Hindalco

Investor Presentation

November 12, 2016

Forward Looking & Cautionary Statement

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Operational and financial review

- Aluminium (India)
- Copper
- Novelis

Economy update – Mixed signals

ADITYA BIRLA
HINDALCO

Global Economy – Uncertain Times, Easy money rules

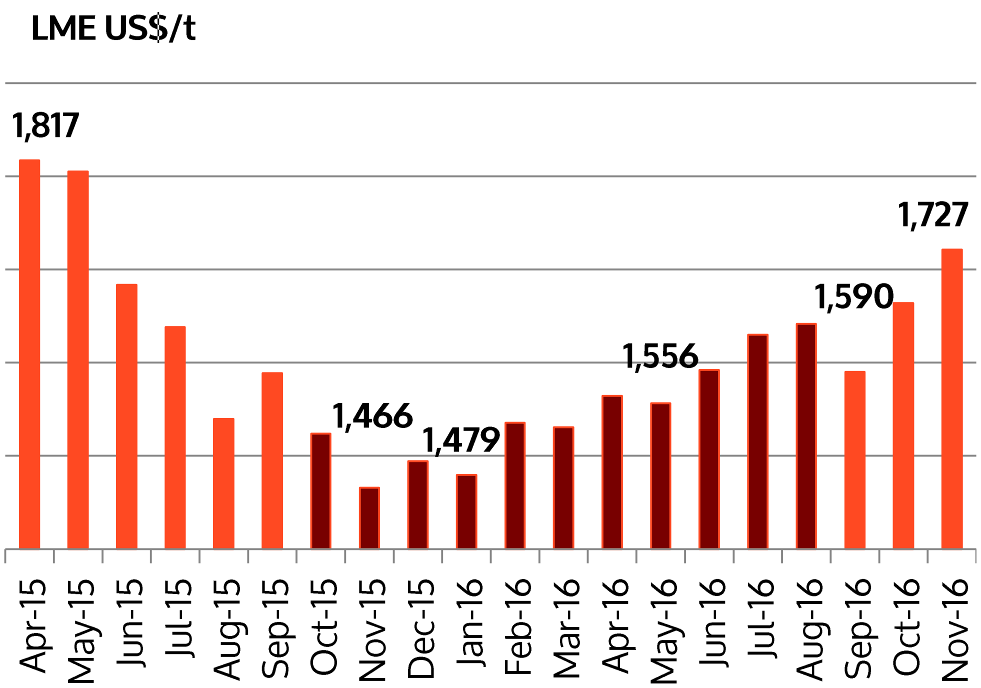
- US outlook mixed , Advance Estimates for US GDP reported an increase of 2.9% (YoY) in Q3 2016. In Q2, real GDP rose 1.4%,
- Fed interest rate hike fears resurfacing, volatility increased post Presidential election
- Europe – growth continued to remain subdued
- China – Strong growth momentum, buoyed by stimulus, doubts on sustenance of the pace of the growth

India-Growth picking up

- Buoyed sentiments following good monsoon, GST progress and Global liquidity
- Expectations of stronger H2

Aluminium industry update

IMF is bullish on base metals prices



November figures are till date average

Over 500KT of deficit is expected in 2016
Largest deficit in the decade
LME expected to be range bound

❑ Robust Demand

- Globally expected to grow at 5% in 2016
- US demand expected to gather momentum

- Chinese demand growth over 7%, driven by stimulus in construction sector and tax incentives in automobile sector

- Domestic demand is expected to gain pace post good monsoon, pick up in industrial activity and investments in electrical sector

❑ Supply – lagging for now

- In 2016 - expected to lag demand

- Over medium term however, expected to increase sharply as new Chinese capacities come on stream as restarts gather pace following sharp price recovery

Aluminium industry drivers

- Realisations were broadly stable as the impact of marginal rise in LME and supportive rupee was negated by sharp decline in local market premium

- Industry costs continued to remain depressed
  - However, both energy and alumina prices have started hardening
  - In India, sharp surge in imports continued to impact domestic players

- Coal availability improved, however, clean energy cess and monsoon related issues affected coal costs

Key macro drivers	Q2 FY17	Q2 FY16	YoY%
LME (US$ /MT)	1,620	1,589	2.0%
Premium (MJP)(US$/MT)	75	110	(31.8%)
Rs./US$	66.96	64.96	3.1%

Copper industry update and drivers

- ❑ Demand from China continues to remain lacklustre depressing the LME prices
- ❑ Mine supply continues to remain robust despite lower LME
- ❑ For Indian smelters
  - ▪TC/RC were stable
  - ▪LME lower by 10%
  - ▪Sulphuric acid prices dropped sharply
  - ▪DAP realisations lower

Key macro drivers (Q2 FY 17 vs Q2 FY 16)				
TCRC (US$c/lb)	LME (US$/MT)	Rs./US$	Acid Price (Rs./MT)	DAP Realization (Rs./MT
↔	↓	↑	↓	↓

Q2 FY17- A strong operating performance

Q2 FY 17 Highlights

Aluminium

- ❑ Aluminium EBITDA up 192% YoY on strong volumes, significant cost efficiencies achieved across operations, input prices largely supportive
- ❑ Coal security and improved power cost visibility – Locked in significant portion of annual coal requirement in recent auction at an attractive price
- ❑ All greenfield projects – Running at design capacity

Novelis

- ❑ Yet another solid quarter – Adjusted EBITDA excluding MPL at $ 270 Mn,~ $ 350/T EBITDA for 3rd consecutive quarter
- ❑ Automotive shipments up 12% YOY
- ❑ Refinanced Senior notes – will drive annual savings of $ 55 Mn in interest cost

Copper

- ❑ Highest ever cathode Production, significant operating efficiencies achieved
- ❑ Efficiency gains offset adverse impact of sharp decline in co-product realisations
- ❑ Strong EBITDA despite some headwinds, up 38% QoQ

Q2 FY 17 – Standalone highlights

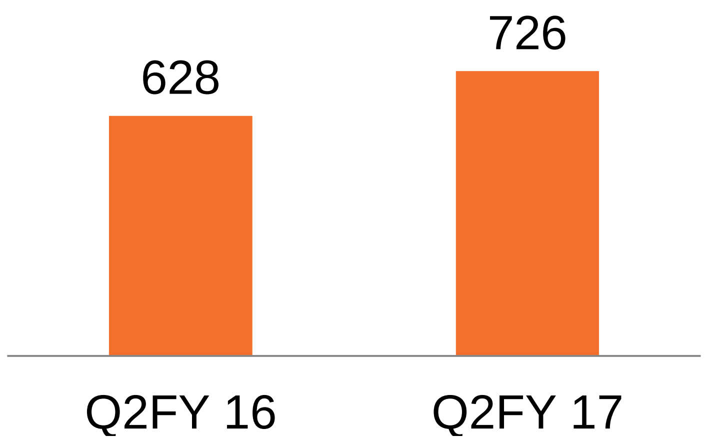
		YOY	
Net Sales	**Rs. 9,562 Cr**	Flat	❑ Sharply lower Cu realisations, negated impact of higher Al volumes
PBITDA	**Rs. 1,493 Cr**	39%	❑ Strong gains in Aluminium operations on the back of higher volumes, efficiency gains & lower input costs
Net Profit	**Rs. 440 Cr**	256 %	❑ Sharply up due to robust operational performance and marginally lower finance charges, exceptional income also boosted the profits

Robust financial performance on the back of strong volumes and supportive costs

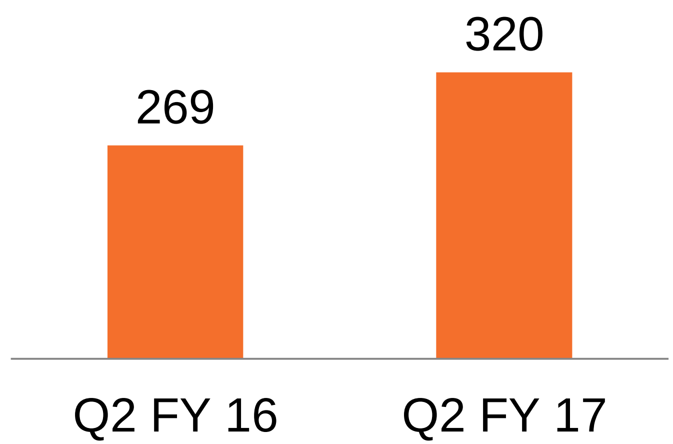
Performance review – Aluminium India

Aluminium production trend

Alumina (KT) includes Utkal



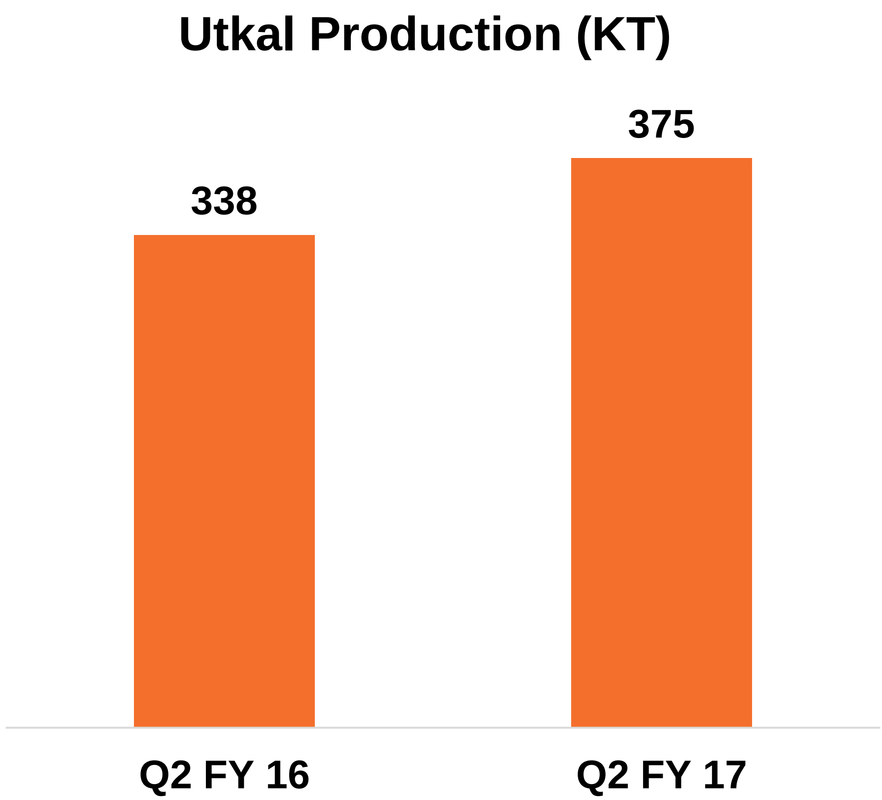
Metal (KT)



Production(KT)	Q2FY16	Q2FY17
Wire Rods	29	40
FRP	62	68
Extrusions	11	11

- ❑ Strong Production growth. Mahan and Aditya ramped up and operating at design capacities
- ❑ Efficiency gains across the plants, VAP production rising
- ❑ Significant visibility over coal availability and cost

Utkal Alumina - Update

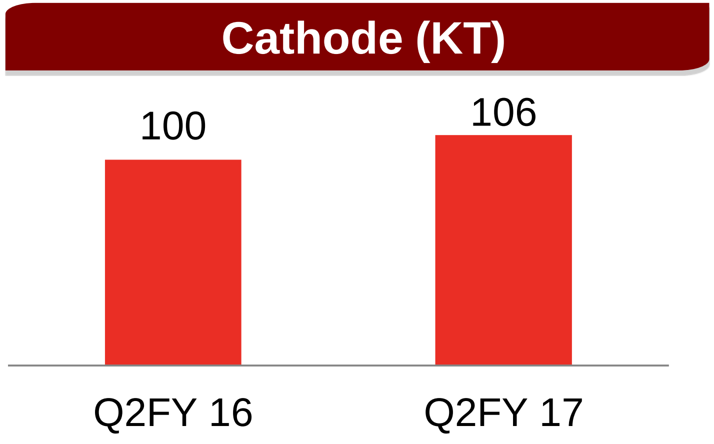


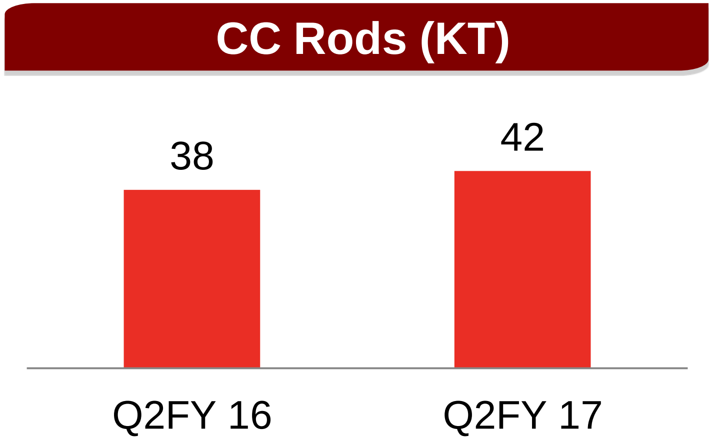
- Cash cost of Alumina amongst the lowest cost refineries of the world
- Long distance bauxite conveyor proved its mettle during monsoon

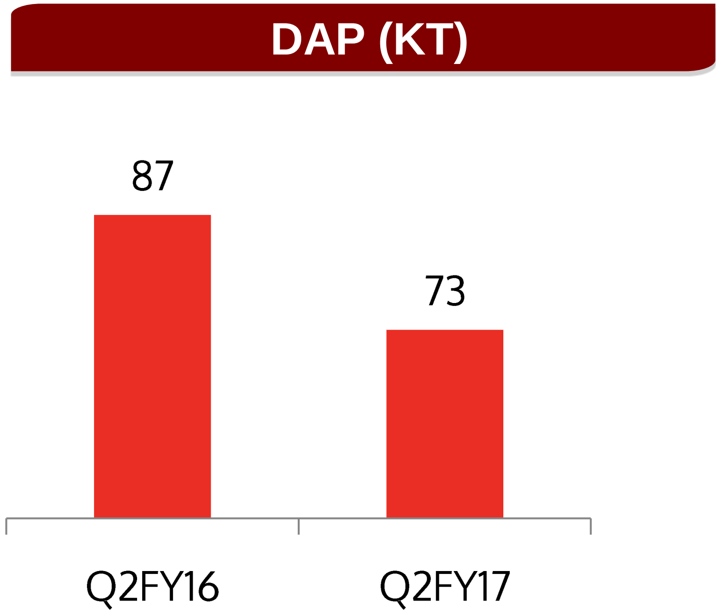
Delivered an EBITDA of Rs 170 Cr in Q2, FY17

Performance review – Copper

Copper production trends



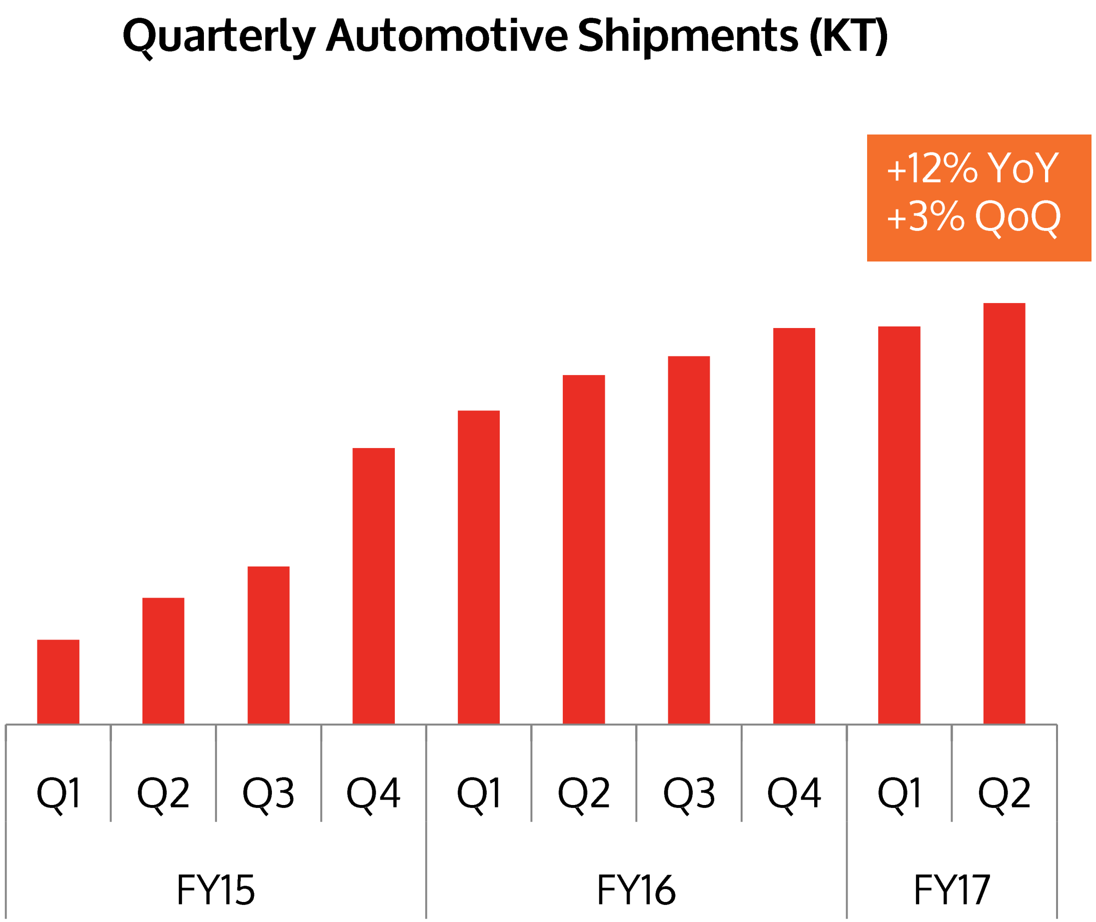




- ❑ Cathode production bounced back post maintenance shutdown in Q1 FY 17
- ❑ Sequentially production jumped 63% registering highest ever quarterly production
- ❑ CC Rods production up 12% (YoY) in line with our thrust on value addition
- ❑ DAP production lower in line with market conditions

Performance review – Novelis

Novelis highlights



- Aluminium Auto sheet demand continued to be robust but can market increasingly competitive.
- Significant cost reduction through productivity, asset utilisation and better metal mix
- Continued ramp up of automotive sheets and operational efficiencies to enhance the performance
- US$ 350/T EBITDA for third consecutive quarter

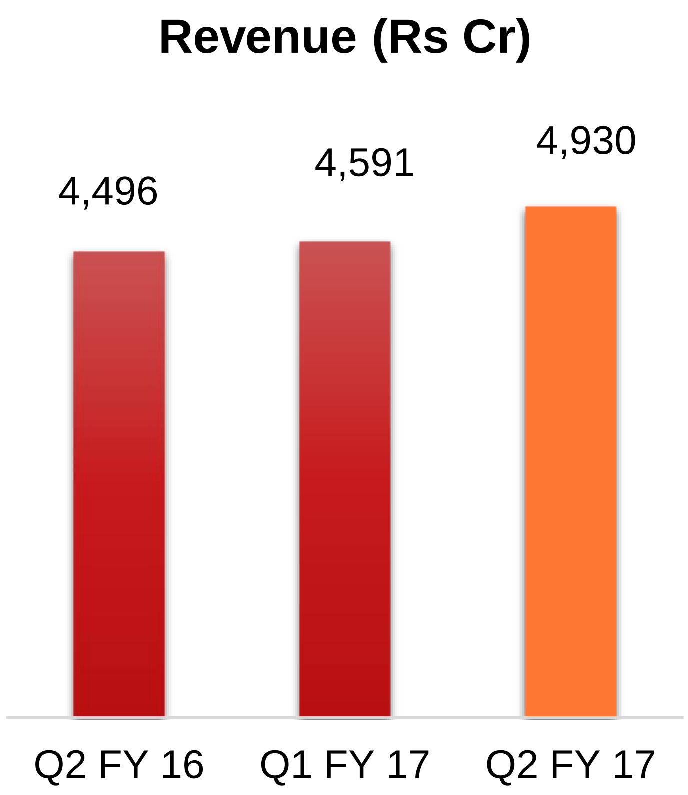
Financial performance review

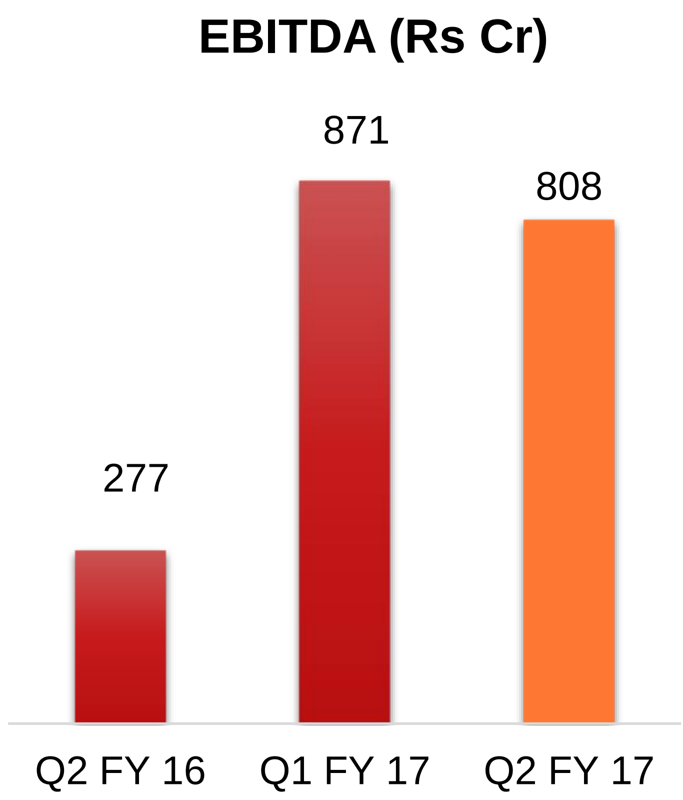
Financial highlights – Standalone

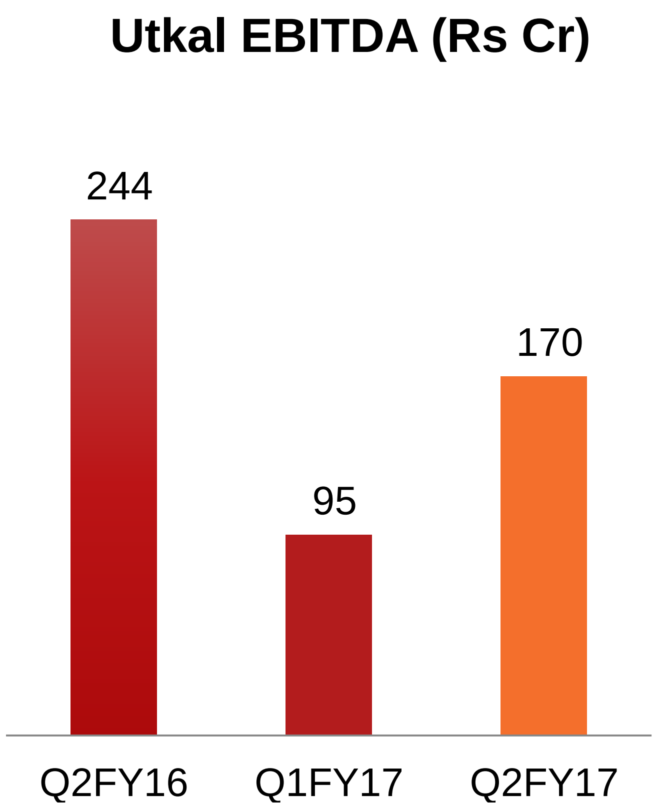
(In Rs. Cr)	Q2FY17	Q2FY16	Q1FY17	H1FY17	H1FY16
Revenue from operations	**9,562**	9,561	8,159	**17,721**	18,734
Profit before interest, tax and depreciation (PBITDA)	**1,493**	1,074	1,351	**2,844**	2079
Depreciation	**352**	299	338	**690**	630
Finance Costs	**594**	627	600	**1,194**	1231
Profit before exceptional items and tax	**547**	148	413	**960**	218
Exceptional income/(expense) – net	**85**	-	-	**85**	-
Profit before tax from continuing operations	**632**	148	413	**1045**	218
Tax expenses	**193**	24	119	**312**	33
Profit from continuing operations	**439**	124	294	**733**	185
Profit/(loss) from discontinued operations (net of tax) *	**1**	-	-	**1**	-1
Net profit	**440**	123	294	**734**	185
Basic EPS from continuing operations – Rupee	**2.14**	0.60	1.44	**3.58**	0.90

Rounded of to nearest decimal

Aluminium financial performance

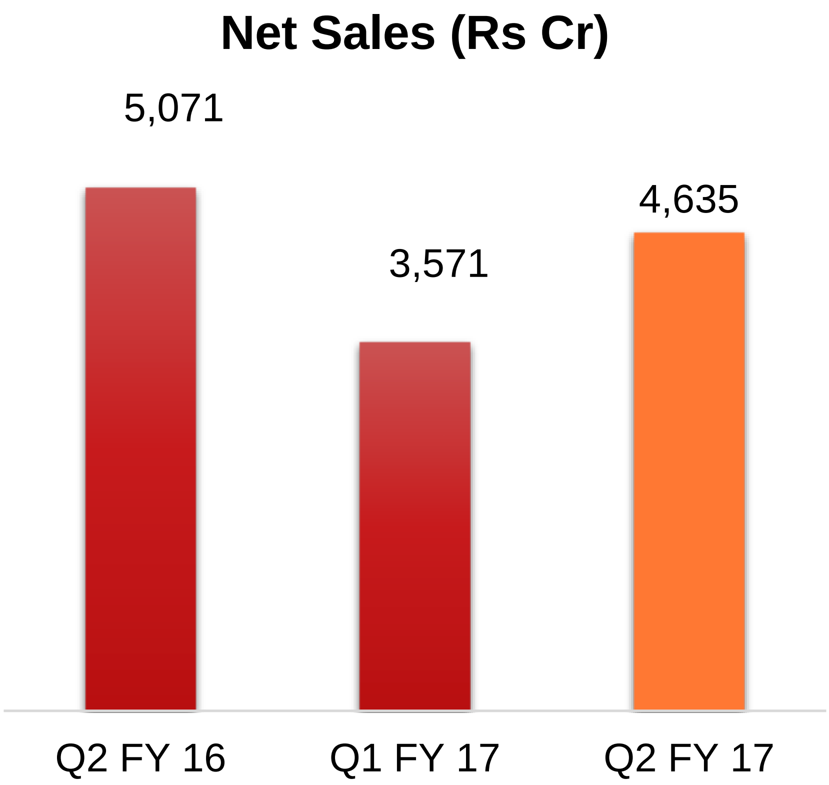


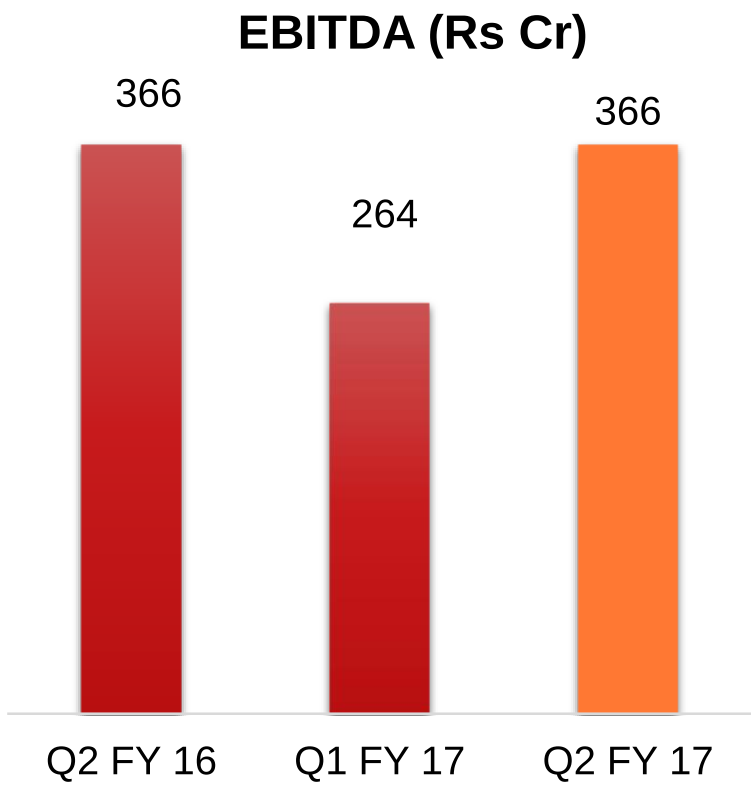




Robust operational performance on the back of efficiency gains and higher volumes

Copper financial performance

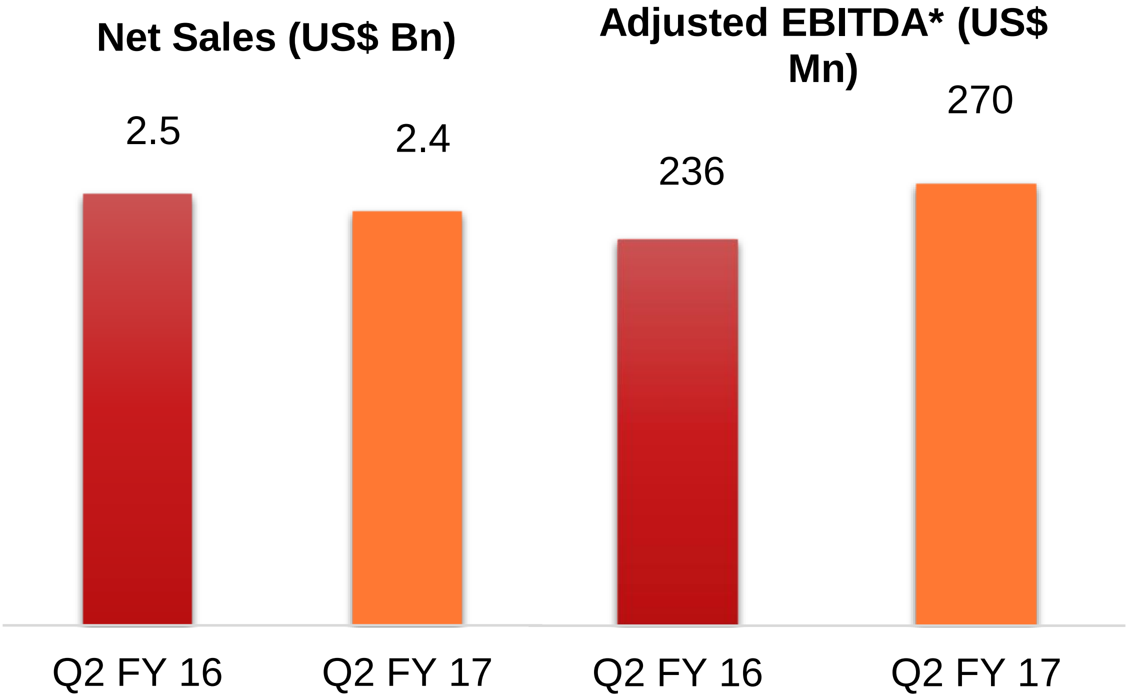




YOY – EBITDA maintained despite sharp fall in overall realisations

Sequentially – Sharp bounce back after planned maintenance shutdown

Novelis financial highlights



**** Adjusted EBITDA excluding Metal Price Lag (MPL) impact***

Completed refinancing of 2017 and 2020 bonds
Reduced interest expense by $ 55 M per year
Strong liquidity of $ 1 Bn
Expect FCF of $ 300- $ 350 Mn for FY 17

- ❑ Adjusted EBITDA excluding MPL at $ 270 Mn up 14% YOY
- ❑ MPL at negative 14 Mn sharply lower against negative $54 Mn in Q2 FY 16
- ❑ Surpassed $ 1.05 Bn EBITDA on TTM basis
- ❑ Net loss $ 89 Mn, primarily on account of $112 Mn loss on extinguishment of debt related to refinancing & $ 27 Mn loss of non core assets of Alcom
- ❑ Excluding these net income more than doubled to $ 60 Mn from $ 25 Mn

Aditya Birla Minerals - Update

ABML divestment completed in July 2016

- 1 Metals X share for every 4.5 ABML shares and A$ 0.08 cash for every ABML share – represents 32% premium based on stock prices traded on the offer date.
- The transaction yielded a gain of Rs 145 crore and is included in the Hindalco quarterly accounts as exceptional items.
- Total cash consideration received in the deal – Rs 367 crore

Key government initiatives to drive the growth

Enhanced capacities would require skilled / semi-skilled manpower

Domestic Industry would be self sufficient to meet the growing requirements

National Capital Goods Policy intends to boost manufacturing of capital goods to Rs 7.50Tn by 2025. A strong domestic sector can help in making this manufacturing ecosystem globally competitive

A project of this magnitude across 100 cities would need the support of this sector across various emerging applications (automotive, construction, power, electronics, etc)

The Solar Cities initiative plans a min.10% reduction in conventional energy demand. Aluminium and Copper key to the success of this project

Hindalco: Towards sustainable leadership

All plants at design Capacity	All plants running at full stream Significant operational efficiencies achieved
Robust Operational Performance	Third consecutive quarter of strong operating performance on the back of strong operational & efficiency gains, aided by benign energy prices Copper strong bounce back after successful maintenance shut down
Improved Coal security	Significant amount of coal secured through linkages, and captive mines Higher coal production by CIL augurs well for company
World Class Alumina	Efficient alumina operations provides significant advantage Utkal amongst the best in the world
Novelis	Continued to build momentum through focus on premium portfolio

Thank you

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