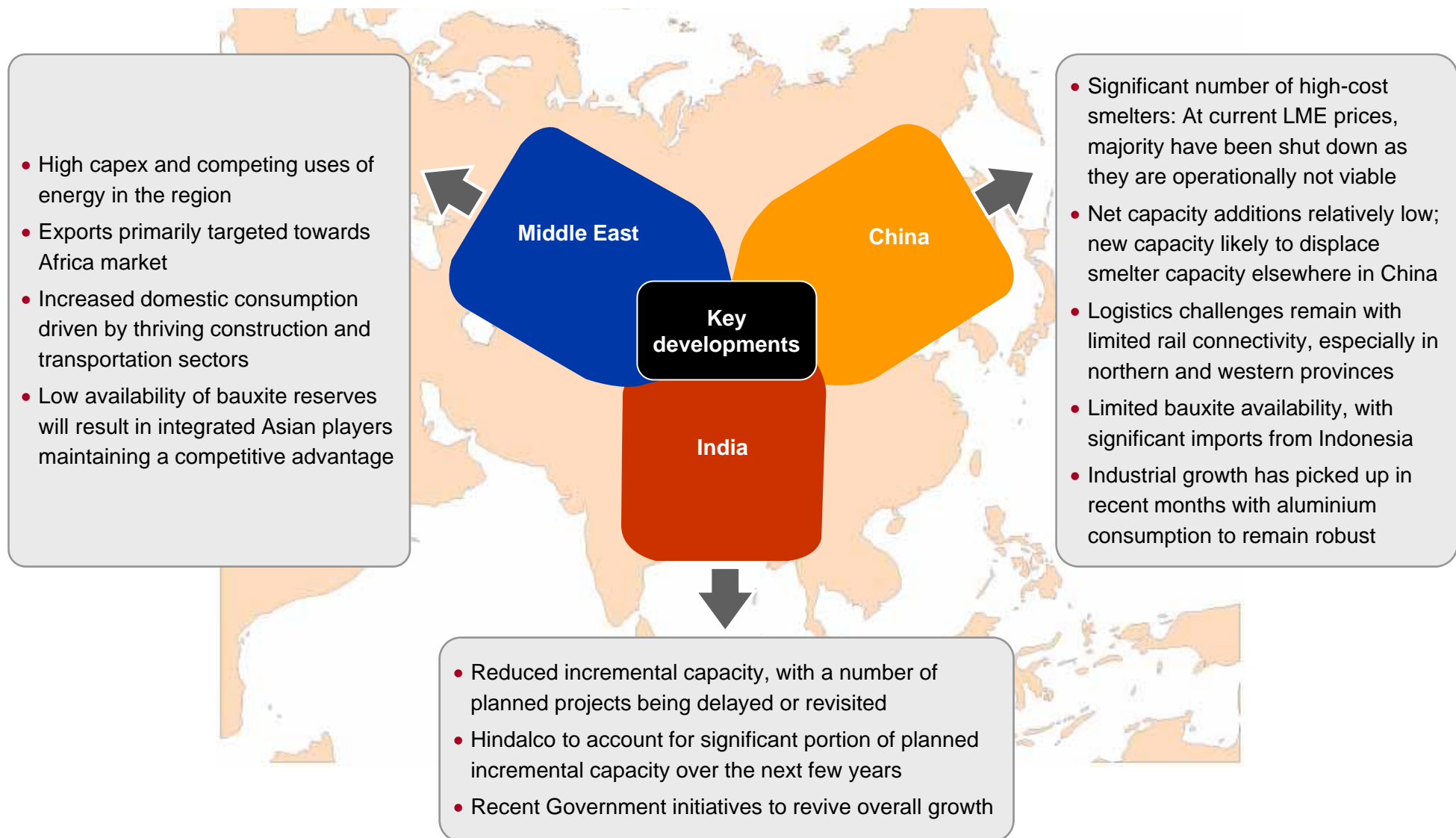
Key criteria →		Weight	Cost	Ability to recycle	Manufacturing compatibility	Heat Exchange
Automotive 	Aluminium	↑↑	-	↑	↑	↑
	Steel	-	↑↑	-	↑	-
	H.S. Steel	↑	↑	-	↑	-
	Composites	↑↑	-	-	-	-
	Magnesium	↑↑	-	↑	-	-
Can 	Aluminium	↑↑	↑	↑↑		
	Steel	-	↑↑	-		
	Plastic	↑	-	-		
	Glass	-	↑	↑		
Specialities 	Aluminium	↑↑	-	↑	↑	↑↑
	Steel	-	↑	-	↑	-
	Plastic	↑↑	↑↑	-	↑	-

Long-term CAGR (CY12-17)



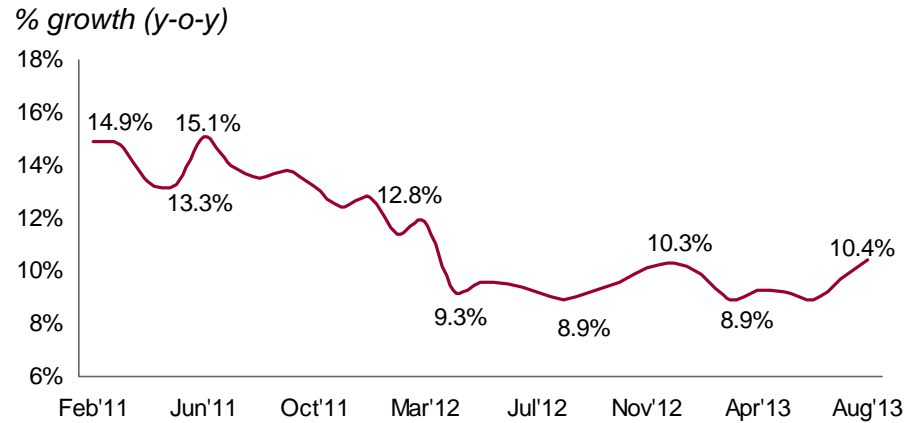
Sustainable advantages across various products leading to structural shift towards Aluminium

Key developments in Asia



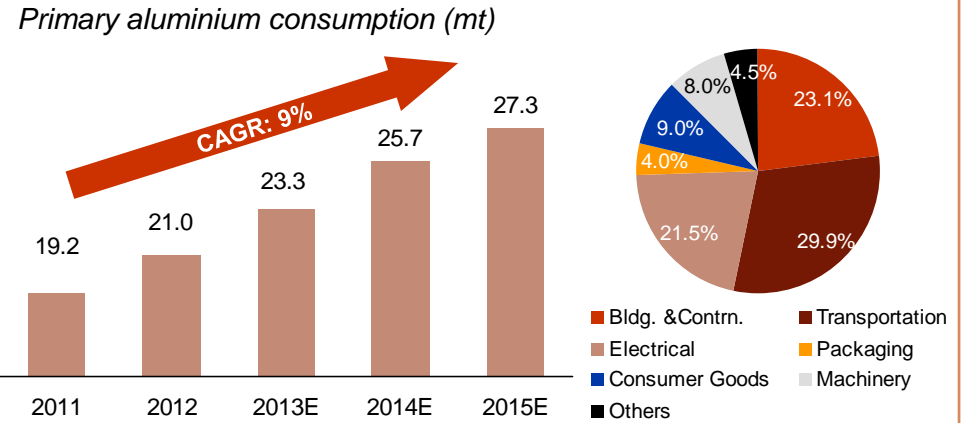
ChinaSurplus capacities...

Industrial growth has picked up in recent months



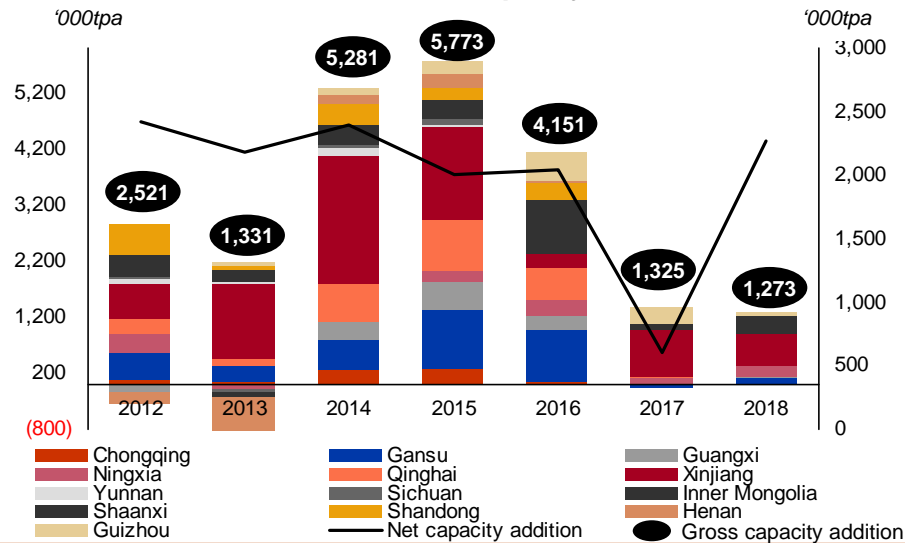
Recent initiatives including investment in railways and public housing construction have helped spur manufacturing

Domestic consumption of aluminum to remain strong



Primary consumption in China remains upbeat, increasing by c.10% in the first 6 months of 2013 (vs. corresponding period in 2012)

Expected closures to limited net capacity additions



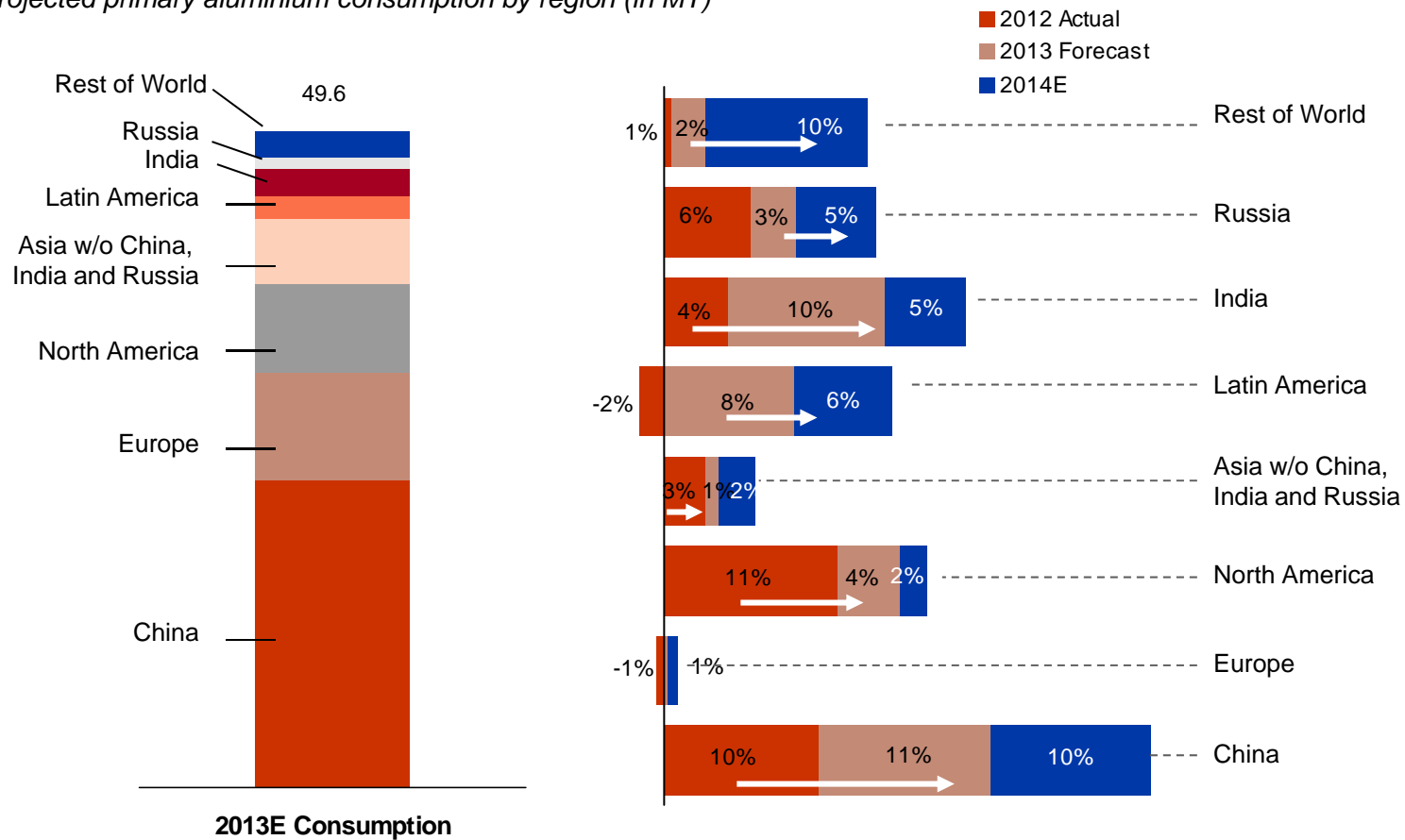
- At current LME prices, many domestic smelters not operationally viable given high cash costs
- Net capacity additions relatively low due to shutdown / replacement of higher cost smelters
 - Majority of 2013 incremental capacity to be from low cost Western China regions
 - To gradually displace smelter capacity elsewhere in China
- This combined with robust domestic demand will ensure China remains a net importer of aluminium
- Recent Renminbi appreciation to encourage imports into China

Source: National Bureau of Statistics, Industry Reports

Strong consumption outlook for aluminium

Sustained robust demand for Aluminium over the next few years, led by China

Projected primary aluminium consumption by region (in MT)



- 2012 Global demand growth rate: 6.1%
- 2013 Global demand growth rate: 6.4% (2013 ex-China: 2.7%)
- 2014 Global demand growth rate: 6.2% (2011 ex-China: 2.8%)



While China will continue to drive consumption in 2013, significant recovery in consumption in the rest of the world is expected by 2014

ME players to focus on domestic and Africa markets

Integrated players enjoy significant competitive advantage

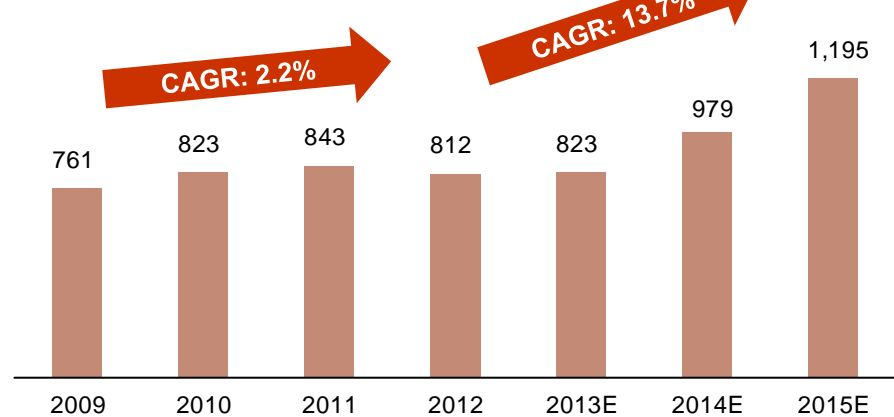
	Asian Aluminium Players	Mid-east Aluminium Players	Global Aluminium Majors	Processing Players
Raw material integration	<ul style="list-style-type: none"> Captive reserve allocation Potential for increasing resource base 	<ul style="list-style-type: none"> Low availability of bauxite reserves in an ascending alumina cost regime 	<ul style="list-style-type: none"> Integrated with ample bauxite reserves 	<ul style="list-style-type: none"> Downstream operations only
	✓	✗	✓	✗
Backward integration with power	<ul style="list-style-type: none"> High power backward integration in India Low power backward integration in China 	<ul style="list-style-type: none"> Leveraging very low cost power advantage 	<ul style="list-style-type: none"> Not backward integrated with power plants Power concessions running out 	<ul style="list-style-type: none"> Little backward integration with power plants
	✓	✓	✗	✗
Access to low cost labour	<ul style="list-style-type: none"> Low cost of labour 	<ul style="list-style-type: none"> Low cost of labour 	<ul style="list-style-type: none"> High cost of labour 	<ul style="list-style-type: none"> High cost of labour
	✓	✓	✗	✗



Asian players provide the best play across the value chain

Increased domestic consumption of aluminium to reduce exports

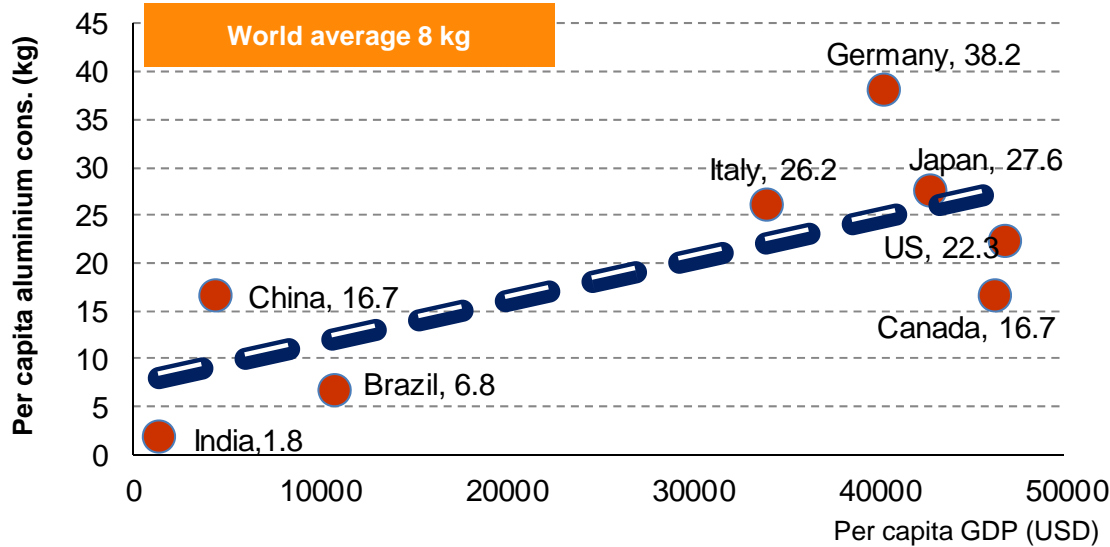
Primary aluminium consumption (kt)



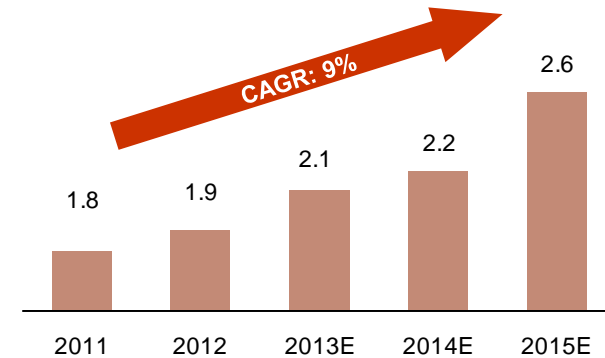
- Capacity expansion likely to be restricted given high capex requirements and competing uses of energy in the region
- Integrated Asian aluminium players to have competitive advantage given captive resources (including bauxite)
 - Majority of exports from the ME likely to be directed to Africa given proximity and relatively low local competition
 - India has 5% import duty on aluminium imports
- Increased metal absorption in the domestic market, given thriving construction and transportation sectors in the ME, together with downstream expansion in the region

India: Relatively under penetrated market for aluminium

Hindalco well positioned to capture rising consumption trends in India



Primary aluminium consumption (mt) .

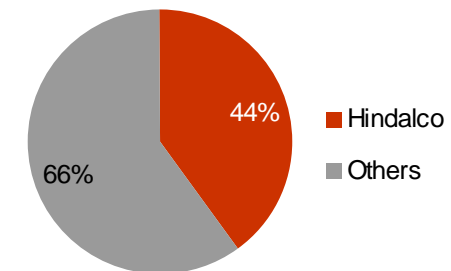


Even if India reaches half the world average by 2020, it would imply aluminium consumption of 5.5m ton – or, >2.5x the current level

Domestic players to slow down expansion

- Certain peers have reduced aluminium production in 2013 due to coal shortage and weakness in LME prices
 - Unlikely to pursue smelter expansion in the near future given declining production trends
- Hindalco has also revisited certain greenfield expansion projects
 - Aditya Alumina refinery (1,500kt) and Jharkhand smelter (359ktpa) are being re-evaluated

Incremental capacity (FY13-16)

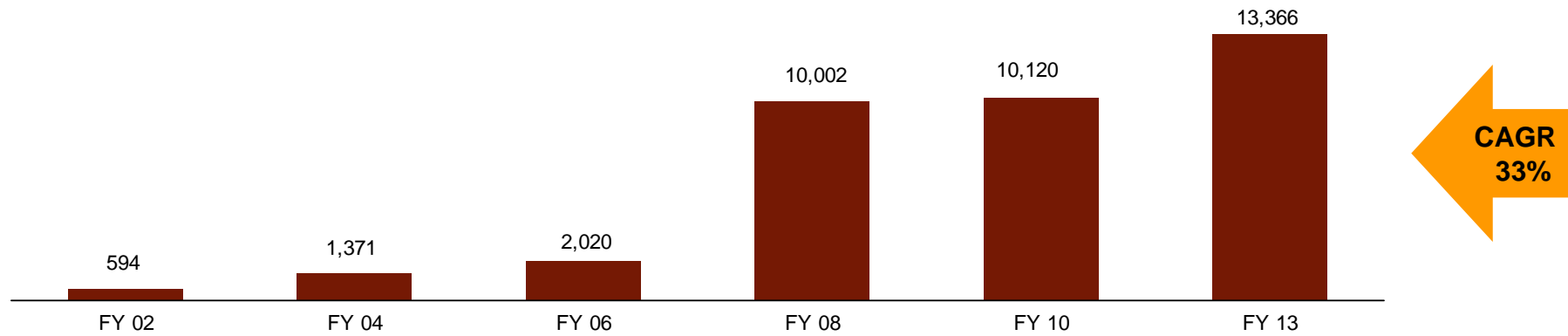


Hindalco is well positioned to benefit from demand growth

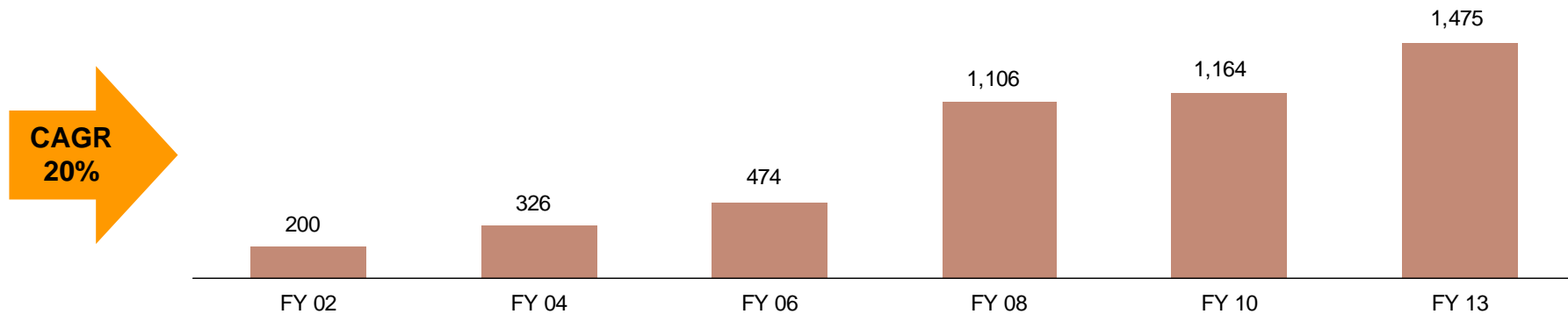
Conclusion

Hindalco's strategy has delivered so far

Consolidated Sales (US\$m)



Consolidated EBITDA (US\$m)



Continues to record strong financial performance

Note: 1 US\$ = 60 INR

Towards Sustainable Leadership

Business model

Aggressive growth in Aluminium – one of our chosen metals

Strong conversion businesses to cushion vulnerability to economic downturns

Sharp accent on value addition and cost leadership in each of the businesses

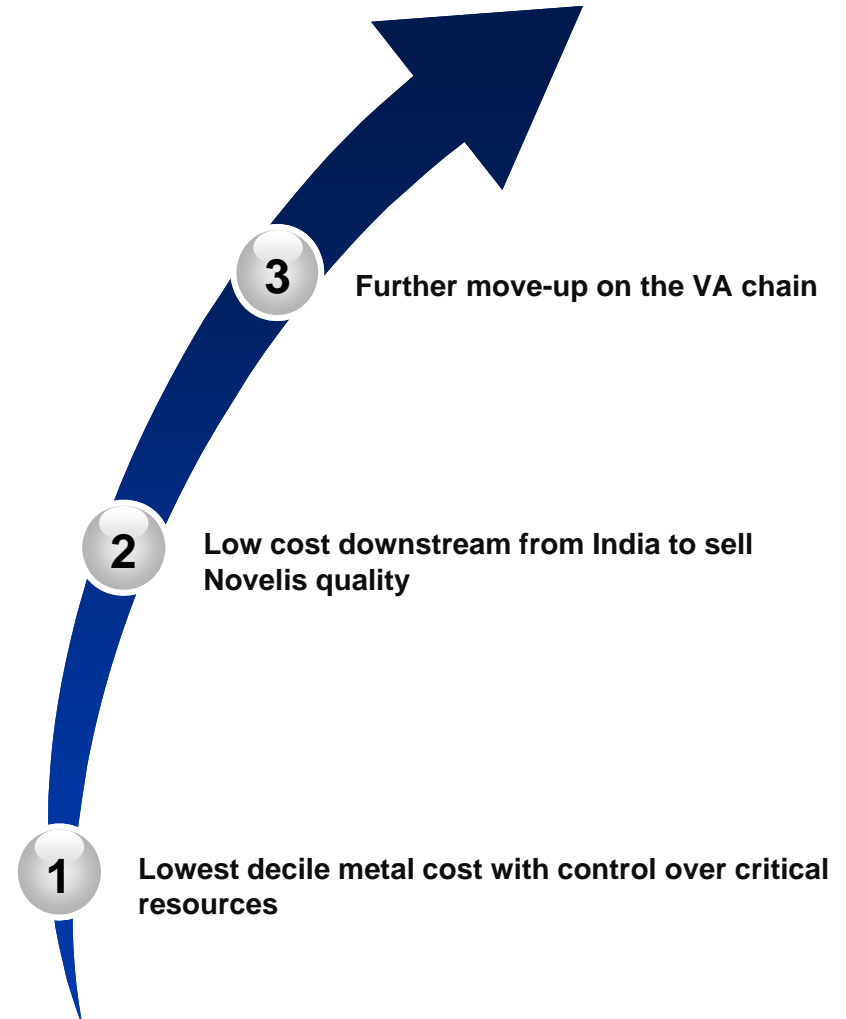
De- Risked portfolio with strong prospects

Our Goals

- Being amongst world's most valued metals companies
- Maintaining our contribution in ABG's journey to US\$65bn



Growth plans of parts fit into a virtuous whole



Seamless Global "One Metal" business

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